



NORDIC INVESTMENT BANK

Annual Report 2000





CONTENTS

This is NIB	4
Mission and Strategy	5
President's Statement	6
Five-year Comparison	8
The Nordic Economy	10
Funding and Portfolio Management	14
NIB's Capital	16
Nordic Lending	18
International Lending	24
The Neighboring Areas	27
The Baltic Investment Programme	28
Financial Guidelines and Risk Management	30
Report of the Board of Directors	34
Profit and Loss Account	40
Balance Sheet	41
Statement of Cash Flows	42
Notes to the Financial Statements	43
Auditors' Reports	60
Board of Directors	62
Control Committee	63
Management Committee	64
NIB's Organization	65
Nordic Loan Agreements in 2000	66
International Loan Agreements in 2000	68
Long-term Borrowing 2000	69
NIB and the Environment	70

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 governed by an agreement between the Nordic countries, and the Statutes adopted in conjunction with that 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, Reykjavik, Stockholm and Singapore. The Bank has approximately 130 employees, recruited from all the five Nordic countries.

NIB'S FINANCING POSSIBILITIES

The Nordic Investment Bank grants loans and guarantees 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. 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 neighboring 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 develop-

ment in the Nordic countries' neighboring areas as well as to investments of mutual interest in various parts of the world.

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

NORDIC LOANS

Investment loans

NIB offers medium- and long-term 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 treatment,
- 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 utilized 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 investments, including joint ventures and corporate acquisitions, within the OECD area.

THE NEIGHBORING AREAS

NIB gives priority to the financing of public and private infrastructure and industrial investments in the neighboring 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 authorized to grant special environmental investment loans to public and private sector environmental projects in the neighboring 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)

	2000	1999
Profit	130	106
Net interest income	156	140
Loans disbursed	1,101	1,322
Guarantees issued	3	0
Loan agreements	1,026	1,438
Loans outstanding	9,288	8,854
Guarantees outstanding	33	31
New debt issues	1,865	2,478
Debts evidenced by certificates	11,376	11,336
Net liquidity	2,913	2,781
Total assets	13,900	13,337
Number of employees	129	131

THE YEAR 2000 IN BRIEF

- stable progress and good results, profit EUR 130 million, net interest income EUR 156 million
- high quality of loan portfolio sustained, no credit losses
- lending capacity approximately EUR 13.5 billion, loans outstanding 9.3 billion
- equity EUR 1,326 million, of which paid-in capital EUR 394 million
- dividend to NIB's owners for 2000 EUR 39 million
- increased lending to financial intermediaries for onlending to SMEs
- increased cooperation with other financial institutions and Nordic authorities
- focus on environmental investment loans in the neighboring areas to the Nordic countries

MISSION & 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 endeavors to fulfill 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 promoting the globalization 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 favorable 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

This spring the Nordic Investment Bank celebrates its 25th anniversary, and on an encouraging note. The surplus for 2000 is the Bank's largest ever, EUR 130 million. The past year, then, saw a continuation of the steady progress characterizing the Bank's operations ever since 1994. During these seven years the nominal return on equity has averaged 11.2 percent, which corresponds to an annual real yield of 8.7 percent. The yield for this seven-year period, which can be termed the Bank's best hitherto, was 5.1 percent per annum higher than the long-term, risk-free euro rate. EUR 35 million of the operating surplus for 1999 was paid to the Bank's owners. For 2000 the Board of Directors proposes a dividend of EUR 39 million, corresponding to 10 percent of paid-in capital. Total assets at year-end amounted to EUR 13.9 billion and equity to EUR 1.3 billion. Loans outstanding at the end of 2000 totaled EUR 9.3 billion, comprising EUR 7.4 billion, or 80 percent, for projects in the Nordic countries and EUR 1.9 billion, or 20 percent, for proj-

ects in 32 countries outside the Nordic area. The Bank's borrowings outstanding in capital markets totaled EUR 11.4 billion at year-end. The quality of the Bank's loan portfolios and its financial counterparties remains very good.

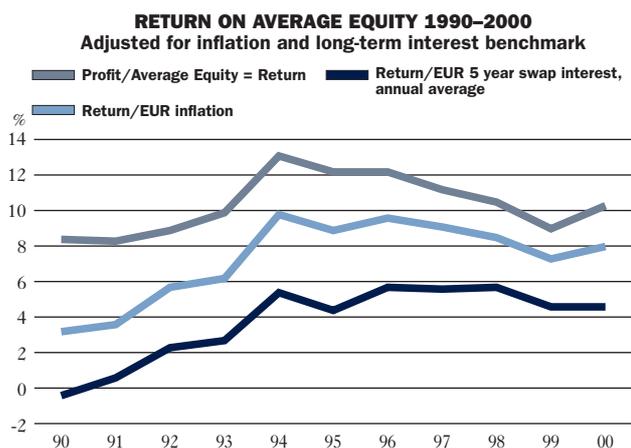
This annual report shows that during its 25 years of operation the Bank has built up a strong financial position and a firm foundation for good results. This is important in order for the Bank to accomplish its main purpose of promoting sustainable economic development in the Nordic countries and their neighboring areas through long-term financing of cross-border investment and environmental improvement. This is where the Bank's added value lies.

The Bank's activities have always focused on supplementing the commercial banks and financial institutions of the Nordic countries. In recent years the requirements for this supplementary function have been further intensified. NIB has granted credit lines to local banks in all five Nordic countries for the purpose of contributing long-term loans

to the financing of small and medium-sized enterprises, an important growth sector in Nordic business and industry. Outside the Nordic countries, credit lines for the same purpose have been granted to a number of credit-worthy intermediaries. This form of lending will be further developed and serves to supplement the direct financing of individual investment products.

During the past decade, the financing of environmental investments has been given priority in the Bank's operations. Originally this environmental commitment referred solely to the Nordic countries, but since the mid-1990s, and not least following the provisions by the Governments of the Nordic countries of a special guarantee of EUR 100 million for an environmental credit facility for the neighboring regions, attention has been made to focus on the eastern neighboring countries. At the end of 2000 NIB's total credit exposure in environmental projects was EUR 1.6 billion, including almost EUR 500 million outside the Nordic countries, mostly in the Baltic Sea region. It is important to be able to continue with this activity that is conferring both direct and indirect benefits on neighboring and Nordic countries alike.

NIB has cooperated closely in its environmental activities with the authorities in the Nordic countries, with other international financial institutions active in the Baltic Sea region, and the European Commission. The European Union's action plan for the Northern Dimension attaches great importance to environmental improvements in the transition economies of the Baltic Sea region and northwest Russia. NIB is



actively involved in this endeavor and called the heads of international financial institutions and the European Commission to a strategy meeting in Helsinki in March 2001, with a view to improving and streamlining cooperation in this important field.

Ever since Estonia, Latvia and Lithuania regained their independence at the beginning of the 1990s, NIB has, on behalf of its owners, played an active part in Nordic supportive programs for the Baltic countries. Initially this mainly referred to the Baltic Investment Programme (BIP), which was signed in 1992. Under BIP, NIB contributed both technical assistance and finance for SMEs. In recent years NIB has increasingly used its ordinary project investment loans to finance Baltic projects. This has proceeded hand in hand with the improved credit ratings of the Baltic countries and their successful transformation into market economies.

The Baltic Investment Programme ended in 2000. The three Baltic countries are now candidate countries for EU membership. The Baltic Sea region is of great and growing importance to the Nordic countries. The region has a big growth potential, but that potential implies big challenges, especially in the context of infrastructural and environmental investments. These conditions present NIB with a golden opportunity for augmenting its commitments in the region, in response to its owners' clearly voiced priorities of active support for and closer relations with these countries. In the strategy adopted for the Bank in 1998, the Baltic Sea and Barents regions are designated priority areas for the Bank's activities. The Board of Directors

and Management of the Bank are currently drafting guidelines for the Bank's future activities in the eastern neighboring countries.

The foundation of the Nordic Investment Bank, 25 years ago, took place against the background of the oil crisis impeding the supply of capital to the highly energy-dependent Nordic economies. To relieve the impact of the oil shock, it was also considered a matter of Nordic interest to promote business cooperation across national boundaries. The ideas broached later of the Nordic area as a home market and of economic integration had the same end in view.

A lot of water has flowed under the bridges since then. The Nordic area as a home market is no longer just a political slogan, it is a living reality. Parallel to inward and outward deregulation, Nordic cooperation in the business sector has flourished, resulting in extensive investments, company acquisitions and mergers across national boundaries. In the past few years, the service industries and the financial sector have joined manufacturing industry in this dynamic move towards Nordic integration. NIB has been involved in this process all through its history.

Working within NIB has given us the privilege of being a part of this dynamic and positive development. The Nordic pattern in business enterprise is now so strong as to merit the designation "maturing Nordic integration". Parallel to participating in this process of Nordic integration, the Bank has taken upon itself new tasks in the environmental sector, in infrastructure and in the neighboring regions, in keeping with



the owners' priorities. NIB's owners have been distinguished by their readiness and willingness to adapt operations to new and changing conditions. The renewal of the treaty on the Bank and the reinforcement of its capital in 1999, which consolidated and strengthened the Bank's standing as an international financial institution, are evidence of this adaptability.

The Bank's strong financial position and performance, which have been achieved thanks to the competent and dedicated work of its personnel, provide a good basis for its future activities. The Bank now faces new challenges, not least as regards deeper cooperation with the eastern neighboring countries.

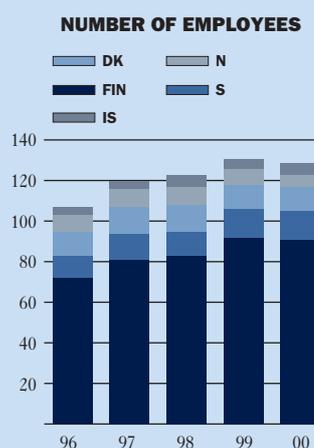
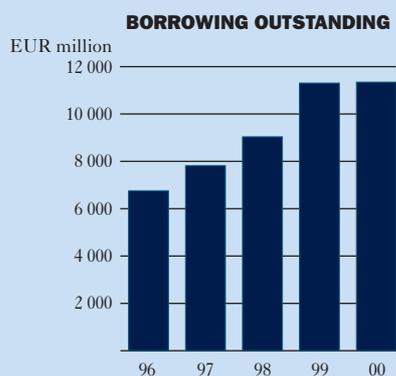
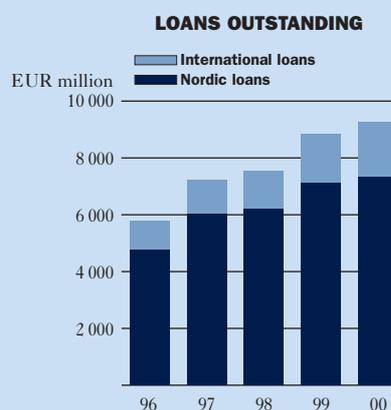
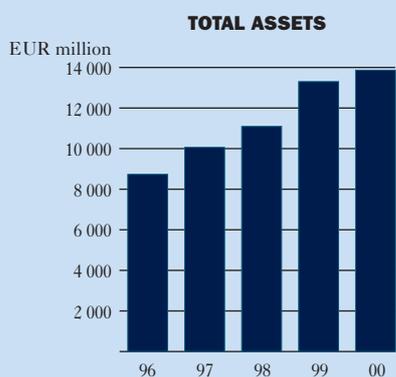
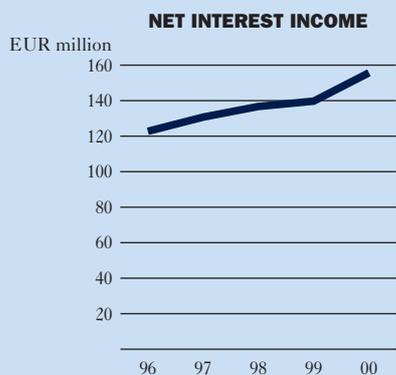
Helsinki, March 2001

A handwritten signature in blue ink, which appears to read "Jón Sigurðsson". The signature is fluid and cursive, with a large initial "J".

Jón Sigurðsson

FIVE-YEAR COMPARISON (IN EUR MILLION)

	2000	1999	1998	1997	1996
PROFIT AND LOSS ACCOUNT					
Interest income	798	584	575	518	487
Interest expense	-641	-444	-438	-387	-364
Net interest income	156	140	137	131	123
Issuing charges, commission income etc.	-4	-15	-4	-5	-4
General administrative expenses and depreciation	-20	-17	-16	-17	-15
Provisions for possible losses on loans, reversals (+)	-2	-2	-1	6	9
Profit for the year	130	106	115	114	114
BALANCE SHEET					
<i>Assets</i>					
Cash and balances with banks, placements and debt securities	3,921	3,744	2,947	2,349	2,397
Loans outstanding	9,288	8,854	7,568	7,179	5,796
Issuing charges	50	57	46	34	34
Tangible assets	41	44	45	43	41
Accrued interest, exchange rate adjustment of currency contracts, other assets	600	638	516	481	485
Total	13,900	13,337	11,122	10,086	8,753
<i>Liabilities and equity</i>					
Amounts owed to credit institutions	228	228	286	213	321
Debts evidenced by certificates	11,376	11,336	9,059	7,836	6,772
Accrued interest, exchange rate adjustment of currency contracts, other liabilities	970	552	638	978	681
Authorized and subscribed capital	4,000	4,000	2,809	2,809	2,809
of which callable capital	3,606	3,616	2,504	2,504	2,504
paid-in capital	394	384	304	304	304
Statutory reserve	531	469	519	468	430
Credit risk reserve, loan loss reserve (PIL)	360	332	281	252	210
HIPC-initiative reserve	2	-	-	-	-
Appropriation to dividend payment	39	35	35	35	35
Total	13,900	13,337	11,122	10,086	8,753
ACTIVITIES					
<i>Disbursements of</i>					
Nordic loans	842	1,000	1,046	1,430	1,076
International loans	259	322	298	196	207
Total	1,101	1,322	1,344	1,626	1,283
<i>Issued guarantees</i>					
Nordic guarantees	-	-	8	4	14
International guarantees	3	-	1	19	1
Total	3	-	9	23	15
<i>Outstanding at year-end</i>					
Nordic loans	7,357	7,141	6,222	5,970	4,787
International loans	1,931	1,713	1,346	1,209	1,009
Total	9,288	8,854	7,568	7,179	5,796
<i>Guarantee commitments at year-end</i>					
Nordic guarantees	8	9	9	9	33
International guarantees	25	22	20	21	-
Total	33	31	29	30	33
<i>Annual debts evidenced by certificates (including capitalizations)</i>					
	1,865	2,478	2,484	1,696	2,021
Number of staff (at year-end)	129	131	123	120	107



THE NORDIC ECONOMY

Nordic GDP growth remains good, but, due to the anticipated deceleration of global economic growth, it is expected to average approximately 3% in 2001 and 2.5% in 2002. The consistent economic policy of the Nordic countries has enabled them to build up a steady economic growth rate, healthy public finances, price stability and a distinct growth of employment.

Nordic economic growth will continue to be based on a rapid increase in exports, coupled with a growth of domestic consumption. The financial policy measures taken by the various countries to prevent their economies from overheating have also been successful. The investment outlook is good in all Nordic countries. In several of them, industrial output capacity is almost fully subscribed. There is a clearly rising need for new investments, and foreign direct investments in the Nordic area are expected to remain on a high level.

Favorable economic growth in the Nordic countries depends partly on the positive growth forecasts for the world economy proving correct. Global output capacity is predicted to remain high and good growth is presumed for world trade. The uncertain economic situation in the USA and the instability of crude oil prices are disquieting elements in the conditions governing world economic development.

Interest and exchange rate development prospects in the international capital market are good. Interest rates in the USA are expected to decline further until the summer of 2001. The strong dollar exchange rate will presumably endure for the greater part of 2001, but some weakening is expected towards the end of the year and at the beginning of 2002. In 2001 the euro will presumably strengthen as it gains confidence with the anticipated slowdown in American economic development.

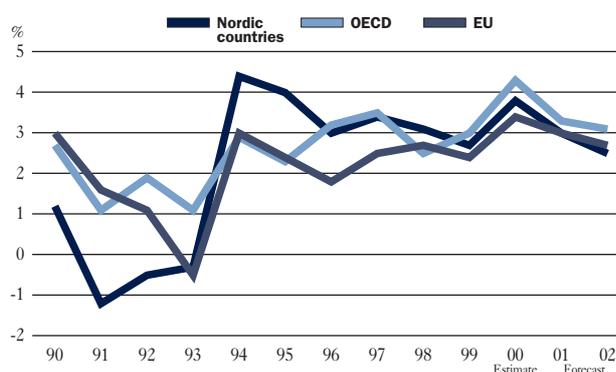
ECONOMIC POLICY IN THE NORDIC COUNTRIES

The Nordic countries share a common goal of economic policy. Primarily they wish to achieve sustainable economic growth, coupled with price stability and

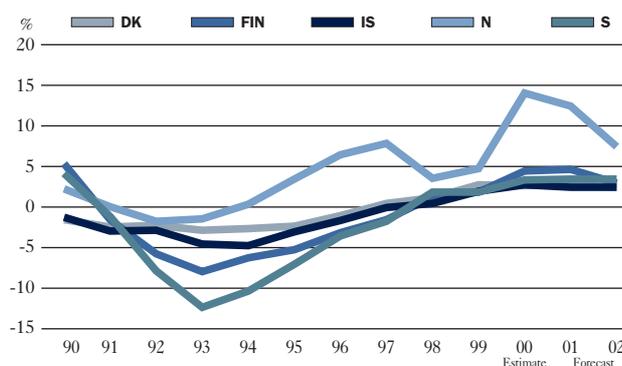
rising employment. To these ends they are, above all, committed to the maintenance of sound and stable public finances. Results have not failed to materialize. Economic development is steady and all the Nordic countries can now point to a clear surplus in their

public finances. The average surplus in the public sector balances in the Nordic area is considerably better than the state of public finances in the EU or the OECD countries. By way of building on this positive achievement, the Nordic countries are seeking to cash in on their

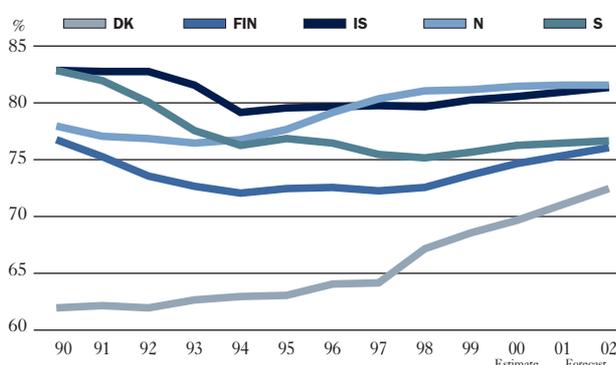
GROSS DOMESTIC PRODUCT
Annual changes



GENERAL PUBLIC FINANCES
Net balance as a percent of GDP



EMPLOYMENT
In percent of total labor force



good financial position by also reducing public indebtedness as far as possible. At the same time, in common with most of the other OECD countries, the Nordic countries are conscious of the strains to which public finances will be subjected by the changing age structure of their populations. Within the near future, a growing number of elderly persons will be putting considerably more pressure on social spending and pension payments in the public sector. Norway, on top of this, will be forced to plan for declining oil revenues in the longer term.

A good level of employment, and low unemployment with it, carry high priority in all the Nordic countries. The favorable growth of the Nordic economies has played a significant part in reducing unemployment to 5%. Given stable economic development, unemployment is expected to continue decreasing in Finland, and employment in the Nordic area is expected to reach almost 80%. This, however, is conditional on the successful build-up within the workforce of a skills base matching the needs of business enterprise and the labor market.

National price levels have been steady for several years, but price stability can be put to a somewhat severer test following the strong economic growth experienced by the Nordic countries at the end of the 1990s. It is important, however, that the Nordic countries maintain a monetary policy that preserves a steady level of inflation. Growing private consumption, rising oil prices and the pressure on wages are factors constituting real threats to the pre-defined inflation targets.

ECONOMIC DEVELOPMENT IN THE NORDIC AREA

Average GDP growth in the Nordic area has remained high. In 2000 it was approximately 3.8%. With the exception of Iceland, the Nordic countries were able to show an appreciably higher economic growth rate than for the preceding year. This, however, is expected to be less pronounced in 2001 and 2002. Average GDP growth in 2001 is expected to stop short at 3% in the Nordic countries and is estimated at roughly 2.8% in 2002. Especially Finland and Sweden are expected to maintain a high economic growth rate,

between 3.5% and 4.2%, whereas a slightly slower growth rate is expected in the other Nordic countries. The GDP growth in Denmark, Norway and Iceland is estimated between 1.6% and 1.9% in the projected period. The slower growth rate in these countries will mainly be due to a deliberate curbing of domestic consumption. The reason for the continuing high growth rate in Finland and Sweden, on the other hand, is to be found in a steady rise in exports and a satisfactory increase in domestic consumption, particularly as regards investments.

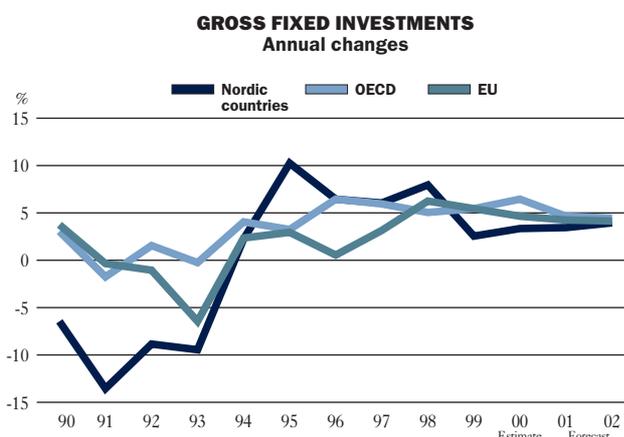
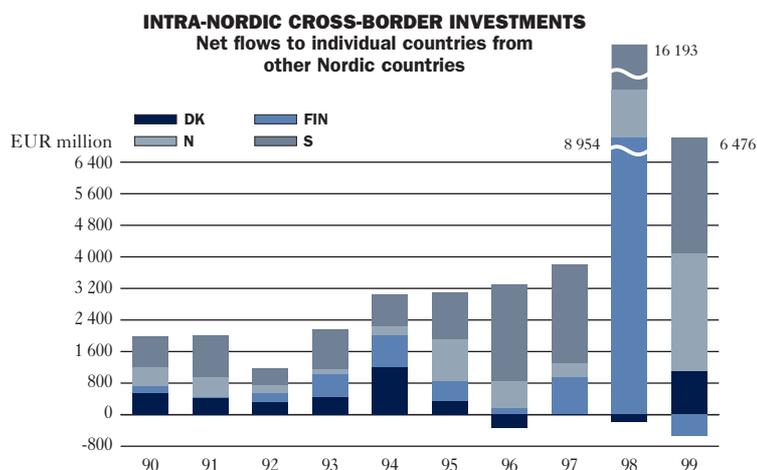
There was a considerable growth in foreign direct investments in the Nordic area through the 1990s, mainly due to the big mergers in the banking sector. The stabilization of economic development in the Nordic area has also resulted in a steady growth of cross-border new company establishments. A number of outstandingly large company and bank mergers at the end of the 1990s have raised foreign direct investments to a high level, and the trend

shows a steady growth of intra-Nordic new company establishments.

DANISH ECONOMY EXPORT-DRIVEN

The Danish economy is expected to grow by some 1.8% during 2001. This is slightly down compared to the preceding year, but the steady growth of the world economy remains Denmark's main driving force. Export growth in 2001 and 2002 is forecast at between 4% and 6%, and a slight increase is expected in private consumption.

One reason for the deceleration of the economy during 2001 and 2002 is an expected decline in gross investments by about 0.8% in 2001, and with only a slight increase, 0.7%, in 2002. However, business investments in Denmark are expected to remain satisfactory, rising by some 2% annually in 2001 and 2002. The main reason for the satisfactory growth of investments is a manifest shortage of industrial capacity.



CONTINUING HIGH ECONOMIC GROWTH IN FINLAND

A slowdown is to be expected in the Finnish economy, even though economic growth remains high. GDP growth in 2001 is forecast at about 4.2%, but a somewhat slower growth rate, 3.3%, is to be expected in 2002. Capacity problems are one reason for the somewhat lower economic growth rate in Finland. Industrial output capacity is more or less fully subscribed, and machinery and plant investments are set to increase, especially where manufacturing industry is concerned. Gross investments are expected to rise by about 5.5% in 2001 and by 3% or 4% in 2002. Finland still has one of the highest unemployment rates in Europe, but the downward trend in this respect is expected to continue during the years ahead.

REDUCED FISHING QUOTAS A RESTRAINT IN ICELAND'S ECONOMY

Following strong GDP growth, 25%, between 1996 and 2000, Iceland experienced a slight overheating of its economy during year 2000, resulting among other things in a relatively high inflation rate of between 5% and 6%. In 2001, however, financial and monetary policy measures are expected to curb the inflation rate somewhat. At the same time the Government has resolved to reduce fishing quotas. The reduction in landings, combined with financial policy restraints, is expected to give a GDP growth of only 1.5% in 2001. The austerity measures will also have a restraining effect on investment growth, which is forecast at 1.5% in 2001. For several years now Iceland has had a high growth rate in gross investments, but a temporary reduction is to be expected, with many big projects already completed and the economy entering a consolidation phase. The investment level continues to exceed 20% of GDP.

HIGH OIL PRICES STRENGTHENING THE NORWEGIAN ECONOMY

As a result of the high oil prices prevailing during the past two years, the Norwegian economy has, to a greater extent than previously, been characterized by a distinction between Norway

(including the offshore industry) and mainland Norway. Norwegian GDP growth in 2000 is forecast at about 2.6%, which is slightly down on the previous year. GDP growth for mainland Norway is also expected to decline somewhat in 2001, to 1.8%, remaining at that level throughout 2002. The main reason for this drop in economic activity is the considerable financial policy restraints having been introduced with a view to curbing both public and private spending, at the same time as total economic development in Norway is being affected by a slight weakening in world trade. The decrease in investment volumes is expected to continue in 2001, whereas a slight growth is to be expected in 2002. Investment decisions are clearly affected by the heavy dependence of Norwegian industry on world trade.

CONTINUING GROWTH OF SWEDISH EXPORTS

Swedish economic growth has remained high, the main reason for economic success being a combination of high domestic demand and satisfactory foreign trade development. The outlook is good for 2001 and 2002. GDP growth is expected to reach about 3.5% in 2001 and about 2% in 2002. Investment prospects are good, with gross investment forecasts at 6.8% in 2001 and 4% in 2002. Housing investments continue to account for a large share of gross investment growth. Industrial investments, however, are expected to show satisfactory growth during the next few years, but a certain shift of emphasis can be expected between different industrial sectors, following the spate of investment in the service sector in recent years. The Riksbank (the Central Bank) has achieved its aim of keeping inflation down to 2% at most, and the same level is anticipated for both 2001 and 2002.

INTERNATIONAL ECONOMIC OUTLOOK

The favorable economic development anticipated for the Nordic countries for the next few years is partly conditioned on the accuracy of international growth forecasts. Global output growth was strong in 2000. The growth of the world economy, some 4.7%, was mainly fuelled by a rapid growth of world trade during

the year, by more than 13%. That growth in turn was partly a consequence of high oil prices, but it also resulted from a high level of world economic activity. However, according to all indications, world economic growth will be somewhat dampened in 2001. The International Monetary Fund and the OECD forecasts of output growth in the world economy point to an average of about 4% in 2001. GDP growth in the OECD countries is forecast at the slightly lower level of about 3.2%, which is roughly 1 percentage unit below the previous year's growth. Considering the world economy as a whole, the industrialized countries of Asia, together with China and India, are the ones still maintaining a high growth rate. Globally speaking, the most important economic regions are likely to have satisfactory or good economic growth in 2001, a trend expected to continue in 2002.

The international forecasts give warning, however, of uncertainty regarding the assessment of economic development in the USA. The nine-year period of exceptional growth in the USA is judged to have peaked in 2000. Signals from the USA concerning its domestic economy have prompted a distinct uneasiness on the part of forecasting institutes on the subject of American economic development. The economic downturn has taken a somewhat steeper course than expected.

In addition to the disturbing signs from the USA, the uncertainty of global economic forecasting is compounded by the unpredictable course of crude oil prices in the world market. It is believed that the prices may fluctuate considerably during the years ahead. These fluctuations have a relatively little impact on the economic growth rates of many individual countries, but heavy price fluctuations can lead to distinct variations in world economic growth. Depending on the outcome of the oil price in 2001, GDP development in the OECD and euro countries can vary between 0.4% and 0.5% in either direction. Inflation and the current account balances for individual countries can similarly be affected by great variations in the price of oil.

STRONGER EURO

Some weakening of the dollar is expected to result from a lower economic growth rate in the USA. The slowdown is most likely to be delayed until the end of 2001, but if it proves greater than expected this could hasten the fall in the dollar exchange rate. Meanwhile, a change of the trend for the euro, which, following some years of decline, is expected to gain strength during 2001. Nordic currency exchange rates are expected to follow suit.

The Federal Reserve unexpectedly reduced the federal funds rate by 0.5% at the beginning of January 2001 and by the same amount at the end of that month. These steps are to be seen as an attempt to stimulate consumption, but trade barometers have clearly signaled that further interest rate cuts will probably be needed. In Europe there is less likelihood of any such dramatic interest rate cuts being considered for the euro. European economic development is good and the stimulating effect of an

interest rate cut on consumption is not judged to be as great in Europe as in the USA.

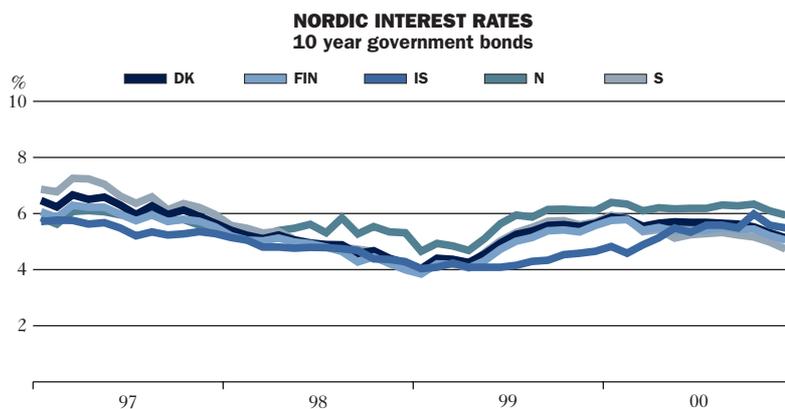
MEDIUM-TERM OUTLOOK FOR THE NORDIC AREA

Medium-term economic development is expected to remain good in the Nordic countries. GDP growth in Denmark, Iceland, mainland Norway and Sweden is expected to average about 2% annually for the period between 2000 and 2004. In Finland, on the other hand, GDP growth rate is expected to be somewhat higher, approximately 3.5% annually, but with some slight deceleration towards the end of the forecasting period. One important component of this forecast is the assumption of a continuing reduction of unemployment in Finland. The Danish, Norwegian and Swedish unemployment rates will change little, while unemployment in Iceland is expected to grow slightly by the end of 2004. Given the strict financial policy, maintained by all the Nordic countries, they are expected to post a

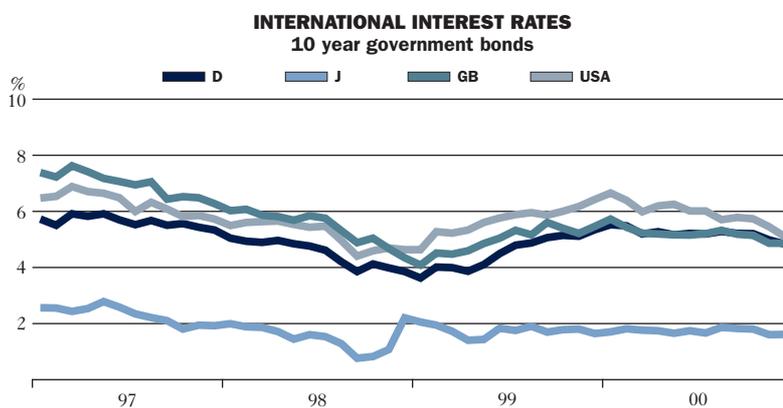
satisfactory surplus in public balances in the medium term. This will at the same time allow the countries to reduce their public debt substantially.

The medium-term forecasts for the Nordic countries assume continuing satisfactory stability in international economic development. Stable growth of world trade and steady economic development in the leading world economies, especially those of the EU and the USA, are important for the economic development of the Nordic countries.

The main source material for this text comprises economic development reports by the Ministries of Economic Affairs and Finance of the Nordic countries, and reports from the OECD in Paris.



Source: Bloomberg



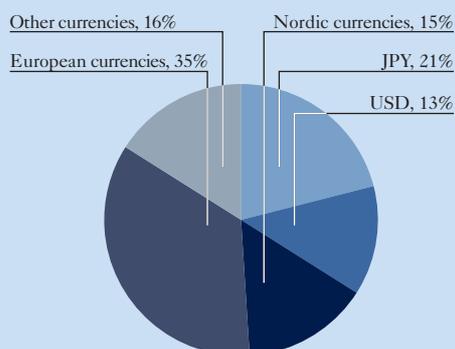
Source: Bloomberg

FUNDING AND PORTFOLIO MANAGEMENT

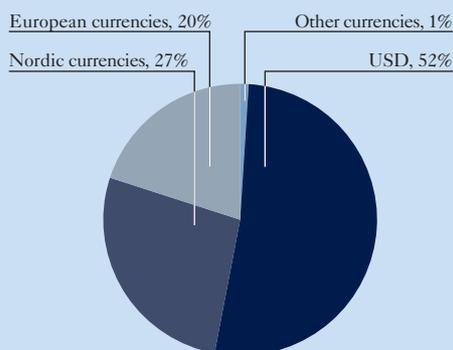
BORROWING



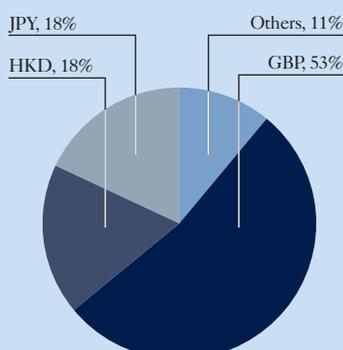
BORROWING OUTSTANDING Dec. 31, 2000



BORROWING OUTSTANDING AFTER SWAPS Dec. 31, 2000



NEW BORROWING By currency 2000



LONG- AND MEDIUM-TERM BORROWING

Through its borrowing strategy, the Bank attempts to offer investors in its bonds flexibility as to choice of currency, borrowing structures, and maturities, in the various local as well as global capital markets. 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 issue bonds in both established and new capital markets. The year 2000 was noteworthy in that the GBP market was particularly favorable, and the Bank succeeded in carrying out its first transaction in Latvian lats. During the year NIB also carried out its first transaction with local Polish zloty payments.

The Bank's borrowing operations during fiscal 2000 amounted to a total of EUR 1,865 million (1999: 2,478), and the amount of borrowings outstanding rose to EUR 11,376 million (11,336). NIB carried out 45 (71) borrowing transactions distributed over 7 (9) different currencies in fiscal 2000. The average maturity for NIB's borrowing operations in year 2000 was 8.6 years (8.5). NIB took advantage of the attractive market conditions during 1999 to finance part of its funding needs for the year 2000, which explains the relatively lower level of borrowings during year 2000.

European currencies

Borrowings in European currencies constituted a total of 56% of the Bank's total borrowings. NIB launched 10 bond issues in British pounds for a total of GBP 605 million, corresponding to EUR 993 million. Taken together, the transactions constituted 53% of the Bank's borrowings in year 2000, and the pound was thus the most important borrowing currency for the year. The transactions were carried out in various maturity segments in order to fulfill the demand of British investors. The Bank was one of the first bond issuers to index its bonds in relation to the rate of inflation in England.

In accordance with NIB's goal of diversification in its borrowing transactions, the Bank launched its first bond

issue in Latvian lats. In addition, one issue was made in Slovakian koruna and one in Polish zloty.

Japanese yen

The Japanese capital market has continued to be an important financing source for NIB. During the year, 22 Japanese yen transactions were executed, corresponding to EUR 343 million, which was nonetheless considerably less than NIB's yen borrowings of EUR 598 million in 1999. The borrowing in Japanese yen accounted for 18% of the year's new borrowing volume.

Hong Kong dollars

Borrowings in Hong Kong dollars represented an important financing source for NIB in year 2000. During the year, 8 (6) transactions were carried out in that currency, for a total value of EUR 334 million (225), or 18% of new borrowings in year 2000.

Currency distribution of NIB's outstanding borrowings

The proportion of Japanese yen in NIB's total outstanding borrowings declined in year 2000, from 22.8% to 20.7%. The share of the Nordic currencies dropped from 17.8% to 14.7%. The share of the US dollar declined from 14.8% to 12.7%, while the share of the British pound rose from 9.2% to 17.5% and the share of the Hong Kong dollar rose from 9.0% to 10.0%. The other currencies' share in borrowings outstanding declined from 26.4% to 24.4% at year-end. The Bank has borrowings outstanding in 27 different currencies.

The table on the next page shows the maturity profile for new borrowing in the years 2000 and 1999. Maturities of new debt issues in year 2000 were primarily in the categories 3 to 5 years and 10 years and longer.

Currency distribution after swaps

As an important part of its funding strategy, the Bank 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 2000 was as follows: US dollar 45%, euro 47% and Nordic currencies 8%. The Nordic currencies are distributed on Swedish crowns, 4%, and Danish crowns, 4%. It is noteworthy, that an increasing part of new borrowings has been swapped to euro, to meet a greater demand in this currency from the Bank's customers. The after-swap distribution of total borrowings at year-end 2000 was as follows: US dollar 52%, Nordic currencies 27%, euro 17%, other European currencies 3% and other currencies 1%.

Structured transactions

Some of NIB's investors demand 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 its investors' demand for flexibility, including this type of tailor-made transaction. Since these transactions are more complex, the borrowing costs are generally lower than is the case for borrowing through issuance of non-structured bonds.

Due to increasing demand, from Japanese investors in particular, a relatively larger proportion of the Bank's financing needs for year 2000 were covered by structured transactions than was the case in 1999. The proportion of structured transactions in year 2000 was 35% of the year's borrowing volume, compared with 26% in 1999.

Bond redemption

The Bank has taken a positive attitude toward negotiating for the repurchase or restructuring of its outstanding bonds. The need for this was greater in the year 2000 than in 1999. In year 2000 the

Bank repurchased bonds in the amount of EUR 187 million.

Borrowing programs

In 1992, the Bank established a EUR 10,000 million Euro Medium Term Note program for its borrowings in the Euromarket. In fiscal 2000 a total of 44 transactions were carried out under the program, for a total amount of EUR 1,846 million, compared with 69 transactions totaling EUR 2,184 million in 1999. Borrowings of EUR 7,856 million were outstanding under the program at year-end 2000.

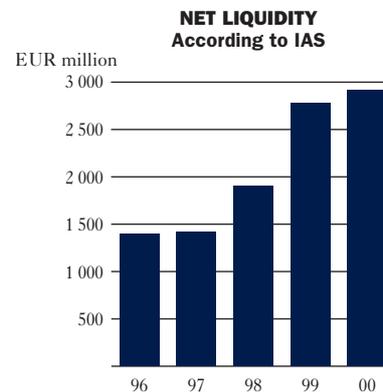
In 1999, the Bank established a AUD 2,000 million Medium Term Note program in the Australian market as part of its strategy to diversify its borrowings. No notes have been issued thus far under this program.

In 1996, a Medium Term Note program was established on the Swedish capital market. The program is in the amount of SEK 8,000 million. The borrowing program was not utilized during year 2000. At year-end the Bank had SEK 3,640 million in borrowings outstanding under this program.

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 programs and the interbank market, which NIB can avail itself of to satisfy liquidity requirements.

NIB has a Commercial Paper program 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 programs in year 2000, however, and NIB had no borrowings outstanding under the Commercial Paper programs at year-end.



The Bank did, however, utilize the interbank market for short-term funding in year 2000, and EUR 228 million was outstanding at year-end—precisely the same amount as at year-end 1999.

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 IAS method of calculation, the Bank's net liquidity amounted to EUR 2,913 million at year-end, compared with EUR 2,781 million at year-end 1999.

NIB's liquidity is primarily placed in US dollar and euro in a number of money market instruments, at variable interest rates. These instruments consist of deposits, Commercial Papers, floating-rate notes (FRN), and asset swaps. The US dollar constituted 60% of the Bank's liquidity placements at year-end. In addition, 33% of NIB's liquidity was placed in euro, and the remaining 7% in Nordic currencies.

As a result of NIB's borrowing at advantageous rates, the Bank has been able to achieve a positive spread over borrowing costs on its liquid asset placements.

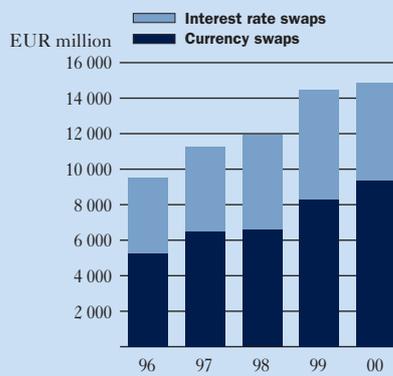
PAID-IN CAPITAL AND RESERVES

NIB strives to achieve a stable return on its equity capital. The Bank invests an amount corresponding to its equity capital in a separate portfolio of interest-bearing securities. This is the so-called equity capital portfolio. The return on these placements is an important con-

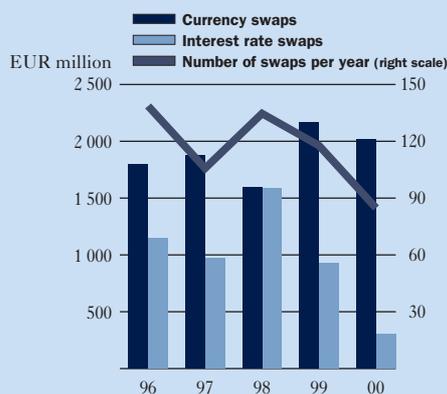
Maturity profile of new borrowings

	Number of transactions		Amount in EUR million		Percentage	
	2000	1999	2000	1999	2000	1999
1 – 3 years	13	32	325	633	18	25
3 – 5 years	14	1	558	13	30	1
5 – 7 years	5	14	241	617	13	25
7 – 10 years	7	5	268	334	14	13
10 years and longer	6	19	473	881	25	36
Total	45	71	1,865	2,478	100	100

SWAPS OUTSTANDING



NEW SWAP TRANSACTIONS



tributor to NIB's total profits. At year-end the size of this portfolio was EUR 1,269 million.

For accounting purposes, these placements are divided into one portfolio of securities (the investment portfolio), consisting of securities that are anticipated to be held until maturity, and another portfolio, a marked-to-market portfolio (the trading portfolio), which consists of securities that 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 capital. At year-end, the portfolio constituted 27% of NIB's equity capital.

Interest rate risk limits have been established for the equity capital portfolio, which are expressed as a combination of modified duration and value-at-risk limits. The modified duration for the total portfolio was 3.2 years at year-end 2000.

DERIVATIVES

As described earlier, the Bank uses interest rate swaps and currency swaps in order 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 to manage its general interest rate and exchange rate risks. The Bank en-

tered into 85 new swap agreements in year 2000, compared with 118 in 1999. A total of 50 of the swaps were in connection with borrowing transactions. The table below sets forth the Bank's swap activities in nominal terms. A substantial portion of the increase in swap volumes during year 2000 resulted from the effects of exchange rate changes on swap transactions entered into earlier. The Bank's total credit exposure, as a result of possible non-payment of amounts owed to it in the future under swap agreements in which the Bank would stand to suffer losses, was estimated at year-end, on the basis of prevailing market quotations, to amount to the equivalent of EUR 783 million, compared with EUR 922 million the year before.

Nominal volume of swaps (in EUR million)

	2000	1999
<i>Entered into during the year:</i>		
Interest rate swaps	307	931
Currency swaps	2,027	2,171
<i>Outstanding as of Dec. 31:</i>		
Currency swaps, owed to NIB	9,017	8,351
Currency swaps, owing by NIB	9,405	8,313
Interest rate swaps	5,513	6,201

NIB's CAPITAL

As of 1999 the Bank's authorized capital amounts to EUR 4,000 million. During the year 2000 the second installment of EUR 10 million, of totally three, was made. Paid-in capital thereby totaled EUR 394 million, and the last installment of EUR 10 million will be paid in during 2001. The remainder of the authorized capital consists of callable capital, which can be subject to call to the extent the Bank deems it necessary for the fulfillment of its debt obligations.

The Bank's ordinary lending ceiling amounts to 2.5 times its authorized capital, or EUR 10,000 million. In addition, NIB has separate lending ceilings of EUR 3,300 million for the international Project Investment Loan facility (PIL), EUR 60 million for the Baltic countries (BIL) and EUR 100 million for an En-

vironmental Loan facility (MIL), which is earmarked to finance environmental protection investments in the neighboring areas to the Nordic countries.

Special guarantees from the Bank's member countries constitute the basis for the PIL, BIL and MIL loan facilities. The member countries guarantee 90 percent of each loan under the PIL lending facility up to a sum of EUR 1,800 million, and 100 percent of the BIL and MIL lending facilities.

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



NORDIC LENDING

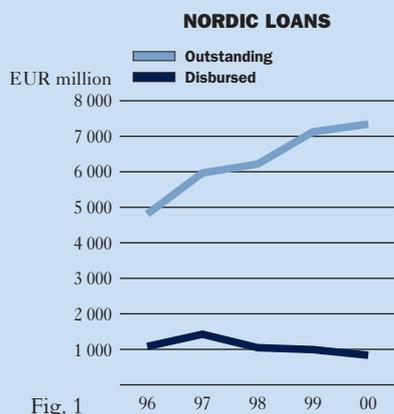


Fig. 1

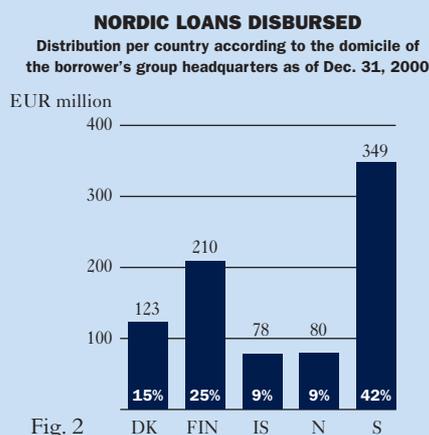


Fig. 2

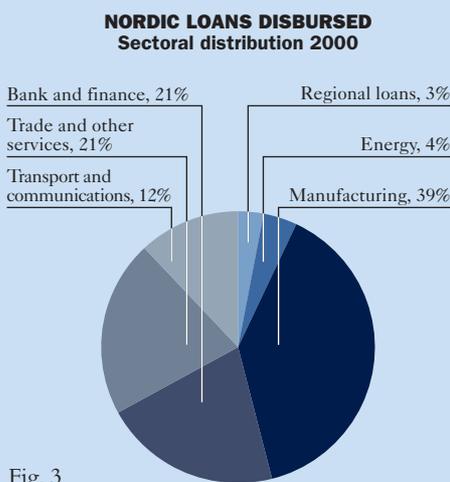


Fig. 3

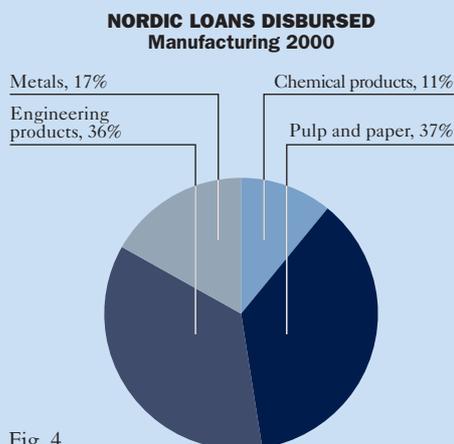


Fig. 4

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

Demand for the Bank's loans within the Nordic region remained high throughout the year. The total amount disbursed was approximately 16% down on the preceding year, while the total amount outstanding grew by 3%. In the granting of loans during 2000, priority was given to loans to financial intermediaries for further lending to small and medium-sized enterprises (SMEs).

LENDING AND LOAN PORTFOLIO

Disbursements to Nordic borrowers during the year 2000 totaled EUR 840 million, excl. index adjustments (1999: 999). No guarantees were issued during the year. Fig. 2 shows the breakdown of disbursements between the Nordic countries.

Manufacturing industry remains by far the biggest sector (see fig. 3), accounting for EUR 327 million or 39% of total new lending, a decline of 7 percentage units from the year before. The biggest increase, by 14 percentage units, occurred in the financial sector, through a growth of lending to intermediaries. During the year, a total of EUR 174 million, equaling 21% of total new lending, was channeled to 17 intermediaries for onlending to SMEs in all the Nordic countries. Numerically, Danish intermediaries constituted the largest group of recipients, with a total of 9 recipients of credit lines. Norway and Denmark each received one-third of total new lending to intermediaries. The largest credit lines of the year were disbursed to Sparebanken Rogaland, Nordlandsbanken, Ringkjøbing Landbobank, Oulun Osuuspankki and Landshypotek. These credit lines have among other things served to finance wind power production, bio-fuelled energy production and environmental investments.

In addition, regional loans totaling EUR 28 million were disbursed to Byggðastofnun and the Government of Åland for onlending to projects promoting the regional development of Iceland and Åland respectively. Lending to the commercial and service sector rose by 12 percentage units to 21% of total new lending. Loans were granted, for example, to Skanska, NCC and Ikea for com-

pany acquisitions and investments.

The share of the transport and communications sector fell from 22% to 12%, despite the biggest individual loan of the year—to SAS for investment in Boeing 737-600 aircraft for service in the Nordic countries—going to this sector. The only loans in the communications sector were disbursed to Iceland through loans to Icelandic telecom for expansion of the GSM network and to Lína.Net for investments in a fiber optic cable network in the Reykjavík region.

In manufacturing industry, engineering production accounted for the biggest increase, owing to loans to e.g. Grundfos for the development of energy-efficient pumps and to Partek, Rettig and Nolato for company acquisitions. The metal manufacturing sector also increased its share, as a result of loans to Outokumpu and SSAB.

The paper and pulp industry's share of loans disbursed to the manufacturing sector during the year was on a level with last year. Loans were granted to SCA, Munksjö, Stora Enso, UPM-Kymmene and Metsä Tissue, mainly for the purpose of financing company acquisitions and the modernization of existing units. The biggest reduction, from 31% to 11%, occurred in chemical industry. The biggest loan in this sector went to Sapa, for investments in Poland. The breakdown per sector of loans disbursed is shown in fig. 3, and a specification of manufacturing industry will be found in fig. 4. Loans disbursed and agreed during the period are listed on pages 66-67.

CROSS-BORDER INVESTMENTS PREDOMINATE

Disbursements have been divided into cross-border investments, environmental, research and development (R&D) and infrastructure investments. Cross-border investments remain the largest group, accounting for EUR 312 million of total disbursements or 37% of total lending. These investments typically include cross-border company acquisitions and new company establishments within the Nordic area. EUR 253 million of disbursements concerned invest-

ments in the Nordic countries, and EUR 59 million investments outside the Nordic area. Infrastructure investments decreased from 34% in 1999 to 19% in 2000. These investments are almost exclusively concerned with the transport sector.

Environmental investments grew slightly, accounting for 11% of lending. Environmental components were included in nearly 14% of the disbursements, compared with 20% for the preceding year. Environmentally related loans totaled EUR 200 million, with a direct environmental component estimated at EUR 89 million or 45%.

New customers accounted for 34% of the year's disbursements, and these loans comprised 33% of the total disbursed. If the lending to SMEs through intermediaries is also taken into account, the circle of customers is further enlarged.

In addition to loans disbursed, the loans agreed totaled EUR 141 million, of which EUR 61 million were disbursed at the beginning of 2001.

The euro further strengthened its position as the most used lending currency, accounting for 64% (43) of disbursements for the year. This increase was achieved mainly at the expense of the Swedish crown, which fell from 29% to 8%, and the Danish crown, which fell from 10% to 5%. The US dollar, whose share of disbursements had been steadily falling in recent years, now showed a slight increase, from 13% of disbursements in 1999 to 17% in 2000. Floating interest rates were applied for 94% (79) of the loans disbursed during the year. The average maturity of loan disbursements during the year was 8 years.

LOANS OUTSTANDING AT DECEMBER 31, 2000

The total of Nordic loans outstanding increased during 2000 by 3%, from EUR 7,141 million to EUR 7,357 million. Excluding exchange rate differences, the increase was 1%. Guarantees outstanding at year-end totaled EUR 8 million (9).

The breakdown per country was by large the same as for 1999. The distribution per country of the loan portfolio is presented in fig. 5. The Icelandic loans average EUR 6 million. The corresponding figures for Finland and Den-

mark are EUR 12 million and 14 million respectively, while Sweden and Norway have an average borrowing of EUR 21 million.

The manufacturing industry, with a total of EUR 3,653 million (3,609) in loans outstanding, accounts for 50% (50) of the total amount of Nordic credits. The engineering industry, with a total of EUR 1,002 million, is the largest group in the manufacturing sector and has overtaken the wood conversion, pulp and paper manufacturing sector, where loans outstanding total EUR 990 million. Loans outstanding to the chemical industry fell by EUR 74 million to EUR 555 million, which gives a share of 15% of the manufacturing sector. The corresponding figure for the food industry's share remains unaltered at 13%.

At year-end the Bank had credit lines with 28 (16) Nordic banks and financial institutions totaling EUR 441 million (272), which was 6% (4) of the total of loans outstanding. In addition, NIB has regional loans outstanding with 4 (5) counterparties equaling EUR 128 million (118) or 2% of the loans outstanding.

Major individual exposures in relation to total lending did not change appreciably. The Bank's 10 largest borrowers at group level account for 22% of total lending and the 50 largest for 66%. NIB's largest exposure, EUR 237 million, corresponds to 18% of the Bank's equity at the end of the period. The corresponding figures for the tenth largest exposure are EUR 117 million or 9% of equity. The 10 largest exposures account for EUR 1,591 million in lending, which is 120% of the Bank's equity. A breakdown by size of exposure is presented in fig. 8.

The falling trend in national and local government exposure continued during 2000, with the proportion of loans outstanding to or guaranteed by governments or local authorities falling from 14% to 11%. The currency breakdown of the loan portfolio is described on page 51.

The quality of the loan portfolio remains very good. At year-end there was only one unsettled claim, with a total of EUR 4.2 million outstanding. In the previous annual accounts a credit loss reserve of EUR 3.5 million was made for this exposure. In addition, the Bank

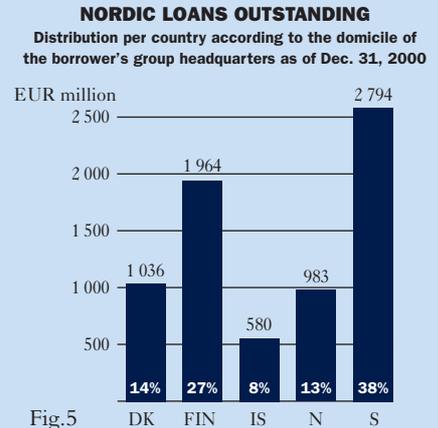


Fig. 5

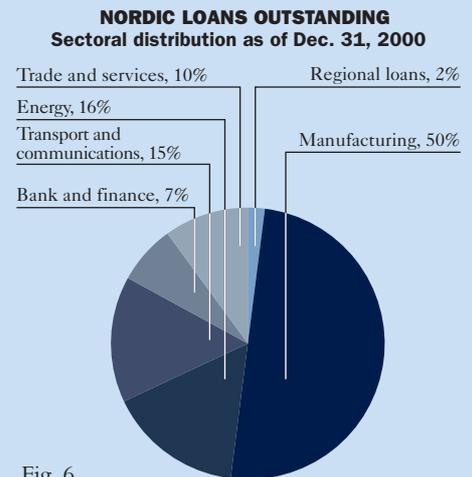


Fig. 6

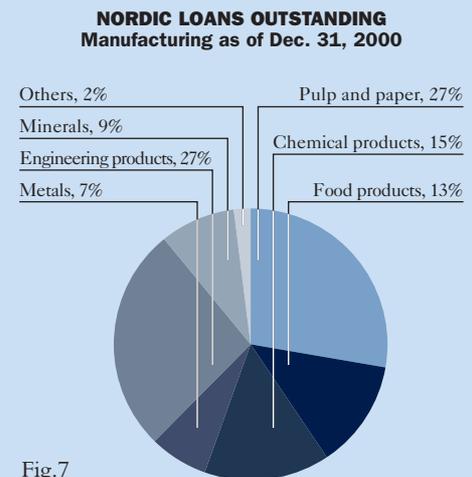


Fig. 7

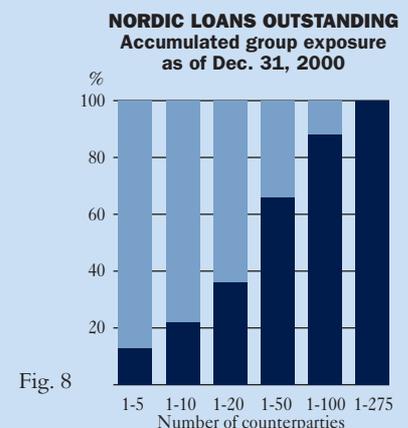


Fig. 8

has agreed to a conditional settlement which, if realized, will mean a write-down of EUR 3.1 million. A more exact description of risk classification and of the risk profile of the portfolio is given in the section on risk management, pages 30–31.

In addition to the existing total of loans outstanding and guarantees issued, the Bank has concluded agreements on loans, yet to be disbursed, totaling EUR 307 million (536) and has granted further loans and guarantees amounting to EUR 452 million (546).

PROJECTS AND BORROWERS

During 2000 a total of 56 new loans were disbursed and a further 4 agreed on. The projects and borrowers are presented below, grouped according to principal type of Nordic interest, i.e. cross-border investments, infrastructure investments, environmental investments, R&D investments and lending (directly or through intermediaries) to SMEs.

LOANS DISBURSED

CROSS-BORDER INVESTMENTS AND DELIVERIES

Cross-border company acquisitions, new company establishments and deliveries remain an important object of lending activity.

Componenta Corporation

The Finnish Componenta Group is a leading Nordic supplier of component castings. Financing of investments in component casting production in Sweden and Finland, together with investments in Sweden for the manufacture of gearbox components for heavy good vehicles (HGV). New technical solutions reduce pollution.

Danvent A/S

Danvent is a Danish company which produces and sells ventilation and air-handling products, mainly for industrial and office properties in the Nordic market. Financing of company and real estate acquisitions and of plant and production investments in Denmark.

Fiskars Corporation

Fiskars is a public engineering company whose output includes scissors and gardening tools. Acquisition of the German Ebert Group, which manufactures and markets gardening supplies in Germany and Poland, and investments in existing production facilities in Poland.

Grundfos Finance A/S

The Danish Grundfos Group is one of the world's leading producers of pumps and pumping systems. The Grundfos Group is investing in the development of energy-saving pumps from the viewpoint of both environmental protection and materials selection. The company is also committed to starting up production of electric motors in Hungary.

Grundfos Finance A/S

Acquisition by the Grundfos Group of the Finnish company Sarlin Pumps.

Heckett MultiServ Sweden AB

Heckett MultiServ Sweden AB is a wholly owned subsidiary of US-based Harsco Corporation, and operates as part of Harsco's Heckett MultiServ

Division. Heckett MultiServ is the world's largest provider of on-site, outsourced mill services to the international steel and metals industries. The company has developed environmentally friendly processes and systems facilitating profitable steel and metal production within the scope of new environmental stipulations. Acquisition of Bergslagen Stålservice Ab in Sweden and Bergslagen Suomi Oy in Finland.

Ikea Capital B.V.

Ikea Capital B.V. is a financially oriented Dutch company which grant credit lines to the national IKEA companies. The loan is intended for investments in new stores and warehousing facilities in Poland and Sweden. This investment will promote continuous deliveries from the Nordic countries.

Jaakko Pöyry Group Oyj

The Jaakko Pöyry Group offers consulting services to the forest and power industries and on environmental issues. The Group is acquiring Swedish Rigel Consult Ab, which has consulting activities in the wood conversion and power industries, and it is also acquiring a holding in Norwegian Engineering AS, a forest industry consulting company.

Luxo ASA

Norwegian Luxo produces and markets lighting equipment, e.g. for offices, hospitals and health centers. Financing of the acquisition of the Swedish light fittings manufacturer Svelux AB and its subsidiaries in Sweden, Norway and Portugal, together with investments in a new warehousing and office facility in Ballerup, Denmark.

Metsä Tissue

Finnish Metsä Tissue is a public company and one of the leading Nordic manufacturers and suppliers of soft tissue products. The Group's facilities are located in Finland, Sweden, Poland and Germany. Financing of development and modernization investments in factories in Sweden, mainly Nyboholm, and investments in a new paper machine.

Munksjö AB

Munksjö, a public company founded in Sweden in 1862, mainly produces special purpose paper and packagings.

Munksjö is acquiring two Norwegian-owned corrugated cardboard divisions, Norpapp Industri north of Oslo and Dalwell AB in Bäckefors, Sweden. The acquisition also includes conversion plants in Bergen and Gävle. Their products are sold mainly to food-manufacturing companies in Norway and Sweden.

NCC Treasury AB

NCC Treasury is responsible for and administers the NCC Group's available funds and debt portfolios. Swedish NCC is one of the leading building contractors in the Nordic countries. Acquisition of Norwegian Rieber & Søn's asphalt operation Roads. This acquisition will make NCC the biggest asphalt and gravel-crushing enterprise in the Nordic countries.

Nolato AB (publ)

Swedish Nolato is a system supplier of high-tech plastic and rubber components for the mobile phone, motor and export industries. Acquisition of the American component manufacturer Shieldmate Robotics and financing of the modernization of facilities for highly automated production in Kristianstad, Sweden.

Outokumpu Oyj

Finnish Outokumpu is a technology and metals conglomerate mainly producing special steel, copper products, copper and zinc. Financing to modernize and enlarge the special steelworks in Torneå, Finland. The investment will have the effect of raising smelting and rolling capacity.

Partek Corporation

Finnish Partek is the parent company of a group operating in the engineering industry. The company also owns the leading lime enterprise in the Baltic region, Partek Nordkalk. Acquisition of a majority holding in the Swedish engineering company Zeteco Ab. Coordination benefits, e.g. within the company's purchasing operations and international marketing.

Oy Rettig Ab

The Rettig Group is a family-owned Finnish company operating in the radiator industry, drinks manufacturing, ship-

ping, aluminum fabrication, investment and real estate development. Acquisition of Thermopanel AB, Sweden's leading manufacturer of radiators and convectors for hot water central heating.

Sapa AB

The Swedish Sapa Group manufactures highly upgraded products based on aluminum and plastic. The product range comprises profiles, aluminum heat exchanger strip and foil, and products and systems of plastic for the motor industry. Financing of production facility investments in Poland.

SCA Coordination Center N.V.

SCA Coordination Center is a subsidiary of Svenska Cellulosa Aktiebolaget (SCA), Sweden's biggest forest industry undertaking. SCA is acquiring the three Danish packaging enterprises Danapak Papemballage A/S, Danisco Pack and Danisco Papers, which manufacture corrugated cardboard raw materials and packaging.

Scandic Hotels AB (publ)

Swedish Scandic Hotels is the biggest hotel chain in the Nordic area, with more than 150 hotels in 10 countries. Financing of hotel investments in Sweden, Denmark, Norway and Finland.

Skanska Financial Services AB (publ)

Swedish Skanska is the largest construction and real estate group in the Nordic area, with operations in 60 countries. Skanska Financial Services, the Group's finance company, is acquiring Selmer ASA, Norway's biggest construction and property enterprise.

Skeljungur hf

Skeljungur is one of the biggest oil distributors in Iceland, with a considerable market share. Financing of investments in new service stations in the Reykjavík area and new road tankers from Scania and Volvo.

SSAB Swedish Steel AB

SSAB is a special steel company mainly producing flats in the form of heavy and light-gauge sheet. Financing of the modernization and enlargement of a blast furnace in Luleå. The investments will secure continuing and increasing

deliveries in the Nordic countries and elsewhere.

UPM-Kymmene Corporation

Finnish UPM-Kymmene is one of the world's leading combines in the wood conversion industry. Operations comprise production of printing paper, mechanical timber upgrading production and special paper. Acquisition of the Danish H. Reimar Nielsen Group's timber-trading operations, a transaction involving four companies operating throughout Denmark.

INFRASTRUCTURE INVESTMENTS

Throughout its history the Bank has attached great importance to financing infrastructure projects. Roughly one-fifth of the year's disbursements went to projects in this category.

Icelandic telecom Ltd.

Iceland has one of the OECD's highest mobile phone densities. Icelandic telecom is investing in the GSM network, expanding Iceland's GSM coverage by some 15%. Financing of investments in new digitized telephone exchanges and fiber optic cables and broadband.

Lína.Net hf

Icelandic Lína.Net offers telecommunication and broadband services, mainly in the form of data transmission and Internet access, to corporate customers in the Greater Reykjavík area and to the larger rural communities. Financing of investment in a new fiber optic cable network. Capital goods deliveries from the other Nordic countries.

Norfolkline Scandinavia

The Norfolkline conglomerate provides forwarding services in Europe. Its Swedish subsidiary Norfolkline Scandinavia is acquiring Euroute Holding AB of Gothenburg, one of Sweden's biggest trailer operators.

Iceland State Electricity (RARIK)

RARIK is an independent institution reporting to the Icelandic Ministry of Industry, operating power production facilities and maintaining transmission lines for the distribution and sale of electrical power. Because high voltage lines

are damaged by the bad weather frequently prevailing in Iceland, they are being replaced with ground cables to enhance the reliability of the distribution system. Finance for investment in the power distribution network and renovation of transformer substations in Rangarvellir and Grimsa. Deliveries from the other Nordic countries.

Municipality of Reykjavík

Due to the steady growth of electricity consumption in the Reykjavík area, the capacity of the Nesjavellir power station has to be augmented and new power lines constructed. Loan for investment in the geothermal power station and enlargement of power lines in the Reykjavík area.

Sandefjord Lufthavn AS

Sandefjord Lufthavn is a private limited company. The airport it operates is situated 110 km south of Oslo. Financing of investments in the terminal building, control tower and parking facility, as well as environmental investments.

SAS

SAS is investing in new Boeing 737-600 aircraft. The investment will help to achieve positive environmental effects through reduced fuel consumption, lower emissions and reduced noise.

ENVIRONMENTAL INVESTMENTS

Investments in projects with positive environmental impact continue to be one of the main points of emphasis in NIB's lending operations. Environmental components are also included in several of the projects presented under the other headings.

Landshypotek AB

Landshypotek is a first mortgage institution for agriculture and forestry in Sweden and a market leader for mortgage loans in the agricultural sector. Credit line for onlending to environmental projects, e.g. eco-certification of forestry and covering over of manure tanks.

Lantbrukskredit AB (publ)

Landshypotek's subsidiary Lantbrukskredit is mainly active in the food and

forest industries and in convenience goods trade, and is becoming increasingly involved in wind power, hydropower and bio-energy. Credit line for onlending to projects for bio-fuelled energy production in Central Swedish communities. The facilities are based on the utilization of combustible timber waste from forestry operations for the production and distribution of environment-friendly district heating

NOAH AS

NOAH was founded in 1991, on behalf of the Norwegian Parliament, to deal with the country's hazardous waste, both organic and inorganic. Financing of investment in a new organic hazardous waste reception facility adjoining Norcem's cement works in Brevik. The processed waste will be used as energy input, replacing coal, in cement production.

Municipality of Reykjanesbær

Reykjanesbær, in the southwest of Iceland, is the country's fifth largest municipality, with a population exceeding 10,000. Financing of investments in intake conduits, pumping stations and purification facilities for the municipality's waste water. This extensive project will have positive environmental consequences.

Stora Enso Oyj

Finnish Stora Enso is one of the world's leading combines in the wood conversion industry and has a conscious long-term profile of environmental protection. Financing of an alteration and modernization project in one of the Group's main facilities, a pulp mill in the east of Finland. Part of the purpose of the project is to meet new environmental requirements by reducing atmospheric emissions. Capital goods will be delivered by Nordic suppliers.

RESEARCH AND DEVELOPMENT

Lending to R&D-related projects has continued, albeit on a limited scale.

Svedala Industri AB (publ) / Svedala Treasury S.A.

Svedala is a public company and one of the world's leading suppliers of equip-

ment, systems and services to the construction industry, mineral processing industry and the recycling industry. Svedala pursues an intensive program of environmental improvement through the development of new products and systems for recycling, soil remediation and waste separation. Financing of R&D activities.

Technopolis Plc

Technopolis, a public company, is a technology center in Oulu, Finland. Most of the affiliated companies are active in telecommunications technology, electronics, information technology and industrial automation. In addition to research and development, the companies also engage in production on an industrial scale. Financing for a further 2,000 m² to the Smarthouse building. The new premises take the form of "intelligent buildings" with modern technical solutions for the adjustment of lighting, temperature, ventilation and energy consumption.

REGIONAL LOANS AND LOANS TO FINANCIAL INTERMEDIARIES

In keeping with its strategy, NIB cooperates with and complements other Nordic and international providers of credit. Lending to SMEs is an important concern in this connection. Most of this lending during the year proceeded through financial intermediaries, i.e. banks and regional financing institutes.

Byggðastofnun - The Institute of Regional Development

Byggðastofnun is an independent institute whose aim is to contribute toward regional development in Iceland through loans to business undertakings and local authorities. Byggðastofnun is the only major credit fund awarding loans on the basis of regional policy. Credit line for onlending.

Two separate loans were disbursed to Byggðastofnun during the year.

Amagerbanken A/S

Danish Amagerbanken is enlarging its lending capacity to finance projects with Nordic interest, including joint projects involving Finnish, Swedish and

Danish undertakings, as well as investment in a Polish production facility project.

DiskontoBanken A/S

DiskontoBanken is founded in 1871. Headquartered in Næstved and with branches in the surrounding area, the bank mainly serves SMEs in South Jutland. Credit line for onlending to projects of Nordic interest.

Ferðamálasjóður

(The Investment Fund for Tourism)

Ferðamálasjóður is a state-owned Icelandic investment fund, which provides credits in the tourist industry. Credit line for onlending.

FB Bank Copenhagen

FB Bank Copenhagen is located in Glostrup and has 19 branches in the Greater Copenhagen region. Credit line for onlending to projects of Nordic interest, such as company acquisitions and new company establishments in other Nordic countries, the Baltic countries and Poland, as well as R&D investments.

Lánasjóður sveitarfélaga

(Association of Local Authorities in Iceland)

Lánasjóður sveitarfélaga is an independent institution owned by all municipalities in Iceland. The fund grants loans for investments by Icelandic municipalities.

Middelfart Sparekasse

Middelfart Sparekasse was founded in 1853 and operates in Fyn and Jutland with 8 branches. Credit line for onlending to combined heat and power projects and other energy projects, investments in other Nordic countries and deliveries of capital goods from other Nordic countries to Denmark.

Midtbank A/S

Midtbank is mainly active in Jutland, Denmark, with branches in local areas and in Copenhagen. Credit line for onlending to projects of Nordic interest, such as environmental investments and investments in production facilities.

Nordlandsbanken ASA

Nordlandsbanken is a commercial bank listed on the Oslo Stock Exchange and operates mainly in Nordland. Credit line for onlending.

Oulun Osuuspankki

Oulun Osuuspankki is a member of the OKO Bank Group and one of the biggest cooperative banks in Finland. The bank operates in Oulu and surroundings, which is a region of rapid growth, thanks to the presence of many high-tech companies supplying electronic components to the telecommunications, forest and motor industries. Credit line for onlending to projects in the Oulu region.

Ringkjøbing Landbobank A/S

Ringkjøbing Landbobank was founded in 1886 and is mainly active in Ringkjøbing, on the west coast of Denmark. Credit line for onlending to environmental and energy-related projects in SMEs.

Sparebanken Rogaland

Sparebanken Rogaland, a member of the Spare Bank 1 Group, is one of the largest banks in southwest Norway. Credit line for onlending to projects in the Rogaland region.

The Savings Bank of Reykjavík and Environs (SPRON)

Icelandic SPRON was founded in 1932 as an independent institution. Credit line for onlending.

Totalbanken A/S

Totalbanken, founded in 1911, operates in Fyn, Denmark. Credit line for onlending.

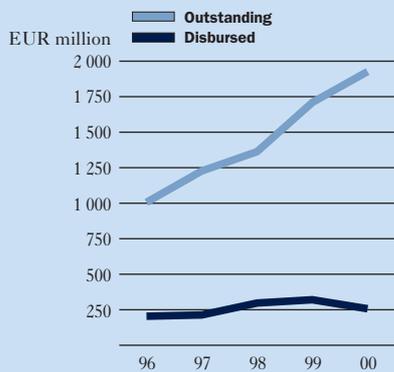
Tønder Bank A/S

Tønder Bank operates in South Jutland, Denmark, and has 7 branches in addition to its head office. Credit line for onlending to environmental projects, e.g. wind power.

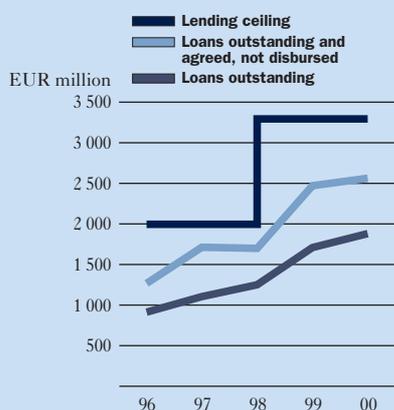
Vestjysk Bank A/S

Vestjysk Bank operates in Jutland, Denmark. Credit line for onlending.

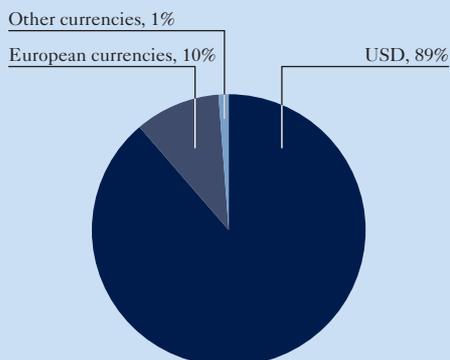
INTERNATIONAL LOANS AND GUARANTEES



PROJECT INVESTMENT LOANS



INTERNATIONAL LOANS OUTSTANDING By currency as of Dec. 31, 2000



INTERNATIONAL LENDING

The main emphasis of the Bank's international lending is on the Project Investment Loan (PIL) facility, which provides credits for emerging markets and transitional economies. The current lending ceiling for the PIL facility is EUR 3,300 million. Loans outstanding and loans agreed but not disbursed at year-end totaled EUR 2,568 million (1999:2,345). The largest proportion, 78%, of loans under the PIL facility comprised sovereign loans. This was the same percentage as for the previous year.

The Baltic Investment Loan (BIL) facility and the Environmental Investment Loan (MIL) facility were set up, in 1992 and 1996 respectively, as a complement to the PIL facility. The BIL and MIL facilities are to support the development of private enterprise in the Baltic countries and to promote environmental investments in the neighboring areas to the Nordic region. New loan awards under the BIL facility were discontinued at the end of 1999, but a number of loans already granted, were agreed on during 2000. Loans outstanding and loans agreed but not disbursed at year-end totaled EUR 33 million (43). The MIL facility amounts to EUR 100 million, and is geographically limited to the financing of projects in the Baltic countries, Poland and Northwest Russia. Loans outstanding and loans agreed but not disbursed at year-end totaled EUR 61 million (69).

Through its international lending the Bank can also participate in the financing of projects in the OECD countries. These investment loans and guarantees (IL) are entered under the Bank's regular lending frame. Amounts outstanding at year-end totaled EUR 29 million (27), of which EUR 25 million (23) refers to guarantees outstanding.

International loans take the form of direct loans to individual projects or of funding channeled through credit programs to financial and other intermediaries. The bank has operative credit programs with upwards of 20 intermediaries, most of them state-owned development banks.

LENDING AND LOAN PORTFOLIO

Demand for new credits in 2000 was lower compared to the preceding year. This was especially noticeable at the beginning of 2000, whereas inquiries concerning participation by the bank in the financing of various projects showed resurgence towards the end of the year. One reason for this decline is that some of the bank's borrower countries are still contending with economic problems. The Bank's international activity is on the financing of projects above all in the emerging markets. In 2000 the rate of investment was generally slower in the borrower countries, except for the telecommunications sector.

In the course of the year, 20 international loans were granted, totaling EUR 390 million (642) and 16 new loans were agreed, totaling EUR 255 million (536). Loan disbursements during the year totaled EUR 259 million (322), and guarantees were issued totaling EUR 3.1 million (0.2).

International loans outstanding at year-end totaled EUR 1,931 (1,713). International loans agreed but not disbursed totaled EUR 734 million (763). Thus the Bank's international loan portfolio at the end of 2000 totaled EUR 2,665 million (2,476). To this are added guarantees totaling EUR 25 million (23).

The quality of the international loan portfolio improved during the year, owing to upgrades of a number of countries and individual private sector risks. The risk profile of the portfolio is described in greater detail in the section on risk management, pp. 30-31.

BORROWER COUNTRIES

NIB cooperates directly with over 30 emerging and transitional economies. Cooperation with these countries is long-term and based on agreements generally concluded with each country's finance ministry. The Bank's international lending is divided between the following regions: Asia, Africa and the Middle East, Latin America, Central and Eastern Europe, and the Baltic countries.

ASIA

China remains the Bank's largest single borrower. Cooperation is mainly channeled through lending programs agreed directly with the Chinese Finance Ministry. Seven lending programs totaling USD 335 million have been agreed since 1990. The latest lending program, of USD 60 million, was signed in 1999. Under these lending programs some 90 projects have been financed in various sectors, most of the projects are concerned with Chinese industrial development.

A new loan of USD 15 million was signed with Globe Telecom for financing supplementary investments, mainly in the mobile telephone network in the Philippines. This is the Bank's second major loan to the company. The first, amounting to USD 20 million, was signed in 1999.

In addition, a loan of USD 15 million to Vietnam was signed for financing a cement factory in the Ninh Binh province of northern Vietnam.

AFRICA AND THE MIDDLE EAST

A loan agreement of USD 15 million, for an irrigation project in southeastern Anatolia, was signed with Turkey. No new loan agreements were signed with the African countries during the year, but activities included preparations for a joint lending program with the Nordic Development Fund (NDF) for development projects in South Africa. In addition, a cooperation agreement was signed with Egypt, which makes it possible for loans to be granted for private sector projects in the country.

During the year NIB, the African Development Bank and the African Development Fund signed a cooperation agreement, aimed at expanding cooperation and facilitating joint financing of various African projects. NIB now has similar agreements with the principal multilateral development banks.

The Bank has resolved to take part in the program of debt relief for HIPC's (Heavily Indebted Poor Countries). This program is being operated in close partnership with other multilateral financial institutions, with the World Bank responsible for coordination and administration. For NIB's part the HIPC pro-

gram comprises one borrower country, namely Cameroon. EUR 2 million is being reserved for the HIPC program in the Bank's annual accounts for 2000.

LATIN AMERICA

During the year a loan of USD 40 million was signed with the Mexican telecommunications company Telefonos de Mexico. This loan was granted for part financing of the company's comprehensive program of investment in both the permanent and mobile telephone networks in Mexico. Another loan for the telecommunications sector was signed with one of the Argentinean mobile telephone operators, Telecom Personal. The loan, amounting to USD 20 million, will finance parts of the supplementary investments in Argentina's mobile telephone network.

Loan program cooperation with Nacional Financiera, a Mexican development bank, was expanded through a further loan of USD 30 million. The new program, like its predecessor, is mainly intended for financing small-scale projects. A USD 30 million loan program was signed with Venezuela for projects planned by EDELCA, the Venezuelan state-owned energy corporation. This project can include projects for both the generation and the transmission of power.

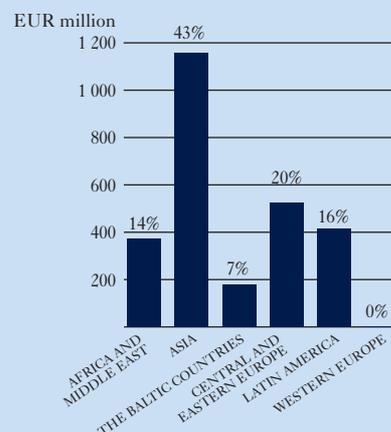
CENTRAL AND EASTERN EUROPE

A cooperation agreement was signed during the year with Bulgaria, which was thus added to the Bank's borrower countries in Central and Eastern Europe.

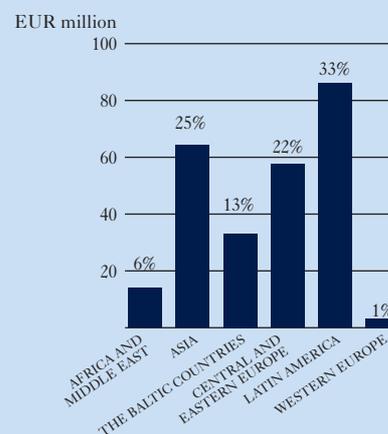
During the year a loan of EUR 30 million was signed with the Czech mobile telephone company and operator Cesky Mobil. This will be used to finance the building up of a nationwide mobile telephone network. In addition, a loan of USD 30 million was signed with the Polish power company Elektrownia Kozenice. The company is engaged in a comprehensive modernization and environmental upgrading of its coal-fired power station in Kozenice, south of Warsaw, and the Bank's loan to the project will serve to finance investment in flue gas purification equipment.

An agreement was also signed for a

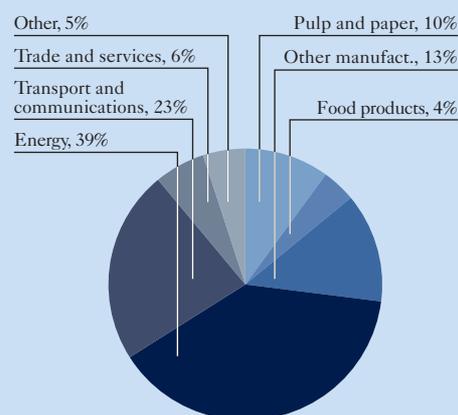
INTERNATIONAL LOAN PORTFOLIO
Geographical distribution as of Dec. 31, 2000



INTERNATIONAL LOANS DISBURSED
Geographical distribution as of Dec. 31, 2000



INTERNATIONAL LOANS OUTSTANDING
Sectoral distribution as of Dec. 31, 2000



loan of DEM 15 million to St. Petersburg's Vodokanal waterworks. This loan is to be used for upgrading waste water purification in the Sestroretsk area on the Gulf of Finland, and it supersedes an earlier loan, which was never utilized, because of the effects of the Russian financial crisis of 1998. The project is part of a program of water supply and wastewater purification development in St. Petersburg and it is financed with extensive support from the Nordic countries.

THE BALTIC COUNTRIES

Seven new loans to the Baltic countries, totaling EUR 13 million, were signed during 2000. Two of these concerned investments in the hotel sector: a loan of EUR 2.2 million to the Lithuanian company Ramusis Pamarys for the acquisition and renovation of the Radisson SAS Hotel in Klaipeda, and one of USD 7 million to Hotel Latvija for the renovation and enlargement of a hotel in Riga. The Baltic industrial sector has also been in focus. A loan of GBP 0,3 million to the Latvian BSW Latvia company was signed for the establishment of a sawmill outside Riga. NIB's engagement in the project now totals GBP 2.6 million. During the year preparations were made for an EUR 4.5 million loan agreement to finance invest-

ments in the Estonian textile company Krenholm.

In the environmental sector, a loan of EUR 1.8 million was signed for the Jelgava waterworks and wastewater processing plant in Latvia. This loan will finance the development of the city's water supply and wastewater processing systems.

Three loans of EUR 0.3 million each were signed for financing projects to promote women's participation in business life. The loans were agreed in the form of loan facilities to Optiva Pank (now Sampo Pank) in Estonia, Hansabanka in Latvia and the Lithuanian Development Bank (now Sampo Bankas).

A more detailed account of the Bank's activities in the neighboring areas and the now concluded Baltic Investment Programme is found on pages 27 to 28.

SECTORAL BREAKDOWN

The Bank's international lending is mainly concerned with infrastructure investments, above all in the energy and telecommunications sectors. As a general trend in recent years, demand for new loans has been greatest in the telecommunications sector. A considerable proportion of the loans agreed in 2000 related to the financing of telecommuni-

cations projects. Finance for six projects, totaling nearly EUR 150 million, was signed during the year. Four of the loans were financed through individual lending and two projects were financed by allocation under loan programs.

Over the years, NIB's international lending to the telecommunications sector has involved the Bank in the financing of a total of 32 projects in 19 countries, with an agreed amount of almost EUR 500 million. Whereas projects for the permanent telephone network were financed in the 1980s, the heavy growth of projects since the mid-1990s has almost exclusively concerned the financing of mobile telephony investments. Telecommunications investments among the Bank's borrower countries are expected to show continuing substantial growth in coming years.

Loans agreed during the period are listed on page 68.

THE NEIGHBORING AREAS

The neighboring areas to the Nordic region, comprising the Baltic countries, Poland and the Northwest of Russia, are of strategic importance to the Bank. As part of its mission and strategy, NIB shall contribute toward the economic development of the neighboring regions by helping to finance a variety of projects, with special emphasis on private sector and infrastructure investments.

ENVIRONMENTAL PROJECTS

The environment is one of the Bank's priority fields, with particular importance attaching to NIB's role in financing environmental investments in the Baltic and Barents regions.

In Russia, the Bank's activities are concentrated geographically on the Northwest and on environmental projects. Together with the European Bank for Reconstruction and Development (EBRD), the Nordic Environment Finance Corporation (NEFCO) and Nordic bilateral assistance authorities, a project is in preparation for improving water and wastewater purification and developing the water company serving in the Russian enclave of Kaliningrad.

In St. Petersburg a loan agreement was signed during the year with the city water corporation for the purpose of improving wastewater purification in the Sestroretsk region, which borders directly on the Gulf of Finland.

During the year the Bank was mandated by the St. Petersburg city authorities to direct work on a study concerning the development of an implementation strategy and funding structure for the city's southwestern wastewater purification plant. At present the southwestern part of the city, with about a million residents, has no wastewater purification at all, and its raw sewage is discharged directly into the Gulf of Finland and the Baltic Sea. This region, accounting as it does for the biggest single discharge of unprocessed wastewater anywhere in the Baltic Sea, has a very important bearing on its water quality and water balance. The study, funded with Nordic development assistance, is being carried out by a Finnish-Swedish consortium.

In Poland, the main focus of the Bank's activities in the environmental sector has been on the financing of major infrastructure projects in the ener-

gy sector. The Bank is helping to finance the modernization of the Kozenice and Turów coal-fired power stations. For smaller environmental projects at municipal level, a credit line has been established with Bank BISE, whose operations focus on local government and energy production.

In the Baltic countries, considerable resources were devoted during year 2000 to institutional development and the preparation of projects for the local government sector. Results of this long-term work are now becoming visible as a growth in the number of projects.

During the year a total of 16 loans, either direct loans or allocations under loan programs, were granted or approved for environmental projects in the Baltic countries. NIB and NEFCO, for example, have signed an agreement for financing the first Latvian environmental project to receive accession assistance from the EU Instrument for Structural Policies for Pre-accession (ISPA). The project concerns investments in a water supply and purification plant in Jelgava, the fourth largest city in Latvia. Most of the Bank's environmental projects refer to municipal wastewater purification projects with discharge into the Baltic Sea.

During the year the Bank granted its second environmental loan to the Estonian energy corporation Eesti Energia. The loan, amounting to EUR 15 million, was agreed in January 2001 and is also concerned with financing anti-pollution investments in the oil-shale-fired power plants in Narva, as well as investments in the gas-powered power plant Iru in Tallinn and investments in the transmission and distribution network. A loan was also granted during the year to the district-heating corporation in Tartu, the second largest city in Estonia, for modernization and efficiency improvement.

OTHER PROJECTS

During the year NIB granted a loan for road investments in Estonia. Through an investment program now in progress, the Estonian authorities plan to improve the road system between the northeast of Estonia and Tallinn. This project is rated important for the development of the Narva region and the regional road network, and it will enhance the possibilities of transit traffic with Russia.

The Latvian government has initiated a pilot project for renovating the country's housing stock. For this project the Bank has granted a loan of EUR 18 million to the state-owned Latvian mortgage bank. The project is being funded in association with the Council of Europe Development Bank (CEB).

In addition to infrastructure investments in the three Baltic countries, the Bank also aims to finance major private sector projects and SMEs through intermediaries. In the private sector, two loans were signed for hotel projects, making NIB one of the principal financiers of four hotel projects in the Baltic countries: the Radisson SAS hotels in Tallinn, Estonia and Klaipeda, Lithuania, and Hotell Latvija and Park Hotel Ridzene in Riga, Latvia.

THE NORDIC DIMENSION

The EU initiative through which efforts are being made to develop cooperation between the EU Members States and countries of Northern Europe is called the Northern Dimension. The environment is a priority field under this initiative, and, geographically, great importance is being attached to the Baltic states and Northwestern Russia.

In June 2000 the European Commission resolved on a strategy and plan of action for the inauguration of ongoing activities in this field. Among other things, the action plan designates a number of pollution hot spots.

NIB is helping to finance environmental investments by Eesti Energia at its power plant facilities in Narva, and is actively processing a number of other major pollution sources, above all through the projects in St. Petersburg and the Kaliningrad region.

The Bank aims to continue its active involvement in the various fields of the Northern Dimension. It is doing so in close collaboration with other multilateral organisations, such as the World Bank, the EBRD, the European Investment Bank (EIB), NEFCO and the European Commission's existing program of assistance to Central and Eastern Europe. The various Nordic environmental and bilateral authorities are participating and have an important role to play.

THE 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. The program ended, accordingly, at the close of 1999, though certain activities continued, by agreement, during 2000.

BIP's purpose was to promote economic development in the Baltic countries through various supportive measures relating above all to SMEs in the private sector.

Under this program, implemented by NIB, the EBRD and Nopef, NIB had three main tasks:

- Granting Baltic Investment Loans under a facility totaling EUR 60 million and guaranteed by the Nordic countries,
- Providing the three national Baltic investment banks with technical assistance through a fund totaling EUR 8.25 million,
- Subscribing shares in the Baltic investment banks through a mutual fund of EUR 7.5 million.

The purpose of these tasks was to provide technical assistance and contribute equity for the establishment of efficient financial institutions for SMEs, and, directly or through the banks, to grant loans for SME projects of mutual interest to the Baltic and Nordic countries.

BALTIC INVESTMENT LOANS

For NIB's part the conclusion of the program meant that no new loans could be granted under the facility after the end of 1999, while those already approved would continue under the guarantee of the Member Countries until fully repaid. Five Baltic Investment Loans previously granted at a total of EUR 3.7 million, were signed during 2000. Together with the last loan agreed at the beginning of 2001, this brought the total sum of loans agreed to EUR 74 million. Cumulatively, EUR 67.1 million had been disbursed by year-end.

The Baltic Investment Loans represent various sectors of Baltic enterprise. The main emphasis has been on wood manufacturing projects, telecommunications, export oriented manufacturing industry, chemical industry and the service sector as represented by hotel projects. The Baltic Investment Loans have been an encouraging experience, both to NIB and to the recipients, as witness the high demand for them.

All in all the Baltic Investment Loan facility comprises 98 loans, granted either directly to the projects or through financial intermediaries. The credit line, totaling EUR 1 million, granted to three banks in Estonia, Latvia and Lithuania for onlending to women's projects, accounted for 45 of these loans. The figures show quite clearly that NIB has succeeded in reaching through to SMEs with its provision of credits and has thereby contributed towards achieving the overall objective of the BIP-program.

TECHNICAL ASSISTANCE

The Technical Assistance Fund was set up for the purpose of supporting the establishment and build-up of the three Baltic investment banks and making them important instruments for promoting the purpose of the BIP. During the program's early years, the Baltic investment banks were cornerstones of this financial activity through the credit lines that NIB had established with the banks. Technical assistance measures in Estonia and Latvia were gradually phased out before the expiry of the program, the banks there having attained the ultimate phase of assistance in their development. In Lithuania technical assistance continued on a reduced scale during 2000, as an adjunct to NIB's shareholding in the Lithuanian Development Bank, LDB.

The technical assistance program did a great deal to develop the local investment banks into viable financial institutions with specialized expertise in raising and providing procurement and lending of long-term capital.

THE EQUITY INVESTMENT FUND

The purpose of the Baltic Equity Investment Fund, set up during the second phase of BIP, was to strengthen the capital base of the banks concerned, to supplement technical assistance and to pilot the banks to sound commercial activities.

Through the Equity Investment Fund, NIB subscribed shares in the Latvian Investment Bank (LIB) and in LDB. During 1999 NIB sold its shares in LIB, and the bank is nowadays a branch of Merita Bank, and thus part of the Nordea Group. Finally, during the closing days of year 2000, LDB was privatized and all shares were sold to the Finnish banking and insurance group Sampo.

The Estonian bank also found a strategic investor in Sampo during the year, with the result that all three banks are now part of the Nordic-Baltic cooperation in the Baltic financial sector. For the BIP-program, all that now remains is to close the Funds and repay the balance to the Nordic countries. Today, the experience derived from the BIP-program constitutes one of the pillars on which NIB's continuing and expanding activities in the Baltic countries rest.

TECHNICAL ASSISTANCE FUND

PROFIT AND LOSS ACCOUNT JAN. 1 – DEC. 31 (Amounts in EUR)

	2000	1999
Interest income	9,527	9,895
Administrative expenses	-191,066	-200,574
Funds used in fiscal year	-181,539	-190,679

BALANCE SHEET AT DEC. 31 (Amounts in EUR)

Assets

Cash and balances with banks	-	15,845
Placements with credit institutions	182,321	297,814
Other assets	70	50
	182,391	313,709

Liabilities and equity

Liabilities

Other liabilities	50,929	708
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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 fiscal years	-7,936,995	-7,746,316
Used in fiscal year	-181,539	-190,679
Total used funds	-8,118,534	-7,936,995
	182,391	313,709

The figures presented here detail 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 use of funds has been audited.

EQUITY INVESTMENT FUND

PROFIT AND LOSS ACCOUNT JAN. 1 – DEC. 31 (Amounts in EUR)

	2000	1999
Interest income	1,665	43,613
Sales of shares	253,700	36,721
Capital increase in fiscal year	255,365	80,334

BALANCE SHEET AT DEC. 31 (Amounts in EUR)

Assets

Cash and balances with banks	194	194
Placements with credit institutions	3,453,700	-
Accrued interest	1,665	-
Share investments	-	3,200,000
	3,455,560	3,200,194

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 fiscal years	53,004	-27,330
Capital increase in fiscal year	255,365	80,334
	3,455,560	3,200,194

FINANCIAL GUIDELINES AND RISK MANAGEMENT

The Bank's guidelines for its financial transactions and risk management are characterized by a conservative attitude toward financial risk taking. The Articles of Agreement signed by the owner countries as well as the Bank's Statutes call for adequate security for the Bank's lending operations, as well as hedging of the Bank's foreign exchange risks. The Bank's use of financial instruments in its operations, including derivative instruments, demands continual oversight of its financial operations and risk management. In year 2000, the Bank developed, and began to use a new system of limits, designed to ensure effective management of the maturity profiles of the Bank's assets and liabilities, and the refinancing and reinvestment risks involved.

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 active management of interest rate and foreign exchange risks. The Bank uses derivatives and other financial instruments for such management. The use of these instruments, in turn, gives rise to counterparty risks, which are likewise carefully controlled within a system of limits.

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. The Bank 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 future interest income has a considerable US dollar component. This circumstance may from time to time imply a certain fluctuation in the Bank's future income in euro terms,

even though the Bank may have no foreign exchange risk in its Balance Sheet. Any such fluctuations, however, 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 unit 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 capital. At present, the total limit is fixed at EUR 24 million, which corresponds to 2% of NIB's equity capital. Total interest rate exposure at year-end 2000 was 12% of the limit.

In the year 2000, the Bank also established a new limit system, designed to ensure efficient management of the maturity profile of the assets and the liabilities on the Balance Sheet with a view to minimizing any discrepancies. Large differences in asset and liability maturities can give rise to refinancing and reinvestment risk. This occurs 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 unit 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 12 million, which is about 1% of the Bank's equity capital. The Bank's total exposure at year-end was about 17% of the total limit. In addition to this sensitivity analysis, a EUR 1 billion limit has been laid down to limit the difference in the cash flow between assets and liabilities in the course of one 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 which constitute a counter-entry to NIB's equity capital is managed as a separate portfolio and are not included in the normal calculation of NIB's interest rate risks 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 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 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 systems used for measuring interest rate risk by using the value-at-risk methodology to evaluate overall market risk. This is done for the active

OUTSTANDING LOANS AND GUARANTEES
By type of repayment protection as of Dec. 31, 2000

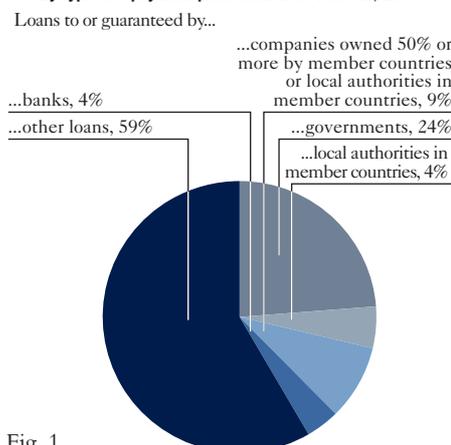


Fig. 1

placement of NIB's equity capital in the capital markets, and for its benchmark portfolios.

CREDIT AND COUNTERPARTY RISK

The Bank takes a careful attitude toward credit and counterparty risk, which arises in connection with both lending and 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 also has strict rules regarding exposure to individual borrowers and composition of the portfolio.

Lending

The Bank's Board authorizes all loans, with some delegation of decision making to the Bank's President for 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 the Bank'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, 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 capital, and also is continuously involved in approving changes to limits based on changes in counterparties' creditworthiness and economic position.

NIB utilizes 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 utilizes a stricter method than 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.

Nordic lending

The quality of the Nordic lending portfolio remains at about the same level as at year-end 1999. The portion of loans in risk categories 5 and 6 has risen, while the portion of loans in the highest credit quality categories continues to decline due to the reduced portion of Nordic lending to governments and municipalities. The concentration of the Bank's exposure in risk categories 4 and 5 has continued, with these categories already constituting a full 70% of the Bank's total exposure in the Nordic portfolio. The total portion of loans in the three lowest credit quality categories has continued to decline, and constitutes less than 1% by volume. The Nordic lending portfolio is well balanced as regards geographical distribution, industrial sector distribution, and the loans' size distribution.

International lending

There have been favorable changes in the quality of the international lending portfolio, thanks to improved creditworthiness of the Bank's clients. The portion of clients in the three highest categories in the portfolio, namely 3 to 5, has increased in the course of the year, while the portion in the three lowest categories has decreased and is now just under 15% of the portfolio.

Financial counterparties

The quality of the Bank's financial

counterparties has further improved from an already high level. At present, just over 41% of the Bank's exposure is in risk category 1, and just over 86% is in the three best risk categories, namely, 1 to 3.

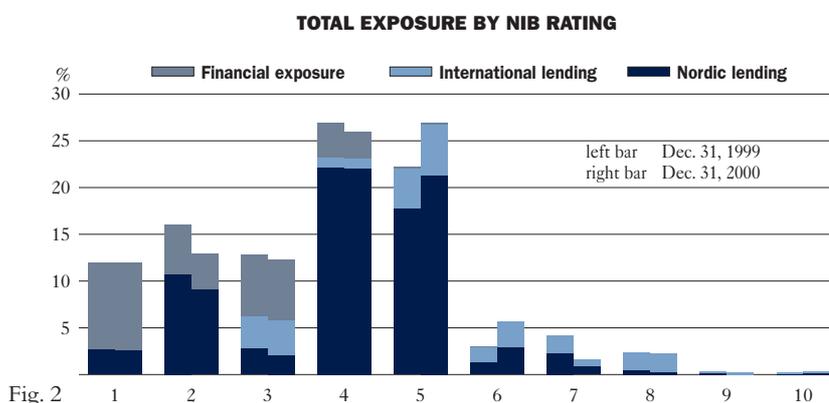
The Bank as a whole

The quality of the Bank's credit exposures remains at a stable, high level. The portion of total exposure within categories 3 to 5 has increased from just over 62% to approximately 65%, while the share of credit exposure within the credit quality categories 8 to 10, which carry greater risk, declined slightly during the year.

OPERATIVE RISK

NIB deals with legal risks and other operative risks through a system for 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, that oversees its management information systems, 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 labor between recording, risk management and transaction generating functions.

The Bank continued to update its computer system during the year, with a view to supporting management of its financial operations and risk. As a result of the preventative measures the Bank took, and its good preparation, no technical problems arose in the Bank's computer system in connection with the date change at year-end 1999-2000.





CONTENTS

Report of the Board of Directors	34
Profit and Loss Account	40
Balance Sheet	41
Statement of Cash Flows	42
Notes to the Financial Statements	43
Auditors' Reports	60

Summary of the year 2000

The Bank showed good operational and financial results for the year 2000, in line with a stable trend. The goals set for its operations were achieved. Net interest income rose to EUR 156 million in the year 2000, compared with EUR 140 million for 1999. The Bank's profit amounts to EUR 130 million, which is EUR 24 million more than in 1999. This relatively strong development in the Bank's profit is partially attributable to a rise in net interest income, and partially to the fact that changes in the valuation of the marked-to-market trading portfolio consisting of interest-bearing securities contributed strongly to the year's profit, whereas it had caused a loss in the year 1999. A considerable portion of the Bank's lending operations is denominated in US dollars. The interest rate margin on these loans—and therefore the Bank's profit—were favorably affected by the value of the dollar in terms of euros, which was higher than in 1999.

New lending amounted to EUR 1,101 million (1,322). Loans outstanding at year-end rose to EUR 9,288 million (8,854). Of the EUR 434 million increase in loans outstanding, 60% is attributable to exchange rate fluctuations.

The Bank's borrowings in capital markets amounted to EUR 1,865 million (2,478) in the year 2000. A total of 45 (71) long-term borrowing transactions were made in the year 2000 in 7 (9) different currencies. Outstanding borrowings rose to EUR 11,376 million (11,336).

During the year 2000, the credit

quality of the Bank's lending portfolios and its financial counterparties were maintained at a high and stable level. The Bank made a EUR 3.1 million provision for anticipated loan losses, even though no credit losses were reported for the year 2000.

At year-end, total assets amounted to EUR 13,900 million (13,337). End-of-period total equity corresponded to EUR 1,326 million (1,220). EUR 35 million was paid as dividend to the Bank's owners, the Nordic countries, out of 1999's profits. The Board of Directors proposes a dividend of EUR 39 million for fiscal 2000.

Average economic growth in the Nordic countries was almost 4% in the year 2000. Industrial production continued to rise, and the international competitiveness of Nordic enterprises was very good. The volume of investment in the Nordic countries was maintained at a stable, high level. Global economic growth reached its cyclical peak in the middle of the year, followed by some slackening toward the end of the year. Not the least of the factors affecting the dampening of economic growth were the high oil prices. The rate of increase in industrial production in the Nordic countries and their neighboring areas also slowed down somewhat toward the end of the year.

LENDING

The Nordic countries

Lending within the Nordic countries developed to a large extent in accordance with the guidelines that were established at the beginning of the year. One of the results of the cooperation with commercial banks and other financial institutions, which is an important part of NIB's role as a supplier of complementary financing, was that the Bank granted a larger number of long-term loans to financial intermediaries for onlending to small and medium-sized enterprises (SMEs).

As in previous years, the largest portion of NIB's loans during the year 2000 went to creditworthy large companies' projects. Increasing portions of loans support environmental protection projects and Nordic companies' projects in the Baltic area and in Poland.

Disbursements in the year 2000, EUR 842 million, were somewhat lower than planned, due to the fact that part of the disbursements which were to have been made at the end of year 2000 were in fact made in the beginning of 2001. In addition, there were more prepayments of loans and fewer prolongations of loans than expected in 2000, resulting in relatively low growth in loans outstanding. Loans outstanding amounted to EUR 7,357 million (7,141) at year-end, an increase of 3%, of which 2% is due to exchange rate changes in the US dollar and the Swedish crown vis-à-vis the euro during the year. The increase in volume was 1%, calculated at fixed exchange rates. NIB entered into loan agreements amounting to EUR 771 million (903).

The share of disbursements to the manufacturing industry declined from 46% to 39%, primarily due to a smaller share of total disbursements going to the food, paper, and chemical industries. The metal manufacturing industry accounted for the largest increase within the manu-

facturing industry. Overall, the manufacturing sector is still the largest sector in the Nordic lending portfolio.

Other sectors include the energy sector, whose share declined from 10% to 4% of total disbursements, and the transportation and communications sector, which declined from 22% to 12% of disbursements. The largest increase, from 7% to 21%, was in the financial sector, consisting of lending to financial intermediaries, for onlending to SMEs in all the Nordic countries. The financial sector is followed by the construction industry, which rose from 3% to 9% of total disbursements.

Loan disbursements within the Nordic countries demonstrate approximately the same country distribution as in 1999, with Swedish clients being the largest borrower group. Lending volume to Swedish and Icelandic clients is at the same level as in 1999, while the volumes for Denmark, Finland and Norway have declined somewhat.

Euro-denominated lending has dominated disbursements during the year, constituting 64% (43) of total disbursements. The portion of new loans in US dollars has also increased, amounting to 17% compared with 13% in 1999. Disbursements in Danish kroner and particularly in Swedish kronor declined, accounting for 5% (10%) and 8% (29%) of disbursements, respectively. This development indicates that Nordic borrowers are becoming more interested in the euro as a borrowing currency.

Approximately 40% of Nordic lending went to cross-border investments in the Nordic area, with Swedish and Finnish companies in particular as the investors. Almost one-fourth of all loans disbursed involve the financing of environmental protection investments, and just under one-fifth involve infrastructure projects.

International lending

Granted international loans amounted to EUR 390 million (642). Loan agreements totaling EUR 255 million (536) were signed during 2000. Disbursements of international loans amounted to EUR 259 million (322). A decline in the demand for new loans was observed. This decline was due to a perceived weakening in the number of new projects in transition economy and developing countries, as well as lower demand for loans in foreign currencies in those countries.

Loans outstanding amounted to EUR 1,931 million (1,713) at year-end. This represents a 13% increase compared with the previous year, and a 5% increase excluding the effect of exchange rate changes.

Asia still represents the largest share, with 43% of international loans outstanding and loan agreements entered into but not yet disbursed. China in particular, as well as Indonesia, Thailand, and India are important borrowing countries in the region. Asia's share of NIB's international lending portfolio has declined, however, while the share of Central and Eastern Europe has grown to 27%, the Baltic area accounting for one-fourth of that percentage. Poland is the largest borrower within Central and Eastern Europe. Latin America's share has also risen, and now accounts for just under 16% of the portfolio. Mexico and Venezuela are the largest borrowing countries in Latin America. The Middle East and Africa each have a 7% share.

The demand for new loans was largest in the telecommunications sector, with four new loan agreements. The entire sector is in the middle of an intense investment phase. In the developing countries the international investment trend concerns expansion of both the mobile and land-based telephone networks.

NIB's loans outside the Nordic countries are based on cooperation

agreements with the borrower countries. NIB entered into two such cooperation agreements during the year 2000, with Bulgaria and Egypt.

The neighboring areas

NIB's strategy is to contribute to the economic development in the Nordic countries' neighboring areas—the Baltic countries, Poland, and the northwestern part of Russia. NIB is giving priority to the financing of environmental protection investments in the Baltic Sea and Barents Sea areas.

The Baltic countries

Economic development in the three Baltic countries—Estonia, Latvia, and Lithuania—shows clear signs of growth. All the three Baltic countries are presently candidates for membership in the European Union.

At the request of its owner countries, NIB implemented the Baltic Investment Programme. At the end of the program, the Bank sold the shares it had administered in the Lithuanian Development Bank. The three Baltic investment banks, which NIB helped develop, have been acquired by Nordic commercial banks. This contributes positively to the development of the financial sector in the Baltic region.

NIB's lending operations are primarily focused on developing the infrastructure in the Baltic region, including the energy, environmental protection, transportation, social welfare and health sectors. NIB is at the same time assisting private sector projects within the framework of the Project Investment Loan facility. The latter makes it possible to fund large projects and at the same time authorize new lending facilities for the SME sector.

In the year 2000 NIB has continued to allocate considerable resources for institutional development and the preparation of financing plans for environmental protection projects in coopera-

tion with the Nordic environmental and foreign aid authorities. These activities have primarily centered on the environmental protection sector at county level, and financing for a number of projects has been granted under the environmental protection lending facilities previously authorized. These efforts are expected to result in a greater number of environmental protection projects.

NIB has granted a total of 16 loans for environmental protection projects in the Baltic area, either directly or through lending programs.

Poland

Poland's economy has developed positively, and the country has continued its reform program in order to meet the requirements for membership in the European Union. The process leading to accession to the EU requires wide-ranging investments in the environmental, energy, and transportation sectors. The Bank is supporting this process by participating in the financing of relevant infrastructure projects. In the year 2000, NIB has participated in the financing, among others, of two large-scale energy projects, which will lead to considerable decreases in sulfur dioxide emissions. The Bank's goal at the same time is to improve Nordic companies' operating conditions in Poland by participating in the financing of Nordic direct investments in that country.

Today Poland is NIB's second-largest borrower country outside the Nordic area.

Russia

The Bank's activities in northwestern Russia are oriented toward environmental protection projects. One of the reasons for this is to decrease cross-border water and air pollution. In cooperation with other international financial institutions and the Nordic bilateral authorities concerned, a project is being pre-

pared which will improve water and waste water treatment, as well as develop the local water utility in the Russian enclave of Kaliningrad.

In year 2000 NIB signed a loan agreement in St. Petersburg with the city's water utility, in order to improve waste water treatment in the Sestroretsk area, which abuts on the Gulf of Finland.

In 2000 NIB was given a separate mandate by the St. Petersburg municipal authorities to lead a study, financed by Swedish and Finnish authorities, on developing the financing and implementation structure for waste water treatment in the southwestern part of the city. This will be important for the Baltic Sea environment.

For a long time, the Bank has cooperated with Russian and Nordic partners in preparing a project to modernize the badly polluted nickel smelting works in Pechenga on the Kola Peninsula. The project is expected to lead to a considerable reduction in sulfur dioxide emissions and other pollution.

FINANCIAL ACTIVITIES

The international bond markets have continued to be characterized by increased competition among bond issuers, both in established and new markets. This has resulted in generally rising funding costs for the borrowers. The euro market has attracted new types of issuers, and the markets have become increasingly transparent. Despite this tough competition, the Bank has managed to achieve relatively favorable funding costs during the year 2000, as a result of a combination of active marketing of NIB in the international bond markets and a flexible borrowing strategy.

The Bank's borrowing in the capital markets amounted to EUR 1,865 million (2,478) during 2000. Repayments of previous borrowings corresponded to EUR 1,748 million (1,267). Borrowings outstanding amounted to EUR 11,376

million (11,336) at year-end. During the year 2000, 45 (71) funding transactions were carried out in 7 (9) different currencies. The British pound was the dominant borrowing currency in the year 2000, accounting for 53% of new debt issues. The Bank has issued bonds denominated in British pounds in a total amount corresponding to EUR 993 million, distributed over ten transactions. The Bank has established a wide offering of bonds in the GBP market with different maturities, in order to meet the needs of its investors. Borrowing in the Asian capital markets amounted to 36%, with the Japanese yen and the Hong Kong dollar each accounting for 18%. The Bank has carried out 22 transactions in Japanese yen, corresponding to EUR 343 million. It has carried out a total of eight transactions in Hong Kong dollars, corresponding to EUR 334 million. The Latvian lats represented a new borrowing currency for NIB.

The Bank's equity capital amounted to EUR 1,326 million at the end of 2000. The Bank invests an amount corresponding to its equity in portfolios of interest-bearing securities. In 2000, the Bank continued to build an actively managed marked-to-market trading portfolio, in which securities are bought and sold according to expectations as to market developments. Gains or losses connected with the marked-to-market portfolio are recorded directly in the Bank's Profit and Loss Account. As for the marked-to-market portfolio, the Bank's profits for year 2000 were affected positively, in the amount of EUR 4 million, as a result of the impact of interest rate developments on the value of this portfolio during the year. The marked-to-market portfolio accounted for 27% of NIB's equity capital at year-end.

The Bank's net liquidity amounted to EUR 2,913 million at the end of 2000. This is in line with the Bank's

long-term goal of maintaining a net liquidity that corresponds to the Bank's needs for the following 12 months.

Interest rate swaps with a nominal value of EUR 307 million (931) were entered into in 2000. At year-end the contracts amounted to a nominal amount of EUR 5,513 million (6,201). Foreign currency swaps were entered into in the amount of EUR 2,027 million (2,171). Amounts owing to NIB at year-end under these contracts amounted to EUR 9,017 million (8,351), and amounts owed by NIB amounted to EUR 9,405 million (8,313).

RISK MANAGEMENT

The overall quality of the Bank's credit exposure has been maintained during the year, and continues to be high. Almost two-thirds of the exposure is in risk categories 3 to 5 in the Bank's risk classification system. The system consists of rating categories from 1 to 10, where 1 denotes the best risk and 10 the worst. NIB's risk rating 1 corresponds to Standard & Poor's AAA and to Moody's Aaa creditworthiness ratings. NIB's 3 to 5 ratings correspond to Standard & Poor's AA- to BBB ratings and to Moody's Aa3 to Baa2, that is "investment grade" or better.

The quality of the Nordic loan portfolio has been maintained. The portfolio is well balanced both geographically and as regards sector distribution and degree of concentration. The quality of the international loan portfolio has improved during the year as certain countries and private sector borrowers were upgraded. The very high quality of the Bank's financial counterparty exposure has been maintained, and a full 85% of the Bank's exposure is in the three best risk categories, which correspond to Standard & Poor's AAA to A+, and to Moody's Aaa to A1.

COOPERATION WITH OTHER FINANCIAL INSTITUTIONS

The Bank attaches a great deal of importance to cooperation with financial institutions, both within and outside the Nordic countries. NIB concentrates its financing operations in areas where it can carry out its complementary financing role, primarily by offering long-term loans. The Bank's work to reach small and medium-sized companies within the Nordic countries demands continued close cooperation with Nordic financial institutions. NIB had outstanding credit lines to 28 financial intermediaries within the Nordic area and 13 outside the Nordic area as of year-end 2000.

During year 2000, NIB entered into a cooperation agreement with the African Development Bank and the African Development Fund, known as the AfDB Group. At present NIB has cooperation agreements with all the most important multilateral development banks.

Along with the other international financial institutions, NIB places a great deal of importance on fighting corruption, and sees this as a central pillar of good governance necessary for achieving sustainable development. In 2000 the Bank's Board of Directors adopted a resolution on fighting corruption, which stresses the need for transparency and responsibility and provides guidelines for matters such as bidding procedures and project monitoring.

The Nordic countries are in favor of debt relief for the poorest developing countries. The Bank has accordingly decided to participate in a program led by the IMF and the World Bank aimed at debt relief for the Heavily Indebted Poor Countries (HIPC). The program, which calls for participation from all lenders, is being implemented in close cooperation with other multilateral financial institutions. NIB's involvement

with the program concerns only one borrower country.

The cooperation between NIB and the other Nordic financial institutions which form the Nordic Finance Group in Helsinki—the Nordic Development Fund (NDF), the Nordic Environment Finance Company (NEFCO), and the Nordic Project Export Fund (NOPEF)—has continued during the year, both administratively and as regards specific projects. This cooperation is partially due to the fact that all of these institutions are located in the same building in Helsinki, and partially to the fact that the institutions cooperate closely in financing projects. In the year 2000, NIB has co-financed projects with NEFCO under the Bank's environmental investment program, and with NDF through the lending program for development projects in South Africa. The Bank has cooperated with NOPEF in prefeasibility studies of projects in the neighboring areas.

ADMINISTRATION

The number of NIB employees at year-end was 129. A majority of NIB's personnel is Finnish—91 employees—while the other Nordic countries are represented with 14 Swedes, 12 Danes, 6 Norwegians and 6 Icelanders.

During the year the Bank continued to modernize its information technology system as a tool for managing its financial operations and risk management. The transition to the year 2000 did not result in any problems in the Bank's information system. No technical problems arose in connection with the 1999–2000 year-end date change, thanks to NIB's having taken preventative measures and having prepared properly for the transition.

RESULTS

The Bank shows a profit of EUR 130 million for fiscal 2000, compared with

106 million in 1999. Net interest income increased to EUR 156 million (140). The rise in net interest income in year 2000 compared with 1999 is primarily connected with a larger average total asset base, wider lending spreads, larger average equity, and a favorable impact of the rise in short-term interest rates in 2000. A considerable part of the increase in the fiscal year's profit stems from the positive changes in valuation of the marked-to-market trading portfolios, which provided a considerable contribution to the year's profits, compared with the losses experienced in 1999.

The quality of NIB's loan portfolio and of its financial counterparties continues on the whole to be very good. During the year 2000, the Bank had no recognized loan losses, but a EUR 3.1 million provision was made for anticipated loan losses. NIB's goal in administering the liquid asset portfolio has been to make sure it has ample liquid assets to carry out its operations, to maintain its status as a high-quality borrower, and to contribute to its revenues through active liquid asset management.

Profit as a proportion of average equity capital was 10.3%, compared with 9.0% in 1999. This can be compared with the last 5 years' gliding average for the 5-year euro interest rate in swap contracts, which was 5.1% (5.5). The corresponding one-year average for 2000 was 5.5% (4.2). In addition to the equity capital the Bank's owner countries have provided a callable capital base for the Bank. The latter also contributes to NIB's high credit rating, which, because of the advantageous funding costs inherent in a high credit rating, contributes positively to the profit.

NIB's established financial goals for its operations are to achieve a reasonable, stable return on its equity capital and to build up sufficient reserves. These goals have been achieved, which is important for the Bank to service 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 35 million were distributed to the Bank's owners—the Nordic countries—from 1999's profits.

As of December 31, 2000, NIB's equity capital—capital paid in by the owners plus accumulated reserves—amounted to EUR 1,326 million (1,220), corresponding to 9.5% (9.2%) of total assets.

OUTLOOK

It now seems clear that the peak of the economic cycle has passed. The rate of economic growth in the USA appears to be slowing down somewhat. A slight weakening in economic growth is also expected within the EU. Growth in the countries outside the OECD area is expected to be somewhat higher than the OECD average. This is particularly the case for Asia, but growth in Central and Eastern Europe as well as Latin America is also expected to be maintained at a high level.

The demand for long-term loans is expected to remain high in 2001. It is possible to achieve stable growth within Nordic lending. NIB will continue to direct its Nordic lending operations toward SMEs, particularly by intensifying its cooperation with other financial institutions and by emphasizing projects concerning environmental improvement and projects in the Nordic countries' neighboring areas.

NIB's international lending to projects of mutual interest for the Nordic countries and the borrower countries will for the most part continue to have governments or government-guaranteed counterparties as borrowers, but financing infrastructure projects in the private sector will become increasingly important. The Baltic countries' and Poland's expected EU membership will help create demand for NIB's financing services, particularly in the infrastructure and environment sectors.

One of the most important ques-

tions for NIB's future activities is NIB's relationship with the neighboring countries to the East, not the least the Baltic countries and Poland. The Baltic and Barents regions were earmarked as priority areas for the Bank's operations in the Bank's strategy paper that was adopted in 1998.

The Baltic region has a large growth potential. NIB's operations in this region are directed toward supporting positive growth in accordance with its owners' priorities. Now that the Baltic Investment Programme has ended, it is time to consider the Bank's future lending operations in the Baltic countries.

The goal of the Bank's financial management, which will be further developed during the year 2001, is to increase the yield on the Bank's equity capital within the framework of NIB's financial risk limits. In 2000 the Bank decided to establish risk guidelines for refinancing and reinvestment risks. The Bank has increased its ability to achieve attractive financing through a financing strategy flexible enough to take advantage of favorable opportunities as they arise. In the year 2001, the Bank's liquidity will be managed actively. This will be done in part by establishing a limited program for external management of liquid assets, which will aim at increasing the return on NIB's liquid assets.

NIB's new lending within the Nordic countries in 2001 is expected to grow compared with the level in 2000, while new lending outside the Nordic countries is expected to be at the same level as in 2000. These plans accord with the guidelines laid down which emphasize a moderate, goal-oriented growth in the Bank's total assets over the medium term. NIB will focus its lending operations on projects, which promote the owners' priorities within and outside the Nordic countries in accordance with its mission and strategy. NIB expects its net interest income and profit to be in line with the results for the year 2000.

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 a view to achieving a reasonable return on the Bank's equity capital and a satisfactory dividend to the shareholders. The proposal will facilitate a continuing build-up of the Bank's equity and keep its financial solidity at a comfortable 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 130,462,619.68 be allocated as follows:

- That EUR 61,462,619.68 be transferred to the Statutory Reserve. Subsequent to such transfer, the Reserve will amount to EUR 530,610,552.23 or 13.3% of the Bank's authorized capital of EUR 4,000,000,000.00.
- That EUR 11,000,000.00 be transferred to the Credit Risk Reserve as a part of equity capital.
- That EUR 17,000,000.00 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 capital subsequent to allocations as stated above will be composed as follows (in EUR):

– Paid-in capital	394,260,110.00
– Statutory Reserve	530,610,552.23
– Credit Risk Reserve	276,000,000.00
– Loan Loss Reserve (PIL)	84,000,000.00
– HIPC-initiative Reserve	2,000,000.00
– Appropriation to dividend payment	39,000,000.00

Total equity as of December 31, 2000 1,325,870,662.23

The provisions as set forth above are reflected in the accounts. The Profit and Loss Account, the Balance Sheet, the Statement of Cash Flows and the Notes to the Financial Statements are to be found on pages 40-59.

Helsinki, March 1, 2001



Bo Göran Eriksson



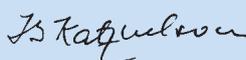
Bo Marking



Arild Sundberg



Lars Tybjerg



Ib Katznelson



Thorsteinn Ólafsson



Eli Telhaug



Sven-Olof Johansson



Guðmundur Magnússon



Seppo Suokko



Jón Sigurðsson

— PROFIT AND LOSS ACCOUNT JANUARY 1 – DECEMBER 31 —

	<i>Note</i>	<i>2000</i> <i>1,000 EUR</i>	<i>1999</i> <i>1,000 EUR</i>
Interest income	(1)	797,640	583,601
Interest expense	(1)	-641,372	-443,561
Net interest income		156,268	140,040
Amortization of issuing charges		-13,639	-11,949
Fee and commission income	(2)	3,901	5,424
Fee and commission expense		-917	-1,408
Net profit on financial operations	(3)	6,539	-7,100
Foreign exchange profit/loss	(4)	-51	27
Operating income		152,101	125,034
 EXPENSES			
General administrative expenses	(5)	16,232	14,266
Depreciation		3,748	2,781
Provision for possible losses on loans	(6),(8)	1,659	1,590
Total expenses		21,638	18,637
 PROFIT FOR THE YEAR		 130,463	 106,397

ALLOCATION OF THE YEAR'S PROFIT

Appropriation to credit risk reserve	11,000	30,000
Appropriation to loan loss reserve (PIL)	17,000	21,000
Appropriation to HIPC-initiative	2,000	-
Appropriation to dividend payment	39,000	35,000
Appropriation to statutory reserve	61,463	20,397

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

BALANCE SHEET AT DECEMBER 31

	Note	2000 1,000 EUR	1999 1,000 EUR
ASSETS			
Cash and balances with banks		6,166	3,695
Placements and debt securities	(7)		
Placements with credit institutions		2,491,382	2,576,617
Debt securities		1,423,869	1,163,753
Loans outstanding	(8)	9,287,661	8,854,230
Intangible assets			
Issuing charges		50,123	56,567
Tangible assets	(9)	40,593	44,154
Other assets	(10)	73,164	69,724
Exchange rate adjustment of currency contracts	(11)	-	47,523
Accrued interest and fees receivable		526,701	521,058
		13,899,659	13,337,321
LIABILITIES AND EQUITY			
Liabilities			
Amounts owed to credit institutions	(12)	228,011	228,306
Debts evidenced by certificates	(13)		
Debt securities in issue		11,067,240	11,014,953
Other debt		308,642	321,230
Other liabilities	(14)	93,258	80,442
Exchange rate adjustment of currency contracts	(11)	390,704	-
Accrued interest and fees payable		485,934	471,982
Total liabilities		12,573,789	12,116,913
Equity			
Authorized and subscribed capital	(15)	4,000,000	
of which callable capital		-3,605,740	
Paid-in capital		394,260	384,260
Statutory reserve	(16)	530,611	469,148
Credit risk reserve	(17)	276,000	265,000
Loan loss reserve (PIL)	(17)	84,000	67,000
HIPC-initiative reserve		2,000	-
Appropriation to dividend payment		39,000	35,000
Total equity	(18)	1,325,871	1,220,408
		13,899,659	13,337,321
Guarantee commitments	(8)	33,472	31,082
Off-balance sheet commitments	(19)		

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

STATEMENT OF CASH FLOWS JANUARY 1 – DECEMBER 31

	<i>Note</i>	<i>2000</i> <i>1,000 EUR</i>	<i>1999</i> <i>1,000 EUR</i>
CASH FLOWS FROM OPERATING ACTIVITIES	(20)	152,791	121,793
 CASH FLOWS FROM INVESTING ACTIVITIES			
Lending			
Disbursement of loans		-1,100,837	-1,322,040
Repayments		922,756	767,611
Exchange rate adjustments		-257,010	-733,011
Placements and debt securities			
Purchase of long-term debt securities		-446,709	-659,496
Sales of long-term debt securities		522,395	585,653
Other placements		-85,551	10,945
Exchange rate adjustments etc.		5,524	-16,484
Other items			
Increase in other assets		-3,440	-15,027
Increase in tangible assets		-186	-2,081
Investing activities, total		-443,058	-1,383,930
 CASH FLOWS FROM FINANCING ACTIVITIES			
Debts evidenced by certificates			
Issues of new debt		1,865,327	2,478,159
Redemptions		-1,748,370	-1,266,900
Exchange rate adjustments		-77,258	1,171,957
Issuing charges		-7,195	-22,911
Other items			
Placements from credit institutions		-30,609	-5,491
Exchange rate adjustment of currency contracts		438,228	-191,555
Changes in other liabilities		7,005	3,079
Paid-in capital		10,000	10,000
Dividend paid		-35,000	-35,000
Financing activities, total		422,127	2,141,337
 CHANGE IN CASH AND CASH EQUIVALENTS	 (20)	 131,860	 879,200

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

NOTES TO THE FINANCIAL STATEMENTS

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 December 4, 1975, was signed on October 23, 1998 and entered into force on July 18, 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 make loans and issue guarantees on sound banking terms and in accordance with socio-economic considerations for the implementation of investment projects of interest to the Nordic countries and other countries which receive such 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 are drawn up in accordance with the principles of the International Accounting Standards (IAS), as issued by the International Accounting Standards Committee (IASC).

The Bank is making preparations for implementation of the IAS 39 standard in its financial statements for fiscal year 2001.

EURO

In January 2001, Greece became the twelfth member country in the European Monetary Union (EMU). The other member countries are Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, The Netherlands, Portugal, and Spain.

In accordance with section 9 of the Bank's Statutes, effective January 1, 1999, the Bank's accounts are kept in euro. At the same time, the currency in which the Bank denominates its capital was changed from ecu to euro.

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

EUR rate on
29/12 2000 EUR rate on
31/12 1999

DKK	Danish krone	7.4631	7.4433
FIM	Finnish markka	5.94573**	5.94573**
ISK	Icelandic krona	78.80	72.8750*
NOK	Norwegian krone	8.2335	8.0765
SEK	Swedish krona	8.8313	8.5625
ATS	Austrian shilling	13.7603**	13.7603**
AUD	Australian dollar	1.6770	1.5422
BEL	Belgian franc	40.3399**	40.3399**
CAD	Canadian dollar	1.3965	1.4608
CHF	Swiss franc	1.5232	1.6051
CZK	Czech koruna	35.047	36.103
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	0.62410	0.62170
GRD	Greek drachma	340.75**	330.30
HKD	Hong Kong dollar	7.2578	7.80926*
ITL	Italian lira	1936.27**	1936.27**
JPY	Japanese yen	106.92	102.73
LUF	Luxembourg franc	40.3399**	40.3399**
LVL	Latvian lat	0.5764	0.58850*
NLG	Dutch guilder	2.20371**	2.20371**
NZD	New Zealand dollar	2.1120	1.9357
PLN	Polish zloty	3.8498	4.1587
PTE	Portuguese escudo	200.482**	200.482**
SDR	Special drawing right	0.713946*	0.73148*
SGD	Singapore dollar	1.6126	1.6720*
SKK	Slovakian koruna	43.933	42.3692*
TWD	Taiwan dollar	30.794976*	31.4942*
USD	United States dollar	0.9305	1.0046
ZAR	South African rand	7.0392	6.1841*

* The exchange rate is calculated in such manner that the market rate for USD/relevant currency provides the EUR/relevant currency rate.

** Fixed exchange rate with regard to the euro.

FOREIGN CURRENCY TRANSLATION

All assets and liabilities denominated in currencies other than 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 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 December 31, 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.

NOTES TO THE FINANCIAL STATEMENTS

AUTHORIZED CAPITAL

The Bank's authorized capital is EUR 4,000 million. Of the EUR 1,191 million increase in the Bank's authorized capital that took 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 will be paid in by the member countries in equal annual installments over a three-year period (1999–2001). The member countries paid in two installments, for a total of EUR 20 million during 1999 and 2000. As of December 31, 2000 the paid-in portion of the Bank's authorized capital amounts to EUR 394 million (EUR 384 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 to 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 authorized capital stock, or EUR 400 million (EUR 400 million). Thereafter, the Bank's Board of Directors can 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 program initiated by the World Bank and the International Monetary Fund, the Debt Initiative for Heavily Indebted Poor Countries (HIPC). NIB's participation in the program concerns only one borrower country. NIB made its first loan loss provision in respect of the HIPC in its fiscal 2000 accounts.

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 credit losses on loans and provisions for possible losses on loans.

Ordinary Lending

Ordinary lending includes Investment Loans within and outside

the Nordic countries as well as Regional Loans in the Nordic countries, and includes guarantees made by the Bank. The Bank's ordinary lending ceiling amounts to 2.5 times its authorized capital, or a total of EUR 10,000 million (EUR 10,000 million).

The Project Investment Loan Facility (PIL Loans)

Project Investment Loans are made to creditworthy developing countries as well as to countries in Central and Eastern Europe to finance projects of mutual interest.

As from January 1, 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 (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 loans ceased on December 31, 1999.

Environmental Investment Loans (MIL Loans)

The Bank is authorized to grant special Environmental Investment Loans (MIL), up to a total amount of EUR 100 million, for environmental projects in the neighboring 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 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. 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 on all the borrower's loans as income on the Profit and Loss Account. All accrued, but unpaid, interest in respect of the borrower in question that had been recorded as income is then deducted from the 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 so doing, 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. Ten percent of accrued, but unpaid, interest representing the Bank's own risk 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 reserves which appear as separate items under "Equity" on the Balance Sheet, and which are funded by means of appropriations from the accounting period in question and earlier periods' profits, are meant to cover exceptional, and as yet unidentified, credit losses. Such reserves constitute a part of the Bank's general reserves.

DEBT SECURITIES

The Bank's holdings of debt securities are divided into an investment portfolio and a trading portfolio. The portfolios are primarily financed with the Bank's equity capital, and the investments are made with a view to locking in a stable long-term yield. The trading portfolio also includes a small portion of investments, which are financed with borrowings.

The difference between historical cost and face value of the securities is amortized linearly and recorded as interest over the remaining maturity of the paper. The book value consists of historical cost and the value of the amount remaining to be linearly amortized.

The investment portfolio is recorded at book value, while the securities in the trading portfolio are marked to market. 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.

INTANGIBLE ASSETS

Issuing charges incurred in respect of the Bank's long-term borrowings are capitalized in the Balance Sheet. Issuing charges are written off in the Profit and Loss Account over the period of the borrowings as amortized issuing costs. Annually recurrent costs, which arise as a result of the Bank's borrowing and lending transactions, are recorded directly in the Profit and Loss Account as fee and commission expense.

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 historic cost, and is not depreciated.

The Bank's office building in Helsinki is recorded at historic cost minus annual linear depreciations taken over a 40-year peri-

od. The Bank's other buildings are recorded at historical cost minus 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 recorded at historic cost.

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

INTEREST

Interest income and interest expense accrued up to the date of the Balance Sheet are recorded 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 recorded 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 recorded as interest and amortized linearly over the lifetime of the transaction. Income and costs on forward and swap contracts are amortized linearly over the transaction's lifetime and recorded as interest.

Net interest income includes penalty and late payment interest income, as well as certain amortized income and costs in connection with the restructuring of financial transactions (see Notes 1, 10, and 14).

FEE AND COMMISSION EXPENSE

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

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

RESULT OF FINANCIAL TRANSACTIONS

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 under Result of Financial Transactions.

In certain cases the Bank departs from the realization concept convention in such a way that the realized result of changing certain components in the hedging portfolio is recorded in the Balance Sheet, and then transferred to the Profit and Loss Account over time. The income entries are made over the life of the original transaction. The individual deviations from the realization concept convention are described in further detail in Notes 10 and 14.

GENERAL ADMINISTRATIVE EXPENSES AND PENSION LIABILITY

The Bank's operations in Helsinki are carried out in the office premises at Fabianinkatu 34, owned by the Bank.

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 organizations.

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 scheme for government employees. In addition, effective from the beginning of 1999, the Bank has an extra pension arrangement for its permanent employees, which 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 January 1, 1998, from all taxes and tax-equivalent fees as defined in the agreement.

DERIVATIVE INSTRUMENTS

The Bank utilizes standardized exchange-traded as well as non-standardized over-the-counter derivative instruments in connection with its borrowing, lending, and placement operations. It does so primarily in order to protect itself against interest rate and foreign exchange risks. By utilizing such instruments, the Bank assumes the credit risk of counterparties to varying extents, depending on interest rate and/or foreign exchange rate developments. Structured bond issues and their related hedge transactions may take place in markets with varying degrees of liquidity. When the Bank engages in this type of transaction, it places particular importance on ascertaining that the structured borrowing transactions and their related hedge transactions are matched.

The Bank utilizes the following derivative instruments: forward contracts, swaps, options, futures and forward rate agreements.

The Bank's counterparty risk management is administered within a system, approved by the Board of Directors, of limits that takes into account the counterparties' creditworthiness.

Derivative instruments are generally valued in the same way as the item the instrument is designed to hedge. Only the net value of forward contracts and currency swap contracts is recorded on the Balance Sheet under the item "Exchange rate adjustment of currency contracts". Income and expense in connection with forward and swap contracts are amortized and recorded as interest up to the date of maturity.

Option premiums paid are amortized over the lifetime of the option contract, while option premiums received are recorded as income when the option is exercised or expires. Option premiums recorded in the Profit and Loss Account are included in the item "Net profit on financial operations". Futures, forward rate agreement transactions, and repos are also included in that item.

CATEGORIES OF RISK

Exchange rate risk: In accordance with section 7e) of the Bank's Statutes, the Bank shall protect itself against exchange rate risk to the extent practicable. As of December 31, 2000, the Bank does not have any exposure to exchange rate risk in its Balance Sheet that could affect its future balance sheet and profits to anything more than a purely marginal extent. However, the Bank's future interest margin income has a USD component that is not insignificant. Therefore, depending on the development in the exchange rate between the US dollar and the euro, the Bank's future income in terms of the euro could be subject to fluctuations.

Interest rate risk: Variations in interest rate levels have only a marginal effect on the Bank's current net interest income from its lending portfolio and its net liquidity, because the agreements that regulate both interest income and interest expenditure are continuously matched.

Most of the Bank's long-term placements that are financed with the Bank's equity capital have fixed interest rates. At year-end, their average modified duration was 3.2 years (3.1). As the long-term placements mature and are reinvested, their yield could be affected by variations in the level of interest rates.

Credit risk: Note 8 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 7 and 19.

ASSESSMENT OF FINANCIAL INSTRUMENTS

Financial instruments are accounted for in the Balance Sheet and Profit and Loss Account in accordance with the principles and at the values that have been described above. In the Notes to the Financial Statements, the Bank provides the market value and the lower-of-cost-or-market value for its debt securities portfolio. The Bank also provides its assessment of its risk in respect of swap counterparties that may fail to pay amounts owed under swap contracts in the future. The Bank utilizes an active risk hedging policy in its operational activities.

The Bank believes that providing the fair value of each type of financial instrument on the date of the Balance Sheet does not constitute significant additional information regarding the Bank's profits and balance sheet. For the same reason, there is no significant additional information to be gained from separate disclosure of financial assets recorded at a value higher than fair value, nor liabilities recorded at a value lower than fair value.

Notes to the Financial Statements

(1) INTEREST INCOME AND INTEREST EXPENSE

Interest income and interest expense consist of the following items (amounts in EUR 1,000):

<i>Interest income</i>	<i>2000</i>	<i>1999</i>
Interest income on placements with credit institutions	168,923	98,396
Interest income on debt securities	77,999	60,943
Interest income on loans outstanding	550,619	424,192
Other interest income	99	70
Total, interest income	797,640	583,601
<i>Interest expense</i>	<i>2000</i>	<i>1999</i>
Interest expense on amounts owed to credit institutions	10,976	11,244
Interest expense on debts evidenced by certificates	727,499	610,844
Interest on swap contracts and other interest expenses, net	-97,103	-178,527
Total, interest expense	641,372	443,561

(2) FEE AND COMMISSION INCOME

Income from fees and commissions is composed of the following items (amounts in EUR 1,000):

	<i>2000</i>	<i>1999</i>
Commitment fees	1,555	1,245
Loan disbursement fees	1,741	2,650
Guarantee commissions	256	240
Premiums on prepayments of loans	349	1,240
Commissions on lending of securities	-	38
Other	-	10
Total, fee and commission income	3,901	5,424

(3) NET PROFIT ON FINANCIAL OPERATIONS

The profit/loss from financial operations is broken down as follows (amounts in EUR 1,000):

	<i>2000</i>	<i>1999</i>
Debt securities in trading portfolio	3,759	-7,502
Debt securities in investment portfolio	-	269
Other financial instruments (9)	2,780	133
Total, net profit on financial operations	6,539	-7,100

(4) FOREIGN EXCHANGE PROFIT/LOSS

According to section 7e) of the Bank's Statutes, the Bank shall, to the extent practically possible, 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 December 31, 2000, 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

Coverage of costs for services to the Nordic Development Fund (NDF), Nordic Environment Finance Corporation (NEFCO), and the Baltic Investment Programme (BIP) amounts to a value of EUR 0.8 million (0.8).

<i>General administrative expenses, in EUR 1,000:</i>	<i>2000</i>	<i>1999</i>
Salaries and other personnel costs	11,350	10,646
Pension premiums in accordance with the Finnish state pension system	2,407	2,092
Other pension premiums	569	685
Offices premises costs	653	746
Other general administrative expenses	5,627	5,226
Cost coverage, rental income and reimbursement of value added tax	-1,422	-2,497
Total	19,183	16,898
Host-country reimbursement according to agreement with the Finnish state	-2,951	-2,632
Net	16,232	14,266
Average number of employees	128.7	128.3

(6) PROVISION FOR POSSIBLE LOSSES ON LOANS AND LOSSES ON LOANS

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

	<i>2000</i>	<i>1999</i>
Increase in provisions	3,082	1,750
Reversals of previous provisions	-1,423	-160
Total, provisions for possible losses on loans	1,659	1,590

See also Note 8.

(7) PLACEMENTS AND DEBT SECURITIES

The Bank had the following placements and debt securities as of the date of the Balance Sheet (amounts in millions of EUR):

	<i>2000</i>	<i>1999</i>
Placements with credit institutions	2,491	2,577
Debt securities	1,424	1,164
Total, placements and debt securities	3,915	3,740

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

<i>Period</i>	<i>2000</i>	<i>1999</i>
Up to 3 months	2,330	2,103
3-6 months	394	576
6-12 months	156	226
1-5 years	640	561
More than 5 years	395	275
Total, placements and debt securities	3,915	3,740

All placements with credit institutions are at fixed interest rates. Of total debt securities, EUR 757 million (425) are at floating interest rates, while EUR 667 million (738) are at fixed interest rates. The debt securities were issued by the following counterparties (amounts in millions of EUR):

	<i>2000</i>	<i>1999</i>
Governments	501	502
Public institutions	46	87
Other	877	575
Total, debt securities	1,424	1,164

As of the Balance Sheet date, the Bank's debt securities had the following distribution with respect to type of portfolio (amounts in millions of EUR):

	<i>Book value</i>		<i>Market value</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
Trading portfolio	384	313	384	313
Investment portfolio	1,040	850	1,070	885
Total, debt securities	1,424	1,164	1,454	1,198

If each item in the two portfolios were valued at the lower-of-cost-or-market value, the total value of the two portfolios would amount to EUR 1,421 million (1,162) as of December 31, 2000.

(8) LOANS AND GUARANTEES OUTSTANDING

Specification of loans outstanding and guarantees issued

Loans outstanding are recorded on a net basis after deduction for losses on loans and provisions for possible losses on loans.

The Balance Sheet value for loans outstanding, divided into the four loan categories and by region, amounts to the following (in millions of EUR):

<i>Distribution of loans outstanding</i>	<i>2000</i>	<i>1999</i>
Ordinary loans		
Investment loans in the Nordic countries	7,229	7,023
Regional loans in the Nordic countries	128	118
Investment loans outside the Nordic countries	4	4
Total, ordinary lending	7,360	7,145
<i>Project Investment Loans</i>		
Africa	123	116
Asia	939	889
The Baltic Countries	59	43
Central and Eastern Europe	341	280
Latin America	262	174
Middle East	161	173
Total, Project Investment Loans	1,885	1,674
Baltic Investment Loans	28	23
Environmental Investment Loans	15	13
Total, loans outstanding	9,288	8,854

In addition, as of December 31, 2000, the Bank had issued a total of EUR 33.5 million (31.1) in guarantees.

Provisions for possible losses on loans

A total of EUR 7.9 million (6.0) has been deducted from the Bank's loans outstanding for provisions in respect of possible losses on loans. EUR 1.3 million (2.5) is for Project Investment Loans. The following changes were recorded in the Balance Sheet in respect of provisions for possible loan losses (amounts in millions of EUR):

	<i>2000</i>	<i>1999</i>
Provisions on January 1	6.0	4.2
Provisions made during the year for possible loan losses	3.1	1.8
Reversals of previous provisions for possible loan losses	-1.4	-0.2
Exchange rate adjustments	0.2	0.2
Provisions on December 31	7.9	6.0

See also Note 6.

NOTES TO THE FINANCIAL STATEMENTS

The EUR 7.9 million (6.0) amount in provisions for possible losses on loans is distributed as follows (amounts in millions of EUR):

<i>Distribution by lending facility:</i>	2000	1999
Ordinary loans in the Nordic countries	6.6	3.5
Project Investment Loans		
In Africa	-	1.2
In Central and Eastern Europe	1.3	1.3
Total, provisions	7.9	6.0

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 have security which is sufficient, on the basis of data available for making such judgments as of the date of the Balance Sheet.

As of Dec 31, 2000, the Bank had loans outstanding in non-accrual status in the amount of EUR 4.2 million (3.8) within Ordinary Lending in the Nordic countries.

Loans agreed but not yet disbursed

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

	2000	1999
Loans agreed but not yet disbursed		
Ordinary loans	307	552
Project Investment Loans	684	671
Baltic Investment Loans	5	20
Environmental Investment Loans	46	56
Total, loans agreed but not yet disbursed	1,041	1,299

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

Maturity profile of lending

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

<i>Period</i>	<i>Ordinary loans</i>		<i>PIL loans</i>		<i>Total*</i>	
	2000	1999	2000	1999	2000	1999
Up to 3 months	184	225	41	36	226	262
3-6 months	254	140	49	36	305	178
6-12 months	264	291	84	64	350	359
1-2 years	1,244	684	177	158	1,427	849
2-3 years	1,009	1,158	186	154	1,198	1,316
3-4 years	812	1,001	193	149	1,009	1,153
4-5 years	521	835	181	151	707	989
5-10 years	2,609	2,401	699	632	3,323	3,045
10-15 years	427	367	248	266	679	633
15-20 years	36	41	26	27	63	68
20-25 years	-	2	-	-	-	2
Total, loans outstanding	7,360	7,145	1,885	1,674	9,288	8,854

*) The total amount also includes EUR 28 million (23) in Baltic Investment Loans and EUR 15 million (13) in Environmental Investment Loans.

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

<i>Period</i>	<i>Ordinary loans</i>		<i>PIL loans</i>		<i>Total*</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
Up to 3 months	360	271	41	65	402	337
3-6 months	496	204	75	41	574	247
6-12 months	490	586	120	173	612	761
1-2 years	1,606	1,242	237	194	1,849	1,445
2-3 years	926	1,420	384	192	1,314	1,616
3-4 years	801	758	275	299	1,080	1,059
4-5 years	476	761	168	216	650	979
5-10 years	2,035	1,833	562	483	2,614	2,328
10-15 years	170	70	19	11	189	81
15-20 years	-	-	3	-	3	-
Total, loans outstanding	7,360	7,145	1,885	1,674	9,288	8,854

*) The total amount also includes EUR 28 million (23) in Baltic Investment Loans and EUR 15 million (13) in Environmental Investment Loans.

Loans outstanding at floating interest rates amount to EUR 7,505 million (6,931), while those at fixed interest rates amount to EUR 1,783 million (1,923).

Currency distribution of loans outstanding

The currency distribution of loans outstanding as of December 31 was as follows (amounts in millions of EUR):

<i>Currency</i>	<i>Ordinary loans</i>		<i>PIL loans</i>		<i>Total*</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
DKK	526	549	6	7	532	556
FIM	659	803	9	10	668	813
ISK	19	35	-	-	19	35
NOK	297	305	-	-	297	305
SEK	1,553	1,721	-	-	1,553	1,721
CHF	67	68	18	20	85	88
DEM	205	246	20	55	229	306
EEK	3	3	-	-	3	3
EUR	1,387	812	118	45	1,531	876
FRF	75	75	-	11	75	86
GBP	29	25	-	-	29	25
ITL	41	41	-	-	41	41
JPY	29	38	14	15	43	52
NLG	39	40	-	-	39	40
USD	2,431	2,384	1,700	1,512	4,144	3,907
Total, loans outstanding	7,360	7,145	1,885	1,674	9,288	8,854

*) The total amount also includes EUR 28 million (23) in Baltic Investment Loans and EUR 15 million (13) in Environmental Investment Loans.

NOTES TO THE FINANCIAL STATEMENTS

Distribution of loans outstanding and guarantees issued by various types of security

The following table shows the amount of loans outstanding, including guarantee undertakings, distributed by type of security (amounts in millions of EUR):

<i>As of December 31, 2000:</i>	<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	0
Total, loans outstanding (including guarantees)	9,321	100

<i>As of December 31, 1999:</i>	<i>Amount</i>	<i>Share in %</i>
Loans to or guaranteed by governments		
Loans to or guaranteed by member countries	1,857	21
Loans to or guaranteed by other countries	135	2
Loans to or guaranteed by local authorities in member countries	467	5
Loans to or guaranteed by companies owned 50% or more by member countries or local authorities in member countries	915	10
Loans to or guaranteed by banks	296	3
Other loans		
Backed by a lien or other security in property	567	
With a negative pledge clause and other covenants	3,284	
With a guarantee from the parent company and other guarantees	1,365	59
Total, loans outstanding (including guarantees)	8,885	100

MEMBER COUNTRIES' GUARANTEES FOR LOANS OUTSTANDING

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

The Bank can make loans and 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.

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, which the Bank granted 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 loans ended on December 31, 1999.

As of Dec. 31, 2000, 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 loan 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 Dec. 31, 2000, 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

(9) TANGIBLE ASSETS

In 1995, the Bank subscribed to EUR 15 million in share capital of the European Investment Fund (EIF), which has its headquarters in Luxembourg. In year 2000, the Bank sold 10 of its 15 shares in the EIF. The Bank's profit from this sale is recorded in the accounts among Net profit on financial operations. Following this sale, the Bank's subscribed share capital in the EIF is equal to 0.25% (0.75%) of the Fund's total share capital. The Bank has paid in EUR 1.0 million (3.0), or 20% of the currently subscribed share capital.

As of December 31, 2000, the historical cost for the buildings and lots was recorded in the Balance Sheet, net of depreciation on the building in accordance with the depreciation plan, at EUR 32.3 million (32.7).

Shares providing ownership rights in connection with employee housing accommodation and other shares and holdings have a balance sheet value of EUR 1.2 million (1.6).

The value of computer programs, inventory and other movable assets is recorded at EUR 6.0 million (6.9). The Bank has written down its investments in its new computer system by EUR 1.0 million. The write-down is recorded in the accounts under Depreciation.

(10) OTHER ASSETS

The total amount of EUR 73.2 million (69.7) is composed of the following:

EUR 6.2 million (20.4) consists of capitalized swap expenditures that are amortized as a cost over the lifetime of the relevant swap contract. These and the capitalized issuing charges have corresponding items in "Other liabilities" (Note 14).

EUR 55.0 million (43.8) consists of capitalized amounts associated with interest rate swaps. The corresponding item is under borrowings.

EUR 0.5 million (1.0) consists of the following: In 1994 and in 1998, the Bank recorded on the Balance Sheet the amounts that constitute the difference between the book value and the sales price of securities, which were acquired and held in order to hedge the Bank's borrowing against interest rate risk. At the time of sale, the amounts received were disbursed for lending operations. Since the lending was made at a correspondingly higher interest rate, the above-mentioned amount recorded in the Balance Sheet is charged against interest income until the maturity date of the loans, which occurs simultaneously with the maturity of the borrowing.

EUR 11.5 million (4.6) of other assets includes, among other things, miscellaneous receivables within banking operations and staff loans.

NOTES TO THE FINANCIAL STATEMENTS

(11) EXCHANGE RATE ADJUSTMENT OF CURRENCY CONTRACTS

The amount of principal of currency swaps is valued at the euro rate on the date of the Balance Sheet and recorded net in the Balance Sheet under the item "Exchange rate adjustment of currency contracts". The amount includes long-term contracts in the amount of EUR -388.6 million (38.4) and short-term contracts in the net amount of EUR -2.1 million (9.1). See Note 19 regarding credit risk exposure under swap contracts.

(12) AMOUNTS OWED TO CREDIT INSTITUTIONS

Amounts owed to banks had the following maturity profile at year-end (amounts in millions of EUR):

<i>Period</i>	2000	1999
Up to 3 months	151	170
3-6 months	62	42
6-12 months	15	16
Total, amounts owed to credit institutions	228	228

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

(13) DEBTS EVIDENCED BY CERTIFICATES AND ASSOCIATED CURRENCY SWAPS

At year-end, the Bank's borrowings evidenced by certificates are distributed among the following currencies shown in the table below. The table also describes the distribution of borrowings by currency on an after-swap basis (amounts in millions of EUR):

<i>Currency</i>	<i>Borrowing</i>		<i>Currency swap contracts Payable/receivable</i>		<i>Net currency</i>	
	2000	1999	2000	1999	2000	1999
DKK	550	603	-29	-95	521	508
FIM	214	359	434	585	648	944
ISK	-	-	20	36	20	36
NOK	275	302	102	160	377	462
SEK	635	751	1,030	1,038	1,665	1,789
AUD	33	36	-33	-31	-	5
CAD	72	69	-72	-69	-	-
CHF	132	126	-66	-53	66	73
CZK	14	56	-14	-55	-	-
DEM	375	525	-203	-84	173	441
EEK	10	10	-6	-6	3	3
ESP	122	267	-120	-264	2	2
EUR	620	413	1,340	546	1,960	959
FRF	91	139	-48	-84	44	56
GBP	1,995	1,048	-2,002	-1,005	-8	43
GRD	29	30	-29	-30	-	-
HKD	1,142	1,019	-1,142	-1,020	-	-
ITL	452	463	-410	-420	42	43
JPY	2,349	2,580	-2,287	-2,333	62	248
LUF	101	201	-99	-198	2	3
LVL	17	-	-17	-	-	-
NLG	-	-	30	30	30	30
NZD	-	-	9	35	9	35
PLN	46	18	-45	-18	-	-
PTE	25	75	-25	-75	-	-
SGD	217	209	-217	-209	-	-1
SKK	34	12	-34	-12	-	-
TWD	323	314	-325	-318	-2	-4
USD	1,440	1,679	4,707	3,932	6,148	5,612
ZAR	61	33	-57	-21	4	12
Total	11,376	11,336	389	-38	11,764	11,298

See Note 19 regarding credit risk exposure under swaps.

The table set forth above includes 182 (184) borrowing transactions in the equivalent amount of EUR 7,856 million (7,267), entered into under the Bank's Euro Medium-Term Note program, 10 (10) borrowing transactions in the equivalent amount of EUR 412 million (425) under the Bank's Swedish Medium-Term Note program, and 2 (2) borrowing transactions in the equivalent amount of EUR 24 million (22) under the Bank's Medium-Term Note program in the United States. The Bank has established a USD 600 million Commercial Paper program in Europe and another USD 600 million program in the United States.

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

<i>Period</i>	<i>2000</i>	<i>1999</i>
Up to 3 months	507.7	171.4
3-6 months	290.4	150.3
6-12 months	468.5	1,136.7
1-2 years	1,389.4	1,313.1
2-3 years	1,269.2	1,357.8
3-4 years	1,594.9	1,134.2
4-5 years	675.4	1,235.7
5-10 years	3,132.2	3,362.4
10-15 years	743.8	754.4
15-25 years	1,281.6	681.0
More than 25 years	49.0	50.7
Total, debts evidenced by certificates	11,402.1	11,347.7

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 (amounts in EUR million on maturity date):

<i>Period</i>	<i>2000</i>	<i>1999</i>
Up to 3 months	626.7	238.5
3-6 months	415.1	193.0
6-12 months	640.9	1,257.4
1-2 years	1,613.6	1,487.1
2-3 years	1,352.7	1,505.5
3-4 years	1,576.2	1,143.9
4-5 years	675.4	1,206.5
5-10 years	2,971.2	3,193.6
10-15 years	640.7	608.5
15-25 years	840.6	463.0
More than 25 years	49.0	50.7
Total, debts evidenced by certificates	11,402.1	11,347.7

Of debt securities in issue, EUR 2,293 million (2,180) are at floating interest rates, while EUR 8,774 million (8,835) are at fixed interest rates. Other borrowing transactions, at fixed interest rates, amounted to EUR 309 million (321).

As of December 31, the Bank had entered into agreements for future borrowings of EUR 81.3 million (0), in the form of 3 (0) borrowing transactions having an average maturity of 22.9 years (0). The currency denominations of these agreements were JPY and GBP.

NOTES TO THE FINANCIAL STATEMENTS

(14) OTHER LIABILITIES

A total of EUR 93.3 million (80.4) are posted as "Other liabilities", consisting of the following:

Prior to the changeover of the Bank's capital and accounting currency to ecu, several swap contracts entered into in respect of placement of the Bank's then SDR-denominated equity were terminated in 1992 and in the beginning of 1993. The profit made in this connection is recorded as income and distributed over the original lifetime of each terminated swap agreement. As of December 31, 2000, there were EUR 0.3 million (1.4) in profits not yet recorded as income. The amortized amount of such deferred profit is included in "Net interest income" in the amount of EUR 1.1 million (1.2).

With an eye to the advent of the EMU on January 1, 1999, the Bank made an exception to the realization concept in connection with changes in the placements of its equity from placements denominated in the ecu's component currencies to placements denominated in ecu. The ECU 4.7 million and ECU 5.3 million in discounted interest income that stemmed from this change in placements in 1996 and 1995, respectively, was capitalized in the Bank's Balance Sheet. This income will be amortized over the period until the original transactions fall due, between 1999 and 2002. This distribution over time has resulted in EUR 0.7 million (1.3) being recorded in the Profit and Loss Account under "Net interest income", with the remaining capitalized interest income recorded on the Balance Sheet at EUR 0.5 million (1.2). The transactions in 1996 were the last changes the Bank made in connection with changes in the placement of its equity from placements denominated in the ecu's component currencies to placements denominated in ecu.

In the 1995 Balance Sheet, the Bank recorded ECU 3.0 million as compensation in respect of the refinancing of four lending transactions. This compensation is amortized as income up to the year 2003. During 2000, EUR 0.4 million (0.4) was recorded in the Profit and Loss Account under "Net interest income", following which EUR 0.9 million (1.2) in capitalized interest income remains recorded in the Balance Sheet.

In 1998, the Bank canceled two interest rate swap contracts, which constituted an interest rate hedge between the interest paid on Bank's borrowing and the rates at which borrowed funds were placed. The cancellation enabled the Bank to refinance some lending operations with a lesser degree of counterparty risk. The contract cancellations entailed the receipt of income, which was recorded in the Balance Sheet. Amortization of this income covers the interest rate difference between the borrowing and lending operations in question, through the maturity dates of those operations. As of December 31, the income recorded in the Balance Sheet, which was derived from the swap contract cancellations, amounted to EUR 1.6 million (2.3).

Recorded under "Other liabilities" is income from swaps in the amount of EUR 79.9 million (69.6), which is amortized and recorded as income over the remaining lifetime of the relevant swap agreements. Corresponding items are included in "Other assets" (Note 10) and capitalized "Issuing charges" on the Balance Sheet.

The remainder is other deferred income and appropriations.

(15) AUTHORIZED CAPITAL; PAID-IN CAPITAL

The member countries have subscribed to the following amounts of the Bank's authorized capital (amounts in millions of EUR):

<i>Member country</i>	<i>2000</i>	<i>Share, in %</i>	<i>1999</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 authorized capital amounted to EUR 394.3 million (384.3). As part of the Bank's capital increase in 1999, its member countries paid in EUR 10.0 million in 2000. The member countries' portions of paid-in capital are as follows (amounts in EUR million):

<i>Member country</i>	<i>2000</i>	<i>Share, in %</i>	<i>1999</i>	<i>Share, in %</i>
Denmark	85.9	21.8	82.6	21.5
Finland	72.9	18.5	71.4	18.6
Iceland	3.8	1.0	3.7	1.0
Norway	74.2	18.8	71.2	18.5
Sweden	157.5	39.9	155.4	40.4
Total	394.3	100.0	384.3	100.0

The member countries are going to pay in an additional EUR 10.0 million during 2001. Following that, payment of the remainder of the Bank's authorized 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 authorized capital, or EUR 400.0 million (400.0).

At year-end 1999, the Statutory Reserve amounted to EUR 469.1 million. The Board of Directors is proposing that EUR 61.5 million of the profit from fiscal year 2000 be allocated to the Statutory Reserve. In the event the Nordic Council of Ministers decides in favor of the proposal, the Statutory Reserve will amount to EUR 530.6 million after the allocation, or 13.3% (11.7%) of the Bank's authorized capital.

(17) CREDIT RISK RESERVES

General operations

The Bank has a credit risk reserve for non-identified risks that constitutes part of its general reserves. At the end of 1999, the Credit Risk Reserve amounted to EUR 265.0 million.

The Board of Directors is proposing to allocate EUR 11.0 million to the Credit Risk Reserve. This reserve will subsequently amount to EUR 276.0 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 reserve amounted to EUR 67.0 million in 1999.

EUR 17.0 million was allocated from fiscal 2000'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 84.0 million.

(18) CHANGES IN THE COMPOSITION OF EQUITY CAPITAL

(Amounts in EUR million)

	<i>1999</i>	<i>Change</i>	<i>2000</i>
Paid-in Capital	384.3	10.0	394.3
Statutory Reserve	469.1	61.5	530.6
Credit Risk Reserve	265.0	11.0	276.0
Loan Loss Reserve (PIL)	67.0	17.0	84.0
HIPC-initiative Reserve	-	2.0	2.0
Appropriation to dividend payment 1999	35.0	-35.0	-
Appropriation to dividend payment 2000	-	39.0	39.0
Total	1,220.4	105.5	1,325.9

NOTES TO THE FINANCIAL STATEMENTS

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

As of December 31, the Bank had the following commitments off the Balance Sheet (amounts in millions of EUR):

	2000	1999
Guarantees issued (Note 8)	33	31
Loans agreed but not disbursed (Note 8)	1,041	1,299
Borrowing commitments	84	-
Forward contracts, net	2	9
Principal owed to the Bank under swaps (nominal amount)	14,588	14,599
Principal owing by the Bank under swaps (nominal amount)	-14,976	-14,561
Forward rate agreements (FRAs) sold (nominal amount)	-	100
Futures sold (nominal amount)	-	10
Shares in EIF subscribed to, unpaid portion	4	12
Ordinary security provided for:		
- Transactions in futures	1	1

The Bank has entered into a number of options in connection with structured borrowing and swap transactions which completely match each other. The Bank has also issued an immaterial indemnity guarantee.

The following table sets forth the nominal amounts of principal in respect of outstanding swap contracts at the year-end exchange rates (amounts in millions of EUR):

	2000	1999
Principal owed to the Bank under currency swaps	9,017	8,351
Principal owing by the Bank under currency swaps	-9,405	-8,313
Currency swaps, net	-389	38
Interest rate swaps, nominal amount	+/-5,513	+/-6,201
Forward interest rate swaps, nominal amount	+/-58	+/-47
Total, nominal principal amount owed to the Bank under swap agreements	14,588	14,599
Total, nominal principal amount owing by the Bank under swap agreements	-14,976	-14,561

The swap amounts set forth above only indicate the nominal scope of the swap transactions. The Bank's total credit risk exposure due to any payments that may not be made in the future, owed to the Bank by swap counterparties, is calculated as of December 31, 2000 at a total amount of EUR 784 million (922). This amount corresponds to the total estimated cost of entering into new swaps to replace any swaps under which the Bank might suffer a loss in the event swap counterparties should fail to make the relevant payments. These costs are calculated in accordance with prevailing market quotations.

<i>Nominal amount*</i>) owed to the Bank under:	<i>Floating interest</i>		<i>Fixed interest</i>		<i>Total</i>	
	2000	1999	2000	1999	2000	1999
Currency swaps	2,666	2,277	6,351	6,074	9,017	8,351
Interest rate swaps	1,761	2,009	3,752	4,192	5,513	6,201
Total	4,427	4,286	10,103	10,266	14,530	14,552
<i>Nominal amount*</i>) owing by the Bank under:						
Currency swaps	9,136	7,906	269	407	9,405	8,313
Interest rate swaps	4,110	4,683	1,403	1,518	5,513	6,201
Total	13,246	12,589	1,672	1,925	14,918	14,514

*) Amounts excluding of forward swap contracts

(20) STATEMENT OF CASH FLOWS

Specification of cash flows from operating activities (amounts in EUR 1,000):

	<i>2000</i>	<i>1999</i>
Profit for the year	130,463	106,397
Amortization of issuing charges	13,639	11,949
Market value adjustment, trading portfolio	-5,026	2,918
Depreciation	3,748	2,718
Change in accrued interest and fees (assets)	-5,643	-59,429
Change in accrued interest and fees (liabilities)	13,951	55,587
Provision for possible losses on loans	1,659	1,590
Cash flow from operating activities	152,791	121,793

Specification of the change in cash and cash equivalents on Dec. 31
(amounts in EUR 1,000):

	<i>2000</i>	<i>1999</i>
Cash and balances with banks	6,166	3,695
Placements with credit institutions at less than 6 months	2,374,213	2,540,282
Debt securities at less than 6 months	756,744	425,161
Liquid assets	3,137,123	2,969,138
Amounts owed to credit institutions at 6 months or less	-224,122	-187,996
Cash and cash equivalents (net)	2,913,001	2,781,141
Change in net cash and cash equivalents	131,860	879,200

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 ended December 31, 2000. The Board of Directors and the President are responsible for the financial statements 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 stan-

dards 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 made by the management of the Bank, 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 In-

vestment Bank as at December 31, 2000 and of the results of its operations and its cash flows in 2000 in accordance with International Accounting Standards as issued by the International Accounting Standards Committee. It is also our opinion that the administration of the Board of Directors and the President complied with the Statutes of the Bank.

Helsinki, March 2, 2001

Kristian Hallbäck

Authorized Public Accountant

Ernst & Young, Helsinki

Torbjörn Hanson

Authorized 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 2000, 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 March 2, 2001. 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 March 2, 2001 by the authorized 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 December 31, 2000 and of its results and financing in 2000. The Profit and Loss Account

shows a profit of EUR 130,462,619.68 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, March 2, 2001

Peer Kaalund

Bill Fransson

Reynoldh Furustrand

Ingvar Garðarsson

Svend Erik Hovmand

Svein Ludvigsen

Markku Markkula

Lauri Metsämäki

Bjarne Mørk-Eidem

Ísólfur Gylfi Pálmason



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 ten times a year.

DENMARK



Ib Katznelson
Deputy Secretary,
Ministry of Economic Affairs



Lars Tybjerg
Deputy Permanent Secretary,
Ministry of Economic Affairs

Alternates:

Jakob Esper Larsen
Ambassador
Hans Denkov
Assistant Director,
Danmarks Nationalbank

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
Director

Alternates:

Páll Magnússon
Political Advisor 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 Gjestebj
Executive Director,
Bank of Norway
Geir Axelsen
Assistant Director General,
Ministry of Finance

SWEDEN



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



Bo Marking
Senior Advisor,
Swedish Export
Credit Corporation

Alternates:

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

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	Svend Erik Hovmand Per Kaalund	Member of Parliament Member of Parliament (Chairman of the Control Committee 00/01)
FINLAND	Markku Markkula Lauri Metsämäki	Member of Parliament (Chairman of the Control Committee 01/02) Chairman of State Auditors
ICELAND	Ingvar Garðarsson Ísólfur Gylfi Pálmason	Authorized Public Accountant Member of Parliament
NORWAY	Svein Ludvigsen Bjarne Mørk-Eidem	Member of Parliament Auditor General
SWEDEN	Bill Fransson Reynoldh Furustrand	Managing Director Member of Parliament

AUDITORS APPOINTED BY THE CONTROL COMMITTEE

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

SECRETARY TO THE CONTROL COMMITTEE

Per-Olof Johansson	Authorized Public Accountant, Ernst & Young, Helsinki
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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. Responsibility, within the Management Committee, for the supporting departments Accounting, and Budgeting and Financial Planning. Joined NIB in 1997. Cand.oecon, University of Århus; SEP, Stanford University.



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. 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, within the Management Committee, for the Bank's resource development, i.e. the supporting departments Information Technology, Financial Administration, and Personnel and Office. Joined NIB in 1986. B.A., University of Turku.



Alternate:

Eivind Dingstad

Senior Vice President

Senior Vice President at the International Lending Department. Joined NIB in 1987. B.A. (Econ.), Oslo School of Business.

NIB's ORGANIZATION

PRESIDENT AND CEO

Jón Sigurðsson

SUPPORTING DEPARTMENTS

Accounting	Stina Kontro
Appraisal Department	Oddvar Sten Rønsen (Member of the Management Committee)
Budgeting and Financial Planning	Johan Smeds
Financial Administration	Christer Björklund
General Counsel's Office	Siv Hellén (Member of the Management Committee)
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)
	Eivind Dingstad (Alternate to the Management Committee, 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	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 Unit	Sten Holmberg

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

NORDIC LOANS 2000

LOANS AGREED AND DISBURSED AND GUARANTEES ISSUED IN 2000 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.

Sector / Customer	Project	Disbursed EUR million	% of total disbursements
MANUFACTURING INDUSTRY		327.3	39.0 %
Wood, pulp and paper		121.7	14.5 %
Metsä Tissue	Development and modernization of factories in Sweden		
Munksjö AB	Acquisition of Norwegian-owned corrugated fibreboard operation in Norway and Sweden		
Stora Enso Oyj	Modernization of pulp mill in eastern Finland		
SCA Coordination Center N.V.	Acquisition of three Danish packaging companies		
UPM-Kymmene Corporation	Acquisition of timber goods trading operation in Denmark		
Chemicals		34.7	4.1 %
Borealis A/S	Investments in ethylene production in Sweden		
Sapa AB (publ)	Investments in production facilities in Poland		
Metals		54.5	6.5 %
Heckett MultiServ Sweden AB	Company acquisitions in Sweden and Finland		
Outokumpu Oyj	Upgrading of special steelworks in Torneå, Finland		
Sapa AB (publ)	Investments in production facilities in Poland		
SSAB Swedish Steel AB	Modernization and enlargement of blast furnace in Luleå, Sweden		
Engineering		116.4	13.9 %
Componenta Corporation	Investments in component castings production in Finland and Sweden		
Danvent A/S	Company and real estate acquisitions in Denmark		
Fiskars Oyj Abp	Company acquisition in Germany and investments in Poland		
Grundfos Finance A/S	Development of energy saving pumps		
Luxo ASA	Acquisition of lighting manufacturer in Sweden and investments in Denmark		
Nolato AB (publ)	Company acquisition in the USA, modernization of production in Sweden		
Partek Oyj Abp	Acquisition of majority holding in a Swedish engineering company		
Oy Rettig Ab	Company acquisition in Sweden		
ENERGY AND MINERAL EXTRACTION		30.3	3.6 %
Espoon Sähkö Oyj	Financing of combined heat and power projects in the south of Finland		
Jämsänkosken Voima Oy	Investments in bio-fuelled power plant for papermill in Finland		
Kymin Voima Oy	Investment in bio-fuelled power station in Kuusankoski, Finland		
Iceland State Electricity (RARIK)	Investments in power distribution network in Iceland		
Municipality of Reykjavík	Investments in geothermal power station in Nesjavellir, Iceland		
TRADE AND SERVICES		177.4	21.1 %
Ikea Capital B.V.	Investments in new stores and warehouses in Scandinavia and Poland		
Jaakko Pöyry Group	Acquisition of Swedish and Norwegian consulting companies		
NCC Treasury AB	Acquisition of Norwegian asphalt business		
NOAH AS	Investments in facility for organic hazardous waste in Norway		
Municipality of Reykjanesbær	Intake conduits, pumping stations and purification facilities in Keflavik, Iceland		
Scandic Hotels AB (publ)	Hotel investments in Sweden, Norway, Denmark and Finland		
Skanska Financial Services AB (publ)	Company acquisition in Norway		
Skeljungur hf	Investments in service stations and road tankers, Iceland		
Svedala Industri AB/Svedala Treasury S.A.	Research and development of environment-friendly products and systems		
Technopolis Plc	Enlargement of technology center in Oulu, Finland		

Sector / Customer	Project	Disbursed EUR million	% of total disbursements
TRANSPORT AND COMMUNICATIONS		103.5	12.3 %
Transport		89.7	10.7 %
Norfolkline Scandinavia	Acquisition of trailer operator in Sweden		
Sandefjord Lufthavn AS	Investments in airport facilities and environmental investments		
SAS	Investments in new Boeing 737-600 aircraft		
Skeljungur hf	Investments in service stations and road tankers, Iceland		
Communications		13.8	1.6 %
Icelandic telecom Ltd.	Investments in GSM system in Iceland		
Lína.Net hf	Investments in fiber optic cable network in the Greater Reykjavík area		
BANKING AND FINANCE		173.5	20.7 %
Amagerbanken A/S	Credit line, Danish SMEs		
DiskontoBanken A/S	Credit line, SMEs in South Jutland, Denmark		
FB Bank Copenhagen	Credit line, SMEs in the Greater Copenhagen area		
Ferðamálasjóður	Credit line, projects in Icelandic tourist industry		
Lánasjóður sveitarfélaga	Credit line for onlending to local authorities in Iceland		
Landshypotek AB	Credit line, environmental investments by Swedish SMEs		
Lantbrukskredit AB (publ)	Credit line, bio-fuelled energy production, Sweden		
Middelfart Sparekasse	Credit line, SMEs in Fyn and Jutland, Denmark		
Midtbank A/S	Credit line, SMEs in Jutland, Denmark		
Nordlandsbanken ASA	Credit line, SMEs in Nordland, Norway		
Oulun Osuuspankki	Credit line, SMEs in the Oulu region, Finland		
Ringkjøping Landbobank A/S	Credit line, SMEs in the Ringkøbing area, Denmark		
The Savings Bank of Reykjavík and Environs	Credit line, SMEs in and around Reykjavík		
Sparebanken Rogaland	Credit line, SMEs in the Rogaland region, Norway		
Totalbanken A/S	Credit line, SMEs in Fyn, Denmark		
Tønder Bank A/S	Credit line, wind power production and environmental projects in South Jutland, Denmark		
Vestjysk Bank A/S	Credit line, SMEs in Jutland, Denmark		
REGIONAL LOANS		28.0	3.3 %
Byggðastofnun	Financing of the Fund's lending in Iceland		
Government of Åland	Credit line, SMEs in Åland		
TOTAL NORDIC LOANS 2000		840.1	100.0 %

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

INTERNATIONAL LOANS 2000

PROJECT INVESTMENT LOANS

**Agreed
EUR million**

Africa and the Middle East

Turkey	Republic of Turkey	Loan for financing an irrigation project in southeastern Anatolia.	17.8
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17.8

Asia

Philippines	Globe Telecom Inc.	Loan for financing supplementary investments in the mobile telephony network.	17.8
Vietnam	Republic of Vietnam	Loan for financing a new cement factory.	16.8

34.7

The Baltic countries

Latvia	Hotel Latvija AS	Loan for the renovation and enlargement of Hotel Latvija in Riga.	7.3
Latvia	Jelgava Water Service and Sewage System	Loan for developing Jelgava's water supply and waste water treatment systems.	1.8

9.1

Central and Eastern Europe

Czech Republic	Cesky Mobil A.S.	Loan for financing the build-up of a nationwide mobile telephony network.	30.0
Poland	Elektrownia Kozenice S.A.	Loan to finance the modernization of a power production facility.	32.2

62.2

Latin America

Argentina	Telecom Personal S.A.	Loan to finance supplementary investments in the mobile telephony network.	21.5
Mexico	Telefonos de Mexico S.A. de C.V	Loan to finance supplementary investments in the mobile and stationary telephony networks.	41.2
Mexico	Nacional Financiera S.N.C.	Loan program to finance projects of mutual interest.	32.2
Venezuela	Republic of Venezuela	Loan program for energy supply projects undertaken by EDELCA.	32.2

127.2

BALTIC INVESTMENT LOANS

Estonia	Sampo Pank, AS	Part of a loan program for financing projects in the Baltic countries promoting women's participation in economic life.	0.3
Latvia	Hansabanka, AS	—"—	0.3
Lithuania	Lithuanian Development Bank, CSC	—"—	0.3
	Ramusis Pamarys, UAB	Loan for the acquisition and renovation of a hotel property (Radisson SAS) in Klaipeda.	2.2
Latvia	BSW Latvia Ltd	Additional loan to start up a sawmill.	0.5

3.7

TOTAL INTERNATIONAL LOANS 2000

254.7

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

LONG-TERM BORROWING 2000

Currency	Amount (million)	Amount EUR (million)	Issue price	Coupon rate %	Maturity/Year	Leading/Arranging Bank	
PUBLIC SYNDICATED BOND ISSUES							
LVL	10	19	100.0000 %	6.2500 %	2002	Merita Bank Plc	
ZAR	100	16	99.2250 %	12.5000 %	2005	Toronto Dominion Securities	
PLN	100	26	100.9550 %	15.5000 %	2004	Toronto Dominion Securities	
OTHER LISTED BORROWINGS							
GBP	50	82	92.2830 %	5.2500 %	2019	Barclays Bank Plc	
GBP	50	82	96.2960 %	5.7500 %	2008	Royal Bank of Canada	
GBP	50	80	96.4360 %	5.7500 %	2014	Royal Bank of Canada	
GBP	100	162	98.4880 %	6.0000 %	2004	HSBC Bank Plc	
GBP	60	98	98.4380 %	6.0000 %	2004	Goldman Sachs	
GBP	65	106	95.7490 %	5.7500 %	2008	Goldman Sachs	
GBP	100	168	98.9920 %	FRN	1)	2024	Barclays Bank Plc
GBP	60	101	99.9950 %	FRN	1)	2020	Royal Bank of Scotland
GBP	50	84	98.6550 %	6.0000 %	2004	Royal Bank of Canada	
GBP	20	33	105.8150 %	FRN	1)	2020	Royal Bank of Canada
OTHER BORROWINGS							
HKD	150	20	100.0000 %	7.7800 %	2007	Banque Nationale de Paris S.A.	
HKD	500	66	100.0000 %	7.7900 %	2005	Deutsche Bank	
HKD	500	66	100.0000 %	7.8500 %	2005	Morgan Guaranty Trust Company of New York	
JPY	1,000	9	100.0000 %	FRN	2) 3)	2020	Nikko Salomon Smith Barney
HKD	400	53	99.8500 %	7.1400 %	2003	Nikko Salomon Smith Barney	
JPY	1,000	9	100.0000 %	FRN	2) 3)	2020	Nikko Salomon Smith Barney
JPY	1,000	10	100.0000 %	3.3200 %	2020	Paine Webber International	
HKD	200	27	100.0000 %	7.2100 %	2003	Barclays Bank Plc	
JPY	1,000	10	100.4000 %	FRN	2) 3)	2020	DKB International Plc
ZAR	100	16	99.3200 %	13.5000 %	2010	Toronto Dominion Securities	
JPY	5,000	51	100.0000 %	2.0000 %	2)	2010	Meiji Life Insurance Company
JPY	500	5	100.0000 %	FRN	2) 4)	2010	Nikko Salomon Smith Barney
JPY	1,000	10	100.0000 %	FRN	2) 3)	2020	Banque Nationale de Paris S.A.
JPY	1,000	10	100.0000 %	FRN	2) 3)	2020	Merrill Lynch International
JPY	1,000	10	100.0000 %	FRN	2) 3)	2020	Fuji International Finance Plc
JPY	3,000	30	100.0000 %	FRN	2) 3)	2020	Nomura International Plc
HKD	100	13	100.0000 %	7.7500 %	2007	Banque Nationale de Paris S.A.	
SKK	1,000	23	99.4880 %	8.4000 %	2007	The Chase Manhattan Bank	
JPY	1,000	10	100.0000 %	FRN	2) 3)	2020	Merrill Lynch International
JPY	1,100	11	100.0000 %	FRN	2) 3)	2020	Nikko Salomon Smith Barney
JPY	1,000	10	100.0000 %	FRN	2) 3)	2020	Merrill Lynch International
JPY	1,000	11	100.4000 %	FRN	2) 3)	2021	DKB International Plc
JPY	1,500	15	100.0000 %	FRN	2) 3)	2020	Sanwa International Plc
JPY	2,000	20	100.0000 %	FRN	2) 3)	2020	Fuji International Finance Plc
JPY	2,000	21	100.0000 %	FRN	2) 3)	2020	Merrill Lynch International
JPY	2,000	20	100.0000 %	FRN	2) 3)	2020	Fuji International Finance Plc
JPY	3,000	32	100.5000 %	FRN	2) 3)	2020	Nomura International Plc
JPY	1,200	13	100.0000 %	FRN	2) 3)	2020	Tokyo-Mitsubishi Finance
JPY	1,300	14	100.0000 %	FRN	2) 3)	2025	IBJ International
JPY	1,100	12	100.0000 %	FRN	2) 3)	2020	Nikko Salomon Smith Barney
HKD	500	74	100.0000 %	6.9800 %	2005	HSBC Bank Plc	
HKD	100	15	100.0000 %	6.6300 %	2005	Barclays Bank Plc	

1) Equity linked 2) Callable 3) Linked to JPY/USD rate 4) Linked to JPY swap rate

NIB AND THE ENVIRONMENT

Environmental investments and environmental improvement projects has an important position in NIB's lending, and the environmental aspect is a pivotal criterion for the assessment of all projects which the bank contemplates financing.

During 2000 the Bank took part in the financing of several environmental improvements in and outside the Nordic countries. NIB finances environmental investments in both the private and the public sectors.

Between 1990 and 2000 the environmental share of the Bank's Nordic lending totaled some EUR 1,490 million.

POSITIVE DISCRIMINATION FOR ENVIRONMENTAL LENDING IN THE NORDIC COUNTRIES

Ever since 1989, environmental investments have held a priority position in NIB's lending. A loan with significant positive environmental impact can be given special treatment as an environmental loan. In this case the project is deemed to be of mutual interest even if it is confined to a single Nordic country, since reductions of cross-border emissions are deemed also to benefit the Nordic neighboring countries.

The Bank gives priority to explicitly environmental projects, i.e. investments substantially reducing emissions or preventing further pollution. Traditional environmental projects include industrial and municipal waste

water treatment, waste management, recycling and flue gas cleaning for industry and power production. Indirect environmental investments include bio-fuelled 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 has granted loans for more than 200 environmental projects in the Baltic Sea region. During the 1990s, environmental loans accounted for quite a substantial proportion of the Bank's granted loans. The relative share of the environmental lending have now settled at roughly 15 percent of loans outstanding, and annual disbursements of environmental loans in the Nordic countries are between EUR 100 and 200 million.

During 2000 the Bank granted EUR 93 million for 10 environmental projects in the Nordic countries. NIB disbursed its first loan to the agricultural sector through a EUR 25 million credit granted to Landshypotek in Sweden for onlending to farmers for direct environmental investments. By channeling this loan through Landshypotek, the Bank is able to reach a large number of small-scale projects in the agricultural sector.

INVESTMENTS IN THE NEIGHBORING AREAS

NIB is actively promoting environmental investments in the neighboring areas

to the Nordic region. The Bank is able to grant long-term credits for priority environmental projects under its PIL and MIL facilities.

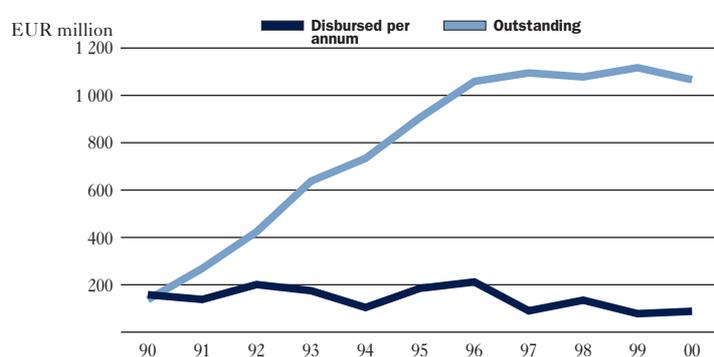
In the neighboring areas too, environmental projects with considerable positive environmental impact are deemed to be of mutual interest, and projects of this kind can be financed regardless of the origin of the deliveries and of the agency conducting the project.

In 1996 the Nordic Prime Ministers decided to establish a special Environmental Investment Loan (MIL) facility under NIB, to finance important priority environmental projects in the neighboring areas, which did not qualify for PIL finance. The MIL facility is intended to contribute towards an abatement of pollution and environmental impact of a cross-border nature. The MIL facility is guaranteed by the Nordic countries and is mainly intended for urgent environmental projects in the Barents region in the northwest of Russia, Karelia, the St. Petersburg region and the Kaliningrad region. Environmental projects in the Baltic countries and Poland can often already be financed, if necessary, by NIB through the Project Investment Loan (PIL) facility.

NIB's Environmental Investment Loans can be granted to sovereign borrowers, national authorities, institutions and business enterprises.

The total MIL facility amounts to EUR 100 million and is intended for long-term loans for environmental projects, co-financed if possible with other international banks. Some EUR 94 million of this facility has been granted for several large environmental projects. The Bank has, for example, granted loans both to St. Petersburg and to Kaliningrad for water and sewage treatment. In collaboration with other international financial institutions and Nordic bilateral authorities, a project is in preparation for improving water and sewage treatment and developing the water company serving in the Russian enclave of Kaliningrad. During 2000 a loan agreement was signed with the

ENVIRONMENTAL SHARE IN NORDIC LOANS
1990-2000



St. Petersburg water utility for the purpose of improving sewage treatment in Sestroretsk. During the year the Bank was given a special mandate by the water utility in St. Petersburg to be lead agent for a study concerning the completion, financing, development and operation of the city's southwestern wastewater plant. That project has an especially vital bearing on the environment of the Baltic Sea.

The Bank is cooperating on a project to modernize the heavily polluting nickel works at Pechenga in the Kola Peninsula. The reduction thus achieved in sulfur dioxide emissions is expected to equal the combined emissions of all the Nordic countries.

In Estonia, the Bank has granted loans to the Estonian power corporation, Eesti Energia, to finance flue gas cleaning and modernization measures at the oil-shale-fired power plants in Narva, as well as modernization and upgrading of the transmission network. These investments will above all substantially reduce atmospheric emissions of sulfur, particles and carbon dioxide.

In Estonia, Latvia, Lithuania and Poland the Bank has environmental loan programs of EUR 74 million, under which about twenty sub-loans have been granted for a number of environmental investments forming part of municipal or regional environmental projects. These primarily concern investments in waste water treatment, waste management and district heating. Many of these environmental loans are being co-financed together with NIB's sister organization, NEFCO. The Bank has financed several environmental proj-

ects in the Polish and Czech energy sectors, totaling the equivalent of USD 172 million. An overwhelming proportion of these loans is concerned with investments in desulfurization and flue gas cleaning at large coal-fired power stations. A loan of EUR 20 million has been granted for a credit line referring to municipal environmental investments in Poland, mainly waste water treatment and waste management.

NIB's experience of environmental projects leaves it well equipped for taking part in projects beyond the confines of the Nordic region.

ENVIRONMENTAL PROCEDURES FOR ALL LOAN APPLICATIONS

The Bank has developed an internal environmental procedure whereby all loan applications are subjected to a systematic environmental review. All loan applications since 1995 have been subjected to an environmental assessment based on this predefined routine, which requires the Bank to consider all relevant environmental hazards and impact of the projects it intends financing. In certain projects an environmental impact assessment is called for, and the financing of certain company acquisitions may be subject to an environmental audit. Every loan application is classified according to the extent of the project's environmental impact.

An environmental audit is required for projects where there is a potential 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 etc.

The Bank attaches great importance to all projects financed having the requisite environmental permits and otherwise being deemed environmentally acceptable.

INTERNATIONAL ENVIRONMENTAL COOPERATION

The Bank takes part in international and regional environmental cooperation. This involves active membership of the Helsinki Commission (the Baltic Marine Environment Protection Commission), HELCOM. Both NIB and its sister organization NEFCO (the Nordic Environment Finance Corporation), together with other international financial institutions, have since 1992 been members of the HELCOM Project Implementation Task Force.

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

The Bank takes part in the environmental cooperation between the international financial institutions and the European Commission. The European Union has approved a resolution of devoting special efforts to economic and social development in the Northern Dimension. This will be done together with a number of Northern European countries, and great importance is being attached to sustainable development and rehabilitation of the environment in the northern part of Europe. The Bank is actively contributing to this endeavor.

NIB's environmental loan commitments as of Dec. 31, 2000 (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	1,068.2	32.4	36.1	1,136.7	147
Baltic Sea transition countries	72.7	140.2	63.8	276.7	35
Other countries	125.7	18.1	37.6	181.4	27
Total	1,266.5	190.7	137.6	1,594.8	209

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

"Environmental loans" are defined in accordance with Eurostats's guidelines for the definition of expenditures for environmental protection.



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The photographs in this year's Annual Report take as their theme the ptarmigan, widespread in the northern birch forests, conifer forests and mountains, all the year round. There are two species in the Nordic countries, the *Willow Ptarmigan* and the *Rock Ptarmigan*. Both of them have white plumage in wintertime, in summer they switch to a darker plumage, but still with white wings.

The Willow Ptarmigan (*Lagopus lagopus*), alias the Willow or Red Grouse, is 38-45 cm long and brownish-red in summertime. In the Nordic region it is found in Norway, Sweden and Finland, though not in the southernmost parts of these countries. It occurs mostly in forests and swamps, and just above the tree line.

The Rock Ptarmigan (*Lagopus mutus*) is slightly smaller than the Willow Ptarmigan. In summertime it is a good deal greyer than the Willow Ptarmigan. In the Nordic countries the Rock Ptarmigan occurs on the tundras of Iceland and Greenland, in bare mountain areas everywhere in Norway and in the very northernmost areas of Sweden and Finland.

The Annual Report of NIB is published in English and Swedish. An Interim Report for the period January-August 2001 will be published in October 2001.

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