



ANNUAL REPORT 1999



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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 the representatives of the Bank's Board of Directors and of its Control Committee.

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 development in the Nordic countries' neighboring areas as well as to finance 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 marketbased 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,
- Crossborder 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 marketbased 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 crossborder 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)

	1999	1998
Profit	106	115
Net interest income	140	137
Loans disbursed	1,322	1,344
Guarantees issued	0	9
Loan agreements	1,438	1,191
Loans outstanding	8,854	7,568
Guarantees outstanding	31	29
New debt issues	2,478	2,484
Debts evidenced by certificates	11,336	9,059
Net liquidity	2,781	1,902
Total assets	13,337	11,122
Number of employees	131	123

The Nordic Investment Bank's books have, until December 31, 1998, been kept in ecu. As from January 1, 1999, the Bank's accounting and capital currency is the euro.

Exchange rates in accordance with the European Central Bank, as of Dec. 31, 1999:

EUR 1.00 = DKK 7.44 / FIM 5.95 / ISK 72.9 / NOK 8.08 / SEK 8.56 / USD 1.00

NIB 1999

The year in brief

- Continuing good results, profit EUR 106 million and net interest income EUR 140 million
- High quality of loan portfolio sustained, no credit losses
- The new agreement on NIB entered into force
- Strengthened lending capacity, ca. EUR 13.5 billion
- Dividend of EUR 35 million to NIB's owners
- First environmental investment loan to the neighboring areas disbursed
- Increased co-operation with other financing sources

MISSION

The Nordic Investment Bank was established as the Nordic countries' joint international financial institution in order to strengthen and develop Nordic co-operation 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 co-operation 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 multilateral 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 co-operation 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;
- Co-operating with and supplementing other Nordic or international lenders. The financing of small and medium-sized companies' investments is an important focal point of this co-operation;
- 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.

The year 1999 will go down as a milestone in the Bank's development. During this closing year of the 20th century, NIB received a considerable reinforcement of its capital, and the actual treaty on the Bank among its owners, the five Nordic countries, was renewed. The capital reinforcement, which raises the Bank's lending capacity from EUR 9.2 billion to EUR 13.5 billion, took effect at the beginning of the year. The new agreement on NIB came into force in July. These important decisions consolidate and strengthen the Bank's position as a joint international financial institution for the Nordic area.

Operations during the year showed stable development, with new lending steady at EUR 1.3 billion. Loans outstanding at the end of the year totaled EUR 8.9 billion, comprising EUR 7.2 billion for projects in the Nordic countries and EUR 1.7 billion for projects in 32 countries outside the Nordic area. Within the Nordic area, cross-border investments in manufacturing industry account for the greatest proportion of new loans. Long-term loans to financial intermediaries having SMEs as their target group account for a growing share of lending. Environment friendly infrastructure remains an important niche for the Bank's lending in the Nordic area.

Outside the Nordic area, the year's lending is dominated by environment-related investments and telecommunications projects. Another important aspect of lending activity is the growth of lending to Poland and the Baltic countries. This development reflects, on the one hand, the priority given to the neighboring areas in the Bank's activity, not least as regards the financing of investments in environmental improvements, and on the other hand the success with which Poland, Estonia, Latvia and Lithuania have transformed themselves into market economies, attractive to foreign investors. The Bank's operations in Russia during the year were exclusively concentrated on environmental projects in association with Nordic environmental and development co-operation authorities, NEFCO and the EBRD.

The main focus of NIB's operations is on co-operating with and supplementing other Nordic banks and international financial institutions by means of long-term loans for investment projects. This focus has been intensified in recent years. For example, NIB has now signed credit agreements with local banks in all five Nordic countries with a view to supplementing their financing of SMEs. Outside the Nordic area, NIB relies on a number of creditworthy intermediaries for the same purpose.

NIB's borrowing is based on a globally diversified strategy to improve the Bank's ability to serve Nordic enterprise and to meet customers' needs of competitive long-term finance. Borrowing in 1999 totaled EUR 2.5 billion, in 11 dif-

ferent currencies. The Bank issued its first loan in euro. An interesting new market for the Bank's bonds during the year was Singapore, where the Bank became the first international borrower to issue bonds denominated in Singapore dollars with a maturity of more than five years. At year-end the Bank had bonds outstanding in 26 different currencies.

The Bank attaches great importance to effective risk surveillance and risk management of its operations. This attitude is built into the Bank's loan procedures and follow-up of credits. Development of the Bank's risk management methods continued during the year. NIB's total credit risk exposure continues to maintain good quality, and no credit losses were reported during the year. The absence of credit losses, of course, is highly positive, but it should always be borne in mind that the Bank's portfolio contains relatively few and—compared with equity—relatively large individual commitments. This demands circumspection and ample reserves.

During the year NIB, together with the Nordic financial supervisory authorities, convened a conference in Stockholm on the new capital coverage requirements currently being drafted by the Basle Committee and the EU. The purpose of the seminar was to prepare a standpoint on the proposed new rules of capital adequacy and to compare notes on comprehensive risk management in financial activity, a matter to which NIB attaches great importance.

For 1999 the Bank posted a surplus of EUR 106 million as against 115 million for the preceding year. Net interest income, the Bank's main source of earnings, rose from EUR 137 million to 140 million. The surplus in relation to equity was 9% as against 10.5% for the preceding year. The lower profit was mainly due to the impact of international interest rate movements on the value of marked-to-market financial assets in the Bank's investment portfolio.

The return on average equity can be compared with the five-year euro interest rate on swap contracts, which for 1999 averaged just over 4%. In the long term, the Bank's net interest income and core surplus are expected to grow in step with the volume of lending. A reasonable return on equity is an important precondition for NIB effectively serving its main purpose, namely that of promoting Nordic economic integration, Nordic project exports and sustainable development.

NIB's commercial development in recent years has been shaped by three important trends in its business environment:

- Globalization of business and finance;
- Increasing environmental demands attaching to investment decisions;
- The growing importance attached to risk management in financial and other business activity.

These trends will also have an important bearing on the Bank's future operations. The new agreement on the Bank is, not least, a response to globalization. In recent years the Bank has introduced methods for systematically addressing both environmental and risk-related aspects of all transactions. No loans are granted by NIB without a satisfactory environmental impact assessment and a thorough risk assessment.

The uncertainty and the weakening of international economic activity caused by financial crises in Asia and Russia are now giving way for brighter economic prospects. For NIB's part this means that the Bank's strategy of moderate, targeted growth of operations over the coming four to five years should be attainable.

The need for long-term loans for projects both in the Nordic region and outside it remains large. This applies not least to the long-term financing of projects in transitional economies, which is a limited resource. NIB's supplementary role for securing the satisfactory financing of good projects is therefore an important one.

The Bank's good results in recent years and its strong financial position provide a sound basis for future operations in accordance with the owner's priorities. The second half of the 1990s has been the Bank's best years ever, with dynamic growth and a good, steady return. This good result has been achieved thanks to the competence and loyalty of our entire personnel.

As we now enter a new century, it is interesting to note that Nordic business co-operation is flourishing. Trade, company acquisitions and investments across national boundaries are growing year by year in industry, banking and finance, the media, telecommunications, as well as energy and infrastructure. There is a new dynamism about this development. Businesses, both in the new, knowledge-based activities and in resource-based industry, regard the Nordic region as their home market and home ground in a global competitive environment.

On the basis of the new agreement and by virtue of its stronger capital base, NIB is prepared to play its part in these exciting developments.

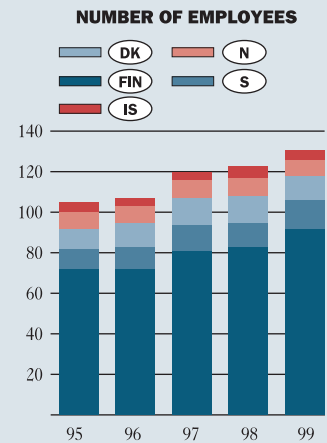
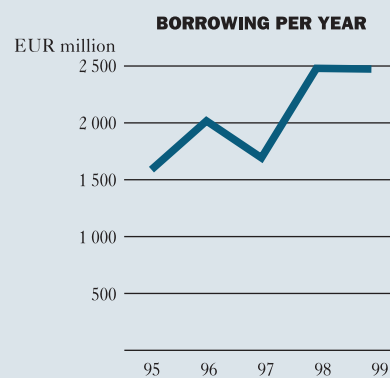
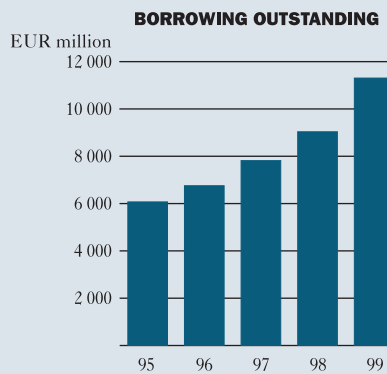
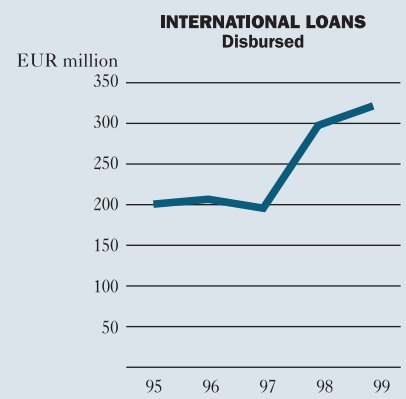
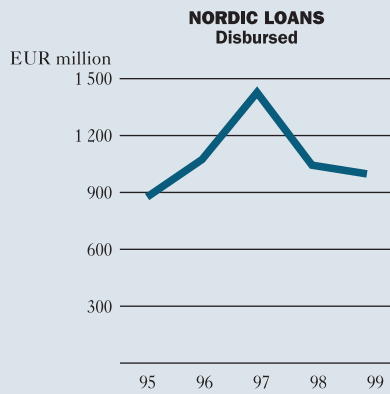
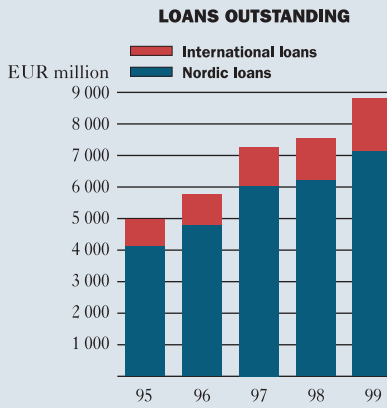
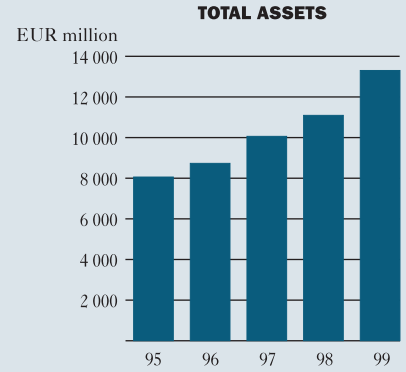
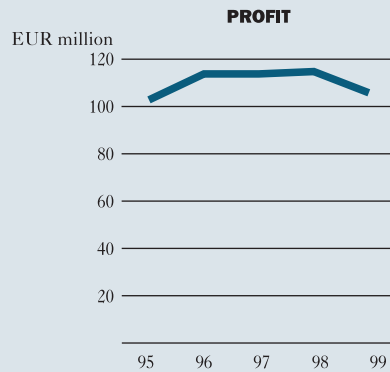
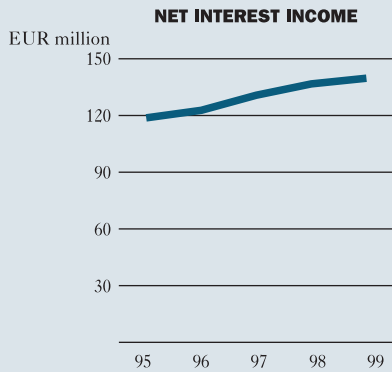


Helsinki, February 2000

Jón Sigurðsson

FIVE-YEAR COMPARISON (IN EUR MILLION)

	1999	1998	1997	1996	1995
PROFIT AND LOSS ACCOUNT					
Interest income	584	575	518	487	520
Interest expense	-444	-438	-387	-364	-401
Net interest income	140	137	131	123	119
Issuing charges, commission income etc.	-15	-4	-5	-4	-2
General administrative expenses and depreciation	-17	-16	-17	-15	-14
Provisions for possible losses on loans, reversals (+)	-2	-1	6	9	-0
Profit for the year	106	115	114	114	103
BALANCE SHEET					
<i>Assets</i>					
Cash and balances with banks, placements and debt securities	3,744	2,947	2,349	2,397	2,543
Loans outstanding	8,854	7,568	7,179	5,796	4,985
Issuing charges	57	46	34	34	20
Tangible assets	44	45	43	41	5
Accrued interest, exchange rate adjustment of currency contracts, other assets	638	516	481	485	525
Total	13,337	11,122	10,086	8,753	8,078
<i>Liabilities and equity</i>					
Amounts owed to credit institutions	228	286	213	321	429
Debts evidenced by certificates	11,336	9,059	7,836	6,772	6,086
Accrued interest, exchange rate adjustment of currency contracts, other liabilities	552	638	978	681	668
Authorized and subscribed capital	4,000	2,809	2,809	2,809	2,809
of which callable capital	3,616	2,504	2,504	2,504	2,504
paid-in capital	384	304	304	304	304
Statutory reserve	469	519	468	430	375
Credit risk reserve, loan loss reserve (PIL)	332	281	252	210	186
Appropriation to dividend payment	35	35	35	35	30
Total	13,337	11,122	10,086	8,753	8,078
ACTIVITIES					
<i>Disbursements of</i>					
Nordic loans	1,000	1,046	1,430	1,076	878
International loans	322	298	196	207	202
Total	1,322	1,344	1,626	1,283	1,080
<i>Issued guarantees</i>					
Nordic guarantees	-	8	4	14	14
International guarantees	0	1	19	1	2
Total	0	9	23	15	16
<i>Outstanding at year-end</i>					
Nordic loans	7,141	6,222	5,970	4,787	4,122
International loans	1,713	1,346	1,209	1,009	863
Total	8,854	7,568	7,179	5,796	4,985
<i>Guarantee commitments at year-end</i>					
Nordic guarantees	9	9	9	33	44
International guarantees	22	20	21	-	11
Total	31	29	30	33	55
<i>Annual debts evidenced by certificates (including capitalizations)</i>					
	2,478	2,484	1,696	2,021	1,592
NUMBER OF STAFF (AT YEAR-END)	131	123	120	107	105



The Nordic economies are still performing well, though economic growth decelerated somewhat during 1999 in four out of the five countries, due to measures of financial and monetary policy introduced to fend off an incipient overheating. A moderate growth rate is also anticipated for 2000. GDP growth in the Nordic area for 1999 was about 2.5% and is forecast at about 2.9% for 2000. The average growth rate for the EU area is expected to be about 2.8% and that of the OECD countries about 2.9%.

Domestic demand has been the principal basis of economic growth in the Nordic countries during recent years. Investments have risen noticeably and private consumption growth has been good. More recently, though, investment demand has declined and economic growth forecasts for the Nordic area are therefore based to a great extent on an upsurge of exports. International cyclic movements and a distinct growth of world trade augur an emphatic upturn for exports by the Nordic countries. This includes service and project exports as well as commodity exports.

For some years now, intra-Nordic cross-border investments, investments in the neighboring areas and intra-Nordic trade have shown an accelerating growth rate.

FINANCIAL POLICY

The Nordic countries have been successful in their economic policy. Ever since the latest downturn, their austere, anti-inflationary financial policy has been producing good results. All the Nordic countries have been able to show steady domestic economic growth based on low inflation and a steady exchange rate.

The high unemployment affecting some of the countries in the mid-1990s is beginning to be brought under relatively good control. Some of the Nordic countries, in fact, have gradually developed manpower shortages, especially in certain industrial sectors. All the same, there are still great regional differences in the level of employment. But a high employment participation rate can lead to overheating in the labor

market, resulting in heavy pay increases. This in turn will impair the long-term prospects of sustaining viable economic development.

MODERATE DEVELOPMENT IN DENMARK

Denmark's economic development during 1999 was dominated by financial policy measures already taken in earlier years with a view to halting the obvious overheating of domestic consumption and restoring equilibrium to international trade. This "Whitsun Package", as it is known, has proved successful. The growth rate of domestic consumption has declined and the balance of payments has been noticeably strengthened. The result of the structural measures was a distinct slowing down of national economic growth. Where domestic consumption is concerned, public sector investments are expected to rise conspicuously during 2000, when Denmark will be completing a number of major infrastructure projects, while others will be continuing for some time to come. The curbing of private consumption has led to a reduction of housing investments. Danish industry is expected to show quite considerable restraint in the matter of new investment decisions.

HIGH ECONOMIC ACTIVITY IN FINLAND

Finland has experienced a long period of good economic growth, though GDP growth in 1999 was slightly down on the preceding five years. Economic growth is relatively broad-based, with good growth of both domestic consumption and exports. Public spending alone is increasing slowly, but this is a consequence of long-term financial policy restraints. Finland, with its relatively high unemployment rate, has had only partial experience of overheating tendencies in the labor market. Gross investment growth is expected to remain good. Investments are expected to rise by about 6% in 2000. Housing production is declining slightly, but industrial investments, above all in machinery and plant, are expected to increase.

ICELAND: SUCCESSFUL ECONOMIC POLICY

Iceland has had a very good growth rate for the past five years, thanks mainly to a successful economic policy. At the same time, business enterprise has invested extensively in the energy sector and the aluminium industry, but also in the service and IT sectors. Steady growth of private consumption and exports has made possible a notable broadening of the foundations of economic growth. During 1999, however, the first signs of overheating became apparent. The international trade deficit increased and inflation has risen to just over 3%. But the Icelandic Government has taken steps to reduce the current account deficit and to curb inflation, and Iceland's GDP growth is expected to decelerate during 2000.

DECLINED INVESTMENT ACTIVITY IN NORWAY

The forecast for economic growth in Norway was still good at the beginning of 1999, but industrial order intake declined and output growth came to a halt, resulting in heavily reduced GDP growth for 1999. The main causes of this were a distinct falling off of investment activity in the offshore sector. A significant portion of mainland Norway's industry today depends on the activities of the offshore sector, and mainland economic growth is affected by the fluctuations of the offshore industry. Rising oil prices are expected to give exports a fillip, boosting national GDP growth. It is assumed that the decline in the volume of investments will continue, and gross investments are expected to fall by nearly 12% during 2000, due mainly, to poor investment demand in the offshore sector.

SWEDEN: GOOD DOMESTIC DEMAND

Sweden's economy is going through a broad-based growth phase. Domestic consumption has been the principal driving force of the country's good economic growth. It is above all household consumer spending that has been strong, but there has also been a

growth of public spending. Gross investment growth has been relatively good in the past few years. The figure for 1999 was over 6%, and growth during 2000 is expected to be just under 7%. Industrial investments are expected to rise by about 5% during 2000. Domestic demand is expected to remain the principal motive force of national economic growth, even though exports are growing in importance. The favorable international outlook can bring a distinct rise in exports, and Sweden's export growth for 2000 is forecast at upwards of 7%.

NORDIC INTEGRATION

Nordic co-operation in the economic sphere has made good progress. Joint Nordic decisions, concerning among others tariff exemption, taxation agreements and an open labor market, have made important contributions towards the integration of Nordic enterprise. The Nordic labor market offers manpower mobility throughout the Nordic area. Similarly, the possibilities of benefiting from the wide range of educational opportunities and the relatively low language barriers have enabled Nordic nationals to study in each other's countries. Where business enterprise is concerned, intra-Nordic trade has long been an important part of economic co-operation. Relatively uniform markets have made it natural for Nordic firms to look primarily to the neighboring countries for their trading partners. As an extension of trade contacts, Nordic start-ups through cross-border direct investments in the Nordic region are playing an important part in the process of Nordic integration.

INTRA-NORDIC TRADE

The neighboring countries have been natural markets for the foreign trade of the Nordic countries. To most of them, one or more of the other Nordic countries ranks as the most important trading partner. This intra-Nordic trade rests on longstanding traditions, due partly to the historical political ties between the various countries. Coupled with the growing volume of Nordic entre-

preneurial start-ups, there has also been a growth of intra-Nordic trade.

Viewed in a perspective of nearly 25 years, the value of intra-Nordic exports has quadrupled. From about USD 10 billion in the mid-1970s it has risen to over 40 billion annually, but the volumetric growth of intra-Nordic trade has come about in fits and starts. During the first half of the 1980s the level rose to about USD 15 billion per annum, rising in the late 1980s and early 1990s from USD 25 to 30 billion annually, and then in the second half of the 1990s to about USD 40 billion per annum.

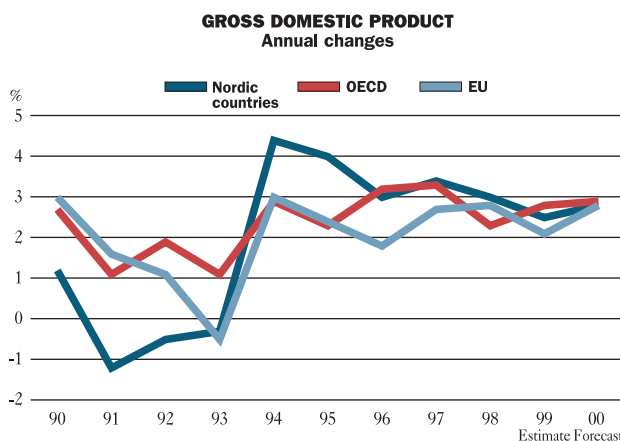
World trade during the past decade has been growing on average by rather less than 6% annually. During the same period, intra-Nordic trade grew by upwards of 5% annually. To the Nordic countries the growth

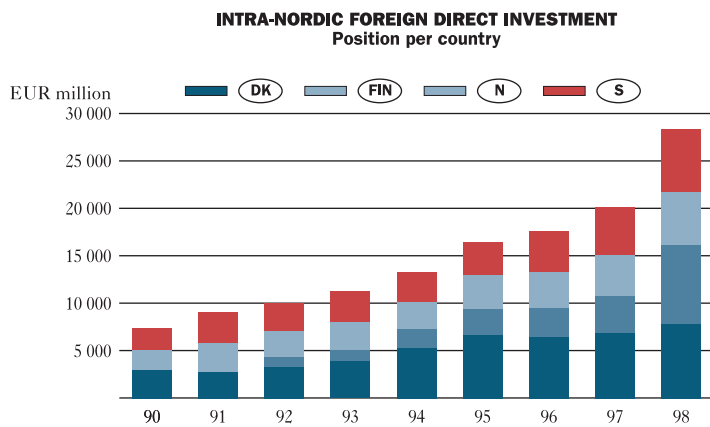
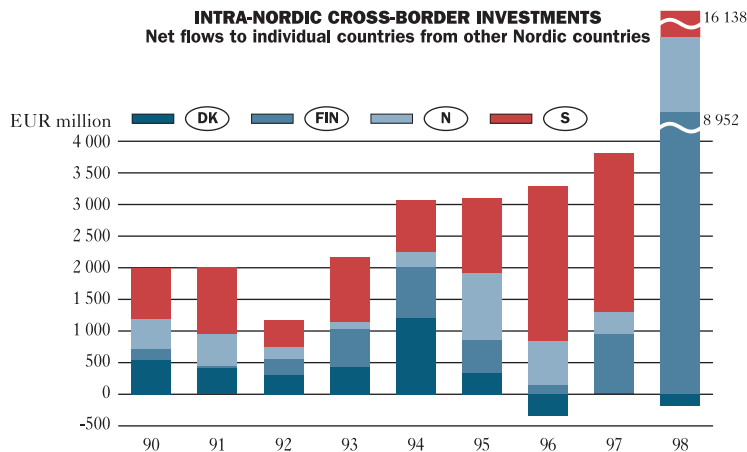
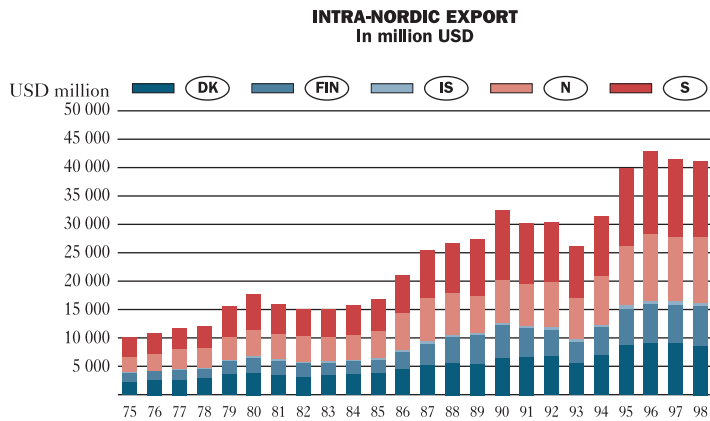
of world trade has meant a substantial growth of their traditional export markets and also establishment in new markets which, previously, were practically out of the question for Nordic export industry. But this growth in the number of markets has reduced the share of intra-Nordic trade in total exports. Intra-Nordic exports in the mid-1970s accounted for over 25% of total exports by the Nordic countries. By the end of the 1980s this had fallen to upwards of 20%, and by the close of the century the intra-Nordic share of total Nordic exports had fallen to about 19%.

The relative share of intra-Nordic trade in total exports varies from one Nordic country to another. In Sweden and Denmark, intra-Nordic exports have steadied at about 20% of total exports. In Sweden's case

	1995	1996	1997	1998	1999 *)	2000 **)
Denmark	3.7	2.8	3.1	2.7	1.3	1.6
Finland	5.1	4.0	6.3	5.0	3.5	4.7
Iceland	1	5.7	5.2	6.2	5.2	2.4
Norway	3.6	5.5	4.3	2.1	0.9	2.9
Sweden	3.9	1.3	1.8	2.6	3.6	3.0
EU	2.4	1.8	2.7	2.8	2.1	2.8
OECD	2.3	3.2	3.3	2.3	2.8	2.9

*) Estimate
**) Forecast





this marks a decline, from about 25% at the end of the 1970s. Denmark has for some considerable time now maintained a level of about 20% intra-Nordic exports in proportion to its total annual exports. Finland's intra-Nordic exports have fallen to about 15% of total exports, as compared with some 25% at the end of the 1970s. The intra-Nordic share of Norway's exports fell rapidly at the end of the 1970s, from about 25% to just over 15% by the beginning of the 1980s. This was above all due to Norway's growing exports of oil, which tended more to be destined for markets outside the Nordic area. Recent years have brought a distinct rise in Norway's intra-Nordic exports, which in 1998 accounted for nearly 20% of the total. Iceland's intra-Nordic exports show steady growth, rising from about 8% at the end of the 1970s to over 10% at the beginning of the 1990s and not quite 15% by the end of that decade.

CROSS-BORDER INVESTMENTS

Direct investments are playing a progressively more important role in Nordic business. The growth of annual direct investments clearly mirrors the internationalism of Nordic business enterprise, which set in during the mid-1970s. Companies in the Nordic countries have increased their investments in the neighboring countries, partly through new, cross-border start-ups and also through mergers and acquisitions, most often with a view to long-term involvement. This process of Nordic integration is of very great international importance to Nordic business enterprise.

Cross-border investments in the Nordic region have risen to more than EUR 3 billion annually. Intra-Nordic direct investments have remained on this level for the past five years, with one conspicuous and positive exception, namely 1998, when company acquisitions and bank mergers were recorded as a very large volume of Nordic direct investments, totaling some EUR 16 billion net.

INVESTMENT STOCK GROWING

As a consequence, the intra-Nordic stock of investments has grown dramatically. Unfortunately, however, the Nordic countries do not have uniform statistical methods for measuring the stock of investments, and so developments can only be described, with some degree of reliability, for the 1990s. At the beginning of the 1990s the intra-Nordic stock of direct investments stood at roughly EUR 7.4 billion, whereas by the end of 1998 it had grown to more than EUR 28 billion. Thanks to a steadily increasing flow of direct investments in the Nordic area, the stock of investments in each country has come to be relatively evenly distributed. The biggest investments in the Nordic region are to be found in Denmark and Finland, but the difference compared with the stock of investments in Norway and Sweden is relatively slight. All these countries have stocks of Nordic direct investments of between EUR 5.5 and 8 billion. Iceland has over EUR 30 million.

ECONOMIC PROSPECTS

International trade is expected to go on playing an important role in the economic development of the Nordic countries dur-

ing 2000 and subsequently. International market prospects are good, and the competitiveness of the Nordic countries can be termed satisfactory. International economic developments can be clearly seen to be taking a positive turn, and trade is an important driving force. GDP growth in the EU is expected to reach just under 3% in 2000 and this, it is presumed, will only be marginally bettered by average OECD economic growth. As a result of the satisfactory international growth of GDP, the Nordic countries are expected to have an average economic growth of just under 3%, i.e. the same as the EU and the OECD.

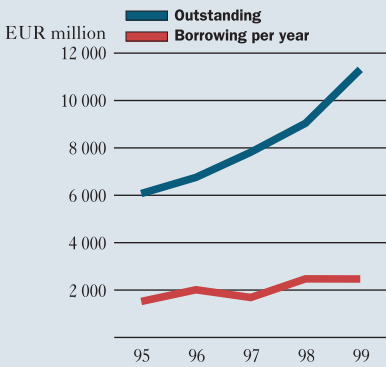
Economic successes in the USA have continued, and the unprecedentedly long period of economic growth is expected to go on, though the presumption is that the results of measures to curb the high growth rate will start coming through in 2000. Slightly lower GDP growth and slightly higher inflation are to be expected in the USA. European GDP growth is expected to accelerate considerably after a couple of slack years, thanks above all to the growth of world trade. International economic development is expected to continue its recovery from the turbulence affecting finance markets in previous years. Faint indications of growth and recovery were al-

ready noticeable among the worst hit Asian economies during 1999. This development is not seriously threatened, and Asian economic progress during 2000 is expected to be satisfactory. In Japan the work of introducing the main structural reforms of the financial sector continues, but the economic growth rate is expected to remain low. The change of President in Russia can, hopefully, turn the country's economic development in a new direction, but the economic base remains very weak. The other countries in transition from command to market economy are showing satisfactory progress.

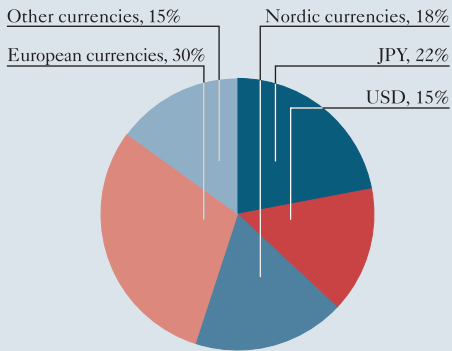
Despite this generally auspicious economic outlook for the first year of the new century, there are ominous factors, which need to be taken seriously. Capacity problems in industry, high employment and a growth of real household incomes can lead to a growth of inflationary pressure, not only in the USA but in Europe and the Nordic area as well.

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

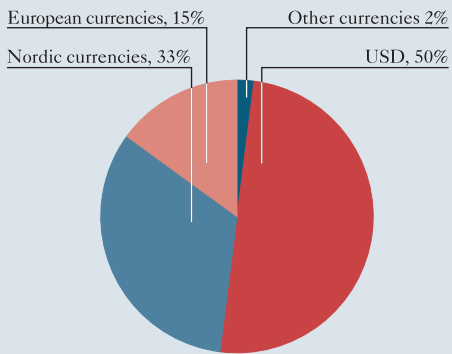
BORROWING



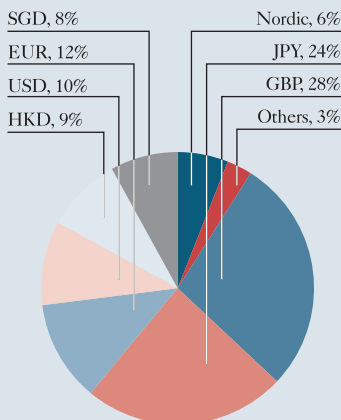
BORROWING OUTSTANDING Dec. 31, 1999



BORROWING OUTSTANDING AFTER SWAPS Dec. 31, 1999



NEW BORROWING By currency 1999



DEVELOPMENT IN THE CAPITAL MARKETS

In the beginning of 1999, the capital markets were characterized by international uncertainty concerning a slowdown in economic growth. The uncertainty was the result of the financial crisis in Russia at the end of 1998 and the unsettled situation in Brazil at the beginning of 1999. Nonetheless, the Asian countries, where the financial crisis started in 1997, began to show signs of improved economic development, and the situation in Brazil was resolved.

These events were taking place at the same time as the strong growth in the U.S. economy was continuing, primarily driven by domestic demand and domestic investment. Unemployment fell to a historically low level and increased the risk of rising wage costs. The prices of raw materials, primarily of oil, and stock market prices rose sharply. The American central bank, the Federal Reserve Bank, raised the short-term interest rate three times during the second half of 1999, by a total of 75 basis points. The short-term interest rate climbed to 5.50% p.a. as a result.

Economic growth in Europe was still moderate in the beginning of the year, but accelerated toward year-end. The smaller economies in Europe have been showing signs of good growth rates for a long time, but even France and Germany experienced a pickup in economic growth during 1999. As a result, in November the European Central Bank (ECB) for the first time raised the short-term interest rate by 50 basis points to 3.0% p.a.

As a result of the economic develop-

ments described above, with high rates of growth and interest rate rises, long-term interest rates also rose appreciably in 1999, both in the United States and Europe. The 10-year treasury bond interest rate for the U.S. dollar rose from 4.7% at the beginning of the year to 6.5% at year-end. The 10-year government bond interest rate for the euro (Germany) rose during the corresponding period from 3.8% to 5.3%. Thus, the interest rate differential between the United States and Europe widened from 90 basis points to 120 during 1999.

LONG- AND MEDIUM-TERM BORROWING

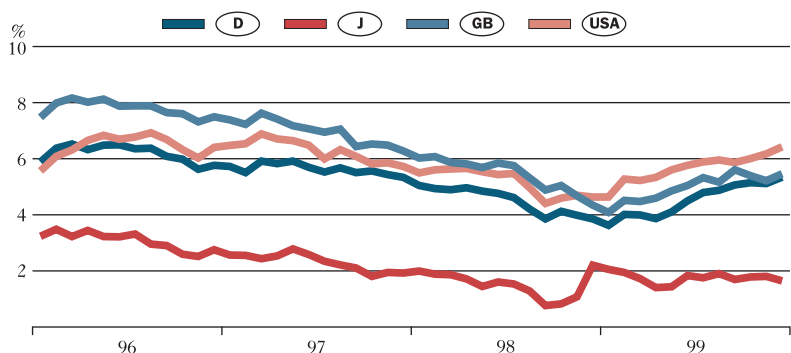
NIB adheres to a global, diversified borrowing strategy, based on choosing the capital markets, borrowing structures and instruments that enable the Bank to keep its financing costs at as low a level as possible, while at the same time allowing it to ensure continual access to stable sources of financing.

The Bank's borrowing operations during fiscal 1999 amounted to a total of EUR 2,478 million (1998: 2,484). Amortization of amounts previously borrowed amounted to EUR 1,267 million (1,281).

Borrowing operations were ca. EUR 300 million greater than had been budgeted as a result of the attractive market conditions toward the end of the year. The amounts borrowed are being used to finance part of NIB's borrowing needs for the year 2000.

The amount of borrowings outstanding in bond and note markets rose to EUR 11,336 million at year-end 1999, compared with ECU 9,059 million at year-end 1998.

INTERNATIONAL INTEREST RATES 10 year government bonds



Source: Bloomberg

NIB carried out 71 borrowing transactions distributed over 11 different currencies in fiscal 1999. The average maturity for NIB's 1999 borrowing operations was 8.5 years, compared with 7.4 years in 1998.

As a result of market conditions, a somewhat larger portion of the Bank's financing needs was met through structured transactions in 1999 than was the case in 1998.

European currencies

Borrowings in European currencies constituted a total of 49% of the Bank's total borrowings. Nordic currencies amounted to only 6%.

NIB carried out 13 borrowing transactions in the non-Nordic European capital markets in the value of EUR 1,035 million (543), corresponding to 43% (22) of borrowings in 1999.

NIB launched four bond issues in British pounds for a total of GBP 452 million, which corresponds to EUR 705 million. Taken together, the transactions constituted 28% of the Bank's 1999 borrowings, and the pound was thus the most important European borrowing currency for the year. The transactions were carried out in various maturity segments in order to fulfill the demand of British investors.

NIB made its first public transaction in euro during the beginning of the year—a twelve-year transaction in the amount of EUR 250 million. The transaction meant that NIB's name as a borrower was marketed in the euro market. This issue primarily satisfied the demand of French investors.

Borrowing in the Nordic currencies ac-

counted for 4 transactions in Norwegian crowns for a total of NOK 1,175 million, which corresponds to EUR 140 million. As a result of the large demand by European institutional investors, particularly from Germany, the amount of one of the transactions was increased three times, to a total of NOK 1,000 million, and thereby became the market's largest NOK transaction in the euro market during 1999.

A total of 15 transactions were carried out in Nordic currencies in 1998, for a value of ECU 632 million. Due to less favorable market conditions, no borrowings were made in Swedish or Danish crowns in 1999. The borrowing in Finnish marks was replaced by financing in euro during the year.

In accordance with NIB's goal of diversification in its borrowing transactions, the Bank launched its first bond in Slovakian koruna. In addition, two issues were made in Estonian kroon, which contributed toward developing the Estonian capital market.

Japanese yen

In 1999, the Japanese capital market regained its position as an important financing source for NIB. Thus, 43 Japanese yen transactions were made, corresponding to EUR 598 million, compared with ECU 156 million in 1998. The borrowing in Japanese yen accounted for 24% of the year's new borrowing transactions.

U.S. dollars

NIB carried out two borrowing transactions in U.S. dollars, totaling USD 250 million, which corresponded to 10% of 1999's borrowing volume. Of that amount, USD 150

million represented an increase in NIB's benchmark transaction from 1998.

Singapore dollars

NIB carried out its first transactions in Singapore dollars in 1999. SGD 150 million was borrowed at 5 years, and SGD 150 million at 10 years. The first transaction was further increased during 1999 by SGD 50 million. NIB was the second multilateral bank to launch a bond in the SGD market and the first international issuer in the long maturity segment. The borrowings in Singapore dollars corresponded to EUR 190 million, which is 8% of the year's volume of new borrowings.

Hong Kong dollars

Borrowings in Hong Kong dollars did not represent as important a financing source in 1999 as it had in 1998. In 1999, only 6 (30) transactions were carried out in that currency, for a total value of EUR 225 million (500), or 9% of 1999's new borrowings.

Composition of NIB's borrowing

The proportion of Japanese yen in NIB's total outstanding borrowings rose from 19.8% in 1998 to 22.8% in 1999. The share of the Nordic currencies dropped from 24.0% to 17.8%. The share of the U.S. dollar declined from 15.0% to 14.8%, while the share of the British pound rose from 3.2% to 9.2%, and the Hong Kong dollar declined from 10.7% to 9.0%. The other currencies' share in borrowings outstanding declined from 27.3% to 26.4% at year-end. The Bank has borrowings outstanding in 26 different currencies.

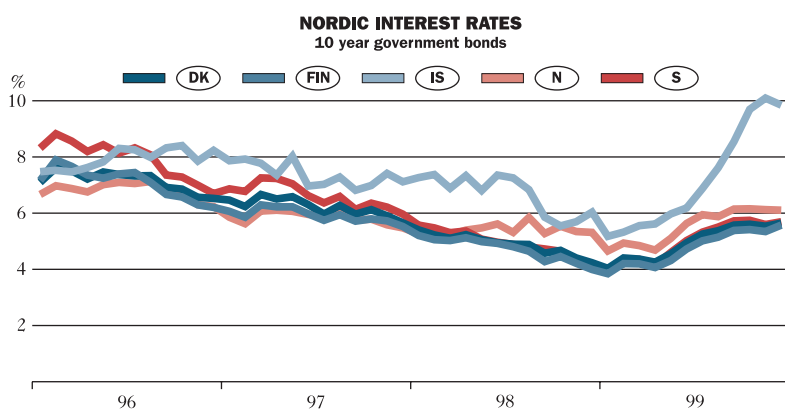
The table on page 16 shows the maturity profile for new borrowing in 1999 and 1998.

Maturities of new debt issues in 1999 were primarily in the 5–7 year and 10 years and longer categories, as well as in the short-term maturity category of 1–3 years.

Currency distribution after swaps

The Bank uses the swap market to a considerable extent to match its borrowings to the currency, maturity and interest rate type desired by its clients.

The distribution of new borrowing trans-



Source: Bloomberg

Maturity Profile of New Borrowings

	Number of transactions		Amount in EUR million		Percentage	
	1999	1998	1999	1998	1999	1998
1 – 3 years	32	26	633	501	25	21
3 – 5 years	1	3	13	185	1	7
5 – 7 years	14	15	617	409	25	16
7 – 10 years	5	12	334	1,248	13	50
10 years and longer	19	5	881	141	36	6
Total	71	61	2,478	2,484	100	100

actions in 1999 after swap is as follows: U.S. dollar 59%, euro 27%, and Nordic currencies 14%. Of the Nordic currencies, Swedish crowns make up 8%, Norwegian crowns 4%, and Danish crowns 2%.

It should be noted that a larger proportion of the Bank's borrowings than was the case in the past was swapped to euro in order to meet the greater demand anticipated from the Bank's clients for loans in that currency.

At year-end 1999, the distribution of NIB's total after-swap borrowings was the following: USD 50%, Nordic currencies 33%, euro 8%, and other currencies 9%.

Structured transactions

The Bank enters into structured borrowing transactions in which the interest rate and repayment schedule can be tied to developments in, for example, interest rates, exchange rates, or share indexes. The purpose of this is to satisfy the investors' demand for this type of transaction. 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 in 1999 were covered by structured transactions than was the case in 1998. The proportion of structured transactions in 1999 was 26% of the year's borrowing operations, compared with 16% in 1998.

The Bank has taken a positive attitude toward negotiating for the repurchase or restructuring of structured bonds. The need for this in 1999, however, was limited.

Borrowing program

In 1992, the Bank established a EUR 10,000 million Euro Medium Term Note program for its borrowings on the Euromarket. Sixty-nine transactions were carried out under the program in fiscal 1999, for a total amount of EUR 2,184 million, compared with 48 transactions totaling ECU 1,721 million in 1998. Borrowings of EUR 7,267 million were outstanding under the program at year-end 1999.

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

In 1996, a Medium Term Note program was established on the Swedish capital market, now amounting to SEK 8,000 million. The borrowing program was not utilized during 1999. At year-end, the Bank had SEK 3,640 million in borrowings outstanding under this program.

No transactions were made under the Bank's USD 600 million borrowing program in the United States.

SHORT-TERM BORROWING

Primarily, NIB's lending is financed with long-term borrowing. NIB has access to short-term funds through its short-term borrowing program and the interbank market. 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.

NIB's short-term borrowing program is utilized primarily to cover its short-term financing needs. There was no need to issue

notes under these programs in 1999 due to the Bank's satisfactory level of liquidity.

At year-end, NIB had no borrowings outstanding under the Commercial Paper programs, compared with ECU 106 million in 1998. The figures for the interbank market were EUR 228 million in 1999 and ECU 286 million for 1998.

LIQUIDITY

NIB's goal is to continuously maintain a sufficiently ample amount of liquidity to give the Bank flexibility in carrying out its borrowing program. In general, NIB strives to achieve a level of net liquidity that corresponds to its liquidity needs for twelve months into the future. That enables the Bank to avoid accessing capital markets for borrowing during times of unfavorable market conditions.

The larger amount of borrowings in 1999 compared to budget resulted on the one hand in a relatively high level of liquidity at the end of the year, and on the other hand in a reduction in the Bank's solidity ratio.

Using the IAS method of calculation, the Bank's net liquidity amounted to EUR 2,781 million at year-end, compared with ECU 1,902 million at year-end 1998. The solidity ratio was 9.2% at year-end compared with 10.2% one year earlier.

NIB's liquidity is primarily placed in USD at variable interest rates. The U.S. dollar constituted 53% of the Bank's liquidity placements at year-end. In addition, 35% of NIB's liquidity is placed in euro, and 9% in Nordic currencies.

The Bank's liquid assets are placed in the short-term market, using several different money market instruments. These consist of deposits, Commercial Papers, Floating Rate Notes (FRN), and Asset Swaps. The particular instrument to be used is chosen with a view to credit quality, liquidity, and return, as well as matching interest rate characteristics with those of the underlying borrowings in order to minimize interest rate risk. 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's equity capital in the form of paid-in capital and reserves rose during the fiscal year, from ECU 1,139 million to EUR 1,220 million.

Profits for the year rose to EUR 106 million. NIB paid EUR 35 million in dividends to its member countries out of profits for 1998.

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 earning securities. This is the so-called equity capital portfolio. The return on these placements is an important contributor to NIB's total profits.

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 market-valued portfolio (the trading portfolio), which consists of securities that can be bought and sold continuously, based on the assessment of market developments.

Over time, the goal is to have these portfolios distributed in such way that 65% of the securities are placed in the investment portfolio and 35% are placed in the trading portfolio.

The distribution between the portfolios was 76% of total placements in the investment portfolio and 24% in the trading portfolio at year-end 1999.

Interest-rate risk limits have been established for the investment and trading securities, which are expressed as a combination of modified duration and value-at-risk limits.

The modified duration for the equity capital portfolio was 3.1 years at year-end 1999. The Bank's profits in relation to average equity capital was 9.0% in 1999, compared with 10.5% in 1998.

DERIVATIVES

The Bank uses interest rate swaps and currency swaps to limit its financial risks.

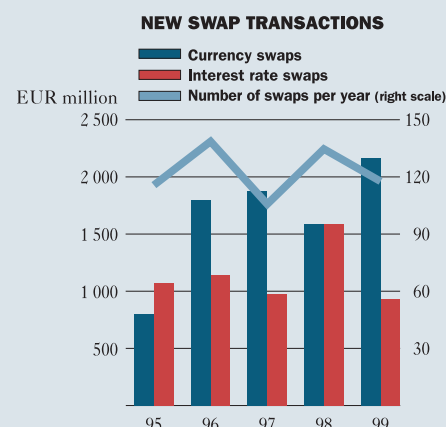
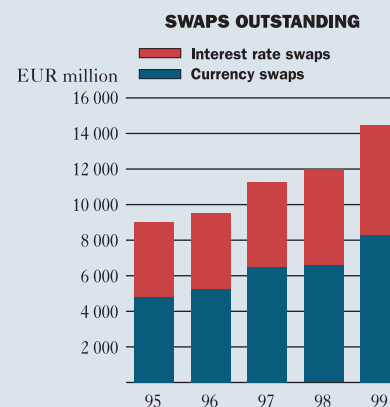
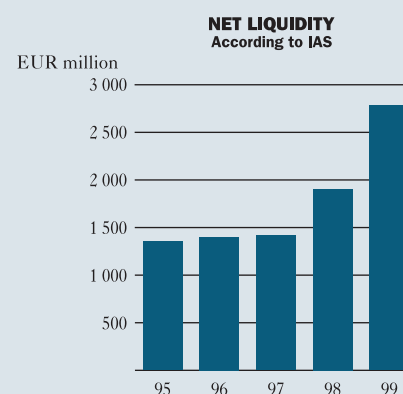
NIB entered into 118 new swap agreements in 1999, compared with 135 in 1998.

The table below sets forth the Bank's swap activities in nominal terms. A substantial portion of the increase in swap volumes during 1999 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 922 million, compared with ECU 1,008 million the year before.

Nominal volume of swaps (in EUR million)

	1999	1998
<i>Entered into during the year:</i>		
Interest rate swaps	931	1 591
Currency swaps	2,171	1,596
<i>Outstanding as of Dec. 31:</i>		
Currency swaps, owed to NIB	8,351	6,443
Currency swaps, owing by NIB	8,313	6,594
Interest rate swaps	6,201	5,414



The Bank's authorized capital was increased on January 1, 1999, from ECU 2,809 million to EUR 4,000 million. EUR 100 million of the EUR 1,191 million increase consists of paid-in capital. Of the paid-in portion, EUR 70 million will be transferred from the Bank's Statutory Reserve and EUR 30 million will be directly paid in by the member countries in equal annual installments over a three-year period. The transfer to the Statutory Reserve and the first EUR 10 million installment was made during the year. Paid-in capital totaled EUR 384 million at year-end and an additional EUR 20 million will be paid-in during 2000 and 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 fulfilment 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 Environmental Loan facility (MIL), which is earmarked to finance environmental protection investments in the neighboring areas of 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 per cent of each loan under the PIL lending facility up to a sum of EUR 1,800 million, and 100 per cent of the BIL and MIL lending facilities.

The ceiling for the Project Investment Loan facility was also increased January 1, 1999, from ECU 2,000 million to EUR 3,300 million. The member countries' total guarantee limit of EUR 1,800 million remains unchanged.

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 about 40 per cent of the authorized capital, while Denmark, Finland and Norway each have an approximately 20 per cent share. Iceland's share is about 1 per cent.

NORDIC LENDING

The demand for the Bank's loans within the Nordic region remained high throughout the year. The number of loans granted, agreed and disbursed exceeded the number for the preceding year. However, due to a decrease in the average loan amount, the total lending declined for the second year running. The total amount outstanding grew by 15%, largely due to exchange rate fluctuations and redeployments of the loan portfolio.

In the granting of loans during 1999, priority was given to loans to financial intermediaries for further lending to Small and Medium sized enterprises (SMEs). Particular importance was attached to the Bank playing a complementary role in the market by offering long-term loans or providing complementary funding to projects.

LENDING AND LOAN PORTFOLIO

Disbursements to Nordic borrowers (see fig. 1) during the year totaled EUR 999 million (1998: ECU 1,045). No guarantees were issued in 1999 (1998: ECU 8 million). Fig. 2 shows the breakdown of disbursements between the Nordic countries.

Of the lending during 1999, 46% or EUR 459 million was lent to the manufacturing industry, which remains the largest sector, with a year-on-year increase of 2 percentage points. However, the fastest growth was in the energy sector, where borrowing doubled, in both absolute figures and percentage terms, compared with previous years. The steepest decline, from 13% to 7%, came in the financial sector, despite a growth of lending to intermediaries. This was due to a fall in lending to other financial institutions. The percentage changes regarding other sectors (in total loan disbursements) were less than 5 percentage points.

In the manufacturing sector, after a few years of decline, the pulp and paper industry, has now increased its share of disbursements from 2% to 17%. The borrowers included Norske Skogindustrier, Assi-Domän, SCA, Södra Skogsägarna, Kymmene Corporation and Metsä Tissue.

Disbursements in the transport and communications sector were fairly evenly divided between service enterprises in the transport sector, such as Port of Aarhus and the

EM. Z. Svitzer Group, and Sonera and Norway Post in the postal and telecommunications sector. The largest borrower in the energy sector—which is a sector of major importance to the Bank—was Birka Energi. Other large energy-related loans were disbursed to Landsvirkjun, the Municipality of Reykjavík and Elkem.

LENDING TO SMEs THROUGH INTERMEDIARIES

Targeted efforts in all the Nordic countries have led to a substantial growth in the cooperation with Nordic banks and financial institutions, who act as intermediaries in lending to SMEs for the financing of Nordic projects relating, for example, to the environment and energy production. Such frame credits have been agreed with the Bank of Åland, Sparbanken Finn, Íslandsbanki, Roskilde Bank and Rinkjörbing Landbobank. Frame credit disbursements totaled EUR 71 million, divided between eight counterparties. In addition, regional loans totaling EUR 34 million were disbursed to Finnvera, the Government of Åland and the West-Nordic Foundation.

The breakdown per sector of loans outstanding 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 64-65.

CROSS-BORDER INVESTMENTS

A division of disbursements into cross-border investments, environmental, R&D and infrastructural investments shows that cross-border investments have increased heavily during the past year. They now stand at EUR 430 million and increased during the year from 27% to 43% of total disbursements, EUR 304 million of which comprised investments within the Nordic region and EUR 126 million to investments outside this area. Typical cross-border investments are company acquisitions and start-ups by a Nordic company in another Nordic country, such as the loan to Norwegian Schibsted for acquisitions including the Swedish daily newspaper Svenska Dagbladet, and to Danisco for the acquisition of Cultor, a company in the Finnish food industry.

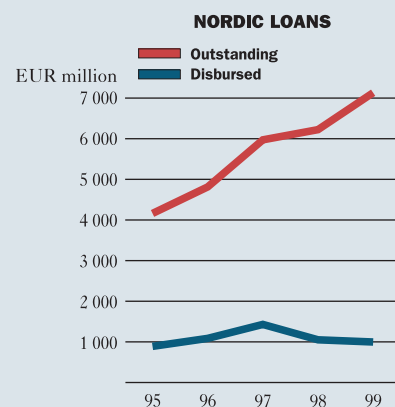


Fig. 1

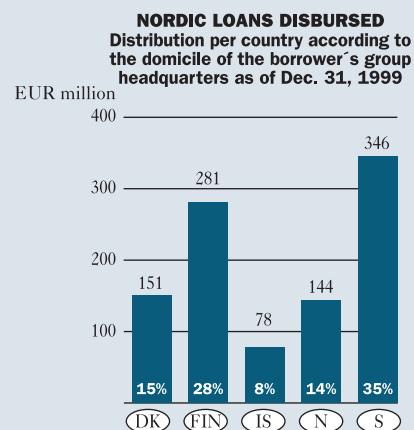


Fig. 2

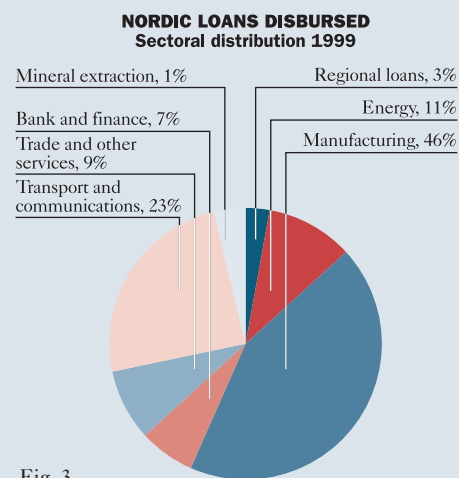


Fig. 3

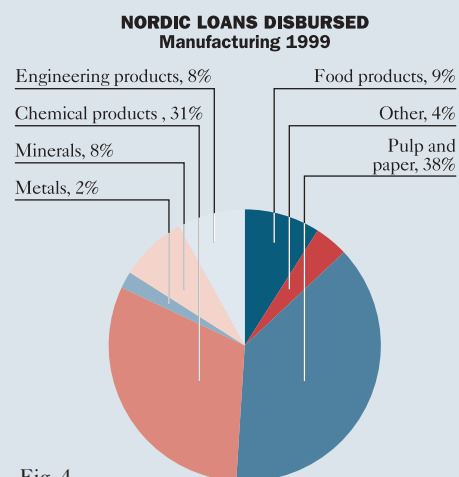


Fig. 4

NORDIC LENDING

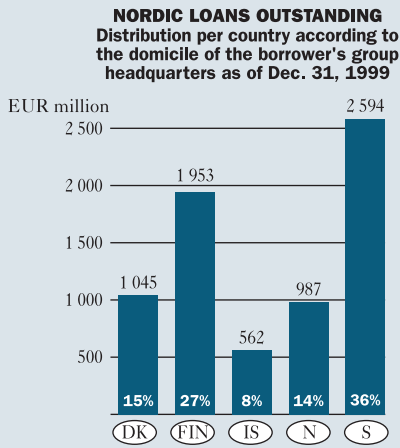


Fig. 5

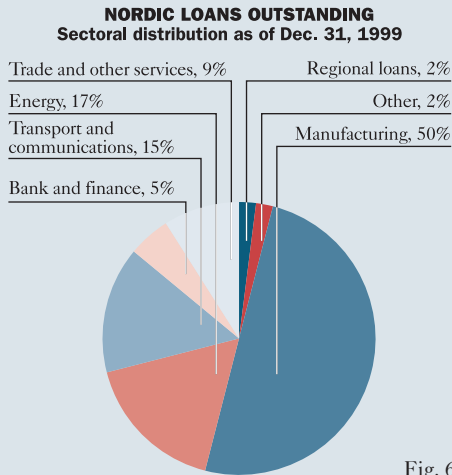


Fig. 6

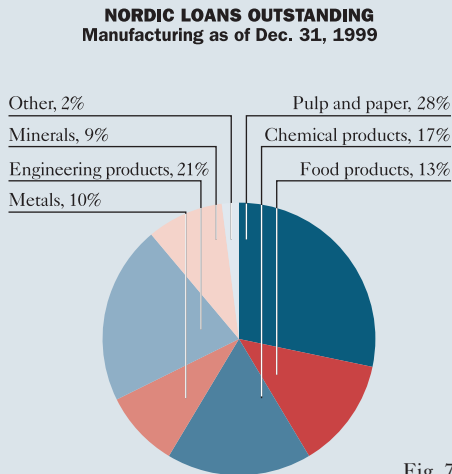


Fig. 7

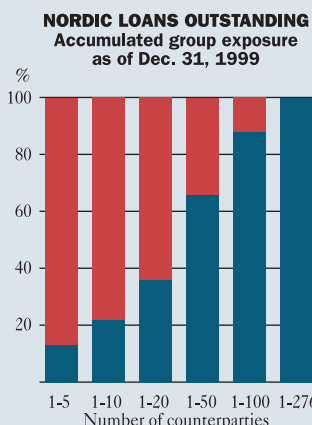


Fig. 8

Infrastructure investments, at 34%, remained on a level with the preceding year with an even breakdown between energy supply, transport and communications.

Environmental investments dropped somewhat, accounting for 8% of the lending. This group includes loans for wind power and waste management projects. Environmental components were included in just over 20% of the disbursements, compared with 30% for the preceding year. Environmentally related loans totaled EUR 138 million, with a direct environmental component estimated at EUR 80 million or 58%. New customers accounted for 46% of the year's disbursements, and these loans comprised 32% of the total disbursed. If the lending to SMEs through intermediaries is also taken into account, the circle of customers is further enlarged, albeit indirectly.

In addition to loans disbursed, the loans agreed totaled EUR 30 million. The increase of disbursements in EUR continued during the year, whereas disbursements in USD declined. The Swedish currency, SEK, although down on the previous year, remained an important disbursement currency, representing 29% of the year's disbursements. Floating interest rates were applied for 79% of the Nordic loans disbursed during the year.

LOANS OUTSTANDING AT DEC. 31, 1999

The total of Nordic loans and guarantees outstanding increased during 1999 by 15%, from ECU 6,231 million to EUR 7,150 million (see fig. 1 on page 19). Excluding exchange rate differences, the increase was 6%. The breakdown per country was by large the same as for 1998. The distribution per country of the loan portfolio is presented in fig. 5.

MANUFACTURING INDUSTRY PREDOMINATES

The manufacturing industry, with a total of EUR 3,609 million (3,093) in loans outstanding, guarantees included, accounts for 50% (50) of the total amount of Nordic credits. This sector is dominated by timber, pulp and paper manufacturing, with EUR 1,017 million in loans outstanding, which is 28% of the total of loans outstanding in the

manufacturing industry. The engineering industry, though slightly down on the preceding year, remains second in size, with a share of 21% or EUR 767 million.

Loans outstanding to the chemical industry rose by 28% to EUR 629 million, which gives a share of 17%. The food industry's share remains unaltered at 13%, while figures for both metal goods manufacturing and mineral extraction are slowly declining.

The energy sector (electricity, gas, heat and water supply), with the equivalent of EUR 1,209 million outstanding, comprises 17% of the total of loans, which is 1 percentage point down on the preceding year. Transport and communications remains unchanged, with 15% or EUR 1,095 million of loans outstanding, and the trade and service sector accounts, as previously, for 9%.

The financial sector makes up 5% of the total of loans outstanding. At year-end the Bank had credit lines with 16 (10) Nordic banks and financial institutions totaling EUR 300 million (231), which was 4% of the total of loans outstanding. In addition, NIB has regional loans outstanding with 5 (7) counterparties equaling EUR 118 million (139) or 2% of the loans outstanding. The intermediaries' share of loans to the financial sector, totaling EUR 360 million, is 83%. Their importance has increased through the Bank's decision to support the SME sector by channeling loans through intermediaries in all the Nordic countries. The breakdown of the portfolio between different industrial sectors or branches of economic activity is shown in fig. 6, and a specification of manufacturing industry is given in fig. 7.

The portfolio of loans outstanding by size of borrowing group continues to present a slowly declining trend for large single exposure in relation to total lending. The Bank's 10 largest borrowers at group level account for some 21% (22) of the total lending and the 50 largest for 65% (66); see fig. 8.

NIB's largest exposure, EUR 238 million, is the result of a merger and it corresponds to some 20% of the Bank's equity. The corresponding figures for the tenth largest exposure are EUR 119 million or 10% of equity. The 10 largest exposures

account for EUR 1,536 million in lending, which is about 126% of the Bank's equity.

The falling trend in national and local government exposure continued during 1999. Compared with 1998, the proportion of loans outstanding to or guaranteed by governments or local authorities fell from 14% to 11% of the total lending. Further to this, see the section on risk management, page 30-31. The currency breakdown of the loan portfolio is described on page 49.

NIB's own risk classification system divides the Nordic loans into risk classes 1-10. This classification is based on a combination of counterparty risk and the value of the security provided. 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.

The quality of the loan portfolio remains very good. At year-end there were unsettled claims totaling EUR 3.8 million. In the annual accounts a credit loss reserve of EUR 3.5 million has been made.

In addition to the existing total of credits and guarantees, the Bank's Nordic Lending Department has concluded agreements on loans, yet to be disbursed, totaling EUR 536 million (679) and has granted further loans and guarantees amounting to EUR 546 million (901).

PROJECTS AND BORROWERS

61 new loans were disbursed and a further 3 agreed during 1999. 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

Financing of new companies, acquisitions and deliveries across national borders accounts for an increasingly important share of lending. During the year, the lending volume increased by 50 per cent.

Sanistål A/S

The Danish company Sanistål is strengthening the distribution of Nordic steel products by investing in the enlargement and streamlining of its distribution system and its warehousing and administration facilities. In addition, Sanistål is acquiring the German plumbing and steel wholesaler Max Schön AG, which, through subsidiaries, will enable the company to expand its business in Central and Eastern Europe.

Ove Arkil A/S

Danish acquisition of 100% of the share capital in Swedish Inpipe Sweden AB, a company producing liner fabric inserted in sewerage mains in connection with pipe renovations. The product is long lasting and will in future be used in gas and water pipes.

Danisco A/S

The acquisition of Finnish Cultor Oyj, active in the food industry, by the Danish company Danisco.

Nokian Tyres plc

The Finnish manufacturer of tyres, Nokian Tyres has carried out a development of its own channels of distribution through the acquisition of companies in Finland, Sweden, Norway, Estonia and Latvia. Investments in the Nokia factory will raise the output capacity by 50% over five years. Finland accounts for 25% of the company's net sales, the other Nordic countries for 41%.

Fiskars Corporation

The Finnish company Fiskars' acquisition of German Werga Tools GmbH and British Richard Sankey & Son Ltd, both of which operate in the gardening products segment. These acquisitions will lead to an expansion of Fiskars' marketing network and substantially boost employment in the Danish and Finnish production units.

Chips Corporation

In 1999, the Åland manufacturer of crisps acquired the remaining 50% of shares in the Swedish OLW companies that operate in the snacks business in Sweden, with considerable exports to Norway. The acquisition, which raised Chips' holding from 50% to 100%, will lead to closer co-operation in manufacturing, marketing and product development.

Sanitec Corporation

The Finnish group is acquiring Dutch Sphinx-Gustavsberg, which produces sanitary ware and bathroom equipment. The Group has operations in the Benelux countries, Germany, Sweden, the Baltics and Eastern Europe. This project strengthens the Group's operations in the Nordic countries.

Kesko Oyj

Kesko, a leading Finnish company, operating in whole sale and non-durables, is investing in a logistics center in Tallinn, Estonia. This will take the form of a central warehouse with heated, refrigerated and deep-freeze facilities. Meanwhile the first steps are also being taken to expand a fast delivery wholesale network in Estonia.

Vapo Oy

The acquisition by the State-owned Finnish peat extraction enterprise of Sweden's Råsjö Torv AB and subsidiaries, which are involved in the extraction and processing of peat. The peat is used, for example, in energy production, plant breeding and soil improvement.

Metsä Tissue Oyj

The Finnish paper mill has acquired Polish soft tissue producer Warszawskie Zakłady Papiernicze S.A. At the same time the pro-

duction facilities are being modernized to make production more efficient and environment friendly.

Sia Biko-Lat Inc.

Investment by the subsidiary of Icelandic BYKO hf. in alteration and renovation of a wood manufacturing plant in Latvia. The project involves various kinds of machinery for processing and after-treatment of wood. Capital goods will be delivered by manufacturers in Sweden, Denmark and Estonia.

Baugur hf

Acquisition of shares in the Faeroese SMS company, active in the convenience goods business. Continuous deliveries from Iceland and Norway through Baugur and the Reitan Group.

Elgiganten Køkkenland A/S

Acquisition by Norwegian Elgiganten of Danish Køkkenland A/S, a company operating in household electrical goods in Denmark.

Elopak AS

Acquisition by the Norwegian company Elopak of Finnish Pakenso's milk carton conversion plant. Formerly Pakenso produced these cartons under licence from Elopak.

Norske Skogindustrier ASA

The Group is investing in a new newsprint machine in Golbey, France. The raw material will to a great extent consist of recycled paper. Substantial deliveries from Finland and Sweden.

Schibsted Finans AS

The Norwegian newspaper Group is investing in Sweden through the acquisition of Svenska Dagbladet and the establishment of Sandrew Metronome, and in Estonia through the establishment of Eesti Meedia, which publishes newspapers and magazines.

SCA Coordination Center N.V.

Swedish SCA Hygienprodukter is investing in Mannheim Germany. The result will be a new tissue machine, new conversion machines and improved stock management, making this factory SCA's most important unit for the production of domestic tissue and handkerchiefs. The paper machine is being delivered by the Finnish Metso Group.

Scancem Treasury AB

Swedish Scancem's acquisitions in the Nordic area.

Skanska Financial Services AB (publ)

The largest construction and property group in the Nordic area is strengthening its position through acquisitions in Finland, *viz* Polar's contracting business and the remaining 30% of Skanska Oy. Other investments comprise a capital infusion in Skanska Jensen, Denmark, and in Norway the acquisition of Aadnøy.

Aga AB (publ)

Swedish Aga is investing in new gas production facilities in various parts of the Nordic area, a nitrous-oxide factory in Norway, two factories in Finland, five storage tanks in Denmark and a factory in Sweden.

NCC Treasury AB (publ)

Swedish NCC AB, the leading contracting company in the Nordic area, is further strengthening its position in Denmark through the acquisition of the Danish asphalt and ballast company Superfos Construction A/S.

Handelsbanken Finance AB (Nordwaggon AB)

Sweden's Handelsbanken Finance AB is financing, on a leasing basis, 96 multipurpose goods wagons to be delivered by Finnish Talgo-Transtech Oy to Nordwaggon AB. The wagons are being sub-leased on a long-term contract to the European motor industry.

Scandic Hotels AB (publ)

The largest hotel concern in the Nordic area is investing in hotel furnishings and other portable equipment, partly in conjunction with new acquisitions and also through the upgrading of existing hotels. Scandic runs 112 hotels in the Nordic area and 21 outside it.

Kuusakoski Baltic Holdings Oü

The acquisition by Kuusakoski Group in Finland of Estonian Eesti Metalliekspor AS, one of Estonia's leading metal recovery enterprises. A large part of the recycling output is sold to the Nordic metal industry.

A/S EM. Z. Svitzer

Acquisition by the Danish company Svitzer

of Swedish Röda Bolaget AB, which is active in towing operation, salvage, ice-breaking and harbor services. The Svitzer Group has the largest tug fleet in Scandinavia.

Elkem ASA

Increase of holding in Icelandic Alloys from 30% to 51% by means of a rights issue.

Borealis A/S

Borealis A/S is Europe's biggest producer of polyolefines. The company has decided to invest in capacity enlargements at Stenungssund in Sweden. These will raise its ethylene production capacity, which in turn is a precondition for boosting production of polyethylene.



INFRASTRUCTURE INVESTMENTS

Throughout its existence, the Bank has attached great importance to financing infrastructure projects. Projects of this kind accounted for roughly one-third of disbursements during the year.

Landsvirkjun

(The National Power Company in Iceland)

Investments in a new hydropower plant at Vatnfallsvirkjun. The investment is being made in conjunction with the Norðurál aluminium factory on Grundartangi.

Municipality of Reykjavík

A follow-on investment by the municipality of Reykjavík in the Nesjavellir geothermal power plant. The electricity output is delivered directly to Landsvirkjun. The heat output is delivered to the Reykjavík region through a 27 km pipeline.

Port of Aarhus

Investments by Port of Aarhus in Denmark in a new container terminal to accommodate a future capacity increase and larger ships. Annual capacity will increase from 300,000 to 500,000 containers.

Road Company Nelostie Oy

A consortium consisting of Skanska Oy, Skanska BOT AB, the Sampo Group and the British Hyder Plc investment company has invested in the upgrading to motorway standard of the section of road between Järvenpää and Lahti, Finland, which it will be operating for about 15 years. At the end of that period, operational responsibility will revert to the State.

Reka High Voltage Cables Ltd

The company is investing in a facility in Riihimäki, Finland, for the production of medium and high voltage cable. The investment will make possible an augmentation of capacity and further diversification of the product range. The company receives raw material deliveries from Sweden and Norway and makes continuous shipments to Sweden, Norway and Denmark.

Oliufélagið hf.

The company is investing in a new service station, in oil depots in Reykjavík and Akureyri and in road tankers. Oil is continuously imported from Norwegian Statoil. Capital goods deliveries from Scania and Volvo in Sweden.

The Icelandic National Broadcasting Service (Ríkisútvarpið)

Simultaneously with its transfer to new premises, Iceland's national radio is investing in new technology for both radio and television transmissions. Investments are also being made in the long-wave network, so as to improve quality and augment transmission ranges, partly for the benefit of shipping.

Municipality of Hafnarfjörður

This Icelandic municipality is investing in new harbor facilities to provide increased capacity and better services for freighters and fishing vessels. Freighters plying between Iceland and the Nordic countries are frequent users of the port, which is visited on one-third of all voyages.

Sonera Corporation

Finnish Sonera is a front-runner in mobile communication and mobile-based services and applications. The rapidly expanding company is investing in an upgrading and

development of base stations and network expansion.

Södra Skogsägarna ekonomisk förening

This co-operative enterprise is investing in environmental and capacity-related improvements at its Mönsterås pulp mill. The improvements will make the mill one of the world's largest producers of long-fibred pulp. New, environment friendly technology is being used to purify and reduce emissions. In addition, a new, environment-friendly technology is being introduced in sawmills and both harbor and warehousing capacities are being enlarged.

SAS – Scandinavian Airlines System

The airline is investing in 55 new Boeing 737 aircraft, scheduled for delivery between 1998 and 2002. The new aircraft have lower fuel consumption and noise and emission levels than the types of aircraft currently in service.

A-Train AB

This Swedish company and the construction consortium behind it are responsible for enlarging the Arlanda Express high-speed train link between Stockholm Central Station and the Arlanda air terminal.

Norway Post BA

Investment in logistics network through the reduction and centralization of mail terminals. New equipment will reduce the need for manual sorting.

Flugleiðir hf / Icelandair

Investment in two new Boeing 757-200 aircraft as part of a larger investment program. The aircraft will serve routes between the other Nordic countries and Iceland, with a transfer to the USA.



ENVIRONMENTAL INVESTMENTS

Investments in projects with a positive en-

vironmental impact remain a point of emphasis with NIB's lending. Environmental components are also present in roughly one-tenth of the projects presented under the other main headings.

Kiertokapula Oy

Development and enlargement of the waste disposal site in Hyvinkää, Finland, through the installation of a new waste mill and screening plant plus an optical sorting system for domestic refuse. The biological waste is used as raw material in the company's composting plant for the production of humus and biogas.

Suomen Hyötytuuli Oy

This Finnish company is investing in a new wind farm off the Pori coast. The borrower is owned by nine municipal energy companies nationwide and is receiving deliveries of capital goods from Denmark.

Kemira Oyj

Environmental investment program involving titanium-dioxide production facilities in Pori, Finland. To eliminate emissions in the sea and occasional emissions into the atmosphere, a new processing plant has been built for wastewater and reactor exhaust fumes, a sludge depot is being constructed and improvements are being made to the recycling of residual products.

Propel Voima Oy

The recently formed Finnish windpower company, owned by five energy companies, is investing in a new wind farm off Uusikaukunki on the west coast of Finland. A large proportion of the windpower units are manufactured in Denmark and delivered by Nordex GmbH.

Municipality of Kópavogur

Investments in the development of infrastructure and environmental projects in Iceland, *viz* roads and main facilities, sewerage and wastewater purification and a harbor enlargement.

Tinfos Jernverk AS

Environmental investments at the Kvinesdal smelting plant in Norway, comprising among other things filtration of emissions

and effluent and collection of waste oil and special category waste.

Kymmene Corporation

Investment by Finnish paper manufacturer Kymmene in a new paper machine for coated magazine paper at its Rauma plant. New technology will reduce water consumption. Investments are also being made in buildings and infrastructure. Deliveries from Valmet, ABB, Sunds Defibrator, Kværner and Alfa Laval.

ABB Credit Oy/ Sunila Oy

Investment by Finnish Sunila in a continuous digester at the company's Kotka pulp mill. Large capital goods shipments from Kværner, among others. The investment will have a noticeably positive environmental impact. Nordic owner group through Stora Enso and Myllykoski.

AssiDomän AB (publ)

Swedish AssiDomän AB's board machine and pulp mill at Frövi are being enlarged for improved efficiency, capacity and quality. The high-grade product is used in the food industry. Simultaneously a number of environmentally related investments are being made, for instance, a new, chlorine-free bleaching plant, external purification, boiler filters. Capital goods deliveries from Finland and Norway.

Birka Energi AB (publ)

Investment by the Swedish energy company Birka Energi in district heating, electricity distribution and district air-conditioning.



RESEARCH AND DEVELOPMENT

Loans to R&D-related projects have continued, albeit on a reduced scale.

Technopolis Oulu Oyj

Increase of the total floorspace of the tech-

nology center in Oulu, in Northern Finland, to accommodate the requirements of existing and numerous potential tenants. The tenant companies, active mainly in IT, electronics and automation, are engaged in product development, research and education, with a limited amount of production.

Haldex AB (publ)

Swedish Haldex, supplier of systems and components to the automotive industry is investing in research and development, mainly in the product fields of four-wheel drive for cars and brake discs and ABS/EBS systems for HGVs. An important initial contract for four-wheel drive systems has been signed with Volkswagen.



REGIONAL LOANS AND LOANS TO FINANCIAL INTERMEDIARIES

In keeping with its strategy, NIB co-operates and complements other Nordic and international providers of credit. Lending to SMEs is an important concern in this connection. During the year, loans with a view to boosting SMEs have been made to financial intermediaries, i.e. banks and regional financing institutes.

Kaupping hf.

Credit line for loans to projects of Nordic interest, e.g. to finance Bakkvör hf's acquisition of Swedish Lysekil AB's fish products business.

Roskilde Bank A/S

Credit line to the Danish bank's for sub-loans to SMEs in central Zealand, Denmark for projects of Nordic interest.

Ringkjøbing Landbobank A/S

Credit line for loans for projects of Nordic interest in agriculture and energy supply in Jutland, Denmark.

Bank of Åland plc

Credit line for loans to SMEs for projects of Nordic interest, mainly in Åland.

Finnvera Abp

Regional loan for funding loans to SMEs in Finland.

West-Nordic Foundation

Financing of the fund's lending activities. The mission of the fund, owned by the Nordic countries, is to promote economic development in the Western part of the Nordic area and co-operation within and between this region and the rest of the Nordic area.

Íslandsbanki hf.

Credit line for funding the bank's lending, with special emphasis on environmental and infrastructural projects in Iceland.

Icebank hf (Sparisjóðabanki Íslands hf.)

Credit line to fund loans by savings banks to SMEs for projects of Nordic interest.

Sparbanken Finn

Credit line to this savings bank in southern Sweden to finance SME projects of Nordic interest in Skåne. The industrial climate in the region is stimulated by its proximity to Denmark.

Government of Åland

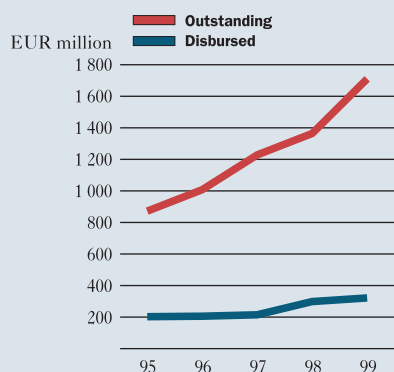
NIB has awarded the Government of Åland a regional loan, which will be used for re-lending towards investments in infrastructure, SMEs and the environment. The projects concerned will promote electricity supply, marine transport and the tourist industry.

Association of Local Authorities in Iceland (Lánasjóður sveitarfelaga)

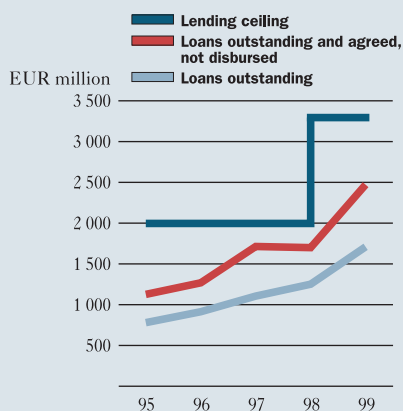
The Association is jointly owned by all local authorities in Iceland. It advances credits to Local Authorities for major long-term investments or for the re-financing of unfavorable pre-existing loans. NIB has granted the association a credit line for on-lending to Icelandic Local Authorities.



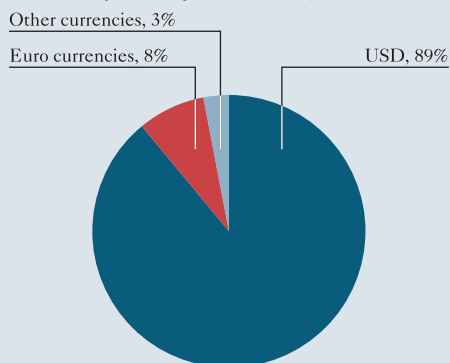
INTERNATIONAL LOANS AND GUARANTEES



PROJECT INVESTMENT LOANS



LOANS OUTSTANDING By currency as of Dec. 31, 1999



INTERNATIONAL LENDING

NIB's borrower countries in Asia underwent something of an economic recovery in 1999, as also became apparent to the Bank through a distinct growth of demand for the financing of new projects. Rising demand has also been felt from countries in the Baltics and in Central and Eastern Europe. The bank has further expanded its activities in Latin America, with Brazil as a new borrower country.

During the year the Bank, acting in cooperation with Nordic national authorities and other international financial institutions, was involved in developing environmental and environment-related projects in the neighboring area to the Nordic region. These activities are dealt with in a separate section on page 28-29.

At the end of the year, international loans outstanding and agreed but not disbursed, totaled EUR 2,476 million (1998: 1,866). Due to some 90% of the stock of loans being denominated in U.S. dollars, 55% of the increase can be put down to the exchange rate effect.

NIB co-operates with more than 30 countries in Asia, Latin America, Africa and the Middle East, as well as in the Baltic region and Central and Eastern Europe. Cooperation with these countries is long-term and based on general co-operation agreements. During 1999, the Bank signed co-operation agreements with Brazil, Jordan and Slovenia.

LENDING AND THE LOAN PORTFOLIO

The bulk of the Bank's international lending continues to be Project Investment Loans (PIL) to national governments or with governmental guarantees. As from January 1999, the frame for the PIL facility, has been increased to EUR 3,300 million.

The financing takes the form of direct loans to individual projects or of funding channeled through financial intermediaries. Through such loan programs NIB can assist in financing smaller projects, an activity especially in demand in the neighboring regions.

International disbursements during the

year totaled EUR 322 million (298).

Loan disbursements for the year broke down as follows: Central and Eastern Europe, 40%; Asia, 26%; Latin America, Africa and the Middle East, 22%. Loans to the Baltic countries accounted for 12%.

New loans agreed during the year totaled EUR 536 million (237) and altogether 42 new loans were granted, totaling EUR 642 million (380).

International loans outstanding at year-end totaled EUR 1,713 million (1,346). To these were added guarantees outstanding, at EUR 23 million (20).

PIL loans, at EUR 1,674 million (1,254), accounted for the biggest share of loans outstanding. At year-end the Bank had loans outstanding to 32 countries. Loans to countries in Asia accounted for 51% of the stock of loans outstanding. 76% of the loan portfolio, comprising both loans outstanding and loans agreed but not disbursed were sovereign loans.



ASIA

The Asian crisis, which affected certain of the Bank's borrower countries, appears to be subsiding, and the economies of the worst hit countries are recovering. There seems to be a political understanding and determination in these countries to tackle the problems, and the forecasts for these countries—with a few exceptions—indicate economic growth.

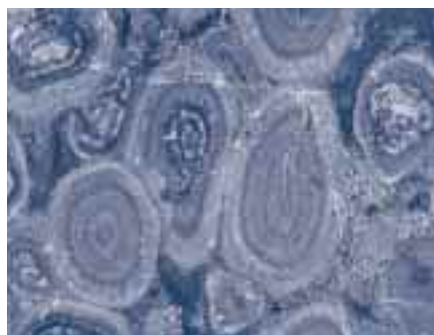
During the crisis the afflicted economies were forced to make heavy reductions in their budgets and thus postponing many infrastructure investments. A notable improvement occurred at the end of 1999, and many Nordic enterprises have ventured back into these important markets.

During the year the Bank agreed to fi-

nance several new projects within the region. In the Philippines, a loan has been agreed on for the expansion of a mobile telephone network for Globe Telecom Inc. This loan, amounting to USD 20 million, will be used to finance deliveries of mobile phones and telecommunications systems.

In China NIB has helped to finance a major transmission project. The loan, USD 50 million, was agreed on with the Chinese Finance Ministry, which thus for the first time represented the borrower instead of the Ministry of Foreign Trade and Economic Co-operation (Moftec). NIB has also signed an agreement with China for a further loan program of USD 60 million to finance small and medium scale projects. Under this program a total of 10 projects with a combined value of USD 21.7 million were approved during the year. In addition, the Bank's co-operation agreement with China was renewed during 1999 and a new agreement signed with the Finance Ministry.

In Thailand the Bank has signed an agreement with the Metropolitan Electricity Authority (MEA) for a loan of JPY 1,500 million to finance a tunnel system for power transmission, as well as deliveries and installation of power cables and electrical systems.



LATIN AMERICA, AFRICA AND THE MIDDLE EAST

Recent years have witnessed a distinct growth of Nordic companies' activities in Latin America. The Bank's first loan to Argentina, providing USD 20 million for energy supply, was signed in 1999.

The Bank has long been preparing for co-operation with Brazil, and in 1999 a co-operation agreement was signed with the Brazilian authorities, covering both lending

to the national government and private sectors. A loan program was granted to BNDES, the Brazilian national development bank.

In South Africa the Bank has signed a loan program with the national development bank DBSA. The program, amounting to USD 30 million, comprises investments in South Africa as well as the other countries of the SADCC region.

Two new loans, both for the water and sewerage sector, were agreed and signed with Turkey during the year. The water supply project is for the city of Bandirma and totals USD 10 million, while the sewerage project, in Istanbul, is for EUR 7.7 million.

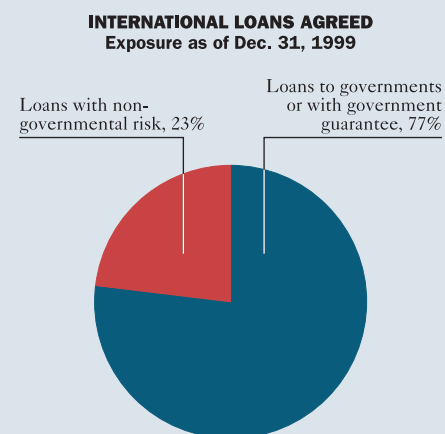
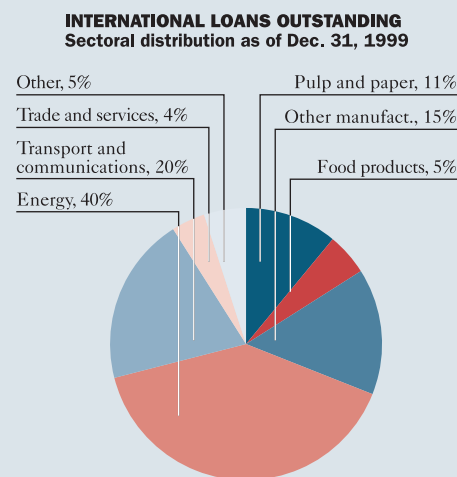
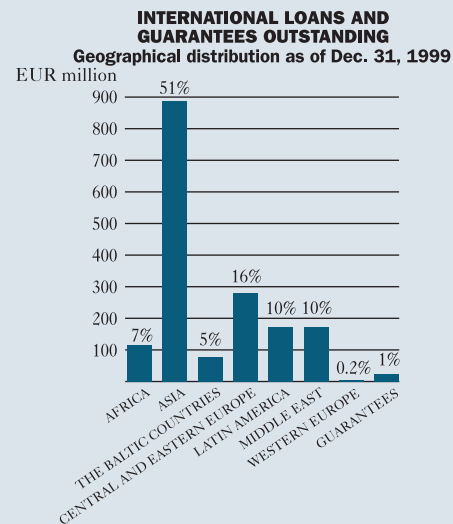
During the year the Bank also expanded its co-operation to include Jordan, and a co-operation agreement has been signed.



CENTRAL AND EASTERN EUROPE

Economic growth in Central and Eastern Europe during the year was unevenly distributed. Growth has declined in several countries as a consequence of the Balkan crisis, but on the other side, national preparations for EU membership have been a stabilizing and stimulating influence on economic developments in the region.

EU membership application calls for substantial investments by the accession countries, above all in the reduction of pollution and improvements to the environment and infrastructure. Investments of this kind have entailed a noticeable rise in demand for the bank's PIL loans, and 40% of PIL disbursements went to this region last year. Poland and the Czech republic accounted for most of the new borrowing, but activities were also apparent in the Balkan region. During the year the Bank signed a co-operation agreement with Slovenia.



INTERNATIONAL LENDING

POLAND BIGGEST BORROWER IN THE REGION

Co-operation with Poland has progressed well. Loans agreed during the year included one of USD 80 million to finance the third phase of the Turów coal-fired power station in Southwestern Poland. Once the third phase of refurbishment has been completed, the modernization of this power station can be expected to reduce sulphur dioxide emissions by 63%. A loan program for municipal environmental investments was

signed with the government owned bank, BISE, in Poland.

A loan amounting to USD 6.9 million for the construction of a mineral wool factory, Paroc Insulations, was signed last year, and the Bank also assisted in financing of a port facility, Europort, in Gdansk.

In the Czech Republic the Bank has signed a loan program for USD 25 million with Ceskoslovenska Obchodni Banka (CSOB). This program is mainly intended for financing small and medium size invest-

ment projects in the Republic.

The Bank has agreed with the Romanian mobile telephone operator Mobifon on a further loan, which brings the total amount to USD 30 million. The Bank has also signed a loan with the Croatian GSM operator VIP-Net amounting to EUR 20 million.

The Bank's activities in Russia are for the time being confined to financing environmental projects, and several projects are under development.

THE NEIGHBORING AREAS

The neighboring areas to the Nordic region, which comprise the Baltic states, Poland and the Northwest of Russia, are important to NIB. As part of its mission and strategy, NIB shall contribute towards the economic development of the area through financing of high priority projects with emphasis on investments to improve the environment.

Since necessary structures for the implementation of certain projects are still lacking, NIB, acting in association with other multilateral and bilateral institutions, assists in the development of local institution building. Developing competence within the municipal environmental sector in the Baltic countries has been emphasized.

In 1999, the Bank's operations in the Baltic states were characterized by high activity. Altogether 13 loans totaling EUR 103 million were agreed. During the year, for example, an agreement was signed concerning a penitentiary and criminal welfare project in Estonia which will have an important bearing on human rights and efforts by the country to qualify for EU membership. This project is being done in close co-operation with the Council of Europe and the prison and probation authorities in Sweden and Finland.

Another project of importance to Latvia, but also to the rest of the Baltic region, is

the Riga Graduate School of Law, which is a joint Swedish-Latvian undertaking at governmental level.

Other loans in the region went to telecommunication projects and municipalities.

ENVIRONMENTAL LOANS

Projects with an environmental emphasis are one of NIB's priority fields. The Environmental Investment Loan (MIL) facility, totaling EUR 100 million, gives the Bank further possibilities of financing infrastructure for the abatement of cross-border emissions in the form of sewage, air pollution and leeching. Reduction of energy consumption and streamlined energy production can also be considered as means of reducing both local and cross-border environmental impact.

The Bank has devoted substantial resources to the development of environmental projects in the Baltic countries and also in Northwest Russia. Loans agreed under the MIL facility now total EUR 68.7 million, and the total outstanding at year-end was EUR 13 million.

During 1999, a loan program was signed with Estonia to finance primarily municipal environmental improvement projects. Similar MIL programs have already been agreed with Latvia and Lithuania. Under the Latvian program the Bank has signed an

agreement concerning a loan for water and sewage purification in Jekabpils.

The Baltic power production sector is expected to become an important sector for NIB. The first MIL loan in the Baltic region was disbursed to the Estonian power company Eesti Energia for an investment program which places great emphasis on environmental investments in the Narva power stations. Through this investment program, the sulphur dioxide emissions of the power stations will be reduced by an estimated 20,000 tonnes annually.

In environmental projects involving smaller communities in the Baltic countries, the Bank has been actively involved with supporting the institutional build-up of national structures for the development, implementation, supervision and follow-up of existing and prospective infrastructure projects. This work is proceeding in close collaboration with the World Bank, the EBRD, NEFCO and Nordic environment protection and development co-operation authorities.

The Bank has granted an environmental investment loan of USD 13 million to the Russian Federation to be allocated to the Kaliningrad Water Company, in a project for redesigning and re-investing in water production, water mains and sewerage. This project is being jointly financed with

the EBRD, NEFCO and Nordic bilateral organizations.

Preparation and implementation of a previously contracted loan to Vodokanal St Petersburg progressed during the year, and it is expected that the investment can be commenced during the current year.

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, for the purpose of promoting economic development in the Baltic region through various supportive measures mainly targeting SMEs in the private sector.

BIP was established for an initial period of three years and was subsequently renewed for another four years. Although the program formally expired at the end of 1999, certain funds from it will remain available thereafter for activities that were included in the program.

NIB had three main tasks under this program:

- 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 fund of EUR 7.5 million.

For NIB's part, the expiry of the program means that no new loans can be granted under the facility, but those already approved will continue to run under the guarantee of the Member Countries until fully repaid. The residue of EUR 0.3 million in the Technical Assistance Fund can be used for supplementary elements in projects already started. On behalf of the Equity Investment Fund, NIB will aim to phase out its remaining shareholding before the end of 2000.

Baltic Investment Loans

During 1999, ten Baltic Investment Loans (BIL) were granted, totaling EUR 29.7 million. Among these, special mention can be

made of a credit line totaling EUR 1 million for women projects. That initiative was put forward by NIB at a conference in Reykjavík arranged jointly by the Icelandic Government, the USA and the Nordic countries. Other participants came from the Baltic countries and Russia. The credit line was granted to Optiva Bank, Estonia, Hansa-banka, Latvia, and the Lithuanian Development Bank for sub-lending on commercial terms to projects with female participation. This credit arrangement has attracted widespread attention and thus marks a positive conclusion to the Baltic Investment Programme.

Under the Baltic Investment Programme about 70 loans were granted during 1993–1999, valued at a total of EUR 85 million, in the form of revolving credits, either directly or through financial intermediaries in various sectors of Baltic enterprise. The main emphases were on wood manufacturing projects, tele-communications, 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. By the end of the program the loan facility was more or less fully subscribed through loans outstanding, contracted and granted.

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. Where Estonia and Latvia are concerned, the technical assistance program can be considered concluded, while remaining funds are still being used in Lithuania in connection with NIB continuing as a shareholder in the Lithuanian Development Bank, LDB.

During the early years of the program, the Baltic investment banks were cornerstones of finance through the credit lines, which NIB established with them. In other respects too, co-operation with the banks was very close, not least through the im-

portant part played by advisers stationed there as links in the transfer of knowledge. The interchange of knowledge developed on a mutual basis, and NIB has benefited from the banks' knowledge of local markets and customers.

The Equity Investment Fund

The Bank has acquired shares in LDB and the Latvian Investment Bank through the Baltic Equity Investment Fund set up during the second phase of BIP. During 1999, NIB sold its shares in the Latvian Investment Bank to Merita Bank, and the Latvian bank thereby became a part of the Merita-Nordbanken Group.

The purpose of investments through the Equity Investment Fund has been to strengthen the capital base of the banks concerned, to supplement technical assistance and to pilot the banks to sound commercial activities.

LDB is currently going through a process of restructuring. During 2000, NIB intends disposing of its shareholding as envisaged in BIP.

The employment of the funds for technical assistance and equity investments administered by the Bank under the Baltic Investment Programme is accounted for on page 59.

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 to the extent practically possible. Developments in the financial markets with regard, for instance, to derivative financial instruments, as well as the development of the Bank's own operations, demand continual oversight of its financial operations and risk management.

MARKET RISK

The Bank's financial guidelines specify that all types of risk-taking, including interest rate, foreign exchange, and counterparty risk, should be strictly controlled. The main components of NIB's operations—a globally diversified borrowing strategy, under which borrowing is most often done at fixed interest rates, liquid assets are placed at variable rates of interest, and lending takes place in other currencies and in other types of interest than funds borrowed—demand active management of interest-rate and foreign exchange risks, for the purpose of which the Bank uses derivatives and other instruments. The use of derivatives and these other instruments gives rise to counterparty risks, which in turn are controlled within a limit system.

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 that are decided by the Bank's Board. Assets and liabilities in currencies other than the euro are translated into euro. The Bank has no open foreign exchange positions 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 U.S. 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 open foreign exchange positions 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. NIB's exposure is calculated by measuring how much an interest rate change of 1% 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 2% of the amount of NIB's equity capital, that is, EUR 22 million. Total interest rate risk exposure at year-end was approximately 15% of the total limit.

The placement of assets which constitute a counter-entry to NIB's equity capital are managed as a separate portfolio and are therefore not included in the normal calculation of NIB's interest rate risks limits and exposures. In accordance with a decision of the Board of Directors, a maximum of 35% of these placements can, as of year 2000, belong to the 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 for these placements in order to improve their placement and management on the capital market, both with regard to risk and yield.

NIB supplements the above-mentioned foreign exchange risk control and gap analysis system used for measuring interest rate risk by using the value-at-risk methodology to evaluate the totality of market risk. This is used primarily for placement of NIB's equity capital on the capital markets, and for its benchmark portfolios.

CREDIT- OR COUNTERPARTY RISK

The Bank takes a careful attitude toward credit, or counterparty, risk, which is borne out by the absence of losses due to credit risk over the last few years. Credit, or counterparty, risk arises in connection with lend-

ing operations, but also in connection with NIB'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 decisionmaking 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,

OUTSTANDING LOANS AND GUARANTEES
By type of repayment protection as of Dec. 31, 1999
Loans to or guaranteed by...

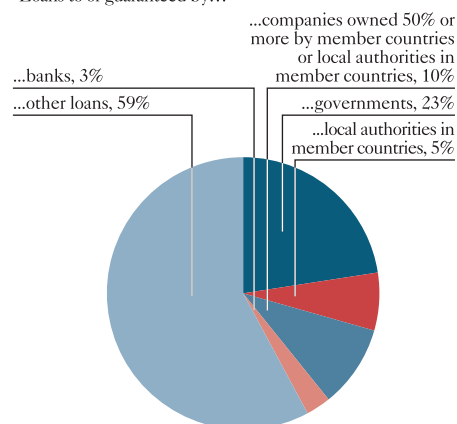


Fig. 1

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 figures that are twice as conservative as those required under the BIS regulations.

CREDIT QUALITY

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

Nordic lending

The quality of the Nordic lending portfolio continues to be high, although it has weakened slightly during the year. The portion of loans in each of the three highest credit quality categories declined during the year. The long-term trend for the two highest credit quality categories shows they are clearly declining, due to the reduced portion of Nordic lending to governments and municipalities. The portion of

loans in the three lowest credit quality categories is still very small—less than 1% of the portfolio. In addition, the quality of the Nordic lending portfolio is determined by its geographical distribution, industrial sector distribution, and the degree to which the portfolio consists of large individual loans. There have only been marginal changes in these aspects of the portfolio, which is well balanced in all of these regards. (See also page 20).

International lending

The quality of the international lending portfolio has not been appreciably affected by the economic development in the Bank's borrower countries. In 1999, therefore, the Bank made only small changes in its internal risk classification of its borrower countries. The result of this has been that the quality of the international lending portfolio is at approximately the same level as it was at the corresponding point in time in 1998.

Financial counterparties

The credit quality of the Bank's financial counterparties improved further in 1999, and continues to be very high.

The Bank as a whole

The quality of the Bank's credit exposures remains at a stable, high level, despite a small degree of weakening in quality, particularly in the Nordic loan portfolio. The

share of credit exposure within the low 8 to 10 credit quality classifications, which carry greater risk, has remained at the same low level during 1999, amounting to ca. 3% of the total loan portfolio.

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. A committee for the Bank's information system makes certain that there is a wellfunctioning 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 of transactions, positions and documentation with a clear division of labor between recording, risk management and transaction generating functions.

The Bank has continued to update its computer system during the year. Its preparation to mitigate any year 2000 computer problems was good, and the transition to the new year went according to plan. No technical problems arose in connection with the date change at the end of the year.

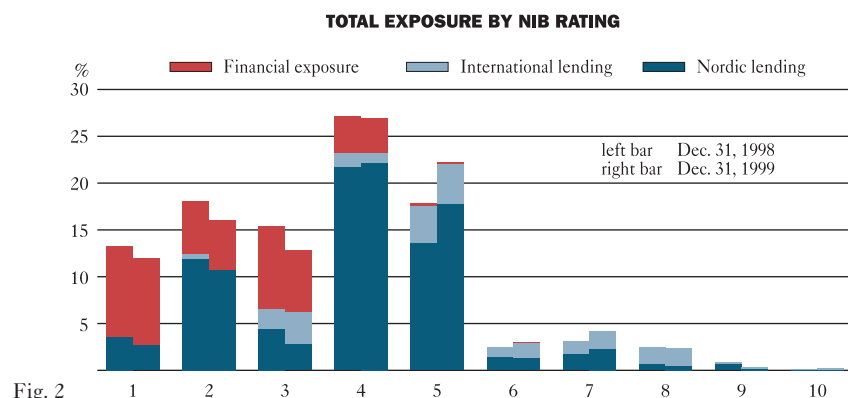


Fig. 2



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Summary of 1999

The Bank's activities showed stable development during 1999, and the goals set for its operations were achieved. Net interest income rose to EUR 140 million in 1999, compared with ECU 137 million for 1998. The Bank's profits, EUR 106 million, are somewhat below the level of profits achieved in 1998 (ECU 115 million). The primary reason for the weakening in profits is that those parts of the Bank's fixed income portfolio that are marked-to-market showed a negative result of EUR 7 million due to interest rate developments.

Loans disbursed amounted to EUR 1,322 million (1,344). Loans outstanding at year-end amounted to EUR 8,854 million (7,568). Of the EUR 1,286 million increase in loans outstanding, 57% is attributable to exchange rate fluctuations.

Both the Bank's loan portfolio and its financial assets portfolio maintained their good credit quality during the year. No credit losses have been reported for the year. The Bank made a EUR 2 million provision for anticipated loan losses.

The Bank's borrowings in capital markets amounted to EUR 2,478 million in 1999. A total of 71 (60) long-term borrowing transactions were made in 1999 in 11 (14) different currencies. Outstanding borrowings rose to EUR 11,336 million (9,059).

At year-end, total assets amounted to EUR 13,337 million (11,122). Total equity corresponded to EUR 1,220 million (1,139). During the year, EUR 35 million was distributed to the Bank's member countries out of 1998's profits. The Board of Directors proposes that the same distribution be made for fiscal 1999.

NIB aims to strengthen its position as the Nordic countries' joint multilateral financial institution. The Bank wishes to achieve this goal by bringing value added to the long-term financing of projects which benefit Nordic economic co-operation and development both within and outside the Nordic countries. The Bank is geared to co-operating with and complementing the financing of other Nordic and international lenders.

Economic growth in the Nordic countries during 1999 was close to 3%. Industrial production rose and the international competitiveness of Nordic enterprises developed favorably. The volume of investment in the Nordic countries as well as cross-border direct investment in and outside the Nordic countries remain high. During the second half of 1999, international economic conditions turned in a positive direction, bolstered by the long lasting cyclical upswing in the United States. This also affected economic developments in the Nordic countries' neighboring areas in the Baltic states and Poland. These economic trends were reflected in NIB's operations during 1999.

MILESTONES

In the course of 1999, important decisions concerning NIB and its operations entered into force.

Increase in the Bank's authorized capital and lending ceilings

In spring 1998, the Bank's Board of Directors presented a proposal to increase NIB's authorized capital and to expand the ceiling for its Project Investment Loan facility, "PIL". The proposal entailed increasing NIB's authorized capital to EUR 4,000 million from the previous level of ECU 2,809 million. Of the EUR 1,191 million increase, EUR 100 million will be paid-in capital and the remainder consists of callable capital. This proposal was approved by the

Nordic Finance and Economics Ministers in June 1998. At the same time, the Ministers decided to increase the lending ceiling for the Project Investment Loan facility to EUR 3,300 million, from ECU 2,000 million. The member countries' guarantee ceiling of EUR 1,800 million for the PIL loan facility remains unchanged.

Following approval of NIB's capital increase by the parliaments of the five member countries, NIB's total lending capacity at the beginning of the year rose to approximately EUR 13.5 billion, from the previous level of approximately ECU 9.2 billion.

New agreement on NIB

A thorough revision of the agreement among the member countries—the basis for NIB's operations—was approved. The new agreement entered into force on July 18, 1999, following ratification in all the member countries.

In addition to this agreement, the Government of Finland and NIB signed a headquarters agreement on July 8, 1999, which, in particular regulates the issues connected with the Bank's location in Helsinki. The headquarters agreement entered into force on August 7, 1999. The new agreements confirm and strengthen NIB's multilateral status.

On the basis of the new agreement, the Statutes regulating the Bank's operations were also revised.

New currency of account

From the beginning of 1999, at the start of the EMU's third phase, the Bank has adopted the euro as its capital and accounting currency. The changeover from the ecu to the euro followed the official 1:1 ratio.

LENDING

The Nordic countries

Lending within the Nordic countries developed in accordance with the guidelines that were established at the beginning of the year. As a result of the increased co-operation with commercial banks and other financial institutions, as well as the emphasis placed on NIB's role as a supplier of complementary financing, long-term loans were granted during 1999 to financial intermediaries in all the Nordic countries. These loans are then on-lent to the increasingly important small and medium-sized company sector. The Bank is not able to service this client category effectively with direct loans to individual small projects, and is therefore emphasizing the development of its co-operation with financial institutions in its member countries for this purpose. Creditworthy large companies continue to be a very important client group for the Bank's Nordic lending activities.

Loans outstanding amounted to EUR 7,141 million at year-end (6,222), a 15% increase. The increase in volume was 6%, when calculated at fixed exchange rates. Loan disbursements within the Nordic countries declined by 4% to EUR 1,000 million (1,046). NIB entered into loan agreements amounting to EUR 903 million (954).

Loan disbursements within the Nordic countries demonstrate approximately the same country distribution as in 1998, with Sweden and Finland the two largest borrower countries. The sector distribution of loan disbursements also follows the same pattern as 1998, with the manufacturing industry as the most important borrower sector.

The growth and differentiation in the euro bond market has made it possible for an increasing number of Nordic companies, of different sizes and with different creditworthiness, to issue bonds. The greater

activity in the bond market among NIB's traditional clients is therefore increasing the Bank's need to orient itself toward new companies, for which NIB can play a complementary financing role.

International lending

The Bank's borrower countries that were most severely affected by the Asian financial crisis have now shown signs of recovery, and more positive economic developments are discernible. The market conditions for NIB's international lending activities thus improved during 1999. The instability, which still characterizes the economies of certain developing and transition countries, has, however, not created any problems in the servicing of the Bank's loans. NIB's international loan authorizations rose to EUR 642 million (380) during 1999. Strong growth was noted for Poland, Estonia, and Lithuania.

Loan agreements totaling EUR 536 million (237) were signed during 1999 and disbursements of international loans amounted to EUR 322 million (298). As a result of previous years' loan authorizations and agreements, disbursements were relatively large during this fiscal year and the previous one. This, together with a notable rise in the exchange rate of the U.S. dollar, led to a large increase in NIB's lending portfolio in terms of the euro.

The portfolio of loans outstanding under international lending amounted to EUR 1,713 million (1,346) at year-end. This represents a 27% increase compared with the previous year and an 11% increase when exchange rate fluctuations are not included in the calculation.

The loans to NIB's borrower countries are based on agreements which regulate the framework conditions for the Bank's operations in the country in question. New agreements of this type were concluded with Brazil, Jordan, Slovenia and Zimbabwe in 1999.

The Neighboring areas

The Nordic countries neighboring areas—including the Baltic countries, Poland, and the northwestern part of Russia—are priority areas for NIB.

The Baltic countries

The weaker economic development last year in Estonia, Latvia, and Lithuania was first of all a result of the financial crisis in Russia. The three Baltic countries are presently candidates for membership in the European Union, and their economic prospects are thus brighter.

The first loan under the Environmental Loan Facility was disbursed in 1999 to Eesti Energia, the Estonian government-owned energy company. For a number of years, NIB has co-operated with Eesti Energia as well as with the Estonian and Finnish authorities, to prepare for the upgrading of the power stations in Narva. The upgrading will result in greatly reduced sulfur and dust emissions.

During the year, 13 new loan agreements were signed for a total value of EUR 103 million.

At the request of its member countries, NIB has implemented the Baltic Investment Programme. The Baltic Investment Loan facility, under which the Bank has channeled loans to small and medium-sized companies in Estonia, Latvia, and Lithuania, became fully utilized in the course of 1999. During the year, the Bank expended considerable resources for institution building purposes and for the preparation of environmental protection projects in co-operation with NEFCO, the World Bank, and the Nordic environmental and foreign aid authorities.

Poland

Poland's economy has continued to develop in a positive direction. The Bank's activities in Poland in 1999 focused on the environment. The country has become NIB's second-largest borrower country outside the Nordic region. In 1999, the Bank financed further modernization of power production in Poland. Among the Bank's other investment projects for environmental improvement is a lending facility to finance municipal infrastructure projects with the government-owned bank, BISE.

In May, NIB arranged a well-attended seminar in Stockholm on economic development and direct investment in Poland. The Polish and Swedish Finance Ministers, as well as the heads of leading Nordic industrial companies, were among the speakers. The seminar brought together approximately 250 Polish and Nordic decision-makers, representing the industrial and financial sectors as well as governmental authorities.

Russia

The Bank's activities in northwestern Russia in 1999 were concentrated on environmental projects.

NIB has worked on developing a project for water and sewerage treatment in Kaliningrad, in close co-operation with the Nordic environmental and foreign aid authorities.

FINANCIAL ACTIVITIES

The year was characterized by tough competition in the bond markets. This has resulted in somewhat less favorable funding costs for the Bank as well as for other multilateral borrowers.

The Bank's borrowing in the capital markets amounted to EUR 2,478 million (2,484) during 1999. Repayments of previous borrowings corresponded to EUR 1,267 million (1,281). Borrowings outstanding amounted to EUR 11,336 million (9,059) at year-end. During 1999, 71 (61) funding transactions were carried out in 11 (14) different currencies. Borrowings in the European capital markets were largest, with a 49% share of total borrowings. The British pound was the dominant currency, accounting for 28% of new debt issues. Borrowing in the Asian capital markets amounted to 41%, the Japanese yen being dominant with a 24% share. The U.S. dollar accounted for 10% of new borrowing transactions. The Bank's first borrowing in euro was a EUR 250 million bond issue. The Singapore dollar and the Slovakian koruna also represented new borrowing currencies for NIB.

The Bank's equity capital amounted to EUR 1,220 million at the end of 1999. The Bank invests an amount corresponding to its equity capital in a fixed income portfolio. In 1999, the Bank continued to build an actively managed trading portfolio, in which securities are bought and sold inter alia according to expectations as to market development. The accounting treatment of gains or losses connected with the trading portfolio is to record them in the Bank's Profit and Loss Account. The Bank's profits for 1999, as described above, were affected negatively as a result of the developments of interest rate impact on this portfolio during the year. The portfolio, subject to mark-to-market valuation, amounted to 24% of NIB's equity capital at year-end.

The Bank's net liquidity amounted to EUR 2,781 million at the end of 1999. This is somewhat higher than the Bank's long-term goal of maintaining net liquidity that corresponds to the Bank's needs for the following 12 months. The somewhat high level of net liquid-

ity is due to the Bank having chosen to make use of the relatively favorable borrowing conditions prevailing at the end of the year.

RISK MANAGEMENT

The overall quality of the Bank's credit exposure in its loan portfolio continues to be high, although the quality of the Nordic lending portfolio has declined somewhat during the year. This change is primarily due to the decreasing portion of lending to governments and municipalities in the Nordic countries. The Nordic loan portfolio is well balanced. The quality of the international loan portfolio is at approximately the same level as it was at year-end 1998. The quality of the Bank's financial counterparty exposure improved even further during 1999, and is continuously of very high quality.

In carrying out its operations, the Bank puts strong emphasis on effective risk management. In 1999, the methods for risk management were further developed both as regards market risk and credit risk. The value-at-risk analysis has now been carried out as a complementary method for analyzing and managing market risk in the Bank's financial portfolios. The methods for credit risk management are developed based on the Bank's risk classification system, and aim at achieving comprehensive credit risk modeling.

CO-OPERATION WITH FINANCIAL INSTITUTIONS

The Bank places a great deal of importance on co-operation 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 with small and medium-sized companies within the Nordic countries also demands continued close co-operation with local financial institutions.

During the year, NIB has continued its good co-operation with the other Nordic financial institutions in Helsinki inherent to their common location in Helsinki, and as regards specific projects. Thus, in 1999 the Bank worked together with NEFCO on projects under NIB's environmental investment program, and with NDF on a project to modernize a steel plant in China.

Project financing and MTN programs for Nordic companies offer interesting possibilities for co-operation with Nordic banks. NIB has increasingly taken advantage of these possibilities, particularly since NIB can offer long maturities.

ADMINISTRATION

The number of NIB employees rose by 8 in 1999, reaching 131 at year-end. Most of NIB's personnel is Finnish—92 employees—while the other Nordic countries are represented with 12 Danes, 14 Swedes, 8 Norwegians, and 5 Icelanders.

The Bank continued to modernize its computer system during the year. Its year 2000 preparedness was good, and the transition to the new year went according to plan. No technical problems arose in connection with the year-end date change.

RESULTS

The Bank shows profits of EUR 106 million for fiscal 1999, compared with 115 million in 1998. Net interest income increased to EUR 140 million (137). The quality of NIB's loan portfolio and of its financial counterparties continues on the whole to be good. During 1999, the Bank had no recognized 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 borrower status, and to contribute to its revenues through active liquid asset management.

Profits as a proportion of average equity capital were 9.0%, compared with 10.5% in 1998. This can be compared with the last 5 years' gliding average for the 5-year euro rate, which was 5.5% (6.1). The corresponding one-year average for 1999 was 4.2% (4.5). In addition to the equity capital, the Bank's owner countries have provided a callable capital base for the Bank.

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 1998's profits. As of December 31, 1999, NIB's equity capital—capital paid in by the owners and accumulated reserves—amounted to EUR 1,220 million, corresponding to 9.2% (10.2) of total assets.

OUTLOOK

After two years, characterized by uncertainty as well as by some weakening in the international economic situation, there is now a consensus of opinion that the global economic outlook is generally bright. Factors, which point toward a positive trend in 2000, are the continued growth in the United States, the improved outlook for Europe, and the significant recovery in Asia.

The demand for long-term loans is therefore expected to continue to be high during fiscal 2000. NIB will continue to orient its Nordic lending operations toward small and medium-sized companies, particularly by intensifying its co-operation 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 entities as borrowers, but financing infrastructure projects in the private sector will also be important. The Baltic countries and Poland will continue to be the focus of significant attention next year. The Baltic countries' expected future EU membership will help create demand for NIB's financing services, particularly in the infrastructure and environment sectors.

As regards the Bank's borrowing operations, NIB will market its bonds more strongly and will investigate possibilities for entering new bond markets. In its borrowing activities, NIB strives to the utmost of its abilities to meet the needs both of its customers and the bond market.

NIB's new lending within the Nordic countries in 2000 is expected to be slightly higher than in 1999, while lending outside the Nordic countries are expected to be somewhat lower than in 1999. These plans accord with the guidelines laid down by the Board of Directors which emphasize a moderate, goal-oriented growth in the Bank's total assets over the medium term. NIB will focus its lending operations on concrete projects, which promote the owners' priorities within and outside the Nordic countries. NIB expects its net interest income to rise somewhat, and expects its operating profits likewise to grow at the same pace.

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 106,396,583.47 be allocated as follows:

- That EUR 20,396,583.47 be transferred to the Statutory Reserve. Subsequent to such transfer, the Reserve will amount to EUR 469,147,932.55, or 11.7% of the Bank's authorized capital of EUR 4,000,000,000.00.
- That EUR 30,000,000.00 be transferred to the Credit Risk Reserve as a part of equity capital.
- That EUR 21,000,000.00 be transferred, pursuant to paragraph 6A of the Bank's Statutes, to the Loan Loss Reserve for Project Investment Loans.
- That EUR 35,000,000.00 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	384,260,110.00
- Statutory reserve	469,147,932.55
- Credit Risk Reserve	265,000,000.00
- Loan Loss Reserve (PIL)	67,000,000.00
- Appropriation to dividend payment	35,000,000.00

Total equity as of December 31, 1999 1,220,408,042.55

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 38-57.

Helsinki, March 2, 2000



Ib Katznelson



Bo Göran Eriksson



Sven-Olof Johansson



Guðmundur Magnússon

Bo Marking



Thorsteinn Ólafsson



Arild Sundberg



Seppo Suokko



Lars Tybjerg



Eli Telhaug



Jón Sigurðsson

PROFIT AND LOSS ACCOUNT JANUARY 1 – DECEMBER 31

	<i>Note</i>	<i>1999</i> <i>1,000 EUR</i>	<i>1998</i> <i>1,000 ECU</i>
Interest income	(1)	583,601	574,951
Interest expense	(1)	-443,561	-438,429
Net interest income		140,040	136,522
Amortization of issuing charges		-11,949	-10,593
Fee and commission income	(2)	5,424	3,176
Fee and commission expense		-1,408	-1,284
Net profit on financial operations	(3)	-7,100	5,319
Foreign exchange profit/loss	(4)	27	-423
Operating income		125,034	132,717
EXPENSES			
General administrative expenses	(5)	14,266	13,764
Depreciation		2,781	2,510
Provision for possible losses on loans	(6), (8), (10)	1,590	1,408
Total expenses		18,637	17,682
PROFIT FOR THE YEAR		106,397	115,035

ALLOCATION OF THE YEAR'S PROFIT

Appropriation to credit risk reserve	30,000	15,000
Appropriation to loan loss reserve (PIL)	21,000	14,000
Appropriation to dividend payment	35,000	35,000
Appropriation to statutory reserve	20,397	51,035

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

As from 1st January 1999, the Bank has converted from ecu to euro as its capital and accounting currency at the rate of 1:1.

BALANCE SHEET AT DECEMBER 31

	<i>Note</i>	<i>1999</i> <i>1,000 EUR</i>	<i>1998</i> <i>1,000 ECU</i>
ASSETS			
Cash and balances with banks		3,695	3,773
Placements and debt securities	(7)		
Placements with credit institutions		2,576,617	1,966,494
Debt securities		1,163,753	976,738
Loans outstanding	(8)	8,854,230	7,568,380
Intangible assets			
Issuing charges		56,567	45,606
Tangible assets	(9)	44,154	44,855
Other assets	(10)	69,724	54,696
Exchange rate adjustment of currency contracts	(11)	47,523	-
Accrued interest and fees receivable		521,058	461,629
		13,337,321	11,122,171
LIABILITIES AND EQUITY			
Liabilities			
Amounts owed to credit institutions	(12)	228,306	286,213
Debts evidenced by certificates	(13)		
Debt securities in issue		11,014,953	8,810,663
Other debt		321,230	248,494
Other liabilities	(14)	80,442	77,363
Exchange rate adjustment of currency contracts	(11)	-	144,032
Accrued interest and fees payable		471,982	416,395
Total liabilities		12,116,913	9,983,160
Equity			
Authorized and subscribed capital	(15)	4,000,000	
of which callable capital		-3,615,740	
Paid-in capital		384,260	304,260
Statutory reserve	(16)	469,148	518,751
Credit risk reserve	(17)	265,000	235,000
Loan loss reserve (PIL)	(17)	67,000	46,000
Appropriation to dividend payment		35,000	35,000
Total equity	(18)	1,220,408	1,139,011
		13,337,321	11,122,171
Guarantee commitments	(8)	31,082	28,964
Off-balance sheet commitments	(19)		

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

As from 1st January 1999, the Bank has converted from ecu to euro as its capital and accounting currency at the rate of 1:1.

STATEMENT OF CASH FLOWS JANUARY 1 – DECEMBER 31

	Note	1999 1,000 EUR	1998 1,000 ECU
CASH FLOWS FROM OPERATING ACTIVITIES	(20)	121,793	131,932
CASH FLOWS FROM INVESTING ACTIVITIES			
Lending			
Disbursement of loans		-1,322,040	-1,343,783
Repayments		767,611	686,865
Exchange rate adjustments		-733,011	265,830
Placements and debt securities			
Purchase of long-term debt securities		-659,496	-352,310
Sales of long-term debt securities		585,653	394,858
Other placements		10,945	-356
Exchange rate adjustments etc.		-16,484	4,286
Other items			
Increase in other assets		-15,027	-4,730
Increase in tangible assets		-2,081	-4,679
INVESTING ACTIVITIES, TOTAL		-1,383,930	-354,019
CASH FLOWS FROM FINANCING ACTIVITIES			
Debts evidenced by certificates			
Issues of new debt		2,478,159	2,411,281
Redemptions		-1,266,900	-1,218,208
Exchange rate adjustments		1,171,957	-53,940
Issuing charges		-22,911	-21,715
Other items			
Placements from credit institutions		-5,491	-539
Exchange rate adjustment of currency contracts		-191,555	-380,878
Changes in other liabilities		3,079	7,250
Paid-in capital		10,000	-
Dividend paid		-35,000	-35,000
FINANCING ACTIVITIES, TOTAL		2,141,337	708,252
CHANGE IN CASH AND CASH EQUIVALENTS	(20)	879,200	486,164

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

As from 1st January 1999, the Bank has converted from ecu to euro as its capital and accounting currency at the rate of 1:1.

General operating principles

The operations of the Nordic Investment Bank are governed by a new agreement of October 23, 1998, among the governments of Denmark, Finland, Iceland, Norway and Sweden, and the Statutes adopted in conjunction with that agreement. The agreement, which entered into force on July 18, 1999, replaced the previous agreement of December 4, 1975. 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 in accordance with sound banking principles and taking into account socio-economic considerations, to carry into effect investment projects of interest to the Nordic countries and other countries which receive such loans and guarantees.

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 prepared in accordance with the principles of the International Accounting Standards (IAS), as issued by the International Accounting Standards Committee (IASC).

THE EURO (EUR) REPLACES THE EUROPEAN CURRENCY UNIT (ECU)

With the advent of the European Monetary Union's third phase on January 1, 1999, in accordance with the Maastricht Treaty, the ecu ceased to exist, and was replaced by the euro using a 1:1 ratio. Eleven countries are members of the Monetary Union as of January 1, 1999: 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, currency in which the Bank denominates its capital was changed from ecu to euro. In the Bank's presentation of numerical data, EUR stands for euro.

In its accounting, the Bank utilizes the official exchange rates published for the euro by the European Central Bank. The Bank previously utilized the official exchange rates for the ECU published by the EU Commission.

		EUR rate on 12/31/99	ECU rate on 12/31/98
DKK	Danish krone	7.4433	7.44878
FIM	Finnish markka	5.94573 ^(***)	5.94573
ISK	Icelandic krona	72.8750 ^(**)	81.2993 ^(**)
NOK	Norwegian krone	8.0765	8.87140
SEK	Swedish krona	8.5625	9.48803
ATS	Austrian shilling	13.7603 ^(***)	13.7603
AUD	Australian dollar	1.5422	1.89932
BEL	Belgian franc	40.3399 ^(***)	40.3399
CAD	Canadian dollar	1.4608	1.80613
CHF	Swiss franc	1.6051	1.60778
CZK	Czech koruna	36.103	35.1939
DEM	German mark	1.95583 ^(***)	1.95583
EEK	Estonian kroon	15.6466	15.5631
ESP	Spanish peseta	166.386 ^(***)	166.386
FRF	French franc	6.55957 ^(***)	6.55957
GBP	British pound	0.62170	0.705455
GRD	Greek drachma	330.30	329.689
HKD	Hong Kong dollar	7.80926 ^(**)	9.03917 ^(**)
ITL	Italian lira	1936.27 ^(***)	1936.27
JPY	Japanese yen	102.73	132.800
LUF	Luxembourg franc	40.3399 ^(***)	40.3399
LVL	Latvian lat	0.58850 ^(**)	0.66312 ^(**)
NLG	Dutch guilder	2.20371 ^(***)	2.20371
NZD	New Zealand dollar	1.9357	2.20892
PLN	Polish zloty	4.1587	4.08947
PTE	Portuguese escudo	200.482 ^(***)	200.482
SDR	Special drawing right	0.73148 ^(**)	0.833316 ^(**/**)
SGD	Singapore dollar	1.6720 ^(**)	n/a
SKK	Slovakian koruna	42.3692 ^(**)	n/a
TWD	Taiwan dollar	31.4942 ^(**)	37.5990 ^(**)
USD	United States dollar	1.0046	1.16675
ZAR	South African rand	6.1841 ^(**)	6.84883 ^(**)

(* Rate on Dec. 30, 1998.

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

(*** Fixed exchange rate with regard to the euro.

FOREIGN CURRENCY TRANSLATION

All assets and liabilities denominated in currencies other than euro (ecu) are translated into euro (ecu) at the exchange rate prevailing on the date of the Balance Sheet. Income and expenditure recorded in currencies other than euro (ecu) are converted on a monthly basis to euro (ecu) in accordance with the euro (ecu) 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. In prior years, the ecu rate quoted by the Commission of the European Union (EU) was used for this purpose. Non-monetary assets are recorded in the accounts at the euro (ecu) rate prevailing on the date of acquisition.

AUTHORIZED CAPITAL

From January 1, 1999, the Bank's authorized capital was increased to EUR 4,000 million, from ECU 2,809 million. Of the EUR 1,191 million increase, 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 is paid in by the member countries in equal annual installments over a three-year period. The member countries paid in the first installment of EUR 10 million during 1999. As of December 31, 1999, the paid-in portion of the Bank's authorized capital amounts to EUR 384 million (ECU 304 million).

The remainder of the subscribed capital stock, in amounts additional to those mentioned above, shall be subject to call to the extent the Board of the Bank deems it necessary for the fulfilment by the Bank of its debt obligations.

RESERVES

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

The transfer from the Bank's profits into the Statutory Reserve continues until the Reserve equals 10 per cent of the Bank's authorized capital stock, or EUR 400 million (ECU 281 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.

LENDING

Loans can be granted and guarantees can be issued under various lending facilities, each of which has a lending ceiling. The loan facilities are Ordinary Lending, Project Investment Loans, Baltic

Investment Loans, and Environmental Investment Loans. The loan facilities and their respective ceilings are described in more detail below.

Loans outstanding are recorded in the accounts net of loan losses and provisions for possible losses on loans.

Ordinary Lending

Ordinary Lending comprises 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 (ECU 7,021 million).

The Project Investment Loan Facility (PIL Loans)

Project Investment Loans are made to creditworthy emerging markets 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 (ECU 2,000 million). The member countries guarantee 90 per cent of each loan under the PIL lending facility up to a sum of EUR 1,800 million.

Baltic Investment Loans (BIL Loans)

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

Environmental Investment Loans (MIL Loans)

Since 1997, the Bank has been 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 region. 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 LOSSES ON LOANS

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 Accounts.

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 security provided, taking 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 per cent of accrued, but unpaid, interest is deducted from the Bank's interest income. The remaining 90% of the Bank's interest claim is posted in the accounts as an outstanding claim guaranteed by the Bank's member countries. The Bank has a 10% share of the risk in respect of the outstanding amount of principal, interest, and fees. The amount of this risk is assessed according to the same methods used in assessing the risk on ordinary loans. The remaining 90% is posted in the accounts as a claim guaranteed by the Bank's member countries.

The reserves which appear as separate items under "Equity" on the Balance Sheet, and which are funded by means of appropriations from the accounting periods' profits, as well as profits from earlier years, are meant to cover exceptional, and as yet unidentified, loan 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 in order to lock in a stable long-term return. The trading portfolio also includes a small portion of investments, which are financed with borrowings.

The book value of the securities is calculated on the basis of historical cost. The historical cost has been adjusted by linearly amortizing the difference between historical cost and face value as interest over the remaining maturity of the paper.

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 on the Profit and Loss Account over the period of the borrowings as amortized issuing costs. Annually recurrent cost 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 historical cost, and is not depreciated.

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

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

Assets subject to wear and tear are recorded at historical cost minus depreciation recorded in the accounts. Equipment and other movable property are recorded at historical 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 and expense, 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

The Bank evaluates its assets at their historical cost. This original book value is depreciated to reflect any permanent decrease in the assets' value. Such permanent decreases in the assets' value, the profit or loss on financial instruments, and changes in the market value of the trading portfolio are recorded under this item.

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

Since June 1996, the Bank's operations have been carried out in office premises 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 is secured through the Finnish state pension system. The Bank makes payments to the Finnish state for its pension liability on behalf of its employees, in accordance with the Finnish pension scheme regulations. In addition, effective from the beginning of 1999, the Bank has an supplementary 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 wages 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 the effects of unfavorable fluctuations in interest rates and foreign exchange rates. 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 is managed within a system of limits established with regard to 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, to the extent it is practically possible, protect itself against the risk of exchange rate losses. As of December 31, 1999, 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 U.S. dollar and the euro, the Bank's future income in terms of the euro could be subject to a minor degree of fluctuation.

Interest rate risk: Variations in interest rate levels have only a marginal effect on the Bank's current 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 holdings of debt securities that are financed with the Bank's equity capital have fixed interest rates. At year-end, their average modified duration was 3.1 years (3.8). As the holdings of debt securities 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 minimization 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 knowledge to be gained from information on 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>1999</i>	<i>1998</i>
Interest income on placements with credit institutions	98,396	101,479
Interest income on debt securities	60,943	64,763
Interest income on loans outstanding	424,192	408,626
Other interest income	70	83
Total, interest income	583,601	574,951
<i>Interest expense</i>	<i>1999</i>	<i>1998</i>
Interest expense on amounts owed to credit institutions	11,244	13,377
Interest expense on debts evidenced by certificates	610,844	546,572
Interest on swap contracts and other interest expenses, net	-178,527	-121,520
Total, interest expense	443,561	438,429

(2) FEE AND COMMISSION INCOME

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

	<i>1999</i>	<i>1998</i>
Commitment fees	1,245	1,448
Loan disbursement fees	2,650	922
Guarantee commissions	240	242
Premiums on prepayments of loans	1,240	367
Commissions on lending of securities	38	153
Other	10	44
Total, fee and commission income	5,424	3,176

(3) NET PROFIT ON FINANCIAL OPERATIONS

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

	<i>1999</i>	<i>1998</i>
Debt securities in trading portfolio	-7,502	2,543
Debt securities in investment portfolio	269	449
Other financial instruments	133	2,327
Total, net profit on financial operations	-7,100	5,319

(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 the risk of exchange rate losses. 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, 1999, 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 (1.0).

<i>General administrative expenses, in EUR 1,000:</i>	<i>1999</i>	<i>1998</i>
Salaries, social insurance and other personnel costs	10,646	9,777
Pension premiums in accordance with the Finnish state pension system	2,092	1,851
Other pension premiums	685	117
Offices premises costs	746	1,000
Other general administrative expenses	5,226	5,151
Cost coverage received and reimbursement of value added tax	-2,497	-1,642
Total	16,898	16,254
Host-country reimbursement according to agreement with the Finnish state	-2,632	-2,490
Net	14,266	13,764
<hr/>		
Average number of employees	128.3	121.3

(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>1999</i>	<i>1998</i>
Increase in provisions	1,750	1,750
Reversals of previous provisions	-160	-342
Total, provisions for possible losses on loans	1,590	1,408

See also note 8.

(7) PLACEMENTS AND DEBT SECURITIES

The Bank had the following placements and debt securities as of December 31 (amounts in millions of EUR):

	<i>1999</i>	<i>1998</i>
Placements with credit institutions	2,577	1,966
Debt securities	1,164	977
Total, placements and debt securities	3,740	2,943

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

<i>Period</i>	<i>1999</i>	<i>1998</i>
Up to 3 months	2,103	1,800
3 – 6 months	576	353
6 – 12 months	226	37
1 – 5 years	561	405
More than 5 years	275	348
Total, placements and debt securities	3,740	2,943

All placements with credit institutions are at fixed interest rates. Of total debt securities, EUR 425 million (324) are at floating interest rates, while EUR 738 million (653) are at fixed interest rates. The debt securities were issued by the following counterparties (amounts in millions of EUR):

	<i>1999</i>	<i>1998</i>
Governments	502	535
Public institutions	87	118
Other	575	324
Total, debt securities	1,164	977

As at 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>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
Trading portfolio	313	118	313	118
Investment portfolio	850	859	885	938
Total, debt securities	1,164	977	1,198	1,056

If each item in the two portfolios were valued at the lower-of-cost-or-market the total value of the two portfolios would amount to EUR 1,162 million (976) as of December 31, 1999.

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>1999</i>	<i>1998</i>
Ordinary loans		
Investment loans in the Nordic countries	7,025	6,083
Regional loans in the Nordic countries	116	139
Investment loans outside the Nordic countries	4	65
Total, ordinary lending	7,145	6,288
Project Investment Loans		
Africa	116	86
Asia	889	742
The Baltic Countries	43	12
Central and Eastern Europe	280	141
Latin America	174	142
Middle East	173	131
Total, Project Investment Loans	1,674	1,254
Baltic Investment Loans	23	27
Environmental Investment Loans	13	-
Total, loans outstanding	8,854	7,568

In addition, as of December 31, 1999, the Bank had issued a total of EUR 31.1 million (28.9) in guarantees.

Provision for possible losses on loans

A total of EUR 6.0 million (4.2) has been deducted from the Bank's loans outstanding for provisions in respect of possible losses on loans. EUR 2.5 million (2.4) 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>1999</i>	<i>1998</i>
Provisions on January 1	4.2	2.9
Provisions made during the year for possible loan losses	1.8	1.8
Reversals of previous provisions for possible loan losses	-0.2	-0.4
Exchange rate adjustments	0.2	-0.1
Provisions on December 31	6.0	4.2

See also note 6.

NOTES TO THE FINANCIAL STATEMENTS

The EUR 6.0 million (4.2) amount in provisions for possible losses on loans is distributed as follows (amounts in millions of EUR):

<i>Distribution by lending facility:</i>	<i>1999</i>	<i>1998</i>
Ordinary loans in the Nordic countries	3.5	1.8
Project Investment Loans		
In Africa	1.2	1.3
In Eastern and Central Europe	1.3	1.1
Total, provisions	6.0	4.2

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 are sufficiently secured, on the basis of data available for making such judgments as of the date of the Balance Sheet.

As of Dec. 31, 1999, the Bank had loans outstanding in non-accrual status in the amount of EUR 3.8 million within Ordinary Lending in the Nordic countries. On Dec. 31, 1998, the Bank had loans outstanding in non-accrual status in the amount of ECU 3.4 million 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):

	<i>1999</i>	<i>1998</i>
Loans agreed but not yet disbursed		
Ordinary loans	552	683
Project Investment Loans	671	449
Baltic Investment Loans	20	11
Environmental Investment Loans	56	56
Total, loans agreed but not yet disbursed	1,299	1,199

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>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
Up to 3 months	225	291	36	24	262	316
3 – 6 months	140	109	36	16	178	127
6 – 12 months	291	256	64	44	359	302
1 – 2 years	684	533	158	107	849	648
2 – 3 years	1,158	640	154	119	1,316	765
3 – 4 years	1,001	1,043	149	116	1,153	1,162
4 – 5 years	835	925	151	110	989	1,037
5 – 10 years	2,401	2,258	632	449	3,045	2,710
10 – 15 years	367	166	266	230	633	397
15 – 20 years	41	60	27	38	68	98
20 – 25 years	2	6	-	-	2	6
Total, loans outstanding	7,145	6,288	1,674	1,254	8,854	7,568

*) The total amount also includes EUR 23 million (27) in Baltic Investment Loans and EUR 13 million (0) 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>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
Up to 3 months	271	415	65	28	337	444
3 – 6 months	204	294	41	31	247	326
6 – 12 months	586	427	173	78	761	507
1 – 2 years	1,242	838	194	226	1,445	1,071
2 – 3 years	1,420	1,065	192	145	1,616	1,216
3 – 4 years	758	1,027	299	128	1,059	1,158
4 – 5 years	761	628	216	219	979	848
5 – 10 years	1,833	1,576	483	350	2,328	1,930
10 – 15 years	70	19	11	49	81	68
15 – 20 years	-	-	-	1	-	1
Total, loans outstanding	7,145	6,288	1,674	1,254	8,854	7,568

*) The total amount also includes EUR 23 million (27) in Baltic Investment Loans and EUR 13 million (0) in Environmental Investment Loans. Loans outstanding at floating interest rates amount to EUR 6,931 million (5,692), while those at fixed interest rates amount to EUR 1,923 million (1,876).

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>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
DKK	549	483	7	8	556	491
FIM	803	1,138	10	-	813	1,138
ISK	35	77	-	-	35	77
NOK	305	267	-	-	305	267
SEK	1,721	1,430	-	-	1,721	1,430
BEL	-	6	-	-	-	6
CHF	68	67	20	23	88	90
DEM	246	282	55	59	306	350
EEK	3	-	-	-	3	-
EUR	812	160	45	14	876	174
FRF	75	95	11	12	86	106
GBP	25	39	-	-	25	39
ITL	41	41	-	-	41	41
JPY	38	33	15	2	52	35
NLG	40	55	-	-	40	55
USD	2,384	2,114	1,512	1,136	3,907	3,268
Total, loans outstanding	7,145	6,288	1,674	1,254	8,854	7,568

*) The total amount also includes EUR 23 million (27) in Baltic Investment Loans and EUR 13 million (0) 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 outstanding guarantee undertakings, distributed by type of security (amounts in millions of EUR):

	<i>Amount</i>	<i>Share, in %</i>
<i>As of December 31, 1999:</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	<u>1,365</u>	<u>59</u>
Total, loans outstanding (including guarantees)	8,885	100

	<i>Amount</i>	<i>Share, in %</i>
<i>As of December 31, 1998:</i>		
Loans to or guaranteed by governments		
Loans to or guaranteed by member countries	1,521	20
Loans to or guaranteed by other countries	109	1
Loans to or guaranteed by local authorities in member countries	506	7
Loans to or guaranteed by companies owned 50% or more by member countries or local authorities in member countries	921	12
Loans to or guaranteed by banks	225	3
Other loans		
Backed by a lien or other security in property	541	
With a negative pledge clause and other covenants	2,536	
With a guarantee from the parent company and other guarantees	<u>1,239</u>	<u>57</u>
Total, loans outstanding (including guarantees)	7,597	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 (2,000).

Each PIL granted by the Bank is guaranteed by the member countries 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 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 BIL ended on December 31, 1999.

The member countries' guarantee for BIL 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 MIL up to a total amount of EUR 100 million. NIB's member countries guarantee 100% of each individual MIL.

The member countries' guarantee for MIL 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

The Bank has subscribed to EUR 15 million in share capital of the European Investment Fund (EIF) in Luxembourg. The amount is equal to 0.75% of the Fund's total share capital. The Bank has paid in EUR 3.0 million (3.0), or 20% of the subscribed share capital. The Bank received dividend income of EUR 45,000 (30,000) in 1999, which is recorded as interest income in the Bank's Profit and Loss Account.

Until December 1998, the lot and the building where NIB operates belonged to the real estate company Kiinteistö Oy Fabianinkatu 34, of which the Bank owned 100%. The real estate company was liquidated in December 1998, following which the building and the lot were transferred to the Bank's direct ownership. As of December 31, 1999, the historical cost for the building and the lot was recorded in the Balance Sheet, net of depreciation on the building in accordance with the depreciation plan, at EUR 32.7 million (33.4).

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

The value of computer programs, inventory and other movable assets is recorded at EUR 6.9 million (7.3).

(10) OTHER ASSETS

The total amount of EUR 69.7 million (54.7) is composed of the following:

EUR 20.4 million (14.1) 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 43.8 million (32.1) consists of capitalized amounts associated with interest rate swaps. The corresponding item is under borrowings.

EUR 1.0 million (1.5) 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 4.6 million (6.9) consists of other items, including among others loans to the Bank's personnel.

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 38.4 million (-150.9) and short-term contracts in the net amount of EUR 9.1 million (6.9). 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>	<i>1999</i>	<i>1998</i>
Up to 3 months	170	244
3 – 6 months	42	26
6 – 12 months	16	16
Total, amounts owed to credit institutions	228	286

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</i>		<i>Net currency</i>	
	<i>1999</i>	<i>1998</i>	<i>Payable/receivable</i>		<i>1999</i>	<i>1998</i>
DKK	603	633	-95	-123	508	510
FIM	359	443	585	675	944	1,118
ISK	-	-	36	82	36	82
NOK	302	142	160	198	462	339
SEK	751	957	1,038	724	1,789	1,681
AUD	36	29	-31	-23	5	6
BEL	-	-	-	6	-	6
CAD	69	56	-69	-55	-	-
CHF	126	126	-53	-55	73	71
CZK	56	57	-55	-57	-	-
DEM	525	546	-84	-82	441	464
EEK	10	-	-6	-	3	-
ESP	267	267	-264	-264	2	3
EUR	413	104	546	38	959	141
FRF	139	139	-84	-70	56	70
GBP	1,048	286	-1,005	-236	43	50
GRD	30	30	-30	-30	-	-
HKD	1,019	967	-1,020	-966	-	1
ITL	463	488	-420	-442	43	46
JPY	2,580	1,790	-2,333	-1,602	248	188
LUF	201	201	-198	-198	3	3
NLG	-	-	30	37	30	37
NZD	-	32	35	-32	35	-
PLN	18	42	-18	-42	-	-
PTE	75	75	-75	-75	-	-
SGD	209	-	-209	-	-1	-
SKK	12	-	-12	-	-	-
TWD	314	262	-318	-266	-4	-4
USD	1,679	1,361	3,932	3,035	5,612	4,396
ZAR	33	26	-21	-25	12	1
Total	11,336	9,059	-38	151	11,298	9,210

See note 19 regarding credit risk exposure under swaps.

The table set forth above includes 184 (132) borrowing transactions in the equivalent amount of EUR 7,267 million (5,686), entered into under the Bank's Euro Medium-Term Note program, 10 (10) borrowing transactions in the equivalent amount of EUR 425 million (384) under the Bank's Swedish Medium-Term Note program, 2 (2) borrowing transactions in the equivalent amount of EUR 22 million (18) under the Bank's Medium-Term Note program in the United States, and no transactions under the Commercial Paper programs (2 transactions in 1998, in the value of ECU 108 million). The Bank has 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>1999</i>	<i>1998</i>
Up to 3 months	171.4	639.7
3 – 6 months	150.3	223.5
6 – 12 months	1,136.7	348.4
1 – 2 years	1,313.1	1,312.2
2 – 3 years	1,357.8	1,228.2
3 – 4 years	1,134.2	957.3
4 – 5 years	1,235.7	1,027.8
5 – 10 years	3,362.4	3,045.5
10 – 15 years	754.4	162.3
15 – 25 years	681.0	112.8
More than 25 years	50.7	39.5
Total, debts evidenced by certificates	11,347.7	9,097.2

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>1999</i>	<i>1998</i>
Up to 3 months	238.5	639.7
3 – 6 months	193.0	223.5
6 – 12 months	1,257.4	348.4
1 – 2 years	1,487.1	1,312.2
2 – 3 years	1,505.5	1,330.6
3 – 4 years	1,143.9	957.3
4 – 5 years	1,206.5	1,105.3
5 – 10 years	3,193.6	2,865.6
10 – 15 years	608.5	162.3
15 – 25 years	463.0	112.8
More than 25 years	50.7	39.5
Total, debts evidenced by certificates	11,347.7	9,097.2

Of debt securities in issue, EUR 2,180 million (1,761) are at floating interest rates, while EUR 8,835 million (7,050) are at fixed interest rates. Other borrowing transactions, at fixed interest rates, amounted to EUR 321 million (248).

As of the date of the Balance Sheet, the Bank had not entered into any agreements for future borrowing (ECU 41.7 million in 1998, in the form of 4 borrowing transactions having an average maturity of 16.9 years). The currency denominations of these 1998 agreements were JPY and GBP.

NOTES TO THE FINANCIAL STATEMENTS

(14) OTHER LIABILITIES

A total of EUR 80.4 million (77.4) 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, 1999, there were EUR 1.4 million (2.7) 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 1.3 million (1.4).

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 is amortized over the period until the original transactions fall due, between 1999 and 2002. This distribution over time has resulted in EUR 1.3 million (2.7) 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 1.2 million (2.5). 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 1999, EUR 0.4 million (0.4) was recorded in the Profit and Loss Account under "Net interest income", following which EUR 1.2 million (1.6) 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 the date the books were closed, the income recorded in the Balance Sheet which was derived from the swap contract cancellations amounted to EUR 2.3 million (3.0).

Recorded under "Other liabilities" is income from swaps in the amount of EUR 69.6 million (57.5), 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>1999</i>	<i>Share, in %</i>	<i>1998</i>	<i>Share, in %</i>
Denmark	881.1	22.0	585.6	20.8
Finland	765.8	19.2	556.1	19.8
Iceland	38.6	1.0	26.7	1.0
Norway	793.1	19.8	534.6	19.0
Sweden	1,521.4	38.0	1,105.6	39.4
Total	4,000.0	100.0	2,808.6	100.0

The paid-in portion of the Bank's authorized capital amounted to EUR 384.3 million (304.3). As part of the Bank's capital increase in 1999, its member countries paid in EUR 10 million in 1999, and EUR 70 million has at the same time been transferred from the Bank's Statutory Reserve to paid-in capital. The member countries' portions of paid-in capital are as follows (amounts in EUR million):

<i>Member country</i>	<i>1999</i>	<i>Share, in %</i>	<i>1998</i>	<i>Share, in %</i>
Denmark	82.6	21.5	64.4	21.2
Finland	71.4	18.6	56.8	18.7
Iceland	3.7	1.0	3.0	1.0
Norway	71.2	18.5	55.4	18.2
Sweden	155.4	40.4	124.6	41.0
Total	384.3	100.0	304.3	100.0

The member countries are going to pay in an additional EUR 20 million in equal annual installments over the next two years. The remainder of the subscribed capital stock shall be subject to call to the extent the Board of the Bank deems it necessary for the fulfilment by the Bank of its debt obligations.

(16) STATUTORY RESERVE

The Bank's profit is transferred to a Statutory Reserve until the reserve equals 10% of the Bank's authorized capital, or EUR 400.0 million (280.9).

At year-end 1998, the Statutory Reserve amounted to ECU 518.8 million. As part of the Bank's capital increase in 1999, EUR 70.0 million was transferred from the Bank's Statutory Reserve to Paid-in capital in 1999. The Board of Directors is proposing that EUR 20.4 million of the profit from fiscal year 1999 be allocated to the Statutory Reserve. In the event that the Nordic Council of Ministers decides in favor of the proposal, the Statutory Reserve will amount to EUR 469.1 million after the allocation, or 11.7% (18.5%) 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 1998, the Credit Risk Reserve amounted to ECU 235.0 million.

The Board of Directors is proposing to allocate EUR 30.0 million out of 1999 profits to the Credit Risk Reserve. This reserve will subsequently amount to EUR 265.0 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 ECU 46.0 million in 1998.

EUR 21.0 million was allocated from fiscal 1999'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 67.0 million.

(18) CHANGES IN THE COMPOSITION OF EQUITY CAPITAL

(amounts in millions of EUR)

	<i>1998</i>	<i>Change</i>	<i>1999</i>
Paid-in capital	304.3	80.0	384.3
Statutory reserve	518.8	-49.6	469.1
Credit risk reserve	235.0	30.0	265.0
Loan loss reserve (PIL)	46.0	21.0	67.0
Appropriation to dividend payment 1998	35.0	-35.0	-
Appropriation to dividend payment 1999	-	35.0	35.0
Total	1,139.0	81.4	1,220.4

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):

	<i>1999</i>	<i>1998</i>
Guarantees issued (note 8)	31	29
Loans agreed but not disbursed (note 8)	1,299	1,199
Borrowing commitments	-	42
Forward contracts, net	9	7
Principal owed to the Bank under swaps (nominal amount)	14,599	12,002
Principal owing by the Bank under swaps (nominal amount)	-14,561	-12,152
Forward rate agreements (FRAs) sold (nominal amount)	100	-
Futures sold (nominal amount)	10	-
Shares in EIF subscribed to, unpaid portion	12	12
In-substance defeasance	-	197
Ordinary security provided for:		
-Transactions in futures	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):

	<i>1999</i>	<i>1998</i>
Principal owed to the Bank under currency swaps	8,351	6,443
Principal owing by the Bank under currency swaps	-8,313	-6,594
Currency swaps – net	38	-151
Principal owed to the Bank under forward currency swaps	-	44
Principal owing by the Bank under forward currency swaps	-	-43
Interest rate swaps – nominal amount	+/-6,201	+/-5,414
Forward interest rate swaps – nominal amount	+/-47	+/-101
Total, nominal principal amount owed to the Bank under swap agreements	14,599	12,002
Total, nominal principal amount owing by the Bank under swap agreements	-14,561	-12,152

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, 1999 at a total amount of EUR 922 million (1,008). 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 a swap counterparty should fail to make the relevant payments. These costs are calculated in accordance with prevailing market quotations.

(Amounts in millions of EUR):

<i>Nominal amount*</i>) owed to the Bank under:	<i>Floating interest</i>		<i>Fixed interest</i>		<i>Total</i>	
	1999	1998	1999	1998	1999	1998
Currency swaps	2,277	1,938	6,074	4,505	8,351	6,443
Interest rate swaps	2,009	1,791	4,192	3,623	6,201	5,414
Total	4,286	3,729	10,266	8,128	14,552	11,857

*Nominal amount**) owing by the Bank under:

Currency swaps	7,906	6,220	407	374	8,313	6,594
Interest rate swaps	4,683	4,023	1,518	1,391	6,201	5,414
Total	12,589	10,243	1,925	1,765	14,514	12,008

*) Amounts excluding forward swap agreements.

(20) STATEMENT OF CASH FLOWS

Specification of cash flows from operating activities

(in 1,000 EUR):

	1999	1998
Profit for the year	106,397	115,035
Amortization of issuing charges	11,949	10,593
Market value adjustment, trading portfolio	2,918	-783
Depreciation	2,781	2,510
Change in accrued interest and fees (assets)	-59,429	-30,499
Change in accrued interest and fees (liabilities)	55,587	33,668
Provision for possible losses on loans	1,590	1,408
Cash flow from operating activities	121,793	131,932

Specification of the change in cash and cash equivalents on Dec. 31

(amounts 1,000 EUR):

	1999	1998
Cash and balances with banks	3,695	3,773
Placements with credit institutions at less than 6 months	2,540,282	1,920,544
Debt securities at less than 6 months	425,161	324,225
Liquid assets	2,969,138	2,248,542
Amounts owed to credit institutions at 6 months or less	-187,996	-346,601
Cash and cash equivalents (net)	2,781,141	1,901,941
Change in net cash and cash equivalents	879,200	486,164

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 better accord with the Bank's actual net liquid asset position.

TO THE CONTROL COMMITTEE OF THE NORDIC INVESTMENT BANK

Following our appointment by the Nordic Investment Bank's Control Committee, we have audited the accounting and the financial statements as well as the administration of the Nordic Investment Bank for the year ended December 31, 1999. The financial statements, which include the Report of the Board of Directors, the Profit and Loss Account, the Balance Sheet, the Statement of Cash Flows, and notes to the Financial Statements have been prepared by the Board of Directors and the President. Based on our audit we express an opinion on these financial statements and on the administration of the Bank.

We conducted our audit in accordance with International Standards on Auditing

(ISA) as issued by IFAC. Those standards require that we plan and perform the audit in order to obtain reasonable assurance that the financial statements are free from any misstatement of significance for the assessment of the result as well as the financial position of the Bank. In this respect our audit also includes assessing the accounting principles being used and significant estimates made by the management as well as evaluating the overall financial statement presentation. In our audit of the administration of the Bank we have examined whether the Board of Directors and the President have legally complied with the statutes of the Bank.

The financial statements have been prepared observing the principles as defined in International Accounting Standards

(IAS). In our opinion the financial statements give a true and fair view of the financial position of the Bank as at December 31, 1999 and of its result and financing during 1999.

During our audit we have found no reason for remark relating to the administration of the Bank by the Board of Directors and the President.

Helsinki, March 3, 2000

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 § 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 1999, 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 2-3, 2000. 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 3, 2000 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, 1999 and of its

results and financing in 1999. The Profit and Loss Account shows a profit of EUR 106,396,583.47 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 3, 2000

Ingvar Garðarsson

Reynoldh Furustrand

Svein Ludvigsen

Svend Erik Hovmand

Lauri Metsämäki

Ísólfur Gylfi Pálmason

Bill Fransson

Per Kaalund

Bjarne Mørk-Eidem

Technical Assistance Fund

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

	1999	1998
Interest income	9,895	24,333
Administrative expenses	-200,574	-475,772
Fund used in fiscal year	-190,679	-451,439

BALANCE SHEET AT DEC. 31 (Amounts in EUR)

Assets		
Cash and balances with banks	15,845	23,407
Placements with credit institutions	297,814	504,096
Tangible assets	-	18,151
Other assets	50	168
	313,709	545,821

LIABILITIES AND EQUITY

Liabilities		
Other assets	708	42 142
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	-7,746,316	-7,294,877
Used in fiscal year	-190,679	-451,439
Total used funds	-7,936,995	-7,746,316
	313,709	545,821

Equity Investment Fund

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

	1999	1998
Interest income	43,613	119,366
Interest expense	-	-116,421
Sales of shares	36,721	-
Administrative expenses	-	-2,533
Capital increase in fiscal year	80,334	412

BALANCE SHEET AT DEC. 31 (Amounts in EUR)

Assets		
Cash and balances with banks	194	194
Placements with credit institutions	-	1,995,003
Accrued interest	-	4,079
Share investments	3,200,000	5,473,393
	3,200,194	7,472,670
Equity		
Paid-in capital:		
Denmark	755,325	1,800,000
Finland	522,434	1,245,000
Iceland	34,619	82,500
Norway	613,702	1,462,500
Sweden	1,221,111	2,910,000
	3,147,191	7,500,000
Used funds		
Used during previous fiscal years	-27,330	-27,743
Capital increase in fiscal year	80,334	412
	3,200,194	7,472,670

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.

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
(Chairman of the Board)



Lars Tybjerg
Managing Director,
Financial Administration
Agency

Alternates:
Jakob Esper Larsen
Ambassador
Hans Denkov
Assistant Director,
Danmarks
Nationalbank

FINLAND



Bo Göran Eriksson
Director General, Ministry
of Trade and Industry
(Deputy 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
Chairman of the Board,
Icelandic Investment
Bank

Alternates:
Árni Magnússon
Special Assistant to the Minister,
Ministry of Foreign Affairs
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



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 yearly, 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 State Auditors
ICELAND	Ísólfrur Gylfi Pálmason Ingvar Garðarsson	Member of Parliament Authorized Public Accountant (Chairman of the Control Committee 99/00)
NORWAY	Bjarne Mørk-Eidem Svein Ludvigsen	Auditor General Member of Parliament
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 (IS)

President and CEO

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

CARL LÖWENHIELM (S)

Executive Vice President

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

ERKKI KARMILA (FIN)

Executive Vice President

Head of the International Lending Department. Joined NIB in 1993. Licenciate in Law, University of Turku; Master of Laws, Harvard.

BO HEIDE-OTTOSEN (DK)

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 (FIN)

Senior Vice President

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

ODDVAR STEN RØNSEN (N)

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 (FIN)

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 (N)

Senior Vice President

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



The Management Committee. Back row, left to right: Carl Löwenhielm, Oddvar Sten Rønsen, Bo Heide-Ottosen, Erkki Karmila, and Juha Kotajoki. Sitting: Jón Sigurðsson (to the left) and Siv Hellén.

ADMINISTRATION (AS OF APRIL 1, 2000)

PRESIDENT AND CEO

Jón Sigurðsson (IS)
Heidi Syrjänen (FIN) Executive Secretary

NORDIC LENDING

Carl Löwenhielm (S) Executive Vice President

Denmark

Søren Kjær Mortensen (DK) Vice President, Regional Manager
Theodór A. Bjarnason (IS) Deputy Regional Manager

Finland

Lars Selenius (FIN) Vice President, Regional Manager

Iceland

Thór Sigfússon (IS) Vice President, Regional Manager

Norway

Lars R. Fuglesang (N) Vice President, Regional Manager
Kristin Vidhammer (N) Deputy Regional Manager

Sweden

Lars Norén (S) Vice President, Regional Manager
Bengt Farneman (S) Vice President, Deputy Regional Manager

Credit Unit

Kenneth Grönholm (FIN) Manager
Carina Salminen (FIN) Corporate Analyst

Nordic Legal Matters

Klaus Vilner (DK) Vice President
Ann Damström (FIN) Senior Counsel

INTERNATIONAL LENDING

Erkki Karmila (FIN) Executive Vice President
Eivind Dingstad (N) Senior Vice President

Asia

Jørgen D. Ilsøe (DK) Vice President, Regional Manager
(based in Singapore)
Ulf Westergård (S) Deputy Regional Manager

Latin America, Africa, Middle East

Lars-Åke Olsson (S) Vice President, Regional Manager

Central and Eastern Europe

Martin Relander (FIN) Vice President, Regional Manager
Dag G. Andrésen (N) Deputy Regional Manager
Anders Lund (S) Senior Manager

Baltic Countries

Lauri Johnson (S) Vice President, Regional Manager
Marjo Harri (FIN) Deputy Regional Manager
Yngve Söderlund (FIN) Deputy Regional Manager

Private Sector Financing

Tarja Kylänpää (FIN) Vice President
Asko Heilala (FIN) Senior Manager
Maria Maliniemi (FIN) Loan Officer
Eva Sandström (FIN) Loan Officer

Credit Unit

Liisa Niemelä (FIN) Senior Manager

International Legal Matters

Klaus Stubkjær (DK) Vice President
Ebbe Thalín (S) Vice President
Mirja Koskimäki (FIN) Senior Counsel

FINANCE

Bo Heide-Ottosen (DK)
Torben Nielsen (DK)
Britt-Marie Olin (FIN)

Executive Vice President, CFO and Treasurer
Senior Vice President
Financial Controller

Funding

Kari Kukka (FIN)
Ulrik Ross Petersen (DK)
Anne Okko (FIN)

Vice President, Head of Funding
Senior Funding Officer
Senior Dealer

Portfolio Management

Patrik Wainio (FIN)
Jón Thorsteinsson (IS)

Senior Dealer
Portfolio Manager

Cash Management

Birgitta Lipponen (FIN)
Samu Slotte (FIN)

Senior Manager
Dealer

Financial Analysis Support

Kaare Guttorm Andersen (DK)
Arne Dybdahl (N)

Chief Financial Analyst
Financial IT-specialist

Financial Legal Matters

Sten Holmberg (FIN)
Åse Nilsson (S)
Pernelle Skytte (DK)

Vice President
Vice President, Legal Adviser
Senior Counsel

SUPPORTING DEPARTMENTS**Accounting**

Bengt Hongell (FIN)
Stina Kontro (FIN)
Johan Öhman (FIN)

Chief Accountant
Manager, Bank Accounting
Manager, Administrative Accounting

Appraisal Department

Oddvar Sten Rønsen (N)
John Richard Hansen (N)
Tord Holmström (S)
Vidar Omholt (N)
Roland Randefelt (S)
Johan Wallin (FIN)

Senior Vice President
Project Analyst (environment)
Senior Project Analyst
Senior Project Analyst
Senior Project Analyst (environment)
Senior Analyst

Budgeting and Financial Planning

Johan Smeds (FIN)
Christian Duncker (FIN)

Head of Budgeting and Financial Planning
Budget Economist

Financial Administration

Christer Björklund (S)
Lena Lindblad (FIN)

Vice President
Manager, Treasury Back Office

General Counsel's Office

Siv Hellén (FIN)
Catarina Doepel (FIN)
Christina Stenvall (FIN)

Senior Vice President, General Counsel
Secretary to the Board
Counsel

Information and Public Relations

Christian Söderström (FIN)
Jamima Löfström (FIN)

Manager
Deputy Manager

Information Technology

Seija Hallavo (FIN)
Tomas Eriksson (FIN)

IT-Manager
Project Manager

Internal Auditing

Martin Gardberg (FIN)

Internal Auditor

Personnel and Office

Christer Boije (FIN)
Carola Lehesmaa (FIN)
Sagitta Lindberg-Kari (FIN)
Ralf Nysten (FIN)

Vice President
Manager, Personnel and Salary Administration
Manager, Personnel Development and
Travel Administration
Manager, Office Administration

Risk Management

Juha Kotajoki (FIN)
Susanne Fagerstolt (FIN)
Sigurður Ingólfsson (IS)
Jari Lievonen (FIN)

Senior Vice President
Bank Analyst
Risk Analyst
Risk Analyst

NORDIC LOANS IN 1999

LOANS AGREED ON AND DISBURSED IN 1999 BY SECTOR.

Excluded from this list are customers not consenting to publication. The loans concerned are included in the amounts disbursed per sector and in total figures. 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		459.1	46.0 %
Food		42.6	4.3 %
Danisco A/S	Acquisition of Finnish Cultor		
Chips Abp	Acquisition of remainder of OLW		
Wood, pulp and paper		172.1	17.2 %
ABB Credit Oy / Sunila Oy	Investment in coking plant		
Metsä Tissue Oyj	Acquisition of Polish enterprise		
Kymmene Corporation	Investment in new paper machine		
Sia Biko-Lat Inc.	Investment in Latvian joinery factory		
Elopak AS	Acquisition of Finnish conversion factory		
Norske Skogindustrier ASA	Investment in French paper mill		
AssiDomän AB (publ)	Enlargement of board mill and pulp mill		
SCA Coordinaton Center N.V.	Investment in tissue machine		
Södra Skogsägarna ekonomisk förening	Investment in pulp mill		
Chemicals		142.1	14.2 %
Borealis A/S	Investment in ethylene production in Sweden		
Kemira Oyj	Environmental investment program for titanium dioxide factory		
Nokian Tyres plc	Expansion of the company's own distribution channels		
Ove Arkil A/S	Acquisition of companies in Sweden		
Aga AB (publ)	Investment in new gas plants in the Nordic region		
Gränges AB (publ)	Investments in production facilities in Poland		
NCC Treasury AB	Acquisition of Superfos Construction A/S, Denmark		
Minerals		38.6	3.9 %
Sanitec Corporation	Acquisition of SphinxGustavsberg		
Scancem Treasury AB	Company acquisitions in the Nordic area		
Metals		9.8	1.0 %
Elkem ASA	Acquisition of majority holding in Icelandic company		
Tinfos Jernverk AS	Environmental investments in steelworks		
Engineering		36.3	3.6 %
Fiskars Corporation	Acquisition of one German and one British company		
Reka High Voltage Cables Ltd	New cable manufacturing facility		
Haldex AB (publ)	FWD research		
Sundry		17.5	1.8 %
Kuusakoski Baltic Holdings Oü	Acquisition of Estonian company		
Schibsted ASA	Acquisition of Swedish newspaper		
ENERGY AND MINERAL EXTRACTION		117.7	11.8 %
Propel Voima Oy	Investment in new wind farm		
Suomen Hyötytuuli Oy	Investment in new wind farm		
Vapo Oy	Company acquisitions in Sweden		
Landsvirkjun	Investment in new hydro power plant		
Municipality of Reykjavík	Supplementary investment in geothermal power station		
Elkem ASA	Investment in new hydro power station		
Birka Energi AB (publ)	Enlargement of district heating network and development of district air conditioning		

Sector/customer	Project	Disbursed EUR million	% of total disbursements
TRADE AND SERVICES		92.7	9.3 %
Sanistål A/S	Enlargement of distribution system		
Kesko Oyj	Investment in logistical center, Estonia		
Kiertokapula Oy	Development and enlargement of refuse disposal		
Technopolis Oulu Oyj	Enlargement of technology center		
Bagur hf.	Acquisition of Faeroese company		
Municipality of Kópavogur	Development of new roads, pipelines and sewers		
Olufélagið hf.	Expansion of activities		
Elgiganten Køkkenland A/S	Expansion into the Danish market		
Scandic Hotels AB (publ)	New acquisitions and upgrading of existing hotels		
Schibsted ASA	Media expansion		
Skanska Financial Services AB (publ)	Company acquisitions in Finland and Denmark		
TRANSPORT AND COMMUNICATIONS		224.5	22.5 %
Transport		129.4	13.0 %
A/S EM. Z. Svitzer	Acquisition of Swedish company		
Port of Aarhus	Investment in new container terminal		
Road Company Nelostie Oy	Development and operation of motorway		
Flugleidir hf./ Icelandair	Purchase of new aircraft as part of a major investment program		
Municipality of Hafnarfjörður	New harbor facility for increased capacity		
Municipality of Kópavogur	Construction of new roads, mains facilities and sewers		
A-Train AB	Development of the Arlanda Line		
Handelsbanken Finance AB/ Nordwaggon AB	Goods wagons delivered by Talgo-Transtech in Finland		
SAS – Scandinavian Airlines System	Purchase of new aircraft as part of a major investment program		
Communications		95.2	9.5 %
Sonera Corporation	Capacity investments for information services		
Ríkisútvarpið	Investment in new technology		
Norway Post BA	Investment in logistical network		
BANKING AND FINANCE		71.3	7.1 %
Ringkjøbing Landbobank A/S	Credit line, agriculture and energy supply in Jutland		
Roskilde Bank A/S	Credit line, SMEs in Zealand, Denmark		
Bank of Åland	Credit line, SMEs in Åland		
Icebank hf. (Sparisjóðabanki Íslands hf.)	Credit line, SMEs in Iceland		
Íslandsbanki hf.	Credit line for environmental and infrastructural projects in Iceland		
Kaupþing hf.	Credit line, SMEs in Iceland		
Sparbanken Finn	Credit line, SMEs in Skåne, Sweden		
Lánasjóður sveitarfélaga (local government credit fund)	Credit line for onlending to municipalities in Iceland		
REGIONAL LOANS		33.5	3.4 %
Finnvera Oyj	Credit line, SMEs in Finland		
Government of Åland	Credit line, SMEs in Åland		
West-Nordic Foundation	Financing of onlending		
TOTAL, 1999		998.8	100.0 %

INTERNATIONAL LOANS IN 1999

PROJECT INVESTMENT LOANS

			Agreed EUR million	Disbursed EUR million
Africa				
South Africa	Development Bank of South Africa	Loan program for further financing of infrastructural and industrial investments.	28.3	
			28.3	23.4
Asia				
Philippines	Globe Telecom Inc.	Loan for enlargement, operation and financing of GSM network and network for fixed telephony.	18.8	
India	Industrial Development Bank of India	Loan program for further financing of infrastructural and industrial investments.	49.8	
China	Leshan Scana Machinery Company Ltd	Loan for upgrading of iron and steel foundry in Southwestern China.	5.7	
	Republic of China	Transmission project aimed at streamlining utilization of national power production.	47.2	
	Republic of China	Loan program for further financing of infrastructural and industrial investments.	57.4	
Thailand	Metropolitan Electricity Authority	Loan for HV cable tunnel project.	11.7	
			190.5	82.6
The Baltic countries				
Estonia	Estonian Telephone Company Ltd	Loan for part-financing of investments in the borrower's fixed telephone network.	10.7	
	Republic of Estonia	Loan program for environmental investments.	14.0	
	Republic of Estonia	Loan for a penitentiary project in Tartu.	13.0	
Latvia	Latvian Mobile Telephone Company SIA	Loan to mobile telephone company for GSM network investments in Latvia.	4.8	
	Riga Graduate School of Law	Loan for a joint Swedish-Latvian governmental project regarding further education of lawyers.	4.3	
Lithuania	Lietuvos Telekomas, AB	Upgrading of existing telecommunications network in Lithuania through investments in digital technology and optic cables.	23.6	
			70.4	12.8
Central and Eastern Europe				
Croatia	VIP-NET GSM D.O.O.	Loan to private telephone company for development and operation of nationwide GSM system with appurtenant telephone services. Co-financing with EBRD and SEK.	20.0	
Poland	Europort Inc. Poland SP. Z O.O.	Loan for grain terminal in Gdansk.	6.8	
	Paroc Polska SP. Z O.O.	Loan for mineral wool factory in Poland.	6.9	
	Turow Power Plant	Loan for phase 3 of the modernization of the coal-fired Turow Power Plant.	79.2	
	Bank of Socio-Economic Initiatives SA (BISE)	Loan program for municipal environmental projects in Poland to reduce cross-border pollution of air and water.	20.0	
Romania	Mobifon S.A.	Additional loan to operator in Romania for GSM network design.	8.8	
The Czech Republic	Ceskoslovenska Obchodni Banka A.S.	Loan program for investments in small and medium-scale projects.	23.4	
			165.1	128.0

Latin America			
Argentina	Compañía de transporte de Energía Eléctrica en alta Tension SA	Loan program for further financing of projects in the energy sector.	18.6
			18.6
			14.1
Middle East			
Turkey	Republic of Turkey	Water supply project in the city of Bandirma.	9.4
	Republic of Turkey	New wastewater purification plant in the city of Kadiköy.	7.7
			17.1
			34.3
BALTIC INVESTMENT LOANS			
Estonia	Optiva Pank, AS	Loan program for refinancing of small and medium-scale projects.	2.0
	RDS Hotelli AS	Part-financing of Radisson SAS Tallinn.	7.0
Latvia	BSW Latvia Ltd	Loan for establishment of sawmill.	3.6
	Park Hotel Ridzene, Riga	Loan for basic renovation of commercial hotel in Riga.	3.7
Lithuania	Pemco Kuras	Part-financing of the company's investments in lubricant oil production.	1.4
	KSC Klaipeda Stevedoring Company Bega	Loan for harbor project in Klaipeda.	1.9
			19.5
			12.8
ENVIRONMENTAL INVESTMENT LOANS			
Estonia	Eesti Energia, AS	Loan for modernization of power stations in Narva and Tallinn.	13.0
			13.0
			13.0
INVESTMENT LOANS			
Western Europe			
France	Dolphin Telecom S.A.	Financing of development of nationwide commercial TETRA-standardized telecommunications network in France.	13.0
			13.0
			0.6
TOTAL, 1999			535.6
			321.6

LONG-TERM BORROWING 1999

Currency	Amount (million)	Amount EUR (million)	Issue price	Coupon rate %	Maturity/Year	Leading/Arranging Bank
PUBLIC SYNDICATED BOND ISSUES						
NOK	175	20	100.0000 %	5.5000 %	2005	Unibank A/S
EUR	250	250	100.4850 %	4.1250 %	2011	Société Générale
NOK	450	54	101.0650 %	5.0000 %	2004	Svenska Handelsbanken
NOK	200	24	101.1340 %	5.0000 %	2004	Svenska Handelsbanken
NOK	350	42	100.3610 %	5.0000 %	2004	Svenska Handelsbanken
HKD	1,000	112	99.5900 %		2002	Merrill Lynch International and HSBC Markets Limited
EEK	100	6	100.0000 %	8.9000 %	2002	Merita Bank Ltd
GBP	200	304	101.0650 %	6.0000 %	2004	Royal Bank of Canada Europe Limited

OTHER LISTED BORROWINGS						
USD	150	136	103.6980 %	5.8750 %	2008	Salomon Smith Barney (Citigroup)
SGD	150	81	99.4420 %	4.1250 %	2004	Citibank (Citigroup)
SGD	150	81	99.6060 %	4.7500 %	2009	Citibank (Citigroup)
SGD	50	28	100.8270 %	4.1250 %	2004	Citibank (Citigroup)
EUR	10	10	99.2500 %		2009	Société Générale
SKK	500	12	101.1900 %	14.3750 %	2002	Raiffeisen Zentralbank Österreich AG / Tatra Banka

OTHER BORROWINGS							
JPY	1,000	8	100.3250 %		2)	2014	Tokyo-Mitsubishi International plc
JPY	4,000	30	100.4000 %		2)	2017	Tokyo-Mitsubishi International plc
JPY	500	4	100.4000 %		6)	2019	DKB International Plc
GBP	2	3	100.0000 %		4)	2004	Chase Manhattan Bank
JPY	1,000	8	100.0000 %		1) 2)	2019	Daiwa Europe Limited
JPY	700	5	100.0000 %		5)	2014	Kokusai Europe Ltd
JPY	1,000	8	100.0000 %		2)	2009	Tokyo-Mitsubishi International plc
JPY	200	2	100.0000 %		2)	2014	IBJ International plc
JPY	1,100	9	100.0000 %		1) 2)	2014	Kokusai Europe Ltd
JPY	500	4	100.5000 %		1) 2)	2019	Salomon Smith Barney (Citigroup)
JPY	1,000	8	98.5000 %		1) 2)	2019	Deutsche Bank AG
JPY	500	4	95.9000 %		2)	2014	DKB International Plc
JPY	500	4	100.0000 %		1) 2)	2019	Deutsche Bank AG
JPY	3,000	24	100.5000 %		1) 7)	2014	Salomon Smith Barney (Citigroup)
JPY	2,100	16	100.5000 %		1) 2)	2019	Salomon Smith Barney (Citigroup)
JPY	500	4	100.4000 %		1) 2)	2019	DKB International Plc
JPY	1,000	8	100.5000 %		1) 7)	2019	Salomon Smith Barney (Citigroup)
JPY	1,700	13	100.2500 %		1) 2)	2015	Kokusai Europe Ltd
JPY	4,900	39	100.0000 %			2002	ABN Amro Bank N.V.
HKD	150	19	100.0000 %	6.8000 %		2002	Banque Paribas

- 1) Callable
- 2) Linked to JPY/USD rate
- 3) Reverse Dual Currency
- 4) Equity linked

- 5) Fixed/Reversed Dual Currency
- 6) Linked to JPY/EUR rate
- 7) Linked to JPY/AUD rate

Currency	Amount (million)	Amount EUR (million)	Issue price	Coupon rate %		Maturity/Year	Leading/Arranging Bank
HKD	170	21	100.0000 %	6.9820 %		2002	Commonwealth Bank of Australia
JPY	1,000	8	100.5000 %			2019	Daiwa Europe Limited
JPY	3,000	24	100.3500 %	2.0000 %	3)	2011	Nomura International plc
JPY	1,500	12	100.2500 %		1) 2)	2019	Kokusai Europe Ltd
JPY	1,700	14	100.0000 %		1) 2)	2014	DKB International Plc
HKD	100	12	100.0000 %	7.1200 %		2002	Commonwealth Bank of Australia
HKD	100	12	100.0000 %	7.3000 %		2002	Paine Webber International Ltd
JPY	1,000	8	100.0000 %		1) 5)	2009	Salomon Smith Barney (Citigroup)
JPY	2,300	18	100.0000 %		1) 2)	2019	Tokyo-Mitsubishi International plc
JPY	1,200	10	100.0000 %		1) 2)	2019	DKB International Plc
JPY	1,000	8	100.5000 %		2)	2019	Nomura International plc
JPY	2,000	16	100.0000 %		1) 2)	2019	Nomura International plc
JPY	1,000	8	100.0000 %		3)	2014	Fuji International Finance Plc
JPY	1,000	8	100.5000 %		2)	2019	Nomura International plc
JPY	1,000	8	100.0000 %		1) 2)	2014	Paine Webber International Ltd
JPY	3,000	26	100.0000 %		1) 2)	2024	Goldman Sachs International
JPY	1,000	8	100.4000 %		1) 2)	2014	Nomura International plc
JPY	1,300	12	100.0000 %		1) 2)	2014	ABN Amro Bank N.V.
JPY	1,100	10	100.2500 %		2)	2014	Kokusai Europe Ltd
HKD	400	48	99.8120 %	7.3750 %		2002	JP Morgan Securities Ltd.
JPY	1,000	9	100.5000 %		2)	2019	Nomura International plc
JPY	5,000	44	100.0000 %	2.3900 %	1)	2014	Sumitomo Bank Capital Markets
JPY	1,000	9	100.0000 %	3.0000 %	3)	2004	Salomon Smith Barney (Citigroup)
JPY	500	5	100.0000 %		2)	2011	Salomon Smith Barney (Citigroup)
JPY	1,000	9	100.0000 %	2.7000 %	3)	2019	Salomon Smith Barney (Citigroup)
JPY	1,100	10	100.2500 %		1) 2)	2019	Kokusai Europe Ltd
JPY	1,100	11	100.2500 %		2)	2019	Kokusai Europe Ltd
USD	100	99	90.0000 %	5.4000 %	3)	2009	IBJ International plc
GBP	75	119	98.7500 %	5.2500 %		2019	Royal Bank of Canada Europe Limited
GBP	25	39	98.7500 %	5.2500 %		2019	Royal Bank of Canada Europe Limited
GBP	50	79	97.1200 %	5.2500 %		2019	Royal Bank of Canada Europe Limited
JPY	8,000	78	100.0000 %	2.6750 %	3)	2911	Norinchukin International
JPY	3,000	29	100.0000 %		1) 2)	2019	Salomon Smith Barney (Citigroup)
EUR	13	13	100.0000 %		4)	2004	Commerzbank AG
EUR	13	13	100.0000 %		4)	2004	Commerzbank AG
EUR	13	13	100.0000 %		4)	2004	Commerzbank AG
EUR	10	10	86.9400 %		4)	2004	Merrill Lynch International
EEK	50	3	100.0000 %			2004	Optiva Bank
GBP	100	161	98.7880 %	5.7500 %		2014	Barclays Bank och ABN Amro Bank N.V.

- 1) Callable
2) Linked to JPY/USD rate
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6) Linked to JPY/EUR rate
7) Linked to JPY/AUD rate

NIB was established by a treaty dated December 4, 1975, which was subsequently ratified by the five Nordic countries, and which entered into force June 1, 1976. This treaty was replaced by a new treaty signed by the member countries on October 23, 1998, ratified by them during the first part of 1999 and effective from July 18, 1999. Certain provisions in relation to NIB not contained in the treaty are covered in the headquarters agreement signed by the Government of Finland and NIB on July 8, 1999, and effective from August 7, 1999.

BACKGROUND

In 1995 discussions about the change of the status of NIB to bring it in line with that of other multilateral finance institutions began on host country level and later on the level of the member countries. Experts and advisers were instructed by the member states to advise on various aspects related to the change of the status of NIB. This work resulted in the decision of the Nordic Council of Ministers in November 1997 that the legal framework of NIB and its sister organizations, the Nordic Development Fund, NDF and the Nordic Environmental Finance Corporation, NEFCO, should be revised to reflect their status of international organizations.

The original NIB legal framework was adequate for the Bank's operations as a joint financing institution intended to operate in the Nordic countries as a vehicle for their increased economic integration. However, in 1982 the Nordic countries established the Project Investment Loan Facility, which enabled NIB to expand its activities outside the Nordic area into the middle-income developing countries as well as the countries of Central and Eastern Europe. Since 1982 the character of NIB had increasingly developed towards that of a multilateral finance institution, which for its activities required privileges and immunities not contained in the original NIB treaty.

Discussions concerning a headquarters agreement with the Government of Finland began as far back as 1991. The need had arisen to regulate certain relationships between the Bank and its host country in areas in which the provisions of NIB's establishment agreement failed to cover new situations, or left room for interpretation. These discussions did not lead to any conclusive results. The issues were also partially of such a nature that they required the participation of the other member countries. As a result, simultaneously with preparations for a new agreement concerning NIB (the NIB Agreement), a headquarters agreement between the Government of Finland and the Bank (the Headquarters Agreement) was prepared.

The agreements described below now reflect the status of NIB as a truly multilateral finance institution.

THE NIB AGREEMENT

In their desire to strengthen and further develop co-operation among the Nordic countries through NIB as their common international financial institution, the member countries confirm that:

- NIB enjoys the legal status, immunities and tax treatment of a multilateral finance institution
- The purpose of NIB is to further the mutual interests of recipient countries and the Nordic countries.

In particular, the agreement states that:

- NIB has the full legal capacity of an international legal person
- Although NIB enjoys judicial immunity, such immunity is waived with regard to some aspects of NIB's operational activities
- Judicial and administrative decisions may be enforced against NIB only after they have become effective
- NIB's property and assets are protected from search, expropriation, seizure and other similar measures

- NIB's premises, archives and documents are inviolable
- NIB continues to be exempt from foreign exchange and payment restrictions
- NIB enjoys broader tax exemptions than previously in that NIB and its assets are now exempt from virtually all taxation and duties
- NIB's Board of Directors and personnel are immune from legal proceedings with respect to acts performed in their official capacity
- Privileges and immunities are established exclusively to enable NIB to carry out its tasks and may be waived by the Board of Directors of NIB if this is deemed to be in NIB's best interests.

THE HEADQUARTERS AGREEMENT

The Headquarters Agreement is also based on the Nordic Council of Ministers' decision dated November 10, 1997. This agreement regulates the relationship between the Bank and its host country. It contains both stipulations for practical application of the NIB Agreement and certain issues not covered in that agreement.

Some of the practical applications of the NIB Agreement are:

- The Headquarters Agreement sets out the circumstances in which the Finnish authorities may enter the premises of NIB
- Finnish value added tax and customs duties exemptions apply in accordance with the established procedures for diplomatic and consular representations of foreign states in Finland
- Procedures governing international organizations apply in relation to value added tax and excise duties elsewhere within EU.

New issues are:

- The Government of Finland will reimburse NIB taxes charged on NIB's staff

income from NIB under a procedure which is unique amongst multilateral financial institutions

- NIB is responsible for its staff pension arrangements and it can use the various pension plans available in Finland. NIB has chosen to continue using the Finnish pension scheme for government employees.

Lastly the Headquarters Agreement emphasizes that NIB and all persons enjoying privileges and immunities under the NIB Agreement shall respect relevant laws and regulations in the host country, notwithstanding such privileges and immunities.

The Bank notes with satisfaction that the member countries' decision to codify and confirm the Bank's position as a multilateral financial institution has been accorded a formal base in the NIB Agreement and in the associated Headquarters Agreement.

NIB's ANNUAL REPORT

The Annual Report of NIB is published in English and Swedish. An Interim Report for the period January–August 2000 will be published in October 2000.

This Annual Report is printed on Finnish Metsä-Serla's Galerie Art Silk, which has been awarded the Nordic Environmental Emblem initiated by the Nordic Council of Ministers.

Illustration theme for this year's Annual Report: rock types of the Nordic area.

Cover

The stone featured in the cover illustration is Wiborgite, the commonest type of Rapakivi granite. This granite gets its name from the Finnish word *rapakivi*. Wiborgite occurs in the southeast and southwest of Finland, in Åland, in many places in Sweden and in all continents.

Portraits

Marjo Nieminen, Helsinki, page 7, 60 and 61.

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