NORDIC INVESTMENT BANK

Annual Report 2003

From the top:
Anas crecca
Tadorna tadorna
Anas penelope
Bucephala clangula
Anas platyrhynchos

Cover:
Somateria mollissima

THE DIVERSE GROUP OF DUCKS

The 120 duck species of the world constitute a diverse group. About 20 duck species nest in the Nordic countries and inhabit various environments. Dabblers, such as Mallards (*Anas platyrhynchos*) and Green-winged Teals (*Anas crecca*), live in lakeside environments. Diving ducks, such as the Common Goldeneye (*Bucephala clangula*) and the Common Pochard (*Aythya ferina*), seek food in deeper waters. The Common Eider (*Somateria mollissima*) and the Velvet Scoter (*Melanitta fusca*) (aka *White-winged Scoter*) are the seafaring experts of the diving ducks. The group is augmented by the Mergansers of the *Mergus* family, which have a beak that is different from that of other ducks.

Ducks stay in the Nordic countries primarily during the summer nesting season. In winter they move to south Europe. Some migrate as far as Africa. Exceptions are the Mallard and the Tufted Duck (*Aythya fuligula*), which overwinter in the unfrozen waters of the cities.

Duck courtship continues throughout the winter. In nesting areas, the male stays with the female until she finishes laying eggs. Thereafter, the males go to moulting areas. The females typically lay eight to ten eggs in nests close to the shore. Some species, such as the Common Goldeneye, nest in hollows found in trees.

Ducklings of the smallest duck species, the 300-gram Green-winged Teal, develop and can fly in less than a month, whereas the Common Eiders, which weigh a couple of kilograms, take almost two and a half months before they can fly.

In summer ducks eat many small aquatic insects. Young ducklings particularly eat insects that hatch in water. During autumn, the diet increasingly includes more aquatic plant seeds and grains. The speciality of the Common Eider is mussels whereas Mergansers catch fish.

Expert: Petri Nummi, docent, University of Helsinki.

CONTENTS

THIS IS NIB

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

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

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

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

NIB has its headquarters in Helsinki and offices in Copenhagen, Oslo, Reykjavik, Stockholm and Singapore. At year-end 2003 the Bank had 147 employees, recruited from all the five Nordic countries.

NIB's FINANCING POSSIBILITIES

NIB finances investment projects and project export which are of mutual interest for the Nordic countries, and for the borrower. High priority is given to investments, which improve the economic cooperation in the Nordic countries. Loans and guarantees are granted to finance investments that assure energy supply, improve infrastructure or support research and development. High priority is also given to projects that improve the environment in the Nordic countries and their neighbouring areas. NIB participates in the financing of foreign investments that provide employment in the Nordic countries. NIB finances various international projects in emerging markets as well as within the OECD area. The Bank grants loans to projects that support economic development in the Nordic countries' neighbouring areas as well as to investments of mutual interest for the Nordic countries and the borrowing country in various parts of the world.

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

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

NORDIC LOANS

Investment loans

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

NIB finances projects in:

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

Regional loans

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

INTERNATIONAL LOANS

The core of NIB's international lending operations consists of project investment loans. These are long-term loans—up to 20 years—for projects in emerging markets in Asia, the Middle East, Central and Eastern Europe, Latin America as well as Africa. Project investment loans are usually granted on a sovereign basis but may also be granted without a government guarantee, particularly to private sector infrastructure investments. The loans are granted for up to half of the project's total cost. Project investment loans can be utilised to finance all types of project costs, including local costs. The loans are granted at market-based interest rates in a currency preferred by the customer. Project investment loans have been granted for projects in more than 40 countries.

NIB can also provide loans to Nordic companies' investments, including joint ventures and corporate acquisitions, within the OECD area and in the Baltic countries.

Neighbouring areas

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

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

Key figures (in EUR million)

	2003	2002
Net interest income	155	150
Core earnings	139	135
Profit	151	142
Loans disbursed	1,841	1,648
Loans agreed	1,859	1,807
Loans outstanding	10,522	10,110
Guarantees outstanding	29	32
New debt issues	3,258	3,320
Debts evidenced by certificates	13,087	13,150
Net liquidity	2,744	2,947
Total assets	16,666	15,948
Equity/total assets (%)	9.9	9.7
Profit/average equity (%)	9.5	9.5
Number of employees	147	144

The year 2003 in brief

- good results, continued positive, stable trend
- profit EUR 151 million, net interest income EUR 155 million
- dividend of EUR 41.3 million to NIB's owners
- high quality of loan portfolio sustained
- new lending totals EUR 1,841 million
- environmental loans to the Nordic countries increased substantially, new important loan agreements on environmental projects in the Baltic Sea area
- decision on Estonian, Latvian and Lithuanian NIB membership
- expanded possibilities to grant loans outside the Nordic countries

MISSION AND STRATEGY

MISSION

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

Loans and guarantees are granted on commercial banking terms in 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.

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

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

STRATEGY

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

- Acting as a catalyst for Nordic industrial cooperation by financing new investments, infrastructure projects and structural improvements, particularly cross-border investments;
- Participating in the financing of foreign direct investment in the Nordic countries and of Nordic companies' investments outside the Nordic countries;
- Participating, in its capacity as a multilateral financial institution, in the financing of projects in the emerging markets outside the Nordic countries thus promoting the globalisation of Nordic industry, and thereby fostering cooperation between companies in the developing and transition countries and Nordic companies;
- Contributing with financing to the economic transformation and development in the areas adjacent to the Nordic region;
- Playing an important role in the financing of environmental improvement investments in the Nordic countries and in the Baltic Sea and Barents Sea regions;
- Cooperating with and supplementing other Nordic or international lenders. The financing of small and medium-sized companies' investments is an important focal point of this cooperation;
- Developing the expertise of its staff and fostering competence generally within the Bank's areas of operations;
- Striving to maintain the highest possible credit rating in order to be able to supplement other Nordic lending institutions with long-term loans on favourable terms. For this purpose, which is central to the Bank's operational concept, the Bank aims to be at the cutting edge in terms of financial risk management and cost effectiveness.

PRESIDENT'S STATEMENT

The Nordic Investment Bank can look back on an eventful year of encouraging developments. The Bank's lending activities continued their balanced growth, despite the weakness on the international economic scene. The quality of the Bank's assets—both loans outstanding and financial portfolios—was somewhat higher at year-end than it had been at the beginning of the year. The annual profit was the best in the Bank's history so far, amounting to EUR 151 million as against EUR 142 million for the preceding year. The Board of Directors has proposed a dividend of EUR 41.3 million to the Bank's owners. This brings the total dividends paid by the Bank to its owners in the past ten years to EUR 350 million.

The Bank's main purpose is the promotion of sustainable economic development in the member countries and the neighbouring areas through long-term financing of cross-border investments in industry and infrastructure, with priority for projects having a positive environmental impact. Great importance is also attached to strengthening the internationalisation of business by financing projects conferring advantages both on the member countries and on borrower countries outside the Nordic area.

During 2003 the Bank successfully combined its threefold mission of integration, environment protection and internationalisation with a good return on equity, which at 9.5% was 6 percentage points over the NIB interest benchmark, i.e. the five-year euro rate in swap contracts. The margin above the euro rate is much the same as, or somewhat better than, that which the Bank has shown uninterruptedly over the past ten years.

NIB has a strong position in international capital markets, due to its good financial results and to the solid financial position of its owners. In 2003, the Bank's new borrowing amounted to EUR 3.3 billion. NIB's bond issues included the successful launching of a USD 1 billion benchmark issue with investors on four continents. The Bank's effective borrowing cost can well bear comparison with those of other multilateral banks.

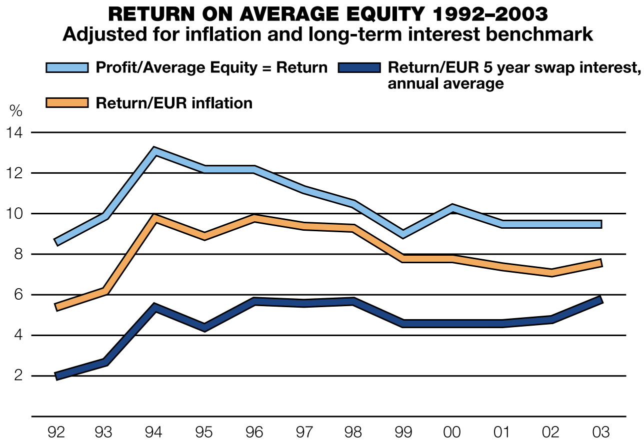
The most important event of the year for the Bank was the invitation extended by the Nordic governments to Estonia, Latvia and Lithuania to become members of NIB, and their acceptance of the offer.

FRAMES FOR LENDING ACTIVITIES

Lending in the Nordic countries will remain the core of the Bank's lending activities. Loans outstanding at year-end under the Bank's ordinary lending totalled EUR 8.5 billion. The ceiling at present is EUR 12.5 billion, which leaves ample scope for expanding the core operation. NIB's total lending has shown healthy growth in the past ten years, with a loan portfolio growing by 131%, or on average by 8.6% annually.

Loans for projects outside the Nordic area have become an increasingly important part of lending activities. The Project Investment Loan facility (PIL) is the cornerstone of this lending. PIL loans have increased in the past few years and at year-end totalled EUR 2 billion, having tripled in ten years. During the year, with loan commitments under the PIL facility approaching the ceiling of EUR 3.3 billion, the Board of Directors proposed that the Bank's owners raise the PIL facility to EUR 4.0 billion. The decision to increase the facility was made at the end of October 2003, and becomes effective in the middle of 2004.

NIB's owners have underwritten special guarantees for the PIL facility. Considering that these guarantees have not been invoked over a period of more than two decades, and also in view of the Bank's strong financial position, its owners decided to expand the PIL facility to EUR 4.0 billion, without raising the total guarantee amount of EUR 1.8 billion. Against the backdrop of the same considerations, the guidelines for the PIL guarantees are to be revised at the same



time. The adjusted guidelines call for the Bank itself to bear the first loan losses under the PIL facility, up to the amount allocated to the Bank's Special credit risk fund for PIL. The fund is intended to be increased by means of significant annual appropriations, with the first one to be made in the accounts for 2003.

The expansion of the PIL facility provides scope for a continuing growth of NIB's international activities. Another important step was the raising of the MIL lending facility for environmental loans in the neighbouring region from EUR 100 million to EUR 300 million, which took effect at the beginning of the year and underpins the Bank's environmental and internationalisation remits. The MIL facility is based on special owner guarantees and is dedicated to financing urgent environmental investments in the Baltic Sea and Barents regions. This facility is also the foundation of NIB's active role within the Northern Dimension Environmental Partnership (NDEP). NDEP is composed of multilateral banks, bilateral foreign aid providers, the EU and Russia. Its main purpose is to solve urgent environmental problems in northwestern Russia.

The expansion of NIB's special loan facilities provides a basis for continued augmentation of the percentage of loans for projects outside the Nordic area. At present, loans to counterparties in the Nordic countries make up 79% of loan exposure, while loans to counterparties outside the Nordic area make up 21%. At the end of 1993 the distribution was 85% within and 15% outside the Nordic countries. Given the credit facilities already resolved on for the Bank, the international part can be expected, in keeping with the Bank's strategy, to increase over the next five or six years from one-fifth to a quarter of loan exposure.

ENVIRONMENTAL MANDATE

The environmental mandate is a vital part of NIB's mission, with environmental loans accounting for nearly one-fifth of total loan disbursements. In the neighbouring regions the Bank took part in several environmental projects, which have already entered the construction phase. Unquestionably the most important of these is the completion of the Southwest wastewater treatment plant in St. Petersburg. This is a public private partnership enterprise with shareholders from both Russia and the Nordic countries. The loan agreement was signed in March 2003, following three years of preparation and negotiation under NIB's leadership. The treatment plant, the first NDEP project to be completed, will drastically reduce emissions of untreated wastewater from St. Petersburg, the biggest single source of pollution on the Baltic Sea coast.

The environmental mandate will remain an important area for the Bank's operations in the years ahead. In the new member countries of the Bank and the EU, cooperation with the EU's cohesion and structural funds and with other financiers will be an important instrument to finance environmental investments.

NIB MEMBERSHIP FOR ESTONIA, LATVIA AND LITHUANIA

At the Oslo meeting of Prime Ministers at the end of October, attended by the Baltic heads of government and their Nordic colleagues, the eight heads of government agreed on the general conditions for an enlargement of NIB and instructed their Ministers of Finance and Economy to negotiate an interstate agreement for the realisation of Baltic membership. The negotiations were completed at the turn of the year.

The parties agreed on a new Agreement and new Statutes for the

Bank. Following national ratification in 2004, the three Baltic countries are expected to become full members of NIB on 1 January 2005.

Under the new Agreement, Estonia, Latvia and Lithuania will become members of NIB on an equal footing with the present five members: Denmark, Finland, Iceland, Norway and Sweden. All members are to have the same rights and obligations as under the present Agreement. The new Agreement preserves the main outlines of NIB's financial structure, thereby safeguarding its high credit rating.

Estonian, Latvian and Lithuanian membership will have the effect of increasing the Bank's authorised capital by EUR 142 million and its equity reserves by EUR 42 million. A total of EUR 14.3 million of the authorised capital is to be paid in. The reserves are to be paid in full. The new member countries will have a 3.4% share of the Bank's capital base. The Bank's ordinary lending capacity, at present EUR 12.5 billion, will increase by EUR 460 million as a result of the new Agreement.

The expansion of lending scope, however, is not the most important consequence of wider membership. The most important effect will be the Bank's future integration mandate covering a wider geographic area and including countries in a capital-demanding transformation and adjustment to EU/EEA rules of business practices.

NIB has been active in the Baltic countries ever since they regained their independence in 1991, initially through the Baltic Investment Programme (BIP), which was established in 1992 and comprised a lending facility, technical assistance and equity investments in local financial institutions. Since the BIP programme was concluded in 2000, the Bank's lending activity in the Baltic countries has been based on project finance loans and, more recently, on ordinary loans. Cooperation with the Baltic states has deepened year by year. The Bank's loan exposure in the Baltic countries has risen to substantial levels in the past ten years, exceeding EUR 600 million at year-end 2003.

NIB today is the biggest single external financier in the energy sector of the Baltic countries and one of the largest in the transport sector. NIB has also issued bonds denominated in Baltic currencies.

The decision concerning Baltic membership can be viewed as a natural outgrowth of developments in the Bank's operations over the last decade. The matter of membership has often been discussed in the Bank's relations with Baltic national representatives ever since the mid-1990s. It is now very satisfying indeed to see that the expansion of NIB is turning into a reality.

Estonia, Latvia and Lithuania are in the vanguard of accession states as regards the transition to open market economies. Their economies have been among the fastest-growing in Europe over the last few years. These countries have great investment and capital needs.

Infrastructure finance and cross-border investments, not least, will be needed to support further positive development in the Baltic countries. NIB can continue to play an important part in this connection. The membership of Estonia, Latvia and Lithuania in NIB is a milestone in the Bank's development. This expansion implies an exciting new task for the Bank in the coming years—a challenge which can only be looked upon as positive.

Companies and institutions show their viability by their ability to adapt to and deal with changes in their surroundings. NIB has this capacity, by virtue of its financial and institutional strength, based on the commitment of its staff and on the support from its owners.

Helsinki, March 2004

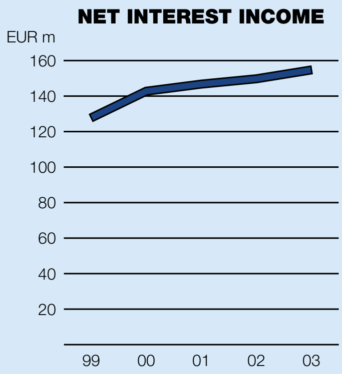
Jón Sigurðsson

From the top:
Mergus merganser
Anas platyrhynchos
Mergus merganser
Aythya fuligula
Mergus albellus

FIVE-YEAR COMPARISON (IN EUR MILLION)

	2003	2002	2001	2000	1999
PROFIT AND LOSS ACCOUNT					
Net interest income	155	150	147	143	128
Commission income and expenses etc.	6	7	7	6	4
General administrative expenses, depreciation and write-down	-22	-22	-23	-20	-17
Core earnings [1)]	**139**	**135**	**130**	**128**	**115**
Adjustments to fair value in trading portfolio	3	10	3	4	-7
Provisions for possible losses on loans	-	-3	-	-2	-2
Adjustment to hedge accounting	8	-	-3	-	-
Profit for the year	**151**	**142**	**131**	**130**	**106**
BALANCE SHEET					
Assets					
Cash and cash equivalents, placements and debt securities	4,384	4,304	3,734	3,922	3,747
Loans outstanding	10,522	10,110	10,067	9,288	8,854
Intangible and tangible assets	37	36	36	40	41
Accrued interests and other assets	1,723	1,498	1,187	600	638
Total assets	**16,666**	**15,948**	**15,024**	**13,850**	**13,281**
Liabilities and equity					
Amounts owed to credit institutions	367	381	254	228	228
Debts evidenced by certificates	13,087	13,150	12,298	11,326	11,280
Accrued interests and other liabilities	1,563	877	1,031	970	552
Paid-in capital	404	404	404	394	384
Statutory reserve	645	554	529	469	449
Credit risk funds	440	429	362	332	281
Other value adjustments	10	11	14	-	-
Profit for the year	151	142	131	130	106
Total liabilites and equity	**16,666**	**15,948**	**15,024**	**13,850**	**13,281**
ACTIVITIES					
Disbursements of					
Nordic loans	1,277	1,268	1,179	842	1,000
International loans	564	380	482	259	322
Total	**1,841**	**1,648**	**1,661**	**1,101**	**1,322**
Issued guarantees					
Nordic guarantees	-	-	25	-	-
International guarantees	-	-	-	3	-
Total	**-**	**-**	**25**	**3**	**-**
Outstanding at year-end					
Nordic loans	8,350	7,975	7,748	7,357	7,141
International loans	2,172	2,135	2,319	1,931	1,713
Total	**10,522**	**10,110**	**10,067**	**9,288**	**8,854**
Guarantee commitments at year-end					
Nordic guarantees	29	32	33	8	9
International guarantees	-	-	-	25	22
Total	**29**	**32**	**33**	**33**	**31**
Annual debts evidenced by certificates (including capitalisations)	3,258	3,320	2,099	1,865	2,478
Number of employees (at year-end)	147	144	137	129	131

[1)] Core earnings consist of the profit before adjustments to hedge accounting, fair value adjustments made to the trading portfolio and provisions made for possible loan losses and reversals of these.


NET INTEREST INCOME
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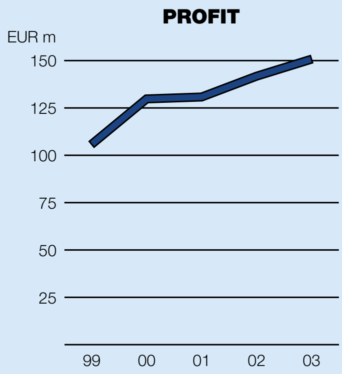
PROFIT
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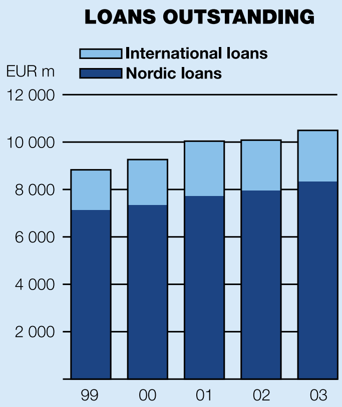
LOANS OUTSTANDING
International loans
Nordic loans
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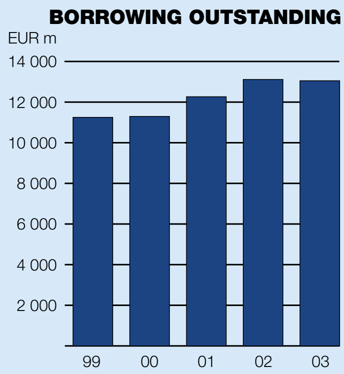
BORROWING OUTSTANDING
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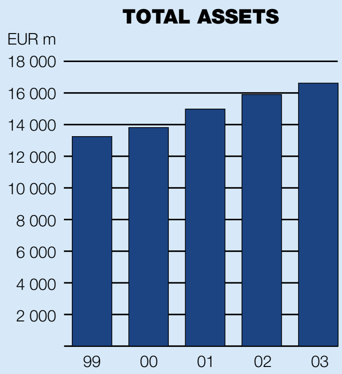
TOTAL ASSETS
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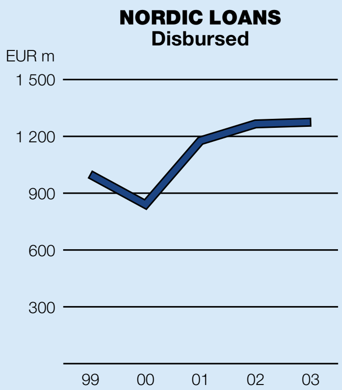
NORDIC LOANS
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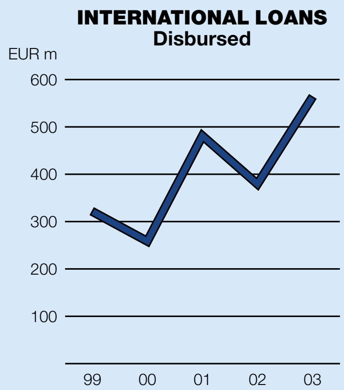
INTERNATIONAL LOANS
Disbursed
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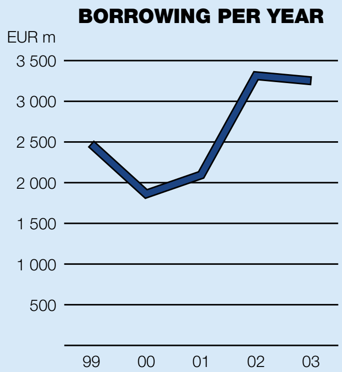
BORROWING PER YEAR
EUR m
3 500
3 000
2 500
2 000
1 500
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The international economic situation is improving, but the picture is not uniform. The rate of economic growth in Europe continues to be slow, but the most important macroeconomic indicators, above all in the US and the industrialised countries of Asia, are showing several signs of an upturn. The imbalance in the US economy, however, could interrupt the upturn. For the Nordic countries with important markets in Europe, the continued slow growth there will probably delay the economic upturn until the end of 2004 or the beginning of 2005. The average GDP growth in the Nordic countries is expected to be 2.3% in 2004, while GDP in the EU area is expected to increase about 1.8%. With the US as the main impulse, economic growth in the OECD countries is expected to reach 3% in 2004.

As a result of the prolongued economic recession, the Nordic coutries have been forced to adopt an expansive financial policy. The consequence has been that the net fiscal surplus has gradually decreased. Steps that the governments have taken to stimulate their economies are expected to continue in 2004, but to a lesser degree, and the fiscal surplus is expected to fall to approximately 0.1% of GDP. The economic policy in the Nordic countries will continue along the same lines that have been followed since the end of the 1990s, with good results.

Due to the successful economic policies of the Nordic countries well before the economic downturn began in 2000/2001 they have been able to carry out an expansive financial policy in order to limit the downturn. The economic growth in the Nordic countries has remained at a level between 1.1% and 1.8% per year in the period 2001–2003. This is somewhat lower than growth in the OECD countries, but over the comparable average for the EU area. Due to the relatively good economic balance in the Nordic countries, the outlook for the next few years is positive. The production capacity is sufficient for meeting the increasing demand that the upturn is expected to bring.

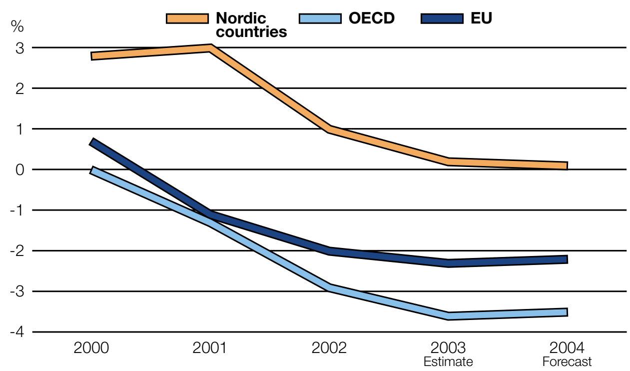
Domestic consumption is expected generally to be the driving force for economic development in the Nordic countries in the coming year. World trade is expected to experience better growth in 2004 than in previous years, but the competition will intensify for the Nordic export industries. The strong euro is limiting Finland's export potential, and the other Nordic currencies have also strengthened against the US dollar.

The development of investments in the Nordic countries has been weak in the last couple of years. Gross investments have decreased by approximately 2% per year in the period 2002–2003. All the Nordic countries are expected to experience an increase in investments in 2004, and it is assumed that the increase will be even more evident in 2005. The average increase in gross investments in the Nordic countries is expected to be 2.5% in 2004 and about 4% in 2005. Signs pointing to a shift towards recovery in the international economy are also expected to encourage investments in the Nordic economies. Business investments are expected to grow by 2.6% in 2004 and 3.9% in 2005. Public sector investments are expected to continue virtually unchanged in the next two years.

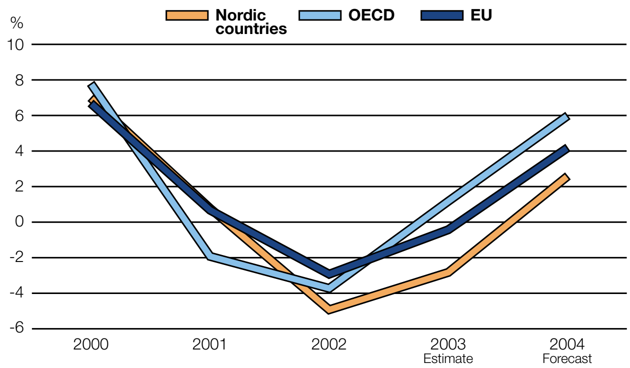
The economic downturn has caused a small increase in the unemployment rate in most of the Nordic countries. While the unemployment rate is satisfactory in the Nordic countries generally, the exception is Finland, where structural problems have caused the ongoing high level of unemployment to persist. However, unemployment in Finland is not expected to increase further, in spite of the ongoing slow growth. In several of the Nordic countries the wave of increased layoffs in 2003 is expected to abate in 2004.

Along with the recession taking a turn for the better, a gradual increase in interest rates is expected. The low inter-

GENERAL PUBLIC FINANCES
Net balance as a per cent of GDP



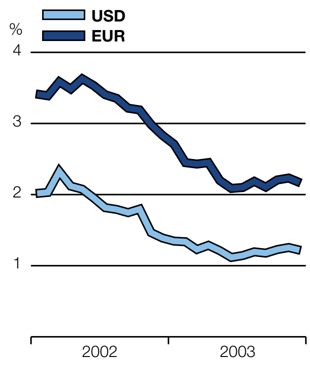
BUSINESS INVESTMENTS
Annual changes



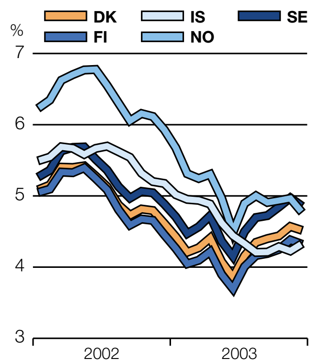
est rates of the past two years have meanwhile also achieved desirable macroeconomic effects. Euro interest rates are expected to remain at a low level during the first half of 2004, while the US dollar interest rates may begin to increase already earlier. Interest rates are expected to grow slowly.

The Nordic countries are expected generally to experience positive econom-

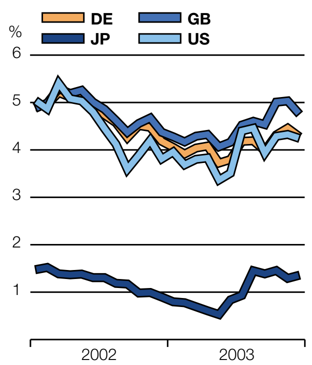
6 MONTH USD AND EUR RATES



NORDIC INTEREST RATES
10 year government bonds



INTERNATIONAL INTEREST RATES
10 year government bonds



ic development in 2004 and as a consequence of the favourable economic situation internationally, economic growth in 2005 is expected to increase further.

DENMARK

Growth in the Danish economy slowed down in 2003. GDP is considered to have increased by just over 1%, mainly due to weak domestic demand, but also due to a slow increase in exports. The fiscal surplus in Denmark has decreased from 1.5% in 2002 to 1.2% in 2003 and is expected to further decline to 1.1% in 2004, which is a result of the government's expansive financial policy. Denmark has been able to maintain positive GDP growth due to, for example, tax cuts and increases in public investments. Domestic demand will be the most important impetus for the country's economic growth in 2004.

In addition to an increase in consumption, an increase in investments is expected in 2004, after a decrease of over 3% in 2003. The decrease resulted mainly from the international recession, which reduced the need of new investments in competition-exposed industries. Business investments are expected to grow again by 1% in 2004 and by over 3% in 2005. The still slow upturn in investments depends in part on slow growth in Europe and in part on expectations of increasing interest rates in 2004 and 2005. The expansive financial policy that has dominated in Denmark over the past couple of years is expected to maintain growth in public investments of about 3% in 2004 and about 2% in 2005.

Overall, GDP in Denmark is expected to increase by 2.5% in 2004. Unemployment has increased somewhat during the recession and a decrease is expected to occur only starting in 2005.

FINLAND

GDP in Finland is estimated to have increased by 1.4% in 2003. The slow growth was due mainly to the downturn in exports and investments. In 2004 the Finnish export industry can benefit from the anticipated upturn in world trade. Exports to other EU countries are expected to increase, but the strong euro can weaken competitiveness somewhat in other markets. A slight increase in the rate of investment is anticipated for 2004, but only starting in 2005, when the upturn is expected to be more stable, will investments increase more significantly. Business investments decreased by about 4% in 2003; in 2004 they are expected to increase by just under 2% and in 2005 by closer to 3%. Public sector investments will decrease in 2004 and 2005.

Overall GDP is expected to increase by 2.7% in 2004. The structural problems related to employment, however, will remain. This means that the unemployment rate of about 9% is not expected to decrease during the next few years. Inflation is expected to decrease to under 1% on average annually. The slow increase in income levels and the strong euro are the main reasons for the low level of inflation.

ICELAND

Economic growth in Iceland is estimated at 2.5% in 2003. The slow economic growth is due to the delay or postponement of several important investment projects and a significant increase in imports. The Icelandic economy and economic growth will depend in the coming years on several extensive investments in the country. Economic forecasts for Iceland will be dominated in the coming years by large projects, such as the power station in Kárahnjúkar and the aluminium smelter in Reyðarfjörður; the projects have a significant influence on economic growth in Iceland. Business investments increased in 2003 by 15% and are expected to increase by 22% in 2004 and by 11% in 2005. The public sector is expected to slow down the pace of investments during the same period and such investments are expected to decrease by 8% in 2004 and 3.5% in 2005, compared to an increase of about 10% in 2003.

The total growth rate in Iceland, however, is limited by the fact that a significant proportion of investments are made with imported capital goods. Overall, thanks to healthy growth in domestic demand, Iceland is expected to achieve a GDP growth of 3% in 2004. The unemployment rate is low and is expected to remain so in 2004, at 2–2.5%. Inflation in the country is low and is expected to be at a level of 2.5% in 2004.

NORWAY

Weak developments in industry sectors exposed to competition and low electricity production led to the GDP increase in Norway last year being only about 0.6%. Mainland GDP growth was somewhat lower. An increase in domestic consumption, mainly in private consumption, is expected to spur an increase in economic growth in Norway in 2004.

The weak productivity growth of the last few years in the mainland economy has led to a decrease in investment activities. Business investments have decreased by more than 15% since the end of 1999. The prospects for an economic upturn internationally and an increase in offshore investments are expected to encourage investments on the mainland in 2004 and 2005. Nonetheless business investments are expected to grow by only 0.2% in 2004 and are expected to remain unchanged in 2005. Public sector investments are judged to have grown by approximately 1.3% in 2003 and are expected to grow by 1.5% in 2004. The emphasis in the coming years will be on infrastructure investments in roads and factories.

It is estimated that overall GDP growth in Norway will reach 2.3% in 2004; while the mainland GDP is predicted to increase by 2.6%. The unemployment rate is expected to remain stable, at about 4.6%. Inflation will be low: consumer prices are expected to rise by 1.5% in 2004.

SWEDEN

Sweden's GDP is estimated to have grown by 1.4% in 2003. The weak growth rate resulted from a downturn in gross investments and a low level of exports. In 2004 growth in the Swedish economy is expected to depend on stable growth in private consumption and investments.

In the next few years an upturn in housing construction and industrial machinery investments will be the main factor increasing the overall investment rate in Sweden. Business investments have decreased three years in succession due to the international downturn and as a result of the structurally high level of investments in the country at the turn of the century. Business investments are considered to have decreased by just over 2% in 2003. In 2004 they are expected to rise by about 3.2% and in 2005 by about 5.5%. The expansive financial policy that has been carried out during the last few years means that the public sector is entering a consolidation period aimed at restoring financial balance. Public sector investments increased by 1% in 2003 and are expected to increase at the same pace also in 2004-2005.

GDP in Sweden is expected to grow by 2% in 2004. The unemployment rate will fluctuate as the recession during the last few years has decreased labour demand. Even if a shift in the economic situation can be discerned, stagnation on the labour market will make it possible to strengthen the employment situation in Sweden at the earliest towards the end of 2004. Unemployment is expected to be at around 4.7% in 2004. The economic policy in Sweden has been able over a longer period to keep inflation pressures down. Inflation is expected to be at 2.1% in 2004, mainly due to high energy prices.

NORDIC FOREIGN DIRECT INVESTMENTS

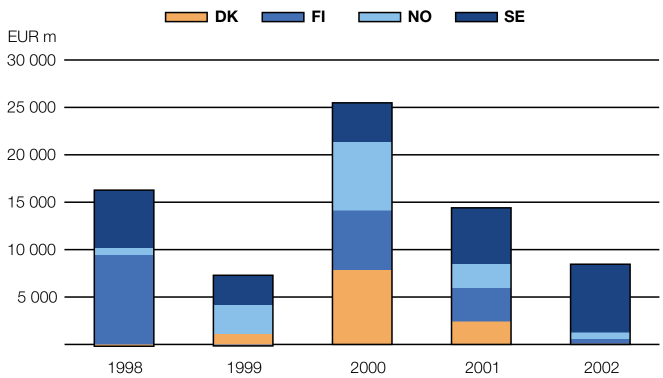
Direct investments within the Nordic region are still made in large volumes, even if a downturn has occurred since the very large investment flows that the Nordic countries experienced in 2000 and 2001. The declining trend that can be seen in Nordic regional direct investments since 2000 is mainly a correction to the structurally more normal level from the overheated economic activity that the Nordic countries experienced at the end of the 1990s. Since then Nordic regional direct investment flows have maintained an annual average of just over EUR 10 billion. Direct investment flows in the four largest Nordic countries were distributed relatively evenly in 2000. During the last two years Sweden dominated as the largest recipient of Nordic direct investments, although Finland and Norway could also attract significant volumes. Globalisation influences Nordic industry—international subsidiaries are becoming more common and Nordic direct investments in the Baltic states, Central and Eastern Europe, Asia and Latin America have shown a clear increase in volume during the last few years.

ECONOMIC UPTURN

During the latter half of 2003 there were several signs that a positive trend in the international economic situation was underway. Above all, production figures in the USA show a clear increase in the rate of growth, and economic growth in the industrialised countries of Asia rose significantly during the last year. A healthy increase in world trade is expected for 2004 and 2005.

The OECD-wide GDP growth is expected to be about 3% in 2004 and 2005, while in Europe it is expected to remain under 2% in 2004 and increase slightly to 2.5% in 2005. A distinct cautiousness can be discerned among international analysts concerning growth forecasts for the near future. Many factors, mainly in the USA, can still bring about setbacks in the economic recovery. The USA is facing a large trade deficit and a growing budget deficit problem, which the country is expected to tackle. The weak US dollar and low interest rates are other factors that should be taken into account within and outside the USA when forecasts for global economic growth are made. In Asia and in Latin America total production is expected to

INTRA-NORDIC FOREIGN DIRECT INVESTMENTS
Net flows to individual countries from other Nordic countries

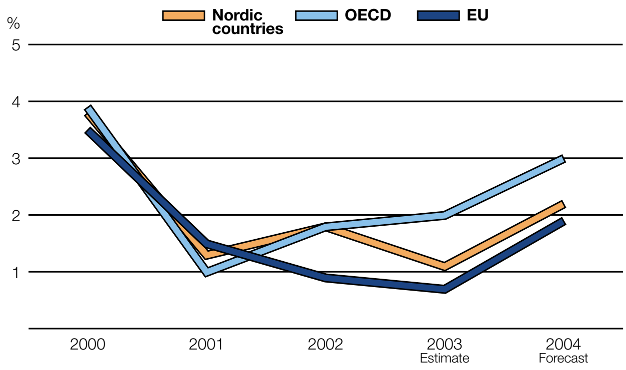


grow at a healthy pace. The same applies to Central and Eastern Europe, where average growth has remained above the EU average.

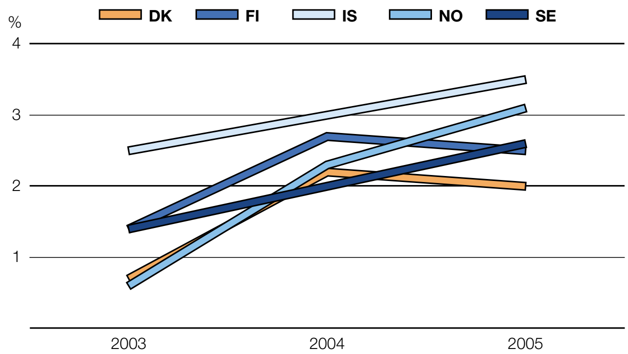
The economies of the Nordic countries are affected to a great extent by international developments, above all in export markets in Europe. The recent slow growth there suggests that recovery will probably be postponed to the end of 2004. The Nordic countries nonetheless have been able, to a greater extent, to diversify their export markets, above all to Asia, and the Nordic investments outside Europe are increasing. The average GDP increase in the Nordic area is expected to be 2.3% in 2004 and 2.6% in 2005, which is somewhat more than the average growth in the EU area.

Statistics and forecasts presented here are based on material available from the Nordic central statistical offices, the Nordic countries' Ministries of Finance and Economy and central banks, as well as from the OECD Paris and the IMF.

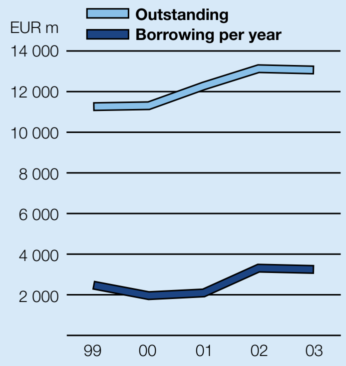
GROSS DOMESTIC PRODUCT
Annual changes



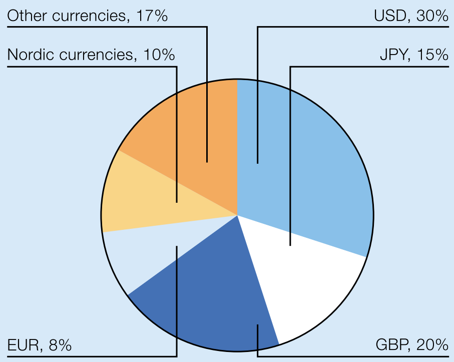
GDP FORECASTS
Annual changes



BORROWING



BORROWING OUTSTANDING
31 Dec 2003



BORROWING OUTSTANDING AFTER SWAPS
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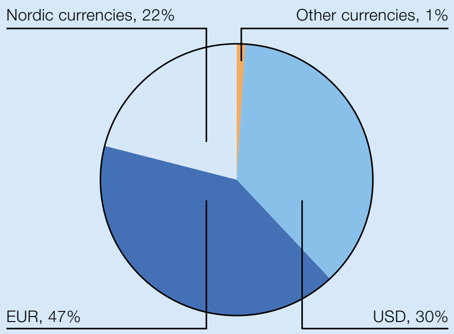
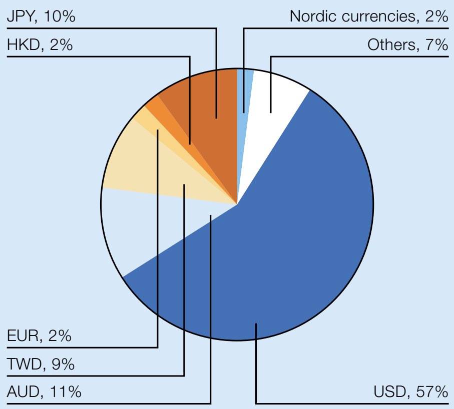


NEW BORROWING
By currency 2003



FUNDING AND PORTFOLIO MANAGEMENT

NIB finances its lending activities by borrowing and issuing bonds on global and domestic capital markets. The Bank has enjoyed the best possible credit rating, AAA/Aaa, with the leading rating agencies, Standard & Poor's and Moody's, since it was first given a credit rating in 1982.

The Bank invests its equity (paid-in capital and reserves) and liquidity in accordance with a strategy whose aim is to make sure that there are sufficient liquidity reserves available at all times, and to ensure that the Bank's profits will be stable over the long term. A strong capital base and good liquidity are important foundations for maintaining the Bank's high creditworthiness.

LONG- AND MEDIUM-TERM BORROWING

NIB is flexible in terms of meeting its investors' various wishes as to the size, currency, maturity, and structure of the bonds it issues. In 2002, NIB began a strategy of entering into global benchmark transactions with the goal of further expanding its investor base, particularly to the North American market and targeting institutional investors such as central banks in the Middle East and Asia. In April 2003, this strategy was followed up by another benchmark transaction of USD 1,000 million, with a 5-year maturity. In December 2002, NIB carried out its first global benchmark transaction of USD 1,000 million with a 3-year maturity.

The Bank's borrowing operations during 2003 amounted to a total of EUR 3,258 million (2002: 3,320), and the amount of borrowings outstanding at the end of the year amounted to EUR 13,087 million (13,150). NIB carried out 82 (83) borrowing transactions distributed over 13 (12) different currencies in 2003. The Bank has borrowings outstanding in 20 different currencies.

Out of the total volume of bonds issued by NIB during the year, 75% were bought by Asian investors. Japanese investors bought 32%. North American investors purchased 11%, and European investors 9% of the bonds. The remaining 5% were bought by investors in the Middle East and Africa.

US dollar

During the year the US dollar was the most important borrowing currency, due to the global benchmark issue. A total of 35% of the transaction went to investors in North America, 28% to investors in Asia, 22% to investors in Europe and 15% to investors in the Middle East and Africa.

In 2003 NIB carried out 27 US dollar transactions for a total of USD 2,075 million, corresponding to EUR 1,860 million, or 57% of the amount of NIB's borrowing for the year.

Asian currencies

Borrowings in the Asian capital markets represented a total of 21% of NIB's new borrowing volume for 2003.

During the year, 35 Japanese yen transactions were executed, corresponding to EUR 321 million. The yen accounted for 10% of the Bank's borrowings during the year, a somewhat smaller amount than in previous years. As in the past, institutional Japanese investors' main interest was in structured JPY transactions with long maturities, but with the possibility of early redemption after a few years. Private Japanese investors continued to make up an important market for NIB during 2003. For these investors, the Bank issued 11 so-called uridashi issues in 6 different currencies, corresponding to EUR 710 million (723). The low Japanese yen interest rates indicate that there will continue to be a demand for uridashi transactions in currencies other than the yen.

NIB carried out 3 transactions in Taiwanese dollars totalling TWD 11 billion, corresponding to EUR 288 million, which constituted 9% of the year's total borrowings.

The Hong Kong dollar accounted for only 2% of borrowings. During the year 3 borrowing transactions were made in this currency, in a total value of EUR 71 million.

European currencies

Borrowings in European currencies con-

Value adjustments according to IAS 39 are not included in segment information and currency distribution in this section.

stituted 6% of the Bank's total borrowings in 2003.

NIB was active on the Baltic market in 2003, as in prior years. A 4-year LAT 5 million transaction was carried out on the capital market in Latvia, corresponding to EUR 7.8 million. The bonds are eligible for repo transactions in Latvia's central bank. The transaction was carried out under NIB's EMTN programme. The bonds are governed by Latvian law with clearing in the domestic clearing system. The transaction is the first of its kind in Latvia.

NIB launched 2 issues in Nordic currencies during the year. A bond issue of NOK 500 million with a 4-year maturity was launched in the beginning of the year, corresponding to EUR 67 million. The bonds were sold to private investors in the Benelux countries. In addition, NIB issued a bond of SEK 50 million, corresponding to EUR 5 million, with a return tied to the development of certain share indexes.

The Bank made 2 euro transactions in a total amount of EUR 64 million: one transaction in Sterling of GBP 21 million, corresponding to EUR 30 million, and one transaction in Polish zloty of PLZ 70 million, corresponding to EUR 15 million.

Other currencies

NIB executed 4 transactions in Australian dollars totalling AUD 642 million, corresponding to EUR 360 million, and 2 transactions in New Zealand dollars totalling NZD 173 million, corresponding to EUR 89 million. The Bank also carried out one transaction in Canadian dollars for CAD 60 million, corresponding to EUR 38 million. The guiding force in NIB's launching of a large part of these transactions was the strong demand from private Japanese investors for bonds in currencies other than the Japanese yen.

Currency distribution after swaps

The composition of NIB's borrowing generally does not correspond to the need in its lending operations for particular currencies and types of interest. The Bank therefore makes use of the swap market to a considerable degree, using reliable counter parties, to match its borrowing and lending operations.

The after-swap distribution of new borrowings in year 2003 was as follows: US dollar 69% and euro 31%. The reason for the high after-swap percentage of the US dollar is that the dollar swap market has been the most advantageous for the Bank's new bond issues. During the year, NIB has swapped some of these dollars into other currencies. The after-swap distribution of total borrowings at year-end 2003 was as follows: euro 47%, US dollar 30%, Nordic currencies 22%, and other currencies 1%.

Maturity profile of new borrowings

	Amount in EUR million		*Percentage*		*Number of transactions*	
	2003	*2002*	*2003*	*2002*	*2003*	*2002*
1–3 years	824	723	25	22	47	50
3–5 years	685	1,719	21	52	16	17
5–7 years	1,372	274	42	8	9	4
7–10 years	117	450	4	13	3	7
10 years and longer	260	154	8	5	7	5
Total	**3,258**	**3,320**	**100**	**100**	**82**	**83**

Maturity profile of new borrowings

NIB tries to match the maturities of its borrowings so that they on average correspond to the maturity profile of its lending. In 2003, the transactions were concentrated in the 5–7 year time frame. This was mainly due to the benchmark transaction, as well as to the fact that the uridashi transactions primarily had a maturity of 7 years. The demand for transactions with maturities greater than 10 years has not been particularly large, which is partially due to the low level of interest rates during 2003. The average maturity for new borrowing transactions in 2003 was 4.5 years, compared with 4.6 years in 2002.

Structured transactions

Structured borrowing transactions are bonds and other types of borrowings in which the interest rate and repayment can be tied to the development of, for example, interest rates, exchange rates and share indexes. The transactions can also consist of so-called zero-coupon bonds. The Bank uses swap transactions to cover the market risk involved in the structure of this type of borrowing. NIB has a well-trained staff and highly developed risk management processes which enable the Bank to handle these transactions in a secure manner.

As was the case in 2002, a relatively large part of the Bank's funding needs for 2003 were met through the use of structured borrowing transactions. The demand for zero-coupon bonds was large, particularly from Asian investors. Of borrowings in 2003, the share of structured transactions was 49% (32), half of which consisted of zero-coupon bonds.

Bond repurchases

The Bank has taken a positive attitude towards repurchasing or restructuring its outstanding bonds. In 2003, NIB repurchased EUR 312 million (130) of its outstanding bonds.

Borrowing programmes

During 2002, the Bank changed its US medium-term note programme, which was originally established in 1993, to a global programme. At the same time, the programme ceiling was raised to USD 3,000 million. The Bank can issue bonds in various currencies under the programme, which is registered with the Securities and Exchange Commission (SEC) in the USA. Links to clearing systems outside the USA (Euroclear and Clearstream) make it possible to issue global bonds. It was under this programme that NIB made its two benchmark issues of USD 1,000 million each.

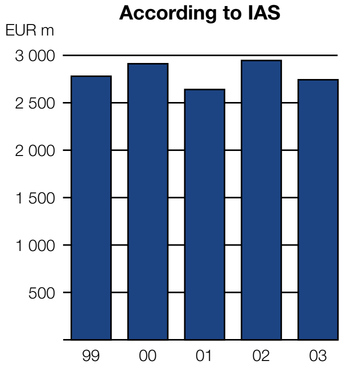
The Bank has a medium-term note borrowing programme for its borrowing on the Euromarket. The ceiling for this programme is EUR 15,000 million at present. In 2003, 78 transactions in a total amount of EUR 2,031 million were carried out under the programme, compared with 79 transactions in a total amount of EUR 2,078 million in 2002. At the end of 2003, the Bank had bonds corresponding to EUR 8,934 million outstanding under the programme.

NIB also has a medium-term note borrowing programme on the Australian market. The size of the programme is AUD 2,000 million. No notes have been issued thus far under this programme. The Bank also has a medium-term note programme on the Swedish capital market. The programme is in the amount of SEK 8,000 million. At year-end the amount outstanding under the programme was SEK 1,600 million.

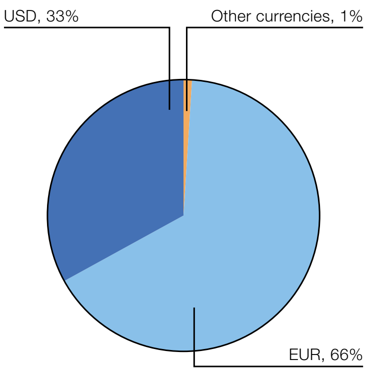
SHORT-TERM BORROWING

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

NET LIQUIDITY
According to IAS



CURRENCY DISTRIBUTION OF LIQUIDITY
31 Dec 2003



NIB has a commercial paper programme both in the United States and in the Euromarket, with a USD 600 million borrowing ceiling in each of these markets. There was no need to issue notes under these programmes in 2003, however, and NIB had no borrowings outstanding under the commercial paper programmes at year-end.

In 2003 NIB did have recourse to the interbank market for short-term financing, and EUR 367 million (381) was outstanding at year-end.

PORTFOLIO AND LIQUIDITY MANAGEMENT

NIB considers it important to maintain a high level of liquidity. This makes it possible to avoid borrowing at times when market conditions are not favourable. In addition, earnings on liquid assets provide a positive contribution to the Bank's net interest income. NIB strives to achieve a level of net liquidity that corresponds to its liquidity needs for twelve months into the future. At year-end, the Bank's net liquidity calculated according to IAS was EUR 2,744 million (2,947), compared with an estimated liquidity need for 2004 of EUR 2,988 million.

NIB places its liquidity assets in the form of, for example, money market instruments and floating rate notes (FRN). Investments in FRN concern bonds issued by banks and counterparties within the financial sector in the OECD area with a sufficiently high creditworthiness as well as Asset Backed Securities (ABS). So far, NIB has only invested in ABS issues with the highest long-term credit rating (AAA/Aaa) from at least two credit rating institutions. These ABS issues are backed by credit card receivables and residential mortgage loans.

NIB has a programme for external management of its liquidity assets. NIB's purpose in establishing the programme was to achieve a higher yield on its liquidity, and to strengthen the development of its own internal liquidity management. In 2003 the Bank had a contract with an external asset management firm to manage a portfolio of USD 53 million (52).

The part of NIB's liquidity that will be used in NIB's lending operations is placed in the form of deposits in the currencies that are expected to be demanded by the Bank's customers. The Bank sees a trend towards increased demand for euros as a result of the integration of the European capital markets. With this in mind, 66% of NIB's liquidity was placed in euros, 33% in US dollars, and only 1% in other currencies.

PAID-IN CAPITAL AND RESERVES

The Bank has a portfolio of interest-bearing securities that approximately corresponds to its equity in terms of amount. The purpose of the portfolio is to strengthen the Bank's balance sheet and to safeguard a stable return on its equity. At year-end, the size of this portfolio was EUR 1,535 million.

In 2003 NIB revised the investment strategy for this portfolio. The long-term goal is to achieve a yield that corresponds to a portfolio of government bonds in euros having an average duration of about 4.5 years.

The portfolio consists of held-to-maturity securities and marked-to-market securities. The marked-to-market placements are permitted to correspond to a maximum of 35% of equity. At year-end, these placements were equal to 32% of NIB's equity.

Changing the portfolio's strategy involved changing the ceiling for interest rate risk on the marked-to-market securities from a maximal average duration and value-at-risk of 3.5 years and 0.3% to 5.5 years and 0.4%, respectively.

The modified duration for the portfolio was 3.8 years at year-end 2003, compared with 3.1 years at year-end 2002.

DERIVATIVES

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

NIB'S CAPITAL

As of 1999 the Bank's authorised capital amounts to EUR 4,000 million. At the end of 2003, paid-in capital amounted to EUR 404 million. The remainder of the Bank's authorised capital consists of callable capital, which is subject to call if the Bank's Board of Directors deems it necessary for the fulfilment of the Bank's debt obligations.

The Bank's Ordinary Lending ceiling corresponds to 250% of its authorised capital and accumulated general reserves. After appropriation of profits from financial year 2003 in accordance with the proposal made by the Board of Directors, the Ordinary Lending ceiling amounts to EUR 12,505 million.

In addition to Ordinary Lending, NIB has the following three special lending facilities.

The Project Investment Loan facility (PIL) amounts to EUR 3,300 million and is backed by special guarantees from the member countries. The Board of Directors can call the guarantees, according to the guarantee agreements with the member countries and established guidelines, up to an amount of EUR 1,800 million. During the year, the Bank's owners approved an increase in the PIL loan facility from EUR 3,300 million to EUR 4,000 million, with no change in the EUR 1,800 million guarantee. The increase becomes effective on 1 July 2004.

The Environmental Investment Loan facility (MIL) amounts to EUR 300 million as of 1 January 2003. The member countries guarantee 100% of MIL.

The Baltic Investment Loan facility (BIL), which expired on 31 December 1999, has a ceiling of EUR 60 million. No new loans have been granted under the BIL facility since year-end 1999. The member countries guarantee 100% of outstanding loans under BIL.

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

A closer presentation of the loan facilities, the guarantee structure and guarantee distribution is given in the Notes to the Financial Statements, note 8, p. 55.

In view of the Bank's strong capital base, the quality of its assets, and its status as a multilateral financial institution, the leading rating agencies, Standard & Poor's and Moody's, have accorded NIB the highest possible credit rating, AAA/Aaa, for long-term obligations, and A-1+/P-1, respectively, for short-term obligations. NIB was given the highest possible credit rating in 1982, and has retained that rating since then.

NORDIC LOANS

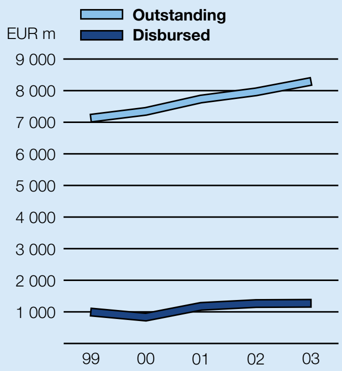


Fig. 1

NORDIC LOANS DISBURSED
Distribution per country according to the domicile of the borrower's group headquarters as of 31 Dec 2003

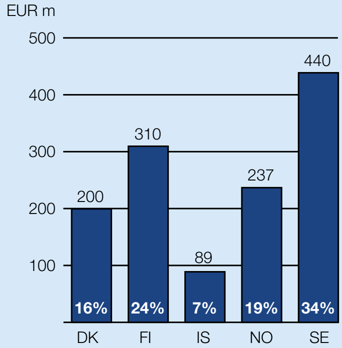


Fig. 2

NORDIC LOANS DISBURSED
Sectoral distribution 2003

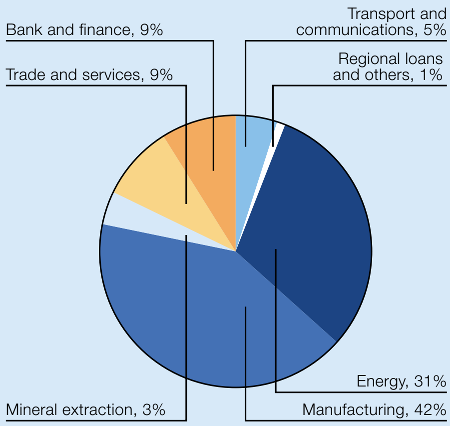


Fig. 3

NORDIC LOANS DISBURSED
Manufacturing 2003

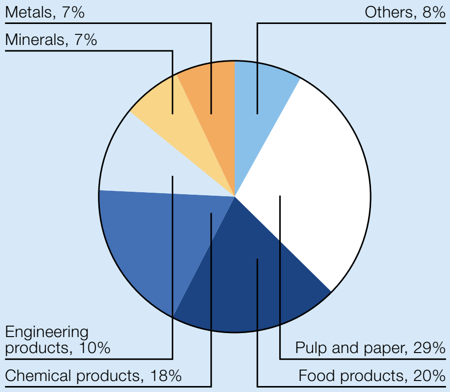


Fig. 4

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

NORDIC LENDING

Market conditions in 2003 made it possible for NIB to offer its borrowers added value through loans at competitive interest margins and maturities. As a financier that complements commercial banks, the Bank was able to offer long-term financing in a situation where fewer competitive financing solutions were on offer in the market.

The total amount of loans outstanding grew by about 5% during the year. Disbursements to Nordic borrowers amounted to EUR 1,277 million compared with EUR 1,268 million in 2002. No new guarantees were issued. The breakdown of disbursements by the borrowing group's country of domicile is presented in fig. 2.

Of the total 62 disbursements made during the year, 16 were to companies or financial intermediaries with whom the Bank did not have a commitment outstanding at the beginning of the year. In absolute monetary figures this corresponds to 31% of total disbursements.

In addition to the loans disbursed, loans agreed during the year amounted to EUR 125 million.

The euro is the most important lending currency, with a share of 61% of disbursements for the year. The share of disbursements in Swedish kronor and Danish kroner accounted for 13% each, while the share of disbursements in Norwegian kroner remained at 5%. The US dollar's share of disbursements continued to decrease and amounted to 7% of disbursements in 2003. A loan in Latvian lati was disbursed to a Finnish company for establishing a subsidiary in Latvia. By offering loans in the currency the borrower prefers, NIB generates added value for its clients.

Floating interest rates were applied to 90% of the loans disbursed during 2003. The average maturity of loans disbursed was 8.8 years.

MANUFACTURING AND ENERGY IMPORTANT SECTORS

No significant changes in the distribution of disbursements according to the borrower's business occurred during the year in comparison to 2002.

The manufacturing industry continued to be by far the largest sector, with 20 loans disbursed during the year. In absolute monetary figures, manufacturing industry loans totalled EUR 534 million, corresponding to 42% of new lending during 2003. Within the manufacturing industry, disbursements to projects in paper, pulp and paper goods dominated. These loans were granted primarily for environmental and capacity-related investments that in many cases are required for the continued operation of the manufacturing plants. Examples of such investments include M-real's investments in a biological treatment plant in Husum, Sweden, UPM-Kymmene's reconstruction of a pulp mill in Pietarsaari, Finland, and Billerud's investment programme at the Gruvön mill in Sweden. Billerud's investments include a new biological treatment plant and a new closed system for oxygen delignification in the hardwood pulp line.

Significant disbursements totalling EUR 109 million were also made to projects in the food and beverage industry. A loan disbursed to Arla Foods was for investments in a new dairy in Vimmerby, Sweden, where the increased capacity will suffice for the next 10-20 years. Danish Crown, the largest slaughterhouse company in Europe and the second largest in the world, received a loan for environmental investments in existing slaughterhouses and in a new slaughterhouse in Horsens. The investments include improvements in external environmental factors such as reduced odour and in the work environment through ergonomic solutions, as well as resource and energy savings due to more effective processes in water and electricity consumption.

During the year loans amounting to approximately EUR 400 million were disbursed in the energy sector to a total of 16 projects. The share of the energy sector of all disbursements continues to comprise 31%.

Several loans were intended for investments in wind power. A loan was

Value adjustments according to IAS 39 are not included in segment information and currency distribution in this section.

disbursed to Arctic Wind for the construction of the world's northernmost windmill park in Havøygavlen, on the island of Måsøy in the Finnmark region of Norway. The park's 16 wind turbines are estimated to produce 40 megawatts and will support Norway's efforts to fulfil EU directives on increasing the share of renewable energy production from 14% to 22% by 2010. In Norway NIB also participated in financing investments in power production, distribution networks and district heating through loans to four other projects. Examples of these investments include capacity-increasing upgrades and expansion of power stations by Norway's largest energy producer, Statkraft, as well as investments in a distribution network by one of Norway's largest electricity distributors, Hafslund. Lending to the energy sector constituted three-fourths of the Bank's total lending in Norway in 2003.

In Denmark, Finland and Iceland, lending to the energy sector comprised over a third of the year's disbursements in each country. In Denmark three loans to the energy sector were disbursed, among others, to Elkraft System, which has the overarching responsibility for electricity transmission and the development of the energy system and electricity market east of Storebælt and including Bornholm. The loan is intended for investments in electric cables and the strengthening of the network between a windmill park in the coastal area near Rødsand and the electricity transmission network on Sydsjælland.

Five loans were disbursed to Finnish companies for projects in the energy sector. The largest loan was to Finland's leading energy company, Fortum, for the acquisition of 50% of the share capital in Birka Energi from the City of Stockholm. With this acquisition, Fortum gains a concentrated customer network in the greater Stockholm area and access to competitive power capacity while strengthening its position as one of the leading actors in the Nordic electricity market. Another loan was disbursed to Fortum for the modernisation and expansion of the biofuelled power station Högdalen in Sweden. The investment will lead to increased combustion capacity, decreased emissions of environmentally hazardous flue gases and reduced environmental nuisance due to odour.

NIB has also granted loans for expansion and rehabilitation of the main Finnish power transmission network, through a loan to Fingrid. The Bank has also participated in the financing of a new wind farm outside Raahe with a loan to the power company Suomen Hyötytuuli.

In Iceland loans granted to the energy sector included one to Orkuveita Reykjavikur for the expansion of its geothermal power station Nesjavellir. A loan to Norðurorka was disbursed for new district heating pipes from the existing geothermal energy area Hjalteyri and for the construction of a new district heating distribution network from Akureyri to the neighbouring municipality of Svalbardsstrandahreppur.

Disbursements according to sector are presented in fig. 3 and a specification of the manufacturing industry is presented in fig. 4. A list of the period's disbursed and agreed loans can be found on pp. 74-76.

SEVERAL LOANS FOR CROSS-BORDER ACQUISITIONS

The loans disbursed in 2003 have been divided into the following categories according to the Nordic interest of the projects: cross-border, environmental, research and development, as well as infrastructure investments, and furthermore loans to small and medium-sized enterprises (SMEs) either directly or through intermediaries.

The disbursements for cross-border investments totalled EUR 321 million, of which EUR 196 million concerned investments in the Nordic countries and EUR 125 million concerned investments outside the region. Several important acquisitions of business operations or companies fall within the category cross-border investments, for example the Finnish company YIT's purchase of the ABB group's building operations in the Nordic and Baltic countries and Russia. Through this acquisition YIT acquired operations, e.g., in Denmark and Norway. Another example is Wärtsilä's acquisition of and investments in companies in Sweden, Denmark, Norway, Singapore and Canada. The company aims to build up a worldwide service organisation for diesel motors led from the Nordic countries. NIB also participated in financing the acquisition of Denmark's largest bakery business Schulstad by Cerealia, the Swedish food industry giant. This acqui-

NORDIC LOANS OUTSTANDING
Distribution per country according to the domicile of the borrower's group headquarters as of 31 Dec 2003

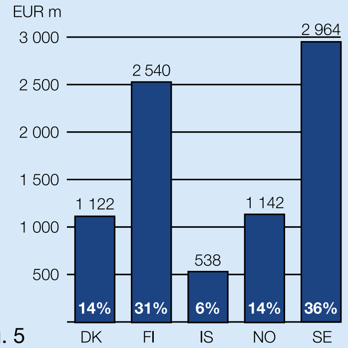


Fig. 5

NORDIC LOANS OUTSTANDING
Sectoral distribution as of 31 Dec 2003

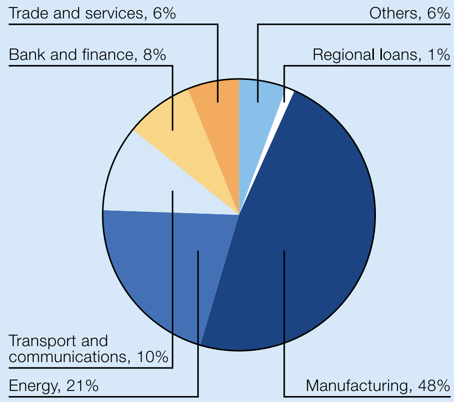


Fig. 6

NORDIC LOANS OUTSTANDING
Manufacturing as of 31 Dec 2003

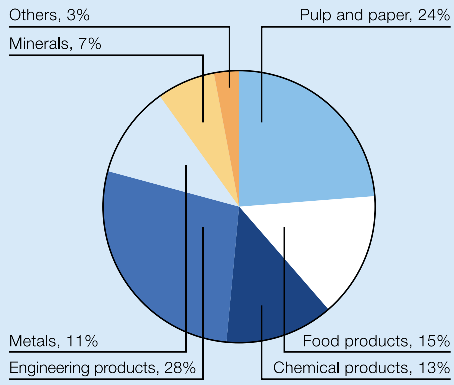


Fig. 7

NORDIC LOANS OUTSTANDING
Accumulated group exposure as of 31 Dec 2003

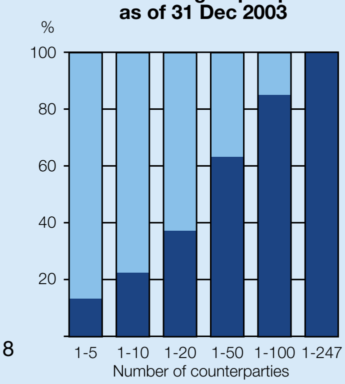


Fig. 8

sition enables Cerealia to increase its offering of especially bread and bakery products in the countries around the Baltic Sea. A loan was disbursed to the Norwegian industrial group Elkem for the acquisition of a controlling interest in the Swedish company SAPA, one of the largest producers of value-added aluminium products in Europe. The acquisition reinforces Elkem's strategy of focusing on special products.

Disbursements for environmental investments in the Nordic countries in absolute monetary figures were at the same level as in the previous year, EUR 231 million. In addition to the loans with positive environmental effects mentioned above, a loan was disbursed to Nynäs Petroleum in Sweden for purchasing new tanks and a fully automatic pipeline system that lowers energy consumption and decreases the risk of leakage. Additional examples of environmental loans in the Nordic countries can be found in the section on NIB and the Environment, pp. 30-33.

Disbursements for investments in research and development amounted to EUR 147 million. The main part was made to borrowers in Sweden and included a loan to Gambro for the development of dialysis-related processes and a loan to the Volvo group for the development of new Volvo Penta diesel motors mainly used in pleasure boats. The goal is for all the new motors to fulfil the exhaust emission standards that will be introduced in Europe and the US in 2006. In connection with the development of the new motors, Volvo Penta and Wärtsilä are strengthening their cooperation in service and delivery in commercial navigation.

Loan disbursements for infrastructure projects totalled EUR 310 million, of which the telecommunications industry made up a large part. One of NIB's loans went to Telia Sonera's investments in Netcom, which is one of the three companies that hold a UMTS licence in Norway. NIB's loan complements Telia Sonera's other borrowing and supports the company's strategy to adapt its borrowings to its investment profile.

In accordance with the Bank's strategy, NIB cooperates with and complements other Nordic and international financiers. NIB has provided loans to small and medium-sized companies during the year mainly through financial intermediaries, i.e., banks and regional financial institutions.

LOANS OUTSTANDING

Total loans outstanding increased during 2003 by 4.7%, from EUR 7,975 million to EUR 8,350 million (see fig. 1). The increase excluding exchange rate fluctuations and IAS effects is 9.3%. Guarantees outstanding at year-end totalled EUR 29 million (2002: 32). The portfolio breakdown per country is more or less the same as for the previous year. Fig. 5 shows the breakdown per 31 Dec 2003.

The manufacturing industry has a dominant share with loans totalling EUR 3,979 million (3,850), or 48% (48) of the outstanding loan stock. The engineering industry, with a total of EUR 1,115 million (1,194) in outstanding loans, is the largest category in the manufacturing sector, followed by wood, pulp and paper with outstanding loans totalling EUR 925 million (913). The share of loans for engineering product manufacturing is 28% and paper manufacturing 23% of all manufacturing industry lending. A sector distribution is presented in fig. 6 and a specification of the manufacturing industry is presented in fig. 7.

Figures for the chemical and food sector, metal goods manufacturing, minerals extraction, and the group "others" are on the whole unchanged.

Electricity, gas, heat and water supply are also important sectors, with a total of EUR 1,740 million outstanding (1,502), representing an increase from 19% to 21%, along with transport and communications, the share of which decreased to EUR 851 million, or 10% of all outstanding loans. Trade and services continues to account for 6% of outstanding loans.

At the end of 2003 the Bank had loans to 28 (35) Nordic banks and financial institutions for financing small and medium-sized companies' Nordic projects. Altogether the loans amounted to EUR 531 million (569), which represented 6% (7) of the outstanding loan stock. In addition, NIB has regional loans outstanding with 4 (4) counterparties, equalling EUR 87 million (100), which is 1% (1) of loans outstanding.

The Bank's ten largest borrowers at group level continue to constitute approximately 23% of the loan volume, with the 50 largest continuing to comprise about 63%.

The largest exposure within NIB's Nordic lending totalled EUR 269 million and corresponds to approximately 18% of the Bank's equity. The corresponding figure for the tenth largest exposure at group level is EUR 142 million, which is more than 9% of equity. Taken together, the ten largest commitments total EUR 1,869 million (1,691), corresponding to about 124% of the Bank's equity. The total of all commitments that amounted individually to more than 10% of equity was EUR 1,869 million, which is 132% of equity. A breakdown by size of exposure is presented in fig. 8.

The proportion of loans outstanding to or guaranteed by governments or local authorities is 6% (7) of total lending.

In accordance with NIB's classification of risk, the Nordic loans are divided into risk categories ranging from 1 to 10 based on the risk of losses. The classification is based on a combination of counterparty risk and security received. The quality of the loan portfolio remains very good. A more detailed description of the risk classification and the portfolio risk profile is presented on pp. 34-35.

In addition to the existing total of loans outstanding and guarantees issued, the Bank has concluded agreements on loans, not yet disbursed, totalling EUR 214 million (174) and has granted further loans, not yet agreed, amounting to EUR 502 million (270).

A list of loans agreed and disbursed during 2003 can be found on pp. 74-76.

INTERNATIONAL LENDING

NIB's international lending is aimed at financing projects of mutual interest to the Nordic countries and the 36 emerging and transition countries with which the Bank cooperates.

Demand for NIB's international loans was good in 2003. The level of activity was high and in both quantitative and value terms the loans agreed exceeded the level of the previous year, even though the Bank granted somewhat fewer loans at a lower total value compared to the previous year. NIB's international loan portfolio was de facto somewhat lower at the end of 2003 than at the end of 2002. This was due to the further weakening of the US dollar against the euro by 17% during the year. Since 73% of the outstanding international loans are denominated in US dollars, the volume figures were strongly affected by fluctuations in the exchange rate.

During the year 35 (2002: 39) international loans were granted, totalling EUR 741 million (789) and 27 (23) new loan agreements were entered into, totalling EUR 557 million (518). Loan disbursements amounted to EUR 564 million (380). One guarantee was granted in the amount of EUR 0.5 million (37).

LOAN PORTFOLIO

At year-end the Bank's international loans outstanding and loans agreed but not yet disbursed totalled EUR 2,930 million (3,055), whereof EUR 2,166 million (2,135) were outstanding and EUR 764 million (920) were agreed but not yet disbursed. No guarantees were outstanding at year-end (0).

The international loans are entered under the Bank's lending facilities, as briefly described below.

The Project Investment Loan facility (PIL) provides loans for emerging markets and transitional economies and constitutes the main thrust of the Bank's international lending. Loans outstanding and loans agreed but not disbursed under the PIL facility totalled EUR 2,634 million (2,901) at year-end. During the year the Nordic Council of Ministers approved an increase in the PIL ceiling from EUR 3,300 million to EUR 4,000 million.

The Environmental Investment Loan facility (MIL) was set up in 1996, to supplement the PIL facility and to promote environmental investments in the neighbouring regions to the Nordic area.

The MIL ceiling totals EUR 300 million after an increase in the ceiling that came into effect 1 January 2003. The MIL ceiling is focused on projects in the Baltic countries, Poland and northwest Russia. It may also be used to finance projects in Ukraine and Belarus. Loans outstanding and loans agreed but not disbursed under the MIL facility totalled EUR 107 million (49) at year-end.

The Baltic Investment Loan facility (BIL) was set up in 1992 and concluded at the end of 1999. Loans outstanding under BIL totalled EUR 18 million (21) at year-end.

Today lending to the Baltic countries is mainly carried out as a part of NIB's ordinary lending. NIB can also participate on an ad hoc basis in the financing of projects in the OECD area, which also takes place through the Ordinary Lending facility. International loans outstanding and loans agreed but not disbursed under the facility totalled EUR 171 million (75) at year-end.

LENDING

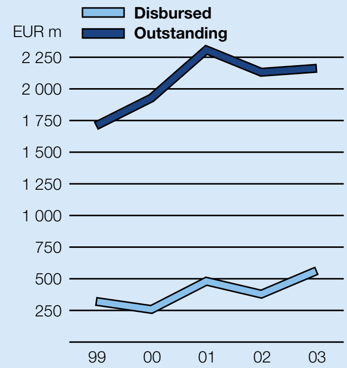
International loans take the form of direct loans to individual projects or of funding channelled through loan programmes to financial intermediaries. NIB has operative loan programmes with more than 30 intermediaries, mostly either state-owned development banks or local commercial banks. Lending through intermediaries serves above all to finance projects in the SME sector.

The loan programmes account for a large proportion of NIB's international lending. At the end of 2003, outstanding agreed but not disbursed loan programmes reached EUR 1,461 million (1,572), equalling 50% (51) of the loan portfolio. The Bank approved 74 new projects (71) under the loan programmes in 2003, and allocations under the programmes totalled EUR 299 million (193).

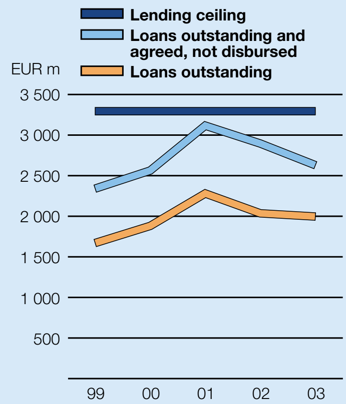
The share of loans to the private sector has increased in recent years, but at year-end the majority, 62% (68), of the international loans were granted directly to states or with a state guarantee.

Value adjustments according to IAS 39 are not included in segment information and currency distribution in this section.

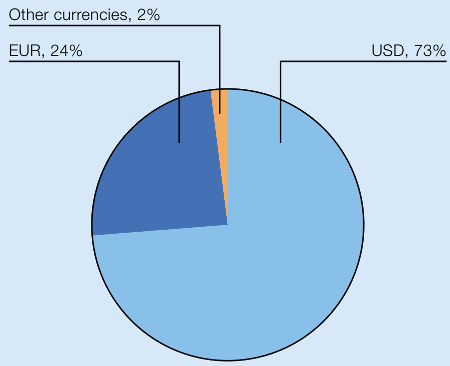
INTERNATIONAL LOANS AND GUARANTEES



PROJECT INVESTMENT LOANS

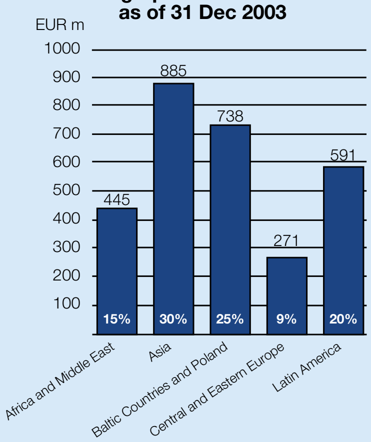


INTERNATIONAL LOANS OUTSTANDING
By currency as of 31 Dec 2003

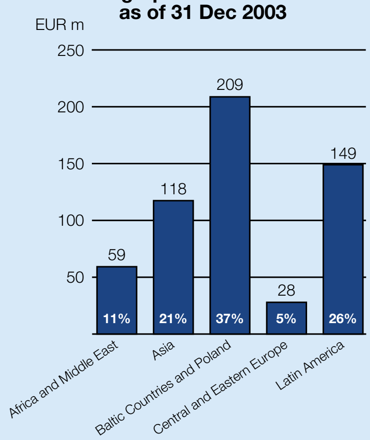


The total amount of the separate percentage shares may differ from 100% due to rounding.

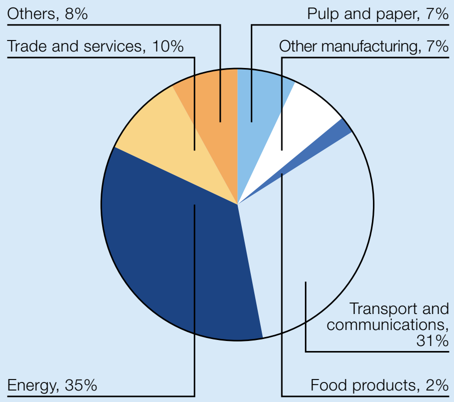
INTERNATIONAL LOAN PORTFOLIO
Geographical distribution as of 31 Dec 2003



INTERNATIONAL LOANS DISBURSED
Geographical distribution as of 31 Dec 2003



INTERNATIONAL LOANS OUTSTANDING
Sectoral distribution as of 31 Dec 2003



The quality of the international loan portfolio was improved slightly during the year. The decrease over recent years in the share of loans in the three lowest risk classifications continued last year; they now comprise 6%, compared to almost 10% at the end of the previous year. The share of loans in the better risk classifications was maintained at the same level as the previous year. At year-end there were two loans in non-accrual status with a combined value of EUR 17.8 million outstanding. A more detailed description of the risk classification and the risk profile of the portfolio is presented in the section Financial Guidelines and Risk Management on pp. 34-35.

BORROWER COUNTRIES

NIB has established formal cooperation with 36 emerging and transitional economies. Cooperation with these countries is long-term and generally based on agreements concluded with each country's Ministry of Finance. The Bank's international lending is divided between the following regions: Africa and the Middle East, Asia, the Baltic countries and Poland, the rest of Central and Eastern Europe, and Latin America.

Cooperation within the scope of loan programmes for financing projects in the member countries of the regional development banks means that projects in countries that are not among the borrower countries proper can gain access to NIB's financing activities. The Bank's loan programmes in Latin America with the Central American Bank for Economic Integration, CABEI, and the Andean countries' development bank, CAF, provide examples of such access. In addition, some of NIB's other financial intermediaries, for example in South Africa, finance projects outside their main countries of activity.

AFRICA AND MIDDLE EAST

Loans outstanding and loans agreed but not yet disbursed in Africa and the Middle East totalled EUR 445 million (464) at year-end. During the year, NIB signed a cooperation agreement with Namibia.

An agreement on a loan programme of USD 50 million was signed with the Tunisian state-owned telephone company Tunisie Telecom for investments in the country's fixed and mobile telecommunication networks. The loan programme is the third signed with the company and is guaranteed by the Tunisian state.

An agreement on a loan of USD 4.4 million was signed with the Al Quseir Hotel Company for the construction of a new hotel in Egypt that will be managed by Radisson SAS.

During the year three supplemental agreements concerning an earlier loan to the Hashemite Kingdom of Jordan were signed for further investments in air safety at the airports in the capital Amman and in the city of Aqaba. The loans increase NIB's exposure in the projects by an additional NOK 16 million and DKK 8.7 million.

A loan agreement of USD 10 million was signed with the Turkish state. The loan is intended for the financing of a water supply project in the city of Erzurum in the northeast part of the country.

ASIA

At year-end loans outstanding and agreed but not yet disbursed in Asia totalled EUR 885 million (1,044).

Lending to the People's Republic of China, which is the Bank's largest single international borrower, was increased during the year with two new loan programmes. One of the loan programmes totals USD 50 million and is intended for environmental projects, while the other programme totalling USD 40 million is intended for projects in the health care sector. It is NIB's second loan programme to the health care sector in China.

NIB signed an agreement with the Vietnamese state during the year on the expansion of a previously agreed loan programme by USD 5 million, bringing the total to USD 25 million. The increase is intended for financing a number of energy projects that will be implemented in the country.

An agreement was signed on a loan of USD 30 million to the Indian telephone operator Bharti Cellular for financing the company's continued enlargement of the mobile telephone network in India.

BALTIC COUNTRIES AND POLAND

Loans outstanding and loans agreed but not yet disbursed in the Baltic countries and Poland totalled EUR 738 million (693) at year-end.

NIB signed a loan agreement with the City of Tallinn on a loan of EUR 20 million. The loan will be used for investments in the city's infrastructure, mainly for street and road networks, social housing, schools and public buildings.

A loan agreement was signed with the company Viru Center for investments in a shopping center in Viru square in central Tallinn. The loan of EUR 6 million is being used for the planned new building and the renovation of the existing buildings that together will comprise the completed shopping center.

NIB entered into an agreement with the Estonian textile company Krenholm for a supplementary loan of EUR 0.5 million as a step towards the restructuring of the enterprise's operations.

The Bank signed a loan agreement of EUR 38.8 million with the City of Riga for meeting investment needs in the Latvian capital, primarily in street and road networks, schools, health care as well as public transportation.

A loan agreement of USD 57 million was entered into with the Latvian state-owned energy company Latvenergo to finance, for example, reconstruction of the transmission and distribution network in the country. This is NIB's second loan to the company.

As a continuation of NIB's previous loan programme for the promotion of women entrepreneurship in the Baltic countries, a new loan programme was agreed on with the Lithuanian bank Šiaulių Bankas of EUR 0.5 million. This is NIB's second loan to the bank.

CENTRAL AND EASTERN EUROPE

In other areas of Central and Eastern Europe loans outstanding and agreed but not yet disbursed totalled EUR 271 million (249) at year-end.

During the year two loan agreements were signed with the Romanian energy company Transelectrica for investments in the Romanian power network. The loans, which total USD 18.6 million and EUR 13.3 million respectively, concern the reconstruction of two transformer stations located in the cities of Slatina and Rosiori.

NIB's activities in Central and Eastern Europe, in northwest Russia and within the framework of the Northern Dimension Environmental Partnership (NDEP) are described in more detail in the section The Neighbouring Areas on pp. 26-28.

LATIN AMERICA

Loans outstanding and loans agreed but not yet disbursed in Latin America totalled EUR 591 million (567) at year-end.

An agreement concerning a new loan programme of USD 30 million was concluded during the year with the Central American Bank for Economic Integration, CABEI. The loan programme, which is the second with the bank, encompasses investments in various sectors in Central America.

During the year NIB signed an agreement on a loan programme with the Peruvian development bank COFIDE. The loan programme totals USD 30 million and includes investments in various sectors in Peru.

Cooperation within the framework of loan programmes was also expanded in Brazil: during the year agreements were concluded with Banco Itaú BBA and with Unibanco of USD 20 million each. The loan programmes to the two commercial Brazilian banks are intended for investments in various sectors, although industry is expected to dominate.

A loan agreement was signed with Veracel Celulose in Brazil on a loan of USD 70 million for the financing of the company's investments in a pulp mill. The project is jointly financed by, among others, the EIB.

A loan agreement was signed with the Latin American mobile telephone operator Sercotel, headquartered in Mexico, on a loan of USD 15 million. The loan is intended for the company's investments in mobile telephony in Latin America.

At the end of the year NIB entered into an agreement on a loan of USD 2.8 million with Venezuela for financing a frontier guard project.

SECTOR BREAKDOWN

NIB's international loans continue to be targeted mainly on infrastructure investments, especially in the energy sector with a share of 35% and in the transport and communications sector with a share of 31% of loans outstanding. In the transport and communications sector telecommunications comprises the major share. Manufacturing industry, with a share of almost 16%, comprised the third largest share of outstanding loans, with financing mostly through NIB's loan programmes to financial intermediaries.

A list of loans agreed during the period is found on p. 77.

VERACEL

One of NIB's biggest commitments for 2003 is its participation in the financing of Veracel's pulp mill in the Brazilian state of Bahia. Veracel is owned by the forestry companies Stora Enso and Aracruz, the latter of which is already engaged in pulp manufacturing in Brazil.

Veracel plans to build a pulp mill with an annual output capacity of 900,000 tonnes for export to paper manufacturers mainly in North America and Europe. The raw material will come from plantations of fast-growing eucalyptus. Raw material supplies within a short distance of the intended mill have been secured by the acquisition of land from private landowners and outsourcing of eucalyptus grown to contract.

Half of Veracel's landholdings of 147,000 hectares will be planted with eucalyptus trees, while the other half will be protected. Insofar as the protected part is not already occupied by rain forest, Veracel will be replanting rainforest there at a rate of several hundred hectares annually. The improved protection of the remaining rain forest will in the long term enhance the region's biodiversity. Veracel has also devised systems for minimising impact on groundwater and diffusion of chemicals. Normal European forestry has far greater chemical use on average than these plantations.

The pulp mill, located in a poor region where unemployment is high, will create new workplaces for the local population, both directly and indirectly. Business in the region will be stimulated and Veracel has the region's development at heart, so as to guarantee long-term supply of skilled manpower. For a number of years the company will be investing considerable amounts in a development programme, which, among other things, includes schools, health care and a leisure sector for the region.

The pulp mill will be based on the best available technology and will satisfy all the conditions and specifications applying to similar Nordic projects.

A substantial part of the deliveries for the project will come from the Nordic countries. The project is being cofinanced together with the EIB and BNDES.

THE NEIGHBOURING AREAS

During the year NIB continued its activities in the areas neighbouring the Nordic countries, i.e. Estonia, Latvia, Lithuania, Poland and northwest Russia including Kaliningrad. According to its mission and strategy, NIB shall, by means of financing projects, support the economic transition and development in these regions that are of strategic importance to the Bank.

In 2003 NIB's activities in the neighbouring regions were further intensified regarding the preparation of new projects, new concluded agreements and the number of disbursements. Present projects in the Baltic countries and Poland concern above all investments in municipal infrastructure, energy and environment. Furthermore the cooperation with financial intermediaries within the framework of loan programmes increased. NIB's project activities in northwest Russia are mainly focused on larger environmental investments.

BALTIC COUNTRIES AND POLAND

Lending to the Baltic countries increased significantly. At year-end Estonia was the second largest borrowing country in NIB's international lending programmes. Since 2003 new loans to the Baltic countries have been granted exclusively within the Bank's Ordinary Lending facility.

Needs for infrastructure investments continue to be large in the Baltic countries and Poland. The countries' accession to the EU in 2004 will highlight this further. NIB aims to continue its activities in infrastructure investments. The Bank concentrates above all on investments in the energy and transport sectors as well as investments in the social and municipal sectors. While many of these investments will be carried by the public sector, an increased privatisation of infrastructure is to be expected.

During 2003 NIB granted its second loan to the Latvian state energy company Latvenergo. The loan is for financing the ongoing upgrading of its transmission and distribution network, increasing the efficiency of its current electricity and heat production, as well as reinforcing the existing dams linked to the hydroelectric power station on the Daugava river.

During the year loan agreements were signed with the cities of Tallinn and Riga for infrastructure investments. A loan for a shopping centre in downtown Tallinn was also agreed on.

In 2003 NIB also signed an agreement for a supplemental loan to a textile company in Narva for improving the efficiency of its operations. An agreement was signed with a Lithuanian intermediary for a loan programme aimed at promoting women entrepreneurs in Lithuania.

Loan programmes with banks and other intermediaries play an important role in NIB's activities in financing SME investments. During 2003, the Bank's opportunities to participate in these investments grew by further increasing the number of intermediaries with which it cooperates. The local intermediaries naturally have closer daily contact with local companies and can assist them in the preparation and implementation of investments.

NIB has loan programmes totalling EUR 255 million with 14 intermediaries in the Baltic countries and Poland. During 2003 the Bank approved 40 projects and allocated loans of EUR 79 million to these projects.

Loan programmes for environmental projects

In the neighbouring areas NIB has continued to support the development of national institutions that act as intermediaries or agents for investments in public sector projects, above all for investments in municipal water and wastewater treatment plants.

In Estonia NIB channels its environmental loan programme through the Estonian Environmental Investment Centre, EIC. Thus far NIB has approved altogether 19 projects totalling EUR 8.5 million within the environmental loan programme organised with the EIC. The projects mainly target municipal water and wastewater treatment plants.

In Latvia the Bank cooperates with the Latvian Investment and Development Agency and the Latvian Ministry of Environment. Thus far altogether 42 loans totalling EUR 20 million have been approved within the Latvian environmental programme. The projects are aimed at improving the efficiency of district heating production and distribution and include, for example, the building of modern boilers with high levels of efficiency and low emissions as well as fuel conversion from fossil fuels to biomass fuels. In addition, NIB has participated in financing improvements in the energy efficiency of public buildings. Projects have also targeted the modernisation of several water and wastewater treatment plants and solid waste treatment in two regions of the country.

In Lithuania environmental financing is carried out through the Central Project Management Agency, CPMA. Within the Lithuanian loan programme, the Bank has thus far approved loans totalling EUR 27 million. The financing is for modernising wastewater treatment in five municipalities, solid waste treatment in one municipality and improving the energy efficiency in approximately 150 public buildings around the country.

In Poland NIB has, through the state-designated intermediary Bank BISE, thus far ensured the implementation of 26 municipal environmental projects in various parts of the country by granting loans totalling EUR 10.5 million.

NORTHWEST RUSSIA

Northwest Russia is a priority area for NIB, with the activities there mainly directed towards large environmental projects. Financing is provided in to ways. First, direct lending to environmental projects within the municipal sector, and second, lending to environmental projects in the private sector financed mainly through loan programmes in cooperation with financial intermediaries in Russia.

Northern Dimension Environmental Partnership

NIB plays an active role in the Northern Dimension Environmental Partnership (NDEP), which was established in 2001. The aim of the NDEP is to coordinate and make more effective financing of environmental investments with cross-border effects in the Baltic Sea and Barents regions, with focus on northwest Russia, including the enclave Kaliningrad. Several international finance institutions work together in the partnership: NIB, EBRD, EIB, and the World Bank, the EU Commission and the Russian Federation.

The partnership focuses on solving urgent environmental problems within the EU's Northern Dimension by promoting projects that lead to sustainable solutions in wastewater treatment, solid waste management and energy supply, as well as the treatment of nuclear waste. Projects are financed with a combination of long-term loans, donor financing and local funds.

NDEP's activities are led by a Steering group, which selects projects and appoints a lead bank for each project. The Partnership has a support fund with the task of collecting pledges from donor countries in order to ensure the sufficient financing of the projects. At the end of 2003 the fund had over EUR 190 million at its disposal that consists of contributions from the EU and individual participant countries. A part of the contributions are earmarked for the clean-up of nuclear waste.

The NDEP encompasses at the moment 12 projects in northwest Russia with an estimated investment need of around EUR 1.3 billion. NIB is leading the financing and preparation of seven of the projects. The project led by NIB that has progressed the most is the Southwest wastewater treatment plant in St. Petersburg, where construction work is currently being carried out. The other projects that are led by NIB are under preparation and concern environmental projects in Murmansk, Novgorod, Kaliningrad, the Leningrad region and efforts towards reducing direct discharges into the Neva river. A new environmental programme for the Ladoga and Onega regions was introduced during the year. A brief overview of the projects and status at year-end is provided below.

Southwest wastewater treatment plant in St. Petersburg

In St. Petersburg the completion of construction of the city's Southwest wastewater treatment plant is continuing. When completed, it will treat wastewater from about 700,000 residents living in the southwestern parts of the city. At present, untreated wastewater is discharged into the Gulf of Finland. During the year the Bank signed a loan agreement for the project totalling EUR 45 million with the Russian project company Nordvod. The total project costs are estimated at EUR 190 million. The loan agreement was signed in March 2003 and disbursements to the project have begun. The construction began in early 2003 and the treatment plant is expected to be completed in 2005.

The project will also be financed with loans from the EBRD, EIB, Finnfund and Swedfund, together with equity from the Nordic Environment Finance Corporation NEFCO, the construction companies NCC, Skanska and YIT, and the city's water utility Vodokanal. Bilateral assistance funds from Finland, Sweden and the EU as well as grant financing from the NDEP fund is planned to total over EUR 50 million. NIB is the lead financier in the bank consortium and coordinates the monitoring of the project.

The project is being carried out as a public private partnership (PPP). In practice the project company Nordvod, NEFCO and the St. Petersburg water utility Vodokanal, will be responsible for the implementation of the project in cooperation with local authorities. Nordvod is owned by Vodokanal, NEFCO and the Nordic construction companies YIT, Skanska and NCC. When completed the plant will be run by a separate operating company under the same ownership as Nordvod.

During the year the Southwest wastewater treatment plant project was given an award for its financial structure by one of the leading journals on the subject of project finance.

Sludge incinerator plant in St. Petersburg

NIB has granted EUR 9 million for financing a sludge incinerator at the Northern wastewater treatment plant in St. Petersburg. The total cost of the project will reach approximately EUR 50 million. The project has been granted assistance from the NDEP support fund.

Direct discharges in St. Petersburg

Even after the completion of the Southwest wastewater treatment plant, a quarter of the city's wastewater will still be discharged, untreated, into the Neva river from more than 400 different discharge spots which are not connected to the sewerage network. There is capacity in existing treatment plants to treat this sewerage. NIB has been mandated to lead a study with the objective to eliminate the remaining discharge points.

Storm barrier in St. Petersburg

During 2002 the Bank granted a loan of USD 40 million in order to bring to completion the construction of a storm barrier in St. Petersburg. The project is cofinanced with, among others, EBRD and EIB and is aimed at preventing the difficult and costly floods that hit the city at regular intervals. The project costs are expected to reach approximately USD 420 million. The Russian Federation will guarantee the planned financing of the loan and ensure the full financing of the project. The project has received grants from the NDEP support fund.

District heating in Murmansk

In Murmansk the upgrading of a third of the city's district heating network in the Leninsky district is under preparation. In the first stage of the project, investments are expected to total EUR 15–20 million. Feasibility studies were begun in 2003.

Municipal environmental project in Novgorod

NIB has been mandated by the City of Novgorod to structure and lead a project comprising investments in the upgrading and restoration of the city's water and sewerage, district heating and solid waste management systems. The project will start with an update of previous feasibility studies.

Solid waste management in the Kaliningrad region

NIB has been mandated by the Kaliningrad region to lead a comprehensive solid waste management project. The purpose of the project will be to develop a regional solid waste management strategy, which includes collection, separation, storing and disposal of waste, thereby reducing discharges into the groundwater. A pilot study has been carried out for the project and a comprehensive, detailed study has been started.

Wastewater treatment in the Leningrad region

In the Leningrad region an environmental investment programme is being prepared for water and wastewater management, initially in four cities: Gatchina, Pikalevo, Tikhvin and Kirovsk. The plan is that the project will be financed through a blend of donor funds, loans and local funding. The costs of the project total approximately EUR 20 million. The Bank's share of the loan financing totals over EUR 5 million, which will be allocated through a loan programme with the intermediary bank Vneshtorgbank.

The Ladoga Programme

NIB has introduced an environmental programme for the Ladoga and Onega regions. The programme is aimed at upgrading production facilities in these regions and at making environmental improvements in the catchment area of the Ladoga and Onega lakes.

OTHER PROJECTS IN NORTHWEST RUSSIA

In addition to the projects under the NDEP, the Bank is also preparing other projects in northwest Russia. The projects are outlined briefly below.

Wastewater treatment in Sestroretsk

A project to improve the water supply and wastewater treatment in Sestroretsk is part of the development programme for the St. Petersburg water company Vodokanal. The costs of the project total EUR 23.7 million and it is cofinanced with Sida and the Finnish Ministry of the Environment. NIB's loan of EUR 7.7 million is allocated entirely to wastewater treatment and water supply in the Sestroretsk region. The project is being carried out in parallel with the bilaterally financed institutional development programme for the Vodokanal company. The project is under implementation. The first disbursement of the loan was made during the year.

Water and wastewater treatment in Kaliningrad

Since 2001 NIB has had a loan agreement of USD 13 million with the Russian Federation to finance an investment programme with Kaliningrad's water company Vodokanal concerning drinking water, wastewater treatment and institutional development. The costs of the financed project total USD 65 million. Donor financing of the project totals over USD 20 million of which Sida accounts for USD 16 million and the Danish Environmental Protection Agency, DEPA and NEFCO for the remaining shares.

Pechenga Nikel on the Kola Peninsula

During 2001 NIB signed a loan agreement in the amount of USD 30 million with the Kola Mining Company, which is part of the Norilsk Nikel Group. The loan will be used for the modernisation of the company's smelters and pellet roasting plants in Nikel and in Zapolyarny on the Kola Peninsula. The project's total costs are USD 93.5 million. Grant financing has been given by Norway in the amount of NOK 270 million and Sweden in the amount of SEK 32 million. The Norilsk Nikel Group's own contribution is approximately USD 30 million. The grants to the project are allocated through NIB. The project is under implementation.

Loan programmes with Russian intermediaries

During the year an agreement was signed on a loan programme totalling EUR 20 million with the Russian intermediary bank Vneshtorgbank. The loan programme is primarily intended for financing environmental investments in northwest Russia.

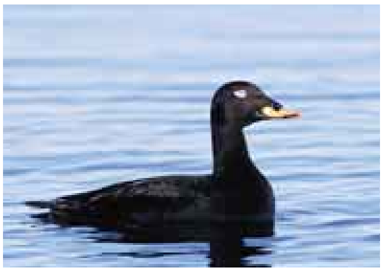
During the year NIB granted a loan programme of EUR 15 million to the Industry and Construction Bank (ICB) in St. Petersburg. ICB acts as an intermediary for environmental investment loans, above all in the private sector in northwest Russia.

ADMINISTRATION OF EXTERNAL FUNDS

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

In addition, Finland and Sweden have placed separate funds with NIB for financing consultancy services used for preparation and monitoring of projects identified by NIB and approved by the respective authorities. In 2003 these Technical Assistance Trust Funds were as follows:

- **A Finnish technical assistance trust fund at NIB**, intended for potential NIB and/or NEFCO projects, above all in infrastructure, the environment, forestry and forest industries in Central and Eastern Europe, including Russia and Ukraine. The Finnish Government is represented by the Ministry for Foreign Affairs.
- **Two Swedish technical assistance trust funds at NIB**, intended for potential NIB projects relating to the environment and energy in Eastern Europe (Estonia, Latvia, Lithuania, Poland and northwest Russia, and for one of the funds also Ukraine). The Swedish Government is represented by Sida.
- **Two special Swedish technical assistance trust funds at NIB**, intended to be used for two environmental projects that the Bank is preparing in Russia: the Southwest wastewater treatment plant in St. Petersburg and Pechenga Nikel on the Kola Peninsula. The Swedish Government is represented by Sida.
- **A Finnish technical assistance trust fund at NIB**, intended to support and facilitate the financing of SMEs in Lithuania that involve women entrepreneurs. The Finnish Government is represented by the Ministry for Foreign Affairs. The fund was established in cooperation with CEB. During the year the fund paid out its reserves in their entirety.



From the top:
Melanitta fusca
Anas clypeata
Bucephala clangula
Bucephala clangula
Anas penelope

NIB AND THE ENVIRONMENT

NIB's strategy calls for the Bank to play an important role in financing environmental investments in the Nordic area and in the Baltic Sea and Barents regions. Projects that reduce pollution or that lead to environmentally sustainable solutions in the Nordic countries or the neighbouring areas have a high priority. Projects with a positive environmental effect on the Baltic Sea also have special status; the Bank has financed over a hundred such projects.

NIB's environmental policy specifies guidelines for the Bank's environmental activities. One of the most important points in the policy is that environmental issues are to be evaluated in each and every loan application, since environmental risks and responsibilities are present in all investment projects. The evaluation of environmental aspects is an important part of the preparation of all projects that are considered for possible financing.

Another important aspect of the policy is that NIB should actively promote investments with positive environmental effects and investments that directly or indirectly reduce harmful emissions or other environmental hazards. The environmental investments comprise two types: projects designed to treat pollution and projects aimed at preventing it. Typical pollution treatment investments include wastewater treatment and waste management. In addition, a large number of projects are for investments in environmentally friendly or pollution preventing technologies.

Furthermore, all projects that NIB finances must comply with national environmental legislation and international agreements on the environment. All projects NIB finances must comply with the host country's relevant environmental legislation and international environmental conventions and standards as well as have all the necessary environmental permits. The projects must also otherwise fulfil the Bank's criteria for environmental acceptability. NIB can, where necessary, demand an environmental impact assessment of a project in cases where the national regulations are insufficient.

ENVIRONMENTAL MANAGEMENT SYSTEM

NIB's environmental management system includes clear procedures for evaluating potential projects. According to the Bank's established environmental procedures, all relevant environmental risks and consequences must be taken into account in the projects it intends to finance. NIB employs the same classification system as other international institutions, such as the EBRD and the World Bank Group. Each loan application is classified according to the extent of the project's environmental impact. If the project has the potential for making an extensive environmental impact or if the legislation of the project's host country requires it, the project must undergo a full environmental impact assessment (EIA) and is classified as a category A project. If the project has the potential for making a moderate environmental impact (category B) it must undergo a partial EIA. Finally, projects that are considered to have an insignificant or not readily measurable impact (category C) are not required to undergo any formal EIA.

Environmental impact assessments are usually carried out by independent consulting firms and the reports are published in the host country of the project according to the requirements of its national legislation. In addition, during the EIA process the public or those groups that are affected by the project are usually consulted. In some cases NIB can demand an EIA even if it is not required by the host country's legislation. In all lending matters the Bank's decision-making bodies receive a written appraisal of the project's environmental impact.

In conjunction with the environmental impact assessment, a project's social impact can also be taken into account if it is broad in scope or will have a significant influence on the living conditions of many people in the region where the project is located. Projects that must undergo a social assessment include large-scale projects in densely populated areas or projects that lead to extensive and lasting changes in the ability of the local population to pursue its livelihood.

In conjunction with company acquisitions, it may be necessary to carry out an environmental audit, which is a systematic analysis of the company's potential environmental risks and liabilities. An environmental audit is required in projects in which there is an obvious risk of the purchaser incurring environmental liability in the form of remediation costs relating to environmental damage, such as contaminated soil, polluted groundwater, or leaking landfill sites and chemical storage facilities.

In accordance with NIB's environmental management system, an internal, independent environmental review is also carried out of all loan applications, based on completed environmental impact assessments, environmental audits and other available documentation. The environmental review is appended to the loan documents that are processed in the decision-making bodies of the Bank.

NIB refrains from financing projects if they are environmentally dubious or if the project obviously violates environmental regulations. If a project is considered to be environmentally dubious already in the early stages, it does not proceed further in NIB's credit preparation process.

If a project is deemed to be environmentally acceptable overall but some details remain unresolved at the point of presenting the application to the Credit

ENVIRONMENTAL LOANS

At 31 Dec 2003, in EUR million

	Outstanding loans	*Signed, not disbursed*	*Approved, not signed*	*Total*	*Number of loans*
Nordic countries	1,282.2	35.4	0.0	1,317.7	145
Estonia	49.8	40.7	0.0	90.5	24
Latvia	39.5	7.6	0.0	47.1	50
Lithuania	23.5	3.4	0.0	26.9	16
Poland	102.5	7.4	0.0	109.9	7
Russia	17.0	89.7	55.7	162.4	13
Others	93.9	68.6	96.8	259.3	38
Total	**1,608.5**	**252.8**	**152.5**	**2,013.8**	**293**

Value adjustments according to IAS 39 are not included in segment information in this section.

Environmental policy

- NIB assesses the environmental aspects of every loan application.
- NIB actively promotes investments with a positive environmental impact.
- All NIB-funded projects should comply with national environmental legislation and international environmental agreements.
- NIB ensures that its employees have a high standard of environmental knowledge to be capable of good environmental management.
- NIB conducts an active environmental dialogue with its owners, customers and other business contacts.
- NIB provides information on its environmental activities.
- NIB encourages its financial intermediaries to include environmental aspects in their own credit decisions.
- NIB promotes environmentally responsible procurement.
- NIB will continuously improve its environmental management.

The environmental policy can be found in its entirety on the Bank's website on the Internet: http://www.nib.int/about/e_policy.html

Committee, environmental covenants are usually included in the loan agreement. In certain cases NIB requires environmental monitoring of projects. The monitoring is usually carried out by independent environmental experts and may include, for example, the monitoring of water quality in the water course or the measurement of discharges from an industrial plant. In rare cases NIB demands that a project be reformulated in terms of the environment, for example that an environmental management system be introduced in the borrowing company or that an environmentally hazardous substance be replaced.

NIB has taken environmental protection measures at its headquarters in Helsinki, both complying with the requirements of current Finnish environmental legislation and in many respects going beyond what the legislation requires. During 2003 work was completed on internal environmental guidelines for office practices, facilities management and procurement, to name a few examples.

ENVIRONMENTAL LOANS

The investment projects that NIB finances usually have positive environmental effects through, for example, the introduction of new technology. In spite of the fact that environmental benefits are included in projects, not all loans are classified as environmental loans. In granting environmental loans, the Bank finances expressly environmental projects, in other words investments that substantially reduce pollution (pollution treatment) or investments that prevent the spread of pollution (pollution prevention). Pollution treatment environmental projects might be for wastewater treatment in industry or municipalities, waste treatment, recycling and flue gas treatment for industry and power stations. Pollution preventing environmental investments with indirect positive environmental effects include efforts to develop biofuel power stations, wind power, geothermal energy as well as investments in new, environmentally appropriate production technologies in industry.

In order for a project to be granted an environmental loan, the investment is required to bring about positive environmental effects. Like all the Bank's loans, environmental loans are competitive, priced on market terms, and do not include any form of subsidies. Environmental loans can have a longer than usual maturity, up to 20 years. Above all in countries that are undergoing a development phase, long-term loans contribute to a project's financial stability and prevent sudden increases in fees for end consumers. For example, for a municipal water treatment plant with a limited cash flow from its operating activities, the maturity can be decisive for the realisation of the investment.

NIB has outstanding environmental loans in all geographical areas where it is active. The share of environmental loans of all lending varies by country and region. Approximately half of NIB lending to Central and Eastern Europe consists of environmental loans, while the corresponding figures for the Baltic countries and Poland are over a third.

Of the Bank's total environmental loans outstanding Sweden and Finland comprise the largest shares, followed by the Baltic countries, Poland and Norway.

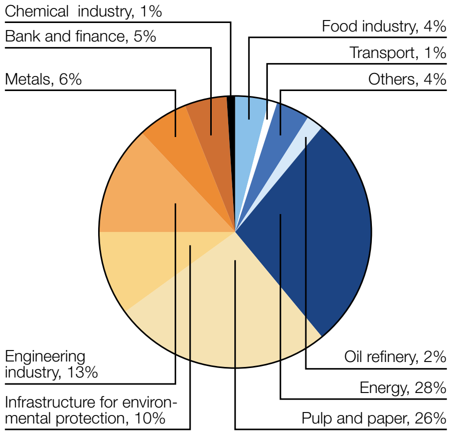
Nordic countries

At the end of 2003 outstanding Nordic environmental loans totalled EUR 1,282 million (2002: 1,175), an increase of 9% in comparison to 2002. The share of environmental loans of the total Nordic loan stock totalled 15% (15) at the end of 2003. During the last few years the share of environmental loans of the Nordic loan stock has varied between 14% and 18%.

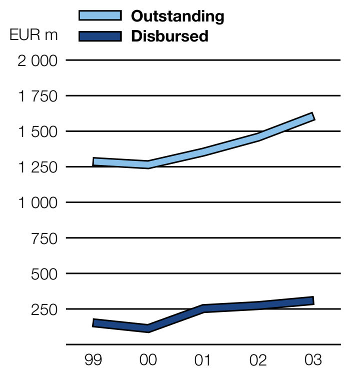
During 2003 altogether EUR 231 million (220) was disbursed to 15 (14) environmental projects in the Nordic countries. For several years the annual disbursements of environmental loans has totalled approximately EUR 200 million.

In 2003 environmental loans to Nordic borrowers were intended in five cases for investments in the pulp and paper industry. The investments were for

ENVIRONMENTAL LOANS OUTSTANDING
Sectoral distribution 2003



ENVIRONMENTAL LOANS



external wastewater treatment, a collection system for malodorous gases, reconstruction of recovery boilers, flue gas treatment and investments for in-plant processes aimed at reducing harmful discharges, for example the reconstruction of bleaching or debarking processes in pulp mills. Another example is a Swedish forest group's investments in a pulp and paperboard mill aimed at decreasing the discharge of oxygen-consuming substances to a nearby lake by 40% and reducing the emission of malodorous gases. The investments are also leading to the phasing out of freons as well as the pelleting of ash in order to facilitate recycling it for use as fertiliser.

Within the energy sector an environmental loan was for investments in district heating in which geothermal energy is used as a heat source and another environmental loan was for expanding an existing water power station. An environmental loan was disbursed to an energy company for replacing 3,000 km of overhead power transmission lines with underground cables. By moving the transmission lines underground, the visual impact on the landscape is improved and land areas are freed up.

An environmental loan was disbursed to a Nordic oil refinery for investments in, among others, a new tank park that will lead to significant reductions in emissions of volatile organic compounds, VOC. The refinery will be operated using biomass fuel, which will lead to large reductions in the emission of carbon dioxide (100,000 tons per year), sulphur (91 tons per year) and nitrogen oxides (129 tons per year).

Another environmental loan was granted for research and development in marine motors. The new generation of boat motors that is being developed in the project will emit a fraction of the exhaust that boat motors today emit when in operation. When the new motors are taken into use and replace the old motors, the emission of hydrocarbons and nitrogen oxides can be reduced by up to 70%.

Environmental loans were disbursed to a company that produces insulation material for improving its energy efficiency, for investments in biomass-fuelled power stations, for a windmill park and for environmental improvements in a slaughterhouse. An environmental loan was also disbursed to a financial intermediary for financing wind power stations.

Outside the Nordic countries

NIB's environmental loans outside the Nordic countries include the neighbouring areas, i.e. Estonia, Latvia, Lithuania, Poland, northwest Russia and the Kaliningrad region, as well as other parts of the world. The neighbouring areas have a high priority in the Bank's environmental lending, since there continue to be major points of discharge both to the air and the water in these areas. The energy sector, which is a large source of pollution, dominates the Bank's environmental lending in the Baltic countries and Poland. Current environmental investments in these countries include desulphurisation plants and flue gas treatment. Investments have also been made in improving energy efficiency. In Latvia and Lithuania the Bank has a loan programme for improving energy efficiency in district heating systems and in public buildings.

In the neighbouring areas, where the environmental projects sponsored by local authorities are relatively small, NIB has actively supported the development of national intermediaries, which help with the preparation and implementation of projects, also leading to improved prospects for cofinancing with, for example, other multilateral financial institutions, EU funds and Nordic bilateral aid agencies. The Bank channels its loans to the neighbouring areas mainly through intermediaries.

NIB's outstanding environmental loans in the neighbouring areas at the end of 2003 totalled just over EUR 232 million (188), which reflects an increase of 24% in comparison to 2002. During 2003 environmental loans were disbursed to 26 projects in the neighbouring areas totalling EUR 63 million.

Eight of the projects were for investments in wastewater treatment plants in which positive environmental effects are achieved through reduced discharges of nutrients and oxygen-consuming substances in the water that flows out to the Baltic Sea. The most environmentally significant NIB investment in wastewater treatment is for the completion of the Southwest wastewater treatment plant in St. Petersburg. When the plant is in operation, wastewater from almost a fourth of the city's residents will be treated, reaching a quality standard that corresponds to the Baltic Sea Commission HELCOM's recommendations and EU wastewater directives. At present the wastewater that is discharged directly into the Gulf of Finland is either untreated or is insufficiently treated.

During the year 17 loans were disbursed for investments in improving energy efficiency. Most of the projects were loans for district heating—for the installation of modern district heating pipes, phasing out of old and worn out furnaces, fuel conversion from fossil fuels to biomass fuels and the building of new boilers with a high degree of efficiency and low emissions. Four loans were for the reconstruction and insulation of public buildings as well as schools and hospitals.

Yet another loan was agreed with the Baltic state-owned energy companies Eesti Energia in Estonia and Latvenergo in Latvia, for extensive renovations of power stations and the companies' respective power transmission network. The investments will lead to large reductions in emissions.

The Bank has at its disposal a special Environmental Investment Loan facility (MIL) for the neighbouring areas, which is guaranteed by the Nordic countries. MIL is intended foremost for urgent environmental projects in the Barents region in northwest Russia as well as in Karelia, St. Petersburg and the Kaliningrad region. MIL was established in 1996 by a decision of the Nordic Council of Ministers to facilitate the financing of important and prioritised environmental projects in the areas neighbouring the Nordic countries that cannot be financed within the Bank's Project Investment Loan facility (PIL). The MIL facility is aimed at contributing to the reduction of cross-border pollution and to the reduction of environmental hazards. The MIL ceiling was raised on 1 January 2003 from EUR 100 million to EUR 300 million.

At the end of 2003 NIB had granted loans totalling EUR 192 million under MIL for eight prioritised environmental projects in northwest Russia. Disbursements have been made to two projects,

Environmental staff resources

	2003	*2002*
Full-time environmental analysts	2	2
Loan officers dealing with environmental loans*)	5.9	5.6
Loan officers	22	22
Number of employees	147	144

*) *Expressed as whole-year equivalents*

The Ladoga region environmental programme

During 2003 the Bank initiated an environmental programme, the so-called Ladoga Programme, for the Ladoga and Onega lakes, the river Neva north of St. Petersburg as well as the areas around them. The programme targets cross-border discharges to the air and water. Lake Ladoga is one of Europe's largest inland lakes and is the source of the Neva, which provides drinking water for St. Petersburg.

In the framework of the Ladoga programme, NIB is striving to finance investments related to the environment and increasing productivity in industrial operations in the private sector. Companies in the Ladoga area, which are mainly within the pulp and paper industry as well as the metallurgy and chemical industries, are in great need of upgrading. External treatment of wastewater and exhaust and the upgrading of processes and production technologies are prioritised areas, since they cause extensive discharges and cross-border pollution.

The condition of Lake Ladoga has gradually deteriorated and the lake is a recipient of severe quantities of pollutants that flow via the Neva river out into the Gulf of Finland and the Baltic Sea. Russian environmental authorities have a monitoring programme for the area in which the environmental status of the lake is followed carefully.

The financing of environment-improving investments can take place directly through loans from NIB and/or through financial intermediaries, mainly local banks in the area. The goal of the programme is to enable companies to make investments that are both profitable for their activities and bring about positive environmental effects. NIB has initiated contacts with a number of potential borrowers and has begun evaluation of project proposals. An industrial environmental expert has been employed for the programme.

The Ladoga programme is part of NDEP.

one for a wastewater treatment project in Sestroretsk, northwest of St. Petersburg, and the other for the completion of the Southwest wastewater treatment plant in St. Petersburg. During the year an extensive environmental loan programme for Lake Ladoga was begun.

Outside the Nordic countries and the neighbouring areas, in 2003 NIB disbursed environmental loans for projects in China, Vietnam and Colombia. These environmental loans are aimed at investments in environmental improvements in the pulp and paper industry and in district heating as well as the modernisation of power transmission networks and water treatment.

ENVIRONMENTAL COOPERATION

NIB participates in several international and regional forums for environmental cooperation in which important environmental questions are discussed:

HELCOM

The Bank is working actively in the Baltic Marine Environment Protection Commission—also known as the Helsinki Commission or HELCOM. Since 1992 the Bank and its sister organisation NEFCO, along with the international financial institutions EBRD, EIB and the World Bank, have participated in the work of HELCOM.

HELCOM originally identified 132 so-called hot spots, or major sources of pollution, around the Baltic Sea. Of the 18 municipalities and industrial points of discharge in Denmark, Sweden and Finland, NIB has contributed with financing to 13. Several of the pollution sources have been deleted from the original list as a result of NIB's financing of projects.

Baltic Agenda 21

Within the framework of cooperation in the Council of the Baltic Sea States, NIB participates in an international working group that is developing a regional Agenda 21 for the Baltic Sea area, Baltic Agenda 21.

MFI Environmental Working Group

NIB participates in a global forum, the MFI Environmental Working Group, which is a common cooperation forum for multilateral financial institutions. The purpose of the forum is to create common guidelines for what environmental impact assessments should entail and how they should be carried out.

NDEP

The Northern Dimension Environmental Partnership, NDEP, is a cooperation forum for environmental issues in northwest Russia in which the EBRD, EIB, NIB, the World Bank, the European Commission and the Russian Federation cooperate. For more detail see the section on The Neighbouring Areas on pp. 26-28.

GLOBAL DEVELOPMENT TRENDS

NIB will continue to prioritise the financing of environment-related projects in its activities. The needs and challenges are great. Investments in water and wastewater treatment as well as in solid waste treatment are needed in many developing countries, as well as in Central and Eastern Europe where EU environmental directives will come into effect within the next few years. In the Nordic countries investments aimed at reducing emissions of greenhouse gases are increasing. If and when the Kyoto Protocol is ratified and enters into force, investments into reducing greenhouse gas emissions partly through direct investments, partly through emissions trading, will grow. NIB will continue to finance direct environmental investments through its lending activities and by developing new environmental loan programmes, above all in Central and Eastern Europe.

Since the UN world conferences on the environment and sustainable development in Rio de Janeiro in 1992 and in Johannesburg in 2002, sustainable development issues are emphasised more and more. In future the social dimension and societal utility of business activities will become increasingly significant. The debate on corporate responsibility and the increased interest in social reporting have shifted attention from purely environmental questions to a holistic perspective that includes the environment, sustainable development, social responsibility, public goods, and issues of justice and human rights. NIB intends to further develop reporting on its work for sustainable development.

Social impacts are gaining increasing significance in the evaluation of projects, especially in large-scale projects in developing countries where many people with limited means of livelihood can be affected. Social studies and action programmes are thus becoming more common, for example in energy production and dam construction. This is reflected in the fact that social issues are dealt with in NIB's project evaluations to a greater extent than previously.

FINANCIAL GUIDELINES AND RISK MANAGEMENT

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

MARKET RISK

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

FOREIGN EXCHANGE RISK

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

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

INTEREST RATE RISK

The Board of Directors sets maximum limits for the interest rate risk the Bank can take. The interest rate risk—the sensitivity of the Bank's income to changes in interest rates—is calculated by measuring how much an interest rate change of 1 percentage point can affect the net interest income over time (gap analysis). The limits are set both for each individual currency and for the Bank as a whole. The limits are adjusted annually, and are set in relation to the Bank's equity. At present, the total limit is fixed at EUR 30 million, which corresponds to approximately 2% of NIB's equity. Total interest rate exposure at year-end 2003 was approximately EUR 2.7 million, or 9% of the limit.

In addition to using gap analysis, NIB has a limit system, designed to ensure efficient management of the maturity profile of the assets and the liabilities on the Balance Sheet in order to minimise any discrepancies. Large differences in asset and liability maturities can give rise to a refinancing and reinvestment risk. These risks occur when the margin on assets and liabilities changes at the time of the refinancing and reinvestment. The exposure is calculated by measuring how much a 0.1 percentage point change in the margin on an asset or liability can affect the Bank's net interest income over time. The calculation is made in a manner similar to that of the gap analysis mentioned above. The limit is established for NIB as a whole, and is now set at EUR 16 million, which is about 1% of the Bank's equity. NIB's total exposure at year-end was about 93% of the total limit. In addition to this sensitivity analysis, a ceiling of EUR 1 billion has been established to limit the difference in the cash flow between assets and liabilities in the course of any given year. This serves to prevent a large concentration of refinancing or reinvestment needs in the capital markets in a single year.

The placement of assets in an amount corresponding to NIB's equity is managed as a separate portfolio and is not included in the normal calculation of NIB's interest rate risk limits and exposures. In accordance with a decision of the Board of Directors, a maximum of 35% of these placements can belong to the so-called marked-to-market trading portfolio, which is actively managed. The Bank has also established benchmark portfolios in order to improve the management of these capital market placements, both with regard to risk and return.

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

The value-at-risk analysis includes all of the Bank's financial portfolios. In order to assess the value at risk, NIB uses both a parametric method and the Monte Carlo method. Under the Monte Carlo method, simulations are used to estimate the sensitivity of the portfolios and of the individual transactions to changes in various factors, such as the yield curve or the exchange rate.

CREDIT AND COUNTERPARTY RISK

NIB takes a careful attitude towards credit and counterparty risk, which arises in connection both with lending and with the Bank's treasury operations. In order to make it easier to manage the 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 ordinary lending operations usually take place in risk categories 1 to 6, which more or less corresponds to investment grade. The Bank also has strict rules regarding exposure to individual borrowers and composition of the portfolio.

NIB has continued the work of modelling credit risk, and has begun a project aimed at developing a credit risk model covering all relevant business areas in the Bank, and particularly aimed at the management of credit risks. The model is based on the current risk assessment framework, and is expected to be ready by the autumn of 2004.

Lending

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

Treasury operations

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

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

CREDIT QUALITY

The average quality of the Bank's total credit exposure has improved marginally during 2003, and continues to remain at a high level. Two-thirds of the credit exposure was within risk categories 3 through 5 in the Bank's risk classification system at year-end. Fig. 2 compares the quality of the Bank's credit risks under the general credit risk classification system at year-end 2002 and year-end 2003.

Nordic lending

The quality of the Nordic loan portfolio has improved marginally during the year. The share of the three lowest risk classifications in the portfolio continued to decline and is slightly more than 2%. Most of the portfolio—more than 75%—still belongs to risk classifications 4 and 5. The Nordic department's interest rate margins have continued to strengthen, and the Nordic lending portfolio is still well balanced in terms of geographical distribution, industrial sector distribution and the loans' size distribution.

International lending

The quality of the international loan portfolio has improved marginally during the year. The last few years' decline in the share of the three lowest risk classifications continued, and the share amounted to slightly more than 7% at year-end (2002: 12). The share of projects in the best risk classifications, namely 3 to 5, remained unchanged. The average interest rate margin for international loans has also remained unchanged during 2003.

Financial counterparties

The credit quality of the Bank's financial exposure has been maintained at a very high level. The share of the three highest risk classifications is approximately 75%.

The Bank as a whole

Taken as a whole, the average credit quality in the Bank's portfolios improved slightly during the year, and is still very strong. About 65% of NIB's total exposure consists of exposure in risk categories 3 to 5. The share in the most risky categories, namely 8 to 10, continued to decrease and was 2.3% (3.4) at year-end.

OPERATIONAL RISKS—INTERNAL CONTROL

NIB deals with legal risks and other operational risks through a system of internal controls, and by clear rules for assignment of work and responsibilities among and within all the Bank's departments. The internal controls cover systems and procedures for monitoring transactions, positions and documentation with a clear division of labour between recording, risk management and transaction generating functions.

The Bank's internal audit, which is part of the Bank's internal control system, has been evaluated by independent external experts during 2003. This external evaluation confirmed that the work of the internal audit is in accordance with the international professional standards issued by The Institute of Internal Auditors.

OUTSTANDING LOANS AND GUARANTEES
By type of security provided as of 31 Dec 2003

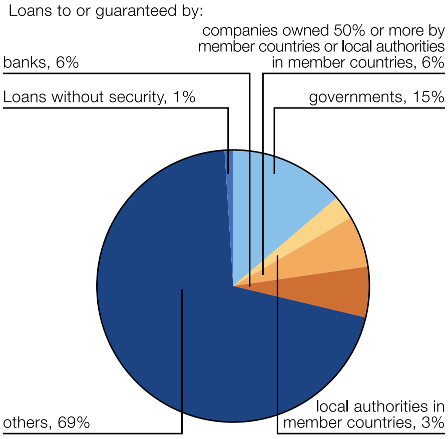


Fig. 1

TOTAL EXPOSURE BY NIB RATING

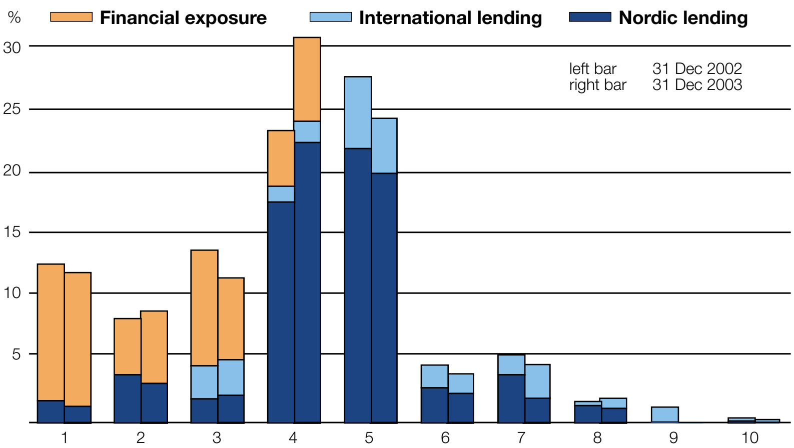


Fig. 2

From the top:
Mergus merganser
Somateria mollissima
Anas querquedula
Anas platyrhynchos
Anas acuta
Anas penelope

CONTENTS

NIB's lending operations for 2003 showed balanced growth, despite the general cyclical weakness of international economic conditions. Important strategic questions on the agenda of the Board of Directors were, primarily, financing of environmental investments and the Bank's engagement in the neighbouring areas to the Nordic countries. The work within the Northern Dimension Environmental Partnership was given particular attention. The Board proposed an increase in the Bank's special loan facility for Project Investment Loans outside the Nordic countries. In addition, the Board actively followed up the work done internally on updating the IT systems and developing the credit management. Much of the Board's work especially in the second half of the year revolved around preparations for the Baltic countries' forthcoming membership in NIB.

INCREASE OF THE PIL FACILITY

NIB's owners attach great importance to outward-oriented activities that strengthen the internationalisation of the Nordic industry and commerce. The Bank finances investment projects that are of mutual interest for the Nordic countries and the borrower countries, and that are important for economic growth. NIB can provide loans and guarantees for projects outside the Nordic countries under a special loan facility called the Project Investment Loan facility, PIL, with special guarantees from the Bank's owners.

At their meeting on 27 October 2003, the Nordic Ministers of Finance and Economy approved a proposal by the Bank's Board to increase the PIL facility from EUR 3,300 million to EUR 4,000 million, without changing the ceiling of the owners' PIL guarantees, which remains at EUR 1,800 million. The guidelines for calling the guarantees for this loan facility, which has hitherto not caused any losses, will be changed so that the Bank itself would be responsible for the first losses incurred under the PIL facility up to the amount available in the Bank's Special credit risk fund for PIL. Only after this can the Bank call the member countries' guarantees. As a consequence of these changes the Bank's Board intends to propose significant allocations to the Special credit risk fund for PIL in the next few years. The Board proposes to the owners an appropriation of EUR 90 million in the Bank's Financial Statements for 2003 for this purpose.

The increase of the PIL facility together with the revised guidelines for calling the PIL guarantees will become effective 1 July 2004.

BALTIC NIB MEMBERSHIP

The Bank's owners have decided to broaden NIB's ownership base. At the Oslo meeting of Prime Ministers on 26 October 2003, at which the Baltic heads of government met with their Nordic colleagues, the eight Prime Ministers agreed on the general terms for expanding NIB's membership. They asked their Ministers of Finance and Economy to negotiate an inter-governmental agreement with the aim of the Baltic countries becoming members on equal terms with the Nordic countries. This means that Estonia, Latvia and Lithuania will become members of NIB with the same rights and obligations that are set forth in the present Agreement on NIB.

The negotiations were completed at the turn of the year and the new Agreement on NIB was signed on 11 February 2004. The goal is to have the ratification process for the individual countries completed by the end of 2004, and for the new Agreement to become effective at the beginning of 2005. Membership of the Baltic countries in NIB represents an important milestone in the Bank's history.

SUMMARY OF THE YEAR 2003

NIB's operations developed well during 2003, and the demand for NIB's financing was relatively firm, despite the cyclical downturn in the international economy and the continued moderate economic activity in the Nordic countries. Economic growth in the Nordic countries is estimated to just over 1% during 2003. This modest growth was primarily due to weak demand in international export markets. The propensity to invest was low, and the volume of investments declined on average in the Nordic area by about 2% during 2003.

NIB's results for the year 2003 were good. Profits amounted to EUR 151 million, compared with EUR 142 million in 2002. Net interest income rose to EUR 155 million during the year, compared with EUR 150 million in 2002.

Disbursements of new loans rose to EUR 1,841 million in 2003, compared with EUR 1,648 million in 2002. Loans agreed in 2003 amounted to EUR 1,859 million (2002: 1,807). Loans outstanding at year-end totalled EUR 10,522 million (10,110).

The credit quality of the Bank's lending portfolios and financial counterparties has continued to be maintained at a high and stable level. During the period under review, new specific provisions for possible loan losses in a total amount of EUR 1 million were recognised in the Profit and Loss Account. Taking into account the reversals of previously made provisions for loan losses, the net result is a EUR 0.3 million positive effect on the profit.

New borrowing amounted to EUR 3,258 million (3,320). Outstanding borrowings amounted to EUR 13,087 million (13,150) at year-end. NIB carried out its second USD 1 billion global issue under its global borrowing programme.

At year-end, total assets amounted to EUR 16.7 billion (15.9). Net liquidity amounted to EUR 2,744 million (2,947). The Board proposes that EUR 41.3 million (40.3) be paid as a dividend to the Bank's owners, the Nordic countries, for year 2003.

LENDING

Nordic countries

Lending in the Nordic countries maintained the same level as last year, despite the prevailing weak economic conditions. In particular in the energy and environmental sectors NIB added value for its clients by offering long-term financing for large and long-term investments, in line with its role as provider of complementary financing.

Disbursements of new loans in 2003 amounted to EUR 1,277 million (1,268). The stable demand for NIB loans can partly be explained by the fact that commercial banks tend to be reluctant to grant long-term loans in uncertain market conditions. This, in turn, has the effect of strengthening NIB's complementary role.

Nordic loans outstanding amounted to EUR 8,350 million (7,975) at year-end. NIB entered into loan agreements amounting to EUR 1,302 million (1,289). Exchange rate fluctuations have had an impact on the amounts of NIB's loan portfolio. The weakening of the dollar has caused a decrease in the loan portfolio expressed in euros, since almost one-fifth of Nordic loans are denominated in dollars.

For the third year in a row, there was a significant amount of financing of energy investments having a positive effect on the environment. This sector accounted for 31% (31) of Nordic lending. The Bank made loan disbursements to energy investments in the Nordic countries, and these disbursements represented a considerable portion of the year's total disbursements in Finland, Denmark, and Norway in particular.

The manufacturing industry is still the most important sector in the Bank's Nordic lending operations, with a share of 42% (42) of new lending. The manufacturing sector was dominated by disbursements to the pulp and paper industry, as well as the food and beverage industries. New lending to financial intermediaries for onlending to small and medium-sized companies amounted to 9% (9).

The portion of new lending denominated in euros amounted to 61% (62). The share of new lending in US dollars decreased to 7%, compared with 11% last year. Lending in Danish kroner rose from 5% in 2002 to 13%, while lending in Norwegian kroner amounted to 5%, the same percentage as last year. The portion of lending in Swedish kronor declined from 14% to 13%.

Of the total amount of loans disbursed, 24% (33) involved the financing of infrastructure projects. About 25% (28) of the lending went to cross-border investments, with Finnish and Swedish companies in particular as investors. Environmental investments accounted for 18% (17) of disbursements, and investments in research and development accounted for 12% (8).

International lending

Demand for the Bank's international loans was good in 2003. The Bank granted new loans in the amount of EUR 741 million (789) distributed as follows: EUR 359 million to 18 individual projects and EUR 382 million to 17 loan programmes in cooperation with both financial and other intermediaries. At present, the Bank has loans outstanding in 31 countries outside the Nordic area.

The Bank entered into loan agreements in the amount of EUR 557 million (518) during the year. Loan disbursements amounted to EUR 564 million (380). The largest borrower regions during the period were Latin America, Asia and the Baltic countries. Loans outstanding amounted to EUR 2,172 million (2,135) at year-end. Loans agreed but not disbursed amounted to EUR 764 million (920) at year-end.

The disbursements of the year were dominated by loans to infrastructure investments, particularly the energy sector with a 16% share and the transportation and telecommunications sector with a 40% share. The share of disbursements to environmental projects and the health and healthcare sector amounted to 14% and 5% of loans disbursed, respectively.

There is a wide geographic distribution in NIB's lending outside the Nordic countries. Of outstanding loans, the portion of loans to Central and Eastern Europe amounts to 32% (of which the Baltic countries make up more than half), 17% of loans are to countries in the Middle East and Africa, 33% to Asia, and 18% to Latin America.

To a large extent, NIB's international loans are made directly to governments, or with a government guarantee, for important public projects. At present an increasing share of loans is also being made for projects in the private sector. This usually concerns projects within privatised infrastructure—telecommunications or energy, for example.

NIB also cooperates across a broad spectrum with financial intermediaries in most of the countries of operation outside the Nordic area. Lending through intermediaries forms an increasing part of the international operations. This part amounted to 23% of disbursements during the year and 24% of total international loans outstanding.

Neighbouring areas

In accordance with its strategy, NIB contributes to the financing of projects for sustainable economic development in the Nordic countries' neighbouring areas, that is, Estonia, Latvia and Lithuania, Poland, and northwestern Russia. NIB's activities in the neighbouring areas constitute an important part of its lending operations. The Bank allocates considerable resources to these activities, which are primarily focused on environmental, transportation, and energy investments.

Lending to the Baltic countries rose considerably during the year. In particular, the Bank registered growth in the financing of infrastructure projects in the energy and transportation sectors, as well as in the local government sector. In the Baltic countries and Poland, NIB increased its involvement further in the energy sector, for example with a loan to the state-owned Latvian power company. During the last few years, NIB has been a significant financier of investments in the energy sector in the Baltic countries, and has thereby contributed to energy efficiency and to a more secure and cleaner energy supply.

The share of the environmental sector in the lending to the Baltic countries and Poland continues to be significant. NIB continued to support actively the development of national Baltic environmental financiers that act as intermediaries for projects in the environmental area. A programme including almost 60 state and municipal administration buildings received financing for improving the energy efficiency in Lithuania. In addition, loans were granted to approximately 30 municipal environmental projects in Estonia, Latvia and Poland.

One of the most important projects within the framework of the Bank's environmental loan facility is the modernisation of the nickel smelting plant, Pechenga Nikel, on the Kola Peninsula. The project will result in highly significant reduction of sulphur dioxide emissions in the Nordic area from 2007, which is when the modernisation of the plant is planned to be completed.

ENVIRONMENTAL FINANCING

Financing environmental investment is one of the cornerstones of NIB's lending operations. During the year, 22 new environmental loans for a total of EUR 379 million were granted. Of the loans disbursed during the period, 17% were environmental loans. In the Nordic countries, NIB granted loans to five companies in the pulp and paper industry for various environmental investments which lead to cleaner production processes. Environmental loans were also made to, for example, an oil refinery for utilising biofuel, to a wind power station, investments in a geothermal power station, and for energy saving measures in district heating systems.

The increase in NIB's environmental loan facility for the neighbouring areas (MIL) from EUR 100 million to EUR 300 million, which came into force in the beginning of the year, means that the Bank has increased possibilities to finance urgent environmental projects in the neighbouring areas. The new ceiling can also be used in a wider geographical area than was the case previously.

NIB has participated in the financing of a number of environmental projects in the Nordic countries' neighbouring areas where the construction work has already begun or is in the final phase.

Northern Dimension Environmental Partnership

NIB gives priority to both environmental projects and projects in the neighbouring areas, and therefore plays an active role in the Northern Dimension Environmental Partnership (NDEP), the purpose of which is to coordinate and streamline the financing of environmental projects with cross-border impact in the Northern Dimension area.

NDEP consists of a Steering Group and a support fund. The support fund is meant to be used to finance NDEP projects in combination with long-term loans from international financial institutions as well as local funds. Activities are directed by the Steering Group, which prioritises projects and appoints a lead bank for each project. Permanent members of the Steering Group are the EBRD, EIB, NIB, the World Bank, the European Commission and Russia.

As part of the initial operations, a programme including twelve traditional environmental projects in Russia has been prepared within the partnership. NIB will carry out the preparation and coordination of seven of the twelve projects. NDEP's working programme also comprises investments to tackle the environmental risks associated with radioactive waste on the Kola peninsula. A facility of EUR 500 million has been defined for the initial measures to be taken in this critical area.

During the course of 2003, NIB, acting within the NDEP, launched a special environmental investment programme for the upgrading and modernisation of the industries around lakes Ladoga and Onega, as well as the Neva river, in northwestern Russia. The programme is expected to result in a reduction of the high level of emissions from industrial operations in the region, and will thereby have positive environmental effects on the Baltic Sea area. The Bank has prepared a loan facility with a Russian intermediary bank for the financing of individual projects.

In March 2003, after three years of preparatory work and negotiations, the Bank signed a loan agreement with a Russian project company regarding the construction of the Southwest wastewater treatment plant in St. Petersburg. The investment will significantly reduce discharges of pollutant wastewater into the Gulf of Finland and the Baltic Sea. The construction work has begun and the wastewater treatment plant will be completed in 2005. Loan disbursements to the project have started. Since the year 2000, NIB has acted as lead bank in the financing syndicate, and has coordinated the aid financing for the project.

During the year, NIB also granted a loan to finance a sludge incinerator at the northern treatment plant in St. Petersburg. Construction of the wastewater treatment plant in Sestroretsk, northwest of St. Petersburg, also began during 2003. The project is cofinanced by NIB, along with the Finnish Ministry of the Environment and SIDA.

In order to facilitate the financing of small environmental projects in northwestern Russia, a loan programme was established during the year with a Russian intermediary bank. The purpose is to allocate funds for, among others, the development of water supply and wastewater treatment in a number of municipalities in the Leningrad region. These environmental projects will also be financed with bilateral aid from Finland and Sweden, as well as by NDEP's support fund.

FINANCIAL ACTIVITIES

NIB's borrowing on capital markets in 2003 amounted to EUR 3,258 million (3,320). Repayments of previously issued loans corresponded to EUR 1,870 million (1,787). Borrowings outstanding amounted to EUR 13,087 million (13,150) at year-end. During the year, 82 (83) funding transactions were carried out in 13 (12) different currencies.

During the year NIB carried out its second global benchmark issue of USD 1 billion. The first global benchmark issue was carried out in December 2002. The issue in 2003, with a maturity of five years, was very well received in the market. Of the bonds 35% were placed with investors in North America, 28% with investors in Asia, 22% with investors in Europe, and 15% with investors in the Middle East and Africa.

The US dollar was the Bank's most important borrowing currency in 2003, with a share of 57% of NIB's new borrowings. The Bank issued USD-denominated bonds corresponding to EUR 1,860 million, distributed over 27 transactions.

Borrowing in the Asian capital markets amounted to 21% of the total borrowing volumes for 2003, with 35 transactions in the Japanese yen accounting for 10%, the Taiwanese dollar for 9%, and the Hong Kong dollar for 2%.

The demand continues to be good for so-called uridashi issues, which are aimed at private Japanese investors, and the Bank has issued this kind of bonds in several different currencies. During the year NIB also borrowed in euros, Swedish kronor and Norwegian kroner, New Zealand dollars, Polish zloty, and Latvian lati. NIB thus borrows in many different currencies, which are then swapped with reliable counterparties into the currencies that are demanded by the Bank's customers.

The Bank's equity amounted to EUR 1,650 million at the end of 2003. The Bank invests an amount corresponding to its equity in portfolios of interest-bearing securities denominated in euros. For accounting purposes, these placements are divided into two portfolios: the held-to-maturity portfolio, consisting of securities which are anticipated to be held until maturity, and the marked-to-market portfolio, consisting of securities which can be bought and sold, based on the assessment of market developments. The marked-to-market portfolio accounted for 32% of NIB's equity at year-end.

The Bank's net liquidity amounted to EUR 2,744 million at the end of 2003. This is in line with the Bank's long-term goal of maintaining a net liquidity level that corresponds to the Bank's requirements for the following 12 months. This level of net liquidity enables the Bank to enter into borrowing transactions when capital market conditions are deemed to be favourable.

COOPERATION WITH FINANCIAL INSTITUTIONS

NIB places great importance on its cooperation with commercial banks in and outside the Nordic countries, as well as with international financial institutions, in order to create added value for its customers through supplementing other sources of finance with long term loans. The cooperation with other financiers deepened in a number of areas during the year.

NIB has close cooperation with the other financial institutions within the Nordic Financial Group (the Nordic Development Fund, NDF; the Nordic Environment Finance Corporation, NEFCO; and the Nordic Project Fund, Nopef). These three sister organisations of NIB have their offices in the Bank's building in Helsinki. During 2003, NIB's cooperation with NEFCO increased further through the participation in NDEP projects in northwestern Russia.

NIB has cooperation agreements with international and regional development banks, such as the Asian Development Bank, ADB; the African Development Bank, AfDB; the European Bank for Reconstruction and Development, EBRD; the Inter-American Development Bank, IDB; as well as the IBRD, IDA, and IFC within the World Bank Group.

The Banks's cooperation within the NDEP with the EBRD, EIB, the World Bank Group, and the EU Commission has developed further during the year.

The cooperation with Nordic commercial banks and savings banks continued to develop in a positive way. NIB has increased its participation in medium-term note programmes arranged by Nordic commercial banks for financing large Nordic industrial companies' investments.

Channelling part of the lending via intermediaries is an effective way for the Bank to participate in financing investments of small and medium-sized companies in particular. This is important in the Nordic countries, but also in the neighbouring areas. NIB has agreements with more than 30 Nordic banks and financial institutions which act as intermediaries for lending to SMEs in the Nordic countries. NIB also cooperates across a broad spectrum with financial intermediaries in most of the countries with which it has cooperation agreements outside the Nordic area. The number of intermediaries outside the Nordic countries today is more than 30, of which 20 are financial intermediaries—often state-owned development banks or local commercial banks.

RISK MANAGEMENT AND INTERNAL AUDIT

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

During 2003 the Bank continued its work of developing and improving its risk management methods, which combine a traditional system of management by limits and the use of benchmarks with a model-based follow-up of portfolio risk.

These two different approaches complement each other and are used in the management of both market risk and credit risk.

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

The Board has decided to introduce a system of transaction-based allocation of capital in 2004, whereby the need to allocate capital to cover the risks of possible loan losses is connected with specific, individual loans. The system, once introduced, will increase the efficiency of the Bank's capital allocation in accordance with its owners' goals and will allow for optimal allocation of the Bank's capital, both as regards the capital backing of individual loans and the backing of the Bank's various portfolios. To this end, systems and models that already exist within the Bank are being further developed. In the event it is deemed preferable, new tools will either be acquired from external sources or developed within the Bank.

The quality of the Bank's portfolios, taken as a whole, continues to be very high. The portfolios are well balanced both geographically and as regards sector distribution and degree of concentration. During the year under review, specific provisions for possible loan losses of EUR 1 million on Nordic loans were recognised in the Profit and Loss Account. At the end of the year, the Bank's assets were mainly of the same high quality as at the beginning of the year.

The Bank's internal audit, which is a part of the internal control of the Bank, has been evaluated by independent external experts during the year. This external evaluation confirmed that the internal audit follows international professional standards established by the Institute of Internal Auditors.

ADMINISTRATION

At year-end the number of employees was 147 (144). The staff training programmes exhibited a high level of activity during the year, including both leadership training around the theme of communication and leadership, and language training.

NIB continued the work on its development programme from 2002 for the modernisation of the most important computer systems, and reached a decision on the acquisition of a new loan portfolio administration system. The process of deciding which system to purchase also took into account the need to adapt the new system to the operational activities and integrate it with the Bank's other existing IT systems. Implementation of the new lending system was started together with the Nordic supplier of the system during autumn 2003.

The work on modernising the Bank's accounting system was started by mapping the scope of and needs in this area. The choice of system and supplier is being prepared.

RESULT

NIB has since 1994 prepared its Financial Statements in compliance with International Financial Reporting Standards IFRS. The Bank shows a profit of EUR 151 million for 2003, compared with EUR 142 million in 2002. This represents an increase of 6.9%. Net interest income rose to EUR 155 million (150). Profits rose as a result of improved net interest income, higher return on financial transactions, and lower provisions for loan losses. In 2003, profits from financial transactions were EUR 14.6 million, an increase of EUR 1.6 million. The increase is partially due to the effect on profits from unrealised gains of items that are valued at fair value in accordance with IAS 39. The provisions made for possible loan losses in 2003 and the reversals of previous provisions had a net effect of EUR +0.3 million (-3.5) in the Profit and Loss Account. New possible loan losses were recorded on a gross basis in the amount of EUR 1 million.

Profit as a proportion of average equity was 9.5% (9.5). This can be compared with the last 5 years' moving average for the 5-year EUR interest rate, which was 4.5% (4.7). The corresponding annual average figure for 2003 was 3.5% (4.5).

As of 31 December 2003, NIB's equity, which consists of capital paid in by the owners plus accumulated reserves, amounted to EUR 1,650 million (1,540), corresponding to 9.9% (9.7) of total assets.

OUTLOOK

The world economic outlook for 2004 is characterised by uncertainty, but gives hope for a change in the state of the market, following the protracted cyclical weakness that has characterised the economies of the industrial countries over the last few years. Signs of an upturn in the US economy are to be seen, and recovery may also be on its way in the EU, although at a slower pace. An average economic growth rate of just over 2% is expected for the Nordic countries for 2004, which is more than the average for the EU. As regards the countries that are important for NIB's lending activities outside the Nordic region, their growth rate is expected to be good, and significantly higher than for the EU—a continuation of the trend in 2003. Despite the economic recovery, forecasts do not indicate a strong increase in investment volumes in the Nordic countries in 2004. The demand for NIB's long-term loans in the Nordic countries is expected to be at about the same level as in 2003.

The Bank will continue its cooperation with Nordic financial institutions, both through loan facilities to financial intermediaries for onlending to projects of small and medium-sized companies, and through direct financing of large projects in basic industries within the Nordic countries. In this latter category, NIB can provide long-term loans that complement the commercial banks' financing. Priority will be given to the financing of environmental and infrastructure projects, as well as Nordic companies' projects in the neighbouring areas. The upcoming membership in NIB of Estonia, Latvia, and Lithuania will further sharpen the Bank's focus on projects in those countries.

The EU enlargement from 1 May 2004 is a watershed in the economic development of the Central and Eastern European countries. The enlargement will have an effect on the Bank's future operations. During the years to come, NIB intends to deepen its cooperation with the new EU countries, particularly with the Bank's three new member countries and Poland. In this cooperation, NIB is going to place a great deal of importance on the energy sector and environmental investments. Projects in the Baltic area will to a great extent be carried out in cooperation with EU affiliated financing sources, such as EU's structural and cohesion funds.

As regards NIB's lending outside the Nordic and Baltic countries, preparation is continuing on important projects within the Northern Dimension Environmental Partnership, with an emphasis on northwestern Russia. NIB has an important and growing role within the NDEP. Projects in other parts of the world are being prepared within infrastructure, particularly energy, transport, and communications, but also in the extractive industries that make use of Nordic expertise. Brazil has become a new growth market for NIB starting in 2003, and is expected to become increasingly important in the years to come.

International lending operations will continue to focus on loans to governments and to government-guaranteed borrowers. In certain cases, however, the financing of infrastructure and industry projects with the participation of the private sector (e.g. PPP—Public Private Partnership) will be prepared.

NIB's owners give strong priority to outward-oriented operations in order to support the internationalisation of the member countries' industry, which is an important source of economic growth. This continues to characterise the Bank's operations. In view of NIB's good experience with the PIL facility during two decades without losses, and given the Bank's strong financial position, it was decided that the PIL facility can be increased to EUR 4 000 million without increasing the owners' specific guarantees for PIL loans. The guarantees will thus remain at the level of EUR 1,800 million. The increase in the PIL lending facility will enable NIB to continue to develop its international lending operations in the years ahead.

The adjusted guidelines for calling the PIL guarantees, which will become effective by the middle of the year 2004, stipulate that the Bank itself bears responsibility for the first loan losses under the PIL facility, up to the amount available in the Special credit risk fund for PIL. For this purpose, the Board of Directors intends to propose that the Bank allocate significant amounts from the Bank's profits to the Special credit risk fund for PIL during the next few years. The Board's view is that the revision of the guidelines for calling the guarantees of the PIL facility can be made safely as far as risk is concerned, considering NIB's good experience of PIL during its existence and considering the prudent risk-taking of the Bank. This prudence characterises NIB's lending activities in general.

NIB continues its flexible and global borrowing strategy in 2004. This strategy calls for aiming at meeting investors' demand for attractive investment possibilities, and at the same time achieving cost efficiency in the Bank's financing. NIB will strengthen and further develop the guidelines for managing its financial assets during the coming year.

The Bank's operational results for the year 2004 are expected to be in line with last year's, even though a certain degree of uncertainty about the development of the world's financial markets is unavoidable, not least as regards the development of the USD/EUR exchange rate.

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

The Board of Directors' proposal for the allocation of profits for the year 2003 takes into consideration that the Bank's operations are carried out with an objective to achieve a reasonable return on the Bank's equity and a satisfactory dividend to the owners. The proposal will facilitate the continuing accumulation of the Bank's equity and keep its ratio of equity to total assets at a secure level, both of which are prerequisites for maintaining the Bank's high creditworthiness.

The Board of Directors proposes to the Nordic Council of Ministers that the profit for 2003 of EUR 151,334,450.72 be allocated as follows:

- That no transfer be made to the Statutory Reserve. Accordingly, the Statutory Reserve amounts to EUR 644,982,835.99 or 16.1% of the Bank's authorised capital of EUR 4,000,000,000.00.
- That EUR 90,000,000.00 be transferred to the statutory Credit Risk Fund for Project Investment Loans.
- That EUR 20,000,000.00 be transferred to the General Credit Risk Fund as a part of equity.
- That EUR 41,334,450.72 be distributed as dividends to the owners.

The Profit and Loss Account, Balance Sheet, Changes in Equity and Cash Flow Statement, as well as the Notes to the Financial Statements, are to be found on pages 44 through 65.

Helsinki, 4 March 2004

Claes de Neergaard

Bo Göran Eriksson

Bolli Thór Bollason

Ib Katznelson

Bo Marking

Lars Kolte

Thorsteinn Ólafsson

Arild Sundberg

Kristina Sarjo

Eli Telhaug

Jón Sigurðsson

PROFIT AND LOSS ACCOUNT 1 JANUARY – 31 DECEMBER

	Note	*2003 1,000 EUR*	*2002 1,000 EUR*
Interest income		469,341	528,496
Interest expense		-313,912	-378,775
Net interest income	(1), (2)	**155,429**	**149,721**
Commission income and fees received	(3)	4,876	5,621
Commission expense and fees paid		-1,470	-1,204
Net profit on financial operations	(4)	14,569	13,003
Foreign exchange losses		-23	-44
Operating income		173,381	**167,098**
Expenses			
General administrative expenses	(5)	19,753	19,693
Depreciation and write-down in value of tangible and intangible assets	(10)	2,600	2,300
Provision (-reversals) for possible loan losses	(6), (8)	-307	3,475
Total expenses		22,047	**25,468**
PROFIT FOR THE YEAR		**151,334**	**141,631**

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

BALANCE SHEET AT 31 DECEMBER

	Note	2003 1,000 EUR	2002 1,000 EUR
ASSETS	(1), (19), (20)		
Cash and cash equivalents	(18), (21)	2,996,669	3,227,307
Financial placements	(7), (18)		
Placements with credit institutions		124,364	100,389
Debt securities		1,254,377	970,335
Other		8,152	5,933
		1,386,893	1,076,657
Loans outstanding	(8), (18)	10,522,411	10,110,258
Intangible assets	(9)	2,570	1,986
Tangible assets	(9)	34,631	34,007
Other assets	(11), (18)		
Derivatives		1,387,480	1,160,977
Other assets		5,083	5,140
		1,392,563	1,166,117
Accrued interest and fees receivable		330,519	331,670
Total assets		**16,666,256**	**15,948,001**
LIABILITIES AND EQUITY	(19), (20)		
Liabilities			
Amounts owed to credit institutions	(18)		
Short-term amounts owed to credit institutions	(21)	252,373	280,749
Long-term amounts owed to credit institutions		114,364	100,340
		366,738	381,089
Debts evidenced by certificates	(12), (18)		
Debt securities issued		12,822,379	12,850,484
Other debt		264,300	299,301
		13,086,679	13,149,784
Other liabilities	(13), (18)		
Derivatives		1,266,571	582,238
Other liabilities		15,066	3,679
		1,281,638	585,917
Accrued interest and fees payable		281,592	291,161
Total liabilities		**15,016,646**	**14,407,951**
Equity			
Authorised and subscribed capital 4,000,000			
of which callable capital -3,595,740			
Paid-in capital 404,260	(14)	404,260	404,260
Reserve funds	(15), (16)		
Statutory reserve		644,983	553,952
General credit risk fund		337,000	327,000
Special credit risk fund PIL		98,200	98,200
Fund, HIPC programme		4,300	4,000
Other value adjustments		9,532	11,007
Profit for the year		151,334	141,631
Total equity		**1,649,610**	**1,540,050**
Total liabilities and equity		**16,666,256**	**15,948,001**
Guarantee commitments	(8), (17)	28,572	31,981
Collateral and commitments	(17)		

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

CHANGES IN EQUITY

(AMOUNTS IN EUR MILLION)

	Paid-in capital	*Statutory reserve*	*General credit risk fund*	*Special credit risk fund PIL*	*Fund, HIPC programme*	*Other value adjustments*	*Profit for the year*	***Total***
Equity at 31 December 2001	**404.3**	**529.4**	**276.0**	**84.0**	**2.0**	**14.1**	**130.7**	**1,440.5**
Appropriations between reserve funds		24.5	51.0	14.2	2.0		-91.7	0.0
Dividend payment							-39.0	-39.0
Available-for-sale portfolio						-2.0		-2.0
Hedge accounting						-1.1		-1.1
Profit for the year							141.6	141.6
EQUITY AT 31 DECEMBER 2002	**404.3**	**554.0**	**327.0**	**98.2**	**4.0**	**11.0**	**141.6**	**1,540.1**
Appropriations between reserve funds		91.0	10.0		0.3		-101.3	0.0
Dividend payment							-40.3	-40.3
Available-for-sale portfolio						1.7		1.7
Hedge accounting						-3.1		-3.1
Profit for the year							151.3	151.3
EQUITY AT 31 DECEMBER 2003	**404.3**	**645.0**	**337.0**	**98.2**	**4.3**	**9.5**	**151.3**	**1,649.6**

Proposed appropriation of the year's profit	***2003***	***2002***
Appropriation to statutory reserve	-	91.0
Appropriations to credit risk reserve funds		
General credit risk fund	20.0	10.0
Special credit risk fund PIL	90.0	-
Fund, HIPC programme	-	0.3
Appropriation to dividend payment	41.3	40.3
PROFIT FOR THE YEAR	151.3	**141.6**

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

CASH FLOW STATEMENT 1 JANUARY – 31 DECEMBER

	Note	2003 1,000 EUR	2002 1,000 EUR
Cash flows from operating activities	(21)	**152,211**	**137,300**
Cash flows from investing activities			
Lending			
Disbursements of loans		-1,842,064	-1,649,533
Repayments of loans		749,739	1,014,066
Exchange rate adjustments		666,094	622,897
Placements and debt securities			
Purchase of debt securities		-606,556	-323,459
Sales of debt securities		311,156	183,796
Placements with credit institutions		-28,127	-29,430
Other financial placements		-549	453
Exchange rate adjustments etc.		9,224	15,118
Other items			
Change in other assets		46,565	4,609
Change in tangible and intangible assets		-3,809	-1,862
Investing activities, total		**-698,328**	**-163,345**
Cash flows from financing activities			
Debts evidenced by certificates			
Issues of new debt		3,257,711	3,320,139
Redemptions		-1,870,382	-1,786,745
Exchange rate adjustments		-1,322,162	-1,022,040
Issuing charges		-3,137	-2,283
Other items			
Placements from credit institutions		14,025	26,059
Change in other liabilities		308,101	-164,565
Dividend paid		-40,300	-39,000
Financing activities, total		**343,855**	**331,565**
CHANGE IN NET LIQUIDITY	(21)	**-202,262**	**305,521**
Opening balance for net liquidity		**2,946,558**	**2,641,036**
Closing balance for net liquidity		**2,744,295**	**2,946,558**

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

General operating principles

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

In the member countries, the Bank is exempt from payment restrictions and credit policy measures, and has the legal status of an international juridical person, with full legal capacity. The agreement contains provisions concerning the Bank's immunity and the exemption of the Bank's assets and income from all taxation.

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

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

Significant accounting principles

BASIS FOR PREPARING THE FINANCIAL STATEMENTS

The Bank's Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB). Since 1 January 1999, the Bank's accounts are kept in euro. The Bank's Financial Statements are presented in millions or thousands of euros. With the exceptions noted below, they are based on historical cost.

ASSESSMENTS MADE IN PREPARING THE FINANCIAL STATEMENTS

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

FOREIGN CURRENCY TRANSLATION

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

Realised and unrealised exchange rate gains and losses are recognised in the Profit and Loss Account.

The Bank uses the official exchange rates published for the euro by the European Central Bank. See note 22.

CASH AND CASH EQUIVALENTS, NET LIQUIDITY

The item "Cash and cash equivalents" refers to monetary assets and placements with original maturities of 6 months or less, calculated from the time the acquisition and placements were made. The item also includes placements in liquid debt securities at floating interest rates, regardless of original maturity.

Net liquidity refers to the net amount of monetary assets, placements and liabilities with original maturities of 6 months or less calculated from the time the transaction was entered into, as well as placements in liquid debt securities at floating interest rates irrespective of original maturity. This corresponds in substance to the Bank's operational net liquidity.

FINANCIAL PLACEMENTS

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

Financial assets held for trading are carried at fair value. Changes in fair value are recognised in the Profit and Loss Account. Held-to-maturity financial assets are carried at amortised cost. These financial assets are assessed on an ongoing basis for impairment.

Available-for-sale financial assets are measured at fair value. Unrealised value changes are recognised in "Equity" under the item "Other value adjustments" until the asset is sold or the unrealised loss is considered to be permanent. When the placement is sold or written down, the accumulated unrealised gain or loss is transferred to the year's profit or loss, and becomes part of "Net profit on financial operations".

LENDING

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

Ordinary Lending includes loans and guarantees in and outside the Nordic countries, as well as Regional Loans in the Nordic countries. The Bank's Ordinary Lending ceiling corresponds to 250% of its authorised capital and accumulated general reserves and amounts to EUR 12,505 million following the appropriations of the year's profits in accordance with the Board of Directors' proposal.

Project Investment Loans are granted for financing creditworthy projects in the emerging markets of Asia, the Middle East, Central and Eastern Europe, the Baltic countries and Poland, Latin America and Africa. The Bank's Statutes permit such loans to be granted, and guarantees issued, up to an amount corresponding to EUR 3,300 million. The member countries guarantee 90% of each loan under the PIL loan facility up to a total amount of EUR 1,800 million. Payment under the member countries' guarantees takes place at the request of the Board of Directors, as provided for under an agreement between the

Bank and each individual member country. During the year under review, the Nordic Council of Ministers approved an increase in the PIL loan facility from EUR 3,300 million to EUR 4,000 million, with no change in the EUR 1,800 million guarantee. The increase becomes effective on 1 July 2004. In connection with this increase, and with the same effective date, the Bank decided to adjust the guidelines for calling the member countries' guarantees. Under the adjusted guidelines, the Bank will assume 100% of any losses occured under an individual PIL loan, up to the amount available at any given time in the Special credit risk fund for PIL. Only thereafter would the Bank call the member countries' guarantees. In view of these adjusted guidelines, the Board of Directors intends to propose that the Bank allocate significant amounts from the Bank's profits to the Special credit risk fund for PIL in "Equity" during the next few years.

The Bank is authorised to grant special Environmental Investment Loans (MIL) up to an amount of EUR 300 million, for the financing of environmental projects in the neighbouring areas to the Nordic countries. The increase in the Bank's Environmental Investment Loan facility from EUR 100 million to EUR 300 million became effective on 1 January 2003. The Bank's member countries guarantee 100% of the MIL loan facility.

Until 31 December 1999 the Bank granted loans for investments in the Baltic countries within the EUR 60 million Baltic Investment Loan facility (BIL). The member countries guarantee 100% of the BIL loan facility.

The Bank's lending transactions are recognised in the Balance Sheet at the time the funds are transferred to the borrower. Loans are recognised initially at historical cost, which corresponds to the fair value of the transferred funds including transaction costs. Outstanding loans are carried at amortised cost. If the loans are hedged against changes in fair value by using derivative instruments, they are recognised in the Balance Sheet at fair value, with value changes recognised in the Profit and Loss Account.

PROVISIONS FOR LOAN LOSSES

Receivables are carried at their estimated recoverable amount. Loans are recognised in the Balance Sheet net of write-downs both for actual as well as possible loan losses. On the liabilities side, possible loan losses are recognised in respect of the guarantees NIB has issued. Actual and possible losses are taken as charges to the Profit and Loss Account, less amounts recovered. The net cost of any calls made under guarantees and other similar commitments issued by NIB is likewise recognised in the Profit and Loss Account.

Provisions for impairment are made based on individual assessment of the collectable amount for loans and guarantees. The assessment takes into account any costs of administration or realisation of the security.

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.

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

INTANGIBLE ASSETS

Intangible assets mainly consist of investments in software, software licenses and ongoing investments in new IT systems. The investments are carried at historical cost, and are amortised over the assessed useful life of the assets, which is estimated to be between 3 and 10 years. The amortisations are made on a straight-line basis over the useful life of the assets.

TANGIBLE ASSETS

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

WRITE-DOWNS

The Bank's assets are annually reviewed for impairment. If there is any objective evidence of impairment, the possible impairment loss is determined based on the recoverable amount of the assets.

BORROWING

The Bank's borrowing transactions are recognised in the Balance Sheet at the time the funds are transferred to the Bank. The borrowing transactions are recognised initially at historical cost, which is the fair value of the funds transferred, less transaction costs. Outstanding borrowing is carried at amortised cost. The Bank uses derivative instruments to hedge the fair value of virtually all its borrowing transactions. In these instances the borrowing transaction is recognised in the Balance Sheet at fair value, with any changes in value recognised in the Profit and Loss Account.

DERIVATIVE INSTRUMENTS

The Bank's derivative instruments are recognised at fair value in the Balance Sheet as "Other assets" or "Other liabilities".

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

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

When hedging the fair value of a financial asset or liability, the derivative instrument's change in fair value is recognised in the Profit and Loss Account together with the hedged item's change in fair value in "Adjustment to hedge accounting".

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

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

FAIR VALUE

The fair value of financial instruments, including derivative instruments, that trade in a liquid market, is bid or offered closing price at Balance Sheet date. Where there is not a liquid market for a financial instrument, fair value is determined by discounting the estimated future cash flows at market rates that correspond to the remaining lifetime of the instrument. The Bank's structured borrowing transactions with embedded derivative instruments, and the hedging swap contracts, are measured at fair value by using valuation models.

EQUITY

The Bank's authorised and subscribed capital is EUR 4,000 million, of which the paid-in portion is EUR 404.3 million. Payment of the subscribed, non paid-in portion of authorised capital will take place upon request by the Bank's Board of Directors to the extent that the Board deems it necessary for the fulfilment of the Bank's debt obligations.

The Bank's reserves have been built up by means of appropriations from the profits of previous accounting periods, and consist of the Statutory reserve, as well as funds for credit risks: the General credit risk fund, the Special credit risk fund for PIL, and the fund for the HIPC programme (Debt Initiative for Heavily Indebted Poor Countries).

The Bank's profits are transferred to the Statutory reserve until it amounts to 10% of NIB's subscribed authorised capital. Thereafter, the Nordic Council of Ministers, after proposal of the Bank's Board of Directors, shall decide upon the allocation of the profits between the Statutory reserve and dividends on the subscribed capital.

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

In 2000, the Bank decided to participate in the HIPC programme initiated by the World Bank and the International Monetary Fund. NIB's participation in the programme concerns only one borrower country.

INTEREST

The Bank's net interest income includes accrued interest on loans that have not been placed in non-accrual status, as well as accruals of the premium or discount value of financial instruments. Net interest income also includes swap fees that are accrued over the transactions' lifetimes.

Borrowing costs are recognised as reductions of the borrowing in the Balance Sheet. They are amortised over the lifetime of the borrowing and included in "Net interest income" in the Profit and Loss Account.

FEES AND COMMISSIONS

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

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

FINANCIAL TRANSACTIONS

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

ADMINISTRATIVE EXPENSES

The Bank provides services to the Nordic Development Fund (NDF) and the Nordic Environment Finance Corporation (NEFCO). Payments received by the Bank for providing services at cost to these organisations are recognised as a reduction in the Bank's administrative expenses.

NIB receives a host country reimbursement from the Finnish government equal to the tax levied on the salaries of NIB's employees. This payment is shown in note 5, and reduces the Bank's administrative expenses.

LEASING AGREEMENTS

Leasing agreements are classified as operating leases if the rewards and risks incident to ownership of the leased asset, in all major respects, lie with the lessor. Lease payments under operating leases are recognised on a straight-line basis over the lease term. The Bank's rental agreements are classified as operating leases.

EMPLOYEES' PENSIONS AND INSURANCE

The Bank is responsible for the pension coverage of its personnel. In accordance with the Headquarters Agreement between the Bank and the Finnish Government, the Bank has adopted the Finnish State pension system for the Bank's personnel. The Bank's pension liability is completely covered. Contributions to the pension plan, which are paid to the Finnish State Pension Fund, are calculated as a percentage of salaries. The Finnish Government determines the basis for the contributions, and the Republic of Finland State Treasury establishes the actual amount of the contributions. Under the Finnish pension system at present, the usual age of retirement is 65.

NIB has also submitted to extra pension insurance for its employees. This is a group pension insurance that is based on a defined contribution plan.

In addition to the Finnish social security system for its employees, NIB has subscribed to a comprehensive accident, life and health insurance programme.

Risk management

The Bank's guidelines for its risk management are characterised by a conservative attitude. These guidelines call for continuous monitoring of NIB's risk exposure in the form of interest rate, foreign exchange rate, and counterparty risks. The Board of Directors establishes limits for these risks. The market risks are controlled with a combination of value-at-risk (VaR), duration, and gap analysis.

The Bank uses derivative instruments in the form of interest rate and currency swaps, forward contracts, futures, forward rate agreements, and options, in order to protect itself against market risks that may occur in the Bank's borrowing and lending operations. Through this hedging policy, the Bank strives to eliminate these market risks, usually on a back-to-back basis.

FOREIGN EXCHANGE RATE RISK

According to its Statutes, the Bank has to protect itself against foreign exchange rate risk to the extent practicable. Exchange rate risks can occur in the Bank's operations because NIB's lending operations are funded in a currency other than the currency in which the loan is denominated. These exchange rate risks are minimised by hedging the exchange rate exposure inherent in the borrowing operations by means of swap contracts. Swap contracts, however, do not eliminate the exchange rate risk in the Bank's future interest margin income in foreign currencies. The risk primarily involves foreign exchange rate changes between the euro and the US dollar, which risk is, however, limited.

INTEREST RATE RISK

The interest rate risk is the possible effect that changes in market interest rates can have on the value of interest-bearing assets and liabilities, and on the interest flow that is recognised in the Profit and Loss Account. The interest rate risk is dependent on the length of the interest rate fixing period, and on the maturity profile of assets relative to liabilities. Differences in the length of interest rate fixing periods can involve sensitivity to changes in interest rate levels (general interest rate risk). The differences in the maturity profile between assets and liabilities can lead to a refinancing or reinvestment risk, as changes may occur in the assets' or liabilities' interest rate margins. The Bank has an established limit system to control general interest rate risk as well as refinancing and reinvestment risks. The system measures differences in interest rate fixing periods and in maturity profiles, and calculates their estimated effect on the Bank's net interest income.

The Bank invests an amount corresponding to its equity in interest-bearing securities with high credit ratings. Approximately one-third of the Bank's equity has been placed in a marked-to-market portfolio with a maximum duration of 5.5 years and a daily value-at-risk not exceeding 0.4% of the portfolio's value at a 95% confidence level. The remaining two thirds of the Bank's equity has been placed in a held-to-maturity portfolio that has a duration of between 3.0 and 5.5 years. Fluctuations in the value of the trading portfolio affect the Bank's profits. Fluctuations in interest rates also affect the net interest income in the held-to-maturity portfolio, since the interest and capital at maturity are reinvested.

CREDIT RISK

Credit risk is realised in the event the Bank's counterparties fail to fulfill their contractual obligations vis-à-vis the Bank. Credit risk is an integral part of bank operations, and exists in the Bank's various products such as loans, guarantees, derivative instruments, etc.

The Bank's credit risk is monitored by means of a common, unified risk classification system, in which the Bank's counterparties are divided into credit risk categories on a scale from 1 to 10. The Bank also has rules for credit risk concentrations with regard to individual counterparties, economic sectors, countries, etc.

Note 8 provides information regarding the geographical distribution of the Bank's loans and guarantees issued, as well as their distribution by type of security.

LIQUIDITY RISK

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

OPERATIONAL RISK

NIB deals with legal risks and other risks through a system of internal controls, and by clear rules for assignment of work and responsibilities among and within all the Bank's departments. The internal controls cover systems and procedures for monitoring transactions, positions and documentation with a clear segregation of duties between recording, risk management and transaction generating functions.

Internal audit

The internal audit is part of the Bank's internal control system. Important focal areas for the internal audit include the efficiency and reliability of the Bank's individual processes and systems, as well as compliance with the Bank's Statutes and other central directives and regulations. The internal audit is carried out in accordance with international standards for the professional practice issued by the Institute of Internal Auditors. The internal audit's annual activity plan is approved by the Board of Directors, and the audit reports are regularly submitted to the Board of Directors and to the Bank's Control Committee.

Segment information

Segment information and currency distribution in the notes are presented in nominal amounts. The adjustment to hedge accounting is presented as a separate item.

Reclassifications

Some minor reclassifications have been made. The comparative figures have been adjusted accordingly.

Notes to the Profit and Loss Account, Balance Sheet and Cash Flow Statement

(1) SEGMENT INFORMATION

(Amounts in EUR 1,000)

Primary reporting segment—business operations

In its segment reporting, NIB divides its operations into two major segments: lending and financial operations. The lending operations consist of granting of loans on commercial terms in and outside the Nordic countries for projects of mutual interest for the Nordic countries and the borrower country. Financial operations consist of management of liquidity and placement of funds in financial investment portfolios.

	Lending	*Liquidity*	*Placements in financial investment portfolios*	*Total*	*Lending*	*Liquidity*	*Placements in financial investment portfolios*	*Total*
	2003	*2003*	*2003*	*2003*	*2002*	*2002*	*2002*	*2002*
Net interest income	69,523	15,354	70,552	155,429	62,371	10,920	76,430	149,721
Commission income and fees received	4,753	123	-	4,876	5,347	274	-	5,621
Commission expense and fees paid	-76	-1,394	-	-1,470	-14	-1,190	-	-1,204
Net profit on financial operations	396	12,628	1,545	14,569	901	889	11,213	13,003
Foreign exchange losses	-	-23	-	-23	-	-44	-	-44
Administrative expenses, depreciations and write-downs	-19,274	-941	-2,139	-22,354	-18,739	-1,082	-2,172	-21,993
Provisions for possible loan losses	307	-	-	307	-3,475	-	-	-3,475
Profit for the year	55,629	25,747	69,958	151,334	46,392	9,767	85,472	141,631
Assets	10,588,906	4,427,740	1,649,610	16,666,256	10,192,059	4,215,892	1,540,050	15,948,001

Secondary reporting segment—geographical segment

(Amounts in EUR 1,000)

In the Nordic countries, the Bank participates in the financing of cross-border investments and projects in industry that concern several Nordic countries. The core of NIB's lending operations outside the Nordic countries consists of loans under the Bank's Project Investment Loan facility for projects in emerging markets. NIB also grants loans to projects in the OECD area and the Baltic countries.

The table below is based on the region where the borrowers reside.[1)]

	2003 Net interest income	*2002 Net interest income*
Nordic loans		
Denmark	4,880	4,853
Finland	14,233	12,199
Iceland	2,205	2,607
Norway	5,336	4,791
Sweden	19,678	14,493
Total, Nordic loans	**46,332**	**38,943**

	2003 Net interest income	2002 Net interest income
International loans		
Africa	2,049	1,694
Asia	7,518	8,932
Baltic countries and Poland	3,965	3,861
Eastern and Central Europe	2,523	3,303
Latin America	5,217	4,039
Middle East	1,442	1,578
Western Europe	477	21
Total, international loans	23,191	**23,428**
Total, net interest income from lending	69,523	**62,371**

1) According to the domicile of the borrower's group headquarters.

(2) INTEREST INCOME AND INTEREST EXPENSE

(Amounts in EUR 1,000)

Interest income	2003	2002
Cash and cash equivalents	81,353	82,202
Placements with credit institutions for more than 6 months	1,677	2,516
Debt securities for more than 6 months	54,851	49,354
Outstanding loans	331,005	394,359
Other interest income	454	64
Total, interest income	469,341	**528,496**
Interest expense		
Short-term amounts owed to credit institutions	5,498	5,289
Long-term amounts owed to credit institutions	2,339	2,304
Debts evidenced by certificates	653,899	679,771
Swap contracts and other interest expenses, net	-356,623	-317,844
Borrowing costs	8,798	9,254
Total, interest expense	313,912	**378,775**

(3) COMMISSION INCOME AND FEES RECEIVED

(Amounts in EUR 1,000)

	2003	2002
Commitment fees	1,997	1,795
Loan disbursement fees	2,114	3,057
Guarantee commissions	172	180
Premiums on prepayments of loans	470	423
Commissions on lending of securities	123	166
Total, commission income and fees received	4,876	**5,621**

(4) NET PROFIT ON FINANCIAL OPERATIONS

(Amounts in EUR 1,000)

	2003	2002
Debt securities in trading portfolio, realised gains and losses	7,443	216
Debt securities in trading portfolio, unrealised gains and losses	-3,976	12,264
Adjustment to hedge accounting, unrealised gains and losses of fair value hedges	5,427	1,396
Changes in fair value of non-hedging derivatives, unrealised gains and losses	2,794	-1,400
Repurchase of NIB bonds, other items	2,880	526
Total, net profit on financial operations	14,569	**13,003**

(5) GENERAL ADMINISTRATIVE EXPENSES

(Amounts in EUR 1,000)

	2003	*2002*
Personnel costs	**13,845**	13,454
Pension premiums in accordance with the Finnish State pension system	**2,786**	2,612
Other pension premiums	**678**	654
Office premises costs	**900**	760
Other general administrative expenses	**7,076**	7,174
Cost coverage, NDF and NEFCO	**-879**	-754
Cost coverage, rental income and other administrative income	**-991**	-707
Total	**23,415**	**23,193**
Host country reimbursement according to agreement with the Finnish Government	**-3,662**	-3,500
Net	**19,753**	**19,693**
Average number of employees	**147**	**143**

The average age of the staff was 43, and the average period of employment was 9 years.

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

Compensation for the Board of Directors and the Control Committee is set by the Nordic Council of Ministers. Compensation for the Bank's senior management is set by the Board of Directors, and is paid in the form of fixed salaries and ordinary fringe benefits.

Compensation for the Chairman of the Board of Directors, the Members of the Board of Directors, the President and CEO and the Control Committee is presented in the table below:
(Amounts in EUR)

	2003	*2002*
	Compensation/ emolument	*Compensation/ emolument*
Chairman of the Board of Directors	**12,089**	12,030
Other Members of the Board of Directors	**78,163**	75,544
President and CEO	**364,907**	330,191
Control Committee	**18,792**	18,144

Senior management is granted staff loans from the Bank at interest rates and on terms and conditions equal to those applicable to other employees. The rates are set with reference to the so-called base rate determined from time to time by the Finnish Ministry of Finance.

The pension benefits for the Bank's senior management are based on the Finnish State pension system, with certain additions.

Rental agreement

NIB operates in its own office building in Helsinki. Of the building's total area of 18,500 m^2 1,000 m^2 are rented to other parties. The Bank rents an additional office space of 837 m^2.

(6) POSSIBLE LOAN LOSSES AND ACTUAL LOAN LOSSES

(Amounts in EUR 1,000)

	2003	*2002*
Loan losses covered by provisions previously made	**2,857**	-
Reversals of previous provisions recognised in this year's accounts as actual losses	**-3,500**	-
Provisions for the year's possible loan losses	**988**	3,711
Reversals of previous provisions for possible loan losses	**-652**	-237
Provision for possible loan losses, net	**-307**	**3,475**

See also note 8.

(7) FINANCIAL PLACEMENTS

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

	2003	*2002*
Governments	569	570
Public institutions	52	35
Other	633	365
Total, debt securities	**1,254**	**970**

These debt securities are at fixed interest rates.

The distribution of the Bank's debt security portfolios is as follows:
(Amounts in EUR million)

	Book value		*Fair value*	
	2003	*2002*	*2003*	*2002*
Trading portfolio	361	279	361	279
Held-to-maturity portfolio	893	691	936	740
Total, debt securities	**1,254**	**970**	**1,297**	**1,019**

(8) LOANS AND GUARANTEES OUTSTANDING

Loans outstanding are recognised net of possible loan losses and actual loan losses.

Loans outstanding are distributed as follows over the Bank's four loan facilities:
(Amounts in EUR million)

	2003	*2002*
Ordinary Loans		
Investment loans in the Nordic countries	8,219	7,819
Regional loans in the Nordic countries	87	100
Investment loans outside the Nordic countries	130	65
Adjustment to hedge accounting	45	56
Total	**8,481**	**8,040**
Project Investment Loans (PIL)		
Africa	247	242
Asia	701	815
Baltic countries and Poland	402	355
Eastern and Central Europe	135	144
Latin America	389	336
Middle East	126	147
Adjustment to hedge accounting	6	9
Total	**2,006**	**2,048**
Environmental Investment Loans (MIL)	**17**	**1**
Baltic Investment Loans (BIL)	**18**	**21**
Total, loans outstanding	**10,522**	**10,110**

Loans outstanding at floating interest rates amount to EUR 9,081 million (8,612), while those at fixed interest rates amount to EUR 1,391 million (1,433). Guarantees issued under the Ordinary Lending amounted to EUR 28.6 million (32.0) on 31 December 2003.

Provisions for loan losses

A total of EUR 4.8 million (8.4) has been deducted from the Bank's loans outstanding for provisions for possible loan losses. EUR 1.8 million (2.9) is for provisions for Project Investment Loans. The following changes were recognised in the Balance Sheet in respect of provisions for loan losses:
(Amounts in EUR million)

	2003	*2002*
Provisions on 1 January	**8.4**	5.3
Provisions made during the year	**1.0**	3.7
Reversals of previous provisions	**-1.3**	-0.2
Loan losses covered by provisions previously made	**-2.9**	-
Exchange rate adjustments	**-0.4**	-0.4
Provisions on 31 December	4.8	**8.4**

See also note 6.

The distribution of provisions for possible loan losses was as follows:
(Amounts in EUR million)

Distribution by lending facility:	*2003*	*2002*
Ordinary loans in the Nordic countries		
Investment loans in the Nordic countries	**3.0**	5.5
Project Investment Loans		
Asia	**0.2**	0.4
Eastern and Central Europe	**0.2**	0.9
Latin America	**1.3**	1.6
Total, provisions	4.8	**8.4**

As of 31 December 2003, the Bank did not have any loans in non-accrual status under its Ordinary Lending in the Nordic countries (that is, claims within Ordinary Lending that were more than 90 days overdue). In 2002, that amount was EUR 3.7 million. On 31 December 2003, the Bank had EUR 17.8 million (21.6) of loans in non-accrual status within its Project Investment Loan facility.

As of 31 December 2003, loans agreed but not yet disbursed amounted to the following:

(Amounts in EUR million)

Loans agreed but not yet disbursed	*2003*	*2002*
Ordinary Loans	**254**	184
Project Investment Loans	**633**	862
Environmental Investment Loans	**90**	48
Total, loans agreed but not yet disbursed	978	**1,093**

The amounts set forth above for loans agreed but not yet disbursed include loans for considerable amounts, where certain conditions, primarily interest rate conditions, may not yet have received final approval. They therefore cannot be considered as binding commitments for the Bank.

Currency distribution of loans outstanding

(Nominal amounts, in EUR million)

Currency	*Ordinary Loans*		*PIL-loans*		*Total*	
	2003	*2002*	*2003*	*2002*	*2003*	*2002*
Nordic currencies	**2,716**	2,504	**3**	4	**2,719**	2,508
EUR	**4,093**	3,517	**435**	321	**4,558**	3,853
USD	**1,517**	1,831	**1,522**	1,669	**3,041**	3,503
Other currencies	**110**	132	**40**	46	**154**	182
Total	**8,436**	**7,983**	**2,001**	**2,040**	**10,472**	**10,045**
Adjustment to hedge accounting	**45**	56	**6**	9	**51**	65
Total, loans outstanding	**8,481**	**8,040**	**2,006**	**2,048**	**10,522**	**10,110**

The total amount also includes EUR 17 million (0.7) in Environmental Investment Loans (MIL) and EUR 18 million (21) in Baltic Investment Loans (BIL).

Sector distribution

(Amounts in EUR million)

Loans outstanding as of 31 December 2003	*2003*		*2002*	
Manufacturing	**4,317**	**41%**	4,204	42%
Energy	**2,494**	**24%**	2,334	23%
Transport and communication	**1,526**	**15%**	1,592	16%
Trade and services	**719**	**7%**	656	6%
Bank and finance[1)]	**682**	**6%**	647	6%
Regional loans	**87**	**1%**	100	1%
Other	**647**	**6%**	513	5%
Adjustment to hedge accounting	**51**	**0%**	65	1%
Total	**10,522**	**100%**	**10,110**	**100%**

Loans disbursed	*2003*		*2002*	
Manufacturing	**637**	**34%**	550	33%
Energy	**491**	**27%**	492	30%
Transport and communication	**290**	**16%**	267	16%
Trade and services	**183**	**10%**	120	7%
Bank and finance[1)]	**123**	**7%**	116	7%
Regional loans	**-**	**0%**	11	1%
Other	**117**	**6%**	92	6%
Total	**1,841**	**100%**	**1,648**	**100%**

[1)] The Bank's financial intermediaries.

Distribution of loans outstanding and guarantees by various types of security

The following table shows loans outstanding, including guarantee commitments, distributed by type of security:
(Amounts in EUR million)

As of 31 December 2003		*Amount*	*Share, in %*
Loans to or guaranteed by governments			
Loans to or guaranteed by member countries		189	1.8
Loans to or guaranteed by other countries		1,421	13.5
Loans to or guaranteed by local authorities in member countries		294	2.8
Loans to or guaranteed by companies owned 50% or more by member countries or local authorities in member countries		628	6.0
Loans to or guaranteed by banks		618	5.9
Other loans			
Backed by a lien or other security in property	460		
With a negative pledge clause and other covenants	4,992		
With a guarantee from the parent company and other guarantees	1,855	7,307	69.6
Loans without security		43	0.4
Total		10,500	100.0
Adjustment to hedge accounting		51	
Total, loans outstanding (including guarantees)		10,551	

As of 31 December 2002		*Amount*	*Share, in %*
Loans to or guaranteed by governments			
Loans to or guaranteed by member countries		222	2.2
Loans to or guaranteed by other countries		1,529	15.2
Loans to or guaranteed by local authorities in member countries		322	3.2
Loans to or guaranteed by companies owned 50% or more by member countries or local authorities in member countries		742	7.4
Loans to or guaranteed by banks		546	5.4
Other loans			
Backed by a lien or other security in property	516		
With a negative pledge clause and other covenants	4,518		
With a guarantee from the parent company and other guarantees	1,626	6,659	66.1
Loans without security		58	0.6
Total		**10,077**	**100.0**
Adjustment to hedge accounting		65	
Total, loans outstanding (including guarantees)		**10,142**	

The member countries guarantee Project Investment Loans (PIL) up to the following amounts as of 31 December 2003:
(Amounts in EUR 1,000)

Member country	*Amount of guarantee*	*Share, in %*
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**

The member countries guarantee Environmental Investment Loans (MIL) up to the following amounts as of 31 December 2003:
(Amounts in EUR 1,000)

	2003		2002	
Member country	*Amount of guarantee*	*Share, in %*	*Amount of guarantee*	*Share, in %*
Denmark	**72,600**	**24.2**	24,000	24.0
Finland	**53,200**	**17.7**	16,600	16.6
Iceland	**3,300**	**1.1**	1,100	1.1
Norway	**63,500**	**21.2**	19,500	19.5
Sweden	**107,400**	**35.8**	38,800	38.8
Total	**300,000**	**100.0**	**100,000**	**100.0**

The member countries guarantee Baltic Investment Loans (BIL) up to the following amounts as of 31 December 2003:
(Amounts in EUR 1,000)

Member country	*Amount of guarantee*	*Share, in %*
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**

(9) INTANGIBLE AND TANGIBLE ASSETS

The Bank's intangible assets amounted to EUR 2.6 million (2.0).

As of 31 December 2003, the historical cost for buildings and land was recognised in the Balance Sheet, net of depreciation on the buildings in accordance with the depreciation plan, at EUR 30.3 million (31.0). Shares providing ownership rights in connection with employee housing accommodation and other shares and holdings have a balance sheet value of EUR 1.1 million (1.1).

The value of office equipment and other tangible assets is recognised at EUR 3.2 million (1.9).

(10) DEPRECIATIONS AND WRITE-DOWNS

(Amounts in EUR 1,000)

	2003	*2002*
Intangible assets	**761**	438
Tangible assets		
Buildings	**670**	670
Office equipment	**1,169**	1,192
Total	**2,600**	**2,300**

(11) OTHER ASSETS

(Amounts in EUR million)

	2003	2002
Derivatives are included in Other assets:		
Floating interest rates, nominal amount	6,511	5,928
Fixed interest rates, nominal amount	11,032	11,013
Total, nominal amount	17,543	**16,941**
Netting of nominal amount per derivative	-16,987	-16,593
Derivative receivables, net[1]	556	**348**
Adjustment to hedge accounting and changes in fair value of non-hedging derivatives	831	813
Derivative instruments	1,387	**1,161**
Other	5	5
Total	1,393	**1,166**

[1] Includes capitalised swap fees.

Derivatives are carried at fair value in the Balance Sheet net per contract. Thus, swap contracts with a positive net fair value are recognised in the Balance Sheet under "Other assets", while swap contracts with a negative net fair value are recognised under "Other liabilities".

(12) OUTSTANDING DEBTS EVIDENCED BY CERTIFICATES AND SWAPS

At year-end, the Bank's borrowings evidenced by certificates were distributed among the currencies shown in the table below. The table also demonstrates the distribution of borrowings by currency on an after-swap basis:
(Amounts in EUR million)

Currency	*Borrowing*		*Swap contracts payable/receivable*		*Net currency*	
	2003	*2002*	*2003*	*2002*	*2003*	*2002*
Nordic currencies	1,246	1,492	1,544	1,102	2,790	2,593
EUR	928	1,276	5,112	3,799	6,040	5,075
USD	3,695	2,925	130	1,658	3,825	4,582
JPY	1,839	2,139	-1,796	-2,080	43	59
GBP	2,379	2,615	-2,364	-2,597	15	18
HKD	535	796	-535	-796	-	-
Other currencies	1,584	893	-1,541	-850	43	43
Total	12,205	**12,134**	550	**235**	12,755	**12,370**
Adjustment to hedge accounting and changes in fair value of non-hedging derivatives	882	1,016	-844	-959	37	57
Swap fees	-	-	174	144	174	144
Total, borrowing outstanding	13,087	**13,150**	-121	**-580**	12,966	**12,570**

The table set forth above includes 249 (224) borrowing transactions in the equivalent amount of EUR 8,934 million (8,877) entered into under the Bank's euro medium-term note programme, 4 (8) borrowing transactions in the equivalent amount of EUR 176 million (234) under the Bank's Swedish medium-term note programme, and 2 (1) borrowing transactions in the equivalent amount of EUR 1,584 million (954) under the Bank's US medium-term note programme. The Bank has established a USD 600 million commercial paper programme in Europe and another USD 600 million programme in the United States.

Of debt securities issued, EUR 1,571 million (1,869) are at floating interest rates, while EUR 10,375 million (9,984) are at fixed interest rates. Other borrowing transactions, EUR 259 million (281), are at fixed interest rates. As of 31 December 2003 the Bank had entered into agreements for future borrowings of EUR 20.0 million (272.6) in the form of 2 (9) borrowing transactions in euro having an average maturity of 25.0 years (10.4).

(13) OTHER LIABILITIES

(Amounts in EUR million)

	2003	2002
Derivatives are included in Other liabilities:		
Floating interest rates, nominal amount	16,740	15,758
Fixed interest rates, nominal amount	1,352	1,419
Total, nominal amount	18,092	**17,177**
Netting of nominal amount per derivative	-16,812	-16,451
Derivative payables, net[1)]	1,280	**726**
Adjustment to hedge accounting and changes in fair value of non-hedging derivatives	-13	-144
Derivative instruments	1,267	**582**
Other	15	4
Total	1,282	**586**

1) Including swap fees.

Derivatives are carried at fair value in the Balance Sheet net per contract. Thus, swap contracts with a positive net fair value are recognised in the Balance Sheet under "Other assets", while swap contracts with a negative net fair value are recognised under "Other liabilities".

(14) AUTHORISED CAPITAL—PAID-IN CAPITAL

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

Member country	*2003*	*Share, in %*
Denmark	881.1	22.0
Finland	765.8	19.2
Iceland	38.6	1.0
Norway	793.1	19.8
Sweden	1,521.4	38.0
Total	4,000.0	100.0

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

Member country	*2003*	*Share, in %*
Denmark	89.2	22.1
Finland	74.4	18.4
Iceland	3.9	1.0
Norway	77.1	19.1
Sweden	159.5	39.5
Total	404.3	100.0

(15) STATUTORY RESERVE

At year-end 2002, the Statutory reserve amounted to EUR 554.0 million. From the profit of financial year 2002 EUR 91.0 million was transferred to the Statutory reserve. At the end of 2003, the Statutory reserve amounted to EUR 645.0 million, or 16.1% of the Bank's authorised capital.

(16) CREDIT RISK FUNDS

The General credit risk fund recognised in "Equity" is built up by means of allocations from prior years' profits. This fund is established to cover unidentified, exceptional credit losses. The General credit risk fund and the Statutory reserve together constitute the Bank's general reserves.

The General credit risk fund amounted to EUR 337.0 million in 2003. The Board of Directors is proposing that EUR 20.0 million be allocated to this fund from the year's profits.

In accordance with § 6A of its Statutes, the Bank has a Special credit risk fund for the Project Investment Loan facility. This fund is primarily designed to cover the Bank's own risk in respect of this lending facility. In 2003, the fund amounted to EUR 98.2 million.

The adjusted guidelines for calling the member countries' guarantees enter into force on 1 July 2004. Under these guidelines, the Bank assumes 100% of any losses under individual PIL loans, up to the amount at any given time available in the Special credit risk fund for PIL. When this fund is fully used the payment will take place based on the member countries' guarantees at the request of the Board of Directors. The Board of Directors has decided to propose that significant annual allocations be made to the Special credit risk fund for PIL during the next 3 to 5 years. The Board of Directors is proposing that EUR 90.0 million be allocated to this fund from the year's profits.

In addition, the Bank has established a EUR 4.3 million fund in "Equity" for the HIPC programme (Debt Initiative for Heavily Indebted Poor Countries).

Taken together, these credit risk funds amounted to EUR 439.5 million on 31 December 2003.

(17) COLLATERAL AND COMMITMENTS

(Amounts in EUR million)

	2003	*2002*
Guarantees issued (note 8)	**29**	32
Loans agreed but not yet disbursed (note 8)	**978**	1,093
Borrowing commitments	**20**	273
Subscription to shares in the European Investment Fund, unpaid portion	**4**	4
Securities and collateral with respect to derivatives exposure		
Securities received[1)]	**162**	161
Securities given[2)]	**255**	1

1) Fair value.

2) Book value.

(18) FAIR VALUE OF FINANCIAL INSTRUMENTS

(Amounts in EUR million)

	2003 Carrying amount	*2003* Fair value	*2003* Fair value - Carrying amount	*2002* Carrying amount	*2002* Fair value	*2002* Fair value - Carrying amount
Assets						
Cash and cash equivalents	**2,997**	**2,997**	**-**	3,227	3,227	-
Placements with credit institutions	**124**	**124**	**-**	100	101	1
Debt securities	**1,254**	**1,297**	**43**	970	1,019	49
Other financial placements	**8**	**8**	**-**	6	6	-
Loans outstanding	**10,522**	**10,526**	**4**	10,110	10,133	23
Derivatives, net	**1,387**	**1,387**	**-**	1,161	1,161	-
			47			**73**
Liabilities						
Short-term amounts owed to credit institutions	**252**	**252**	**-**	281	281	-
Long-term amounts owed to credit institutions	**114**	**114**	**-**	100	101	1
Debt securities issued	**12,822**	**12,826**	**4**	12,850	12,853	3
Other debt	**264**	**264**	**-**	299	299	-
Derivatives, net	**1,267**	**1,267**	**-**	582	582	-
			4			**4**
Net			**43**			**69**

(19) MATURITY PROFILE

(Amounts in EUR million)

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

	0-6 months	6-12 months	1-5 years	5-10 years	More than 10 years	Undefined	Total
Assets							
Cash and cash equivalents	717	147	1,956	71	105	1	2,997
Financial placements							
Placements with credit institutions	67	57	-	-	-	-	124
Debt securities	69	12	693	395	82	5	1,254
Other	-	-	-	-	-	8	8
	136	69	693	395	82	13	1,387
Lending							
Loans outstanding	436	508	4,806	4,057	664	51	10,522
Intangible assets	-	-	-	-	-	3	3
Tangible assets	-	-	-	-	-	35	35
Other assets							
Derivatives							
Receivables 1)	770	767	3,797	1,265	1,111	831	8,542
Payables	-698	-709	-3,624	-1,234	-889	-	-7,155
	72	58	173	32	222	831	1,387
Other assets	-	-	-	-	-	5	5
Accrued interest and fees receivable	-	-	-	-	-	331	331
Total assets	**1,361**	**782**	**7,628**	**4,554**	**1,073**	**1,268**	**16,666**

	0-6 months	6-12 months	1-5 years	5-10 years	More than 10 years	Undefined	Total
Liabilities and equity							
Liabilities							
Amounts owed to credit institutions							
Short-term	252	-	-	-	-	-	252
Long-term	57	57	-	-	-	-	114
	309	57	-	-	-	-	367
Debts evidenced by certificates	1,009	1,206	6,653	1,425	1,912	882	13,087
Other liabilities							
Derivatives							
Receivables	-392	-843	-5,961	-1,302	-1,160	-13	-9,671
Payables	407	929	6,655	1,538	1,408	-	10,938
	15	87	694	236	248	-13	1,267
Other liabilities	-	-	-	-	-	15	15
Accrued interest and fees payable	-	-	-	-	-	282	282
Total liabilities	**1,334**	**1,350**	**7,347**	**1,660**	**2,160**	**1,165**	**15,017**
Equity	-	-	-	-	-	1,650	1,650
Total liabilities and equity	**1,334**	**1,350**	**7,347**	**1,660**	**2,160**	**2,815**	**16,666**
Net during the period	27	-568	280	2,894	-1,087	-1,546	-
Cumulative net during the period	27	-541	-261	2,634	1,546	-	-

1) Including swap fees.

(20) AVERAGE BALANCE SHEET

(Amounts in EUR million)

	2003	*2002*
Assets		
Cash and cash equivalents	**3,578**	2,896
Financial placements		
Placements with credit institutions	**123**	83
Debt securities	**1,101**	872
Other	**2**	6
	1,226	**961**
Lending		
Loans outstanding	**10,197**	10,021
Intangible assets	**2**	2
Tangible assets	**34**	35
Other assets		
Derivatives	**1,202**	919
Other assets	**13**	22
	1,215	**941**
Accrued interest and fees receivable	**341**	369
Total assets	**16,594**	**15,225**
Liabilities and equity		
Liabilities		
Amounts owed to credit institutions		
Short-term amounts owed to credit institutions	**280**	242
Long-term amounts owed to credit institutions	**121**	83
	401	**325**
Debts evidenced by certificates		
Debt securities issued	**13,145**	12,213
Other debt	**269**	282
	13,413	**12,495**
Other liabilities		
Derivatives	**877**	573
Other liabilities	**6**	8
	883	**582**
Accrued interest and fees payable	**301**	331
Total liabilities	**14,999**	**13,733**
Equity	**1,594**	1,492
Total liabilities and equity	**16,594**	**15,225**

The average Balance Sheet is calculated on a monthly basis.

(21) CASH FLOW STATEMENT

(Amounts in EUR 1,000)

	2003	2002
Profit for the year	151,334	141,631
Amortisation of issuing charges	8,798	9,254
Market value adjustment, trading portfolio	6,364	-12,315
Depreciation and write-down in value of tangible and intangible assets	2,600	2,300
Change in accrued interest and fees (assets)	23,805	44,633
Change in accrued interest and fees (liabilities)	-32,219	-52,346
Provision for possible losses on loans	-307	3,475
Adjustment to hedge accounting and changes in fair value of non-hedging derivatives	-8,221	4
Other adjustments to the year's profit	57	665
Cash flow from operating activities	152,211	**137,300**

Specification of the change in cash and cash equivalents on 31 December:
(Amounts in EUR 1,000)

	2003	2002
Cash and balances with banks	10,430	5,651
Short-term placements with credit institutions	575,337	1,387,804
Liquid debt securities at floating interest rates	2,410,902	1,833,851
Cash and cash equivalents	2,996,669	**3,227,307**
Short-term amounts owed to credit institutions	-252,373	-280,749
Net liquidity	2,744,295	**2,946,558**
Change in net liquidity	-202,262	**305,521**

(22) EXCHANGE RATES

		EUR rate on 31 Dec 2003	EUR rate on 31 Dec 2002
DKK	Danish krone	7.4450	7.4288
ISK	Icelandic krona	89.46	84.74
NOK	Norwegian krone	8.4141	7.2756
SEK	Swedish krona	9.0800	9.1528
AUD	Australian dollar	1.6802	1.8556
CAD	Canadian dollar	1.6234	1.6550
CHF	Swiss franc	1.5579	1.4524
CZK	Czech koruna	32.410	31.577
EEK	Estonian kroon	15.6466*	15.6466*
GBP	Pound Sterling	0.7048	0.6505
HKD	Hong Kong dollar	9.8049	8.1781
JPY	Japanese yen	135.05	124.39
LVL	Latvian lats	0.6725	0.6140
NZD	New Zealand dollar	1.9244	1.9975
PLN	Polish zloty	4.7019	4.0210
SDR	Special drawing right	0.84823**	0.77408**
SGD	Singapore dollar	2.1450	1.8199
SKK	Slovakian koruna	41.170	41.503
TWD	Taiwanese dollar	42.82379**	36.33226**
USD	United States dollar	1.2630	1.0487
ZAR	South African rand	8.3276	9.0094

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

To the Control Committee of the Nordic Investment Bank

In our capacity as auditors appointed by the Control Committee of the Nordic Investment Bank we have audited the Financial Statements, the accounting records and the administration of the Bank, for the year 2003. The Board of Directors and the President are responsible for the accounting documents as well as the administration. Based on our audit it is our responsibility to express an opinion on the Financial Statements and the administration of the Bank.

Our audit was conducted in accordance with International Standards on Auditing as issued by the International Federation of Accountants. Those standards require that we plan and perform the audit in order to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates as well as evaluation of the overall financial statement presentation. Our audit also included a review of whether the Board of Directors' and the President's administration have complied with the Statutes of the Bank. We believe that our audit provides a reasonable basis for our opinions below.

In our opinion the Financial Statements give a true and fair view of the financial position of the Nordic Investment Bank as at 31 December 2003 and of the results of its operations and its cash flows in 2003 in accordance with International Financial Reporting Standards as adopted by the International Accounting Standards Board. It is also our opinion that the administration of the Board of Directors and the President complied with the Statutes of the Bank.

Helsinki, 5 March 2004

Kristian Hallbäck
Authorised Public Accountant
Ernst & Young, Helsinki

Torbjörn Hanson
Authorised Public Accountant
Ernst & Young, Stockholm

To the Nordic Council of Ministers

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

In accordance with section 13 of the Statutes of the Nordic Investment Bank we have been appointed to control the operations of the Bank and to be responsible for the auditing of the Bank's accounts. After having completed our assignment for the year 2003, we hereby submit the following report.

The Control Committee met during the 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 5 March 2004. 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 5 March 2004 by the authorised public accountants appointed by the Control Committee.

Following our audit, we note that:

- The Bank's operations during the financial year have been conducted in accordance with the Statutes, and that
- The Financial Statements give a true and fair view of the financial position of the Bank as at 31 December 2003 and of its results and financing in 2003. The Profit and Loss Account shows a profit of EUR 151,334,450.72 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 proposed by the Board of Directors, 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, 5 March 2004

Bill Fransson

Jónína Bjartmarz **Olavi Ala-Nissilä** **Trond Helleland**

Per Kaalund **Riitta Prusti** **Gitte Seeberg**

Tuve Skånberg **Guðmundur Snorrason** **Anders Talleraas**

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 five representatives by the Nordic Council.

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

DENMARK
Gitte Seeberg Member of Parliament
Per Kaalund Member of Parliament

FINLAND
Olavi Ala-Nissilä Member of Parliament
Riitta Prusti former Member of Parliament

ICELAND
Guðmundur Snorrason Authorised Public Accountant
(Chairman of the Control Committee 04/05)
Jónína Bjartmarz Member of Parliament

NORWAY
Anders Talleraas Civil Engineer
Trond Helleland Member of Parliament

SWEDEN
Bill Fransson Managing Director
(Chairman of the Control Committee 03/04)
Tuve Skånberg Member of Parliament

AUDITORS APPOINTED BY THE CONTROL COMMITTEE
Kristian Hallbäck Authorised Public Accountant, Ernst & Young, Helsinki
Torbjörn Hanson Authorised Public Accountant, Ernst & Young, Stockholm

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

BOARD OF DIRECTORS

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

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

The Board of Directors usually meets eight times a year.

DENMARK

Ib Katznelson
from 1 June 1996,
Deputy Secretary,
Ministry of Economic
and Business Affairs

Lars Kolte
from 1 Aug 2002,
Managing Director,
Danish Export Credit
Agency

Alternates:
Hans Denkov
Assistant Director,
Danmarks
Nationalbank
William Friis-Møller
Ambassador

FINLAND

Bo Göran Eriksson
from 1 April 1998,
Director General,
Ministry of Trade
and Industry

Kristina Sarjo
From 1 July 2003,
Financial Counsellor,
Ministry of Finance
(Seppo Suokko
until 30 June 2003,
Financial Counsellor)

Alternates:
Risto Paaermaa
Deputy Director General,
Ministry of Trade and Industry
Seppo Suokko
from 1 July 2003, Financial
Counsellor
(Tytti Noras
until 30 June 2003 Legal
Counsellor, Ministry of Finance)

ICELAND

Bolli Thór Bollason
from 1 June 2002,
Director General,
Ministry of Finance
(Deputy Chairman
of the Board)

Thorsteinn Ólafsson
from 1 July 1996,
Director

Alternates:
Páll Magnússon
Political Advisor to the Minister,
Ministry of Industry and
Commerce
Ragnheiður E. Árnadóttir
Political Advisor to the Minister,
Ministry of Finance

NORWAY

Eli Telhaug
from 1 June 1998,
Deputy Director
General, Ministry of
Finance

Arild Sundberg
from 1 June 1996,
Director General,
National Insurance
Administration

Alternates:
Kari Gjesteby
Executive Director, Central
Bank of Norway
Peter Reine
Deputy Director General,
Ministry of Finance

SWEDEN

Claes de Neergaard
from 1 Feb 2003,
Director
(Chairman of the
Board)
(Sven Hegelund
until 31 Jan 2003,
State Secretary,
Ministry of Finance)

Bo Marking
from 1 June 1996,
Director

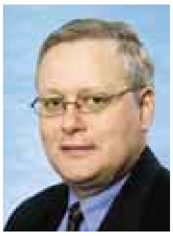
Alternates:
Jan Landahl
Director, The Committee on
Public Sector Responsibilities,
Ministry of Finance
Lena Rooth
Manager, International
Financial Services, Swedish
Trade Council

MANAGEMENT COMMITTEE

Jón Sigurðsson
President and CEO since 1994.
B.A., Stockholm University;
M.Sc.Econ., London School of
Economics and Political Science.

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

Siv Hellén
Senior Vice President since 1985.
General Counsel.
LL.M., University of Helsinki; eMBA,
Helsinki School of Economics and
Business Administration.



Juha Kotajoki
Senior Vice President since 1996.
Head of the Risk Management
Department. Responsible for
Personnel and Office. B.A.,
University of Turku.

Carl Löwenhielm
Executive Vice President since 1996.
Head of the Nordic Lending
Department. MBA, Stockholm
School of Economics.

Bo Heide-Ottosen
Executive Vice President, CFO and
Treasurer, since 1998. Head of the
Finance Department. Responsible for
Accounting, Budgeting and IT.
Cand.oecon, University of Århus; SEP,
Stanford University; PED, IMD.

Oddvar Sten Rønsen
Senior Vice President since 1993.
Head of the Appraisal Department.
Responsible for Financial Administration
and Planning, and heads the project
organisation for environmental financing
within the Northern Dimension. B.A.
(Econ.) Hon., Manchester University;
M. Sc., Warwick University Graduate
Business School, England.

NIB'S ORGANISATION

PRESIDENT AND CEO

Jón Sigurðsson

SUPPORTING DEPARTMENTS

Accounting and Budgeting	Stina Kontro
Appraisal Department and project organisation for the Northern Dimension	Oddvar Sten Rønsen (Member of the Management Committee)
Financial Administration and Planning	Christer Björklund
General Counsel's Office	Siv Hellén (Member of the Management Committee)
Information and PR	Jamima Löfström
Information Technology	Seija Hallavo
Internal Auditing	Martin Gardberg
Personnel and Office	Christer Boije
Risk Management	Juha Kotajoki (Member of the Management Committee)

NORDIC DEPARTMENT

Carl Löwenhielm (Member of the Management Committee)

Denmark	Per Klaumann
Finland	Lars Selenius
Iceland	Guðmundur Ólason
Norway	Lars Fuglesang
Sweden	Lars Norén
Credit Unit	Kenneth Grönholm
Nordic Legal Matters	Ann Damström

INTERNATIONAL DEPARTMENT

Erkki Karmila (Member of the Management Committee)
Lars-Åke Olsson (Deputy Head of the Department)

Africa and the Middle East	Jørgen D. Ilsøe
Asia	Søren Kjær Mortensen
Baltic Countries and Poland	Lauri Johnson
Central and Eastern Europe	Martin Relander
Latin America	Lars-Åke Olsson
Private Sector Financing	Tarja Kylänpää
Credit Unit	Liisa Niemelä
International Legal Matters	Mirja Koskimäki, Klaus Stubkjær, Ebbe Thalin

FINANCE DEPARTMENT

Bo Heide-Ottosen (Member of the Management Committee)
Torben Nielsen (Deputy Head of the Department)

Funding	Kari Kukka
Portfolio Management	Torben Nielsen
Financial Analysis Support	Kaare Guttorm Andersen
Financial Legal Matters	Sten Holmberg, Pernelle Skytte

For updates and details about NIB's personnel, please visit www.nib.int

NIB is strongly committed to the development and wellbeing of its employees. The HR policy underscores the vital importance of dedicated employees for the organisation's development and performance. The purpose of the HR policy is to create an attractive and professionally stimulating work environment.

The total number of employees at the end of 2003 was 147, as against 144 at the end of 2002, comprising 73 women and 74 men. The figure beside shows the nationality breakdown. The average age of the employees was 43.2 years and the average length of service was 8.9 years.

Training activities continued actively, averaging 6.8 days per employee. This figure includes both in-house courses and external training. The in-house management training on the theme of communication and leadership continued during the year. Courses in presentation and negotiating skills and corporate analysis were also arranged. Language tuition was provided in over ten different languages, and about 90 people participated in the courses. Most of this tuition was arranged in groups. The growing emphasis on environmental investment projects in Russia increased the number of Russian language lessons. IT training focused mainly on updating software skills. Employees also took part in external training in the form of courses and seminars on current themes relating to their existing duties, as well as individual training programmes. They also attended international conferences, with a view to maintaining both their expertise and their contacts with colleagues all over the world.

The theme of the annual employee seminar, with 127 participants, was the imminent Estonian, Latvian and Lithuanian NIB membership and the challenges thus entailed. The implications of Baltic membership for the Bank's operations were presented, and topics of discussion included new training needs.

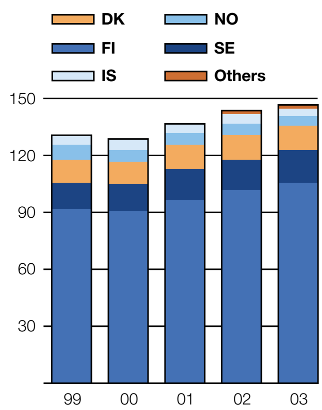
A follow-up during the year of the work climate survey conducted in 1999 by the Finnish Institute of Occupational Health showed an improvement in many areas compared with 1999. Current areas for development were addressed in the departmental performance reviews undertaken with the assistance of a representative from the Institute.

Measures taken by NIB to safeguard the wellbeing of its employees include preventive health care and measures for the promotion of health and safety, as well as sound ergonomics practices. Various fitness activities are subsidised as a part of preventive health care. A new fitness centre was taken into use during the year on the Bank's premises in Helsinki, and employees were offered personal guidance by an occupational physiotherapist, as well as the opportunity to draw up individual training programmes. Private health care and medical services are available to all employees who require them through a health insurance programme to which NIB has subscribed. Various social activities are organised for the enhancement of workplace satisfaction. The cultural events and leisure activities arranged for employees and their families facilitate social contacts across linguistic and cultural boundaries.

NIB introduced flexitime during the year. The need for more flexible working hours has grown noticeably in recent years, and a poll revealed that the majority of employees were in favour of its introduction.

The Bank's Cooperation Committee is entrusted with the task of developing working conditions and streamlining the interaction between management and employees. The Committee held four meetings in 2003. Topics of discussion included flexitime, internal space issues, staffing and training plans, and the Bank's internal code of conduct.

NUMBER OF EMPLOYEES



LONG-TERM BORROWING 2003

Currency	Amount million	Amount EUR million	Issue price	Coupon rate %		Maturity year	Leading/Arranging Bank
PUBLIC SYNDICATED BOND ISSUES							
TWD	4,000	107	100.000 %	FRN	4)	2008/2010	Citibank Securities (Taiwan) Ltd
TWD	3,000	79	100.000 %	FRN	4)	2010	Citibank Securities (Taiwan) Ltd
NZD	100	52	101.955 %	6.00 %		2008	Deutsche Bank AG/ Fortis Bank nv sa
USD	1,000	898	99.963 %	3.125 %		2008	BNP Paribas/HSBC/Morgan Stanley
LVL	5	8	100.200 %	4.250 %		2007	Nordea Bank Finland Plc
TWD	4,000	101	100.000 %	FRN	4)	2008/2010	Citibank Securities (Taiwan) Ltd
OTHER LISTED BORROWINGS							
NOK	500	67	101.860 %	6.125 %		2007	Fortis Bank nv sa
USD	48	44	71.500 %	0.50 %		2013	Mizuho International Plc
USD	20	19	100.000 %	0.000 %	1) 3)	2033	Merrill Lynch International
USD	62	58	70.430 %	0.500 %		2013	UFJ International Plc
EUR	14	14	72.670 %	0.500 %		2013	UFJ International Plc
AUD	20	11	100.000 %	4.182 %		2007	Dresdner Bank AG London Branch
EUR	50	50	100.000 %	FRN	4)	2008	Morgan Stanley & Co International Ltd
AUD	512	287	100.000 %	4.680 %		2008	Citigroup Global Markets Ltd
AUD	52	29	100.000 %	4.320 %		2008	Mizuho International Plc
USD	20	18	100.000 %	0.000 %	1) 3)	2033	Morgan Stanley & Co International Ltd
USD	11	10	100.000 %	0.000 %	1) 3)	2033	Morgan Stanley & Co International Ltd
NZD	73	37	100.000 %	4.560 %		2006	Mizuho International Plc
CAD	60	38	100.000 %	3.950 %		2010	Mizuho International Plc
AUD	58	33	100.000 %	4.530 %		2009	Mizuho International Plc
USD	20	18	100.000 %	0.000 %	1) 3)	2033	HSBC Bank Plc
USD	30	27	100.000 %	0.000 %	1) 3)	2033	Deutsche Bank AG London
USD	100	92	100.000 %	0.000 %	1) 3)	2033	Citigroup Global Markets Ltd
USD	50	46	100.000 %	0.000 %	1) 3)	2033	UBS Limited
USD	100	92	100.000 %	0.000 %	1) 3)	2033	BNP Paribas
USD	150	129	63.720 %	0.500 %		2014	Daiwa Securities SMBC Europe Ltd
HKD	376	44	99.000 %	5.630 %		2017	HSBC Banking Corporation Ltd
USD	100	79	100.000 %	0.000 %	1) 3)	2033	Citigroup Global Markets
GBP	21	30	99.980 %	4.300 %		2007	Nomura International Plc
OTHER BORROWINGS							
JPY	1,000	8	100.000 %	PRDC	1) 2)	2033	Mizuho International Plc
JPY	1,000	8	100.000 %	PRDC	1) 2)	2033	Mizuho International Plc
JPY	1,000	8	100.000 %	PRDC	1) 2)	2033	Nomura International Plc
JPY	1,000	8	100.000 %	PRDC	1) 2)	2033	JP Morgan Securities Ltd
JPY	1,000	8	100.000 %	PRDC	1) 2)	2033	UFJ International Plc
JPY	1,000	8	100.000 %	PRDC	1) 2)	2033	Salomon Brothers International Ltd
USD	5	5	100.000 %	2.3/5.6 %	1)	2013	Mitsubishi Trust International Ltd
JPY	1,000	8	100.500 %	PRDC	2)	2023	Daiwa Securities SMBC Europe Ltd
JPY	3,000	24	100.000 %	PRDC	1) 2)	2033	Nomura International Plc
JPY	1,000	8	100.000 %	PRDC	1) 2)	2033	Merrill Lynch International
USD	20	19	100.000 %	0.000 %	1) 3)	2033	Salomon Brothers International Ltd
JPY	1,000	8	100.000 %	PRDC	1) 2)	2033	Nomura International Plc
USD	25	23	100.000 %	0.000 %	1) 3)	2033	Salomon Brothers International Ltd
HKD	100	12	100.000 %	4.930 %		2013	HSBC Bank Plc
JPY	1,000	8	100.000 %	PRDC	1) 5)	2033	Goldman Sachs International
USD	70	17	28.380 %	0.000 %	1)	2023	Salomon Brothers International Ltd
JPY	1,000	8	100.000 %	FRN	4) 6)	2018	JP Morgan Securities Ltd
USD	100	17	19.307 %	0.000 %	1)	2028	Citigroup Global Markets Ltd

JPY	1,300	9	100.000 %	PRDC	1) 2)	2033	Citigroup Global Markets Ltd
JPY	2,000	14	100.000 %	PRDC	1) 5)	2033	Morgan Stanley & Co International Ltd
JPY	1,050	7	100.500 %	PRDC	1) 5)	2033	Daiwa Securities SMBC Europe Ltd
JPY	2,200	16	100.500 %	PRDC	1) 2)	2033	Daiwa Securities SMBC Europe Ltd
JPY	1,000	7	100.000 %	PRDC	1) 5)	2033	JP Morgan Securities Ltd
JPY	2,000	14	100.000 %	PRDC	1) 2)	2033	JP Morgan Securities Ltd
JPY	1,200	9	100.000 %	PRDC	1) 2)	2033	Merrill Lynch International
JPY	2,000	14	100.000 %	PRDC	1) 5)	2033	Nomura International
USD	100	24	28.385 %	0.000 %	1)	2024	Citigroup Global Markets Ltd
JPY	1,100	8	100.000 %	PRDC	1) 7)	2033	Citigroup Global Markets Ltd
JPY	1,000	8	100.000 %	PRDC	1) 5)	2033	JP Morgan Securities Ltd
SEK	50	5	110.000 %	0.000 %	8)	2008	Credit Suisse First Boston Int
USD	100	21	24.426 %	0.000 %	1)	2028	Merrill Lynch International
USD	105	17	18.322 %	0.000 %	1)	2033	Credit Suisse First Boston (Europe) Ltd
JPY	1,100	8	100.000 %	PRDC	1) 5)	2028	Tokyo-Mitsubishi International Plc
JPY	1,000	7	100.000 %	PRDC	1) 2)	2033	Mizuho International Plc
USD	100	19	21.766 %	0.000 %	1)	2030	Merrill Lynch International
JPY	1,000	7	100.000 %	PRDC	1) 5)	2033	Nomura International Plc
JPY	1,000	7	100.000 %	PRDC	1) 7)	2033	Citigroup Global Markets Ltd
JPY	1,000	7	100.500 %	PRDC	1) 7)	2033	Daiwa Securities SMBC Europe Ltd
JPY	1,300	10	100.000 %	PRDC	1) 2)	2033	Citigroup Global Markets Ltd
JPY	1,700	13	100.000 %	PRDC	1) 2)	2033	Tokyo-Mitsubishi International Plc
JPY	1,000	7	100.000 %	PRDC	1) 2)	2023	Mizuho International Plc
JPY	1,000	7	100.000 %	PRDC	1) 5)	2033	JP Morgan Securities Ltd
JPY	1,000	7	100.000 %	PRDC	1) 5)	2033	Nomura International Plc
USD	75	18	26.900 %	0.000 %	1)	2025	ABN AMRO Bank N.V.
USD	20	18	100.000 %	0.000 %	1) 3)	2033	JP Morgan Securities Ltd
JPY	1,000	7	100.000 %	PRDC	1) 5)	2033	JP Morgan Securities Ltd
JPY	1,300	10	100.000 %	PRDC	1) 2)	2033	Citigroup Global Markets Ltd
HKD	130	15	100.000 %	5.300 %		2016	Bank of America Asia Ltd
JPY	1,000	8	100.000 %	PRDC	1) 2)	2033	JP Morgan Securities Ltd
USD	40	34	100.000 %	4.000 %		2009	Nomura International Plc
USD	25	21	100.000 %	0.000 %	1) 3)	2033	Citigroup Global Markets Ltd
PLN	70	15	100.000 %	CMS	4)	2013	Merrill Lynch Int/Bank Przemyslowo-Handlowy PBK SA.
USD	100	79	100.000 %	3.880 %		2009	Tokyo-Mitsubishi International Plc

1) Callable.

2) Linked to JPY/USD rate.

3) Redemption price substantially above par.

4) Floating rate.

5) Linked to JPY/AUD rate.

6) Interest payment in EUR or USD.

7) Linked to JPY/EUR rate.

8) Equity linked.

NORDIC LOANS 2003

LOANS AGREED AND DISBURSED BY SECTOR

Loans agreed but not disbursed are included in the customer list but have not been quantified.
The customers listed have consented to publication.

Sector/Customer	*Project*	*Disbursed EUR million*	*Percentage of total disbursements*
MANUFACTURING INDUSTRY		**533.5**	**42%**
Food and drink industries		**108.8**	**9%**
Arla Foods AB, Sweden	Investments in a new dairy in Vimmerby, which will handle a large part of the company's milk powder production in Sweden.		
Cerealia AB, Sweden	Acquisition of the Danish Schulstad baking company, an important Scandinavian supplier of fresh bread.		
Danish Crown A.m.b.a., Denmark	Environmental investments in existing slaughterhouses and in a new one at Horsens, Denmark.		
Wood, pulp and paper		**156.0**	**12%**
Biko-Lat Inc., Latvia	Rebuilding of a timber production facility in Latvia.		
Ahlstrom Corporation, Finland	Acquisition of a Swedish company manufacturing fibre-based materials. This is part of a bigger acquisition, namely of the American Dexter company's fibre-based materials production.		
Billerud AB, Sweden	Investments in 2004–2006 in measures to improve environmental performance, mainly at the Gruvön Mill in Sweden, where the biggest single project concerns improved external effluent treatment.		
M-real Corporation, Finland	Environmental investments at the Husum papermill in Sweden. A new biological treatment facility is under construction next to the mill's landfill site.		
SCA Coordination Center N.V., Belgium	Investments in measures to improve environmental performance, including wastewater treatment in a pulp mill, a new bleaching plant at a papermill and a sludge boiler at a tissue mill. The boiler will convert sludge from papermaking into energy.		
Sveaskog AB, Sweden	Investments at an integrated pulp and board mill at Frövi, Sweden, which will substantially reduce environmental impact, through both greater efficiency and capacity exploitation and by reducing emmissions to air and water.		
UPM-Kymmene Corporation, Finland	Environmental investments in a pulp mill in Pietarsaari, Finland.		
Chemicals and minerals		**136.9**	**11%**
Nynäs Petroleum AB, Sweden	Investments in new storage tanks and a fully automatic petroleum products piping system in Nynäshamn. The investments will mean less energy consumption, reduced emissions and improved safety.		
Kemira Oyj, Finland	Acquisition of the American Vinning company, which produces chemicals for the paper industry.		
Heidelberg Cement Financial Services AB, Sweden	Investments to develop and streamline facilities in Northern Europe and reduce their environmental impact. The environmental investments comprise flue gas filters, fuel handling and waste management facilities.		
Paroc Group Oy Ab, Finland	The Paroc Group, which manufactures stone wool insulation products, is modernising and enlarging a factory in Poland. The investment will mean greater output volumes and improved environmental performance.		

Metals		**40.0**	**3%**
Elkem ASA, Norway	Acquisition of majority holding in the Swedish aluminium company Sapa AB. Through the acquisition, Elkem, whose products include primary aluminium, will extend its operations to include value-added aluminium products.		
Engineering		**91.9**	**7%**
Autoliv AB, Sweden	Financing of R&D in five principal fields: seat belts, air bags, side impact protection, anti-whiplash seats (AWS) and roll-over protection systems.		
Systemair AB, Sweden	Acquisition of a Swiss company, which will give Systemair increased market shares and provide additional sales for the output of the Nordic manufacturing units.		
Volvo Treasury AB, Sweden	Financing of R&D for new HGV models and for new, environmentally friendly marine diesel engines. Focal points of development work include leaner engines and compliance with stricter European and American exhaust gas requirements.		
Wärtsilä Corporation, Finland	Company acquisitions in Denmark, Norway and Sweden, and investments in the servicing and maintenance of large diesel engines and ships.		
ENERGY AND MINERAL EXTRACTION		**446.2**	**35%**
Arctic Wind AS, Norway	Construction of a wind farm at Havøygavlen in Norway. Located on the 71st parallel, this will be the northernmost wind farm in the world.		
Dong A/S, Denmark	Financing of company acquisition in Norway, and investment in a share of a wind farm in Nysted.		
E-Co Energi AS, Norway	Hydro power enlargement in the Øvre Otta river system, Norway.		
Elkraft System A.m.b.a., Denmark	Construction of national grid links and power transmission reinforcement between the Rødsand off-shore wind farm and the power transmission system in south Zealand.		
Fingrid Oyj, Finland	Investments in Finland's national grid, comprising both new facilities and upgrading of the existing network.		
Fortum Corporation, Finland	Two loans were disbursed to Fortum during the year: one for the acquisition of a shareholding in Swedish Birka Energi AB, and the other for power and district heating production plant investments in Högdalen, Sweden.		
Hafslund ASA, Norway	Investments in the company's power distribution network in southeast Norway.		
Kokkolan Voima Oy, Finland	Construction of a biofuelled power production plant in Kokkola, Finland. The whole of the plant's power and heating output is used by the City of Kokkola.		
Norðurorka, Iceland	Investments in district heating pipelines in Hjalteyri and in a distribution network between Akureyri and the neighbouring municipality of Svalbardsstrandahreppur. District heating is used for both power and heating production.		
Nova Naturgas AB, Sweden	Enlargement of the West Sweden natural gas distribution network from Gothenburg to Stenungsund, and in a branch pipeline for Bohus, supplying natural gas to the energy-intensive petrochemical plants in these communities.		
NVE Netvirksomhed A/S, Denmark	Underground placement of 3,000 km overhead power lines. The investment will make distribution less vulnerable to rough weather and will enhance the quality of the visual environment.		
Orkuveita Reykjavíkur, Iceland	Financing of enlargement of the Nesjavellir geothermal power station, which supplies both electrical power and district heating to the Reykjavik region.		
Rafmagnsveitur ríkisins (RARIK), Iceland	Power distribution investments, including the renewal of ageing high voltage power lines and the substitution of overhead power lines for ground cables.		

Skagerak Energi AS, Norway	Investments in distribution networks, power production and district heating. This power company supplies electric power to the important industrial region of Grenland in south Norway.		
Statkraft SF, Norway	Investments in the enlargement and improvement of a hydro power facility in south Norway.		
Suomen Hyötytuuli Oy, Finland	Construction of a new wind farm outside Raahe, Finland.		
CONSTRUCTION		**5.0**	**0%**
Orkdalsvegen AS, Norway	New road construction of part of the European highway E 39 in Trøndelag, Norway. This is Norway's first public-private partnership (PPP) project.		
Tønsberg hovedvegfinans AS, Norway	Road network enlargement in Tønsberg.		
YIT Corporation, Finland	Acquisition of ABB's Building Systems, with operations in the Nordic area, the Baltic countries and Russia.		
TRADE AND SERVICES		**114.7**	**9%**
Gambro AB, Sweden	Dialysis R&D, aimed at guaranteeing safe, high-quality treatment, optimising treatment times and alleviating adverse effects of the treatment.		
Kesko Corporation, Finland	Establishment of food stores, hardware stores and building material stores in Latvia.		
TRANSPORT AND COMMUNICATIONS		**64.7**	**5%**
Telia Sonera AB, Sweden	Investments, through subsidiaries in Norway, in base stations, controls, aerials, masts, exchanges and networks for transmission and service.		
BANKING AND FINANCE		**112.5**	**9%**
Finnish Fund for Industrial Cooperation Ltd, Finland	Financing of Nordic projects.		
Kaupthing Bunaðarbanki hf, Iceland	Financing of Icelandic SME projects of Nordic interest.		
Landsbanki Íslands hf, Iceland	Financing of Icelandic SME projects of Nordic interest.		
Ringkjøbing Landbobank A/S, Denmark	Financing of Danish SME investments, mainly in wind turbines, and environmental investments in agriculture.		
Sparebanken Sogn og Fjordane, Norway	Financing of Norwegian SME projects of Nordic interest.		
Sparebanken Vest, Norway	Financing of Norwegian SME projects of Nordic interest.		
Vestjysk Bank A/S, Denmark	Financing of Danish SME investments, mainly in wind turbines, and environmental investments in agriculture.		
REGIONAL LOANS		**0.2**	**0%**
Government of Åland, Finland	Regional loan.		
TOTAL NORDIC LOANS 2003		**1,276.8**	**100%**

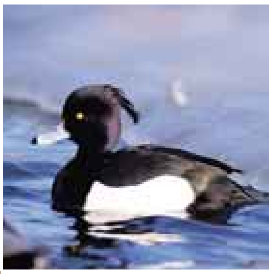
Due to rounding, the total amount may differ from the sum total of the individual figures.

INTERNATIONAL LOANS 2003

LOANS AGREED BY REGION

			Agreed
Africa and Middle East			*EUR million*
Egypt	Al Quseir Hotel Company S.A.E.	Loan for construction and operation of a hotel by the Red Sea	4.1
Jordan	Hashemite Kingdom of Jordan	Three supplementary loans for air safety project	3.2
Tunisia	Tunisie Telecom	Loan programme for continued investments in telecommunications	50.0
Turkey	Republic of Turkey	Loan for water distribution project	9.2
Asia			
China	People's Republic of China	Loan programme for investments in the health care sector	37.3
China	People's Republic of China	Loan programme for investments in the environmental sector	46.7
India	Bharti Cellular Limited	Loan for investments in mobile telephone networks	28.4
Vietnam	Socialist Republic of Vietnam	Supplementary loan for investments by Electricity of Vietnam	4.2
Baltic countries and Poland			
Estonia	Krenholm Holding, AS	Supplementary loan for investments in clothing industry	0.5
Estonia	City of Tallinn	Loan for municipal infrastructure projects	20.0
Estonia	Viru Center, AS	Loan for investments in a shopping centre in Tallinn	6.0
Latvia	Latvenergo, SJSC	Loan for investments in the energy sector	51.5
Latvia	City of Riga	Loan for municipal infrastructure projects	38.8
Lithuania	Šiaulių Bankas, AB	Loan programme for promotion of women's enterprise	0.5
Central and Eastern Europe			
Romania	Transelectrica S.A.	Loan for rehabilitation of transformer station in Rosiori	13.3
Romania	Transelectrica S.A.	Loan for rehabilitation of transformer station in Slatina	17.4
Russia	Nordvod, LLC	Loan for completion of the Southwest wastewater treatment plant in St. Petersburg	45.0
Russia	Vneshtorgbank, JSC	Loan programme for environmental projects	20.0
Latin America			
Brazil	Banco Itaú BBA S.A.	Loan programme for investments in various sectors	16.9
Brazil	Unibanco – União de Bancos Brasileiros S.A.	Loan programme for investments in various sectors	16.9
Brazil	Veracel Celulose S.A.	Loan for investments in a paper pulp project	56.7
Mexico	Sercotel, S.A. de C.V.	Loan for investments in mobile telephone networks	14.1
Peru	Corporación Financiera de Desarollo S.A. (COFIDE)	Loan programme for investments in various sectors	27.8
Venezuela	Bolivarian Republic of Venezuela	Loan for border control project	2.2
Regional	Central American Bank for Economic Integration (CABEI)	Loan programme for investments in various sectors in several countries	26.5
TOTAL INTERNATIONAL LOANS 2003			**557.1**





From the top:
Anas clypeata
Mergus serrator
Aythya fuligula
Aythya ferina
Anas crecca

ABBREVIATIONS

CEB	Council of Europe Development Bank
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
EIB	European Investment Bank
HIPC programme	Programme for the most indebted countries in the world (Heavily Indebted Poor Countries). The programme is being operated in close partnership with other multilateral financial institutions, with the World Bank responsible for coordination and administration.
IAS 39	Standard for the accounting of financial instruments (Financial Instruments: Recognition and Measurement). Under IAS 39 all derivatives are recognised on the Balance Sheet and a greater number of financial instruments in the Balance Sheet are carried at fair value.
IFC	International Finance Corporation. Member of the World Bank Group, which finances private sector projects.
IFRS	International Financial Reporting Standards as adopted by the International Accounting Standards Board (IASB). See further the Notes to the Financial Statements, p. 48.
m	million(s)
NDEP	Northern Dimension Environmental Partnership. See further the section on The Neighbouring Areas, pp. 26-28.
NDF	Nordic Development Fund
NEFCO	Nordic Environment Finance Corporation
Sida	Swedish International Development Cooperation Agency. Government agency for bilateral international development cooperation and most of Sweden's cooperation with Central and Eastern Europe.

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