

Annual Report 2001





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THIS IS NIB

The Nordic Investment Bank (NIB) finances private and public projects, which have high priority with the Nordic countries and the borrowers. NIB finances projects both within and outside the Nordic countries.

NIB is a multilateral financial institution owned by the five Nordic countries. The Bank operates in accordance with commercially sound banking principles. The member countries appoint representatives to the Bank's Board of Directors and to its Control Committee.

The Bank's operations are controlled by an agreement between the Nordic countries as well as the Statutes connected with this agreement.

NIB offers its clients long-term loans and guarantees on competitive market terms. NIB acquires the funds to finance its lending by borrowing on the international capital markets. NIB's bonds enjoy the highest possible credit rating, AAA/Aaa, with the leading rating agencies Standard & Poor's and Moody's.

NIB has its headquarters in Helsinki and offices in Copenhagen, Oslo, Reykjavík, Stockholm and Singapore. The Bank has approximately 140 employees, recruited from all the five Nordic countries.

NIB'S FINANCING POSSIBILITIES

NIB finances investment projects and project export which are of mutual interest for the Nordic countries, and for the borrower. High priority is given to investments which improve the economic cooperation in the Nordic countries. Loans and guarantees are granted to finance investments that assure energy supply, improve infrastructure or support research and development. High priority is also given to projects which improve the environment in the Nordic countries and their neighbouring areas. NIB participates in the financing of foreign investments

which provide employment in the Nordic countries. NIB finances various international projects in emerging markets as well as within the OECD area. The Bank grants loans to projects that support economic development in the Nordic countries' neighbouring areas as well as to investments of mutual interest for the Nordic countries and the borrowing country in various parts of the world.

In addition to loans, NIB also issues guarantees for projects that meet the Bank's conditions.

NORDIC LOANS

Investment loans

NIB offers medium- and long-term investment loans with maturities of 5 to 15 years. The loans are granted in various currencies at fixed or floating market-based interest rates, for up to half of the project's total cost.

NIB finances projects in:

- the manufacturing sector, including investments in facilities and machinery,
- infrastructure, including transportation, telecommunications, energy, water supply, sewerage and waste management,
- environmental improvement, both in the private and the public sector,
- research and development,
- cross-border investments, such as mergers and corporate acquisitions,
- foreign investments in the Nordic countries.

Regional loans

Regional loans are granted to national, regional credit institutions for the further development of business in priority regions.

INTERNATIONAL LOANS

The core of NIB's international lending operations consists of project investment loans. These are long-term loans—up to

20 years—for projects in emerging markets in Asia, the Middle East, Central and Eastern Europe, Latin America as well as Africa.

Project investment loans are usually granted on a sovereign basis but may also be granted without a government guarantee, particularly to private sector infrastructure investments. The loans are granted for up to half of the project's total cost. Project investment loans can be utilised to finance all types of project costs, including local costs. The loans are granted at market-based interest rates in a currency preferred by the customer. Project investment loans have been granted for projects in more than 40 countries. NIB can also provide loans to Nordic companies' investments, including joint ventures and corporate acquisitions, within the OECD area and in the Baltic countries.

THE NEIGHBOURING AREAS

NIB gives priority to the financing of public and private infrastructure and industrial investments in the neighbouring areas to the Nordic region. Further, NIB participates in the financing of projects in the Baltic countries through investment loans to companies which are investing in the Baltic countries.

NIB is authorised to grant special environmental investment loans to public and private sector environmental projects in the neighbouring areas to the Nordic region, i.e. to Poland, the Kaliningrad area, Estonia, Latvia, Lithuania and northwest Russia (St. Petersburg, the Leningrad area, the Karelian Republic and the Barents region). The projects are to help in reducing environmental degradation, and thereby also in reducing cross-border pollution. The environmental investment loans are granted on the basis of commercial banking terms to governments, governmental authorities, institutions and companies.

Key figures (in EUR million)

	2001	2000
Net interest income	147	143
Core earnings	130	128
Profit	131	130
Loans disbursed	1,661	1,101
Guarantees issued	25	3
Loan agreements	1,795	1,026
Loans outstanding	10,067	9,288
Guarantees outstanding	33	33
New debt issues	2,099	1,865
Debts evidenced by certificates	12,298	11,326
Net liquidity	2,641	2,913
Total assets	15,024	13,850
Equity/total assets (%)	9.6	9.6
Number of employees	137	129

The year 2001 in brief

- good, stable results, profit EUR 131 million, net interest income EUR 147 million
- dividend to NIB's owners for 2001 EUR 39 million
- new lending increased strongly, amounting to EUR 1,661 million
- high quality of loan portfolio sustained
- ordinary lending capacity increased from EUR 10,000 million to slightly over EUR 12,000 million
- increased lending to investments in the energy sector in all the Nordic countries
- focus on environmental investment loans in the neighbouring areas to the Nordic countries
- Northern Dimension Environmental Partnership established together with the European Commission and other international financial institutions

MISSION AND STRATEGY

MISSION

The Nordic Investment Bank was established as the Nordic countries' joint international financial institution in order to strengthen and develop Nordic cooperation further. Its primary purpose is to promote the growth of the Nordic economies by means of long-term financing of projects in the private as well as the public sectors.

Loans and guarantees are granted on commercial banking terms within and outside the Nordic countries for projects, which are of mutual interest for the Nordic countries, and for the borrower country. The Bank operates on the basis of sound banking principles, and strives to create added value for its clients by providing loans which supplement other financing sources. At the same time, NIB's mandate is to achieve an adequate and stable return on the capital the owners have invested in the Bank.

Within the Nordic countries, NIB participates in the financing of cross-border investments as well as industrial projects which affect more than one Nordic country. The Bank participates in the financing of projects which improve infrastructure in the Nordic countries, secure energy supplies, or support specific research and development. Priority is given to projects which improve the environment.

In the emerging markets outside the Nordic countries, the Bank finances projects of mutual interest for the borrower countries and the Nordic countries. The Baltic Sea and Barents Sea regions are priority areas for the Bank's operations. The bank grants loans to projects which support economic development in the areas adjacent to the Nordic region, particularly environmental improvement projects. Within the framework of the Nordic finance group in Helsinki, NIB strives to develop further the group's joint financing competence.

STRATEGY

NIB endeavours to fulfil the goals of its owners and to meet the needs of its clients, in accordance with its mission statement, by:

- Acting as a catalyst for Nordic industrial cooperation by financing new investments, infrastructure projects and structural improvements, particularly cross-border investments;
- Participating in the financing of foreign direct investment in the Nordic countries and of Nordic companies' investments outside the Nordic countries;
- Participating, in its capacity as a multi-lateral financial institution, in the financing of projects in the emerging markets outside the Nordic countries thus pro-

moting the globalisation of Nordic industry, and thereby fostering cooperation between companies in the developing and transition countries and Nordic companies;

- Contributing with financing to the economic transformation and development in the areas adjacent to the Nordic region;
- Playing an important role in the financing of environmental improvement investments in the Nordic countries and in the Baltic Sea and Barents Sea regions;
- Cooperating with and supplementing other Nordic or international lenders. The financing of small and medium-sized companies' investments is an important focal point of this cooperation;
- Developing the expertise of its staff and fostering competence generally within the Bank's areas of operations;
- Striving to maintain the highest possible credit rating in order to be able to supplement other Nordic lending institutions with long-term loans on favourable terms. For this purpose, which is central to the Bank's operational concept, the Bank aims to be at the cutting edge in terms of financial risk management and cost effectiveness.

PRESIDENT'S STATEMENT

During 2001 the Nordic Investment Bank continued its work of promoting sustainable economic development in the Nordic countries and its neighbouring areas through long-term financing of cross-border investments, infrastructure and environmental projects.

In accordance with the strategy adopted in 1998, the Bank has aimed for closely controlled and well balanced growth in its lending. The policy has been and remains to direct lending towards the projects where the value added by the Bank's financial participation is greatest. This has meant a higher rate of growth in lending outside the Nordic area than inside it. Loan disbursements in 2001 totalled EUR 1,661 million, more than in any year thus far.

The steady rate of profit characterising the Bank's operations for many years continued in 2001. The profit for 2001 was EUR 131 million, as against EUR 130 million for the previous year. These figures are not directly comparable, however, since the Bank has used a new accounting standard for 2001, the IAS 39, which has the effect of reducing recorded profits for the year by EUR 2.7 million. Implementation of IAS 39 has also had the effect of increasing total assets by 4.8%. At year-end 2001, total assets amounted to EUR 15,024 million, of which equity stands for EUR 1,440 million. The return on equity for 2001 was 9.5% according to the new accounting standard but would have been 9.7% by earlier accounting methods. This return is 4.6% higher than the five-year euro rate in swap contracts, which can be used as a risk-free benchmark. By this yardstick, the profit for the year is fully in line with the Bank's good performance ever since the mid-1990s. The quality of the Bank's loan portfolios and its financial assets remains very good on the whole, despite the global economic downturn during 2001.

The Bank's Board of Directors has proposed a dividend of EUR 39 million to the Bank's owners, the Nordic countries, for fiscal 2001, corresponding to 9.7% of paid-in capital. The Bank aims to achieve a reasonable return on the capital committed to it by the owners and to promote their priorities by means of targeted lending activities. It is worth noting that NIB alone, among the international financial institutions of which the Nordic countries are members, pays its owners an annual dividend.

The Bank follows a flexible and innovative borrowing strategy in the international capital markets. This strategy has been successful, thanks to the Bank's standing as a multilateral borrower with a AAA/Aaa credit rating. The aim is to provide projects which the Bank finances with competitive finance, while at the same time meeting investors' need of secure, attractive investment opportunities.

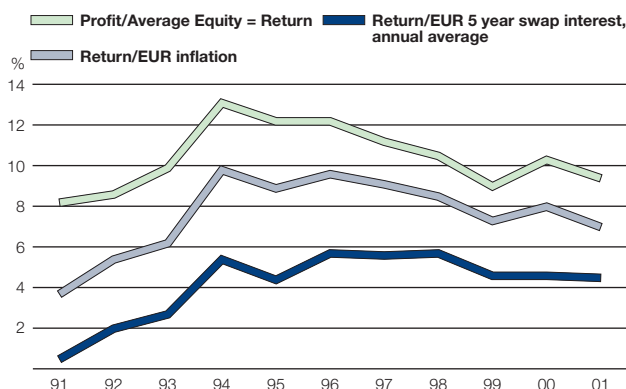
During the year the Bank continued to strengthen and develop the framework for its administration of financial activities and risk management. The methods of risk management combine traditional limit management and use of benchmarks with model-based monitoring of portfolio risk. This dual procedure applies to the management of both market risk and credit risk. The aim is always to use best-practice methods of risk measurement and risk management as a basis for sound credit and investment decisions.

It is of great importance for the Bank's standing in capital markets that internationally accepted accounting standards are applied to its annual accounts. Since 1994, accordingly, NIB has drawn up its annual accounts in compliance with International Accounting Standards (IAS). These standards, now also to be included in the Directives of the European Union, have increasingly gained ground internationally in the last few years. Recent events in the capital markets underline the need for generally accepted accounting rules and for compliance with them. The International Accounting Standards are constantly being developed, and in the year 2001 the IAS 39 standard was introduced, incorporating new accounting principles for financial instruments.

The main rule of this new standard is for financial instruments to be recorded in the annual accounts at fair value. Where NIB is concerned, implementation of IAS 39 has above all entailed a change in the treatment of derivative contracts, which play an important part in the Bank's operations. Derivative contracts are now entered in the Balance Sheet at fair value. IAS 39 also affects the Balance Sheet total. Under the new standard, most items on the Balance Sheet's liabilities side can be recorded at fair value. The items on the assets side, however—particularly the Bank's stock of loans—are primarily recorded at historical cost, as has been done in the past. This asymmetry—as well as the actual process of market valuation—inevitably introduces a predisposition to volatility in the Bank's Profit and Loss Account and Balance Sheet. NIB's hedging policy counteracts this volatility. Indeed, the Bank's hedging policy did reduce this volatility in 2001. However, the exceptional drop in interest rates during the year nonetheless had a certain negative effect on profits, as mentioned above. On the other hand, if interest rates were to rise sharply just before the accounts are drawn up in future years, this could result in a positive, unrealised effect on profits. In the long run, therefore, it is important for NIB and other multilateral financial institutions to make certain that the treatment of financial instruments according to IAS becomes more consistent and symmetrical than it is at present as regards the implementation of fair value.

NIB celebrated its 25th anniversary in spring 2001. At the annual meeting convened on that occasion, addresses were given by the Prime Minister of Finland, who was also then Chairman of the

RETURN ON AVERAGE EQUITY 1991–2001
Adjusted for inflation and long-term interest benchmark



Nordic Council of Ministers, and, on behalf of the owners, by the five Nordic Ministers of Finance and Economy. All the Ministers stressed the importance of NIB's active participation in the financing of environmental projects in general and of urgent environmental projects in the neighbouring areas in particular. They all considered this to be an important sphere for NIB's future activities.

In accordance with the Nordic countries' policies, NIB's participation in financing environmental projects in the neighbouring areas has been given high priority. The Bank has also been able to act as coordinator of bilateral and multilateral assistance for environmental projects in the neighbouring regions, thanks to its good network of contact there. In order to be able to continue this work effectively, the Bank has submitted a proposal to its owners to raise the ceiling on environmental loans to the neighbouring areas (MIL) from EUR 100 million to EUR 300 million, with guarantees from the owners.

The need to raise the environmental lending ceiling is primarily connected with carrying out particularly important environmental investments in St. Petersburg, Kaliningrad, the Murmansk region on the Kola Peninsula, and other parts of northwest Russia. There are large, unsolved environmental problems in this part of the neighbouring areas, in the form of air and water pollution caused by harmful emissions from industry and households, as well as accumulated radioactive waste from nuclear reactors.

In consultation with Sweden during its presidency of the European Union, NIB, together with the EBRD, took the initiative at the beginning of 2001 in forming the Northern Dimension Environmental Partnership (NDEP). The purpose is to coordinate, streamline and reinforce the financing of important environmental projects with cross-border effects in transitional countries within the Northern Dimension Area, above all, initially, in northwest Russia. The aim of the NDEP is to achieve an efficient combination of grant funding with credit finance for environmental projects. A pledging conference to mobilise grant funding for a NDEP support fund is planned for the spring of 2002, under the chairmanship of the European Commission and Russia. In preparation for that conference, a preliminary list has been drawn up of concrete environmental projects which the NDEP could finance during the coming three to

five years. The total amount that could be invested in these potential projects is in the order of EUR 2 billion.

During 2001, at the request of the owners, a thorough review was conducted of the Bank's mission and strategy. This resulted in the identification of a number of processes of change which are under way and which will have an important bearing on the Bank's future activities:

- the European integration process and its expansion eastwards
- increasing emphasis on the environmental aspects of investment activities
- privatisation of infrastructure and industry
- globalisation of business
- cross-border liberalisation of capital markets and a growing number of company acquisitions and mergers across national boundaries.

These trends mean, above all, that the Bank's activities will have to be made still more outward-oriented in future, in order to accomplish its main purpose of promoting sustainable economic development in the Nordic area and the neighbouring regions.

To begin with, the main focus of attention will be on the neighbouring areas to the east. NIB's activities in the three Baltic countries have developed in a positive way. During the year NIB began lending operations in the Baltic area under the Bank's ordinary lending facility. This became possible as a result of the Baltic countries' economic progress and improved creditworthiness during the last few years, as well as their importance as a new home market for Nordic companies.

NIB's activities in Russia are for the present limited to the environmental arena, but other sectors may also come into the picture over the longer term. It is interesting to note that Russia and the Baltic countries achieved a higher growth rate in 2001 than other European countries, and have better growth prospects for 2002.

Summing up, the review of the Bank's mission and strategy resulted in an emphasis of the importance of operations outside the Nordic countries, and with particular focus on infrastructure and the environment, both within and outside the Nordic countries. At the same time, the importance is underlined of financing SME investments. Both of these aspects point towards continuation of the course the Bank has followed in the last four years, with a 6.5% average annual increase in the Nordic lending portfolio and a 17.5% average annual increase in lending outside



the Nordic area. The owners' representatives, the Nordic Ministers of Finance and Economy, have given their general support to NIB's strategic orientation along these lines. Their support is also clearly apparent from their decision in October 2001 to broaden the base for the Bank's leverage of its capital with accumulated profits. This has the effect of increasing the Bank's ordinary lending ceiling from EUR 10 billion to just over EUR 12 billion.

The Bank is at present preparing a proposal to raise the lending ceiling for Project Investment Loans outside the Nordic countries (PIL), with unchanged guarantees from the owners. NIB has had good experiences with this lending facility in support of Nordic project exports. The Bank has not sustained any losses under PIL, and it is considered to be a valuable facility both by Nordic industry as well as the countries that have received project loans. The fact that the PIL facility has been utilised for two decades without any losses, the high credit quality of the PIL portfolio, and NIB's status as a preferred multilateral creditor, should be grounds for raising the PIL lending ceiling.

The Bank has achieved a strong financial position and good performance thanks to its competent and dedicated personnel. Strengthened by the support of its owners, and with increased lending capacity, NIB will be targeting its lending in the years to come to projects where it can provide the highest value added.

Helsinki, March 2002

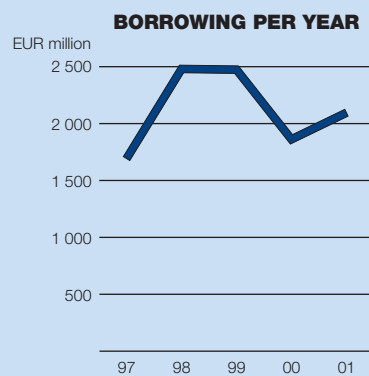
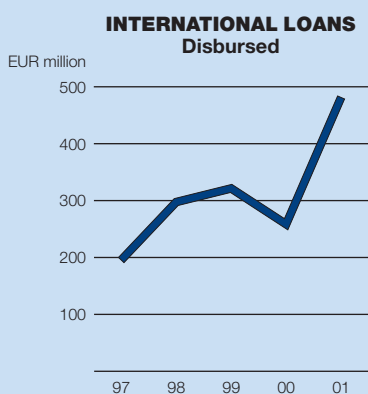
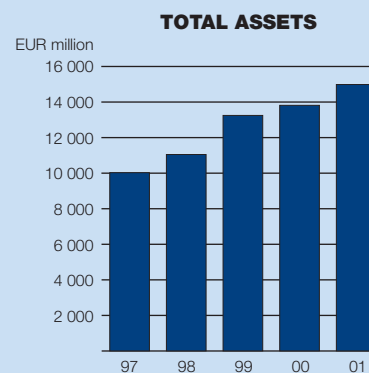
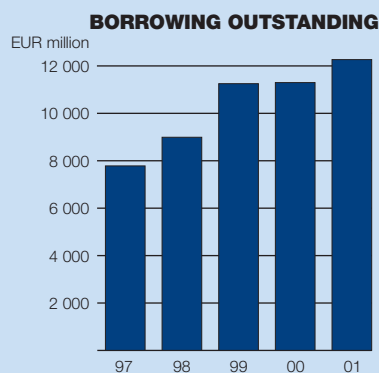
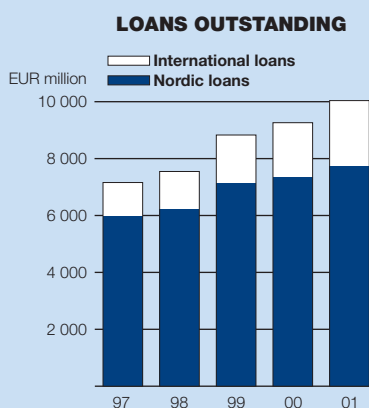
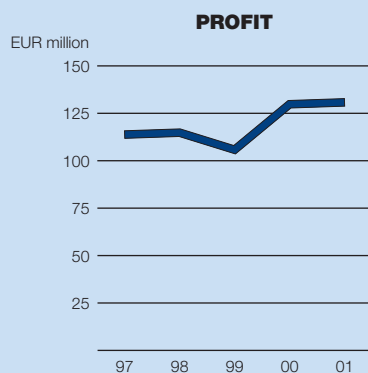
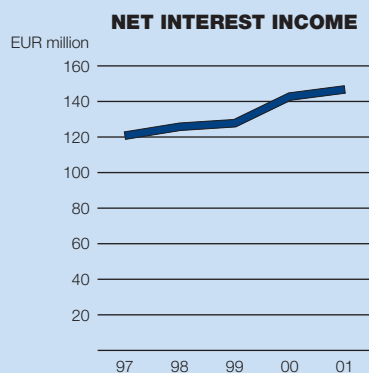
Jón Sigurðsson

FIVE-YEAR COMPARISON (IN EUR MILLION)

	2001	2000	1999	1998	1997
PROFIT AND LOSS ACCOUNT ¹⁾					
Net interest income	147	143	128	126	121
Commission income and expenses etc.	7	6	4	4	4
General administrative expenses, depreciation and write-down	-23	-20	-17	-16	-17
Core earnings ²⁾	130	128	115	113	109
Adjustments to fair value in trading portfolio	3	4	-7	3	-
Provisions for possible losses on loans	-	-2	-2	-1	6
Adjustments according to IAS 39	-3	-	-	-	-
Profit for the year	131	130	106	115	114
BALANCE SHEET ¹⁾					
Assets					
Cash and balances with banks, placements and debt securities	3,725	3,921	3,744	2,947	2,349
Loans outstanding	10,036	9,288	8,854	7,568	7,179
Value adjustments according to IAS 39	31	-	-	-	-
Intangible and tangible assets	37	41	44	45	43
Accrued interests and other assets	750	600	638	516	481
Value adjustments according to IAS 39	444	-	-	-	-
Total assets	15,024	13,850	13,281	11,077	10,052
Liabilities and equity					
Amounts owed to credit institutions	254	228	228	286	213
Debts evidenced by certificates	11,616	11,326	11,280	9,014	7,802
Value adjustments according to IAS 39	682	-	-	-	-
Accrued interests and other liabilities	1,245	970	552	638	978
Value adjustments according to IAS 39	-214	-	-	-	-
Authorised and subscribed capital	4,000	4,000	4,000	2,809	2,809
Callable capital	3,596	3,606	3,616	2,504	2,504
Paid-in capital	404	394	384	304	304
Statutory reserve	554	531	469	519	468
Credit risk reserve, loan loss reserve (PIL)	425	360	332	281	252
HIPC initiative reserve	4	2	-	-	-
Appropriation to dividend payment	39	39	35	35	35
Other value adjustments according to IAS 39	14	-	-	-	-
Total liabilities and equity	15,024	13,850	13,281	11,077	10,052
ACTIVITIES					
Disbursements of					
Nordic loans	1,179	842	1,000	1,046	1,430
International loans	482	259	322	298	196
Total	1,661	1,101	1,322	1,344	1,626
Issued guarantees					
Nordic guarantees	25	-	-	8	4
International guarantees	-	3	-	1	19
Total	25	3	-	9	23
Outstanding at year-end ¹⁾					
Nordic loans	7,723	7,357	7,141	6,222	5,970
International loans	2,312	1,931	1,713	1,346	1,209
Value adjustments according to IAS 39	31	-	-	-	-
Total	10,067	9,288	8,854	7,568	7,179
Guarantee commitments at year-end					
Nordic guarantees	33	8	9	9	9
International guarantees	-	25	22	20	21
Total	33	33	31	29	30
Annual new debts evidenced by certificates (including capitalisations)					
	2,099	1,865	2,478	2,484	1,696
Number of staff (at year-end)					
	137	129	131	123	120

1) The book closing figures of 2001 are not comparable to the ones of earlier book closings due to adjustments made according to IAS 39.

2) Core earnings consist of the profit before adjustments made according to IAS 39, fair value adjustments made to the trading portfolio and provisions made for possible loan losses and reversals of these.

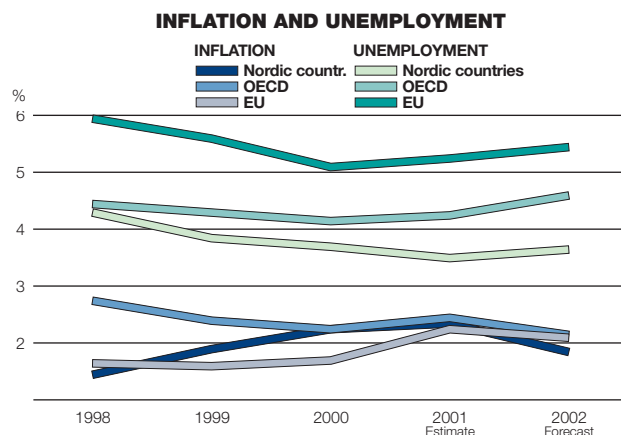
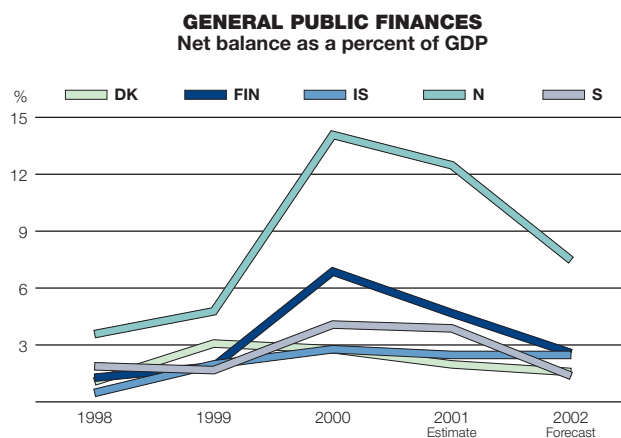
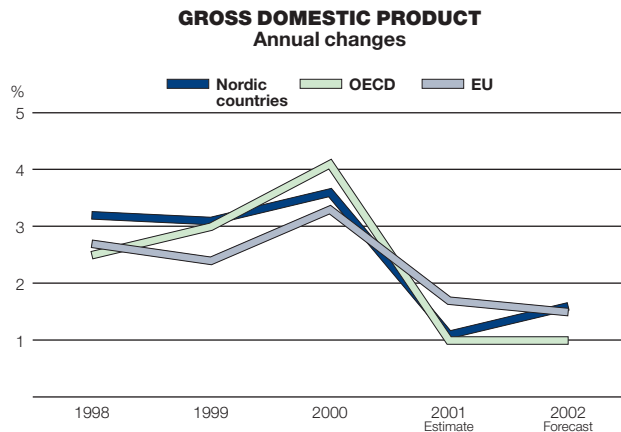


THE NORDIC ECONOMY

The prudent economic policy pursued by the Nordic countries during the second half of the 1990s laid the foundations for strong GDP growth up to and including 2000. But the Nordic economies could not escape the effects of the rapid deceleration of the international economy during

the past year. Internationally, growth is expected to remain slow for at least the first half of 2002, and if a recovery does set in towards the end of the year, it is expected to be moderate in the beginning. Thanks to the firm economic base established by the Nordic countries over a long

period of economic upturn, the current decline in business activity is expected to be both brief and less profound in the Nordic area than in several other industrialised countries. GDP growth in the Nordic area during 2002 is expected to average just under 2%, which is slightly up on 2001 and exceeds the growth anticipated in the EU area and the OECD countries.



STEADY GROWTH

By tradition, economic growth in the Nordic area is founded on steady growth in exports and domestic consumption. The rapid plunge in world trade during 2001 caused a setback for Nordic exports. Domestic consumption, on the other hand, continued to show relatively steady growth, whereas investment growth during 2001 was weak. Housing investments are still growing far more rapidly than investments in industry.

The international downturn, which began in late 2000 in the USA and spread to most economic regions during 2001, is expected to persist for the beginning of 2002. The world trade recession hit very hard the Asian economies producing components for the electronic industry. The Latin American countries, strongly dependent as they are on trade with the USA, were also rapidly affected. Leading forecasting institutes agree that the events of September 11 probably led to a distinct shift in the turnaround of the cycle by half a year, to the second half of 2002.

ECONOMIC POLICY

The common, overarching aim of economic policy in the Nordic countries is to achieve good, steady economic growth in the long term, coupled with high employment and price stability. Healthy government finance is a basic prerequisite for achieving these targets. All five Nordic countries have been able to maintain surpluses in their government finances during the late 1990s and the beginning of the 21st century, while at the same time reducing their public debt. The Nordic area finds itself in an appreciably stronger financial position than the EU and the OECD, but the decline in economic activity will put a strain on public

finances, resulting, it is assumed, in a renewed, though slight, reduction of public budget surpluses.

The employment situation in the Nordic area has improved over the past five years. Finland is the only country in the Nordic area where unemployment remains high. The current cyclic situation, however, may also have negative effects on the employment situation in the other countries. The Nordic inflation rate rose during 2000, owing to high crude oil prices and rising food prices. The deceleration of economic activity in the Nordic area during 2001 was also favourable to price movements. Average inflation in the Nordic countries was about 2.7% in 2001 as against 2.5% in 2000. A continuing low inflation rate is anticipated for 2002, as a result of slow economic growth and, consequently, reduced inflationary pressure on prices.

NORDIC INTEGRATION

Economic integration in the Nordic countries has continued to increase. A large proportion of cross-border direct invest-

ments in the Nordic area during recent years have involved the finance and insurance sector, but industrial investments have also played an important part, with the expansion of Nordic cross-border industrial cooperation. Growth in the volume of new direct investments has been considerable in the past few years. EU cooperation, globalisation of industry and, above all, similarity of infrastructure are judged to be the main factors behind the growth of inter-Nordic direct investments. One important development for Nordic industry has been the possibility of establishment in the Baltic countries and Russia. There is a growing Nordic presence in the Baltic countries, and Nordic investments there are likely to continue. But as the largest privatisations have now been concluded, the volume of growth in Baltic direct investment is not expected to be as great as at the end of the 1990s. Due to the slow economic development of Russia during the 1990s, Nordic direct investments there remained comparatively small.

ECONOMIC DEVELOPMENT IN THE NORDIC AREA

During 2001, after a seven-year period when GDP growth averaged more than 3.5% annually, the Nordic countries experienced a rapidly declining growth rate. Average GDP growth in the Nordic area seems to have remained at just over 1% for 2001. This low GDP growth has above all been due to the very slow growth of exports from all the Nordic countries. Signs of an international downturn were already visible at the beginning of 2001, and the export industry postponed many investment decisions. Gross investments in the Nordic area, on average, are down on 2000. Finland alone showed continuing good growth in this respect for 2001.

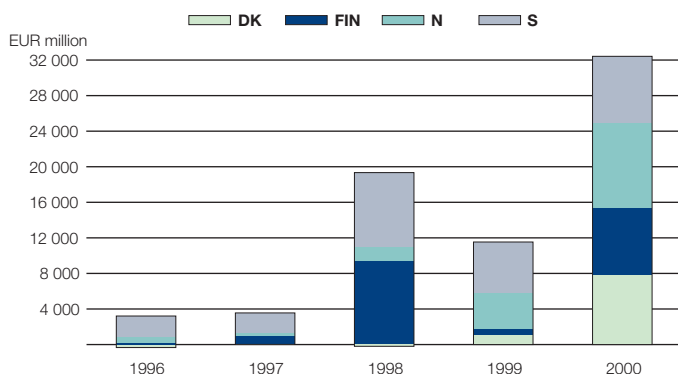
Employment in the Nordic area has successively improved since the beginning of the 1990s, when the unemployment rate was very high. Finland is still burdened by an unemployment rate of more than 9%. In Denmark the unemployment rate has steadied at an acceptable level of just over 5%. In Iceland, unemployment is judged to have fallen below 1.5%. In Norway, expansive economic policy has resulted in an unemployment rate of about 3.5%, while Sweden has succeeded in reducing its unemployment to about 4%. Inflation has been somewhat higher than targeted, with Nordic averages of about 2.5% for 2000 and about 2.7% for 2001. Inflation was affected by rising food prices and relatively high oil prices during 2000 and the beginning of 2001.

The long-term interest rates of the Nordic currencies remained relatively stable, but all Nordic currencies sustained a decline in interest rates during the first six months of the year, followed, however, by a resurgence. Interest levels in 2002 are expected to remain more or less on the opening level for the year, but if the expected economic growth turnaround becomes distinct, interest rates are expected to follow suit.

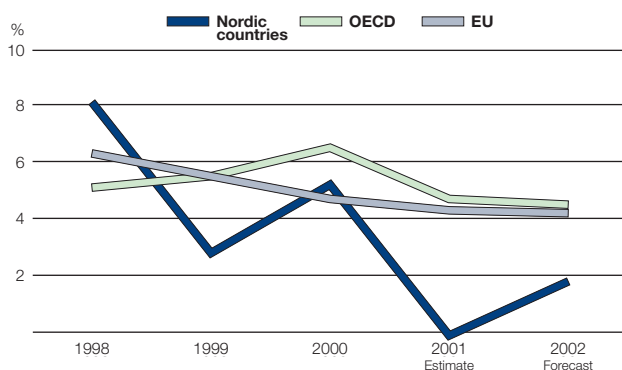
INVESTMENTS GROWING IN DENMARK

Diminishing cyclical prospects during 2001 led to a noticeable reduction in export and investment growth in Denmark. GDP growth is judged to have remained at 1%, with exports rising 1.4% and domestic demand remaining unchanged. For 2002, GDP growth is expected to increase by 1.4%, due above all to rising domestic

INTRA-NORDIC CROSS-BORDER INVESTMENTS
Net flows to individual countries from other Nordic countries



GROSS FIXED INVESTMENTS
Annual changes



demand. Gross investments in Denmark grew by about 11% during 2000, mainly under the influence of repairs following a severe hurricane. The investment rate declined noticeably during 2001, with the volume of reduction being about 1%. It is expected to recover during 2002, with gross investments rising by about 3%.

SLOW GROWTH IN FINLAND

Following an intense rise in exports and industrial output during 2000, growth in Finland came to a sudden standstill in 2001, with GDP growth remaining at about 0.7%. Export growth (18% in 2000) fell by 0.7%, and the growth of domestic consumption reached only about 1.5% during 2001. Gross investments grew by about 2.1% in 2001, due mainly to many big investment projects having started before the international downturn was a fact. Gross investments are expected to fall by almost 1% during 2002, with domestic consumption rising by about 2%. Exports are expected to rise by just over 1% in 2002 and total GDP growth for the year is forecast at only 1.6%.

SLOWDOWN IN ECONOMIC ACTIVITY IN ICELAND

Following five years of good economic growth in Iceland, averaging more than 4% annually, the growth rate rapidly declined in 2001. GDP is expected to remain at about 1.5% for the year as a whole. The slow pace of economic development in Iceland is above all due to a distinct drop in domestic demand. The Icelandic krona was considerably weakened during the year, which in turn adversely affected the growth of consumption and investments. The low exchange

rate benefits exports, which showed satisfactory growth for 2001. Gross investments in Iceland fell by about 6.5% during the year, while exports rose by about 4%. The forecasts for 2002 are affected by the continuing weakness of the Icelandic krona and by the internationally prevailing downturn. A further decline in domestic demand is expected during 2002, with gross investments falling steeply, by about 12%, due mainly to the elimination of several big industrial investments. Iceland's GDP is expected to decrease by about 0.5% during 2002.

FOREIGN TRADE STRENGTHENING THE NORWEGIAN ECONOMY

Norway's economic growth for 2001 was about 1 percentage point down on 2000, due mainly to poor development in both industry and the service sector, both of which helped to limit GDP growth in mainland Norway to an estimated 1% for 2001. The off-shore and shipping industries showed better economic growth, but here as well, performance was down on the previous year. The main factor contributing to the deceleration of growth was a heavy recession in investments. Gross investments fell by nearly 6% during 2001. The economic growth rate is expected to show a slight recovery for 2002. Exports are expected to grow faster than in recent years, while import growth is expected to be down on the preceding year. Meanwhile, industrial investments are expected to increase again in mainland Norway. The off-shore sector, on the other hand, shows a declining investment rate. Norwegian GDP growth is forecast at about 2.3% for 2002.

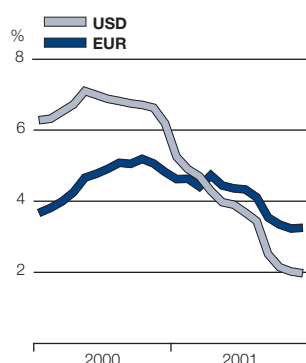
INVESTMENTS STRENGTHENING THE SWEDISH ECONOMY

Sweden's exports were adversely affected by the international economic downturn. Although domestic consumption and gross investments showed relatively good growth for 2001, the decline in exports pulled down Sweden's total economic growth to about 1%, which is the lowest the country has had for eight years. Gross investments rose by just over 4% during 2001, due above all to rapid growth in housing investments. Business investments showed a somewhat lower growth rate for 2001 than for 2000. With the international level of economic activity persistently low, at least for the first half of 2002, Sweden's economic growth is expected to remain below the five-year average. GDP growth is forecast at 2.4% for 2002. The growth rate is expected to rely above all on a recovery in gross investments, but foreign trade is also expected to contribute towards a satisfactory economic growth rate.

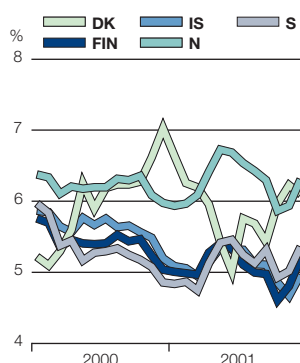
INTERNATIONAL ECONOMIC GROWTH REMAINS LOW

The international downturn during 2001 became more marked than had been expected. The exceptionally long period of rapid growth in the USA had finally created growth expectations that could not be fulfilled in the long run. The bubble that had been built up around the high-tech industry, both in the USA and in other parts of the world, burst at the beginning of 2001. Profit warnings from several companies led to a rapid loss of investor confidence in the future profit growth of high technology. At the same time, high energy prices reduced the possibilities of households maintaining a high

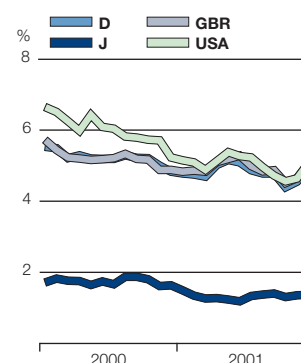
6 MONTH USD AND EUR RATES



**NORDIC INTEREST RATES
10 year government bonds**



**INTERNATIONAL INTEREST RATES
10 year government bonds**



level of consumption.

Private consumption fell parallel to a decline in industrial output. This resulted in an unexpectedly rapid fall in new investments. Industrial output growth in the USA stagnated during 2001, and this has clearly had an impact on international economic growth. GDP growth in the USA is estimated to have remained at 1% for 2001. Meanwhile the European economies were hit by the downturn, and GDP in the EU countries is assessed to have grown by only about 1.7% in 2001.

Where the major industrialised countries were concerned, Japan still had big problems in contending with its domestic economy, and GDP is assumed to have declined by some 0.4% during 2001. The other main industrialised Asian economies—Hong Kong, Taiwan and Singapore—also went into recession during 2001. Among the emerging economies, the Latin American countries have shown slow development, due mainly to events in the USA. GDP growth in Latin America is estimated to have averaged about 1%. Of the other emerging markets, Asia experienced an average growth rate of 5.6% and Africa 3.5%. The Eastern European economies on the whole showed satisfactory economic growth for 2001, headed by the Baltic countries and Russia, each with a GDP growth exceeding 4%.

Capital markets in 2001 were also marked by the global downturn in economic growth. The US Federal Reserve lowered the federal funds rate by 4.75%, from 6.5% to 1.75%, during the year. As a result of uncertainty in the capital market, investments in more creditworthy bonds increased and long-term rates were reduced in both the USA and Europe. The

long-term rates increased again, however, towards the end of 2001. The European Central Bank maintained a more moderate line in its monetary control, reducing the short-term euro rate by 1.5%, from 4.75% to 3.25%, during the year. The long-term euro rates rose slightly during the year.

UPTURN EXPECTED IN 2002

The slow economic growth rate in the USA is expected to persist for at least the first half of 2002. At the same time, the subdued pace of economic development is expected to continue in Asia, Europe and Latin America, and no clear economic motive force is currently visible in these regions. Although the transition economies of Eastern Europe are expected to have good economic growth during 2002, this growth region will still not be equal to shouldering the task of being an engine for wider international economic growth. There are no clear indications at present of a possible turnaround in the cyclical trends, but some signals have been visible in the American economy, which may imply that an acceleration of economic growth is to be expected towards the end of 2002.

On the strength of the anticipated upturn in world trade, GDP growth in the Nordic area is expected to average about 2% in 2002, while the forecast for the EU and OECD area points to GDP growth rates of 1.5% and 1.0% respectively. The acceleration of growth can be expected to occur during the second half of the year and is above all expected to stem from a rise in domestic consumption, but the contribution of exports to economic growth is also expected to increase eventually.

The current downturn and the low

level of economic activity in the Nordic area can also delay the growth of employment during 2002. On the other hand, the calmer pace of economic activity during 2002 is expected to put added restraints on the region's inflation, which is expected to average about 1.7%. The satisfactory prospects for the Nordic countries are conditional on their ability to maintain the same prudent line of economic policy as they have been following for the past five to eight years.

Even though the global economy is going through a phase of slow growth, the situation is expected to improve relatively quickly. The successful industrial sector of the Nordic countries should find itself in an ideal position for further commitment to new investments calculated to improve its competitive capacity in international markets.

The main source material for this text comprises economic development reports by the Ministries of Finance of the Nordic countries, data from the Nordic central banks and central statistical offices, and reports from the OECD Paris and from international forecasting institutes.



From the top:
Saxifraga aizoides
Caltha palustris
Pedicularis lapponica
Viola biflora
Arnica angustifolia subsp. *alpina*

FUNDING AND PORTFOLIO MANAGEMENT

LONG- AND MEDIUM-TERM BORROWING

Through its borrowing strategy, NIB attempts to meet bond investors' need for assets of the highest creditworthiness and simultaneously offer flexibility as to choice of currency, borrowing structures and maturities. The currency distribution of the Bank's funding operations before swaps therefore varies from year to year. The Bank continually tries to improve its ability to meet bond investors' needs in both established and new capital markets. The year 2001 was noteworthy in that demand for NIB's bonds continued to be high in both the GBP and the JPY markets. In addition, the Bank succeeded in carrying out borrowing operations in the Swedish market after a hiatus of several years.

The Bank's borrowing operations during fiscal 2001 amounted to a total of EUR 2,099 million (2000: 1,865), and the amount of borrowings outstanding at the end of the year amounted to EUR 12,298 million (11,326). NIB carried out 46 (45) borrowing transactions distributed over 9 (7) different currencies in fiscal 2001.

European currencies

Borrowings in European currencies constituted 53% of the Bank's total borrowings in fiscal 2001.

NIB launched six bond issues in British pounds for a total of GBP 446 million, corresponding to EUR 722 million. Taken together, the transactions constituted 34% of the Bank's borrowings in 2001, and the British pound was thus the most important borrowing currency for the year, as it was in the year 2000. The transactions were carried out in various maturity segments in order to fulfil the demand of institutional investors.

In the Swedish market, the Bank carried out a benchmark borrowing transaction of SEK 3 billion, corresponding to EUR 326 million, with a five-year maturity. The transaction represented the first large bond issue by a multilateral institution in the Swedish market for several years, and the first NIB transaction in this market since 1998. By launching this issue, the Bank has met bond investors' demand for securities denominated in Swedish

kronor, both within and outside the Nordic countries. The transaction constituted 16% of the Bank's borrowing operations for 2001.

The Bank also issued a bond denominated in Norwegian kroner, in the amount of NOK 400 million, corresponding to EUR 50 million, and executed one euro borrowing transaction amounting to EUR 20 million.

Asian currencies

Borrowings in the Asian capital markets represented a total of 35% of NIB's new borrowing volume for 2001.

The Japanese capital market has continued to be an important financing source for NIB. During the year, 27 Japanese yen transactions were executed, corresponding to EUR 399 million. The borrowing in Japanese yen accounted for 19% of the year's new borrowing volume. As in the past, most of the transactions consisted of borrowings with long maturities, but with the possibility of early redemption of the bonds after a few years.

Two borrowing transactions were carried out in Taiwanese dollars, totalling TWD 8.5 billion, corresponding to EUR 269 million. The role of the Hong Kong dollar as a borrowing currency declined in 2001: only three borrowing transactions were carried out, with a total value of EUR 53 million, compared with eight transactions with a value of EUR 334 million in the year 2000.

US dollar

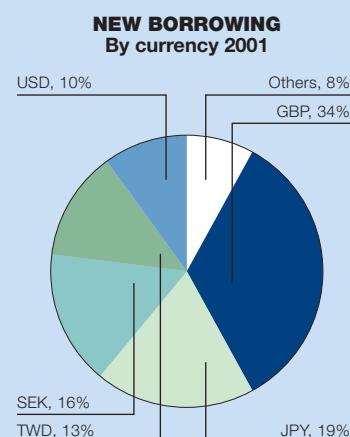
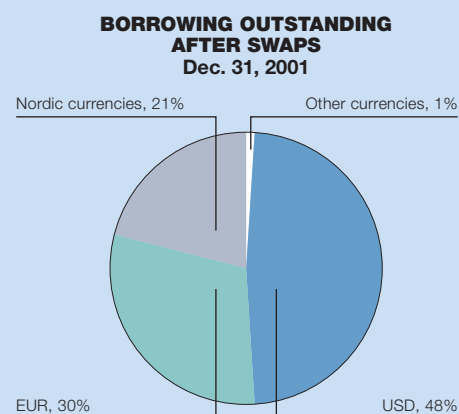
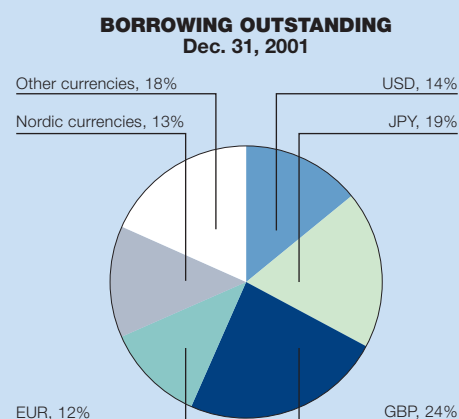
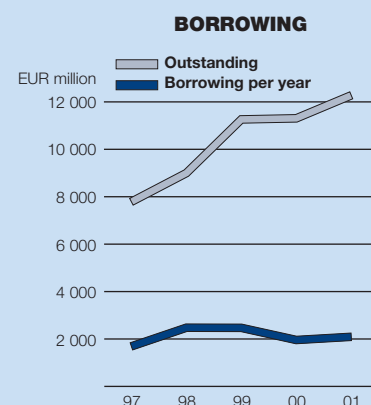
In 2001 NIB carried out four US dollar transactions for a total of USD 206 million, which corresponded to 10% of the amount of NIB's borrowing for the year.

Other currencies

One bond issue in South African rands was launched in 2001, for ZAR 100 million corresponding to EUR 14 million.

Currency distribution of NIB's outstanding borrowings

The proportion of Japanese yen in NIB's total outstanding borrowings declined in 2001, from 21% to 19%. The share of the Nordic currencies remained unchanged at



Segment information and currency distribution in this section are presented exclusive of LAS 39 value adjustments.

13%. The share of the US dollar rose from 13% to 14%, while the share of the British pound rose from 17% to 24% and the share of the euro declined from 18% to 12%. At year end, the other currencies' share in borrowings outstanding remains unchanged at 18%. The Bank has borrowings outstanding in 17 different currencies.

Currency distribution after swaps

As an important part of its funding strategy, NIB uses the swap market to a considerable extent to effectively transform its borrowings to the currency, maturity and interest rate type which match the Bank's lending operations.

The after-swap distribution of new borrowings in year 2001 was as follows: US dollar 80%, euro 2%, and Nordic currencies 18%. Of the Nordic currencies, Swedish kronor account for 16% and Norwegian kroner for 2%. The reason for the high after-swap percentage of the US dollar is that the dollar swap market has been the most advantageous for the Bank's new bond issues. At a later date, the Bank entered into swap transactions with reliable counterparties to swap some of these dollars into other currencies to meet the needs of the Bank's clients.

The after-swap distribution of total borrowings at year-end 2001 was as follows: US dollar 48%, Nordic currencies 21%, euro 30% and other currencies 1%.

Maturity profile of new borrowings

The table set forth below shows the maturity profile of NIB's new borrowings in the years 2001 and 2000. Most of NIB's new borrowing transactions in 2001 had maturities of either less than 5 years or more than 10 years. The average maturity for borrowing transactions in 2001 was 10.3 years,

compared with 8.6 years in the year 2000.

Structured transactions

Some bond investors prefer to enter into structured borrowing transactions in which the interest rate and repayment can be tied to developments in, for example, interest rates, exchange rates or share indexes. NIB's purpose in entering into such transactions is to satisfy bond investors' demand for flexibility, including this type of tailor-made transaction. The Bank uses swap transactions to cover the market risk involved in the structure of this type of borrowing. NIB has a well-trained staff and highly developed risk management processes which enable the Bank to handle these transactions in a secure manner.

As in the year 2000, NIB used this type of structured transaction to meet a relatively large proportion of its financing needs for 2001. Japanese investors in particular show large demand for this type of transaction. In 2001, structured transactions accounted for 37% of the year's financing operations, compared with 35% in the year 2000.

Bond repurchases

The Bank has taken a positive attitude towards negotiating for the repurchase or restructuring of its outstanding bonds. In year 2001, NIB repurchased bonds in the amount of EUR 272 million, compared with EUR 187 million in the year 2000. The largest operation during the year was the repurchase of Swedish kronor bonds, totalling SEK 1.5 billion and corresponding to EUR 154 million, which had been issued under the Bank's Swedish medium-term note programme.

Borrowing programmes

In 1992, the Bank established a medium-term note programme in euro for its borrowings in the Euromarket. At year-end,

this programme had a ceiling of EUR 10,000 million, which was raised to EUR 15,000 million in February 2002. In fiscal 2001, 44 transactions were carried out under the programme, for a total amount of EUR 1,830 million, compared with 44 transactions totalling EUR 1,846 million in the year 2000. At year-end 2001, the Bank had EUR 8,676 million in borrowings outstanding under this programme.

In 1999, the Bank established a medium-term note programme in the Australian market as part of its strategy to diversify its borrowings. The size of the programme is AUD 2,000 million. No notes have been issued thus far under this programme.

In 1996, a medium-term note programme was established on the Swedish capital market. The programme is in the amount of SEK 8,000 million. The borrowing programme was not utilised during 2001. At year-end, the Bank had SEK 2,140 million in borrowings outstanding under this programme.

SHORT-TERM BORROWING

NIB's lending is primarily financed with long-term borrowing. NIB also has access to short-term funds through its short-term borrowing programmes and the interbank market, which NIB can avail itself of to satisfy liquidity requirements.

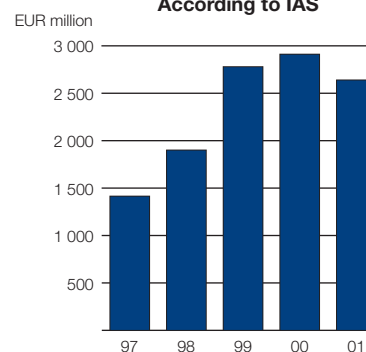
NIB has a commercial paper programme both in the United States and in the Euromarket, with a USD 600 million borrowing ceiling in each of these markets. There was no need to issue notes under these programmes in 2001, however, and NIB had no borrowings outstanding under the commercial paper programmes at year-end.

The Bank did, however, utilise the interbank market for short-term funding in

Maturity profile of new borrowings

	Number of transactions		Amount in EUR million		Percentage	
	2001	2000	2001	2000	2001	2000
1-3 years	22	13	477	325	23	18
3-5 years	9	14	574	558	27	30
5-7 years	4	5	181	214	9	13
7-10 years	3	7	94	268	4	14
10 years and longer	8	6	773	473	37	25
Total	46	45	2,099	1,865	100	100

NET LIQUIDITY According to IAS



fiscal 2001, and EUR 254 million was outstanding at year-end, compared with EUR 228 million at the end of the year 2000.

LIQUIDITY

NIB's policy is to maintain a sufficiently ample amount of liquidity to give the Bank flexibility in carrying out its lending and borrowing operations. In general, NIB strives to achieve a level of net liquidity that corresponds to its liquidity needs for twelve months into the future.

Using the method of calculation set forth in IAS, the Bank's net liquidity amounted to EUR 2,641 million at year-end, compared with EUR 2,913 million at the end of the year 2000.

NIB's liquidity is primarily placed in US dollars and euros in a number of money market instruments, at variable interest rates. The US dollar constituted 47% of the Bank's liquidity placements at year-end, while 46% was placed in euro. The remaining 7% was placed in Nordic currencies. The instruments used for placing NIB's liquidity were, at year-end, deposits, floating rate notes (FRN), asset-backed securities and asset swaps.

In 2001 NIB launched a pilot project whereby it gave two external asset management firms responsibility for managing a total of USD 100 million of the Bank's

liquidity portfolio. NIB's purpose in using external asset management in this manner was to achieve a higher yield on its liquidity, and to strengthen the development of its own internal liquidity management.

PAID-IN CAPITAL AND RESERVES

NIB strives to achieve a stable return on its equity. The Bank invests an amount corresponding to its equity in a separate portfolio of interest-bearing securities. The return on these placements is an important contributor to NIB's total profits. At year-end, the size of this portfolio was EUR 1,361 million.

For accounting purposes, these placements are divided into two securities portfolios: the held-to-maturity portfolio, consisting of securities which are anticipated to be held until maturity, and the marked-to-market portfolio, consisting of securities which are marked to market and which can be bought and sold continuously, based on the assessment of market developments. The marked-to-market portfolio is permitted to correspond to a maximum of 35% of equity. At year-end, that portfolio constituted 32% of NIB's equity.

Interest rate risk limits have been established for these portfolios, which are expressed as a combination of modified

duration and value-at-risk limits. The modified duration for the total portfolio was 3.4 years at year-end 2001, compared with 3.2 years at year-end 2000.

DERIVATIVES

As described earlier, the Bank uses interest rate swaps and currency swaps in order to hedge against market risks and to match its borrowing operations with the currency, maturity and type of interest rate in which its lending operations are carried out. The Bank also uses swaps and other derivative instruments, primarily futures and forward contracts, to manage its general interest rate and exchange rate risks.

The Bank entered into 99 new swap agreements in 2001, compared with 85 in year 2000. NIB entered into interest rate swaps with a total face value of EUR 755 million (307). Interest rate swaps outstanding at year-end amounted to a face value of EUR 5,432 million (5,513). Currency swaps totalling EUR 3,414 million (2,027) were carried out. The amount under currency swaps outstanding owed to NIB amounted to a face value of EUR 10,390 million (9,017), and currency swaps outstanding owing by NIB amounted to a face value of EUR 10,927 million (9,405).

NIB's CAPITAL

As of 1999 the Bank's authorised capital amounts to EUR 4,000 million. During the year 2001, the Bank's member countries paid in EUR 10 million, bringing NIB's paid-in capital to EUR 404 million on 31 December 2001. The remainder of the Bank's authorised capital consists of callable capital, which is subject to call if the Bank deems it necessary for the fulfilment of its debt obligations.

Previously the Bank's ordinary lending ceiling amounted to 2.5 times its authorised capital. In fiscal 2001, the Bank's owners adopted a resolution to amend its Statutes by expanding the basis for calculating the Bank's maximum lending ceiling for its ordinary lending. That basis now not only consists of NIB's authorised capital, but in addition, its accumulated, unallocated reserves. This amendment to the Statutes increases the Bank's ordinary

lending capacity from EUR 10,000 million to slightly over EUR 12,000 million.

In addition, NIB has separate lending ceilings of EUR 3,300 million for the Project Investment Loan facility (PIL), EUR 60 million for loans to the Baltic countries under the Baltic Investment Loan facility (BIL), and EUR 100 million for an Environmental Loan facility (MIL), which is earmarked to finance environmental investments in the neighbouring areas to the Nordic countries.

The PIL, BIL and MIL facilities are backed by special guarantees from the Bank's member countries. These countries guarantee 90% of each loan under the PIL facility up to a sum of EUR 1,800 million, and 100% of each loan under the BIL and MIL facilities. NIB's mandate to grant loans under the BIL facility ceased at year-end 1999. The Bank's Board of Directors

has submitted a proposal to the Bank's owners to raise the MIL ceiling to EUR 300 million.

NIB's member countries have subscribed to its authorised capital and guaranteed the special loan facilities in proportion to their gross national products. Sweden has 38% of the authorised capital, Denmark 22%, Norway 20% and Finland 19%. Iceland's share is 1%.

In view of the Bank's capital base, the quality of its assets, and its status as a multilateral financial institution, the leading 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 was given the highest possible credit rating in 1982, and has retained that rating since then.

NORDIC LOANS

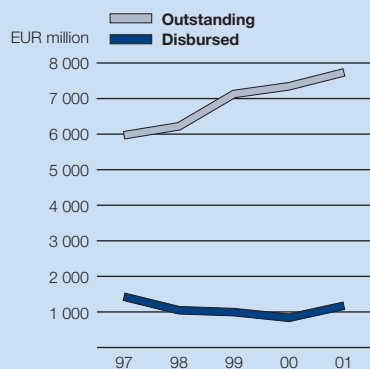


Fig. 1

NORDIC LOANS DISBURSED Distribution per country according to the domicile of the borrower's group headquarters as of Dec. 31, 2001

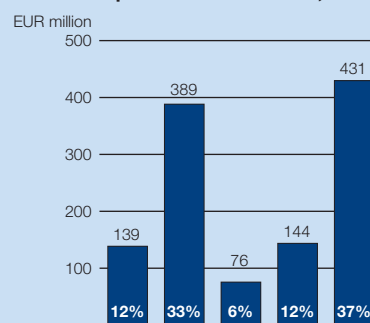


Fig. 2

NORDIC LOANS DISBURSED Sectoral distribution 2001

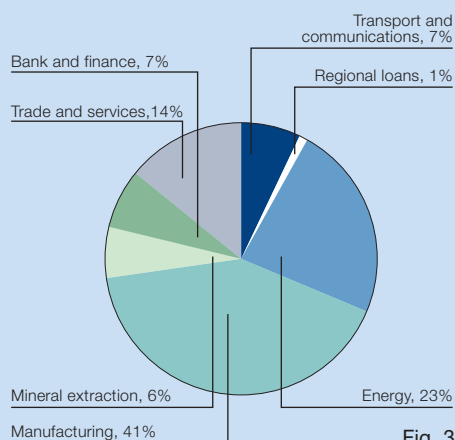


Fig. 3

NORDIC LOANS DISBURSED Manufacturing 2001

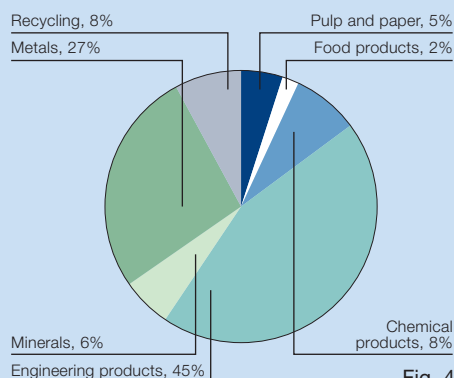


Fig. 4

The total amount of the separate percentage shares may differ from 100% due to rounding.

NORDIC LENDING

The demand for the Bank's loans in the Nordic area was good during 2001, considering the uncertainty currently prevailing in the market. The close of the year particularly brought a clear upsurge of activity, and the total amount of loans outstanding grew by 5% during the year. New loans to the energy sector showed a distinct increase in 2001, while loans to financial intermediaries for further lending to small and medium sized enterprises (SME) levelled out following a period of rapid growth.

Disbursements to Nordic borrowers during the year (see fig. 1) totalled EUR 1,179 million (2000: 842). Guarantees were issued for EUR 25 million (0). Fig. 2 shows the breakdown of disbursements by the borrowing group's country of registration.

MANUFACTURING INDUSTRY BIGGEST SECTOR

Taking disbursements by sectoral identity of borrower, the manufacturing industry remains by far the biggest sector, with a share of EUR 485 million, i.e. 41% of new lending for 2001, a two percentage point increase on 2000. The biggest relative increase in manufacturing industry, five percentage points, came in the steel and metal sector, with loans to Outokumpu, Assa Abloy and Sandvik for company acquisitions, and to Elkem and SSAB Swedish Steel for environmental investments. In engineering production, which is the biggest sector in monetary terms, several loans were disbursed for research and development, e.g. to Autoliv, Haldex and Volvo in the automotive industry and to Gambro in pharmaceuticals. Loans were also disbursed for Metso's acquisition of Svedala and for company acquisition's by Icelandic Össur in the USA and Sweden.

In the energy sector, which accounted for the biggest rise in disbursements, from 4% to 23%, loans were granted for projects in all the Nordic countries. NIB took part in the financing of investments in power production, distribution networks and district heating through loans to Trondheim Energiverk and Trønder Energi in Norway, Elsam and Eltra in Denmark, and the municipalities of Akureyri and Reykjavík

in Iceland. NIB granted loans in Finland for investments in biofuelled power stations and in Sweden for Vattenfall's acquisition of energy companies in Poland.

Lending to the transport and communications sector declined for the second year running. The biggest single loan of the year went to SAS, for investment in Airbus type aircraft.

The decline in disbursements to the pulp, paper and paper goods manufacturing industries continued. The more substantial disbursements were connected with Norway, partly through Norske Skog-industri's investment in a fibre recycling plant and also through Finnforest's acquisition of Moelven Industrier.

Disbursements by sector are shown in fig. 3, and a specification of the manufacturing sector in fig. 4. A list of loans disbursed and agreed during the period will be found on pp. 74–75.

MORE LOANS FOR INFRASTRUCTURE

The loans disbursed have also been divided into categories according to Nordic interest, i.e. into cross-border investments, environmental, research and development (R&D) and infrastructure investments. Cross-border investments remain the largest group, with disbursements amounting to EUR 434 million or 37% (37) of total disbursements for the year. EUR 294 million of disbursements referred to investments in the Nordic countries and EUR 140 million to investments outside the Nordic area. Infrastructure investments rose from 19% of new lending in 2000 to 30% in 2001. These investments are above all concerned with energy supply. Environmental components of between 25% and 100% of the total lending amount were included in 9 of the 85 loans disbursed or guarantees issued during the year. Direct environmental investments have nearly doubled in absolute monetary figures, rising from EUR 89 million in 2000 to 164 million in 2001, i.e. from 11% to 14% of new lending. Disbursements for R&D were also up on the preceding year: EUR 111 million as against EUR 20 million in 2000.

Segment information and currency distribution in this section are presented exclusive of IAS 39 value adjustments.

Half the year's disbursements went to customers with whom the bank did not have a commitment outstanding at the beginning of the year. In absolute monetary figures this corresponds to 41% of total disbursements. The circle of customers is further widened by also taking into account the SME finance to which NIB contributes through its cooperation with other banks and financial institutes.

In addition to the loans disbursed, loans amounting to EUR 111 million were agreed on during the year, and EUR 75 million of these were disbursed at the beginning of 2002.

The euro is the most commonly used lending currency. Following a steep rise in previous years, its share has now steadied at 60% of disbursements for the year. Disbursements in both Swedish and Danish kronor are once more on the increase, following a decline in 2000, accounting respectively for 16% and 9% of lending. The US dollar's share of disbursements fell from 17% to 12%.

Floating interest rates were applied to 93% (94) of the loans disbursed during the year. The average maturity of loan disbursements during the year was 8.6 years.

LOANS OUTSTANDING AT 31 DECEMBER 2001

The total of loans outstanding increased during 2001 by 5%, from EUR 7,357 million to EUR 7,748 million (see fig. 1). Excluding exchange rate fluctuations, the increase was 4%. Guarantees outstanding at year-end totalled EUR 33 million (8). The portfolio breakdown per country is much the same as for the previous year. The breakdown by total amounts outstanding is presented in fig. 5.

The Icelandic loans average EUR 6 million. The corresponding figures for Finland and Denmark are EUR 13 million and EUR 15 million, while for Sweden and Norway they are EUR 23 million respectively.

The manufacturing sector has a dominant share, and with a total of EUR 3,771 million in loans outstanding, accounts for 49% of the total amount of Nordic credits. The corresponding figures for 2000 were EUR 3,653 million and 50%. The engineering industry, with a total of EUR 1,099 million (1,010), is the largest group in the manufacturing sector, followed by pulp, paper and paper goods manufacturing, where loans outstanding total EUR

924 million (990). In percentage terms, engineering production accounts for 29% and paper manufacturing for 25% of total loans outstanding for the manufacturing sector.

Loans outstanding to the chemical industry decreased by EUR 50 million to EUR 505 million, i.e. 13% of the manufacturing industry total. Figures for the food sector, metal goods manufacturing, minerals extraction, and others are on the whole unchanged. Electricity, gas, heat and water supply are also important sectors, with a total of EUR 1,266 million (1,148) outstanding, which remains unchanged at 16% of total lending. Transport and communications, at approximately EUR 1,090 million, also retains a constant share of loans outstanding. Trade and services account for 10% (8) of total lending.

At the end of 2001 the Bank had credit lines with 30 (28) Nordic banks and financial institutions totalling EUR 509 million (441), equalling 7% (6) of total lending, for financing Nordic projects in the SME sector. In addition, NIB has regional loans outstanding with 4 (4) counterparties, equalling EUR 133 million (126) or 2% of the loans outstanding.

The sectoral breakdown of loans outstanding is shown in fig. 6, and a specification of manufacturing industry will be found in fig. 7.

Major individual exposures in relation to total lending did not change appreciably. The Bank's 10 largest borrowers at group level account for some 23% of total lending (22) and the 50 largest, as previously, for 66%.

NIB's largest exposure, EUR 237 million, corresponds to about 17% of the Bank's equity at year-end. The corresponding figures for the tenth largest exposure at group level are EUR 129 million or 9% of equity. Together the 10 largest exposures account for EUR 1,751 million in lending (1,591), equalling about 123% of the Bank's equity. A breakdown by size of exposure is presented in fig. 8.

The proportion of loans outstanding to or guaranteed by governments or local authorities remains unchanged at 8% of total lending.

In accordance with NIB's classification of risk, the Nordic loans are divided into risk categories 1 to 10 with reference to the risk of losses. This classification is based on a combination of counterparty risk and security received. A more exact

NORDIC LOANS OUTSTANDING Distribution per country according to the domicile of the borrower's group headquarters as of Dec. 31, 2001

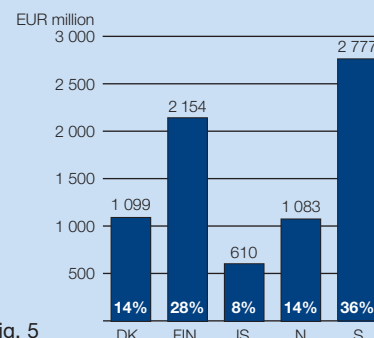


Fig. 5

NORDIC LOANS OUTSTANDING Sectoral distribution as of Dec. 31, 2001

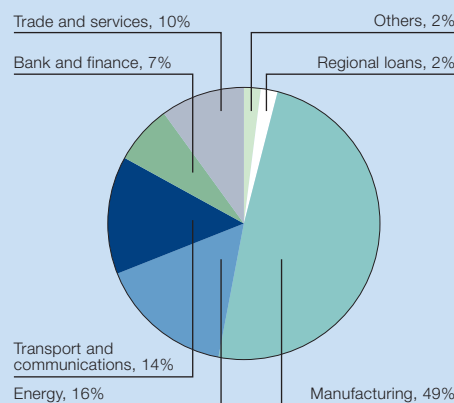


Fig. 6

NORDIC LOANS OUTSTANDING Manufacturing as of Dec. 31, 2001

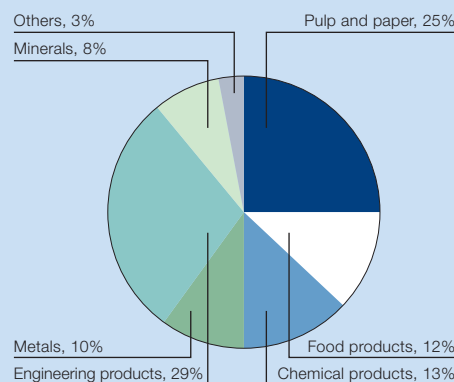


Fig. 7

NORDIC LOANS OUTSTANDING Accumulated group exposure as of Dec. 31, 2001

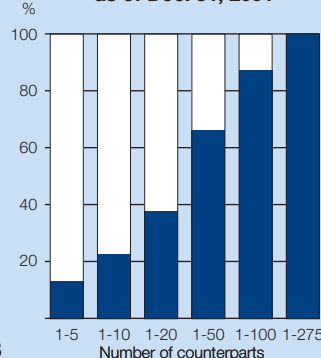


Fig. 8

description of risk classification and the risk profile of the portfolio will be found in the section on risk management on pp. 34–35.

The quality of the loan portfolio remains very good. At year-end there was only one unsettled claim, with a total of EUR 4.4 million outstanding. In the previous annual accounts, a credit loss reserve of EUR 3.5 million was made for this exposure. During the year the settlement agreed on and reserved for in the 2000 annual accounts was realised. Accordingly, the realised credit loss of EUR 3.1 million does not affect the annual profit. During the year the Bank took part in the restructuring of one customer's loan, in the course of which part of the company's loan to NIB was converted into shares. These can at the earliest be sold at the end of 2002. At year-end 2001 the investment showed an unrealised profit of some EUR 0.3 million.

In addition to the existing total of loans outstanding and guarantees issued in 2001, the Bank has concluded agreements on loans, yet to be disbursed, totalling EUR 264 million (307) and has granted further loans and guarantees amounting to EUR 596 million (452).

Projects and borrowers

During 2001 a total of 61 (56) new loans were disbursed and a further 4 (4) agreed. The projects and borrowers are briefly presented below, grouped according to principal type of Nordic interest, i.e. cross-border investments, infrastructure investments, environmental investments, R&D investments, regional loans and lending (directly or through intermediaries) to SMEs.

LOANS DISBURSED

CROSS-BORDER INVESTMENTS AND DELIVERIES

Financing of cross-border company acquisitions, new company establishments and supplies remains an important object of the Bank's lending activity.

Assa Abloy AB

Assa Abloy is a leading lock manufacturer and produces locks for buildings, industrial locks, door furniture, electromechanical locking systems, security doors and hotel locks. The loan from NIB is intended for Assa Abloy's acquisition of Yale Intruder Security, a lock and lock cylinder manufacturer, from the UK group Williams Plc.

AvestaPolarit Oyj Abp

AvestaPolarit is one of the world's principal producers of stainless steel, and the company is listed on the stock exchanges of Helsinki and Stockholm. Outokumpu, with a 55% stake in the group, is AvestaPolarit's majority shareholder. Chromium is one of the main raw materials used in the production of steel. AvestaPolarit expands the group's chromium mine in Kemi, Finland. The investments boost capacity and reduce costs at the mine.

Bilia AB

In the Nordic region, Bilia is the leading company involved in the distribution, service and resale of Volvo and Renault vehicles. Bilia is developing and boosting the efficiency of its service operations. The company invests in workshops, warehouses and offices, and develops computing systems and IT services.

Chips Scandinavian Company Ab

As part of the food manufacturing group Chips of the Åland Islands, the Chips

Scandinavian Company produces and markets potato chips and other snack products in Sweden, Norway and Denmark. The company invests in improving coordination and efficiency of the group's production capacity in Sweden, Norway and Denmark, and in increased marketing.

Finnforest Corporation

Finnforest is involved in mechanical wood processing of sawn timber goods, planed timber and plywood, and components for the construction industry. Most of the group's plants are in Finland. The loan from NIB is to finance the group's acquisition of shares in Moelven Industrier ASA. Moelven is Norway's main mechanical wood processing company, and has operations in Norway and Sweden.

Ifas Sport AS

A wholly owned subsidiary of the Finnish group Kerko Sport, Ifas Sport produces equipment for sports halls and sports grounds. Its product range includes gymnastics equipment, goals for ballgames, rinks and spectator galleries. The company has plants in Finland, Norway and Sweden. Ifas Sport acquires the Norwegian family-owned company Scandi Sport AS and its fellow subsidiary AL Monterings AS, which deliver equipment for major sports grounds.

Jaakko Pöyry Group Oyj

The Finnish Jaakko Pöyry Group is a client and technology oriented globally operating consulting and engineering firm. It has three core areas of expertise: forest industry, energy, and infrastructure and environment. The loan from NIB is intended for the group's acquisition of Interpap Sp., which is Poland's largest forest industry engineering firm. Interpap will also expand its operations in Poland's growing energy market.

Kemira Oyj

Kemira is a Finnish chemical industry group with production units in the Nordic region, Poland, and elsewhere. Chemicals for the paper and pulp industries, water treatment chemicals and paints, special fertilisers and industrial chemical products are the group's most important business sectors. The production of pigments is a promising growth area for the company. Kemira acquires the Swedish pigments manufacturer Alcro-Beckers AB,

which is Sweden's leading pigments producer and manufacturer of paints for both indoor and outdoor use.

Lemminkäinen Danmark A/S and Lemminkäinen Norge AS

The Finnish construction group Lemminkäinen Corporation is active in sectors such as road surfacing, building materials and engineering technology in the Nordic region and the Baltic states. NIB's loans to Lemminkäinen's Danish and Norwegian subsidiaries are intended for the acquisitions of Icopal's road surfacing operations in Denmark and Norway (Icopal A/S and Icopal AS). On completion of the acquisitions, Lemminkäinen will be second only to NCC of Sweden in the road surfacing sector in the Nordic region.

Límtré hf.

The Icelandic company Límtré manufactures glue-laminated wood and metal and nail products for the construction industry. The loan from NIB is intended for investments for rebuilding and modernisation of the technology used at the company's glue laminating and metals plant in southern Iceland. Capital goods supplies such as machinery and other equipment will be imported from other Nordic countries, mainly Finland and Sweden.

Linde Finance B.V.

Linde Finance is responsible for raising finance for the Linde Group. Linde AG of Germany has acquired the Swedish AGA group, and is now one of Europe's leading gas suppliers. The loan from NIB will finance investments in the group's gas operations, particularly in Scandinavia.

Metso Corporation

Metso is a supplier of processes, equipment and systems for the paper and pulp industry, automation and flow systems solutions as well as stone and mineral processing systems. Metso's most important client groups are the wood processing, construction, mining and quarrying, and energy industries. Financing for Metso's acquisition of all shares in Svedala Industri AB. Svedala is a leading provider of equipment for mineral handling systems.

Opin kerfi Plc

Opin kerfi develops computer systems for complex integrated solutions and provides services such as support, maintenance and

systems development for individuals and corporate clients in Iceland. Össur acquires the Swedish company Datapoint Svenska AB, with core operations in the same sector as Opin kerfi.

Orkla ASA

Orkla is the parent company of one of Norway's largest industrial groups, with interests in consumer goods (foodstuffs, beverages and the media), chemical processing industry and financial investments. The NIB loan is intended for Orkla Media's acquisition of Det Berlingske Officin A/S, Denmark's largest publishing house in the printed media and Internet sectors.

Outokumpu Oyj

Finnish Outokumpu is a leading metal and technology group, producing mainly copper, copper products, zinc and fine steel. Outokumpu acquires the Norwegian company Norzink A/S and strengthens its position as a globally significant producer of zinc. Zinc is used, for example, in the construction and automotive industries.

Partek Corporation

Partek of Finland is the parent company of an industrial group with operations within the engineering industry and the manufacture of limestone-based products. Partek acquires the US company Timbco Hydraulics Inc., which manufactures and markets caterpillar undercarriage forest machines. The acquisition will benefit the group's plants in the Nordic region.

Pool Acquisition Helsinki Oy

Pool Acquisition Helsinki owns Sanitec Oy of Finland, which manufactures sanitary ware and bathroom products. Sanitec has plants in Finland, Sweden, Germany, France, Italy, Portugal and Poland. Pool Acquisition acquires the UK sanitary ware and bathroom products manufacturer Twyford Bathrooms, which has three plants in the UK manufacturing ceramic bathroom products.

Sandvik AB

Sandvik of Sweden is one of the world's largest manufacturers of plant and equipment for the mining, metal working and specialist steel products industries. From Metso of Finland, Sandvik acquires the crushing and sorting units of the Svedala Industri group. The newly acquired units form a new business division within

Sandvik Mining and Construction, which will now be able to offer a complete range of mining and industrial production plant products.

Skanska Financial Services AB

Skanska is the Nordic region's largest construction and property company with operations in 50 countries. Skanska Financial Services manages the company's liquidity and borrowing. The loan from NIB is intended to finance Skanska's acquisition of Poland's largest construction company, Exbud S.A., with headquarters in Warsaw. Exbud is active right across the construction sector, including housing and industrial plant construction, and has representation throughout Poland.

Smáralind ehf.

Smáralind of Iceland owns and manages a shopping centre of the same name in the municipality of Kópavogur in Iceland. NIB's loan is intended for investments in a new 63,000 square metre shopping centre. At the initial stage of construction, capital good supplies were imported from the other Nordic countries.

Teknoprod AB

The engineering company Teknoprod is a subcontractor within the cabling, cable frame and electromechanical sectors. The company has a small manufacturing unit in Sweden, and a larger plant in Poland for volume production. Teknoprod buys a manufacturing and storage facility in Poland, and the increased capacity boosts the company's activities in the markets in Poland and the Nordic region.

UAB Kuusamet/Kuusakoski Oy

The Finnish Kuusakoski group is a family-owned company that specialises in the recycling of metals. The group recycles and refines metals into raw materials, such as copper and aluminium, for use in foundries, the steel industry and other base metal industries. The Kuusakoski group is currently implementing an investment programme at its subsidiary UAB Kuusamet in Klaipeda in Lithuania. The loan from NIB is intended to finance new equipment for the recycling of multimetal and for steering systems for the company's plant in Klaipeda.

Vattenfall Treasury AB

Vattenfall Treasury is the Swedish Vattenfall

group's internal bank with responsibility for the group's capital and liquidity. Vattenfall is a power company active in four sectors: electricity production, the energy markets, services and distribution. Hydroelectric and nuclear generation accounts for most of the company's electricity production. The company is expanding in Northern Europe, and acquires the state-owned Polish power company Elektrociepłownia Warszawskie.

Vitrolife AB

Vitrolife, a Swedish biomedical company, specialises in the cultivation, storage and processing of human cells, tissues and organs. The NIB loan will cover part of the company's investments in a new production facility to be built adjacent to the existing research laboratory at the company's US subsidiary in Denver, Colorado.

YIT Corporation

YIT Corporation is a Finnish company specialising in capital investment projects and maintenance services. YIT provides construction, project realisation, maintenance and operating services in the housing, property, infrastructure and industrial investment sectors in Finland and Scandinavia, and in the Baltic states and Russia. YIT-Yhtymä acquires Calor AB of Sweden, a piping installation company that specialises in capital investment projects and maintenance services for the industrial and property sectors in Scandinavia.

Össur hf.

Össur of Iceland manufactures and sells various types of prosthesis. The company is the second largest of its kind in the world. Össur acquires two US companies: Flex-foot Inc. which manufactures foot prostheses, and Century XII which makes knee prostheses; and two Swedish companies: Pi Medicals and Karlsson & Bergström. The aim of the acquisitions in Sweden is to strengthen Össur's distribution in the Nordic region and the Baltic states.

INFRASTRUCTURE INVESTMENTS

Throughout its history, the Bank has attached great importance to financing infrastructure projects. Nearly one-third of the year's lending went to projects in this category.

Municipality of Akureyri

Akureyri in northern Iceland is the fourth largest municipality in the country. The loan from NIB is intended for investments in the municipality's water and heat distribution system, and the construction of a new head office for the municipality's electricity company. The NIB loan will also facilitate the construction of a new municipal sports centre. Capital goods supplies, such as construction materials, electronics and interiors, will be supplied from other Nordic countries.

DONG Olierør A/S

DONG Olierør is a wholly-owned subsidiary of the Danish state-owned group DONG A/S. The subsidiary builds and operates piping plants and pumping and terminal facilities for the transport of crude oil. The company expands its oil transport capacity and upgrades the pumps and flow gauges of the oil pipeline system between the Gorm field in the North Sea and the Fredericia refinery.

Eimskip

Eimskip was set up in 1914. The company's operations involve transport to and from Iceland, and transport within the country. The company invests in the Nordic region and Newfoundland in order to develop the transport network between Scandinavia, Iceland and North America. The investment programme includes office and warehouse facilities, and company acquisitions in the Nordic region.

Elkraft Transmission

The electricity transmission company Elkraft Transmission aims to ensure secure and efficient electricity distribution. Elkraft owns and runs the electricity transmission network in eastern Denmark that supplies electricity to the area east of Storebælt, and the electricity transmission connection from eastern Denmark to Sweden and Germany. NIB's loan is intended for Elkraft's acquisition of these electricity transmission networks.

Elsam A/S

The electricity generating company Elsam produces and sells electricity and district heating in Jutland and Fyn in Denmark. The loan from NIB is for setting up a wind power park at sea, southwest of Jutland at Horns Rev. Elsam is building the wind power park at the behest of the Danish

energy ministry. It is to be completed in late 2002, and will comprise 80 wind turbines with a production capacity of 160 MW.

Eltra

The electricity transmission company Eltra is responsible for the electricity distribution systems that supply electricity to the Jutland and Fyn districts of Denmark. The loan from NIB is partly intended for the expansion of the electricity transmission network between Denmark and Sweden, partly for an offshore transformer station and a connection to Horns Rev, an offshore wind power park southwest of Jutland.

Finnair Oyj

Set up in 1923, Finnair is one of the oldest airlines in the world. Finnair invests in a new fleet of short distance aircraft, including 12 Airbus aircraft, models A319, A320 and A321, which entered service from 1999 to 2001. The new aircraft have improved environmental qualities, such as reduced energy consumption and less noise pollution.

Jämsänkosken Voima Oy

The energy company Jämsänkosken Voima is owned by Finland's largest energy producer, Pohjolan Voima. The loan from NIB is to finance Jämsänkosken Voima's investments in a new biofuelled power plant. The power plant will be producing basic energy next to the paper manufacturer UPM-Kymmene's paper plant in Jämsänkoski in central Finland. Wood and wood waste from the paper plant, and peat will be used to fuel the plant. The new plant partly replaces an existing power plant.

Järvi-Suomen Voima Oy

The energy company Järvi-Suomen Voima is jointly owned by two other Finnish energy companies, Pohjolan Voima and Suur-Savon Sähkö. The new company has been set up to build and run a biofuelled power plant in Ristiina in southeastern Finland. The NIB loan is intended to finance the construction of a power plant, which will primarily produce basic energy for Shauman Wood's plywood plant. Wood, wood shavings and bark, mainly from the plywood plant, will be used to fuel energy production.

Kymin Voima Oy

Kymin Voima is jointly owned by

Pohjolan Voima Oy and Kouvola Seudun Sähkö Oy. The company plans to build and operate a biofuelled power plant in Kuusankoski in southeastern Finland. The loan from NIB is intended for the construction of a power production plant next to UPM-Kymmene's paper plant. Wood and wood waste from the paper plant, and peat will be used as fuel at the power plant, which is expected to produce enough power to meet the district heating needs of the Kouvola-Kuusankoski area.

Olíudreifing ehf.

Olíudreifing is a jointly owned subsidiary of two Icelandic companies importing and distributing oil (Oliufélagið hf. Esso and Oliuverslun Íslands Olís). The subsidiary's operations include running terminals and the distribution of oil on behalf of the parent companies. Olíudreifing invests in a new, modern oil tanker to secure reliable and environmentally safe deliveries of oil products throughout the year.

Municipality of Reykjavík

The municipality of Reykjavík owns electricity and district heating companies, as well as a water company, which provide most of the capital with electricity, heating and water. The municipality invests in the pipeline network for warm water and electricity in the Reykjavík region.

SAS Scandinavian Airlines System AB

The Nordic SAS group is involved in, e.g. passenger transport, freight transport, and hotel management. SAS invests in a new fleet of 10 aircraft of the type Airbus A330/340 for intercontinental service and 12 aircraft of the type Airbus A321 for its European network. The new aircraft have improved environmental qualities, with reduced energy consumption and less noise pollution.

Trondheim Energiverk AS

Trondheim Energiverk of Norway is the parent company of a group that produces, distributes and sells electricity and district heating. Financing for the company's investments in electricity production, distribution networks and district heating.

TrønderEnergi AS

For 50 years TrønderEnergi has supplied electricity to households and industrial concerns in mid-Norway. The company

partly or wholly owns 18 hydroelectric plants and two wind power parks. The loan from NIB completes the company's financing of investments in electricity production and distribution networks.

ENVIRONMENTAL INVESTMENTS

Investments in projects with positive environmental impact remain one of the main areas of NIB's lending operations. Many of the projects presented under other headings also have a strong environmental bias.

Elkem ASA

Elkem is one of Norway's largest industrial groups, its main products being ferroalloys, silicon metal, aluminium and microsilica. Elkem's production is primarily used for further processing within the steel and aluminium industries, and in the chemical industry. Financing of significant environmental investments in Elkem Aluminium in Mosjøen, Norway.

Landshypotek AB

Landshypotek is a first mortgage loan institution for the agricultural and forestry sectors in Sweden. Landshypotek is the market leader in mortgage loans to these two sectors. Financing for onlending to environmental projects, e.g. environment certification within the forestry sector, covering of manure pits, underdrainage projects, cultivation of nitrogen fixing plants, and the acquisition of equipment to facilitate the use of biofuel.

Oy Metsä-Botnia Ab

Metsä-Botnia produces bleached and unbleached pulp for the paper industry. The company has plants on five sites in Finland, where wood pulp of various kinds is being produced. NIB is acting as guarantor for a loan from EIB for the rebuilding of a pulp line at the company's plant in Joutseno in Finland. The modernisation of the plant will result in significant reductions in water and air emissions, and will also boost production capacity.

Norske Skogindustrier ASA

Norske Skogindustrier is the Norwegian parent company of an international forest industry group in Norway. The group is Norway's largest paper producer and the world's second largest manufacturer of newsprint. The loan from NIB is intended for the completion of the group's recycled

paper plant at its paper manufacturing facility in Skogn in Norway. The new plant's production capacity will allow the company to recycle 170,000 tonnes of paper annually, which is equivalent to more than half of all the paper collected for recycling in Norway.

Rautaruukki Oyj

Rautaruukki is a Finnish group involved in the production of steel, steel products and processing. The group has production facilities in four Nordic countries and twelve other European countries. The NIB loan to Rautaruukki is for investments at the steel plant in Koverhar in southern Finland. The objective is to boost processing levels and efficiency. The investments will also lead to reduced air and water emissions, a reduction in the volume of waste, and lower energy consumption.

SSAB Swedish Steel AB

The steel company SSAB mainly produces thick sheet iron and sheet iron. The company's thick sheet iron production consists of durable and strong steel for construction machinery, mining equipment and bridges. Its sheet iron production mainly goes to the construction, automotive and engineering industries. The loan from NIB will finance the company's investments in a new blast furnace, and environmental investments which will, for instance, lead to improved capture of particulates at the company's coke plant in Luleå.

Vapo Oy

Vapo is a Finnish state-owned company. Its activities include peat production and energy production based on peat and biofuel, mechanical forest industry, fertilisers and peat-based environment technology. NIB's loan is intended for the company's investments in waste processing facilities in Finland. The investments include projects such as the modernisation of boilers and more efficient waste processing in power plants, and new drying plants for the company's sawmills.

RESEARCH AND DEVELOPMENT

Lending to research and development projects increased during the year.

Autoliv AB

Autoliv of Sweden is part of the interna-

tional Autoliv group, and develops and manufactures car safety components. The company invests in research and development involving systems for front impact airbag, safety belt, side impact and rear impact, as well as roll-over protection. The company is also developing electronics to link the various safety product systems, such as seatbelt pretensioners and airbags.

Gambro AB

Gambro of Sweden is a medical technology and healthcare group with global operations. The group runs dialysis clinics, its single largest division, and produces renal care products and systems for blood banks. NIB's loan to the group is to support research and development projects relating to renal care and blood component technology at the company's research headquarters in Lund, Sweden.

Haldex AB

Haldex of Sweden is a global group operating within the vehicle technology sector. The company develops and distributes its products for lorries, buses, cars and industrial vehicles. The company has significantly increased its input into product development over the years. The loan from NIB is intended for the development of four-wheel drive technology for light vehicles, and for a product development programme involving disk brakes for heavy vehicles.

Volvo Treasury AB

Volvo Treasury is the internal bank of the Volvo group, and is responsible for managing Volvo's borrowing and liquidity. The Volvo group is one of the world's leading manufacturers of heavy goods vehicles, buses, construction machinery, and industrial and marine engines. The NIB loan to Volvo Treasury is intended to finance the group's research and development activity involving a new 16-litre diesel engine. The

new diesel engine will have a significant impact on the environment because of its reduced fuel consumption, and reduced emissions of non-combustible hydrocarbons, carbon monoxide, particulates and nitrogen dioxide.

REGIONAL LOANS AND LOANS TO FINANCIAL INTERMEDIARIES

In accordance with the Bank's strategy, NIB cooperates with and complements other Nordic and international financiers. Lending to SMEs forms an important part of these operations. During the year, this kind of lending has mainly been arranged via financial intermediaries, i.e. banks and regional institutes.

Byggðastofnun (The Institute of Regional Development)

Byggðastofnun is an independent institute whose aim it is to contribute towards regional development in Iceland. Its main activity is to provide finance for companies and municipalities in exposed sectors. Credit line for the Institute's onlending to agriculture, the fishing industry and tourism.

Aktia Savings Bank Plc

Aktia Savings Bank is a Finnish bank operating mainly in the coastal areas of Finland and in Finland's main growth centres. The bank's clients include a number of companies with links to the other Nordic countries. Credit line for onlending to SMEs with operations in the Nordic area.

Lánasjóður sveitarfélaga (The Local Authorities' Loan Fund)

Run as an independent institution, Lánasjóður sveitarfélaga is jointly owned by the municipalities of Iceland. The aim of the fund is to provide long-term loans to the municipalities from its own fund. The

fund can also refinance existing loans. Credit line for onlending to local authorities in Iceland.

Lokabanken i Nordsjælland A/S

Established in 1917, Lokabanken is a regional bank which is currently expanding its markets in Nordsjælland in Denmark. Credit line for onlending to SMEs for projects linked to the Nordic region. Such projects can, for instance, be capital goods deliveries and environmental investments.

Ringkjøbing Landbobank A/S

Ringkjøbing Landbobank is a regional bank in western Jutland. Credit line for onlending to SMEs with projects linked to the Nordic region—primarily for wind power projects and environment improvement projects in the farming sector.

Roskilde Bank A/S

Roskilde Bank is a regional bank located in Midtsjælland, Denmark. Credit line for onlending to SMEs for projects with a link to the Nordic region, such as wind power projects, environmental projects and company acquisitions in the Nordic region.

Skjern Bank A/S

Skjern Bank was founded in 1906 and is today a local bank operating in western Jutland, Denmark. Credit line for onlending to SMEs for projects within the Nordic area, particularly projects involving agriculture, energy and the environment.

Sparbanken Gripen

Sparbanken Gripen operates in north-western Skåne, Sweden. Credit line for onlending to SMEs for projects linked to the Nordic region. These include, for example, projects related to infrastructure, the environment, research and development, and energy.

INTERNATIONAL LENDING

Demand for NIB's international loans was high throughout 2001 and was not subdued by the general downturn, which made itself increasingly felt in the world economic situation during the final months of the year. On the contrary, loans granted, loans agreed and disbursements were high, in both number and value, compared with previous years. The strong volumetric development for the year resulted from lending to new borrowing countries picking up speed, and from certain projects being put into effect and a number of credit programmes agreed and utilised with unexpected rapidity.

During the year 29 (2000: 20) international loans were granted, totalling EUR 847 million (390) and 23 (16) new loans were agreed, totalling EUR 617 million (255). Loan disbursements during the year totalled EUR 482 million (259). No guarantees were issued, compared with EUR 3 million in 2000.

LOAN PORTFOLIO

At year-end the Bank's international loan portfolio totalled EUR 3,207 million (2,665), whereof EUR 2,319 million (1,931) were outstanding and EUR 894 million (734) were agreed but not yet disbursed. No guarantees were outstanding at year-end, compared with EUR 25 million in 2000.

The international loan portfolio consists of loans entered under the Bank's lending facilities, as briefly described below.

The Project Investment Loan facility (PIL) provides credits for emerging markets and transitional economies and constitutes the main thrust of the Bank's international lending. Loans outstanding and loans agreed but not yet disbursed under the PIL facility totalled EUR 3,122 million (2,568) at year-end.

The Environmental Investment Loan facility (MIL) was set up in 1996, to supplement the PIL facility and to promote environmental investments in the neighbouring regions to the Nordic area. MIL, which is geographically limited to financing projects in the Baltic countries, Poland and northwest Russia, totals EUR 100 million. Loans outstanding and loans

agreed but not yet disbursed under the MIL facility at year-end totalled EUR 56 million (61). A proposal for raising MIL from EUR 100 million to EUR 300 million is currently being processed by the Bank's owners, i.e. the Nordic countries.

The Baltic Investment Loan facility (BIL) was set up in 1992 and concluded at the end of 1999. The last loan granted in 1999, however, was agreed on at the beginning of 2001. Loans outstanding and loans agreed but not yet disbursed under BIL at year-end totalled EUR 29 million (33). Lending to the Baltic countries today is channelled through NIB's other lending facilities, depending on the project concerned.

Investment Loans (IL) constitute the Bank's regular lending facility, under which the Nordic loans are entered. In addition, the Bank has the possibility through IL of participating, ad hoc, in the financing of projects elsewhere in the OECD area. A certain amount of lending to the Baltic countries now also comes under IL. No international IL loans, however, were outstanding at year-end (29).

LENDING

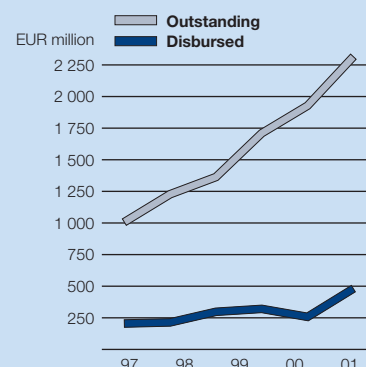
International loans take the form of direct loans to individual projects or of funding channelled through loan programmes to financial intermediaries. NIB has operative credit programmes with upwards of 20 intermediaries, mostly state-owned development banks. Lending through intermediaries serves above all to finance projects in the SME sector.

The lending programmes account for a large proportion of the Bank's international loan portfolio. At the end of 2001, outstanding and agreed but not yet disbursed lending programmes reached EUR 1,648 million (1,282), equalling 51% of the loan portfolio (48). The Bank approved 51 new projects (67) under the lending programmes in 2001, and allocations under the programmes totalled EUR 230 million (99).

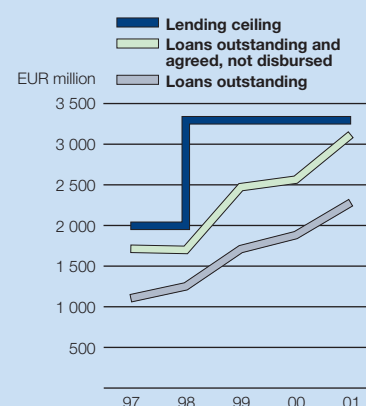
The greater part, 73%, of the international loan portfolio comprised loans directly to or guaranteed by governments (76).

The quality of the international loan

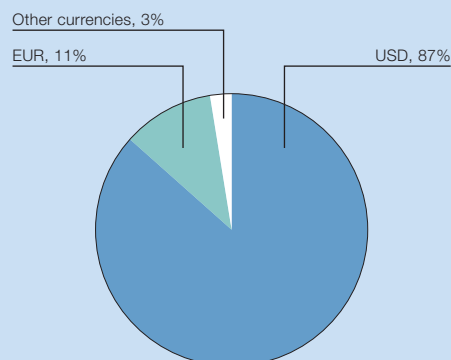
INTERNATIONAL LOANS AND GUARANTEES



PROJECT INVESTMENT LOANS

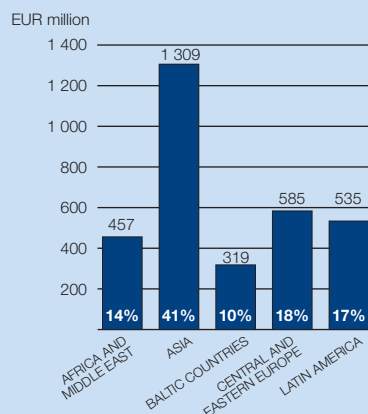


INTERNATIONAL LOANS OUTSTANDING By currency as of Dec. 31, 2001

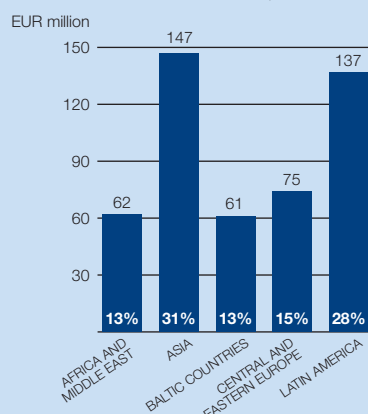


Segment information and currency distribution in this section are presented exclusive of IAS 39 value adjustments.

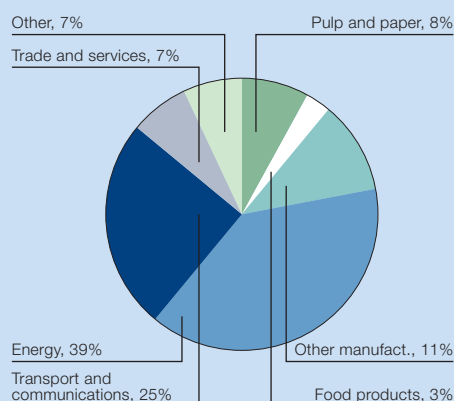
INTERNATIONAL LOAN PORTFOLIO Geographical distribution as of Dec. 31, 2001



INTERNATIONAL LOANS DISBURSED Geographical distribution as of Dec. 31, 2001



INTERNATIONAL LOANS OUTSTANDING Sectoral distribution as of Dec. 31, 2001



portfolio was affected by the slackening and uncertainty of the world economy. Some international loans were therefore downgraded during the final third of the year. A more detailed description of the risk profile of the portfolio will be found in the section on risk management, pp. 34-35.

BORROWER COUNTRIES

NIB cooperates directly with 34 emerging and transitional economies. Cooperation with these countries is long-term and generally based on agreements concluded with each country's Ministry of Finance. The Bank's international lending is divided between the following regions: Africa and the Middle East, Asia, the Baltic countries, Central and Eastern Europe, and Latin America. Cooperation within the scope of lending programmes for financing projects in the member countries of the regional development banks and with certain other financial intermediaries who also have financial activities outside their principal country of operations, means that projects in countries not numbered among the borrower countries proper can gain access to NIB's financing activities.

AFRICA AND THE MIDDLE EAST

The Bank's loan portfolio in Africa and the Middle East grew by 22% in 2001, amounting to EUR 457 million at year-end.

An agreement on a loan totalling USD 25 million was signed with Turkey concerning a tramline project in the city of Eskisehir, on the main road between Istanbul and Ankara. This project is being cofinanced with the EIB, among others. An agreement on the first loan to the Hashemite Kingdom of Jordan was also entered into during the year. Amounting to NOK 15.8 million, it will finance parts of the air safety investments which the Jordanian civil aviation authority is carrying out at airports in Amman, the capital, and Aqaba, in the south of the country.

Cooperation with South Africa was developed during the year within the framework of various loan programmes and was manifested by four new agreements, each with a slightly different focus. An agreement on a new loan programme, cofinanced with the NDF, was signed with the Development Bank of Southern Africa (DBSA). The Bank's share of that programme is EUR 8.5 million, and the programme is intended to finance infrastruc-

ture projects in the least developed parts of South Africa. In addition, an agreement on a loan programme of USD 10 million was signed with the Infrastructure Finance Corporation (INCA). Cooperation with INCA is above all concerned with municipal investments in South Africa. NIB entered into an agreement with the Industrial Development Corporation (IDC) concerning a new loan programme providing a further USD 30 million for financing industrial investments in South Africa, but also in other countries in Sub-Saharan Africa where the IDC is active. An agreement on a loan programme of USD 20 million was entered into for financing projects undertaken by the South African Rand Merchant Bank in countries in Sub-Saharan Africa where it is active.

Cameroon is covered by a debt relief programme for the most Heavily Indebted Poor Countries (HIPC) in the world. NIB's loan to Cameroon is being serviced as agreed, but a further EUR 2 million for planned debt relief for the country is being reserved in the Bank's annual accounts for 2001.

ASIA

The Bank's loan portfolio in Asia grew by 13% during 2001, amounting to EUR 1,309 million at year-end.

Cooperation with China, the Bank's largest single borrower, was increased during the year by a new loan programme amounting to USD 60 million. An agreement on a USD 40 million loan programme was further signed with China specifically for projects in the health care sector.

During the year NIB also signed an agreement concerning a loan programme of USD 20 million with the Development Bank of the Philippines. An agreement on a loan of USD 30 million was entered into with the Philippine telecommunications operator Smart Communications. This loan will finance parts of the investments the company is making in the Philippines mobile telephone network.

An agreement on a loan of USD 20 million was signed with Vietnam to finance modernisation of the Bai Bang paper mill and augmentation of its capacity. This project is being cofinanced with NDF, among others.

THE BALTIC COUNTRIES

NIB's loan portfolio in the Baltic countries rose by 76% during 2001, amounting

to EUR 319 million at year-end. One vital reason for this volumetric growth is that agreements for a number of large loans for infrastructure investments were signed, but other new lending and lending under loan programmes granted previously also grew considerably.

In the transport sector, two loan agreements totalling upwards of EUR 112 million, cofinanced with the EIB, were entered into with Lithuania and Estonia. These loans are concerned with financing foundation improvements on the regional road networks and the Estonian share of the Tallinn—Narva—St. Petersburg link.

A new loan agreement of EUR 15 million was signed with Eesti Energia to finance extensive environmental investments in the Narva and Tallinn power stations and in the transmission and distribution networks. NIB entered into an agreement on a loan of LVL 10 million, cofinanced with the CEB, with the state-owned Mortgage and Landbank of Latvia, to finance a state-initiated project for redeveloping Latvia's housing stock.

An agreement on a loan programme of just over EUR 6 million was entered into with the Finnish-owned Sampo Pank in Estonia, to finance projects in the SME sector. The final loan under the Baltic Investment Loan facility of EUR 4.5 million was signed with the Swedish-owned Kreenholmi Valduse textile company in Narva, Estonia. This loan was granted on a cofinancing basis together with the World Bank/IFC, NEFCO and local banks.

CENTRAL AND EASTERN EUROPE

The Bank's loan portfolio in Central and Eastern Europe increased by 11% during the year and amounted to EUR 585 million at year-end. A cooperation agreement with Slovakia was signed during the year.

An agreement on a supplementary loan of EUR 9 million was signed during

the year with the Croatian telephone operator VIPnet. This, the Bank's second loan to VIPnet, will be used to finance the ongoing build-up of the country's mobile telephone network.

Two loan agreements under the MIL facility were entered into for projects in northwest Russia. A loan agreement was signed with the Russian Federation for the financing of investments in the Kaliningrad water and sewerage system. In addition to NIB's loan of USD 13 million, EBRD provides a loan of USD 18 million. Grant financing amounts to USD 20 million, of which Sida is providing about USD 16 million and the remainder is being shared between the Danish Environmental Protection Agency and NEFCO.

A loan agreement in the amount of USD 30 million was signed with the Kola Mining and Metallurgical Company for environmental investments in Pechenga Nikel's smelting plant in the city of Nikel and in the company's pellet roasting plant in the city of Zapolyarny in the Murmansk region. Norway has proceeded a grant amounting to NOK 270 million for the project, and Sweden is supporting the project with USD 3 million. A detailed presentation of the project will be found in the section on NIB's environmental activities on pp. 30–33.

LATIN AMERICA

NIB's loan portfolio in Latin America grew by 28% in 2001, amounting to EUR 535 million at year-end. A cooperation agreement was signed with Peru.

An agreement on a loan of USD 30 million was entered into during the year with the Mexican telecommunications corporation América Móvil. The loan was granted for part-financing of the company's comprehensive investment programme within the Mexican mobile telephone network.

Cooperation with multilateral devel-

opment banks in the region was further developed during the year. A second loan programme of USD 30 million for CAF, the development bank of the Andean countries, was formalised. The programme is intended, like its predecessor, to finance projects in CAF's founder countries: Bolivia, Colombia, Ecuador, Peru and Venezuela. An agreement on a new loan programme was signed with CABEL, the Central American development bank. This loan programme, amounting to USD 30 million, is to be used for financing projects in CABEL's founder countries: Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua.

SECTOR BREAKDOWN

NIB's international lending is mainly concerned with infrastructure investments, above all in the energy and transport sectors (see figure on p. 26). Demand for new loans in telecommunications remained strong in 2001. Three new direct loan agreements to the sector were entered into, and seven loans were granted for allocation under the loan programmes outstanding. A number of new loans are in preparation.

The transport sector grew in importance during the year as regards road and transport projects. Four of the loan agreements in this sector related to road and transport.

Loans for projects in the environmental sector are growing steadily, both numerically and in proportion to the Bank's loan portfolio. During 2001 agreements for two projects were signed under MIL and 15 loans under the loan programmes were classified as environmental projects. The total share of environmental projects in the international lending portfolio is now approximately 14%. A list of loans agreed during the period will be found on p. 76.

THE NEIGHBOURING AREAS

The neighbouring regions to the Nordic area, comprising the Baltic countries, Poland and northwestern Russia, including Kaliningrad, are of strategic importance to the Bank. According to its mission and strategy, NIB shall financially support economic transition and development in these regions. Strong growth characterised the Bank's lending to the Baltic countries in 2001, while activities in Poland concentrated on the preparation of a number of minor environmental projects. The Bank's activities in Russia have focused on the preparation of environmental projects. Operations in the neighbouring regions during the year were predominantly shaped by the establishment of the Northern Dimension Environmental Partnership (NDEP) and environmental projects, mainly in the northwest of Russia, associated with the NDEP.

PROJECTS IN THE BALTIC COUNTRIES

The Bank's long-standing involvement in infrastructure development in the Baltic countries has led to a strong growth of lending during the past year, with special emphasis on projects relating to the transport, energy and housing sectors.

Continued support is also being provided for the SME sector, in keeping with its great importance to the Baltic economies, above all by means of new loan programmes channelled through Baltic financial institutions. In addition, the Bank concluded a frame agreement of NOK 50 million with SIVA, the Industrial Development Corporation of Norway, with a view to part-financing the establishment of industrial parks in the Baltic countries.

The level of activity was also high within the environmental loan programmes established previously with Lithuania and Latvia. NIB entered into 14 loan agreements, totalling EUR 21 million, to finance municipal water and sewerage works, refuse disposal projects and thermal insulation projects for over one hundred schools. The Bank's institutional development activity continues in connection with environmental lending in the Baltic countries.

BALTIC INVESTMENT PROGRAMME

The Baltic Investment Programme (BIP) was established in 1992 on the basis of a joint declaration signed by the Nordic and Baltic countries, initially for a three-year period and then with a four-year extension.

Under this programme, NIB has granted Baltic Investment Loans under the Baltic Investment Loan facility of EUR 60 million guaranteed by the Nordic countries. The Bank has also administered two funds: the technical assistance fund, totalling EUR 8.25 million, and the equity investment fund, totalling EUR 7.5 million.

The Baltic Investment Programme was concluded at the end of 1999 and has since been phased out in such a way that no new loans have been granted and NIB has sold its last shareholdings in the equity fund. After the last of the shares had been sold, the Bank remitted the remaining proceeds to the member countries and closed the accounts for both funds at 30 June 2001.

The technical assistance fund had unutilised capital amounting to EUR 125,662 and the equity fund had a residual balance of EUR 3,530,313 following the final sale of shares. These remaining assets were repaid to the Bank's member countries as per 29 June 2001. The employment of the funds for technical assistance and equity investments administered by the Bank under the Baltic Investment Programme is accounted for on page 67.

At year-end 2001 there were still 21 loans outstanding, totalling EUR 27.7 million.

POLISH ENVIRONMENTAL PROJECTS

Hitherto the Bank's environmental projects in Poland have concentrated on the financing of large scale infrastructure projects in the energy sector. Projects also include an environmental loan programme with Bank BISE (Bank of Socio-Economic Initiatives), primarily for the financing of environmental projects in small and medium-sized municipalities in Poland. During the year finance was allocated for three projects under the programme. One of them concerns the construction of a small hydro power station by

the river Nysa Kłodzka near the city of Wicemierzyce. This project also includes the development of a distribution network. Another project is related to the upgrading and modernising of the wastewater treatment system in the municipality of Chocianów, in the southwest of Poland. A third project is related to upgrading the heat and energy production system at the wastewater treatment plant in the municipality of Biała Podlaska.

NORTHERN DIMENSION ENVIRONMENTAL PARTNERSHIP

As part of the European Union's Northern Dimension, a forum for financial cooperation has been established to solve current environmental problems. The Northern Dimension Environmental Partnership, NDEP, was established during the first half of 2001, with the purpose of coordinating and streamlining the funding of environmental investments with cross-border effects in the Baltic Sea and Barents Sea regions, and especially in the northwest of Russia, including the Kaliningrad enclave. Through this partnership the European Commission, the international financial institutions and Russia are collaborating on current environmental projects.

The establishing of the NDEP was proposed in Helsinki in March 2001, at a meeting attended by representatives of international financial institutions—the EBRD, EIB, the World Bank, NIB, CEB and NEFCO—and of the European Commission, Sweden, Finland and Belgium. A working group was set up with the task of drafting a structure for the cooperation. The subsequent NDEP proposal, presented at the EU summit in Gothenburg in June 2001, was strongly supported and was further endorsed by the EU–Russian summit in October 2001.

The NDEP structure consists of a steering group and a fund. Activities are directed by the steering group, which prioritises projects and appoints a lead bank for each project. Permanent members of the steering group are the EBRD, EIB, NIB, the World Bank, the European Commission and representatives of Russia. NIB was elected to chair the steering group for its first year of operations. The steering group's inaugural meeting, also

attended by representatives of the Russian Finance Ministry, took place in Stockholm in September.

One important element of the Partnership is a fund tasked with collecting grant funding from potential contributors who can help finance NDEP projects which cannot be financed by other financial sources. The aim is to achieve an efficient combination of grant and loan financing for environmental projects.

The NDEP is intended to promote major environmental projects for the achievement of sustainable solutions in wastewater treatment, waste management and energy supply, in order to reduce cross-border pollution. The NDEP steering group has initially chosen 13 priority projects in northwest Russia and it is proposed that six of these will be led by NIB. The projects, now at various stages of preparation, are briefly presented below.

Southwestern wastewater treatment plant in St. Petersburg

The project is aimed at completing construction on the wastewater treatment plant which started in the 1980s. When completed it will treat wastewater from about 700,000 residents living in the southwestern parts of the city. At present, untreated sewage is discharged into the Gulf of Finland. The total investment cost

is estimated at almost EUR 170 million. The project is to be implemented as a Public Private Partnership (PPP) and is planned to be financed with a combination of equity, assistance from the Nordic countries and the EU, and loans from NIB, EBRD and EIB.

Other effluents in St. Petersburg

Completion of the southwestern wastewater treatment plant will still leave a quarter of the city's sewage untreated. After the completion of the southwestern wastewater treatment plant the city will have the capacity to treat all wastewater, however more than 400 different discharge spots will remain since they are not connected to the sewerage network. NIB has been mandated to lead a study with the objective to eliminate the remaining discharge.

Leningrad Oblast

The project in Leningrad Oblast concerns an environmental investment programme for water and sewage management, initially for five cities in the region, namely Gatchina, Pikalevo, Tikhvin, Kirovsk and Svetogorsk. The plan is that the project will be financed through a blend of donor funds, loans and local funding. This is a pilot project, and the aim is to expand the programme to include a total of 12 cities,

covering solid waste, as well as district heating in certain cities.

District heating in Murmansk

A project in Murmansk is designed to modernise the city's district heat supply. This will involve upgrading of both heat production and the district heating network. The Bank is studying the feasibility of the project in cooperation with the local authorities in Murmansk.

Solid waste management project in the Kaliningrad region

NIB has been mandated by the regional administration in Kaliningrad to lead a solid waste management project. The purpose of the project will be to develop a regional solid waste management strategy, which includes collection, separation, storing and disposal of waste, thereby reducing discharges into the groundwater.

Municipal environmental project in Novgorod

NIB has been mandated by the City of Novgorod to structure and lead a project comprising investments in the upgrading and restoration of the city's water and sewerage, district heating and solid waste management systems.

ADMINISTRATION OF EXTERNAL FUNDS

The Bank's member countries engage NIB as one of the channels through which development aid is allocated to projects in the neighbouring regions to the Nordic area. In one project in Russia (Pechenga Nickel), involving both loan and grant financing, NIB has undertaken to administer grants from Norway and Sweden.

In addition, Finland and Sweden have placed separate funds with NIB for financing consultancy services used for preparation and monitoring of projects

identified by NIB and approved by the respective authorities. In 2001 these Technical Assistance Trust Funds were as follows:

- **A Finnish technical assistance trust fund at NIB**, intended for potential NIB and/or NEFCO projects, above all in infrastructure, the environment, forestry and forest industries in Central and Eastern Europe, including Russia and Ukraine. The Finnish Government is represented by its Ministry for Foreign Affairs.

- **A Swedish technical assistance trust fund at NIB**, intended for potential NIB projects relating to the environment and energy in Eastern Europe (Estonia, Latvia, Lithuania, Poland and northwestern Russia). The Swedish Government is represented by Sida.
- **A special Swedish trust fund** for an environmental project which the Bank is preparing in Russia. The Swedish Government is represented by Sida.

NIB AND THE ENVIRONMENT

Environmental investments and projects with an environmental impact have an important position in NIB's lending. The environment has been a priority area in NIB's lending since 1989. Environmental aspects are an essential criterion in the assessment of all projects which the Bank considers financing. The Bank regards as expressly environment-related those projects which are aimed at reducing harmful emissions, conserving resources and solving or alleviating environmental hazards.

SPECIAL TREATMENT FOR ENVIRONMENTAL LENDING

NIB's first environmental loan was granted in 1988. If the environmental improvements stemming from a project are considered to be of special importance to the Nordic area and the neighbouring regions, a credit can be given special treatment as an environmental loan. The environmental value added through environmental loans can justify "positive discrimination", which among other things can mean a longer maturity. The Bank can also depart from its stipulation of two Nordic countries taking part in the project. As most emissions are cross-border, the Bank's requirement of mutual interest is deemed satisfied even if an environmental investment is confined to one Nordic country or the neighbouring regions.

The Bank's environmental loans are defined in accordance with Eurostat's guidelines for the definition of environment protection expenditure, i.e. loans for investments for the reduction or containment of emissions.

The investments themselves may concern projects having both direct and indirect positive environmental impact. About half the Bank's environmental loans outstanding refer to direct, and half to indirect, environmental improvements. Direct environmental investments in which the Bank has participated include wastewater treatment, waste management, recycling and flue gas cleaning for industry and power production. Indirect environmental investments include biofuelled power plants, wind power and investments in new, environmentally sound production

technology in industry, such as chlorine-free bleaching in the pulp industry.

The Bank can grant long-term environmental loans for up to 25 years, e.g. for municipal wastewater treatment plants. The intention in cases of this kind is for repayment to be adapted to the operation's cash flow—a decisive consideration for many environmental projects where only limited cash flows are generated by operations. Long-term credits also make it possible to avoid unduly abrupt increases in tariffs to end-consumers, whose affordability in the majority of transitional economies and emerging markets is very limited.

INCREASED COMMITMENTS

During 2001 the Bank took part in the financing of several environmental improvement projects in the Nordic area, in the neighbouring regions and in other parts of the world. NIB has pursued an active environmental policy through environmental projects of various kinds in all these regions. NIB finances environmental investments both in the private and public sector.

At year-end NIB had a total of 193 environmental loans outstanding. The environmental loan exposure totalled EUR 1.4 billion, corresponding to 13% of the Bank's total loans and guarantees outstanding. During the period 1988–2001 the Bank has granted environmental loans totalling EUR 3.2 billion.

Of the outstanding environmental loans, 79% are Nordic and 21% international. These figures are directly propor-

tional to the Bank's total Nordic and international lending.

The environmental share of a project is determined by calculating or estimating the proportion of environmental components for the credit concerned. This calculation indicates the extent to which a loan is classifiable as an environmental loan. Often the loan does not count in its entirety as an environmental loan; the percentage indicating the environmental share or components of a loan can vary from 25% to 100%. NIB identifies a loan as an environmental loan when the environmental components are at least 25%. Thus the sum total of the Bank's environmental loans is the sum total of the environmental shares of those loans, which can vary from 25% to 100%.

NIB has environmental loans outstanding in all the operative or geographic regions where it is active. Finland has the biggest share of the Bank's environmental loans outstanding, 34%, followed by Sweden, 32%, and Central and Eastern Europe, 14%. The shares of other regions range from 0.2% to 7%.

The environmental share of total lending, i.e. the environmental lending component of credit exposure in the various countries or geographic regions, varies greatly. Central and Eastern Europe and the Baltic countries have the biggest shares, 48% and 36% respectively.

ENERGY SECTOR LARGEST

The sector breakdown of the Bank's environmental loans outstanding is illustrated

Environmental loans					
in EUR million	<i>Outstanding loans</i>	<i>Signed, not disbursed</i>	<i>Approved, not signed</i>	<i>Total</i>	<i>Number of loans</i>
Nordic countries	1,066.0	34.5	27.5	1,128.0	142
Poland	103.3	39.0	0.0	142.3	6
Estonia	30.7	14.7	5.0	50.4	5
Latvia	6.2	16.0	0.0	22.2	20
Lithuania	14.2	5.8	0.0	20.0	8
Russia	0.1	56.3	36.3	92.8	4
Others	134.8	25.9	0.0	160.7	23
	1,355.3	192.1	68.8	1,616.2	208

Segment information in this section is presented exclusive of LAS 39 value adjustments.

in the figure below. The energy sector is largest in this respect, accounting for 26% of the environmental loans outstanding. The paper and pulp industry comes next, with 23%. Infrastructure for environmental protection, accounting for 13% of the environmental loans outstanding, includes wastewater treatment and waste management, for example.

INITIATIVES IN THE NORDIC COUNTRIES

Environmental loans accounted for 14% of the Bank's total Nordic lending commitment at year-end 2001. During the past five years, environmental loans relative to the total loan portfolio have been between 14% and 18%. In absolute figures, annual disbursements of environmental loans equal between EUR 100 million and EUR 200 million. Nordic environmental loans outstanding at year-end 2001 totalled EUR 1,066 million.

During 2001 the Bank disbursed a total of EUR 164 million for eight environmental projects in the Nordic area. Two of these projects concerned the financing of investments in wastewater treatment for the paper and pulp industry and in-plant measures for black liquor evaporation. Two of the loans were intended for waste processing in metal manufacturing, one for investments in biofuelled power plants and one for environmental investments in agriculture (see box, Landshypotek). One loan was intended for research and development concerning the development of new, low-emission diesel engines. Another loan referred to investments in new aircraft with leaner, more silent-running engines and reduced atmospheric emissions.

Landshypotek

During 2001 the Bank disbursed EUR 25 million to the agriculturally owned Landshypotek AB in Sweden for onlending to Swedish farmers for environmental investments of various kinds. By channelling the loan through Landshypotek, the Bank is able to reach a large number of small-scale projects in the agricultural sector.

The investments are concerned with environmental improvement measures in agriculture, e.g. to reduce nutrient runoff into watercourses. Runoff of the

nutrients phosphorus and nitrogen is a partial cause of watercourse eutrophication. A large part of Sweden's nutrient emissions into the Baltic Sea derives from agriculture. About 45% of Sweden's discharge of nitrogen and phosphorus into the Baltic Sea is of agricultural origin. Measures to reduce runoff of nutrients include better manure management and improved manure spreading methods.

Investments are being made in equipment, e.g. slurry containers, modern slurry spreaders and seed drills.

The paper and pulp industry is the dominant sector in the Bank's Nordic environmental loan portfolio. Projects in this sector refer, for example, to the financing of wastewater treatment, collection systems for malodorous gases, flue gas cleaning and various in-plant investments for the reduction of harmful emissions, e.g. through the rebuilding of pulp mill bleaching and debarking plants. Other Nordic environmental initiatives comprise agricultural investments to reduce emissions of nutrients into watercourses, waste management, increased biofuelling use and new wind power plants.

PROJECTS IN THE NEIGHBOURING AREAS

The neighbouring regions to the Nordic area comprise the northwest of Russia, including Kaliningrad, as well as Estonia, Latvia, Lithuania and Poland. These countries still have very large local sources of both air and water pollution. The energy sector, which is a major polluting source,

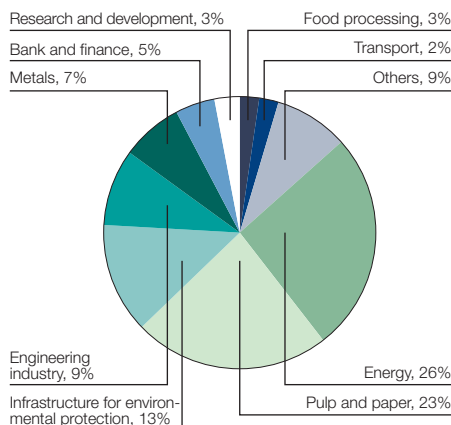
dominates the Bank's environmental lending in the Baltic countries and Poland. Current environmental investments in these countries are, among other things, concerned with desulphurisation plants and major flue gas cleaning projects.

The Bank's environmental lending commitment in the neighbouring areas at year-end 2001 totalled upwards of EUR 155 million.

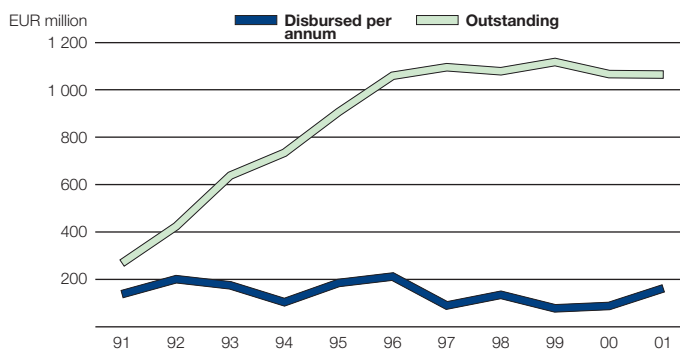
In 2001 loans were disbursed for a total of 14 small district heating plants in Latvia. The Latvian investments are concerned with the installation of modern insulated district heating pipes, the phase-out of obsolete, worn-out boilers, conversion from fossil to biofuelling, and the construction of new, modern boilers with high efficiency and low emission levels.

During 2001 the Bank disbursed environmental loans to four municipal wastewater treatment plants and a municipal landfill project in Lithuania. The commissioning of the wastewater treatment plants will reduce discharges of

ENVIRONMENTAL LOANS OUTSTANDING
Sectoral distribution 2001



NORDIC ENVIRONMENTAL LOANS
1991-2001



Pechenga Nickel on the Kola Peninsula

The Bank's most important environmental loan in the neighbouring regions during 2001 was related to the Pechenga Nickel smelter plant on the Kola Peninsula in northwest Russia. A loan for investments to environmental improvement was agreed on at the end of 2001.

The smelter belongs to the Norilsk Group and is the most important source of sulphur and heavy metal emissions in the Arctic region. The environmental loan will finance the rebuilding of the nickel smelter plant in Nickel and the Zapolyarny pellet roasting plant.

Modernisation of these facilities will bring substantial environmental benefits, not only to Russia but also to Norway, Sweden and Finland.

The investment is expected to lead to a reduction of sulphur emissions by between 90% and 95%. At present the smelter plant's sulphur dioxide emissions exceed the combined emissions of Sweden, Finland and Norway. In addition, emissions of heavy metal particles are expected to decline by up to 95%. Heavy metals—mainly nickel, copper and cobalt, but also lead, chromium and cadmium—are now being spread by the winds over large parts of the Arctic region and are causing extensive environmental damage. Acid rain, caused by the heavy emissions of sulphur, has resulted in local death of forests owing to pollution in the boundary zone between Norway and Russia.

nutrients and oxygen-consuming substance into watercourses entering the Baltic Sea. In addition, the Bank took part in the financing of energy efficiency improvements in 116 Lithuanian schools. These investments will lead to considerable reductions of atmospheric emissions.

The Bank has actively supported the development of national intermediaries in Estonia and Lithuania, where many of the local government environmental projects are relatively small. The intermediaries assist with the preparation and implementation of the projects, which in turn improves the prospects of cofinancing with other multilateral financial institutions, EU environmental assistance and Nordic bilateral assistance.

ENVIRONMENTAL INVESTMENT LOANS

The Bank has at its disposal a special Environmental Investment Loan facility (MIL) for the neighbouring regions, established in 1996 by resolution of the Nordic Prime Ministers. The purpose of MIL is to make possible the financing of important and prioritised environmental projects in the neighbouring regions which do not qualify for NIB's Project Investment Loan facility (PIL). The MIL facility is intended to contribute towards an abatement of cross-border pollution and environmental impact. Guaranteed by the Nordic countries, it is mainly intended for urgent environmental projects in the Barents region of northwest Russia, Karelia, the St.

Petersburg region and the Kaliningrad region. Environmental projects in the Baltic countries and Poland can presently often be financed by NIB through the PIL facility.

NIB's environmental investment loans can be granted to both public and private sector borrowers.

The total MIL facility amounts to EUR 100 million and is intended for long-term loans for environmental projects, cofinanced if possible with other international banks. The Bank's Board of Directors has proposed to the owners that the MIL facility be raised to EUR 300 million. This increase is above all necessary for the realisation of particularly urgent environmental investments in St. Petersburg, the Murmansk region of the Kola Peninsula and other parts of northwest Russia and Kaliningrad.

ENVIRONMENTAL POLICY

During 2001 the Bank's Board of Directors approved a codification of the Bank's environmental policy. For several years now, the Bank has complied with certain given international principles—reaffirmed in its policy—concerning the handling of environmental issues. Among other things, all projects with a major environmental impact are subject to an environmental impact assessment. Projects may not conflict with the project country's environmental legislation or with international conventions relating to the

environment. In addition, the Bank shall actively encourage investments with a positive environmental impact. These principles are the guidelines of the Bank's activities with reference to the environment.

The Bank's environmental policy and procedures are published in full on the Bank's website.

During 2001 work began on an internal environmental policy laying down guidelines for the Bank's office activities, real estate management and procurement.

INTERNAL PROCEDURES AND SCREENING

Ever since 1995, the Bank has had internal environmental procedures. All loan applications undergo a systematic environmental review in which all relevant environmental impact and hazards entailed by a project are taken into account. Every loan application is screened according to the extent of the environmental or social impact which the project entails.

NIB's screening of projects conforms to international practice in this field. A project expected to have significant environmental impact is coded A. Projects with limited and predictable environmental impact are referred to category B. Projects whose environmental impacts are small or hard to quantify are referred to category C. Category A projects have to undergo full environmental impact assessment (EIA) and category B projects a partial assessment. No formal EIA is required for category C projects, but the Bank can commission an environmental review all the same.

During 2001 the Bank's Appraisal department carried out 95 environmental project analyses, 4 in category A, 32 in category B and 59 in category C.

The Bank requires an environmental audit in connection with company acquisitions or projects entailing obvious environmental risks. When financing company acquisitions, it is important that an environmental audit is performed in projects

Environmental staff resources at 31 Dec 2001:

Number of employees	137
Loan officers	22
Loan officers dealing with environmental loans ^{*)}	5.1
Full-time environmental analysts	2

^{*)} Expressed as whole-year equivalents

entailing an obvious risk of the purchaser incurring environmental liability, in the form of remediation costs relating to polluted soil, polluted groundwater, leaking landfill sites or chemical stores.

NIB attaches great importance to all projects financed having necessary environmental permits and otherwise being deemed environmentally acceptable. The Bank refrains from financing projects which are environmentally questionable or which do not accord with the principles of international applicable conventions for the environment.

The Bank has taken environmental protection measures to comply with the requirements of current Finnish environmental legislation, and in many fields it has gone further than the law requires. NIB's policy is to continue actively working to improve the office's environmental performance.

INTERNATIONAL ENVIRONMENTAL COOPERATION

NIB participates in several international and regional fora of environmental cooperation where important environmental issues are discussed.

HELCOM

The Bank is an active member of the Helsinki Commission (the Baltic Marine Environment Protection Commission, HELCOM). NIB and its sister organisation NEFCO, have, since 1992, been members of the HELCOM Project Implementation Task Force, together with other international financial institutions like EBRD, EIB and the World Bank.

HELCOM originally identified 132 hot spots, i.e. major emission sources, around the Baltic Sea. NIB has been able to help finance the remediation of 13 out of

a total of 18 municipal and industrial local emission sources in Denmark, Sweden and Finland. Several of the emission sources to which NIB funding referred have now been deleted from the original list.

Baltic Agenda 21

Within the Council of Baltic Sea States, NIB is part of an international working group which has drawn up a regional Agenda 21 for the Baltic Sea region; Baltic Agenda 21.

MFI Environmental Working Group

Through the MFI Environmental Working Group, the Bank is involved in global cooperation to harmonise the environmental policy activities of multilateral financial institutions. The aim of this work is to promote convergence among MFIs on the institutional requirements, processes, and good practices in environment assessments.

Northern Dimension Environmental Partnership

During 2001 NIB, acting in conjunction with Sweden's Presidency of the European Union, initiated an environmental partnership within the Northern Dimension —the Northern Dimension Environmental Partnership, NDEP, aimed at strengthening cooperation between the European Commission, international financial institutions and, above all, Russia, to solve urgent environmental problems within the Northern Dimension area of the European Union. The NDEP is primarily focused on promoting significant environmental projects for the achievement of sustainable solutions in the fields of wastewater treatment, waste management and energy supply, all of which are major sources of cross-border pollution.

One example of a project with cross-border environmental impact is the completion of the southwestern wastewater treatment plant in St. Petersburg, which, when completed, will treat wastewater from more than 700,000 residents. At present wastewater is discharged untreated into the Gulf of Finland, affecting the water quality of the entire Baltic Sea. The aim of the project is to reduce the nutrient load which is contributing to the eutrophication of the Gulf of Finland and the Baltic Sea. Emissions of oxygen-consuming substances, nitrogen and phosphorus will be substantially reduced, as will the risk of diseases spreading. When the new plant is commissioned, the treatment process will meet the requirements defined by HELCOM.

The Bank has taken the initiative to study further the possibility of eliminating approximately 400 direct discharge points of untreated sewage into the river Neva and the canals in and around St. Petersburg. St. Petersburg is today by far the biggest source of effluent into the Baltic Sea region.

Other NIB projects under the Northern Dimension Environmental Partnership are described on page 29.

The NDEP also includes a window for nuclear waste projects with the objective to solve the problems of accumulated radioactive waste on the Kola Peninsula. Relevant issues concerning nuclear waste are being discussed by the NDEP steering group together with Russia, and a programme is in preparation for concrete projects, e.g. in the Barents region. These measures may come to focus on investments in the dismantling, freight and intermediate storage, the construction of intermediate storage facilities for radioactive waste, and structures which have come into contact with the waste.

FINANCIAL GUIDELINES AND RISK MANAGEMENT

The Bank's guidelines for its financial transactions and risk management are characterised by a conservative attitude towards financial risk taking. The Articles of Agreement signed by the owner countries and governing NIB's operations require that loans be made on the basis of commercial banking considerations. The Bank's Statutes call for adequate security for the loans made by the Bank, as well as hedging of the Bank's foreign exchange risks. NIB's use of various financial instruments in its operations, including derivative instruments, demands continual oversight of its financial operations and risk management.

MARKET RISK

The Bank's financial guidelines specify that all types of risk-taking, including interest rate, foreign exchange, and counterparty risk, should be strictly controlled. The main component of NIB's treasury operations—a global, investor-oriented borrowing strategy, under which borrowing is often carried out in other currencies and with other interest rate structures than is the case for the funds NIB lends—demands that the Bank use derivative financial instruments to cover the pertinent interest rate and foreign exchange risks. The use of these instruments, in turn, gives rise to counterparty risks, which are likewise carefully controlled within a system of limits and comprehensive portfolio monitoring.

FOREIGN EXCHANGE RISK

The Bank's Statutes require it to hedge all foreign exchange risks to the extent practicable. The foreign exchange risks are controlled on a daily basis, and are kept within the very narrow limits established by the Bank's Board of Directors. NIB has no foreign exchange risks in its Balance Sheet that could affect its financial position and net income other than to a marginal extent.

The Bank's loans are made primarily in US dollars and euros. Interest income in US dollars can cause a certain fluctuation in the Bank's future net income in euro terms. However, any such potential fluctuations in future cash flows would be minor, compared with the Bank's total assets and net worth.

INTEREST RATE RISK

The Bank's Board sets maximum limits for the interest rate risk the Bank can take. The interest rate risk—the sensitivity of

the Bank's income to changes in interest rates—is calculated by measuring how much an interest rate change of 1 percentage point can affect the Bank's net interest income over time (gap analysis). The limits are set for each individual currency as well as for the Bank as a whole. The limits are adjusted annually, and are set in relation to the Bank's equity. At present, the total limit is fixed at EUR 26 million, which corresponds to approximately 2% of NIB's equity. Total interest rate exposure at year-end 2001 was approximately EUR 5.2 million, or 20% of the limit.

In addition to using gap analysis, NIB has a limit system, designed to ensure efficient management of the maturity profile of the assets and the liabilities on the Balance Sheet in order to minimise any discrepancies. Large differences in asset and liability maturities can give rise to a refinancing and reinvestment risk. These risks occur when the margin on assets and liabilities changes at the time of the refinancing and reinvestment. The exposure is calculated by measuring how much a 0.1 percentage point change in the margin on an asset or liability can affect the Bank's net interest income over time. The calculation is made in a manner similar to that of the gap analysis mentioned above. The limit is established for the Bank as a whole, and is now set at EUR 13 million, which is about 1% of the Bank's equity. NIB's total exposure at year-end was about 99.5% of the total limit. In addition to this sensitivity analysis, a EUR 1 billion ceiling has been established to limit the difference in the cash flow between assets and liabilities in the course of any given year. This serves to prevent a large concentration of refinancing or reinvestment needs in the capital markets in a single year.

The placement of assets in an amount corresponding to NIB's equity is managed as a separate portfolio and is not included in the normal calculation of NIB's interest rate risk limits and exposures. In accordance with a previous decision of the Board of Directors, beginning with the year 2000, a maximum of 35% of these placements can belong to the so-called marked-to-market trading portfolio. This portfolio is managed more actively, and its risk limits are more circumscribed than is the case for the remainder of the placements. The Bank has also established benchmark portfolios in order to improve the

management of these capital market placements, both with regard to risk and return.

NIB supplements the above-mentioned foreign exchange risk control and gap analysis system used for measuring interest rate risk by using the value-at-risk methodology to evaluate the totality of market risk in the Bank's financial portfolios.

In the course of 2002 the Bank will be supplementing the methods mentioned above with a sensitivity analysis and stress testing of individual transactions as well as at the portfolio level. NIB's purpose in doing this is to attain greater control over its risk exposure under abnormal market conditions. The value-at-risk analysis will also be supplemented by the Monte Carlo method. That method involves revaluing the portfolio on the basis of a large number of different market scenarios, with a view to assessing the probability distribution of the future value of the portfolio.

CREDIT AND COUNTERPARTY RISK

NIB takes a careful attitude towards credit and counterparty risk, which arises in connection both with lending and in connection with the Bank's treasury operations. In order to make it easier to manage NIB's credit risks as one portfolio, the Bank has a common, unified risk classification system for the various operational areas. The system consists of categories from 1 to 10, of which 1 is the best and 10 is the worst in terms of risk. The Bank's ordinary lending operations usually take place in risk categories 1 to 6, which more or less corresponds to investment grade. The Bank also has strict rules regarding exposure to individual borrowers and composition of the portfolio.

Lending

The Bank's Board authorises all loans, with some delegation of decision making power to the Bank's President for decisions concerning loans of small amounts. The Bank's Board and its Credit Committee receive regular reports on the economic situation of its clients and guarantors. All of NIB's lending operations are classified according to risk, based on both the client's creditworthiness and the quality of the security. Fig. 1 shows the quality of the Bank's loan portfolio broken down by type of security.

Treasury operations

The Bank only accepts counterparties of high credit standing in carrying out its financial placement activities, and is continuously evaluating the creditworthiness of existing and potential counterparties. NIB's Board sets limits for each individual counterparty. The Board adjusts these limits annually on the basis of the size of NIB's equity, and is also continuously involved in approving changes to limits based on changes in counterparties' creditworthiness and economic position.

NIB applies a system for managing derivative financial instruments, particularly swaps, that permits precise monitoring of the market value for each individual swap, and, as a result, NIB's exposure vis-à-vis its swap counterparties. In addition to the current market value, the potential risk exposure for the agreement entered into is also calculated. The calculation of this potential risk is made in the manner required under the BIS regulations. However, NIB in fact uses stricter criteria than those required under the BIS regulations.

CREDIT QUALITY

Fig. 2 shows the development of the quality of the Bank's credit exposure based on the common credit risk classification.

The average quality of the Bank's total credit exposure has been maintained in fiscal 2001 and continues to be high. Almost two-thirds of the credit exposure is within risk categories 3 through 5 in the Bank's risk classification system.

Nordic lending

The quality of the Nordic lending portfolio has been somewhat affected by the nega-

tive economic development during the last four months of 2001. Although certain borrowers were downgraded in connection with the increasing uncertainty in the world economy following the events of 11 September, the portion of loans in the three lowest risk categories in the portfolio is less than 3%. The largest portion of the portfolio, almost 70%, consists of risk categories 4 and 5 as before. The Nordic lending department's interest rate margin has strengthened, and the Nordic lending portfolio is still well balanced as regards geographical distribution, industrial sector distribution, and the loans' size distribution.

International lending

The international lending portfolio was also impacted by the weakening and uncertainty in the world economy. Some international loans were therefore downgraded during the last four months of the year. Nonetheless, the share of the three lowest risk categories has continued to decline, following the trend over the last few years, and is now just above 13%. At the same time, the share of individual loans in the highest risk categories, 3 through 5, has risen marginally. The average interest rate margin for international loans rose somewhat in 2001.

Financial counterparties

The credit quality of the Bank's financial exposure has remained at a very high level, apart from the pressure which many of the Bank's financial counterparties have felt during the year. The share of the three highest quality risk categories is more than 85% as before. NIB's exposure in the portfolio's worst risk category, category 5, has declined.

The Bank as a whole

Taken as a whole, the average credit quality in the Bank's portfolios has weakened marginally during the year, but is nonetheless still very strong. Barely 65% of NIB's total exposure is in categories 3 through 5. The share in the three most risky categories, 8 through 10, is now 3.9%, compared with 2.7% at year-end 2000, while NIB's exposure in category 10 has increased by 0.1%.

OPERATIVE RISK

NIB deals with legal risks and other operative risks through a system of internal controls, and by clear rules for assignment of work and responsibility among and within all the Bank's departments. The Bank has a committee which oversees its management information system, in order to make certain that there is a well-functioning flow of information to the Bank's management. The committee is composed of representatives of all the departments and the risk management unit. The internal controls cover systems and procedures for monitoring transactions, positions and documentation with a clear division of labour between recording, risk management and transaction generating functions.

In 2001 the Bank made special efforts to map out its long-term IT strategy and modernise its IT systems. There is a particular need for modernisation in the area of loan accounting and cost accounting systems. Risk management has already begun to use modern and reliable IT systems. The guidelines for data security within the Bank were reworked during the year.

OUTSTANDING LOANS AND GUARANTEES By type of repayment protection as of Dec. 31, 2001

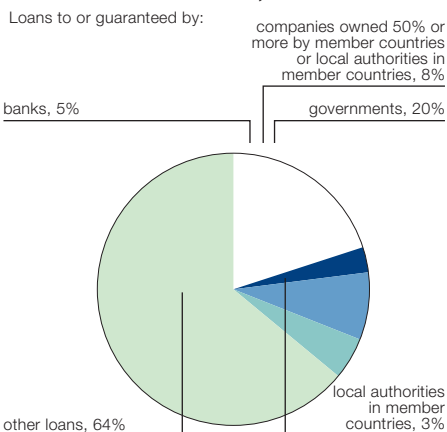


Fig. 1

TOTAL EXPOSURE BY NIB RATING

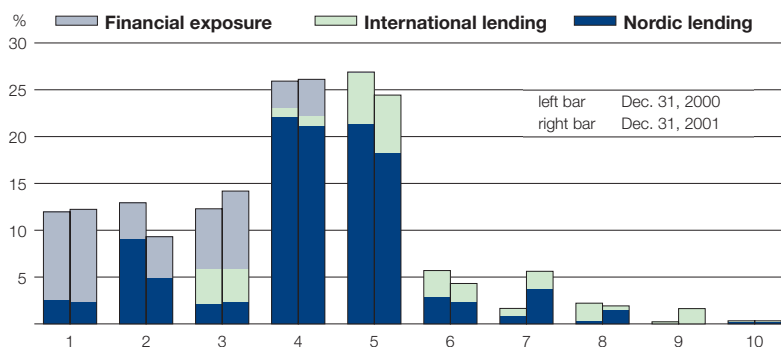


Fig. 2



From the top:
Ranunculus glacialis
Saxifraga oppositifolia
Phyllodoce caerulea
Rhododendron lapponicum
Silene acaulis

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Summary of the year 2001

The Bank had a successful year in 2001. Net interest income rose to EUR 147 million in the year 2001, compared with EUR 143 million in the year 2000. The Bank is recording a profit of EUR 131 million for the year, compared with EUR 130 million in 2000. The year's profit is not directly comparable with last year's profits, however, since as of 2001 the Bank is implementing the new accounting standard for financial instruments, IAS 39, which has the effect of reducing the year's profit by EUR 2.7 million.

New lending increased sharply, amounting to EUR 1,661 million during the year (2000: 1,101). Loans outstanding at year-end totalled EUR 10,067 million (9,288).

Average economic growth in the Nordic countries was slightly higher than 1% during 2001, which is a clear slowdown from a growth rate of approximately 4% in 2000. The Nordic countries felt the effects of the international economic downturn, and decreasing demand in the most important export markets resulted in a lower rate of growth in industrial production, while investment growth stagnated. The decline in international economic growth was primarily a consequence

of the sharp downturn in economic activity in the USA.

The credit quality of the Bank's lending portfolio and of its investment portfolios continued to be considered very good on the whole, despite the cyclical downturn. In fiscal 2001 the Bank reported a loan loss of EUR 3.1 million in respect of one loan, for which the Bank had already provisioned in the previous year's accounts. Provisions for anticipated loan losses in the amount of EUR 0.4 million were made during fiscal 2001.

During the year, the Bank's owners, the Nordic countries, approved the Board of Directors' proposal to amend the Statutes to increase the Bank's ordinary lending ceiling by slightly more than EUR 2 billion, from EUR 10 billion to approximately EUR 12 billion.

The Bank's new borrowings corresponded to EUR 2,099 million (1,865). Outstanding borrowings rose to EUR 12,298 million (11,326). A total of 46 (45) long-term borrowing transactions were made in 9 (7) different currencies.

Environmental projects are a high priority area within the Bank's operations, and in 2001 the Bank participated in the financing of a number of environmental

investments. NIB has taken on the chairmanship of the steering group for the Northern Dimension Environmental Partnership, NDEP. NDEP is an international forum with the purpose of coordinating and streamlining the financing of environmental investments, particularly in the Baltic Sea and Barents Sea regions.

At year-end, total assets amounted to EUR 15,024 million (13,850). Total assets for 2001 cannot be compared directly with total assets for 2000, as a result of the implementation of IAS 39. Total assets rose by 4.8% due to the implementation of IAS 39.

The Board of Directors proposes that EUR 39 million be paid as a dividend to the Bank's owners for fiscal year 2001. This is the same dividend amount as last year.

In June, NIB celebrated its 25th anniversary in Helsinki with an annual meeting and a conference on consolidation within the financial sector, with speakers from leading banks and regulatory authorities in the Nordic countries and the USA. The anniversary celebrations were attended by representatives of Nordic and international industrial companies and financial institutions, in addition to the Bank's owners and staff.

LENDING

The Nordic countries

Lending within the Nordic countries rose despite the increasing uncertainty in the world economy. In particular, the financing of environmental and infrastructure projects was among the areas where the Bank was able to generate value added for its clients, by offering the long-term financing needed to make large, long-term investments feasible.

Disbursements in fiscal 2001 amounted to EUR 1,179 million (842). Fewer renewals of loans in the existing loan portfolio and a considerable amount of loan prepayments in 2001 were largely offset by a large amount of disbursements towards the end of the year. The relatively high demand for loans was partly due to the fact that commercial banks are reluctant to

grant long-term loans during economic downturns. This, in turn, has the effect of strengthening NIB's complementary role.

Loans outstanding amounted to EUR 7,748 million (7,357). NIB entered into loan agreements amounting to EUR 1,178 million (771), and concluded guarantee agreements amounting to EUR 25 million (0).

The share of disbursements to the manufacturing industry rose from 39% to 41% of the year's disbursements compared to the previous year. Steel and metal manufacturing accounted for the largest increase within the manufacturing industry, with its share rising from 6% to 14%. For the second year in a row there was a decline in disbursements to the pulp and paper manufacturing industry. Overall, the manufacturing sector is still the largest

sector in the Bank's Nordic lending portfolio. The financing of energy investments increased considerably, with that sector's share rising from 4% to 23%. There were also considerable changes in lending to financial intermediaries, whose share dropped from 21% to 7%, as well as in lending to the transportation and communications sector, which declined from 12% to 7% of disbursements.

The share of new lending denominated in euros declined from 64% to 60%, but the euro is still the dominant currency. The share of the Danish krone and particularly that of the Swedish krona increased, accounting for 9% (5) and 16% (8) of disbursements, respectively. The share of new lending in US dollars declined, amounting to 12% in 2001 compared with 17% in the year 2000.

Approximately 40% of lending went to cross-border investments, with Finnish and Swedish companies in particular as the investors. Almost one-third of all loans disbursed involved the financing of infrastructure projects, particularly energy supply, and one-seventh concerned environmental investments.

International lending

There was a great demand for international loans in 2001. NIB noted a higher number of applications for loans, both for individual projects and as part of the lending programmes that NIB has established in cooperation with financial intermediaries. The reason for the increase is that certain projects were carried out, and some lending programmes were agreed and utilised, more quickly than anticipated. The large increase in volume in 2001 was also due to the fact that the number of cooperation countries has risen during the last few years.

A total of EUR 847 million (390) in new international loans was granted during 2001. Loan agreements totalling EUR 617 million (255) were signed. Disbursements of international loans rose sharply, amounting to EUR 482 million (259). Loans outstanding amounted to EUR 2,319 million (1,931) at year-end.

The geographical distribution of international lending shows that Asia accounted for 41% (43) of loans outstanding and loan agreements entered into but not yet disbursed as of year-end, with China, India, Indonesia and Thailand being the dominant borrowing countries. The share of Central and Eastern Europe amounted to 28% (27), with the Baltic countries accounting for slightly more than one-third. At year-end the Czech Republic and Poland were the largest borrowing countries in Central and Eastern Europe. Latin America's share amounted to 17% (16) at year-end, with Colombia, Mexico and Venezuela as the largest borrowing countries. Africa and the Middle East together constituted a 14% (14) share of the portfolio, in which South Africa, Tunisia and Turkey had the largest share.

The demand for new loans for indi-

vidual projects continued to be high in the telecommunications sector, and the demand for loans for new investments and the upgrading of projects in the transportation sector—highways and public transport, for example—showed a considerable increase during the year. The Bank's lending programmes, which usually are earmarked for the financing of projects within the SME sector, also developed positively during the year—cooperation with previous borrowers increased and loan agreements were entered into with new financial intermediaries.

NIB's international lending is usually based on cooperation agreements with the governments of the borrower countries. New cooperation agreements were entered into with Peru and Slovakia in fiscal 2001.

The neighbouring areas

Part of NIB's strategy is to contribute to the economic development in the Nordic countries' neighbouring areas—the Baltic countries, Poland, and the northwestern part of Russia. NIB's activities in the neighbouring areas constitute an important part of its lending operations, and the Bank allocates considerable resources to these activities.

NIB's lending to the Baltic countries rose strongly during 2001, primarily as regards the financing of infrastructure investments, but also for the financing of investments in the development of these countries' SMEs.

As part of the Baltic Investment Programme, which came to an end in 1999, NIB administered two funds: the technical assistance fund and the equity investment fund. These two funds were closed, as previously agreed, in the middle of the year, as NIB had sold its last shareholdings at the end of the year 2000. The remaining assets were paid back in connection with the submission of the final accounts to the member countries.

The bulk of NIB's activities in Poland are focused on energy projects and municipal environmental projects. The Bank entered into an agreement concerning loans to northwestern Russia for the mod-

ernisation of the Pechenga Nickel smelting works on the Kola Peninsula, and for investments in sewerage treatment in Kaliningrad. Both of these are important environmental projects in the Baltic Sea and Barents Sea regions.

NIB's prioritisation of and support for environmental investments in the neighbouring areas is manifested in the Bank's active participation in the Northern Dimension Environmental Partnership, which was created in the first half of 2001, and in the proposal, now under discussion by the Bank's owners, to expand the environmental lending facility (MIL) from EUR 100 million to EUR 300 million.

ENVIRONMENTAL PROJECTS

NIB is actively promoting the financing of new environmental projects. As of 31 December 2001, the Bank had a total exposure of EUR 1,616 million in environment related projects. A large part of these loans has been granted for very specialised environmental projects in the Nordic countries and their neighbouring areas.

NIB applies an internal procedure as regards the environment, consisting of a systematic environmental impact assessment of all its loan applications.

During the year, the Board of Directors approved a codification of the Bank's environmental policy, which has been applied for several years. Among other things, the policy mandates that the Bank must screen the environmental impact of all projects to be financed, and make certain that the projects are in accordance with international environmental agreements. In addition, the Bank is mandated to work actively to promote investments that have a positive environmental impact.

FINANCIAL ACTIVITIES

In 2001, there was a great deal of uncertainty in the international capital markets following the tapering off in growth of the world's leading economies, strengthened by the effects of the terrorist attacks on the USA. Stock markets fell, and the target short-term interest rate in the USA

dropped by a historically large amount during the year, from 6.5% to 1.75%. As a result, investors increasingly chose to invest in bonds with high credit ratings.

The generally stronger demand for bonds with high credit ratings, coupled with NIB's active marketing in international bond markets and a flexible borrowing strategy, resulted in a successful year for the Bank's borrowing operations.

The Bank's borrowing in the capital markets amounted to EUR 2,099 million (1,865) during 2001. Repayments of previous borrowings corresponded to EUR 1,780 million (1,748). Borrowings outstanding amounted to EUR 12,298 million (11,326) at year-end. During the year 2001, 46 (45) funding transactions were carried out in 9 (7) different currencies. The British pound was the Bank's most important borrowing currency in 2001, with a 34% share of new debt issues. The Bank issued bonds denominated in British pounds corresponding to an amount of EUR 722 million, distributed over six transactions.

A SEK 3 billion benchmark bond was issued in the Swedish market, corresponding to EUR 326 million, with a five-year maturity. The transaction was the first large issue in many years by a supranational in this market, and the first NIB transaction in the Swedish market since 1998. Through this issue, NIB has met the demand of its investors both within and outside the Nordic countries for securities denominated in Swedish kronor. The Swedish krona accounted for 16% of NIB's borrowings in 2001.

During the year borrowing in the Asian capital markets amounted to a total of 35%, with the Japanese yen accounting for 19%, the Taiwanese dollar for 13%, and the Hong Kong dollar for 3%. NIB also launched bond issues in US dollars corresponding to 10% of its total borrowing. Thus, NIB borrows in many different currencies, and then, using creditworthy counterparties, swaps them into the currencies demanded by its customers.

The Bank's equity amounted to EUR 1,440 million at the end of 2001. The Bank invests an amount corresponding to

its equity in portfolios of interest-bearing securities. In 2001, the Bank continued to reduce the amount of securities in its held-to-maturity portfolio in order to increase its actively managed trading portfolio consisting of marked-to-market securities. Securities in the trading portfolio are bought and sold according to expectations as to market developments. This portfolio is managed in accordance with strict limits on risk-taking. Gains or losses connected with the marked-to-market portfolio are recorded directly in the Bank's Profit and Loss Account. As a result of the drop in interest rates during the year, the Bank's profits for 2001 were affected positively, in the amount of EUR 1.9 million, by capital gains in the marked-to-market portfolio. The marked-to-market portfolio accounted for 32% of NIB's equity at year-end.

The Bank's net liquidity amounted to EUR 2,641 million at the end of 2001. This is in line with the Bank's long-term goal of maintaining a net liquidity level that corresponds to the Bank's requirements for the following 12 months.

In 2001 NIB started a pilot project by giving two external asset management firms the responsibility for managing a total of USD 100 million of the Bank's liquidity portfolio. The Bank's goal in establishing this external management system is to achieve a higher yield on its liquidity, as well as to strengthen the development of its own internal liquidity management capability.

COOPERATION WITH OTHER FINANCIAL INSTITUTIONS

The international financial institutions that are active in the Northern Dimension Area have begun to work actively together to solve environmental problems in the EU's Northern Dimension Area, which is aimed at north-European countries both within and outside the EU. This cooperation has become embodied in the Northern Dimension Environmental Partnership, NDEP. NDEP was created through cooperation among international financial institutions, the EU Commission and NIB, in consultation with Sweden,

which was holding the EU Presidency for the first half of the year. NDEP's guiding purpose is to coordinate, streamline and strengthen the financing of urgent environmental projects having cross-border effects in the Northern Dimension Area, at the outset particularly in northwestern Russia. NDEP consists of a steering group and a fund. The steering group prioritises projects and chooses a lead bank for each individual project. The steering group's permanent members are the EBRD, EIB, NIB, the World Bank Group and the EU Commission. NIB, having worked actively for NDEP from the start, was chosen to chair the steering group for the Partnership's first year of operation. The mandate of the fund is to gather grant funds from potential donors in order to contribute to the financing of NDEP projects that cannot be financed exclusively with loans.

NIB places a great deal of importance on cooperation with other financial institutions. During 2001, cooperation with financiers both within and outside the Nordic countries has expanded in a number of areas. A cooperation agreement between NIB and the Council of Europe Development Bank (CEB) was signed in the beginning of 2002. Its purpose is to foster cooperation and facilitate the possibilities for cofinancing projects in the CEB member countries where NIB is active. NIB has cooperation agreements with the most important multilateral development banks.

The cooperation between NIB and the other Nordic financial institutions that form the Nordic Finance Group in Helsinki—the Nordic Development Fund (NDF), the Nordic Environment Finance Corporation (NEFCO), and the Nordic Project Export Fund (Nopef)—continued during 2001, both as regards specific projects and on an administrative level. These institutions cooperate closely in financing projects. This cooperation is facilitated by the fact that all of these institutions are located in NIB's building at Fabianinkatu 34 in Helsinki. In fiscal 2001 NIB cofinanced projects with NEFCO in the Baltic area and in northwestern Russia.

This cooperation will increase still further as a result of NEFCO's planned participation in various NDEP projects.

A lending programme for development projects in South Africa as well as a loan to a project for modernising a paper mill in Vietnam were agreed upon during 2001 and are to be implemented through cofinancing with NDF. During the year NIB's cooperation with Nopef and its support for project preparation primarily concerned the Nordic countries' neighbouring areas.

RISK MANAGEMENT

The Bank's risk management guidelines are characterised by a conservative attitude towards risk-taking. The Bank's Statutes call for adequate security when loans are granted, as well as the avoidance of currency risks. The compliance with these general guidelines is followed in practice by an extensive system of limits and monitoring control.

In 2001 the Bank continued its work of developing and improving its risk management methods, which combine a traditional system of management of limits and the use of benchmarks with a model-based simulation of portfolio risk. These parallel methods of risk control are utilised for the management of market risk as well as credit risk.

The goal for the management of the Bank's financial portfolio is to make certain that NIB is sufficiently prepared financially to meet its operational needs, and to maintain its status as a borrower while simultaneously contributing to the Bank's income by virtue of active asset management. The high quality of the Bank's financial counterparty exposure has been maintained during the year.

A few of NIB's borrowers were downgraded during the year as a result of the weakened world economic situation. This had the effect of marginally weakening the Bank's loan portfolio. Nonetheless, the quality of the Bank's various portfolios, taken as a whole, continues to be very high. The portfolios are well balanced both geographically and as regards sector distribution and degree of concentration.

Late service payments on the Bank's outstanding loans did not increase in 2001, and are insignificant in absolute figures. One Nordic loan was written down during the year in the amount of EUR 3.1 million. This loss had no effect on profits in fiscal 2001 since the Bank had already made loss provisions for it in the accounts for 2000. Provisions appearing on the Profit and Loss Account for anticipated international loan losses amounted to EUR 0.4 million.

At the end of the year, the Bank's assets were mainly of the same high quality as at the beginning of the year. A thorough analysis of NIB's outstanding loans has not revealed any specific loan loss risks, but economic developments are uncertain for the remainder of 2002. The cyclical weakening that has already taken place may mean a certain exposure to risk for the creditworthiness of the Bank's counterparties. This is one of the reasons for which the Board of Directors has set forth below a proposal to increase the allocation from profits to equity reserves in order to cover general, non-identified risks in the Bank's operations.

PERSONNEL AND INFORMATION TECHNOLOGY

At year-end the number of employees was 137. The majority of NIB's personnel is Finnish—97 employees—while the other Nordic countries are represented with 16 Swedes, 13 Danes, 6 Norwegians and 5 Icelanders. The Bank has put in place a personnel management training programme around the themes of communication and leadership.

During the year the Bank continued to develop use of its information technology, particularly as a tool for internal information management. NIB's IT management is being modernised through a new, centralised information system. During fiscal 2001 the operative systems and the Bank's computer equipment were upgraded. The Bank renewed its guidelines for data security during the year. NIB has worked out a new strategy to serve as the basis for the development of its IT over the next few years.

RESULT

The Bank showed a profit of EUR 131 million for fiscal 2001, compared with 130 million in the year 2000. Net interest income increased to EUR 147 million (143). The rise in net interest income in fiscal 2001 compared with the year 2000 is primarily connected with increased average total assets and wider lending spreads. Net interest income declined somewhat as a proportion of equity as a consequence of generally low interest rates, which have an effect on new investments and reinvestments of funds. The increase in the fiscal year's profit as calculated according to the accounting principles NIB has used in previous years is of the same order of magnitude as the rise in net interest income. Value adjustments according to IAS 39 lowers NIB's profits by EUR 2.7 million for fiscal 2001.

New accounting standard

It is very important for NIB's position in the capital markets that it implements internationally agreed accounting standards. Since 1994, therefore, the Bank has drawn up its accounts in accordance with International Accounting Standards. The European Union's directives also cover these standards, which are being applied more and more internationally. International Accounting Standards are continuously being developed, and in 2001 new principles were introduced as to how financial instruments are reported in the accounts.

The IAS 39 standard primarily involves a different treatment of derivative contracts, which for 2001 are to be carried in the Balance Sheet at fair value. As IAS 39 permits hedge accounting under certain circumstances, the corresponding hedged items are also carried at fair value in the Balance Sheet if they have been hedged against changes in value caused by market fluctuations. IAS 39 has meant that NIB has had to mark to market most of the liability side of its Balance Sheet, while the asset side has been treated more or less in the same way as before in terms of how items are recorded in the accounts.

Measurement at fair value in accordance with IAS 39 inevitably involves a greater degree of volatility in the Bank's Profit and Loss Account and Balance Sheet. Using its hedging policy, NIB strives to decrease the volatility of its results. As mentioned above, an exceptionally sharp drop in short-term interest rates during 2001 produced a negative effect on NIB's profits, as a result of the implementation of IAS 39.

Key figures

Based on the accounting principles NIB has used in former years, profit as a proportion of average equity was 9.7% in 2001, compared with 10.3% in the year 2000. Profits calculated using IAS 39 amounted to 9.5% of average equity. This can be compared with the last 5 years' moving average for the 5-year euro interest rate, which was 4.8% (5.1). The corresponding one-year average for 2001 was 4.7% (5.5). In addition to the paid-in capital, the Bank's owner countries have provided callable capital for the Bank, which also contributes to NIB's high credit rating.

NIB's established financial goals for its operations are to achieve a reasonable, stable return on its equity and to build up sufficient reserves. These goals have been achieved, which is important for the Bank in fulfilling its primary purpose effectively: to provide long-term financing in order to further projects of Nordic interest, which support sustainable development. During the year, EUR 39 million was distributed to the Bank's owners from profits from the year 2000.

As of 31 December 2001, NIB's equity—which consists of capital paid in by the owners plus accumulated reserves—amounted to EUR 1,440 million (1,326), corresponding to 9.6% (9.6) of total assets. The ratio of equity to total assets would have been 10.0% calculated on the basis of the accounting principles the Bank has used in prior years.

OUTLOOK

Even if there are as yet no absolutely clear signs of an improvement in the world economy, a great deal of evidence

nonetheless appears to suggest that we have passed the bottom of the cyclical downturn and that a turnaround can be expected in the second half of 2002. World economic growth in 2002 is expected to remain at the same level as in 2001. The slowdown in the EU economy was less than in the USA, and economic growth in the EU in 2002 is expected to be significantly higher than in the USA. Economic growth in the Nordic countries during 2002 is expected to be somewhat higher than the OECD average. Economic growth in most regions outside the OECD area is expected to be higher than the OECD average, with the exception of Latin America. Latin America has been affected by the economic downturn to a larger extent, and is expected to experience slow growth in 2002.

The demand for long-term loans is expected to remain high in 2002. NIB will continue to have an important complementary role as a financier of projects both within and outside the Nordic countries.

Within the Bank's Nordic lending, the focus will be on long-term lending to SMEs and on industry and infrastructure projects of Nordic interest. NIB's goal is to continue to cooperate with other financial institutions, but also to increase financing to SMEs through the Bank's cooperation with financial intermediaries. In its operations NIB will give priority to the financing of environmental protection and infrastructure projects as well as Nordic companies' projects in the neighbouring areas.

The Bank's international lending activities continue to embrace the active preparation of environmental projects in the Nordic countries' neighbouring areas. Major efforts are underway particularly in cooperation within the Northern Dimension Environmental Partnership, in which the Bank is playing an active role. Within NIB's international lending, borrowers will for the most part continue to be governments or government-guaranteed entities, but the financing of infrastructure projects in the private sector will increase further. The Bank's international operations have been concentrated primarily on infrastructure, where projects are

being prepared in areas such as energy production and transmission, water supply, environmental protection, transportation and communications. Projects in the SME sector are primarily financed in cooperation with financial intermediaries.

NIB will be continuing its flexible, global borrowing strategy in 2002, whereby it will meet investor demand for attractive investment possibilities in the markets. At the same time, NIB will be strengthening and developing the framework for managing its financial assets.

NIB's new lending within the Nordic countries in 2002 is expected to develop at a level similar to the previous year, while new lending outside the Nordic countries is expected to decline from the extraordinarily high level of 2001. NIB will focus its lending operations on projects that promote its owners' priorities, in accordance with its mission and strategy. NIB expects its net interest income and profit for fiscal 2002 to be in line with the results for fiscal 2001.

Over the longer term, NIB will be striving to achieve a higher rate of growth in lending outside the Nordic countries than within the region. In that way the Bank will be helping to further the internationalisation of Nordic industry—an important source of economic growth in the Nordic countries. Due to the special economic situation now prevailing, the path towards achieving this goal may not be clear in 2002, but in the long term it will become apparent, not the least with regard to lending in the Nordic countries' neighbouring areas to the East.

Proposal by the Board of Directors to the Nordic Council of Ministers

The Board's proposal for the allocation of profits for the year takes into consideration that the Bank's operations are carried out with an objective to achieve a reasonable return on the Bank's equity and a satisfactory dividend to the owners. The proposal will facilitate the continuing accumulation of the Bank's equity and keep its ratio of equity to total assets at a secure level, both of which are prerequisites for maintaining the Bank's high creditworthiness.

The Board of Directors proposes to the Nordic Council of Ministers that the profit of EUR 130,720,223.88 be allocated as follows:

- That EUR 23,341,662.71 be transferred to the Statutory Reserve, subsequent to a deduction of EUR -1,178,561.17 related to the one-time effect on 1 January 2001, of the implementation of IAS 39 for the first time. Subsequent to such transfer, the Statutory Reserve will amount to EUR 553,952,214.93 or 13.8% of the Bank's authorised capital of EUR 4,000,000,000.00.
- That EUR 51,000,000.00 be transferred to the Credit Risk Reserve as a part of equity.
- That EUR 14,200,000.00 be transferred, pursuant to section 6A of the Bank's Statutes, to the Loan Loss Reserve for Project Investment Loans.
- That EUR 2,000,000.00 be transferred to a reserve for the HIPC initiative.
- That EUR 39,000,000.00 be available for distribution as dividends to the owners.

The Bank's equity subsequent to allocations as stated above will be composed as follows (in EUR):

• Paid-in capital	404,260,110.00
• Statutory Reserve	553,952,214.93
• Credit Risk Reserve	327,000,000.00
• Loan Loss Reserve (PIL)	98,200,000.00
• HIPC Initiative Reserve	4,000,000.00
• Unrealised adjustments in value according to IAS 39	14,050,858.47
• Appropriation to dividend payment	39,000,000.00
Total equity as of 31 December 2001	1,440,463,183.40


The allocations as set forth above are reflected in the accounts. The Profit and Loss Account, the Balance Sheet, Changes in Equity, the Statement of Cash Flows and the Notes to the Financial Statements are to be found on pages 44–65.


Helsinki, 7 March 2002


Bo Göran Eriksson

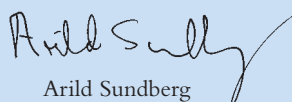

Ib Katznelson



Sven Hegelund

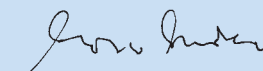

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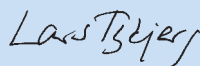

Thorsteinn Ólafsson



Guðmundur Magnússon


Arild Sundberg


Eli Telhaug


Seppo Suokko


Lars Tybjerg


Jón Sigurðsson

PROFIT AND LOSS ACCOUNT 1 JANUARY – 31 DECEMBER

	Note	2001 1,000 EUR	2000 1,000 EUR
Interest income	(1)	713,756	797,640
Interest expense	(1)	-566,866	-655,011
Net interest income		146,890	142,629
Fee and commission income	(2)	5,306	3,901
Fee and commission expense		-1,011	-917
Net profit on financial operations	(3)	5,356	6,539
Foreign exchange loss	(4)	-57	-51
Operating income		156,483	152,101
Expenses			
General administrative expenses	(5)	18,395	16,232
Depreciation and write-down in value of tangible and intangible assets	(10)	4,259	3,748
Provision for possible loan losses, reversals (-)	(6), (9)	390	1,659
Total expenses		23,044	21,638
Profit before value adjustments		133,439	130,463
Value adjustments according to IAS 39	(7)	-2,719	n.a.
PROFIT FOR THE YEAR		130,720	130,463

ALLOCATION OF THE YEAR'S PROFIT

Appropriation to credit risk reserve	51,000	11,000
Appropriation to loan loss reserve (PIL)	14,200	17,000
Appropriation to HIPC initiative	2,000	2,000
Appropriation to dividend payment	39,000	39,000
Appropriation to statutory reserve	23,342	61,463
Adjustment of statutory reserve 1 January 2001	1,179	-

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

BALANCE SHEET AT 31 DECEMBER

ASSETS	<i>Note</i>	<i>2001</i> <i>1,000 EUR</i>	<i>2000</i> <i>1,000 EUR</i>
Cash and balances with banks		7,630	6,166
Placements and debt securities	(8), (19)		
Placements with credit institutions		1,103,652	2,491,382
Debt securities		2,614,037	1,423,869
		3,717,689	3,915,251
Loans outstanding	(9), (19)		
Loans outstanding		10,035,869	9,287,661
Value adjustments according to IAS 39		31,113	-
		10,066,982	9,287,661
Intangible assets	(10)	1,294	3,187
Tangible assets	(10)	36,137	37,406
Other assets	(11), (19)		
Swap receivables		395,990	-
Value adjustments according to IAS 39		443,707	-
Other assets		12,645	73,164
		852,342	73,164
Accrued interest and fees receivable		341,579	526,701
Total assets		15,023,653	13,849,537
LIABILITIES AND EQUITY			
Liabilities			
Amounts owed to credit institutions	(12), (19)	254,356	228,011
Debts evidenced by certificates	(13), (19)		
Debt securities in issue		11,355,831	11,017,117
Other debt		260,123	308,642
Value adjustments according to IAS 39		681,749	-
		12,297,703	11,325,759
Other liabilities	(14), (19)		
Swap payables		931,985	-
Value adjustments according to IAS 39		-214,199	-
Other liabilities		4,571	93,258
		722,357	93,258
Exchange rate adjustment of currency contracts		-	390,704
Accrued interest and fees payable		308,774	485,934
Total liabilities		13,583,189	12,523,666
Equity			
Authorised and subscribed capital	(15)		
of which callable capital		-3,595,740	
Paid-in capital		404,260	394,260
Statutory reserve	(16)	553,952	530,611
Credit risk reserve	(17)	327,000	276,000
Loan loss reserve (PIL)	(17)	98,200	84,000
HIPC initiative reserve		4,000	2,000
Appropriation to dividend payment		39,000	39,000
Other value adjustments according to IAS 39		14,051	-
Total equity		1,440,463	1,325,871
Total liabilities and equity		15,023,653	13,849,537
Guarantee commitments	(9)	32,572	33,472
Off-balance sheet commitments	(18)		

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

CHANGES IN EQUITY

(AMOUNTS IN EUR MILLION)

	Paid-in Capital	Statutory Reserve	Credit Risk Reserve	Loan Loss Reserve (PIL)	HIPC initiative Reserve	Appropriation to dividend payment	Other adjustments according to IAS 39	Total
Equity at 31 Dec 1999	384.3	469.1	265.0	67.0		35.0		1,220.4
Paid-in during the year	10.0							10.0
Appropriation to the statutory reserve		61.5						61.5
Appropriation to the credit risk reserve			11.0	17.0				28.0
Appropriation to the HIPC initiative reserve					2.0			2.0
Dividend payment during 1999						-35.0		-35.0
Appropriation to dividend payment 2000						39.0		39.0
EQUITY AT 31 DECEMBER 2000	394.3	530.6	276.0	84.0	2.0	39.0		1,325.9
Value adjustments according to IAS 39 ¹⁾		-1.2					22.8	21.6
Equity, opening balance at 1 Jan 2001	394.3	529.4	276.0	84.0	2.0	39.0	22.8	1,347.5
Paid-in during the year	10.0							10.0
Appropriation to the statutory reserve ²⁾		24.5						24.5
Appropriation to the credit risk reserve			51.0	14.2				65.2
Appropriation to the HIPC initiative reserve					2.0			2.0
Dividend payment during 2000						-39.0		-39.0
Appropriation to dividend payment 2001						39.0		39.0
Other adjustments according to IAS 39 ³⁾							-8.7	-8.7
EQUITY AT 31 DECEMBER 2001	404.3	554.0	327.0	98.2	4.0	39.0	14.1	1,440.5

¹⁾ Due to IAS 39 the following adjustments were made to the opening balance at 1 January 2001:

Equity, opening balance at 1 Jan 2001 as stated in the Balance Sheet at 31 Dec 2000	1,325.9
Adjustments made to equity according to IAS 39 at 1 Jan 2001	
Adjustments made to derivatives according to IAS 39	-1.2
Adjustments made to derivatives that hedge future cash flows	22.8
Equity, opening balance at 1 Jan 2001 adjusted according to IAS 39	1,347.5

In accordance with the transition requirements of IAS 39 NIB has made an adjustment of EUR -1.2 million to the equity at 1 Jan 2001. The derivatives that hedge future cash flows were adjusted with EUR 22.8 million.

²⁾ The total appropriation to the statutory reserve for this year is EUR 23.3 million net after an initial adjustment according to IAS 39 of EUR -1.2 million.

³⁾ Other adjustments according to IAS 39 consist of a fair value adjustment of derivatives that hedge future cash flows and a fair value adjustment of the available-for-sale portfolio. (The available-for-sale portfolio adjustment stands for EUR 0.3 million.)

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

STATEMENT OF CASH FLOWS 1 JANUARY – 31 DECEMBER

		2001 1,000 EUR	2000 1,000 EUR
	Note		
Cash flows from operating activities	(20)	160,470	152,791
Cash flows from investing activities			
<i>Lending</i>			
Disbursements of loans		-1,665,027	-1,100,837
Repayments		1,091,309	922,756
Exchange rate adjustments		-174,879	-257,010
<i>Placements and debt securities</i>			
Purchase of long-term debt securities		-683,502	-446,709
Sales of long-term debt securities		416,298	522,395
Other placements		43,508	-85,551
Exchange rate adjustments etc.		99,601	5,524
<i>Other items</i>			
Increase in other assets		-2,871	-3,440
Increase in tangible and intangible assets		-1,096	-186
Investing activities, total		-876,660	-443,058
Cash flows from financing activities			
<i>Debts evidenced by certificates</i>			
Issues of new debt		2,099,283	1,865,327
Redemptions		-1,779,781	-1,748,370
Exchange rate adjustments		-35,924	-77,258
Issuing charges		-4,057	-7,195
<i>Other items</i>			
Placements from credit institutions		64,581	-30,609
Exchange rate adjustment of currency contracts		146,020	438,228
Change in other liabilities		-16,897	7,005
Paid-in capital		10,000	10,000
Dividend paid		-39,000	-35,000
Financing activities, total		444,225	422,127
CHANGE IN CASH AND CASH EQUIVALENTS	(20)	-271,965	131,860

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

General Operating Principles

The operations of the Nordic Investment Bank are governed by an agreement among the governments of Denmark, Finland, Iceland, Norway and Sweden, and the Statutes adopted in conjunction with that agreement. A new agreement, which replaced the previous agreement of 4 December 1975, was signed by 23 October 1998 and entered into force on 18 July 1999. The new agreement further strengthens the Bank's status as a multilateral financial institution as well as its legal status.

The purpose of the Bank is to grant loans and issue guarantees on sound banking terms and in accordance with socioeconomic considerations for the implementation of investment projects of interest to the Nordic countries and other countries which receive loans or guarantees from the Bank.

The Bank has the legal status of an international juridical person, with full legal capacity.

In the member countries, the Bank is exempt from payment restrictions and credit policy measures.

The new agreement contains provisions concerning the Bank's immunity and the exemption of the Bank's assets and income from all taxation.

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

Accounting Principles and Additional Information

DRAWING UP OF THE ACCOUNTS

The Bank's Financial Statements have been prepared in accordance with the International Accounting Standards (IAS), as adopted by the International Accounting Standards Board (IASB).

The Board of the International Accounting Standards Committee (IASC) approved the new standard IAS 39, "Financial Instruments: Recognition and Measurement", in 1998. The IASC was replaced by IASB in 2001 due to reorganisations. NIB is implementing IAS 39 for the first time in its accounts for 2001. Retrospective application of IAS 39 is not permitted, and therefore not every part of NIB's 2001 accounts can be compared with the accounts of years past.

Under this new standard all derivatives are recognised on the Balance Sheet, and a greater number of Balance Sheet items are carried at fair value.

The implementation of IAS 39 has the following consequences for NIB.

FINANCIAL INSTRUMENTS

Financial Assets and Liabilities

Financial assets and liabilities are classified in the following categories, with the corresponding valuation principles:

- Financial assets and liabilities held for trading are carried at fair value. Adjustments for changes in fair value are recognised in the Profit and Loss Account. The Bank has already been applying this accounting principle in the past.
- Held-to-maturity financial assets are carried at amortised cost.
- In accordance with the hedge accounting principles in IAS

39, receivables and liabilities—in NIB's case lending and borrowing—are measured at fair value when they are part of a designated hedging relationship. In other cases these Balance Sheet items are carried at amortised cost.

- Other financial assets which are available for sale are measured at fair value, and unrealised value changes are recorded directly in equity.

Derivative Instruments

All derivative instruments are recognised on the Balance Sheet and measured at fair value.

Value changes in derivative instruments are recognised either in the Profit and Loss Account or directly in equity, depending on the purpose when acquired. NIB enters into most derivative contracts in order to hedge against market risk.

Value changes for derivative contracts not entered into for hedging purposes are recognised in the Profit and Loss Account.

Derivatives entered into for hedging purposes are recorded as set forth below.

HEDGING AND HEDGE ACCOUNTING

Hedge Accounting

Hedge accounting is permitted in certain circumstances provided that the hedging relationship—that is, the hedged item and the hedging instrument—is clearly defined, and the hedging is expected to be effective. This means that there must be a high probability that changes in fair value for the hedging instrument and the hedged item will offset each other, that is, that the inverse correlation will be very high.

Fair Value Hedges

The Bank uses derivative instruments in order to hedge the fair value of almost all its fixed interest rate borrowing and lending transactions. Both the hedged item in the Balance Sheet and the hedging derivative instrument are measured at fair value. The value changes are recorded in the Profit and Loss Account.

Cash Flow Hedges

The Bank also uses derivative instruments to hedge future interest rate flows for placements whose interest rates are fixed with short intervals. Value changes for these hedging derivative instruments are recognised in equity, and taken into the Profit and Loss Account when the corresponding incoming variable interest rate flows are realised.

EFFECTS ON THE PROFIT AND LOSS ACCOUNT

The derivative instruments as well as the hedged items are measured at fair value. Value changes are recorded in the Profit and Loss Account under the item "Value adjustments according to IAS 39".

Implementation of IAS 39 will normally mean higher volatility than previously in the Profit and Loss Account and the Balance Sheet. NIB's hedging policy strives to reduce the volatility in its Profit and Loss Account. By using documented, effective hedging, the Bank has been able to apply hedge accounting, which has reduced the effect of market valuations on its Profit and Loss Account.

At the end of the accounting period, the market situation was one of exceptionally sharply falling short-term interest rates and

hence the effect on the Profit and Loss Account of market valuations was EUR -2.7 million. Given that most of the Bank's liabilities, but only some of its assets, are measured at market value, falling short-term interest rates will give negative effects on the Profit and Loss Account and, correspondingly, rising short-term interest rates will give positive effects.

When assessing this effect of fair value adjustments according to IAS 39, one should consider that unhedged lending is not carried at fair value.

The fair values of all the Bank's outstanding loans can be found in Note 19 to the accounts.

Derivative instruments which are not designated as hedging are also measured at fair value, so that the value changes are recognised under the item "Value adjustments according to IAS 39" in the Profit and Loss Account.

As previously, value changes in the marked-to-market trading portfolio are recognised under the item "Net profit on financial operations".

EFFECTS ON THE BALANCE SHEET

The standard prescribes Balance Sheet recognition of all derivatives at fair value. Hedged Balance Sheet items are also carried at fair value, which in turn also has an effect on the Balance Sheet total.

Fair value measurement of derivative instruments designated as cash flow hedges has an impact on equity. The implementation of IAS 39 on the Bank's equity is set forth in the table on page 46, which shows the changes in the Bank's equity.

EFFECTS ON KEY FIGURES

Implementation of IAS 39 has an effect on those of NIB's key figures that include net profit, equity, borrowing, lending or total assets.

SETTLEMENT DATE ACCOUNTING

The Bank's Balance Sheet is prepared in accordance with the settlement date accounting principle. Market value adjustments, however, are measured according to the trade date principle.

REGROUPING

Starting with this fiscal year, amortised borrowing costs are included in net interest income. Hence these costs, as is the case for swap fees, constitute one of the interest components of the combined borrowing and swap transaction. In the past, amortised borrowing costs were reported separately, following the net interest income.

Borrowing costs have been moved from the assets side of the Balance Sheet to the liabilities side, under the item "Debt securities in issue", since IAS 39 stipulates that transaction costs be included in initial cost. The comparative figures have been regrouped accordingly.

Starting in 2001, accrued interest of swaps is reported net for each individual swap contract, as an asset or liability.

The Bank's various portfolios were reclassified in accordance with IAS 39 principles, which led to a regrouping of debt securities.

CURRENCY OF ACCOUNT

In accordance with section 9 of the Bank's Statutes, effective 1 January 1999, the Bank's accounts are kept in euro.

In its accounting, the Bank utilises the official exchange rates published for the euro by the European Central Bank.

		EUR rate on 28 Dec 2001	EUR rate on 29 Dec 2000
DKK	Danish krone	7.4365	7.4631
FIM	Finnish markka	5.94573**	5.94573**
ISK	Icelandic krona	91.48	78.8
NOK	Norwegian krone	7.9515	8.2335
SEK	Swedish krona	9.3012	8.8313
ATS	Austrian shilling	13.7603**	13.7603**
AUD	Australian dollar	1.728	1.677
BEL	Belgian franc	40.3399**	40.3399**
CAD	Canadian dollar	1.4077	1.3965
CHF	Swiss franc	1.4829	1.5232
CZK	Czech koruna	31.962	35.047
DEM	German mark	1.95583**	1.95583**
EEK	Estonian kroon	15.6466**	15.6466**
ESP	Spanish peseta	166.386**	166.386**
FRF	French franc	6.55957**	6.55957**
GBP	British pound	0.6085	0.6241
GRD	Greek drachma	340.75**	340.75**
HKD	Hong Kong dollar	6.8723	7.2578
ITL	Italian lira	1936.27**	1936.27**
JPY	Japanese yen	115.33	106.92
LUF	Luxembourg franc	40.3399**	40.3399**
LVL	Latvian lat	0.5563	0.5764
NLG	Dutch guilder	2.20371**	2.20371**
NZD	New Zealand dollar	2.1215	2.112
PLN	Polish zloty	3.4953	3.8498
PTE	Portuguese escudo	200.482**	200.482**
SDR	Special drawing right	0.704751*	0.713946*
SGD	Singapore dollar	1.6306	1.6126
SKK	Slovakian koruna	42.78	43.933
TWD	Taiwan dollar	30.927255*	30.794976*
USD	United States dollar	0.8813	0.9305
ZAR	South African rand	10.4302	7.0392

* The exchange rate is calculated in such manner that the market rate for USD/relevant currency provides the EUR/relevant currency rate (for 2001: market rate on 31 Dec).

** Fixed exchange rate with regard to the euro.

FOREIGN CURRENCY TRANSLATION

All assets and liabilities denominated in currencies other than the euro are translated into euro at the exchange rate prevailing on the date of the Balance Sheet. Income and expenditure recorded in currencies other than the euro are converted on a monthly basis to euro in accordance with the euro exchange rate at the end of the month. Exchange rate differences are shown in the Profit and Loss Account. As of 31 December, monetary assets and liabilities were valued at the euro rate quoted by the European Central Bank. Non-monetary assets are recorded in the accounts at the euro rate prevailing on the date of their acquisition.

ITEMS IN THE PROFIT AND LOSS ACCOUNT AND THE BALANCE SHEET

AUTHORISED CAPITAL

The Bank's authorised capital is EUR 4,000 million. Of the EUR 1,191 million increase in the Bank's authorised capital that took

NOTES TO THE FINANCIAL STATEMENTS

place in 1999, EUR 100 million consists of paid-in capital. Thus, EUR 70 million was transferred from the Bank's Statutory Reserve during 1999, and EUR 30 million has been paid in by the member countries in equal annual instalments over a three-year period (1999–2001). The paid-in portion of the Bank's authorised capital amounts to EUR 404 million (2000: 394), following payment of the third annual instalment of EUR 10 million.

Payment of the remainder of the subscribed capital in amounts additional to those mentioned above will take place upon request by the Bank's Board of Directors to the extent that the Board deems it necessary for the fulfilment by the Bank of its debt obligations.

RESERVES

The Bank's general reserves have been built up by means of allocations from the profits of previous accounting periods, and consist of the Statutory Reserve, a Credit Risk Reserve, and a Loan Loss Reserve for the Project Investment Loan facility.

The transfer from the Bank's profits into the Statutory Reserve continues until the Reserve equals 10% of the Bank's authorised capital stock, or EUR 400 million. Thereafter, the Bank's Board of Directors may propose that the Bank's surplus be allocated to the Bank's reserves or paid out in the form of dividends.

The Bank's transfers to the general Credit Risk Reserve are in respect of unidentified, exceptional risks in the Bank's operations.

In accordance with section 6A of the Statutes, the Bank has a separate Loan Loss Reserve for Project Investment Loans. This reserve is in respect of unidentified, exceptional risks in the Bank's Project Investment Loan operations, to cover the Bank's own share of the risk.

In the year 2000, the Bank decided to participate in a programme initiated by the World Bank and the International Monetary Fund known as the Debt Initiative for Heavily Indebted Poor Countries (HIPC). NIB's participation in the programme concerns only one borrower country. In its fiscal 2001 accounts, NIB has made a loan loss provision in the amount of EUR 2 million (2) for this purpose. This provision brings the HIPC reserve to a total of EUR 4 million, which is estimated to cover the full amount of NIB's anticipated share of the HIPC programme.

LENDING

Loans can be granted and guarantees can be issued under various lending facilities, each of which has a lending ceiling. The loan facilities are Ordinary Lending, Project Investment Loans, Baltic Investment Loans, and Environmental Investment Loans. The loan facilities and their respective ceilings are described in more detail below.

Loans outstanding are recorded in the accounts net of loan losses and provisions for possible loan losses. Loans outstanding have been carried in the accounts at fair value to the extent that the Bank has hedged them with derivative contracts against fair value changes.

Ordinary Lending

The item "Ordinary lending" includes Investment Loans within and outside the Nordic countries as well as Regional Loans in the Nordic countries, and includes guarantees issued by the Bank. As of 29 October 2001, the Bank's Statutes, section 6, subsection 1, were amended with regard to the Bank's ordinary lending ceiling. Under the new provision, the Bank can grant loans and issue guarantees up to a total amount corresponding to 250% of its authorised cap-

ital and accumulated general reserves. Following this, the Bank's ordinary lending ceiling as of 31 December 2001 amounts to EUR 12,202 million (10,000).

Project Investment Loan Facility (PIL Loans)

Project Investment Loans are made to creditworthy growth market countries as well as to countries in Central and Eastern Europe, to finance projects of Nordic interest.

As from 1 January 1999, within the framework of the Project Investment Loan facility, the Bank can extend loans and guarantees up to a total amount corresponding to EUR 3,300 million. The member countries guarantee 90% of each loan under the PIL lending facility up to a total amount of EUR 1,800 million.

Baltic Investment Loans (BIL Loans)

The Bank has granted loans for investments in the Baltic countries within the EUR 60 million Baltic lending facility. The member countries guarantee 100% of this lending facility. The Bank's mandate to grant this type of loan ceased on 31 December 1999.

Environmental Investment Loans (MIL Loans)

The Bank is authorised to grant special Environmental Investment Loans (MIL) up to a total amount of EUR 100 million, for the financing of environmental projects in the neighbouring areas to the Nordic countries. The loans are provided as part of the general Nordic environmental strategy for projects of Nordic interest. NIB's member countries guarantee 100% of this loan and guarantee facility.

LOAN LOSSES AND PROVISIONS FOR POSSIBLE LOAN LOSSES

Charges are taken on the Profit and Loss Account both in respect of actual loan losses to the extent they are not covered by loss provisions already made for such loans, and by provisions in respect of assessed possible losses on identified transactions. In addition, the concept of assessed possible losses on identified transactions also includes provisions made in respect of specific transactions where the existence of a certain risk of loss has been identified. Amounts recovered, for which charges were already taken, are credited to the Profit and Loss Account.

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 in non-accrual status. Once a loan has been placed in non-accrual status, the Bank stops recording accrued interest as income on the Profit and Loss Account in respect of all of that borrower's loans. All accrued, but unpaid, interest in respect of the borrower in question that had been recorded as income is then deducted from interest income in the Bank's accounts. Before, or at the latest when, a claim is deemed to be in non-accrual status, the Bank makes an estimate as to how large the possible or actual loan loss will be. The amount written off is based on an evaluation of the borrower's remaining ability to pay, and an evaluation of the value of the security provided. In making this evaluation, the Bank takes into account any costs associated with administering or selling such security.

For payments which are more than 180 days overdue in respect of Project Investment Loans, the Bank places all loans to the borrower in question in non-accrual status. 10% of accrued, but unpaid, interest is deducted from the Bank's interest income. The

remaining 90% of the Bank's interest claim is posted in the accounts as an outstanding claim guaranteed by the Bank's member countries. The Bank has a 10% share of the risk in respect of the outstanding amount of principal, interest and fees. The amount of this risk is assessed according to the same methods used in assessing the risk on Ordinary Loans.

The "Credit risk reserve", which appears as a separate item under "Equity" in the Balance Sheet, is meant to cover exceptional, and as yet unidentified, credit losses. This reserve is funded by means of appropriations from the accounting period in question and earlier periods' profits. This reserve constitutes a part of the Bank's general reserves.

DEPOSITS

Deposits at banks are carried in the Balance Sheet under the item "Placements with credit institutions" at historical cost, since the Bank intends to hold these deposits until maturity.

DEBT SECURITIES

The debt securities are classified as financial assets held for trading and held-to-maturity.

The held-to-maturity portfolio, which is primarily financed with the Bank's equity, and whose investments are made with a view to locking in a stable long-term yield, is carried at amortised cost.

Amortised cost means the historical cost of acquiring the asset, adjusted with the residual value of the premium or discount to be amortised.

The securities in the trading portfolio are carried at marked-to-market values. Marking to market of the trading portfolio means that changes in interest rates in capital markets will immediately affect the Bank's Profit and Loss Account and Balance Sheet figures. These effects, both realised and unrealised, are recognised in the Profit and Loss Account under the item "Net profit on financial operations".

INTANGIBLE ASSETS

Starting with the beginning of 2001, intangible assets, which were previously recognised under "Tangible assets" have been reclassified, and are instead recorded as a separate item. The comparative figures for year 2000 have been adjusted accordingly. Intangible assets mainly consist of investments in computer software and licenses. These are amortised in accordance with an amortisation plan over the estimated economic life of the asset in question, usually between 3 and 10 years. The amortisation period starts when the asset becomes available for use. The amortisation period is reviewed before the accounts are closed for each fiscal year. If the asset's estimated economic life differs considerably from earlier estimates, the amortisation period is changed accordingly. If an impairment loss related to an intangible asset has been identified, the asset's residual value is estimated, and the write-down is recognised in the Profit and Loss Account under the item "Depreciation and write-down in value of tangible and intangible assets".

TANGIBLE ASSETS

The "Tangible assets" item on the Balance Sheet includes buildings, land, shares and other evidence of ownership, as well as inventory and other movable property owned by the Bank.

The land owned by the Bank is recorded at historical cost, and

is not depreciated.

The Bank's office building in Helsinki is carried at historical cost minus annual linear depreciations taken over a 40-year period. The Bank's other buildings are carried at historical cost less linear depreciations taken over a 30-year period.

Shares providing ownership rights in connection with employee housing accommodation and other similar shares and evidence of ownership are carried at historical cost.

Assets subject to wear and tear are carried at historical cost less depreciation in accordance with a depreciation plan. Equipment and other movable property are carried at historical cost and depreciated in accordance with a depreciation plan over the estimated economic life of the asset, usually 3 to 5 years.

DERIVATIVE INSTRUMENTS

The Bank uses various types of derivative instruments such as interest rate and currency swaps, forward contracts, futures, forward rate agreements and options, primarily to protect itself against the market risk arising from the Bank's fixed-interest rate borrowing and lending transactions. The Bank's objective, based on the hedging policy is to eliminate this market risk exposure mostly on a back-to-back basis, using derivative contracts to hedge the value of the transactions throughout their entire life.

The Bank primarily uses swaps in order to match the Bank's borrowing most effectively to the currency, maturity, and type of interest of its lending operations. Part of NIB's borrowing operations are structured transactions in which the interest rate and/or the repayment of principal can be tied to interest rate- or exchange rate-based formulas or to share indexes. These transactions are hedged against market risks with swap contracts.

Part of the Bank's lending is granted at fixed interest rates. The Bank's policy is to hedge the fixed interest rate risk in its lending operations with derivative contracts.

To a certain extent the Bank uses interest rate swaps in order to hedge its future cash flows by converting the floating interest rate into fixed interest rate. These interest rate swap contracts have been categorised as cash flow hedges.

The market risk is controlled with a combination of value-at-risk (VaR), duration, and gap analysis.

FAIR VALUE

A standardised instrument trading in a liquid market is characterised by an effective pricing process. This means that the price that is available in the market is the best estimate of fair value. When fair value is determined for assets and liabilities, the respective purchase or sale closing price at Balance Sheet date is used, provided that there is an active market between willing buyers and sellers.

Where market prices are not available, fair value is determined by discounting the estimated future cash flows up to the reporting date. The discount rate is derived from the prevailing market interest rates at close of the reporting date. Most of the Bank's fixed-rate borrowing and lending transactions are measured at fair value by using this method.

Structured borrowing transactions with embedded derivative instruments are measured at fair value by using a theoretical valuation model that is based on market rate quotes.

NOTES TO THE FINANCIAL STATEMENTS

INTEREST

Interest income and interest expense accrued up to the date of the Balance Sheet are recognised in the Profit and Loss Account, with the exception of interest on loans that have been placed in non-accrual status. For the latter, only interest actually paid is recognised as income. The difference between the premium or discount value vis-à-vis the par value on borrowing and lending transactions and on debt securities is recognised as interest and amortised over the lifetime of the transaction. Income and costs on forward contracts are amortised over the transaction's lifetime and recognised as interest.

Borrowing costs are amortised over the lifetime of the borrowing in the Profit and Loss Account as amortised borrowing costs, and are included in the "Net interest income".

Net interest income includes penalty and late payment interest income.

FEE AND COMMISSION EXPENSE

Annually recurrent costs arising as a result of the Bank's borrowing, investment, and payment transactions are recorded under the item "Fee and commission expense".

Payment for legal and consultancy services arising in connection with the monitoring of claims in non-accrual status are recognised under this item.

NET PROFIT ON FINANCIAL OPERATIONS

Profit or loss from the sale of debt securities and other financial instruments, as well as changes in the market value of the trading portfolio, are recorded, as previously, under the item "Net profit on financial operations".

GENERAL ADMINISTRATIVE EXPENSES AND PENSION LIABILITY

The Bank provides services to the Nordic Development Fund (NDF) and the Nordic Environment Finance Corporation (NEFCO). The amount of the Bank's general administrative expenses is reduced by reimbursements for the Bank's costs in providing services to these organisations.

The Bank's pension liability is completely covered. The employees' basic pension protection is secured through the Finnish state pension system. The Bank makes payment to the Finnish state for its pension liability on behalf of its employees, in accordance with the Finnish pension plan for government employees. In addition, effective from the beginning of 1999, the Bank has an extra pension arrangement for its permanent employees that is based on a defined contribution plan.

The Finnish government makes a host-country reimbursement to the Bank in an amount equal to the tax levied on the salaries of the Bank's employees. The host-country reimbursement, which the Bank received for the first time in 1998, is described in further detail in Note 5 to the accounts.

With entry into force of the new agreement concerning the Bank, the Bank and its property are exempt, retroactively to 1 January 1998, from all taxes and tax-equivalent fees as defined in the agreement.

CATEGORIES OF RISK

EXCHANGE RATE RISK

In accordance with section 7e) of the Bank's Statutes, the Bank shall protect itself against foreign exchange risk to the extent practicable. The Bank applies the principle of matching liabilities and assets in various currencies. NIB often borrows in currencies that are not requested by its customers, and therefore has recourse to the swap market to convert the borrowed currencies into the appropriate currency for its lending operations. The Bank's future interest margin income in foreign currencies is not protected against exchange rate risks. In particular, foreign exchange rate changes between the euro and the US dollar can have an effect on the Bank's profits, since the US dollar is still the Bank's second-largest currency in terms of interest rate margin earned, second only to the euro.

INTEREST RATE RISK

The Bank strives to protect itself against interest rate fluctuations in both its borrowing and lending operations. The interest rate risk consists partly of the risk connected with the interest rate fixing periods, partly of the risk due to the maturity distribution of assets relative to liabilities. The differences in maturities can lead to a refinancing or reinvestment risk, as changes may occur in the assets' or liabilities' interest rate margins. In the past, the Bank used the matching principle to manage this difference in maturity, that is, the Bank in principle granted loans with the same maturity as it borrowed money in the marketplace. In order to provide greater operational flexibility, the Bank has established a new limit system to manage its refinancing and reinvestment risks. This system measures the Bank's mismatch in various maturity buckets, and its maximum effect on the Bank's net interest income.

The Bank invests an amount corresponding to its equity in interest-bearing securities with high credit ratings. Approximately one-third of the Bank's equity has been placed in a marked-to-market trading portfolio with a maximum duration of 3.5 years and a daily value-at-risk not exceeding 0.3% of the portfolio's value at a 95% confidence level. The remaining two-thirds of equity has been placed in a portfolio of securities that are held to maturity, with durations between 3 and 5.5 years. Fluctuations in the value of the trading portfolio affect the Bank's profits. Interest rate fluctuations also affect the net interest income of the held-to-maturity portfolio, since interest and principal that have matured are reinvested.

CREDIT RISK

Note 9 provides information regarding the geographical distribution of the Bank's loans and the guarantees it has issued, as well as their distribution by type of security. The Bank's credit exposure in respect of placements and swap contracts is described in notes 8, 11 and 14.

LIQUIDITY RISK

The Bank's policy is to have a level of liquidity that corresponds to its net liquidity requirements for the following 12 months. These funds are invested partially in the interbank market and partially in various kinds of floating interest rate debt securities. A small portion is invested in fixed-interest rate instruments. The average duration of the liquidity portfolio is restricted by the limit for interest rate risk.

Notes to the Financial Statements

(1) INTEREST INCOME AND INTEREST EXPENSE

(Amounts in EUR 1,000)

<i>Interest income</i>	<i>2001</i>	<i>2000</i>
Interest income on placements with credit institutions	74,500	168,923
Interest income on debt securities	129,384	77,999
Interest income on loans outstanding	509,692	550,619
Other interest income	180	99
Total, interest income	713,756	797,640
<i>Interest expense</i>		
Interest expense on amounts owed to credit institutions	10,068	10,976
Interest expense on debts evidenced by certificates	689,760	727,499
Interest on swap contracts and other interest expenses, net	-143,636	-97,103
Borrowing costs ¹⁾	10,674	13,639
Total, interest expense	566,866	655,011

¹⁾ Starting with fiscal 2001, amortised borrowing costs are posted under the item "Net interest income". The comparative figures for fiscal 2000 have been adjusted with 13,639.

(2) FEE AND COMMISSION INCOME

(Amounts in EUR 1,000)

	<i>2001</i>	<i>2000</i>
Commitment fees	1,560	1,555
Loan disbursement fees	2,086	1,741
Guarantee commissions	191	256
Premiums on prepayments of loans	1,240	349
Commissions on lending of securities	229	-
Total, fee and commission income	5,306	3,901

(3) NET PROFIT ON FINANCIAL OPERATIONS

(Amounts in EUR 1,000)

	<i>2001</i>	<i>2000</i>
Debt securities in trading portfolio	2,311	3,759
Repurchase of NIB bonds and other	3,045	2,780
Total, net profit on financial operations	5,356	6,539

(4) FOREIGN EXCHANGE PROFIT/LOSS

According to section 7e) of the Bank's Statutes, the Bank shall, to the extent practicable, protect itself against exchange rate risks. The Bank translates into euro its assets and liabilities that are denominated in currencies other than euro according to the official rates quoted by the European Central Bank. As of 31 December 2001, the Bank is not exposed to any exchange rate risks which could have any significant effect on the Bank's future Balance Sheet and profits.

NOTES TO THE FINANCIAL STATEMENTS

(5) GENERAL ADMINISTRATIVE EXPENSES

(Amounts in EUR 1,000)

	2001	2000
Salaries and other personnel costs	12,016	11,350
Pension premiums in accordance with the Finnish state pension system	2,220	2,407
Other pension premiums	582	569
Office premises costs	651	653
Other general administrative expenses	7,696	5,627
Cost coverage, rental income and reimbursement of value added tax	-1,451	-1,422
Total	21,714	19,183
Host-country reimbursement according to agreement with the Finnish state	-3,318	-2,951
Net	18,395	16,232
Average number of employees	134.2	128.7

(6) PROVISION FOR POSSIBLE LOAN LOSSES AND LOAN LOSSES

Provisions for possible loan losses in the Profit and Loss Account:
(Amounts in EUR 1,000)

	2001	2000
Increase in provisions	507	3,082
Reversals of previous provisions	-117	-1,423
Total, provision for possible loan losses	390	1,659

See also note 9.

(7) VALUE ADJUSTMENTS ACCORDING TO IAS 39

In accordance with IAS 39, derivative contracts are measured in the Balance Sheet at fair value. Likewise, lending and borrowing transactions hedged with derivative contracts are measured at fair value. These value adjustments are recognised in the Profit and Loss Account, in accordance with IAS 39.

During the accounting period 1 January through 31 December, these value adjustments consisted of the following:

(Amounts in EUR 1,000)

	2001
Value adjustments of hedging derivative contracts	117,663
Value adjustments of other derivative contracts	2,567
Value adjustments of lending hedged with derivative contracts	13,876
Value adjustments of borrowing hedged with derivative contracts	-136,825
Total, value adjustments according to IAS 39	-2,719

(8) PLACEMENTS AND DEBT SECURITIES

(Amounts in EUR million)

	2001	2000
Placements with credit institutions	1,104	2,491
Debt securities	2,614	1,424
Total, placements and debt securities	3,718	3,915

The maturity profile of placements and debt securities was as follows:
(Amounts in EUR million)

<i>Period</i>	<i>2001</i>	<i>2000</i>
Up to 3 months	1,082	2,330
3-6 months	334	394
6-12 months	304	156
1-5 years	1,387	640
More than 5 years	611	395
Total, placements and debt securities	3,718	3,915

All placements with credit institutions are at fixed interest rates. Of total debt securities, EUR 1,784 million (757) are at floating interest rates, while EUR 830 million (667) are at fixed interest rates.

The debt securities were issued by the following counterparties:
(Amounts in EUR million)

	<i>2001</i>	<i>2000</i>
Governments	622	501
Public institutions	100	46
Other	1,891	877
Total, debt securities	2,614	1,424

The Bank's debt securities had the following distribution with respect to type of portfolio on the Balance Sheet date:
(Amounts in EUR million)

	<i>Book value</i>		<i>Market value</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
Trading portfolio	2,046	384	2,046	384
Held-to-maturity portfolio	568	1,040	594	1,070
Total, debt securities	2,614	1,424	2,640	1,454

Debt securities in the trading portfolio are measured at fair value, and debt securities in the held-to-maturity portfolio are carried at amortised cost.

(9) LOANS AND GUARANTEES OUTSTANDING

Specification of loans outstanding and guarantees issued

Loans outstanding are recorded on a net basis less deduction for loan losses and provisions for possible loan losses.

The Balance Sheet value for loans outstanding, divided into the four loan categories and by region, is as follows:

(Nominal amounts, in EUR million)

<i>Distribution of loans outstanding</i>	<i>2001</i>	<i>2000</i>
Ordinary lending		
Investment loans in the Nordic countries	7,590	7,229
Regional loans in the Nordic countries	133	128
Investment loans outside the Nordic countries	-	4
Total, ordinary lending	7,723	7,360

NOTES TO THE FINANCIAL STATEMENTS

<i>Project Investment Loans</i>	<i>2001</i>	<i>2000</i>
Africa	166	123
Asia	1,037	939
Baltic countries	116	59
Central and Eastern Europe	403	341
Latin America	408	262
Middle East	154	161
Total, Project Investment Loans	2,285	1,885
Baltic Investment Loans	28	28
Environmental Investment Loans	-	15
Total	10,036	9,288
IAS 39 value adjustments	31	-
Total, loans outstanding	10,067	9,288

In addition, as of 31 December 2001, the Bank had under its ordinary lending facility issued a total of EUR 32.6 million (33.5) in guarantees.

Provisions for possible loan losses

A total of EUR 5.3 million (7.9) has been deducted from the Bank's loans outstanding for provisions in respect of possible loan losses. EUR 1.8 million (1.3) is for Project Investment Loans. The following changes were recorded in the Balance Sheet in respect of provisions for possible loan losses:

(Amounts in EUR million)

	<i>2001</i>	<i>2000</i>
Provisions on 1 January	7.9	6.0
Provisions made during the year for possible loan losses	0.5	3.1
Reversals of previous provisions for possible loan losses	-0.1	-1.4
Loan losses covered by provisions previously made for possible loan losses	-3.1	-
Exchange rate adjustments	0.1	0.2
Provisions on 31 December	5.3	7.9

See also note 6.

The EUR 5.3 million (7.9) in provisions for possible loan losses is distributed as follows:

(Amounts in EUR million)

<i>Distribution by lending facility:</i>	<i>2001</i>	<i>2000</i>
Ordinary loans in the Nordic countries	3.5	6.6
Project Investment Loans		
in Asia	0.5	-
in Eastern and Central Europe	1.3	1.3
Total, provisions	5.3	7.9

For loans outstanding that have been deemed to involve a certain degree of loan loss risk, the Bank has made provisions in the manner described above. The provisions made in respect of Project Investment Loans were made in an amount corresponding to the Bank's own share of the risk. The remainder of loans outstanding, net of loss provisions, has sufficient security, on the basis of data available for making such judgements as of the date of the Balance Sheet.

As of 31 December 2001, the Bank had loans outstanding in non-accrual status in the amount of EUR 4.4 million (4.2) within Ordinary Lending in the Nordic countries.

Loans agreed but not yet disbursed

As of 31 December, the Bank had the following amount in loans agreed but not yet disbursed:
(Amounts in EUR million)

<i>Loans agreed but not yet disbursed</i>	<i>2001</i>	<i>2000</i>
Ordinary Loans	264	307
Project Investment Loans	837	684
Baltic Investment Loans	1	5
Environmental Investment Loans	56	46
Total, loans agreed but not yet disbursed	1,158	1,041

The amounts set forth above for loans agreed but not yet disbursed include loans and loan programmes for considerable amounts, where certain conditions, primarily interest rate conditions, may not yet have received final approval.

Maturity profile of lending

The amortisation payments on loans outstanding, according to the loan agreements, have the following maturity profile as of 31 December:
(Nominal amounts, in EUR million)

<i>Period</i>	<i>Ordinary loans</i>		<i>PIL loans</i>		<i>Total ¹⁾</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
Up to 3 months	179	184	35	41	217	226
3-6 months	443	254	45	49	489	305
6-12 months	615	264	102	84	718	350
1-2 years	1,012	1,244	211	177	1,227	1,427
2-3 years	834	1,009	223	186	1,061	1,198
3-4 years	518	812	282	193	804	1,009
4-5 years	994	521	261	181	1,257	707
5-10 years	2,794	2,609	810	699	3,610	3,323
10-15 years	307	427	282	248	590	679
15-20 years	28	36	35	26	63	63
Total	7,723	7,360	2,285	1,885	10,036	9,288
IAS 39 value adjustments	24	-	7	-	31	-
Total, loans outstanding	7,747	7,360	2,292	1,885	10,067	9,288

¹⁾ The total amount also includes EUR 28 million (28) in Baltic Investment Loans and EUR 0.1 million (15) in Environmental Investment Loans.

NOTES TO THE FINANCIAL STATEMENTS

Under the terms of the relevant agreements, borrowers can in general repay their loans on interest adjustment dates. The following table sets forth amortisations on outstanding loans as of 31 December, if all the loans were to be repaid on the next interest adjustment dates fixed under the relevant loan agreements:

(Nominal amounts, in EUR million)

<i>Period</i>	<i>Ordinary loans</i>		<i>PIL loans</i>		<i>Total</i> ²⁾	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
Up to 3 months	310	360	43	41	356	402
3-6 months	530	496	75	75	606	574
6-12 months	865	490	134	120	1,001	612
1-2 years	1,200	1,606	450	237	1,655	1,849
2-3 years	829	926	320	384	1,153	1,314
3-4 years	570	801	274	275	847	1,080
4-5 years	978	476	236	168	1,216	650
5-10 years	2,277	2,035	693	562	2,976	2,614
10-15 years	165	170	53	19	219	189
15-20 years	-	-	6	3	6	3
Total	7,723	7,360	2,285	1,885	10,036	9,288
IAS 39 value adjustments	24	-	7	-	31	-
Total, loans outstanding	7,747	7,360	2,292	1,885	10,067	9,288

²⁾ The total amount also includes EUR 28 million (28) in Baltic Investment Loans and EUR 0.1 million (15) in Environmental Investment Loans. Loans outstanding at floating interest rates amount to EUR 8,531 million (7,505), while those at fixed interest rates amount to EUR 1,505 million (1,783).

Currency distribution of loans outstanding

(Nominal amounts, in EUR million)

<i>Currency</i>	<i>Ordinary loans</i>		<i>PIL loans</i>		<i>Total</i> ³⁾	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
Nordic currencies (excl. FIM)	2,384	2,395	5	6	2,388	2,401
EUR currencies (incl. FIM)	2,827	2,406	235	147	3,078	2,583
USD	2,412	2,431	1,995	1,700	4,414	4,144
Other currencies	101	128	50	32	155	160
Total	7,723	7,360	2,285	1,885	10,036	9,288
IAS 39 value adjustments	24	-	7	-	31	-
Total, loans outstanding	7,747	7,360	2,292	1,885	10,067	9,288

³⁾ The total amount also includes EUR 28 million (28) in Baltic Investment Loans and EUR 0.1 million (15) in Environmental Investment Loans.

Distribution of outstanding loans and guarantees by various types of security

The following table shows the amount of loans outstanding, including guarantee undertakings, distributed by type of security:

(Amounts in EUR million)

As of 31 December 2001:

	<i>Amount</i>	<i>Share, in %</i>
Loans to or guaranteed by governments		
Loans to or guaranteed by member countries	283 ⁴⁾	3
	(2,083) ⁵⁾	
Loans to or guaranteed by other countries	1,689	17
Loans to or guaranteed by local authorities in member countries	336	3
Loans to or guaranteed by companies owned 50% or more by member countries or local authorities in member countries	764	8
Loans to or guaranteed by banks	538	5
Other loans		
Backed by a lien or other security in property	572	
With a negative pledge clause and other covenants	4,301	
With a guarantee from the parent company and other guarantees	1,531	64
Loans without security	55	-
Total	10,068	100
IAS 39 value adjustments	31	
Total, loans outstanding (including guarantees)	10,099	

⁴⁾ NIB's owner-country guarantees exclusive of owner-country guarantees for the PIL lending facility (EUR 1,800 million).

⁵⁾ Including owner-country guarantees for the PIL lending facility.

As of 31 December 2000:

	<i>Amount</i>	<i>Share, in %</i>
Loans to or guaranteed by governments		
Loans to or guaranteed by member countries	2,039	22
Loans to or guaranteed by other countries	145	1
Loans to or guaranteed by local authorities in member countries	435	5
Loans to or guaranteed by companies owned 50% or more by member countries or local authorities in member countries	816	9
Loans to or guaranteed by banks	371	4
Other loans		
Backed by a lien or other security in property	550	
With a negative pledge clause and other covenants	3,483	
With a guarantee from the parent company and other guarantees	1,478	59
Loans without security	4	-
Total, loans outstanding (including guarantees)	9,321	100

MEMBER COUNTRIES' GUARANTEES FOR LOANS OUTSTANDING

Guarantees for Project Investment Loans and Project Investment Guarantees (PIL)

The Bank can grant loans and issue guarantees under the PIL facility up to a total of EUR 3,300 million (3,300). Each individual loan or guarantee granted by the Bank under the PIL facility is guaranteed by the member countries up to 90%, up to a total amount of EUR 1,800 million (1,800). Payment under the member countries' guarantee takes place at the request of the Board of Directors, as provided for under an agreement between the Bank and each individual member country.

NOTES TO THE FINANCIAL STATEMENTS

The member countries guarantee the PIL up to the following amounts:
(Amounts in EUR 1,000)

<i>Member country</i>	<i>Amount of guarantee</i>	<i>Share, in %</i>
Denmark	391,225	21.7
Finland	357,094	19.8
Iceland	16,139	0.9
Norway	340,991	19.0
Sweden	694,551	38.6
Total	1,800,000	100.0

Guarantees for Baltic Investment Loans (BIL)

Loans granted by the Bank for investments under the BIL facility were provided within a total ceiling of EUR 60 million. These loans are guaranteed by the member countries up to 100%. The Bank's mandate to grant this type of loan ended on 31 December 1999.

As of 31 December 2001, the member countries' liability is distributed as follows:
(Amounts in EUR 1,000)

<i>Member country</i>	<i>Amount of guarantee</i>	<i>Share, in %</i>
Denmark	13,380	22.3
Finland	11,700	19.5
Iceland	630	1.0
Norway	11,340	18.9
Sweden	22,950	38.3
Total	60,000	100.0

Guarantees for special Environmental Investment Loans and Environmental Investment Loan Guarantees (MIL)

The Bank can grant loans and issue guarantees under the MIL facility up to a total amount of EUR 100 million. NIB's member countries guarantee 100% of the loans and guarantees under this lending facility.

As of 31 December 2001, the member countries' liability is distributed as follows:
(Amounts in EUR 1,000)

<i>Member country</i>	<i>Amount of guarantee</i>	<i>Share, in %</i>
Denmark	24,000	24.0
Finland	16,600	16.6
Iceland	1,100	1.1
Norway	19,500	19.5
Sweden	38,800	38.8
Total	100,000	100.0

(10) INTANGIBLE AND TANGIBLE ASSETS

As of 31 December 2001, the historical cost for buildings and land was recognised in the Balance Sheet, net of depreciation on the buildings in accordance with the depreciation plan, at EUR 31.7 million (32.3).

Shares providing ownership rights in connection with employee housing accommodation and other shares and holdings, such as shares in the European Investment Fund (EIF), have a Balance Sheet value of EUR 2.0 million (2.2).

The value of furniture and fixtures and other movable assets is recorded at EUR 2.4 million (2.9).

Computer software included in intangible assets have been written down by EUR 2.6 million (1.0) because of impairment. The write-down is reported in the accounts under "Depreciation and write-down in value of tangible and intangible assets".

(11) OTHER ASSETS

(Amounts in EUR million)

	2001	2000
Derivatives are included in "Other assets" in accordance with IAS 39:		
Floating interest rate, nominal amount	5,852	4,427
Fixed interest rate, nominal amount	10,022	10,103
Total, nominal amount	15,874	14,530
Offsetting of nominal amount per derivative	-15,478	-
Derivative receivables, nominal amount net	396	-
IAS 39 value adjustment	444	-
Swap receivables	840	-
Other	13	-
Total	852	-

Derivatives are carried at fair value in the Balance Sheet net per contract. Derivatives with a positive net fair value are reported under "Other assets".

(12) AMOUNTS OWED TO CREDIT INSTITUTIONS

Amounts owed to credit institutions had the following maturity profile at year-end:

(Amounts in EUR million)

Period	2001	2000
Up to 3 months	191	151
3-6 months	41	62
6-12 months	22	15
Total, amounts owed to credit institutions	254	228

All amounts owed to credit institutions are borrowed at fixed interest rates.

(13) OUTSTANDING DEBTS EVIDENCED BY CERTIFICATES AND SWAPS

The Bank's borrowing transactions are in most cases recognised in the Balance Sheet at fair value in accordance with the IAS 39 principle on hedge accounting. At year-end, the Bank's borrowings evidenced by certificates are distributed among the following currencies shown in the table below. The table also demonstrates the distribution of borrowings by currency on an after-swap basis:

(Amounts in EUR million)

Currency	Borrowing		Swap contracts Payable/receivable		Net currency	
	2001	2000	2001	2000	2001	2000
Nordic currencies (excl. FIM)	1,545	1,460	1,025	1,122	2,571	2,583
EUR currencies (incl. FIM)	1,376	2,031	2,259	869	3,635	2,901
USD	1,643	1,440	4,143	4,707	5,786	6,148
JPY	2,182	2,349	-2,105	-2,287	77	62
GBP	2,773	1,995	-2,790	-2,002	-16	-8
HKD	1,088	1,142	-1,088	-1,142	-	-
Other currencies	1,008	957	-959	-878	49	80
Total	11,616	11,376	486	389	12,102	11,764
IAS 39 value adjustments	682	-	-658	-	24	-
Swap fees	-	-	51	-	51	-
Total, borrowings outstanding	12,298	11,376¹⁾	-122	389	12,176	11,764

The table set forth above includes 192 (182) borrowing transactions in the equivalent amount of EUR 8,676 million (7,856) entered into under the Bank's euro medium-term note programme, and 9 (10) borrowing transactions in the equivalent amount of EUR 230 million (412) under the Bank's Swedish medium-term note programme. The Bank has established a USD 600 million commercial paper programme in Europe and another USD 600 million programme in the United States.

¹⁾ Exclusive borrowing costs of EUR 50.1 million.

NOTES TO THE FINANCIAL STATEMENTS

The Bank's borrowings have the following maturity profile:
(Nominal amounts, in EUR million on maturity date)

<i>Period</i>	<i>2001</i>	<i>2000</i>
Up to 3 months	263.5	507.7
3-6 months	370.7	290.4
6-12 months	751.7	468.5
1-2 years	1,381.2	1,389.4
2-3 years	1,723.4	1,269.2
3-4 years	657.7	1,594.9
4-5 years	797.5	675.4
5-10 years	3,168.2	3,132.2
10-15 years	679.2	743.8
15-25 years	1,577.0	1,281.6
More than 25 years	362.0	49.0
Total, debts evidenced by certificates	11,732.2	11,402.1

Certain of the Bank's borrowing operations may be repaid prior to their maturity dates. The Bank's borrowings have the following maturity profile when taking into account the possibility of their repayment prior to maturity:
(Nominal amounts, in EUR million on maturity date)

<i>Period</i>	<i>2001</i>	<i>2000</i>
Up to 3 months	464.1	626.7
3-6 months	533.8	415.1
6-12 months	888.6	640.9
1-2 years	1,528.7	1,613.6
2-3 years	1,792.8	1,352.7
3-4 years	692.4	1,576.2
4-5 years	818.8	675.4
5-10 years	3,086.4	2,971.2
10-15 years	633.3	640.7
15-25 years	1,003.4	840.6
More than 25 years	289.9	49.0
Total, debts evidenced by certificates	11,732.2	11,402.1

Of debt securities in issue, EUR 2,363 million (2,293) are at floating interest rates, while EUR 9,036 million (8,774) are at fixed interest rates. Other borrowing transactions, at fixed interest rates, amounted to EUR 260 million (309).

As of 31 December the Bank had entered into agreements for future borrowings of EUR 23.4 million (81.3) in the form of 1 (3) borrowing transaction having an average maturity of 29.0 (22.9) years. This agreement was denominated in JPY.

(14) OTHER LIABILITIES

(Amounts in EUR million)

	<i>2001</i>	<i>2000</i>
Derivatives are included in "Other liabilities" in accordance with IAS 39:		
Floating interest rates, nominal amount	14,861	13,246
Fixed interest rates, nominal amount	1,498	1,672
Total, nominal amount	16,359	14,918
Offsetting of nominal amount per derivative	-15,427	-
Derivative payables, nominal amount net	932	-
IAS 39 value adjustment	-214	-
Swap payables	718	-
Other	5	-
Total	722	-

Derivatives are carried at fair value in the Balance Sheet net per contract. Derivatives with a negative net fair value are reported under "Other liabilities".

(15) AUTHORISED CAPITAL; PAID-IN CAPITAL

The member countries have subscribed to the following amounts of the Bank's authorised capital:
(Amounts in EUR million)

<i>Member country</i>	<i>2001</i>	<i>Share, in %</i>	<i>2000</i>	<i>Share, in %</i>
Denmark	881.1	22.0	881.1	22.0
Finland	765.8	19.2	765.8	19.2
Iceland	38.6	1.0	38.6	1.0
Norway	793.1	19.8	793.1	19.8
Sweden	1,521.4	38.0	1,521.4	38.0
Total	4,000.0	100.0	4,000.0	100.0

The paid-in portion of the Bank's authorised capital amounted to 404.3 million (394.3). As part of the Bank's capital increase in 1999, its member countries paid in the remaining EUR 10.0 million in 2001.

The member countries' portions of paid-in capital are as follows:
(Amounts in EUR million)

<i>Member country</i>	<i>2001</i>	<i>Share, in %</i>	<i>2000</i>	<i>Share, in %</i>
Denmark	89.2	22.1	85.9	21.8
Finland	74.4	18.4	72.9	18.5
Iceland	3.9	1.0	3.8	1.0
Norway	77.1	19.1	74.2	18.8
Sweden	159.5	39.5	157.5	39.9
Total	404.3	100.0	394.3	100.0

Payment of the remainder of the Bank's authorised capital will be paid in upon request from the Bank's Board of Directors as and when the Board deems it necessary in order to meet the Bank's liabilities.

(16) STATUTORY RESERVE

In accordance with section 8 of the Bank's Statutes, profit is transferred to a Statutory Reserve until the amount equals 10% of the Bank's authorised capital, or EUR 400.0 million (400.0).

At year-end 2000, the Statutory Reserve amounted to EUR 530.6 million. The Board of Directors is proposing that EUR 23.3 million of the profit from fiscal year 2001 be allocated to the Statutory Reserve, after deduction for the initial effect of implementation of IAS 39, or a total of EUR -1.2 million. In the event the Nordic Council of Ministers decides in favour of the proposal, the Statutory Reserve will amount to EUR 554.0 million after the allocation, or 13.8% (13.3%) of the Bank's authorised capital.

(17) CREDIT RISK RESERVES

General operations

As part of its general reserves, the Bank has a Credit Risk Reserve for non-identified, exceptional risks. At the end of 2000, the Credit Risk Reserve amounted to EUR 276.0 million.

The Board of Directors is proposing to allocate EUR 51.0 million to the Credit Risk Reserve. This reserve will subsequently amount to EUR 327.0 million, as shown on the Balance Sheet.

The Project Investment Loan Facility (PIL)

As provided for in section 6A of the Statutes, the Bank has a separate Loan Loss Reserve in respect of non-identified, exceptional risks in the Bank's Project Investment Loan activities, to cover the Bank's own share of the risk. That credit risk reserve amounted to EUR 84.0 million in 2000.

EUR 14.2 million was allocated from fiscal 2001's profits to the Loan Loss Reserve for the Project Investment Loan facility. Following the allocation, the Loan Loss Reserve amounts to a total of EUR 98.2 million.

NOTES TO THE FINANCIAL STATEMENTS

(18) OFF-BALANCE SHEET COMMITMENTS AND SECURITY PROVIDED BY THE BANK

As of 31 December, the Bank had the following commitments off the Balance Sheet:

(Amounts in EUR million)

	2001	2000
Guarantees issued (note 9)	33	33
Loans agreed but not disbursed (note 9)	1,158	1,041
Borrowing commitments	23	81
Forward contracts, net	-	2
Subscription to EIF shares, unpaid portion	4	4

(19) FAIR VALUE OF FINANCIAL INSTRUMENTS

(Amounts in EUR million)

	2001		2000	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Placements with credit institutions	1,104	1,104	-	2,491
Debt securities	2,614	2,640	26	1,424
Outstanding loans	10,067	10,078	11	9,288
Swap receivables, net	840	840	-	772
			37	826
Liabilities				
Amounts owed to credit institutions	254	254	-	228
Debts evidenced by certificates	12,298	12,300	2	11,326
Swap payables, net	718	718	-	389
			2	628
Net			35	46

When comparing the years 2001 and 2000, the following issues, due to IAS 39, should be taken into consideration:

In 2001 the Bank's portfolio of debt securities was reclassified into a trading portfolio and a held-to-maturity portfolio. This increased the Bank's trading portfolio. For debt securities in the trading portfolio, the book value equals the fair value.

The part of the Bank's loans to customers, designated as hedged items, is carried at fair value in the Bank's 2001 Balance Sheet, whereas all lending in fiscal 2000 was carried at amortised cost.

Most of the Bank's debts evidenced by certificates are carried at fair value in 2001, whereas all debts evidenced by certificates in 2000 were carried at amortised cost.

All derivative instruments have been carried at fair value in the 2001 Balance Sheet. In previous accounting periods the gross nominal values of these instruments were reported under Off-Balance Sheet commitments.

(20) STATEMENT OF CASH FLOWS

Specification of cash flows from operating activities:

(Amounts in EUR 1,000)

	2001	2000
Profit for the year	130,720	130,463
Amortisation of issuing charges	10,674	13,639
Market value adjustment, trading portfolio	3,746	-5,026
Depreciation and write-down in value of tangible and intangible assets	4,259	3,748
Change in accrued interest and fees (assets)	67,652	-5,643
Change in accrued interest and fees (liabilities)	-59,690	13,951
Provision for possible losses on loans	390	1,659
Value adjustments according to IAS 39	2,719	-
Cash flow from operating activities	160,470	152,791

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

(Amounts in EUR 1,000)

	2001	2000
Cash and balances with banks	7,630	6,166
Placements with credit institutions at less than 6 months	1,029,359	2,374,213
Debt securities at less than 6 months	1,784,122	756,744
Liquid assets	2,821,111	3,137,123
Amounts owed to credit institutions at 6 months or less	-180,075	-224,122
Cash and cash equivalents (net)	2,641,036	2,913,001
Change in net cash and cash equivalents	-271,965	131,860

The concept of net liquidity (cash and cash equivalents) contains the net amount of monetary assets, placements and liabilities with original maturities at 6 months or less calculated from the time the transaction was entered into, as well as placements in liquid debt securities at floating interest rates irrespective of original maturity. This definition is in accord with the Bank's actual net liquid asset position.

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 Financial Statements, the accounting records and the administration of the Bank, for the year 2001. The Board of Directors and the President are responsible for the accounting documents as well as the administration. Based on our audit it is our responsibility to express an opinion on the Financial Statements and the administration of the Bank.

Our audit was conducted in accordance with International Standards on

Auditing as issued by the International Federation of Accountants. Those standards require that we plan and perform the audit in order to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates as well as evaluation of the overall financial statement presentation. 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. We believe that our audit provides a reasonable basis for our opinions below.

In our opinion the Financial Statements

give a true and fair view of the financial position of the Nordic Investment Bank as at 31 December 2001 and of the results of its operations and its cash flows in 2001 in accordance with International Accounting Standards as adopted by the International Accounting Standards Board. It is also our opinion that the administration of the Board of Directors and the President complied with the Statutes of the Bank.

Helsinki, 8 March 2002

Kristian Hallbäck

Authorised Public Accountant
Ernst & Young, Helsinki

Torbjörn Hanson

Authorised Public Accountant
Ernst & Young, Stockholm

To the Nordic Council of Ministers

Statement by the Control Committee of the Nordic Investment Bank on the audit of the administration and accounts of the Bank.

In accordance with section 13 of the Statutes of the Nordic Investment Bank we have been appointed to control the operations of the Bank and to be responsible for the auditing of the Bank's accounts. After having completed our assignment for the year 2001, 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. Control and examination measures considered necessary were then performed.

The Annual Report of the Bank was examined at a meeting in Helsinki on 8 March 2002. 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 Auditors' Report, submitted on 8 March 2002 by the authorised public accountants appointed by the Control Committee.

Following our audit, we note 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 2001 and of its results and financing in

2001. The Profit and Loss Account shows a profit of EUR 130,720,223.88 for the financial period.

We recommend to the Nordic Council of Ministers that:

- The appropriation of the Bank's profits for the financial period, as it appears in the Balance Sheet, be approved;
- The Profit and Loss Account and the Balance Sheet be adopted;
- The proposal by the Board of Directors regarding distribution of dividends to the Bank's owners be approved; and
- The Board of Directors and the President be discharged from liability for the administration of the Bank's operations during the accounting period examined by us.

Helsinki, 8 March 2002

Markku Markkula

Trond Helleland

Bjarne Mørk-Eidem

Bill Fransson

Elver Jonsson

Ísólfur Gylfi Pálmason

Ingvar Garðarsson

Per Kaalund

Riitta Prusti

THE BALTIC INVESTMENT PROGRAMME

The figures presented here detail the use of the Technical Assistance Fund and Equity Investment Fund, which the Nordic Investment Bank has been asked to administer under the Nordic countries' Baltic Investment Programme, BIP.

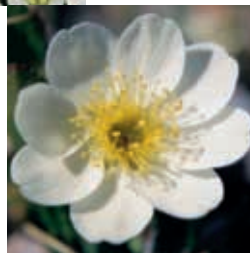
The auditors' report together with the accounts and closing of the books have been submitted to the member countries as of 30 June 2001.

Technical Assistance Fund

	2001 1 Jan - 29 June	2000 1 Jan - 31 Dec
PROFIT AND LOSS ACCOUNT (Amounts in EUR)		
Interest income	2,754	9,527
Administrative expenses	-8,554	-191,066
Funds used in financial period	-5,800	-181,539
BALANCE SHEET (Amounts in EUR)	29 June	31 Dec
Assets		
Cash and balances with banks	125,662	-
Placements with credit institutions	-	182,321
Other assets	-	70
	125,662	182,391
Liabilities and equity		
Liabilities		
Other liabilities	-	50,929
Equity		
Paid-in capital		
Denmark	1,810,000	1,810,000
Finland	1,659,496	1,659,496
Iceland	85,750	85,750
Norway	1,548,750	1,548,750
Sweden	3,146,000	3,146,000
	8,249,996	8,249,996
Used funds		
Used during previous financial periods	-8,118,534	-7,936,995
Used in financial period	-5,800	-181,539
Total used funds	-8,124,334	-8,118,534
	125,662	182,391
Payment to member countries on 29 June 2001	-125,662	

Equity Investment Fund

	2001 1 Jan - 29 June	2000 1 Jan - 31 Dec
PROFIT AND LOSS ACCOUNT (Amounts in EUR)		
Interest income	74,753	1,665
Sales of shares	-	253,700
Fund used in financial period	74,753	255,365
BALANCE SHEET (Amounts in EUR)	29 June	31 Dec
Assets		
Cash and balances with banks	3,530,313	194
Placements with credit institutions	-	3,453,700
Accrued interest	-	1,665
	3,530,313	3,455,560
Equity		
Paid-in capital		
Denmark	755,325	755,325
Finland	522,434	522,434
Iceland	34,619	34,619
Norway	613,702	613,702
Sweden	1,221,111	1,221,111
	3,147,191	3,147,191
Used funds		
Profit/loss from previous financial periods	308,369	53,004
Capital increase in financial period	74,753	255,365
	3,530,313	3,455,560
Payment to member countries on 29 June 2001	-3,530,313	



From the top:
Cassiope tetragona
Diapensia lapponica
Dryas octopetala
Ranunculus glacialis
Ranunculus nivalis



THE CONTROL COMMITTEE

The Control Committee ascertains that the Bank's operations are carried out in accordance with its Statutes. The Committee is responsible for the audit of the Bank and provides an annual Auditors' Report to the Nordic Council of Ministers.

The Control Committee consists of ten members, who are appointed for a maximum period of two years. One representative

for each Nordic country is appointed by the Nordic Council of Ministers and one by the Nordic Council.

The Control Committee usually meets twice a year, in connection with the drawing up of the Bank's interim and annual financial statements.

DENMARK **Per Kaalund** Member of Parliament
Gitte Seeberg Member of Parliament

FINLAND **Markku Markkula** Member of Parliament
(Chairman of the Control Committee 01/02)
Riitta Prusti Member of Parliament

ICELAND **Ingvar Garðarsson** Authorised Public Accountant
Ísólfur Gylfi Pálmason Member of Parliament

NORWAY **Trond Helleland** Member of Parliament
Bjarne Mørk-Eidem Auditor General
(Chairman of the Control Committee 02/03)

SWEDEN **Bill Fransson** Managing Director
Elver Jonsson Member of Parliament

AUDITORS APPOINTED BY THE CONTROL COMMITTEE

Kristian Hallbäck Authorised Public Accountant, Ernst & Young, Helsinki
Torbjörn Hanson Authorised Public Accountant, Ernst & Young, Stockholm

Per-Olof Johansson Authorised Public Accountant, Ernst & Young, Helsinki
Secretary of the Control Committee

THE BOARD OF DIRECTORS

The Board of Directors exercises all of the Bank's powers, but to the extent it is deemed practical, may delegate them to the Bank's President. The Board adopts decisions in matters that involve lending, borrowing and administrative questions.

The Board consists of ten members. Each member country

appoints two Board members for a maximum period of four years. Two alternates are likewise appointed. The positions of Chairman and Deputy Chairman rotate among the member government representatives for a period of two years.

The Board of Directors usually meets eight times a year.

DENMARK



Ib Katznelson
Deputy Secretary,
Ministry of Economic
and Business Affairs



Lars Tybjerg
Deputy Permanent
Secretary, Ministry
of Economic and
Business Affairs

Alternates:
Jakob Esper Larsen
Ambassador (-31 Dec 2001)
Hans Denkov
Assistant Director,
Danmarks Nationalbank
William Friis-Møller
Ambassador (1 Jan 2002-)

FINLAND



Bo Göran Eriksson
Director General,
Ministry of Trade
and Industry
(Chairman of the
Board)



Seppo Suokko
Deputy Director
General, Ministry
of Finance

Alternates:
Tytti Noras
Legal Counsellor,
Ministry of Finance
Risto Paaermaa
Deputy Director General,
Ministry of Trade and Industry

ICELAND



Guðmundur Magnússon
Professor,
University
of Iceland



Thorsteinn Ólafsson
Deputy Chairman
of the Board,
Búnaðarbanki Íslands

Alternates:
Páll Magnússon
Assistant to the Minister,
Ministry of Trade and Industry
Steingrímur A. Arason
Director General,
The Government Student
Loan Fund

NORWAY



Eli Telhaug
Director General,
Ministry of Finance



Arild Sundberg
Director General,
National Insurance
Administration

Alternates:
Kari Gjestebý
Acting National Librarian,
National Library of Norway
Geir Axelsen
Assistant Director General,
Ministry of Finance

SWEDEN



Sven-Olof Johansson
Director General,
Ministry of Finance
(-30 Nov 2001)
(Deputy Chairman
of the Board)



Bo Marking
Director

Alternates:
Jan Landahl
Deputy Auditor General,
The Swedish National
Audit Office
Lena Rooth
Manager, International
Financial Services,
Swedish Trade Council



Sven Hegelund
State Secretary,
Ministry of Finance
(1 Dec 2001-)
(Deputy Chairman
of the Board)

THE MANAGEMENT COMMITTEE



Jón Sigurðsson

President and CEO
Joined NIB in 1994. B.A., Stockholm University; M.Sc.Econ., London School of Economics and Political Science.



Carl Löwenhielm

Executive Vice President
Head of the Nordic Lending Department. Joined NIB in 1996. MBA, Stockholm School of Economics.



Erkki Karmila

Executive Vice President
Head of the International Lending Department. Joined NIB in 1993. Licentiate in Law, University of Turku; Master of Laws, Harvard



Bo Heide-Ottosen

Executive Vice President, CFO and Treasurer
Head of the Finance Department. Responsible for Accounting, Budgeting and IT. Joined NIB in 1997. Cand.ocon, University of Århus; SEP, Stanford University; PED, IMD.



Siv Hellén

Senior Vice President
General Counsel.
Joined NIB in 1977. LL.M., University of Helsinki; eMBA, Helsinki School of Economics and Business Administration.



Oddvar Sten Rønsen

Senior Vice President
Head of the Appraisal Department. Responsible for Financial Administration and Planning, and heads the project organisation for NDEP. Joined NIB in 1993. B.A. (Econ.) Hon., Manchester University; M. Sc., Warwick University Graduate Business School, England.



Juha Kotajoki

Senior Vice President
Head of the Risk Management Department. Responsible for Personnel and Office. Joined NIB in 1986. B.A., University of Turku.

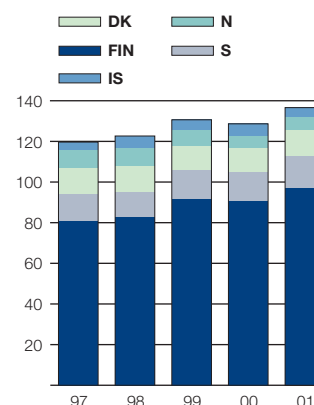
PERSONNEL

At year-end 2001 the number of employees was 137, 68 women and 69 men. The nationality breakdown is shown in the figure beside. The average age of the personnel was 42.4 and the length of service 7.9 years.

A comprehensive working climate survey was conducted among the personnel during 1999 and 2000. In 2001, partly as a result of this survey, the Bank organised management training in the form of an in-house communication and leadership programme. The Bank's other training activities continued actively during the year. The average number of training days per person

was 6.8 in 2001. This figure includes both in-house (e.g. languages and IT) and external training. In addition, the Bank arranges annual seminars for the entire personnel, themes for which have included environmental issues and future emphases of the Bank's policy and operations.

NUMBER OF EMPLOYEES



NIB's ORGANISATION

PRESIDENT AND CEO

Jón Sigurðsson

SUPPORTING DEPARTMENTS

Accounting

and Budgeting

Stina Kontro

Johan Smeds

Appraisal Department

Oddvar Sten Rønsen (Member of the Management Committee)

Financial Administration

and Planning

Christer Björklund

General Counsel's Office

Siv Hellén

Information and PR

Jamima Löfström

Information Technology

Seija Hallavo

Internal Auditing

Martin Gardberg

Personnel and Office

Christer Boije

Risk Management

Juha Kotajoki (Member of the Management Committee)

NORDIC DEPARTMENT

Carl Löwenhielm (Member of the Management Committee)

Denmark

Per Klaumann

Finland

Lars Selenius

Iceland

Thór Sigfússon

Norway

Lars Fuglesang

Sweden

Lars Norén

Credit Unit

Kenneth Grönholm

Nordic Legal Matters

Ann Damström

INTERNATIONAL DEPARTMENT

Erkki Karmila (Member of the Management Committee)

Lars-Åke Olsson (Deputy Head of the Department)

Asia

Søren Kjær Mortensen

Africa and the Middle East

Jørgen D. Ilsøe

Latin America

Lars-Åke Olsson

Central and Eastern Europe

Martin Relander

Baltic countries

Lauri Johnson

Private Sector Financing

Tarja Kylänpää

Credit Unit

Liisa Niemelä

International Legal Matters

Mirja Koskimäki

Klaus Stubkjær

Ebbe Thalin

FINANCE DEPARTMENT

Bo Heide-Ottosen (Member of the Management Committee)

Torben Nielsen (Deputy Head of the Department)

Funding

Kari Kukka

Portfolio Management

Torben Nielsen

Financial Analysis Support

Kaare Guttorm Andersen

Financial Legal Matters

Sten Holmberg

Pernelle Skytte

For updates and details about NIB's personnel, please visit <http://www.nib.int>



From the top:
Saxifraga aizoides
Saxifraga aizoides
Arctostaphylos alpinus
Betula nana
Ranunculus glacialis



NORDIC LOANS 2001

LOANS AGREED AND DISBURSED AND GUARANTEES ISSUED IN 2001 BY SECTOR

Excluded from this list are customers not consenting to publication. The loans concerned are included in the total amounts disbursed per sector. Loans agreed but not disbursed are included in the customer list but have not been quantified.

<i>Sector / Customer</i>	<i>Project</i>	<i>Disbursed EUR million</i>	<i>% of total disbursements</i>
MANUFACTURING INDUSTRY		484.5	41.1%
Wood, pulp and paper		54.1	4.6%
Finnforest Corporation	Company acquisition in Norway		
Límré hf.	Investment in glue laminating and metals plant		
Metsä-Botnia Oy Ab	Investment in wood pulp plant		
Myllykoski Corporation	Environmental investments when building new paper plant		
Norske Skogindustrier ASA	Investment in paper recycling plant		
UPM-Kymmene Corporation	Environmental investments in plants in Finland		
Chemicals and minerals		67.5	5.7%
Fortum Oil and Gas Oy	Financing of fortified all-weather tanker for transport of North Sea oil to Finland		
Kemira Oyj	Company acquisition in Sweden		
Metals		165.7	14.1%
Assa Abloy AB	Acquisition of lock manufacturing division		
Elkem ASA	Environmental investments in aluminium plant		
Outokumpu Oyj	Company acquisition in Norway		
Rautaruukki Oyj	Investments in steel plant		
Sandvik AB	Acquisition of units for crushing and sorting		
SSAB Swedish Steel AB	Environmental investments; modernisation and expansion of blast furnace		
Engineering		182.1	15.4%
Autoliv AB	Research and development of safety equipment for cars		
Gambro AB	Research and development in renal care and blood component technology		
Haldex AB	Research and development in vehicle technology		
Teknoprod AB	Investments in production facility in Poland		
Metso Corporation	Acquisition of Swedish engineering company		
Partek Corporation	Company acquisition in the USA		
Volvo Treasury AB	Research and development of new diesel engine		
Össur hf.	Company acquisitions in the USA and Sweden		
Other		15.1	1.3%
Chips Scandinavian Company Ab	Investments to increase production in Denmark, Norway and Sweden		
Ifas Sport AS	Company acquisitions in Norway		
UAB Kuusamet/Kuusakoski Oy	Equipment for recycling of multimetal		
ENERGY AND MINERAL EXTRACTION		343.1	29.1%
Municipality of Akureyri	Investment in water and heat distribution within the municipality		
AvestaPolarit Oyj Abp	Investment in chromium mine		
DONG Olierør A/S	Extension of pipeline system and transport capacity		
Elkraft Transmission	Acquisition of power transmission network		
Elsam A/S	Financing of wind power park at sea, southwest of Jutland, Denmark		
Eltra	Extension of power distribution network between Denmark and Sweden		
Esbo Elektriska Abp	Financing of gasfuelled combined heat and power plant		
Jämsänkosken Voima Oy	Investments in biofuelled power plant		
Järvi-Suomen Voima Oy	Financing of biofuelled power plant		

Kymin Voima Oy	Construction of biofuelled power plant		
Linde Finance B.V.	Investments in gas operations		
Oliudreifing ehf.	Financing of oil tanker		
Municipality of Reykjavík	Investment in water and heating networks in the Reykjavík area		
Trondheim Energiverk AS	Investment in power production, distribution networks and district heating		
TrønderEnergi AS	Investment in power production and distribution networks		
Vapo Oy	Investment in waste processing plants in Finland		
Vattenfall Treasury AB	Acquisition of Polish power company		
CONSTRUCTION		55.3	4.7%
Lemminkäinen Danmark A/S	Company acquisition in Denmark		
Lemminkäinen Norge AS	Company acquisition in Norway		
Skanska Financial Services AB	Company acquisition in Poland		
YIT Corporation	Company acquisition in Sweden		
TRADE AND SERVICES		113.5	9.6%
Bilia AB	Investments in service workshops, warehouses and IT		
Jaakko Pöyry Group Oyj	Acquisition of Polish forest industry engineering company		
Opin kerfi Plc	Acquisition of Swedish IT company		
Orkla ASA	Acquisition of Danish publishing house		
Smáralind ehf.	Investment in shopping centre		
Vitrolife AB	Financing of biomedical production plant in the USA		
TRANSPORT AND COMMUNICATIONS		87.9	7.5%
Eimskip	Development of transport network between Scandinavia, Iceland and North America		
Finnair Oyj	Investments in new aircraft		
Copenhagen Airports A/S	Rebuilding of airport after joining the Schengen Treaty		
SAS Scandinavian Airlines System	Investments in new Airbus aircraft		
BANKING AND FINANCE		83.6	7.1%
Aktia Savings Bank Plc	Credit line, SMEs in Finland		
Ferðamálasjóður	Credit line, refinancing of projects in Icelandic tourist industry		
Lánasjóður sveitarfélaga	Credit line for lending to municipalities in Iceland		
Landshypotek AB	Credit line for environmental investments in Sweden		
Lokalbanken i Nordsjælland A/S	Credit line, SMEs in Denmark		
Ringkjøbing Landbobank A/S	Credit line, SMEs in Denmark		
Roskilde Bank A/S	Credit line, SMEs in Denmark		
Skjern Bank A/S	Credit line, SMEs in Denmark		
Sparbanken Gripen	Credit line, SMEs in Sweden		
REGIONAL LOANS		11.3	1.0%
Byggðastofnun	Financing of onlending in Iceland		
TOTAL NORDIC LOANS		1,179.1	100.0%

The total sum may differ from the sum of individual figures shown due to rounding.

INTERNATIONAL LOANS 2001

PROJECT INVESTMENT LOANS

			Agreed EUR million
Africa and the Middle East			
Jordan	Hashemite Kingdom of Jordan	Loan for an air safety project at the airports in Amman and Aqaba	2.0
South Africa	Development Bank of Southern Africa (DBSA)	Loan programme for investments in infrastructure projects	8.5
South Africa	Industrial Development Corporation (IDC)	Loan programme for investments in countries in Sub-Saharan	32.9
South Africa	Infrastructure Finance Corporation Ltd. (INCA)	Loan programme for investments in municipal infrastructure projects	10.9
South Africa	RMB International, Dublin, Ltd. (Rand Merchant Bank)	Loan programme for investments in countries in Sub-Saharan	22.3
Turkey	Greater Eskisehir Municipality	Loan for a tramline project in the Municipality of Eskisehir	28.4
			105.0
Asia			
The Philippines	Development Bank of the Philippines	Loan programme for investments in several sectors	21.8
The Philippines	Smart Communications, Inc.	Loan programme for investments in mobile telephone network	35.4
China	People's Republic of China	Loan programme for investments in several sectors	70.8
China	People's Republic of China	Loan programme for investments in the health care sector	44.9
Vietnam	Republic of Vietnam	Loan to increase the capacity of the Bai Bang paper factory	22.1
			195.0
The Baltic countries			
Estonia	Republic of Estonia	Loan for a road project	45.0
Estonia	AS Eesti Energia	Loan for investments in the energy sector	15.0
Estonia	AS Sampo Pank	Loan programme for investments in the SME sector	6.3
Latvia	Mortgage and Landbank of Latvia	Loan programme for investments in the housing sector	17.8
Lithuania	Lithuanian Road Administration	Loan programme for investments in road network	67.4
			151.5
Central and Eastern Europe			
Croatia	VIPnet d.o.o	Supplementary loan for investments in mobile telephone network	9.0
			9.0
Latin America			
Mexico	América Móvil S.A. de C.V	Loan for investments in mobile telephone network	34.0
Regional	Corporación Andina de Fomento (CAF)	Loan programme for investments in CAF's member countries	35.4
Regional	Central American Bank for Economic Integration (CABEI)	Loan programme for investments in CABEI's member countries	33.7
			103.1
ENVIRONMENTAL INVESTMENT LOANS			
Russia	Russian Federation	Loan for investments in the water and sewage system in Kaliningrad	14.9
Russia	Kola Mining and Metallurgical Company	Loan for environmental investments in the smelting plant Pechenga Nickel on the Kola Peninsula	34.0
			48.9
BALTIC INVESTMENT LOANS			
Estonia	Kreenholmi Valduse AS	Loan for investments in textile industry company	4.5
			4.5
TOTAL INTERNATIONAL LOANS 2001			617.0

The total sum may differ from the sum of individual figures shown due to rounding.

LONG-TERM BORROWING 2001

Currency	Amount	Amount	Issue	Coupon	Maturity/	Leading/Arranging Bank	
	(million)	EUR	price	rate %	Year		
		(million)					
PUBLIC SYNDICATED BOND ISSUES							
GBP	20	31	107.016 %		1)	2020	Royal Bank of Canada Europe Limited
GBP	20	31	111.755 %		1)	2024	Royal Bank of Canada Europe Limited
ZAR	100	14	99.350 %	11.000 %		2006	The Toronto-Dominion Bank
GBP	150	242	99.884 %	5.200 %		2032	The Royal Bank Scotland Plc
GBP	50	81	101.220 %	5.250 %		2019	UBS AG
GBP	250	188	47.120 %	0.000 %		2016	The Royal Bank Scotland Plc
GBP	100	75	45.950 %	0.000 %		2016	The Royal Bank Scotland Plc
GBP	100	74	44.501 %	0.000 %		2016	The Royal Bank Scotland Plc
SEK	3,000	326	99.891 %	5.250 %		2006	Svenska Handelsbanken
NTD	5,000	158	100.000 %	3.550 %		2004	Citibank Securities (Taiwan) Limited
NTD	3,500	111	100.000 %	3.650 %		2006	Citibank Securities (Taiwan) Limited
NOK	400	50	101.928 %	6.000 %		2006	Fortis Bank

OTHER LISTED BORROWINGS

USD	100	118	100.000 %	5.700 %		2007	HSBC Bank Plc
USD	40	12	27.852 %	0.000 %		2021	Salomon Brothers International Ltd.

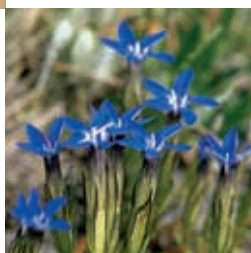
OTHER BORROWINGS

JPY	2,000	18	100.600 %	FRN	2) 3)	2026	Nomura International Plc
JPY	3,000	28	100.600 %	FRN	2) 3)	2026	Nomura International Plc
JPY	500	5	100.050 %	FRN	2) 4)	2011	Kokusai Europe Limited
HKD	150	21	100.000 %	6.120 %		2008	BNP PARIBAS
JPY	3,000	28	100.600 %	FRN	2) 3)	2026	Nomura International Plc
JPY	500	5	100.000 %	FRN	2) 3)	2021	Mizuho International Plc
HKD	130	18	100.000 %	5.700 %		2006	Goldman Sachs International
JPY	1,100	10	100.000 %	FRN	2) 3)	2021	Salomon Brothers International Ltd.
JPY	1,100	10	100.000 %	FRN	2) 3)	2021	Mizuho International Plc
JPY	1,000	9	100.500 %	FRN	2) 3)	2026	Daiwa Securities SB Capital Markets Europe Ltd.
JPY	1,300	12	100.500 %	FRN	2) 3)	2031	Daiwa Securities SB Capital Markets Europe Ltd.
JPY	1,000	9	100.600 %	FRN	2) 3)	2026	Nomura International Plc
JPY	1,000	9	100.000 %	FRN	2) 3)	2026	Salomon Brothers International Ltd.
JPY	2,000	20	100.000 %	FRN	2) 3)	2026	Salomon Brothers International Ltd.
JPY	800	8	100.050 %	FRN	2) 3)	2021	Kokusai Europe Limited
JPY	3,000	28	100.000 %	FRN	3)	2016	J.P. Morgan Securities Ltd.
JPY	3,700	35	100.000 %	FRN	2) 3)	2021	Mizuho International Plc
JPY	1,000	9	100.000 %	FRN	2) 3)	2021	Mizuho International Plc
JPY	1,600	15	100.050 %	FRN	2) 3)	2021	Kokusai Europe Limited
JPY	1,000	9	100.000 %	FRN	2) 3)	2031	Salomon Brothers International Ltd.
USD	56	66	100.000 %	5.460 %		2008	Tsubasa Europe Ltd.
JPY	1,000	9	100.000 %	FRN	2) 3)	2021	Kokusai Europe Limited
JPY	2,200	21	100.500 %	FRN	2) 3)	2026	Daiwa Securities SB Capital Markets Europe Ltd.
JPY	1,000	9	100.500 %	FRN	2) 3)	2031	Salomon Brothers International Ltd.
USD	10	11	100.000 %		1) 4)	2011	Mizuho International Plc
EUR	20	20	100.000 %	3.360 %		2005	Tokyo-Mitsubishi International Plc
JPY	1,100	10	100.000 %	FRN	3)	2011	Mizuho International Plc
JPY	1,000	9	100.000 %	FRN	2) 3)	2019	Merrill Lynch International
JPY	5,000	45	100.500 %	FRN	2) 3)	2031	Daiwa Securities SB Capital Markets Europe Ltd.
JPY	1,000	9	100.000 %	FRN	2) 3)	2026	Salomon Brothers International Ltd.
JPY	1,000	9	100.000 %	FRN	1)	2016	Mizuho International Plc
JPY	1,000	9	100.000 %	FRN	2) 5)	2021	Salomon Brothers International Ltd.
HKD	100	15	100.000 %	6.030 %		2008	Barclays Bank Plc

1) Equity linked 2) Callable 3) Linked to JPY/USD rate 4) Floating 5) Linked to JPY/AUD rate



From the top:
Cornus suecica
Veronica fruticans
Gentiana nivalis
Rhodiola rosea



MOUNTAIN FLOWERS

The mountain flowers illustrating this annual report were photographed by Kari Autto of Muonio in Finland. During his 30 years as a frontier guard in Finnish Lapland he has photographed mountain flowers in the borderlands of Finland, Sweden and Norway. Photographing mountain flora, he says, presents a great challenge:

“Because of the wind, the plants are never stationary, and so absolute focus is almost impossible to achieve. And you often need a great deal of patience while waiting for the best lighting angle.”

Through its diminutive size, the mountain vegetation has adapted to the harsh, windy climate. Mountain plants, in fact, are often miniature versions of bigger lowland species. Some of the species shown in this annual report are to be seen in Greenland and the Alps, as well as in the Nordic mountain regions.



WORD LIST

CEB	Council of Europe Development Bank
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
EIB	European Investment Bank
HIPC programme	Programme for the most indebted countries in the world (Heavily Indebted Poor Countries). The programme is being operated in close partnership with other multilateral financial institutions, with the World Bank responsible for coordination and administration.
IAS	International Accounting Standards as adopted by the International Accounting Standards Board (IASB). See further the Notes to the Financial Statements, p. 48.
IAS 39	Standard for the accounting of financial instruments (Financial Instruments: Recognition and Measurement). Under IAS 39 all derivatives are recognised on the Balance Sheet and a greater number of financial instruments in the Balance Sheet are carried at fair value.
NDEP	Northern Dimension Environmental Partnership. EU-initiative with the purpose of developing environmental cooperation between the European Commission, international financial institutions as well as EU and non-EU countries. See further the section on The neighbouring areas, pp. 28–29.
NDF	Nordic Development Fund
NEFCO	Nordic Environment Finance Corporation
Sida	Swedish International Development Cooperation Agency. Government agency for bilateral international development cooperation and most of Sweden's cooperation with Central and Eastern Europe.
SIVA	The Industrial Development Corporation of Norway. State-owned agency for the development of regional and local industry clusters in Norway.

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