

BULLETIN

NORDIC INVESTMENT BANK • DECEMBER 2005

Transport and communications

**PPP MODEL IN
INFRASTRUCTURE
DEVELOPMENT**

**TRUCK ENGINES
OF THE FUTURE**

**THE BALTIC SEA BECOMES
A BETTER PLACE FOR LIFE**

NIB

Bolstering a competitive region



There are at least two reasons to choose transport and communications as the theme of this issue of the Bulletin. First, this is one of the key areas for NIB's activities in all its member countries. Transport and communications comprise the third largest sector in the Bank's lending portfolio after manufacturing and energy. NIB's engagement in this economic sector exceeds 1.6 billion euros (loans outstanding on 30 November 2005). Second, this sector calls for continual upgrading and, as a result, new investments.

Study after study claims that the Nordic countries are among the world's most competitive economies. Yet, this is not reflected in any particularly high investment activity in the region. There might be different reasons for this, but each of the countries in the region is small on the global map, and the area is not seen as one economic entity by prospective investors.

Taken together, Northern Europe—the Nordic and Baltic countries—makes up a sizable market with a population of 32 million people. Add Northwest Russia and Poland, and you get an area which is large enough to be attractive for investments and has the potential for becoming

a vibrant economy. This requires closer integration into a coherent region. Well-functioning internal logistics and transport systems are, in turn, a prerequisite for such integration.

Due to the importance of the region and its future needs, NIB will keep focusing on Northern Europe as a growth

“A vibrant and attractive economy in Northern Europe requires closer regional integration”.

area in the years to come. Success will require strong political backing. It is therefore encouraging that the meeting held in November in Brussels, attended by the Ministers of Foreign Affairs

of the EU member countries as well as Norway, Iceland and Russia, has confirmed their strong commitment to this sector within the framework of the Northern Dimension. The international financial institutions are well equipped to support forging new strategies, and the experience gained from the cooperation within the Northern Dimension Environmental Partnership provides a solid base for further work. ■

December 2005

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Tieballino/Anri Auto

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NIB'S LARGEST PROJECT IN RUSSIA

The Baltic Sea becomes a better place for life

The Southwest Wastewater Treatment Plant (SWTP) in St. Petersburg is now in operation. NIB's loan of 45 million euros was the largest individual contribution to the project. The inauguration was a top-level political event. Yet there is still much to be done in order to completely eliminate discharges of untreated sewage from the Baltic Sea region's largest metropolis into open waters.

The completion of SWTP substantially reduces the effluent of untreated wastewater discharged into the Gulf of Finland and the Baltic Sea. Although the combined capacity of the wastewater treatment plants is now sufficient to treat all sewage, the city cleans only 85 per cent of its wastewater, still plainly below the EU recommended 95 per cent.

The remaining wastewater pours into the Gulf of Finland through hundreds of outlets in St. Petersburg's well-worn sewerage network. Life in the Baltic Sea is still in danger, not to talk about the consequences of pollution in the city's past—until 1977, the then Leningrad had



YIT

Southwest Wastewater Treatment Plant.

been pouring all its mess directly into the sea.

“Yet, even at this level, the wastewater treatment carried out by the region’s largest point source polluter—St. Petersburg—is helping to make the Baltic Sea a better place for wildlife and humans,” says Johnny Åkerholm, NIB’s President and CEO.

The inauguration in September 2005 was a top-level political event. In a security-cleared control room of the new treatment plant on the outskirts of St. Petersburg, the governor of the city, Valentina Matviyenko, surrounded by the presidents of Russia and Finland and the prime minister of Sweden, pressed the launch button. A couple of seconds later, a muddy flush burst into SWTP’s aeration tank.

President Halonen, President Putin and Prime-Minister Persson stressed the project’s historical importance as an outstanding example of cooperation in northern Europe. Governor Matviyenko was specific: “This international project has created an important precedent in that (...) different countries, European financial institutions and 856 private companies have all united their efforts to build

this environmental facility, the biggest of its kind in recent years and the best in Europe.”

A mouse click that started the huge sewage washing machine is a result of a 194 million euro investment and five years of hard work. Construction work on SWTP started in 1987 but the project was suspended due to a lack of funds.

“The project gathered countries, financial institutions and 856 private companies.”

The project was revived in 2000, when NIB was invited by the municipal water supply utility Vodokanal St. Petersburg to coordinate a feasibility study on the completion of the treatment plant. The study was initiated and financed by the Finnish Ministry of the Environment and the Swedish Agency for International Development Cooperation—Sida.

On the basis of the study, NIB started tailor-making the financial structure of the project. The Bank invited major Nordic construction companies to consider a Public Private Partnership model for the completion and operation of the wastewater treatment plant. As a result, three Nordic companies—Swedish Skanska, NCC and Finnish YIT—together with the Nordic Environment Finance Corporation NEFCO and Vodokanal St. Petersburg established a special purpose enterprise, Nordvod.

The owners invested risk capital in the amount of 15 million euros into Nordvod. The same owners have set up Ecovod, another special-purpose enterprise which will be operating the treatment plant for the coming 12 years.

Apart from the NIB credit of 45 million euros, the project was also financed by loans from the European Investment Bank, the European Bank for Reconstruction and Development, as well as the state-owned financing companies Finnfund and Swedfund. The total amount of loans granted to the project is 113 million euros. ▶

The treatment plant is the first project finalised within the framework of the Northern Dimension Environmental Partnership (NDEP) investment programme. The costs of the project were covered by a combination of equity, credits, grants and local funding. Under this patronage, the project was able to attract 50 million euros in donor funding from Finland, Sweden, the European Commission and the NDEP Support Fund.

The City of St. Petersburg and Vodokanal invested 15 million euros in the influent infrastructure of the treatment plant.

The building work started in March 2003 and stretched to more than two years.

This is the first project completed within the Northern Dimension Environmental Partnership.

St. Petersburg wants to treat 100 per cent of its sewage. The city's authorities are committed to the target.

"We will be the first city in the Baltic Sea region to treat all of its wastewater," Governor Matviyenko promised on the SWTP inauguration day.

Within the programme called the Neva Direct Discharge Closure Programme, Vodokanal plans to complete sewage collection mains and connect them to the northern treatment plant.

A feasibility study to define the priority investments is to be finalised by the end of 2005. NIB has a lead agency role in this project. The estimated cost of this project is at 300–350 million euros. ■

SOUTHWEST WASTEWATER TREATMENT PLANT

SWTP is capable of removing 70 per cent of phosphorus and nitrogen in the wastewater effluents treated at the plant. In absolute figures, 370 tons of phosphorus and 2,200 tons of nitrogen are removed per year. Discharges of organics through SWTP are reduced by 14,800 tons per year, which corresponds to a treatment efficiency level of 90 per cent.

Russia, Finland, Sweden and the EU are sharing the achievement.



Dmitrijs Alchins



Dmitrijs Alchins



Ebbe Thalín and Martin Relander



Charlotta Tallqvist

“We have solid ground for new projects in Russia”

The Bulletin has interviewed Martin Relander, Regional Manager of the region Central and Eastern Europe at NIB, Charlotta Tallqvist, Deputy Regional Manager, and Ebbe Thalín, Legal Advisor, who were the driving power for the SWTP project at the Bank.

Why did NIB participate in the project?

Martin Relander: The Baltic Sea region is a priority area of the Bank's operations and the environment is a priority sector. It was very important for NIB's owners, especially for Finland and Sweden, to have an institution closely related to them to have a key role in such a project. The Bank assumed responsibility for the structuring of the financing for the project.

How did the idea of a PPP model for this project come up?

Martin Relander: Vodokanal and the city of St. Petersburg had realised that they did

not have the capacity of borrowing directly for SWTP in a traditional way. With the help of a PPP scheme, the project was able to take advantage of various sources of financing, including donors, private companies, international financial institutions and local financing. I believe the PPP model we employed was a success. It was a very complicated scheme tailor-made for this particular project.

“The tailor-made PPP model was a success.”

What was the main challenge in the project?

Ebbe Thalín: The major issue was to put the legal structure in place. This work was very much a joint effort, with contributions by legal advisors from all participating financing institutions, as well as from

Vodokanal, the construction companies and outside law firms. An important role for NIB, as lead bank, was to maintain momentum and to initiate and coordinate the completion of the financial documentation, which in total ran to well over thousand pages.

Charlotta Tallqvist: We also acted as a diplomatic mediator between the parties in the project. In Russia, it is essential to have mutual trust, and I think we achieved it during the lengthy negotiation process. Our partnership with Vodokanal has a solid ground and is a good basis for joint projects in the future.

Martin Relander: The project as a whole was an important political issue for Finland, Sweden, the EU and the Northern Dimension. It, in turn, made it possible to obtain the necessary political support from the authorities in Russia. ■



Better communications cut distances

Today distance is no longer a challenge. Technological development provides new ways of exchanging goods and ideas regardless of time and place. Improved communications and larger transport capacities have become the backbone of economic development and competitiveness.

By financing projects, NIB actively contributes to the development of solutions in transport and communications; this sector accounts for about 14 per cent of the Bank's loan portfolio. In this issue of the Bulletin, we present some of the ongoing projects funded with NIB's loans in the transport and communications sector.

In Finland, Norway and Poland, the focus is on the improvement of road networks. New motorways link the Nordic economies even more closely to Russia, while southern Europe gets direct access to the Baltic Sea area. In Iceland and Russia, telecommunications networks are rapidly expanding. The Swedes are investing in safer and more environment-friendly trucks. Growing capacity of Danish ports and cargo terminals secure channels for industrial export.

NIB offers attractive financing solutions for all projects in transport and communications—also in the private sector.

SHORT CONSTRUCTION TIME, HIGH QUALITY

Life-cycle model provides benefits in road construction

The final stage of the E18 motorway between Helsinki and Turku in southwestern Finland will be in use by the end of 2008. The road project covers the section between Muurla and Lohja and is the largest of its kind in Finland.

Once the 51-kilometre stretch of road is complete, the entire route between Helsinki and Turku will be a four-lane dual carriageway. The E18 is Finland's busiest road in an east-west direction and the most important route for international traffic in the country.

The motorway section between Muurla and Lohja is being implemented as a life-cycle project, in other words the public and private sectors are working together within the framework of a long-term agreement. The life-cycle model is based on the state purchasing the construction work, as well as maintenance and financing of the road, from a private contractor. For this project, the Finnish Road Administration (Finnra) is purchasing planning, construction, financing, operation and maintenance from a privately-owned company, Tieyhtiö Ykköstie Oy.

"Ykköstie bears total responsibility and is taking care of project management," explains Tom Schmidt, Managing Director of the road company Tieyhtiö Ykköstie Oy. "Ykköstie is the party drawing the bank

loans, handling administration and has signed the main contract with Finnra."

The idea of the life-cycle model is that it is always in the road company's interest to build the best possible road in the shortest possible time. This road construction project is not dependent on funds from the national budget, but is financed by loans.

"Time is equivalent to money in a project like this. The longer the project takes, the more expensive it becomes, partly due to the necessary organisation, and partly because the loan period is longer. If the construction time is short, we pay interest for a shorter period," says Schmidt.

Another important aspect of the life-cycle model is the distribution of risk.

"The main principle is that the risk is taken by the party best placed to handle it. The builder takes the technical risks, not the customer or road company. The customer, that is Finnra and the Finnish state, assumes the political risks. If, for example, changes are made to Finnish legislation that hamper the activities of the road com-

pany, the customer must accept the risks," comments Schmidt, and continues:

"When the distribution of risk is optimum, the total costs of the project fall, as the banks also assess the risks. The higher the risks, the more expensive the loans."

The service agreement between Finnra and Ykköstie runs until 2029 and amounts to a value of 638 million euros. Following the agreement period, the road will be handed over to Finnra. Until then, Ykköstie will be responsible for the service quality of the road and for the road being available for use. When the road is taken into use at the end of 2008, Finnra will start paying a service charge to the road company. This is based on the road being available for use; if, for instance, the road is closed, the charge is reduced.

Ykköstie has employed a consortium consisting of Skanska Tekra Oy and Lemcon Oy to build the road and to take care of maintenance once the road is in service.

"The party constructing the road is also responsible for maintenance and service. For this reason, it is in the contractor's interest ►



As soon as the agreement between the Finnish Road Administration and Ykköstie had been finalised, the road works commenced. The road will be completed in three years.

EXPERIENCED TEAM AT WORK

It is the same forces behind the road company Ykköstie Oy as are behind Nelostie Oy. Nelostie is the road company that built the second and final stretch of the motorway between Helsinki and Lahti, which was completed in 1999 after a record-breaking short construction period. The section was constructed in 2.5 years compared with the first section, which was constructed using public funds and resources and took 17.5 years.

“The motorway between Helsinki and Lahti is a successful project,” states Tom Schmidt, Managing Director of both Ykköstie Oy and Nelostie Oy. “The contract model has worked well; the contractor and road company has taken a lot of responsibility on itself, the road was well planned and was built carefully to avoid problems during the operating and maintenance period.”

The same model is being used for the

Muurla-Lohja road section project.

Ykköstie is owned by Skanska Infrastructure Development AB from Sweden, Laing Roads Ltd from the United Kingdom and Lemminkäinen Oyj from Finland. Skanska and Laing Roads have a great deal of experience of the life-cycle model, or PPP (Private Public Partnership) which is the common term in international contexts.

According to Schmidt, the model is growing in popularity throughout Europe, not just in the United Kingdom, where it is in frequent use. Finland was one of the first countries to try out PPP. The motorway between Helsinki and Lahti was the second road opened in Europe built according to this model.

“But the PPP model is not suitable for all projects, you would probably say that the project should have an investment value of at least 50 million euros,” explains Schmidt.

THE MOTORWAY BETWEEN MUURLA AND LOHJA

Stretch of road	1.3 km
Ramps	16 km
Other roads	36.3 km
Interchanges	8
Bridge sites/bridges	48/76
Tunnels	7/5.2 km
Construction period	2005–2009
In service	autumn 2008
Construction costs	299 million €



Tiehallinto / Jukka Sillanpää

Of the total length of the road section, one tenth is tunnels, which is a lot in Finnish terms. One important reason for using tunnels is the desire to reduce environmental impact.

to do as good a job as possible in the first place so that the road does not require as much maintenance when in use," says Schmidt.

"There are similarities in how PPP projects (Public Private Partnerships) and people work. If you do a good job from the start, you avoid problems in the future. When you have total responsibility, from planning, design and construction to operation and maintenance, you consider the entirety," says Schmidt.

The total cost of the construction project amounts to 299 million euros. NIB is involved in financing the project with a long-term loan of 77 million euros to the road company Ykköstie.

"NIB's share of the loan financing is considerable, at 25 per cent," states Tom Schmidt.

NIB's loan will finance the actual road construction. Once the loan agreement had been signed at the end of October 2005, loan disbursements could begin. Other financiers include the European Investment Bank, Nordea Finland Abp, Svenska Handelsbanken AB and the Royal Bank of Scotland.

The E18 is part of the trans-European transport network known as the 'Nordic Triangle' and is one of the EU's 30 prioritised transport corridors. The triangle links the Nordic capitals of Oslo, Stockholm and Helsinki with the Russian border and improves links with Central Europe. The road network is important for the free movement of people, goods and services, and thus for the economic and social development of the EU.

From a local perspective, the E18 is

hugely important for the whole of south-western Finland and growth centres such as Turku, Salo and Lohja. Improved transport and links to the Helsinki metropolitan area support development in these regions.

Once the motorway between Helsinki and Turku is in use in its entirety at the end of 2008, travel time will be reduced by almost half an hour despite the length of the actual road only being two kilometres shorter. The motorway will also be three times safer than the existing road, and it is estimated that this will prevent around 250 personal injuries, including 50 fatalities, over a period of ten years.

In the long term, it is not just a matter of the motorway between Helsinki and Turku, but a motorway all the way to the Russian border. According to plans, this will be completed by 2015. ■

Second road to be built in Norway using PPP model

A road section is being extended on the coastal trunk road which goes between Kristiansand and Trondheim in Norway. The seventeen and a half kilometre section between Lyngdal and Flekkefjord is part of the E39 road. Construction, operation and maintenance of the road will be carried out as a PPP (Public Private Partnership) project, with the road company Allfarveg bearing responsibility for financing, planning, construction, operation and maintenance of the road for 25 years. The client is the Norwegian Public Roads Administration.

The total cost of the project amounts to some 200 million euros. NIB is lending 37 million euros to Allfarveg, which is owned by Veidekke ASA and Sundt AS. Other financiers include a bank syndicate headed by Norwegian DnB NOR and the European Investment Bank.

In contrast to the financing arrangement for the Finnish E18 road project between Muurla and Lohja (see pages 10-12) where NIB's loan is aimed at financing the actual road construction, this loan will be disbursed to Allfarveg once the road construction has been completed, that is in autumn

2006. This section of road is the second in Norway to be built as a PPP project. Between 2003 and 2005, the Orkdalsvegen AS road company built a 22-kilometre stretch of road outside Trondheim on the section between Øysand and Thamshavn. This section is also part of the E39. NIB contributed to the financing of this PPP project with a similar loan amount.

There are plans in Norway for a third road construction project to be carried out as a PPP project. ■



INFRASTRUCTURE IN THE BALTIC SEA REGION

A1 motorway to shape a new north-south axis in Europe

This is one of the largest projects in European infrastructure development in recent years. Until now, the flow of passengers and cargo from the Nordic countries to the rest of Europe has been routed through Germany. While the development opportunities of this north-south transport corridor are on the verge of exhaustion, the new throughput is very welcome.

The total costs of the 90-kilometre stretch stand at 700 million euros. The stretch from north to south between Gdansk and Nowe Marzy in northern Poland is the first phase of the A1 motorway that will head via Poland further on to the Czech Republic, Slovakia and Austria.

"The project fits well into the development strategy for motorways in the Baltic Sea region. The Gdansk area is growing into a principal logistic hub for the whole region," says Erkki Karmila, Executive Vice President of NIB and Head of International Lending.

"The transportation corridor will enable the efficient movement of goods and people, create new trade and investment opportunities in Poland as well as in the countries that will now gain access to the infrastructure of the Baltic Sea region."

The Polish government's intentions to upgrade the road network are getting a serious push, because four of the nine trans-European transport corridors established by the European Union cross Poland. Since 2002, Poland has built 300 kilometres of motorways; 570 kilometres

of roads are under construction. In the same period, expenses on the maintenance, reconstruction and construction of roads amounted to 9 billion euros. In 2004, 45 per cent of roads in Poland were in good condition, while 26 per cent required immediate modernisation.

"The motorway creates new trade and investment opportunities."

In order to build new highways, the government is calling for private investors who would be offered concessions to finance, construct and operate motorways. The A1 project is being implemented as a Public Private Partnership—PPP. Poland's government has granted concession lasting until 2039 to the special purpose company, Gdansk Transport Company (GTC). Swedish Skanska Infrastructure Development is the largest shareholder in GTC that also includes British Laing Roads, Polish NDI and South African Intertoll.

"The project is Skanska's largest construction project to date as the leading contractor in Poland and one of the leading investors in road infrastructure projects in the Nordic and Baltic region," says Magnus Eriksson, Vice President of Skanska Infrastructure Development AB and Project Director of GTC. He points out that, in addition to transferring operational risks to the private sector, the PPP model offers an opportunity to optimise the project's life cycle costs. According to Mr Eriksson, applying the PPP model can help reducing the costs by about 10 per cent, compared to traditionally procured projects.

"Using this model for the A1 project makes it possible for Poland to receive, at a lower cost, a fully functional motorway at a fixed price and time with the quality guaranteed until 2039," concludes Mr Eriksson.

NIB has granted a 140 million euro loan to GTC. This is the largest individual deal ever sealed by the Bank. The loan agreement with a repayment period of 30 years was signed in summer 2005. ■



Four of nine trans-European transport corridors cross Poland.

FACTS ABOUT GDANSK-NOWE MARZY MOTORWAY

Besides 90 kilometres of motorway, the scope of the project includes 87 bridges, seven interchanges and six service areas. The road will be 28.5 metres wide, and will have two lanes going each way. 100,000 cubic metres of concrete will be used for the construction, as well as 1.6 million tons of asphalt concrete

and 157,000 tons of cement. The total amount of earthworks will reach 15.6 million cubic metres. The construction period is planned for 3.5 years. GTC has the concession for the next 60-kilometers-long section of the A1 motorway between Nowe Marzy and Torun.



Gdansk Transport Company



Construction of the A1 motorway in Poland.

PPP projects: advantage in quality

The road building projects in Finland, Norway and Poland, as well as the wastewater treatment plant in Russia, all presented in this issue of the Bulletin, are structured as Public Private Partnerships. In order to find out the whys and wherefores of such projects, we have discussed this subject with the people involved, from NIB's side, in the three road projects.

The first Public Private Partnerships in the Nordic countries started in the late 1990s.

"Nordic politicians are now also convinced that PPP gives real value for money," says Asko Heilala, Deputy Regional Manager for Finland.

"It took the politicians a while to consider the model, because northern Europe with low population density and long distances between towns requires customised PPP models. The specific traits of the region call for applying other mechanisms, than, for instance, simply charging direct tolls in order to recover the investment in the roads," says Yngve Söderlund, Deputy Regional Manager for the Baltic countries and Poland.

Mr Heilala points to health care, as a potential area for PPP-related efforts. This sector will soon be running out its capacity in certain areas, for instance in Helsinki and other bigger cities in Finland.

Authorities need to build new hospitals and renovate the existing ones.

"So far, the PPP projects have amounted to at least 300 million euros. In northern Europe, there is an increasing need for PPPs in smaller projects, even below 100 million euros," says Nils Ole Møllenhuis, Deputy Regional Manager for Norway. The interest in PPPs is increasing along with minimising budget deficits in many countries.

For NIB, the advantage of PPP lies in the high quality of projects designed using this model. NIB has financed quite a number of such projects and, as Mr Söderlund puts it, is willing to share its knowledge in this area with the owners of future projects.

The quality of risk in a PPP project, which is normally good, fits very well in NIB's portfolio. "The longer maturity of NIB loans is obviously also a benefit for

the borrower. Generally, financing PPP projects is perfectly in tune with our mission," concludes Mr Heilala. ■

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The port is raising a new strip of land for the expansion of the cargo-handling capacities.

MARITIME TRANSPORT

Port of Aarhus doubles cargo-handling capacity

About 80 per cent of the containers shipped in the Baltic Sea are en route to overseas destinations. The Port of Aarhus is growing the muscles to accommodate the increasing cargo flow. Doubling the cargo-handling capacity and upgrading the harbour will allow Aarhus to increase the number of large ocean container vessels calling the port and linking the region to the rest of the world.

“The Port of Aarhus has the potential to become the main hub in the Baltic region. Our vision is that the port doubles its capacity, so that it can receive more ocean-going cargo vessels of major shipping companies and run regular routes to a wide variety of European harbours, including those in Russia and the Baltic countries,” says Bjarne Mathiesen, CEO of the port.

The expansion started in 1999 is stretching over 25 years. The port has built an extension of its Eastern harbour and put into service three new container cranes. The port is raising a 300,000 square metre

new strip of land for cargo storage space. The current capacity of Aarhus already now allows for an annual turnover of 13 million tons of goods and 600,000 TEUs of container cargo.

The port’s investments in expanding and upgrading the infrastructure have totalled 750 million Danish kroner (100 million euros). A series of loans from NIB to the Port of Aarhus amounting to 300 million Danish kroner (40 million euros) has played a significant role in the financing of this investment.

“NIB sees the support to the development of the maritime infrastructure in the Baltic Sea area as part of its mission. We will be happy to consider new projects of port infrastructure development in Denmark, the Faroe Islands and Greenland,” says Per Klaumann, Regional Manager for Denmark at NIB. ■

Growth dynamics	1990	1995	2004
Calling ships	5,022	7,800	7,542
Tonnage (1,000 GT)	30,792	39,793	58,664
Turnover of goods (1,000 tons)	6,908	7,119	10,500
Containers (1,000 TEUs)	171	247	500

Source: Port of Aarhus



Scania Image Desk

Scania develops engines of the future

Swedish truck manufacturer Scania was the first to supply vehicles with engines that fulfil the new Euro 4 emission standards. There has been great demand for the new engines, as they offer major financial benefits for transport companies. NIB has participated in financing the development of the engine.

Vehicles with the new engines are being supplied primarily to customers who use German motorways. In January 2005, user tolls were introduced for truck transports in Germany, based on vehicles' environmental impact. With the new, cleaner engines, transport companies receive up to a 20 per cent discount on these fees. Scania was the only manufacturer that could supply vehicles fulfilling the new requirements right from the start.



The driver's workplace in the new truck range is the result of many years of development work in consultation with customers. Attention to driver environment and ergonomics was one of the reasons why Scania's new truck range was nominated 'International Truck of the Year 2005'.

The majority of Scania's trucks and buses are sold in Western Europe, and consequently the company's development of engines is greatly influenced by EU legislation. The new 12-litre engine fulfils emission requirements that will be compulsory for newly-built engines in Europe from October 2006 when the new Euro 4 emission standards are introduced. In the main, the standards involve stricter limits for nitrogen oxide and particles in exhaust fumes.

Scania's new truck range has awakened great interest. In 2005, Scania has captured the position as the largest brand on the Nordic market for heavy trucks; after the first three quarters of the year, Scania topped the registration statistics on every single Nordic market, including Iceland. This corresponds to a total market share of around 36 per cent of the heavy trucks registered in the Nordic countries.

According to Per-Erik Lindquist, Scania's Senior Vice President and Head of Sales and Services Europe, there are several reasons why the new trucks have been so well received by customers and the industry.

"We have naturally benefited from being the first manufacturer able to supply vehicles that fulfil the Euro 4 emission standards. Hauliers whose trucks pass through such countries as Germany and Switzerland gain substantial tax and fee relief thanks to the new engines. However, our new truck range also offers added value such as lower fuel consumption, higher payload and improved driver comfort."

Driver comfort was an important factor when Scania's new truck range received the accolade 'International Truck of the Year 2005', awarded by a jury of representatives from Europe's leading specialist press.

Developing engines will still remain the biggest and most resource-intensive challenge.

"A good driver environment is also a road safety issue. The driver must have complete control of the vehicle; functions and controls must be intuitively easy to understand. It provides a good basis for driving safely, avoiding accidents and sav-

ing fuel, thus minimising environmental impact. We also place great emphasis on driver ergonomics and the cab interior—drivers spend most of their day in the cab," says Per-Erik Lindquist.

In 2004, Scania invested over 2 billion Swedish kronor, equivalent to more than 230 million euros, in research and development. NIB took part in the financing of the company's engine development with an eight-year loan of 40 million euros. Lars Synnes, NIB's Deputy Regional Manager for Sweden, is pleased that the Bank has been able to participate as financier.

"Lending to environment-related R&D projects is a priority element of our operations, and Scania's engine development project is an excellent example of this. In addition, Scania is a strong and attractive company as a borrower." ■

RESEARCH AND DEVELOPMENT AT SCANIA

The development units for all Scania's product areas are gathered at the Scania Technical Center in Södertälje, Sweden. A staff of 1,800 engineers work here with chassis test rigs, shake rigs, cold and heat chambers and noise chambers, etc. The development centre also has access to almost 20 kilometres of test tracks, 29 engine test cells and a well-equipped laboratory for chemical analysis.

Development engines that satisfy customers' requirements for good fuel economy, driving characteristics and reliability as well as fulfilling emission provisions, will still remain the biggest and most resource-intensive challenge in the future. As early as in 2008–2009, the next emission standards, Euro 5, will be introduced in the EU region, setting even stricter requirements for emission levels.



Telecommunications in Russia show strong growth

Economic development in Russia has been favourable, largely thanks to high energy prices. Russia has also taken a real generational leap forward in the telecommunications sector. Since the early 1990s this sector has undergone major modernisation with the help of significant deliveries, investments and loans from several Nordic companies, banks and institutions.

The leading international mobile suppliers, Ericsson and Nokia, are keeping well to the fore with deliveries of popular GSM equipment. Conservative calculations suggest Ericsson and Nokia account for half of the equipment market. Ericsson is the market leader within GSM equipment in Russia.

The Nordic telecommunications operators have also invested in jointly-owned GSM providers in Russia: Telenor in Vimpelcom with its 32 million subscribers, and Telia Sonera in Megafon that has 20 million subscribers.

Currently, Russia has approximately 86 million subscribers of mobile telecommu-

nications, which provides user penetration of over 60 per cent. In Moscow and St. Petersburg, penetration is closer to 100 per cent, which even beats Nordic levels.

NIB has participated in this progress by supporting the Nordic jointly-owned operators Vimpelcom and Megafon with loan financing. In 2005 the Bank granted two loans of 20 million US dollars and 30 million US dollars to Vimpelcom, and in 2004, a loan of US dollar 30 million to Megafon. The aim of these loans is to support the operators in their regional expansion of the mobile phone network. In many cases, Ericsson's and Nokia's telecommunications equipment is the first

functional and accessible telephony for the rural population. NIB's loans have been issued in parallel with export credits from Sweden and Finland. Nordic commercial banks are also participating in the financing.

"The opportunity to mobilise project financing has been, and remains, in many cases, the key to winning contracts. The support from export credits, Nordic banks and NIB continues to be crucial," Alexander Khromov, manager for customer financing at Ericsson in Moscow, points out. ■



Jubilee year for Icelandic telephony

In spite of its geographical position Iceland is one of the most sophisticated countries in the telecommunications sector and in respect of technical development. Icelanders are known for quickly adopting innovations and novelties in the telecommunication area. For a long time the country's mobile penetration rate has been among the highest in the world.

The year 2006 is a jubilee year for Icelandic telephony. The first telephone was installed in Iceland 100 years ago. The country's isolation ended when the first cable was connected and permitted direct telegraphic contacts with the rest of the world. A lot has happened since then.

One of the most important operators and one who has been in the business from the beginning, is Siminn, or Icelandic Telecom. It is a forerunner in developing the country's telecommunication network. The company has also invested heavily in improving infrastructure, such as digital switchboards, fibre optic cables and broad-

band. All households and enterprises in the country are connected to the fixed-line network.

Siminn, previously the state-owned telecommunication monopoly, has recently been privatised. The company is the leading teleoperator in Iceland and the market leader in several sectors. Siminn provides fixed telephone communications, mobile telephone services and data transmission, such as Internet and multimedia services via broadband. Furthermore, the company provides international and maritime communications via submarine cables and satellites.

"We want to provide both private and corporate customers with fast, easy and reliable communications," says Eva Magnúsdóttir, Siminn's Corporate Communications Manager.

Siminn owns shares in the two fibre optical submarine cables that connect Iceland to the rest of the world. Cantat-3 crosses the Atlantic from Canada via Iceland and

the Faeroe Islands to Denmark, Great Britain and Germany. Since 2004 the cable Farice-1 connects Reykjavik and Eastern Iceland with the Faeroe Islands and Edinburgh. If one of the connections is out of order, the other cable can always be used. Thus, Iceland's telephone and data communications are always secured.

There is intense competition on the Icelandic telecommunication market and the opportunities for growth are limited.

"The domestic market is saturated and we must go abroad for growth. Icelandic companies are expanding all over the world and we want to provide services wherever they set up business. Internationalisation provides opportunities of growth," says Eva Magnúsdóttir.

For a number of years Siminn has been a cooperation partner of NIB. In 2005, the Bank granted its second loan to Siminn's infrastructure investments. NIB has also participated in financing the cable Farice-1.



Marjo Kärnä

Harro Pitkänen, in the middle, has been in charge of NEFCO's activities since the start back in 1990. He will be leaving the post of Managing Director in January 2006. To the left Magnus Rystedt and to the right Solveig Nordström.

NEFCO

Efficient environmental financing for 15 years

Are too much resources devoted to reducing nitrogen discharges into the Baltic Sea? A recent comparison of information regarding the situation in the Baltic Sea shows that misguided ventures can actually make the situation worse and increase algal bloom. The issue was discussed during a seminar at the Nordic Environment Finance Corporation NEFCO's 15th anniversary.

An independent, international group of experts, at the request of the Swedish Environmental Protection Agency, recently evaluated all the information currently available regarding the eutrophication of the Baltic Sea. This was in the focus of NEFCO's jubilee seminar in October; the subject of the seminar was the new opinions regarding the situation in the Baltic Sea that were presented in the report from the group of experts, explains NEFCO's Managing Director Harro Pitkänen.

"It is interesting that the point of the discussion is now whether it is right to invest so much in the reduction of nitrogen discharges, as is currently the case, partially based on EU legislation. The view of

the group of experts on the matter is that it is not nitrogen but primarily phosphorus which causes the blue-green algae to flourish. If billions of euros continue to be invested in more efficient reduction of nitrogen discharge rather than phosphorus, the situation in certain parts of the Baltic Sea may actually get worse."

Over the years NEFCO has financed a large number of projects related to discharges into the Baltic Sea, so the discussion on the benefit of nitrogen reduction is necessary. It is important to pinpoint the most cost-efficient environmental investments, that is why NEFCO's activities are focused on Eastern Europe where cost

efficiency is high.

"Part of the issue is that there are large discharge sources in our neighbouring countries to the east and south. However, there we can also deal with discharges at much more lower costs than at home. We constantly measure and compare what the same actions would cost in the Nordic countries and there are huge differences. Achieving major positive environmental impact in Eastern Europe costs only one eighth or one tenth of what it would cost in the Nordic countries," Harro Pitkänen points out.

The biggest change during NEFCO's 15 years of operation has been the geopolitical shift ever further eastwards.

Operations started with projects in Central Europe, mainly Poland, but cooperation is now being established with Ukraine and the gaze is also directed towards Belarus. Operations in the Baltic countries will gradually be wound down following the Baltic countries' membership in the EU.

Harro Pitkänen has led NEFCO ever since the start back in 1990. He will be leaving as Managing Director in January 2006. He views the future of the environmental company very positively.

"There are substantial immediate challenges in the countries where we are already active. Work there will not be finished for some considerable time. NEFCO's concept has proven to be innovative and successful, even in an international perspective. Our strength lies in finding new solutions, functioning creatively and, in certain cases, being an active spearhead." ■

www.nefco.fi

NORDIC ENVIRONMENT FINANCE CORPORATION NEFCO

- is an international financial institution specialising in environmental financing.
- started activities in 1990 as an environmental unit within NIB. Has been an independent organisation since 1993.
- manages a number of funds with an environmental focus in the neighbouring regions of the Nordic countries. The most important are the Investment Fund, the Nordic Environmental Development Fund and the climate fund Testing Ground Facility.
- also manages other resources assigned by various clients for specific projects.
- is part of the Nordic Finance Group, stationed in Helsinki, along with NIB, the Nordic Development Fund (NDF) and the Nordic Project Fund (Nopef).
- currently has 15 employees.

ROAD SHOWS IN NEW MEMBER COUNTRIES

In October and November, the Bank's management arranged information meetings for parliamentarians and the media in Estonia and Latvia. At the events, NIB's President and CEO Johnny Åkerholm emphasised the opportunities that the Bank opens for the new member countries.

"NIB is your bank. Use it as a tool for strengthening your economies. We are aware of the fact that you do not have any short-term financing problems. In the long-term, development will depend on how efficiently these financial resources are invested. Thanks to our experience in structuring projects in the Baltic countries, we can support the use of financial resources," Mr Åkerholm said at the meeting in Riga.

The meetings were also attended by Oskars Spurdziņš, Latvia's Minister of Finance and a member of NIB's Board of Governors, in Riga, and Madis Üürike, Advisor in Estonia's Ministry of Finance and a member of the Bank's Board of Directors, in Tallinn. ■

FRAMEWORK AGREEMENT WITH SRI LANKA

NIB has signed a framework agreement with the Democratic Socialist Republic of Sri Lanka. For several years, the Nordic countries have been actively involved in Sri Lanka's social and economic processes: not only in the peace negotiations and peace monitoring but also with development assistance, the transfer of technologies and commercial transactions.

"During the last couple of years, NIB has received an increasing number of proposals for the financing of projects with a mutual interest in Sri Lanka, which led to the conclusion of the agreement. I believe NIB will in the near future be able to contribute to the financing of larger projects in such sectors as energy, water supply, manufacturing, etc. as may be prioritised by the government of Sri Lanka," says Søren Mortensen, Regional Manager of the Asia region at NIB. ■

NIB'S RATING CONFIRMED

In summer 2005, the international rating agencies Moody's Investors Service and Standard & Poor's confirmed the rating of the Nordic Investment Bank, accordingly, at Aaa/Prime-1, outlook stable, and AAA/Stable/A-1+.

Both agencies emphasise NIB's strong capacity to meet its financial obligations in a timely manner, which reflects the support of the member countries, the Bank's robust liquidity position, and the quality of NIB's assets.

Standard & Poor's assigned NIB an AAA long-term rating in 1982 and an A-1+ short-term rating in 1981. Moody's granted NIB an Aaa long-term rating in 1982 and a short-term at Prime-1 in 1980. ■

SEMINARS IN VIETNAM

In November, NIB together with the Bank for Investment and Development of Vietnam (BIDV) carried out three seminars in Hanoi, Quy Nhon City and Ho Chi Minh City. The purpose of the seminars was to inform potential recipients of the 20 million US dollar loan programme, which NIB signed with BIDV in 2004 in order to support projects within the private sector in Vietnam.

The seminars gathered about 150 participants from the sectors of furniture manufacturing, windmill power generation, pulp and paper, car manufacturing and milk production. ■



From the left, NIB's Regional Manager for Asia, Søren Kjær Mortensen, chairman of the People's Committee of Binh Dinh Province, Mr. Vu Hoang Ha, and NIB's Deputy Regional Manager, Bengt Farneman.

NIB

NIB LAUNCHES 500 MILLION US DOLLAR ISSUE OF EURO BONDS

In August, NIB sold a 500 million US dollar fixed-rate issue of eurobonds with a four-year maturity, due 30 January 2009. Royal Bank of Canada Capital Markets and TC Securities were the joint-leads.

NIB took advantage of a relatively quiet period in the US dollar primary markets prior to the anticipated autumn rush on the capital markets and targeted the issue away from the larger institutional buyers, which provide the foundation for the Bank's global transactions nominated in the US dollar. "In recent years, demand

for NIB's 1 billion US dollar benchmark issues have been coming from central banks in Asia and other big investors globally, but the strategic objective of this new deal was to broaden the Bank's investor base by targeting retail and smaller institutional investors especially in Europe," says Kari Kukka, Head of Funding at NIB.

More than 50 per cent of the issue was sold to European investors, while Asian investors bought about 40 per cent. The Bank's total funding amount for 2005 is about 2.5 billion euros. ■

SME-EARMARKED CREDIT LINES IN ESTONIA AND LITHUANIA

NIB has established two new loan programmes for the benefit of small and medium-sized enterprises in Estonia and Lithuania. Both agreements were signed in summer 2005. The onlending in both cases is earmarked for the production and service industries, as well as export-oriented companies.

The Estonian loan programme totaling 10 million euros is being carried out with the Finnish-owned Sampo Pank in Estonia.

"It is a natural continuation of the long-term cooperation between NIB and Sampo Pank to promote the financing of investment projects in the SME sector," says Ivar Pae, CFO of Sampo Pank. This is NIB's second loan programme for SME financing to Sampo Pank. The previous loan programme was on-lent to seventeen projects, with loan amounts ranging from 25,000 up to 900,000 euros.

For the loan programme in Lithuania, the partner is one of the country's smallest banks, Šiaulių Bankas. The intermediary has received a 2 million euro credit line. In 2002, Šiaulių received a 1 million euro loan



Šiaulių Bankas's client service centre in the town of Kėdainiai.

for onlending to women entrepreneurs in the bank's home region, Šiauliai in north-western Lithuania. A year later, following up on good results, NIB granted the Lithuanian bank another 1 million euro loan for the same purpose. ■

APPOINTMENTS

Torben Nielsen (Denmark), Senior Vice President, has been appointed Executive Vice President as of 1 December 2005. Torben Nielsen will continue his responsibilities as Chief Financial Officer (CFO) and Treasurer of NIB, overseeing funding, liquidity and portfolio management. Nielsen joined NIB in 1997. In 2004, he became CFO and Treasurer and a member of the NIB Management Committee.

Hilde Kjelsberg (Norway) has been appointed Senior Vice President and Head of Credit and Appraisal. She will head the Bank's new Credit and Appraisal Department. Hilde Kjelsberg has a degree from the Norwegian School of Economics and Business Administration. She has extensive working experience in the banking and finance sector, and was with both A/S Eksportfinans and Nordea Bank Norway ASA before joining the SEB group in 1997. Hilde Kjelsberg will serve as a member of the NIB Management Committee.

Gunnar Okk (Estonia) has been appointed Senior Vice President and Head of Administration. He will head the new Administration Department, which manages the Bank's resources and coordinates its business plan. Gunnar Okk earned a degree from Tallinn University of Technology and has a broad background in the Estonian business sector. He was previously President and CEO of Eesti Energia AS, the Estonian national energy group. Gunnar Okk will be a member of the NIB Management Committee. He is the first person from one of NIB's new member countries to be appointed to a top management position at NIB.

Kari Kukka (Finland) has been promoted to Senior Vice President at NIB. He will continue as Head of Funding.

Harro Pitkänen (Finland), now Managing Director of the Nordic Environment Finance Corporation (NEFCO), has been appointed Senior Vice President with a focus on Russia and projects related to the Northern Dimension Environmental Partnership (NDEP). ■



LOAN TO A HUNGARIAN BANK

In November 2005, the Hungary-based Central-European International Bank (CIB) and NIB signed a loan agreement totalling 30 million euros. The CIB is implementing an investment programme aimed at expanding its distribution net-

work, developing new products, and increasing administrative capacity. The Swedish building company Skanska Property Hungary is the turnkey contractor of the office building for the CIB's 900-strong personnel in Budapest. ■

From the left: Tore Emanuelsson, Deputy Regional Manager at NIB, Daniele Fanin, General Manager of International Business Developmen at CIB, Béla Terami, Director of International Department at CIB, Erkki Karmila, Executive Vice President of NIB, Mirja Koskimäki, Senior Legal Counsel at NIB.

HUGE ENVIRONMENTAL IMPROVEMENTS AT POLISH POWER PLANT

Polish electricity company BOT Elektrownia Belchatów S.A. is making major investments in its power units. A new power unit and modernisation of existing units will improve efficiency and reduce environment-polluting emissions. The investment will result in the power plants, which are run on lignite, fulfilling both Polish and European environmental requirements.

Between 1994 and 2009, emissions of sulphur dioxide will have been reduced by 320,000 tons per year. Further reduction of emissions by 20,000 tons per year is to be achieved by 2016 at the latest. This can be compared with Sweden's total emissions of sulphur dioxide of around 50,000 tons per year. However, BOT Elektrownia Belchatów's power plant is huge, with an installed capacity of 4,400 megawatt, compared with a standard-sized European

nuclear power plant, which has a capacity of 1,000 megawatt.

"The most important thing is that the cross-border emissions will be reduced significantly. The power plant has been a major contributor of acid rain in the region, but it will not be any more," explains NIB's Environmental Manager Johan Ljungberg.

The value of investments amounts to 1.6 billion euros, and NIB is lending 120 million euros to the electricity company. In December 2005 the loan amount was further increased by 30 million euros to a total of 150 million euros.

"This is one of NIB's largest loans ever and the largest environmental loan in history," explains Deputy Regional Manager at NIB, Yngve Söderlund.

BOT Elektrownia Belchatów S.A. is Poland's largest electricity producer and is

responsible for 20 per cent of Polish electricity production. The entire BOT group produces one third of all Polish electricity. The Polish energy market is currently being deregulated, and from the start of 2006 between 60 and 70 per cent of BOT Elektrownia Belchatów's electricity output will be sold on the free market in Poland.

"It is important for NIB to be involved in projects like this. Secure and competitive access to energy is a key issue for the economic development of the Baltic Sea region, and this project guarantees access to electricity in the region," says Söderlund. ■



This is NIB

The Nordic Investment Bank (NIB) finances private and public projects, which have high priority with the member countries and the borrowers. NIB finances projects both within and outside the member countries. 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 is a multilateral financial institution that operates in accordance with commercially sound banking principles. The Bank was originally founded by the five Nordic countries Denmark, Finland, Iceland, Norway and Sweden. At the beginning of 2005, NIB received three new owners, when Estonia, Latvia and Lithuania became members of the Bank. NIB's operations are governed by an international agreement among the member countries and statutes pertained thereto.

NIB has its headquarters in Helsinki and offices in Copenhagen, Oslo, Reykjavik, Stockholm and Singapore. NIB has around 150 employees.

NIB'S FINANCING POSSIBILITIES

NIB finances investment projects and project export, which are of mutual interest for the member countries and for the borrower countries. NIB finances projects in member countries, OECD countries and emerging markets.

High priority is given to investments, which improve the economic cooperation in the member 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 that improve the environment in the member countries and their neighbouring areas.

NIB participates in the financing of foreign investments, which provide employment in the member countries. In different parts of the world, NIB finances investments of mutual interest for the borrower countries and the member countries.

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

Projects appraised by the Bank for possible financing are subject to analyses of sustainability and environmental consequences. Further, increasing emphasis is attached to social consequences.

LENDING IN MEMBER COUNTRIES

In the member countries, NIB offers medium- and long-term investment loans with maturities of five to fifteen 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 industry, including investments in industrial facilities;
- infrastructure investments in sectors such as energy, transport, telecommunications, water supply and waste management;
- environmental investments in the business and public sectors;
- cross-border investments, such as mergers and corporate acquisitions;
- research and development;
- foreign investments in the member countries;
- improvement of the economic conditions for small and medium-sized enterprises in prioritised areas.

LENDING OUTSIDE MEMBER COUNTRIES

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 Africa and the Middle East, Asia, Central and Eastern Europe, as well as Latin America. Loans are primarily granted to the borrowing countries' governments or public financial institutions.

Project Investment Loans 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 approximately 40 countries.

In the member countries' neighbouring areas, NIB grants loans primarily to projects aimed at infrastructure development and promoting economic conditions for small and medium-sized enterprises.

The Bank has a special environmental loan facility for financing environmental projects in the member countries' neighbouring areas. 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.

NIB can also provide investment loans to projects and companies' investments, including joint ventures and corporate acquisitions, in the OECD area. ■

Increased lending, good profitability

NIB's ownership base was broadened at the beginning of 2005, when the three Baltic countries, Estonia, Latvia and Lithuania became members of the Bank. As a consequence, a new agreement and new statutes for the Bank entered into force as of 1 January. Mr Johnny Åkerholm took up the position as President and Chief Executive Officer on 1 April, succeeding Mr Jón Sigurðsson, who had been President and CEO since 1994.

NIB shows good results for the first eight months of the year. Profits for the period increased by 5.2% to EUR 117 million, compared with EUR 111 million at end-August 2004. Net interest income rose to EUR 110 million (Aug. 2004: 109). Total assets rose to EUR 19 billion (17). Net liquidity increased to EUR 3,445 million (3,189). During the period under review, the Bank paid its owners in 2004 a dividend of EUR 55 million for that financial year.

New loan agreements exceeded last year's level, amounting to EUR 1,747 million (1,031) for the first eight months. Loans disbursed reached EUR 1,378 million (779). This is the Bank's highest ever level of disbursements. Loans outstanding rose significantly, reaching EUR 11,315 million (10 472).

In the member countries, the manufacturing and energy sectors were the largest

recipients of loans. Most of the loans to the manufacturing sector went to cross-border corporate acquisitions. The financing of environmentally friendly and energy-saving investments in the pulp and paper industry in Sweden and Finland was also significant. In Estonia, Finland, Latvia and Norway, the Bank agreed on loans for the expansion of and improvements in electric transmission networks.

International lending continues to be dominated by loans to infrastructure investments, especially in the energy, transportation, and telecommunications sectors. Among other projects, NIB participated in the financing of a motorway in Poland, a flood protection project as well as a modernisation project of a paper and pulp plant in Russia and the expansion of mobile telephone networks in the Philippines and Thailand. The largest borrower regions in

the international loan portfolio were Asia and Central and Eastern Europe.

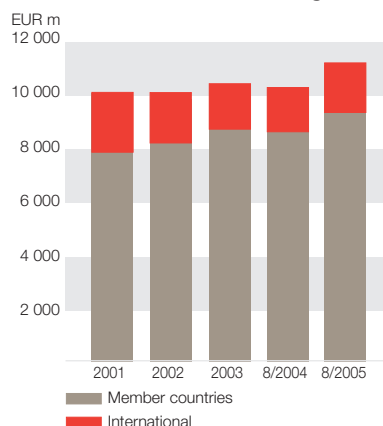
During the period under review, the Bank granted 16 new environmental loans, totalling EUR 232 million. Of the total loans disbursed, one fifth comprised environmental loans. Important environmental projects concerned, for instance, energy efficiency and wind power plants, as well as emission reduction investments in pulp and paper mills. All these projects have a significant positive environmental impact.

In the period July 2004 to July 2005, NIB chaired the Steering Group for the Northern Dimension Environmental Partnership (NDEP). The first NDEP project to be completed was the Southwest Wastewater Treatment Plant in St. Petersburg, which was inaugurated in September 2005.

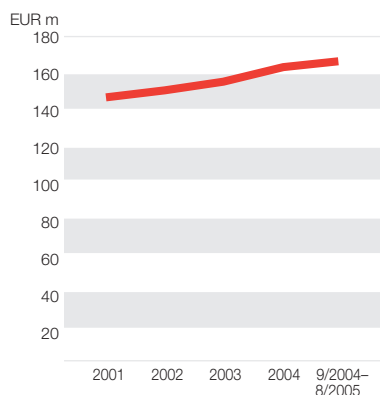
In the first eight months of the year, 21 (13) borrowing transactions were carried out in 7 (6) different currencies, in an amount corresponding to EUR 1,923 million (1,545). In spring 2005, the Bank launched its fourth global benchmark transaction of USD 1 billion in the form of five-year bonds.

NIB expects to show good profits for the year 2005 as a whole, in line with the first eight months of the year. ■

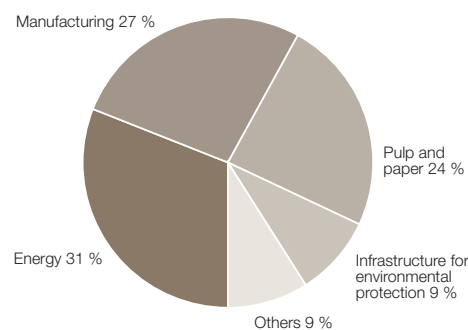
Loans outstanding



Net interest income



**Environmental loans outstanding
Sectoral distribution 31 Aug. 2005**





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