



NORDIC
INVESTMENT
BANK

FINANCING
THE
FUTURE

Annual Review 2014



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NIB in 2014

Elina Aartola-Mäkelä, Deputy Head of Corporate & Project Analysis

"Due to the long-term nature of our loans, we are as committed to our clients during downturns in their business cycles as we are during good times. Identifying risks and trying to predict how the operating environment may develop in the coming years is challenging. That is what makes our work so interesting."



HIGHLIGHTS 2014

- Lending activities developed positively despite a subdued investment climate.
- NIB's profit amounted to EUR 210 million.

PROSPECTS 2015

- NIB expects to further enhance its relevance to customers.
- Needs for investments that align naturally with NIB's mission is seen to remain high.

Key figures

[in EUR million unless otherwise specified]	2014	2013
Net interest income	239	244
Profit/loss	210	217
Loans disbursed	2,274	1,922
Loans agreed	2,389	1,810
Loans outstanding	15,156	14,667
Guarantee commitments	-	-
New debt issues	3,361	4,080
Debts evidenced by certificates	19,446	18,421
Total assets	24,870	23,490
Equity/total assets [%]	12.0	12.1
Profit/average equity [%]	7.2	7.9
Number of employees (average during year)	186	183

President's review

At NIB, we provide long-term loans to our customers. We do not finance just any project; our loan projects must contribute to improving competitiveness or the environment. That is the mission we have been given by our Nordic and Baltic owner countries.

In 2014, we signed 45 new loan agreements and paid out EUR 2.3 billion. Our largest loan sector was industries and services where a substantial part went to R&D projects. One example is the upgrading of the Swedish space centre in Kiruna to meet the increasing demand for access to space.

The second largest sector was energy and environment, with projects ranging from a liquefied gas terminal at the Port of Klaipeda, a wind farm near the city of Vaasa, and modernisation of a hydropower plant in Skien.

Most of NIB's loans have maturities between eight and 20 years, so this is long-term financing for sustainable long-term growth.

You can read about our projects and how to obtain a loan on our website at www.nib.int.

The Nordic Investment Bank recorded a profit of EUR 210 million in 2014.

For 2015, we expect a continued abundance of liquidity in the financial markets and moderate economic growth in the region. We therefore forecast to pay out loans at the same level, or somewhat lower than in 2014.

We will continue to work towards a prosperous and sustainable Nordic-Baltic region in cooperation with our partners.

Henrik Normann

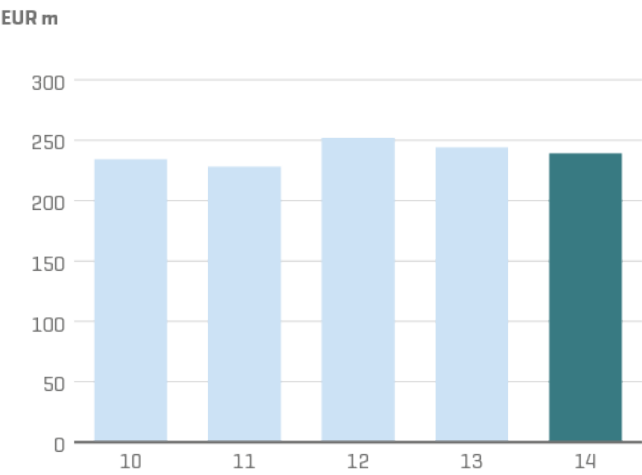
President and CEO

Five-year comparison

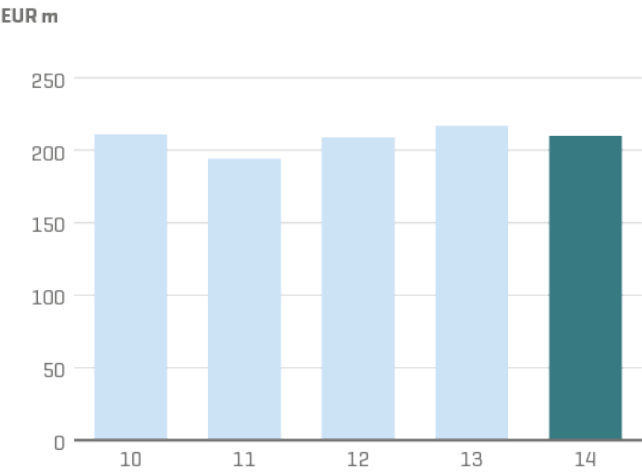
AMOUNTS IN EUR MILLION	2014	2013	2012	2011	2010
STATEMENT OF COMPREHENSIVE INCOME					
Net interest income	239	244	252	228	234
Commission income and expense etc.	7	10	17	19	20
General administrative expenses, depreciation and write-downs	-41	-39	-38	-37	-36
Realised and unrealised gains/losses of financial assets held at fair value	26	15	36	9	27
Impairment of loans and bonds held at amortised cost	-21	-15	-56	-24	-38
Adjustment to hedge accounting	-1	2	-1	-2	5
Profit/loss for the year	210	217	209	194	211
STATEMENT OF FINANCIAL POSITION					
Assets					
Cash and cash equivalents, placements and debt securities	7,158	7,131	8,092	6,788	7,957
Loans outstanding	15,156	14,667	15,131	14,153	13,771
Intangible and tangible assets	34	35	34	35	37
Accrued interest and other assets	2,523	1,657	2,726	2,826	3,133
Total assets	24,870	23,490	25,983	23,802	24,898
Liabilities and equity					
Amounts owed to credit institutions	872	372	1,609	1,597	1,275
Debts evidenced by certificates	19,446	18,421	20,332	18,433	19,944
Accrued interest and other liabilities	1,567	1,866	1,377	1,315	1,417
Paid-in capital	419	419	419	419	419
Statutory Reserve	686	686	686	684	683
Credit risk funds	1,671	1,509	1,352	1,158	947
Payments to the Bank's Statutory Reserve and credit risk funds, receivable	-	-	-	3	5
Other value adjustments	-	-	-	-	-3
Profit/loss for the year	210	217	209	194	211
Total liabilities and equity	24,870	23,490	25,983	23,802	24,898
ACTIVITIES					
Disbursements of loans	2,274	1,922	2,355	1,946	1,274
Guarantees issued	-	-	-	-	-
Loans outstanding at year-end	15,156	14,667	15,131	14,153	13,771
Guarantee commitments at year-end	-	-	-	4	8
New debt issues (including capitalisations)	3,361	4,080	4,355	2,887	4,120
Number of employees (average during year)	186	183	180	175	173

Graphs 2010-2014

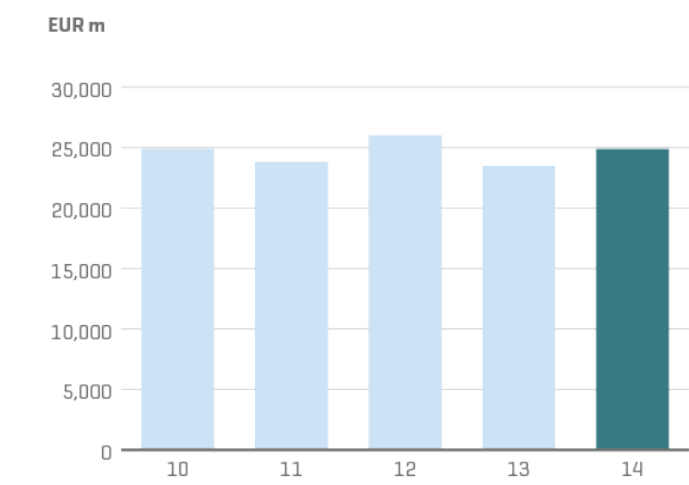
Net interest income



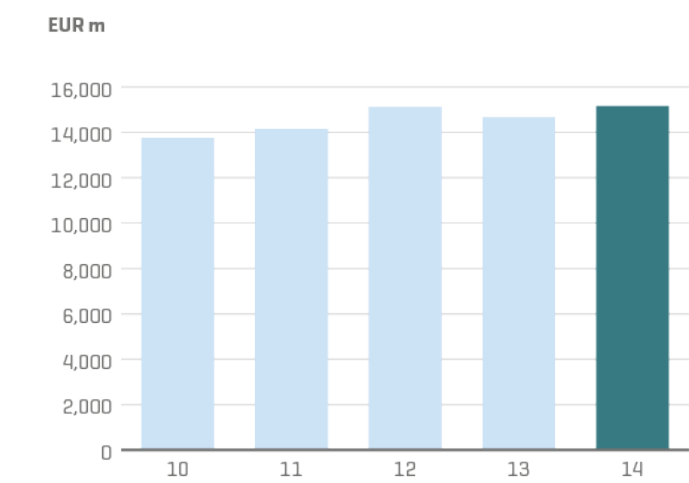
Profit/loss



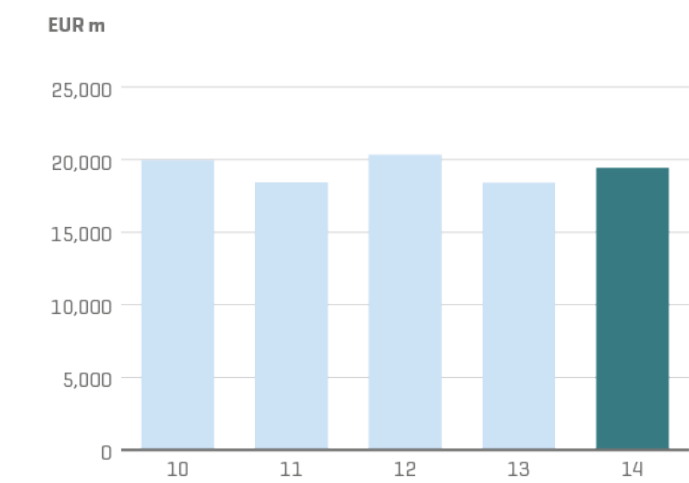
Total assets



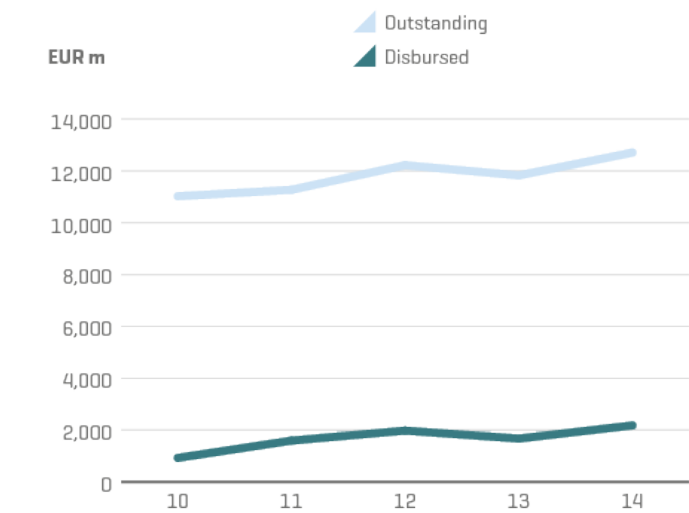
Loans outstanding



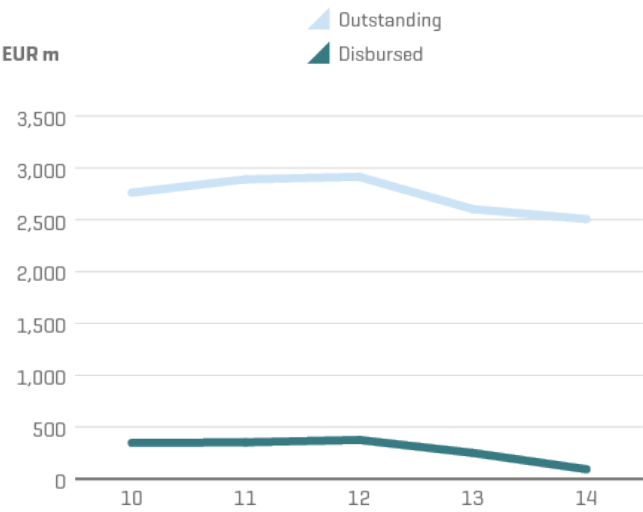
Borrowings outstanding



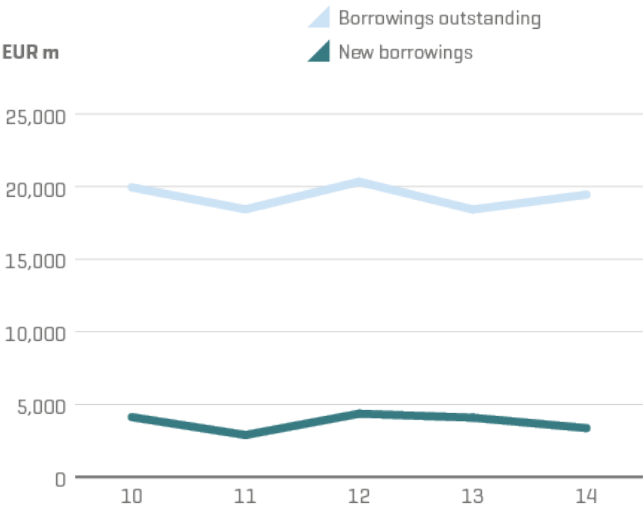
Loans in member countries



Loans in non-member countries



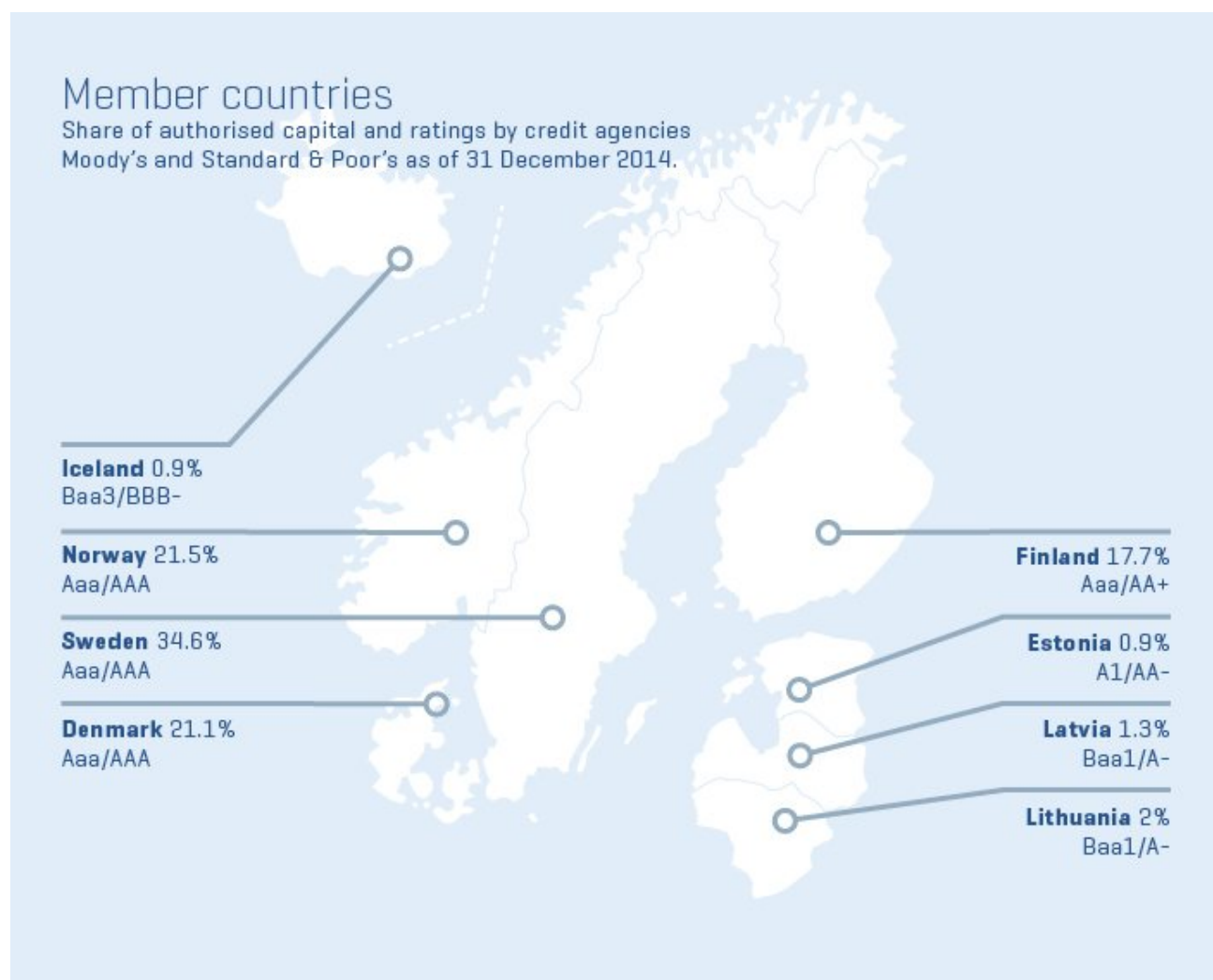
Borrowings



Capital structure

NIB's authorised capital was EUR 6,141.9 million as of 31 December 2014. The paid-in capital at the end of the year amounted to EUR 418.6 million. The remainder of NIB's authorised capital is subject to call if the Bank's Board of Directors deems it necessary for the fulfilment of the Bank's debt obligations.

NIB's member countries have subscribed to the Bank's authorised capital and guaranteed the special loan facilities in proportion to their gross national incomes. The countries' share of the authorised capital is shown on the map of member countries.



The Bank's ordinary lending ceiling corresponds to 250% of the authorised capital and accumulated general reserves. After the appropriation of profits from the financial year 2014, in accordance with the proposal made by the Board of Directors, the ordinary lending ceiling amounts to EUR 20,646 million.

In addition to ordinary lending, NIB has two active special lending facilities. The Project Investment Loan facility (PIL) amounts to EUR 4,000 million. The member countries guarantee 90% of each loan under the PIL facility up to a total amount of EUR 1,800 million. The Bank, however, will assume 100% of any losses incurred 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 be able to call the member countries' guarantees.

CAPITAL STRUCTURE

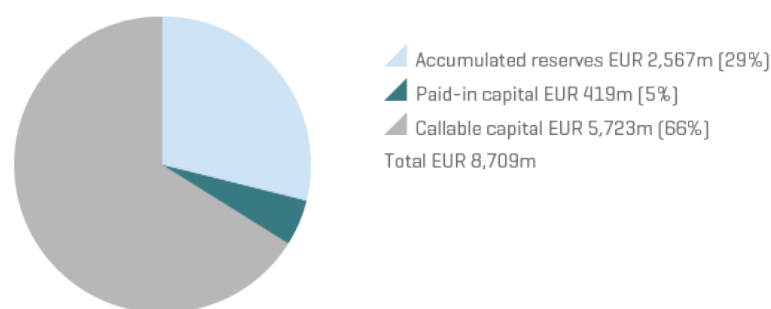
The second special facility, the Environmental Investment Loan facility [MIL], currently amounts to EUR 281 million. The Bank's member countries guarantee up to 100% of loans outstanding under MIL.

See Note 8 in the Financial Report for a more detailed presentation of the loan facilities, the guarantee structure and distribution.

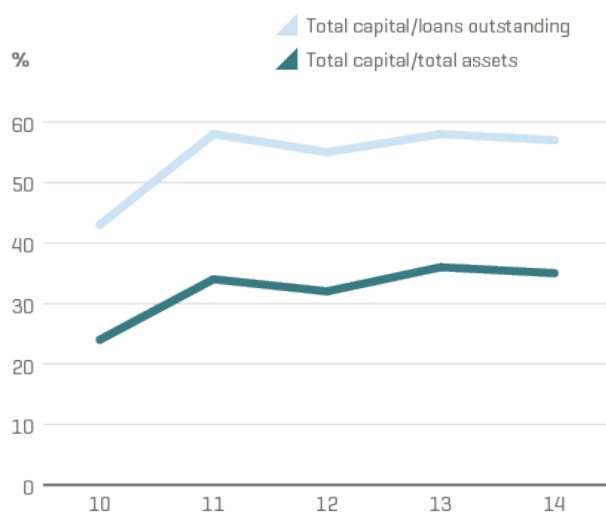
In view of the Bank's strong capital base, the quality of its assets and its status as an international financial institution, the leading international rating agencies, Standard & Poor's and Moody's, have accorded NIB the highest possible issuer credit rating, AAA/Aaa, for long-term obligations and A-1+/P-1, respectively, for short-term obligations. NIB obtained the highest possible credit rating in 1982. Since then, the Bank has maintained this credit rating without interruption.

Capital base

%, as of 31 Dec 2014



Capital ratios



Economic landscape

Global economic performance was somewhat uneven in 2014. While the US and UK economies continued to gain strength, most of continental Europe was stagnating. Increasingly divergent monetary policy anticipations also led to important currency swings, with the US currency appreciating broadly and steadily.

From mid-2014 onward, the price of crude oil started to slip substantially, with important but vastly different repercussions across the globe. While lower oil prices are positive for net importers and consumers, price volatility is costly; it disrupts long-term investment and currently comes within the context of increased geopolitical turmoil as well as significantly weaker prospects in Russia.

The economic knock-on effect is being felt in Finland, where the economy is estimated to have contracted for a fourth consecutive year in 2014, likely to be followed by another weak performance in 2015.

More broadly in the Nordic–Baltic region, economic growth was fairly weak in 2014, estimated at 1.5%. While many of the region's individual economies fared slightly better, key regions and sectors stagnated. Moreover, much of the growth was supported by consumers and residential investments rather than exports or business investment.

On the positive side, the economy in Sweden is set to grow by 2.5% in 2015, up from an estimated 1.8% growth in 2014. Denmark's economy also looks likely to grow 1.5% in 2015 from an estimated growth of 0.8% in 2014.

Heading into 2015, moderate economic performance is forecast to be largely unchanged in the Baltic countries, where the pull of convergence growth is being counterweighted by negative developments emanating from Russia.

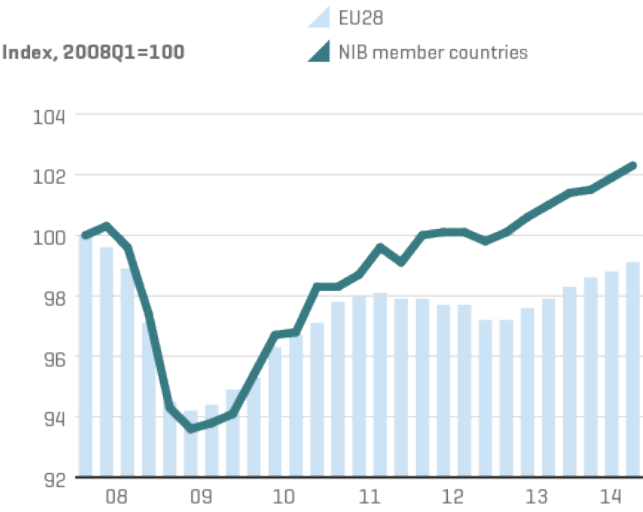
Meanwhile, the Icelandic economy continues its gradual improvement.

In Norway, investments in oil-related activity are being curtailed, and the Norwegian economy looks likely to grow by less than 1.5% in 2015.

Substantial headwinds and downside risks remain which may prevent activity from picking up more significantly. Few governments are in a position to noticeably stimulate their economies. Commercial banks continue to focus on short-term, low-risk credit and earnings retention.

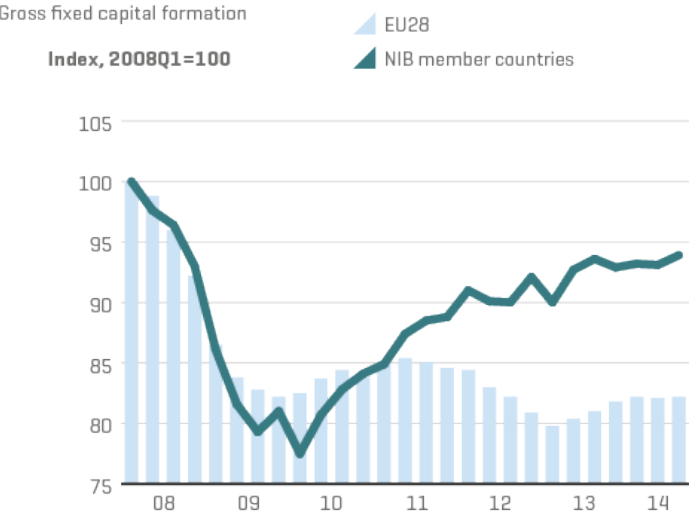
All told, however, the lower oil price nonetheless helps balance the risks to the global economy; it provides an unexpected stimulus to the major engines of the global economy and to a European economy desperate for good news. It also leaves plenty of room for a continuation—and in some cases, like the ECB, an expansion—of monetary policy accommodation. Barring negative geopolitical developments, this could set the stage for healthy corporate investment demand, but appears more likely to continue favouring consumer-led growth over the next few years.

Real GDP



Source: Eurostat

Real investments



Source: Eurostat

Our impact

Vagn Lundhøj, Senior Manager, Origination

"All our loans are rated according to how well they fulfil our mission. The share of loans that achieved a rating of 'good' or 'excellent' was 94% in 2014."



HIGHLIGHTS 2014

- NIB contributed to a reduction in CO₂ emission of 261,000 tonnes.
- NIB financed renewable electricity or heat projects with an annual generation of 1,775 GWh.

PROSPECTS 2015

- NIB continues to engage with its stakeholders.
- NIB will conduct a new stakeholder survey in 2015.

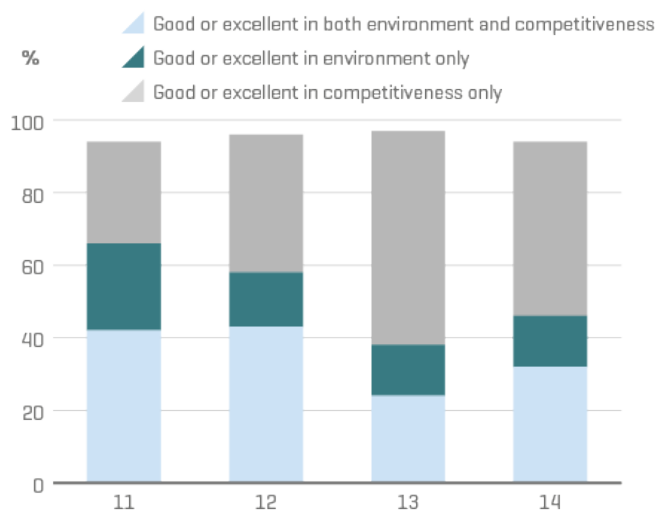
Mission fulfilment

NIB’s mission is to finance projects that improve the competitiveness and environment of the Nordic and Baltic countries. In 2014, NIB signed 45 new loan agreements and reviewed all its loan projects. The reviews entail assessing the mission fulfilment of each project, including social, economic and environmental aspects.

Based on the reviews, the Bank rates all its loan projects according to how they comply with the mission. For 2014, the share of agreed loans reaching NIB’s internal mission fulfilment of ‘good’ or ‘excellent’ was 94%.

The Nordic Investment Bank is the international financial institution of the Nordic and Baltic countries. The Bank adds value and complements commercial lending to help ensure sustainable growth.

Mandate rating



Improving competitiveness

In 2014, NIB financed a considerable number of projects in the Nordic–Baltic member area.

A significant proportion of the projects were related to innovation, technology, research and development, productivity-enhancing investments in machinery, equipment and information, and technology solutions for manufacturers and service providers.

A loan signed with Chalmersfastigheter AB to construct two new facilities at the Johanneberg campus of the Chalmers University of Technology in Gothenburg, Sweden, will strengthen the connection between industry and academic research. The purpose is to develop a collaborative environment for the exchange of ideas and knowledge between academia, industry and society.

NIB's loan to Borregaard ASA in Norway supports further research and development of applications and technologies offering alternatives to oil-based products in the construction, agriculture, food and beverage, and transportation industries. The R&D activities of Borregaard ASA strengthen the company's product range and contribute to the knowledge base of the wood-based chemicals industry in the Bank's member area.

The financing of Klaipėdos Nafta AB for the construction of a liquefied natural gas terminal in Lithuania will allow the country to import natural gas from several suppliers. This increases the security of gas supply and creates a more competitive market for Lithuania. Before the terminal was built, Lithuania purchased all of its natural gas via a pipeline from a single supplier and paid among the highest prices in the European Union.

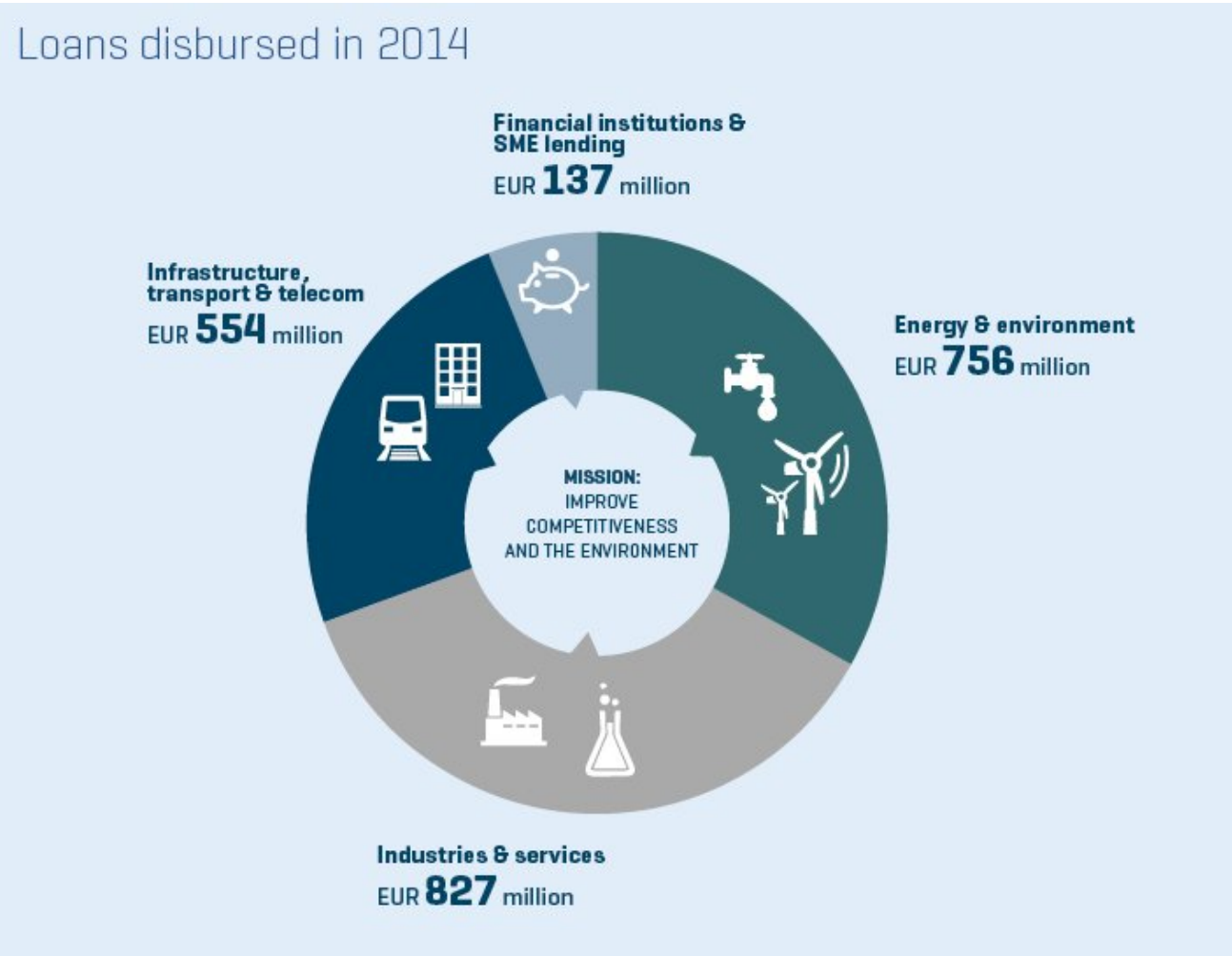
NIB and Isavia Ltd signed a loan of EUR 32 million to increase the capacity of Keflavik International Airport in Iceland. The project will improve the airport's service reliability and allow for higher flight frequency during peak times. The benefits of removing capacity constraints are widely distributed, mainly through the tourism industry.

The Bank extended a number of loan programmes to financial intermediaries for onlending to small and medium-sized enterprises [SMEs]. Facilitating access to financing for SMEs is an important channel for increasing productivity and employment, given their large contribution to the Nordic and Baltic economies. The funds are used for investments in tangible capital, such as machinery, equipment and information and communications technology, as well as research and development.

Financing projects that raise the long-term productive potential of the Nordic–Baltic region is the most direct way for NIB to increase prosperity and sustainability. The competitiveness of a region generally improves with a relative reduction in labour costs or increases in labour productivity. The Bank therefore assesses the competitiveness of each project by how they contribute to improving efficiency and productivity.

To improve the competitiveness of its member countries, NIB-financed projects should support productivity growth through:

- technical progress and innovation;
- development of human capital;
- improvements in infrastructure;
- increased market efficiency.



Improving the environment

In 2014, NIB issued loans to several projects that increase the production of renewable energy. The Bank financed the Skellefteå Stadshus' Blaiken wind farm in Sweden, Akershus Energi's project to upgrade the Klosterfoss hydropower plant in Norway, and AB Fortum Värme Holding and the City of Stockholm's new biofuel combined heat and power plant in Stockholm.

The Bank also financed projects that improve energy efficiency. NIB financed S-ryhmän logistiikkakeskus's logistics centre in Finland, which is aiming for BREEAM certification—a widely used environmental assessment method to evaluate the sustainability performance of buildings. NIB issued another loan to finance a new slaughterhouse in Norway that will increase slaughtering capacity by 30% annually, while simultaneously decreasing energy usage by almost 30%.

Resource efficiency is key in dealing with climate change and in achieving the EU's 2050 target to reduce greenhouse gas emissions by 80–95% compared to 1990 levels. In order to increase resource efficiency, we need further technological development along with significant improvements in energy, industrial, agricultural and transport systems, as well as changes in the behaviour of both producers and consumers.

NIB also aims to protect the environment and ecosystems. The Bank provided a loan for the extension and rehabilitation of a wastewater treatment plant in Kapellskär, and the construction of sewer lines in the town of Norrtälje, both in Sweden. The design of the plant follows the recommendations developed by the Baltic Marine Environment Protection Commission [HELCOM].

In 2014, NIB gave a loan to improve **the wastewater treatment plant** and to **construct sewer lines** in Swedish archipelago communities.





This loan increases access to the sewerage service to **15,000 connections** from 1,900.

Development of clean technology is also an important element in a successful transition to a low-carbon economy. NIB signed a loan with Danfoss A/S to finance R&D investments in its climate and energy business segment in Denmark and Sweden. The project focuses on energy-efficient solutions that save energy and costs along with reducing CO₂ emissions. The knowledge is used to further improve the efficiency of inverters for solar and wind, control valves, heat pumps and compressors.

Environmental issues are inherent in NIB's daily activities and integrated into the Bank's overall management systems. The Bank's environmental analysts and loan officers work in close cooperation to identify and assess loan projects with environmental benefits.

When assessing the environmental impacts of loan projects the analyses focus on:

- improvements in resource efficiency;
- developing a competitive, low-carbon economy;
- protecting the environment and its ecosystem services;
- developing clean technology.

Greenhouse gases and other environmental parameters

NIB calculates all greenhouse gas emissions from its projects, either directly via fuel combustion or production process emissions, or indirectly through purchased electricity and heat. The Bank's management and Board of Directors consider these as part of the loan decision process.

NIB is part of the International Financial Institution Framework for a Harmonised Approach to Greenhouse Gas Accounting. The framework aims to harmonise the approach for quantification and reporting of the carbon footprints of mitigation projects.

The Bank estimates it has contributed to a reduction in carbon dioxide emissions of 261,000 tonnes through the projects it financed in 2014.

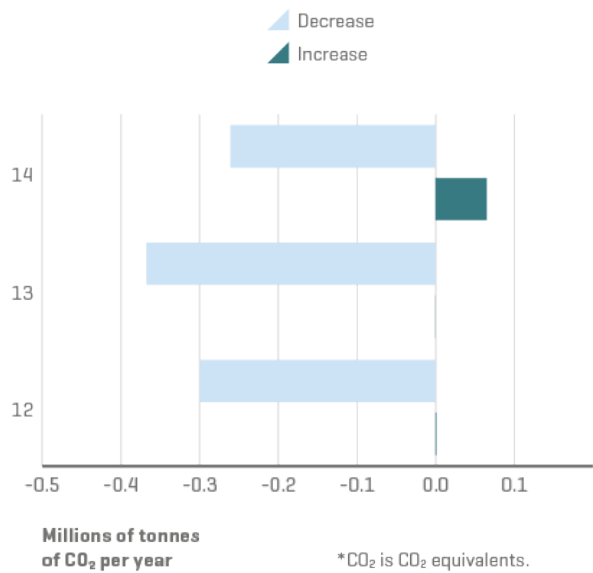
Klaipėdos Nafta’s LNG terminal project was the single largest contributor of increased carbon dioxide emissions in 2014. NIB’s financing of renewable energy projects, such as wind power, bioenergy and existing hydropower, contributed the most to decreasing greenhouse gas emissions in 2014.

Renewable energy projects financed by NIB in 2014 contributed to an increased annual generation of electricity/heat of 1,775 GWh. This corresponds to 2.6% of Finland’s annual electricity production.

The Bank had one project leading to a reduction of discharges to the Baltic Sea in 2014. The annual load reduction is expected to be around 50 tonnes of nitrogen and two tonnes of phosphorus.

The charts below summarise the climatological impact of the Bank’s financing.

CO₂* impact of NIB's financing



Sustainability management

NIB's Sustainability Policy and Guidelines cover the environmental, social and ethical aspects of sustainable development. The policy guides NIB to improve the predictability, transparency and accountability of all its actions. The Bank's sustainability approach enhances the competitive advantage of NIB's clients and the economic growth of all member states.

NIB's work on sustainability management is led by the Bank's Chief Compliance Officer (CCO) and the Head of Sustainability and Mandate.

Environmental aspect

NIB aims to achieve improved sustainability in all of its business areas. This is done by financing projects with direct and indirect environmental benefits and high environmental performance.

The Bank assesses the environmental and social impacts of all loan applications for consistency with the Sustainability Policy and Guidelines. A proposed project can be rejected due to non-compliance with the policy. The policy also includes an exclusion list with activities not eligible for financing.

However, NIB recognises that adverse environmental and social impacts cannot be avoided in all projects; they must be appropriately reduced, mitigated or compensated for. The CCO handles complaints of non-compliance with the Sustainability Policy and Guidelines.



Social aspect

NIB believes in the good management of human resources. Respect for workers' rights and freedom of association are seen as basic elements of good business practice. The Bank does not accept discrimination based on gender, race, nationality, ethnic origin, religion, disability, age or sexual orientation.

Furthermore, NIB requires its clients to comply with international standards for the employment of minors. The use of forced labour is not accepted by NIB. Sound management of health and safety issues among workers and communities is essential for the productivity and efficiency of the business, as is respect for their livelihood.

NIB has a duty to pursue a high level of integrity, transparency and accountability in its operations. These principles are part of NIB's mission and are reflected in the Bank's policies and procedures. Integrity and accountability ensure that NIB is acting in its own and stakeholders' best interest. NIB aims to be transparent in all of its operations and continually provide its stakeholders with relevant information.

Ethical aspect

The Bank has adopted a zero-tolerance attitude towards corruption. The staff and members of the Board of Directors and the Control Committee act ethically and in accordance with the codes of conduct.

Environmental footprint

NIB works continuously to improve its environmental management system. During 2014, the Bank improved its internal operations by applying further best practices in environmental management.

The Bank is a member of the Green Office programme of the World Wide Fund for Nature (WWF). The programme motivates staff to act in an environmentally friendly way in their everyday tasks. This has improved both environmental awareness and cost efficiency.

An external energy audit of the Bank's office premises conducted in 2013 identified energy saving possibilities which have now been implemented. The result can clearly be seen already after only one year. The total energy reduction for 2014 was 8%, compared to a reduction of 7% in 2013. The most significant reduction during 2014 was achieved in district heating, where consumption was reduced by 10%.


The Bank purchases the electricity for its premises from clean and renewable energy sources. In 2013, the main source was energy from hydropower, but in 2014 we moved over to 100% wind energy. The origin of the electricity is guaranteed by the European Energy Certificate System.

NIB also buys cleaning and recycling services that are certified by the official Nordic Ecolabel introduced by the Nordic Council of Ministers.

In order to encourage the use of public transport among our employees, the Bank offers commuter benefit coupons. The number of staff members using the coupons was 150 in 2014.

NIB has appropriate waste management and waste handling procedures for sorting its main types of waste: energy, mixed, bio-, cardboard, metal, glass and hazardous waste, including electronic waste and ink cartridges. All waste fractions are recycled. NIB initiated a new programme in 2014 to further improve its waste handling and reporting.

NIB's direct environmental impact:

	2012	2013	2014	change from previous year %
 Electricity [MWh]	1,486	1,459	1,352	-7%
District heating [MWh]	1,784	1,499	1,347	-10%
District cooling [MWh]	357	429	422	-2%
Energy total [MWh]	3,627	3,387	3,121	-8%
 Water [m3]	3,101	2,754	2,507	-9%
 Business travel, air [million km]	4.9	5.1	4.2	-18%
Business travel, CO ₂ [tonnes]	632	645	536	-17%
 Commuter benefit coupons (signed for number of persons)	132	152	150	-1%
 Paper [tonnes]	9	9	7	-22%
Paper recycled [tonnes]	16	16	12	-25%
Other waste [tonnes]	14	18	15	-17%

Our stakeholders

NIB maintains open and continuous dialogue with its owners and key counterparties. The main stakeholders are our customers, investors, political decision-makers and public administrations, and our staff.

The Bank conducts a stakeholder survey among its key stakeholders every three years. NIB seeks to follow up on the findings to best meet our shareholders' expectations. The next stakeholder survey will be done in 2015.

According to the latest results from 2012, NIB has maintained its very good reputation when compared with results from a survey in 2009. The 2012 survey showed that long-term loans add the greatest value for NIB's lending customers. Public authorities emphasise the need to support Nordic-Baltic projects and sustainability in the region. Investors value the Bank's highest possible credit rating, safety and stability.

NIB also conducts a job satisfaction survey among its staff every second year. The next survey will be done in 2015. The purpose is to assess the wellbeing and functionality of the working community.

	Key stakeholders	Modes of interaction	2014 activity examples
Customers	Private and public companies, institutions, municipalities, sovereign countries, banks and other IFIs	Visits, meetings, seminars, emails, direct marketing and newsletters	45 new loans signed Half of the loans to new customers
Investors	Central and commercial banks, pension and insurance funds, asset managers and government entities	Bilateral meetings, seminars, conferences, and web-based communication	Issuance of USD 1bn benchmark bond Issuance of USD 500m benchmark NIB Environmental Bond (NEB), or green bond
Political decision-makers and public administrations	State representatives in Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, and Sweden, as well as other selected countries where NIB operates.	Our owners govern NIB via representatives on the Board of Governors (BoG), Board of Directors (BoD) and Control Committee (CC).	The BoG approved dividends of EUR 55m for 2013. The BoD held 8 ordinary and 3 online meetings The CC held 2 meetings.
NGOs	Organisations raising awareness of ways to protect the environment.	Publishing information on signed loans Inviting comments to loan projects with potentially extensive environmental impacts, so called Category A projects	Contributions to NGOs working to protect the Baltic Sea in the form of expertise and donations Participation in the Swedish-Finnish Framtidsforum NIB responded to one NGO expressing opinions on a Category A project
Media	Mainly the financial media	Press releases about signed loans, electronic newsletters, emails and bilateral meetings with press representatives	Several interviews with NIB's directors and experts Answering questions from the media
General public	Everyone interested in NIB's operations	Meetings, website, newsletters, the printed NIB Magazine, online annual reports, social media and emails	Staff giving presentations about NIB and its mission to various student groups and NGOs Dialogue via info [at] nib.int
Staff	NIB is headquartered in Helsinki and employed 188 people at year-end	Meetings, intranet, monthly plenum, induction for new employees, in-house training	NIB Day to reflect on corporate values Monthly plenum meetings

NIB publishes information about its borrowers, loan sums and maturities with project descriptions. We also publish to which degree our loan projects comply with the Bank's mission, which is to improve the competitiveness and the environment of the Nordic and Baltic countries.

NIB classifies loan projects that have an extensive environmental impact as Category A projects. These projects must therefore undergo a full environmental impact assessment (EIA). The EIAs are made publicly available on our website www.nib.int for a period of 30 days to allow our stakeholders to give their opinions. In 2014, the Bank published five Category A projects and received one response. NIB signed loan agreements with two of the Category A projects.

The Bank is developing its sustainability reporting based on the Global Reporting Initiative (GRI). NIB aims to report on the most essential economic, environmental and social impacts of its operations. Our reporting also includes indicators from the GRI's Financial Sector Supplement.

Integrity

NIB expects the highest level of integrity and high ethical standards among its staff and other stakeholders. To pursue these goals, the Bank has adopted a zero tolerance policy towards fraud and corruption in all of its operations.

The Office of the Chief Compliance Officer (OCCO) oversees and coordinates matters relating to integrity and reputational risks. OCCO is headed by the Chief Compliance Officer (CCO) and is independent of the Bank's operations. The CCO reports directly to the Bank's President and has unlimited access to the chairpersons of the Board of Directors and the Control Committee.

The Resolution on Fighting Corruption and Rules of Procedure for Fighting Corruption have been adopted by the Bank to promote its anti-corruption work, both in terms of preventing and identifying prohibited practices and investigating allegations of fraud and corruption. NIB has also endorsed the Uniform Framework for Preventing and Combating Fraud and Corruption that was agreed upon by the major international financial institutions in 2006.

In terms of prevention, NIB puts particular emphasis on knowing its customers and training its staff well to avoid the Bank becoming involved with unethical borrowers and projects or in money laundering, terrorist financing or tax evasion. All new clients are screened thoroughly in the Bank's integrity due diligence processes.

The Bank's Committee on Fighting Corruption investigates allegations of fraud, corruption and misconduct. The Committee is chaired by the CCO and has four other members from different departments of the Bank. In their capacity as members of the Committee, the chairperson and the members report to the President.

During 2014, the Committee on Fighting Corruption has investigated one case of corruption related to projects financed in a non-member country of the Bank.

The Committee and OCCO have also followed up on investigations and actions taken by national prosecutors relating to NIB borrowers and contractors financed by NIB loans. OCCO regularly provides advice and guidance to the Bank's Lending department on how to address integrity and reputational risks in new and ongoing lending operations.

Codes of conduct

In order to ensure the highest ethical standards, the Bank has codes of conduct in place for the staff, for the Board of Directors, the President and for the Control Committee.

These codes guide behaviour in all aspects of NIB's operations. They are intended to prevent conflicts of interest, to prohibit the use of insider information, and to provide guidelines for the handling of confidential information, receiving and offering gifts, hospitality representation, and disclosure of financial and business interests, among other things. In addition, the codes contain limitations to trading in financial instruments

Once a year, or when changes occur, the staff, board members and the President shall disclose to the Chief Compliance Officer (CCO) any financial and business interests they have that might cause a conflict of interest.

The Code of Conduct for staff also requires all staff to report any allegation or suspicion of fraud and corruption to the CCO of NIB. To ensure vigilance and awareness among staff, the Office of the Chief Compliance Officer trains new staff and provides regular information sessions on the codes of conduct and fighting corruption.

About the GRI

The Nordic Investment Bank (NIB) supports the Global Reporting Initiative (GRI) and has prepared its Annual Report 2014 in accordance with the core options of the GRI G4 guidelines.

NIB aims to outline the sustainability considerations that apply to its lending and funding functions, the Bank's daily operations and human resource management. NIB also intends to communicate its sustainability in a comprehensive report that includes indicators from the GRI Financial Sector Supplement.

NIB recognises that GRI is currently the most globally accepted and widely utilised sustainability framework. It provides a thorough structure for disclosing sustainability-related information in a transparent way. There are however some limitations to the applicability of the framework. This is due to NIB's status as an international financial institution (IFI), and unique mission to finance projects that improve the competitiveness and environment of the Nordic-Baltic region.

Methodology for determining materiality

The issues considered relevant for disclosure are the **sustainability impacts** arising from the Bank exercising its vision, mission and values, as well as **stakeholder feedback** from a Knowledge and Attitude Survey in 2012 that asked:

1. What is NIB's value added according to our target groups?
2. How is NIB perceived [reputation index]?

In order to identify the **sustainability impact** arising from NIB's operations, we have used the outcome of an internal clarification process from 2013 that helped sharpen the Bank's promise. The outcome of that process was a new vision of a prosperous and sustainable Nordic-Baltic region. Our mission, given to NIB by its five Nordic and three Baltic owner countries, was left unchanged but rephrased into a single sentence: *NIB finances projects that improve competitiveness and the environment of the Nordic and Baltic countries*. The Bank's Board of Directors approved the new vision and the rephrased mission in 2013.

The clarification process in 2013 also considered and rephrased the Bank's core values as: Competence, Cooperation and Commitment. NIB's staff participated in the process of updating the Bank's values. In 2014, the Bank invited all staff to a NIB Day to further reflect on these values and how to implement them in our work. You can read about the NIB Day [here](#).

NIB has relied on **feedback from its stakeholders** to further identify and prioritise what is material for the Bank. The stakeholder feedback is from a Knowledge and Attitude Survey conducted in 2012. The most significant value-added issues, as seen by our stakeholders, are illustrated in the illustration below.

NIB's status as the IFI of the Nordic and Baltic countries is seen as significant for the region. The Bank's long-term lending is emphasised as its number one strength in the eyes of NIB's customers. Regarding NIB's funding activities, the strong ownership and the highest possible credit rating were highlighted as cornerstones for the stability and reliability that NIB offers global investors. The Bank's environmental reviews of potential loan projects were also mentioned as a stamp of quality. NIB's overall reputation was also very high on the index.

NIB continues to engage with its stakeholders and will conduct a new stakeholder survey in 2015, where we will again ask what our stakeholders expect from the Bank and what they perceive as NIB's added value.

The added value of NIB according to stakeholders



Setting the reporting boundary for NIB

NIB distinguishes itself from commercial banks through the mission given to it by its five Nordic and three Baltic owner countries. Therefore, the impacts that make a topic relevant for NIB to report on are those that influence whether the Bank fulfils its mission. These aspects may show up in NIB's lending work with clients and the Bank's internal operations. We have identified those operations that have a direct or indirect sustainability impact in the following aspects, listed according to the GRI reporting framework:

Economic performance

NIB's vision is a prosperous and sustainable Nordic-Baltic region. The Bank does this by financing projects that increase productivity, which is the most direct way to strengthen economic competitiveness. In order to do this efficiently, NIB needs to be financially strong. The Bank therefore aims to earn a sufficient return from its business operations allowing formation of reserves while providing its owners a reasonable return on capital.

Indirect economic Impacts

To improve the well-being of societies, we must continuously seek new ways to improve and strengthen productivity. NIB therefore asks its customers about the extent to which their planned projects can contribute to improving the efficiency and productivity of entire societies and countries.

Environmental impacts

NIB categorises every loan project according to its potential environmental impacts, considering both risks and opportunities. Environmental issues are also inherent in NIB's daily activities and are therefore integrated into the Bank's overall management systems.

Labour practices

NIB's employees are the Bank's strongest assets. NIB is committed to the development and well-being of its employees and underlines the importance of dedicated employees for the organisation's performance. Several staff-related GRI indicators are reported.

Human rights and child labour

The Bank does not accept any discrimination, whether it is based on gender, race, nationality, ethnic origin, religion, disability, age or sexual orientation. Further, NIB requires its clients to comply with international standards for the employment of minors. NIB does not accept the use of forced labour. Sound management of the safety and health of workers and communities is essential for the productivity and efficiency of the business, as is respect for their livelihood.

Society and local communities

NIB's mission has a positive impact on local communities and societies in its member area, as it lends to projects that improve infrastructure, develop human capital, and help to protect the environment and its ecosystem.

Anti-corruption

NIB has adopted a zero-tolerance policy towards fraud and corruption. In terms of prevention, the Bank puts particular emphasis on knowing its customers and training its staff well to prevent the Bank from becoming involved with unethical borrowers and projects, or in money laundering, terrorist financing or tax evasion. All new clients are thoroughly screened in the Bank's integrity due diligence processes.

Grievance mechanisms

In order to address different concerns regarding its operations, NIB has developed a channel for its stakeholders to comment on projects with potential significant adverse social or environmental impacts. These projects are classified as Category A projects and are made publicly available for commenting before the Bank makes a decision on financing.

Product portfolio and audit aspects [Financial Sector Supplement]

NIB's main activity is lending, and with its special mission to improve the environment, it is important that the Bank assesses the environmental and social impacts of all loan applications, and has therefore corresponding procedures and policies in place.

Validating the methodology

2014 is the first reporting year in which NIB is applying the GRI G4 reporting framework in its annual reporting. The Bank aims to continuously develop its reporting in order to be more comprehensive and transparent in its communications with stakeholders. However, since this is the first annual report to follow the new framework, the Bank has not yet validated this report with its stakeholders. During 2015, NIB will again request our stakeholders' assessment of the value NIB adds. This is a project that provides the Bank with an opportunity to learn more about the stakeholders' views on NIB's sustainability reporting.

GRI G4 INDEX

GENERAL STANDARD DISCLOSURES		
	Indicator description	NIB's response
Strategy and analysis		
G4-1	A statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability	President's review Report of the Board of Directors
G4-2	Description of key impacts, risks, and opportunities	The Nordic Investment Bank finances projects that improve competitiveness and the environment of the Nordic and Baltic countries. President's review Strategy review Economic landscape
Organizational profile		
G4-3	Name of the organisation	Nordic Investment Bank
G4-4	Primary brands, products, and services.	NIB offers long-term loans to complement and leverage commercial lending in order to help ensure its vision of a prosperous and sustainable Nordic-Baltic region. Loans are extended on market terms and according to sound banking principles.
G4-5	Location of organization's headquarters	Helsinki, Finland
G4-6	The countries where the organization operates, or that organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	NIB has lending operations both in its member countries and in emerging markets in Africa and the Middle East, Asia, Europe and Eurasia, and Latin America.
G4-7	Nature of ownership and legal form	NIB is an international financial institution (IFI) owned by Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden.
G4-8	Markets served	NIB finances projects in many sectors in member and non-member countries. The focus sectors of the Bank's operations are environment, energy, transport, logistics and communications, and innovation.
G4-9	Scale of organization	At the end of 2014, NIB employed 188 people. The Bank signed 45 loan agreements with an aggregate total of EUR 2,389 million. The profit for the year 2014 was EUR 210 million.
G4-10	Total number of employees by employment contract, region, broken down by gender	Of the 188 permanent employees, 82 were women and 106 men. In addition, five employees worked on projects in temporary positions. The average number of permanent employees was 185.5 during the year. Read more about " Our people ".
G4-11	Percentage of total employees covered by collective bargaining agreements	NIB's employees are members of an international financial institution. Based on NIB's legal status, the labour laws or other legislation of the host country Finland, or any other member country, do not automatically apply to its employees. There are, however, some exceptions, particularly with regard to taxation, social security and pensions. As NIB is not subject to the jurisdiction of national courts, the Bank has set up arbitration rules for potential employment-related disputes. NIB has an Ombudsman whom the employees can consult and who may also act as mediator in the event of such disputes. The Cooperation Council consists of four Members representing the Bank and four Members representing the staff. The Cooperation Council aims to promote communication and initiatives between the Bank and the staff in issues related to working conditions and the workplace, in particular in a manner enabling the Bank to take better account of the staff's opinions concerning such issues. The purpose is to achieve mutually acceptable solutions for both the Bank and the staff.
G4-12	The organization's supply chain.	Being a financial institution, NIB does not produce or manufacture any products. The materials NIB needs to perform its operations are mainly office supplies and electronics. In addition, the Bank uses external service providers to provide cleaning, security and catering services at our offices. For the projects financed by NIB, there are separate Procurement Guidelines. For more information, see Legal framework and policy documents .
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	The Lending department established a new unit named "Financial institutions and SMEs". This was done to reflect the increasing importance of SME lending. The Treasury department merged its Financial Analysis & Controlling unit into the Asset & Liability Management unit. This was done to strengthen NIB's liquidity and balance sheet management.
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization	NIB's Sustainability Policy and Guidelines is based around the principle of taking precautions. Before NIB finances any project, the project receives an environmental and social rating based on the Sustainability Policy and Guidelines. NIB aims to identify and address concerns pre-emptively.

G4-15	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	NIB has signed the Declaration on the European Principles for the Environment (EPE), concerning environmental management in the financing of projects.
G4-16	Memberships of associations (such as industry associations) and national or international advocacy organizations	NIB is an active partner in the Northern Dimension Environmental Partnership (NDEP) and hosts the Secretariat of the Northern Dimension Partnership on Transport and Logistics. Within the Council of the Baltic Sea States, NIB is part of the international Baltic Agenda 21 working group. NIB also participates in the MFI Environmental Working Group, which is a cooperation forum for multilateral financial institutions.
Identified material aspects and boundaries		
G4-17	All entities included in the organization's consolidated financial statements or equivalent documents	The Nordic Investment Bank
G4-18	The process for defining the report content and the aspect boundaries and how the organization has implemented the reporting principles for defining report content	<p>The issues considered to be material or relevant for disclosure in this annual report were identified by:</p> <ul style="list-style-type: none"> the sustainability impact that comes from the Bank exercising its vision, mission and values considering stakeholder feedback from a Knowledge and Attitude Survey in 2012, which asked: <ol style="list-style-type: none"> 1. What value does NIB add to target groups? 2. How is NIB perceived (reputation index)? <p>NIB distinguishes itself from commercial banks by the mission given to it by its five Nordic and three Baltic owner countries. Therefore, the impacts that make a topic relevant for NIB to report on are those that influence whether the Bank is fulfilling its mission. These aspects may show up in lending work with clients and the Bank's internal operations. We have identified those operations that have a direct or indirect sustainability impact in the following aspects listed according to the GRI reporting framework. Read more about the report content defining.</p>
G4-19	All the material aspects identified in the process for defining report content	<p>Economic performance Indirect economic impact Environmental impact Labour practices Human rights and child labour Society and local communities Anti-corruption Grievance mechanisms (environmental, human rights, impact on society) Product portfolio/audit aspects (Financial Sector Supplement)</p>
G4-20, G4-21	For each material aspect, the aspect boundary within the organization and outside the organisation	NIB is a financial institution providing only one product: long-term loans. The Bank's aim is to outline the sustainability considerations that apply to its lending and funding functions, daily operations and human resource management. In order to fulfil the Bank's mission, NIB has sustainability requirements for its loan clients. Read more about the reporting boundaries .
G4-22	The effect of any restatements of information provided in previous reports, and the reasons for such restatements	None
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries	None
Stakeholder engagement		
G4-24	A list of stakeholder groups engaged by the organization	NIB maintains open and continuous dialogue with its owners and key counterparties. Our stakeholders are our customers, investors, political decision-makers and public administrations, NGOs, the media, the general public and our staff.
G4-25	The basis for identification and selection of stakeholders with whom to engage	NIB aims to maintain an open dialogue with all interested parties. The stakeholders are categorised as external or internal. The internal stakeholders are the Bank's owners, the member countries that govern NIB via representatives on the Board of Governors (BoG), Board of Directors (BoD) and Control Committee (CC), and the staff. The main external stakeholders are customers and investors. See an extensive list of NIB's stakeholders, communication channels and activities with stakeholders in 2014 .
G4-26	The organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	With regard to its lending activities, NIB publishes for each project information including the project description, the borrower, the amount of the loan and its maturity. We also publish the degree to which our loan projects comply with the Bank's mission, which is to improve the competitiveness and the environment of the Nordic and Baltic countries. See an extensive list of NIB's stakeholders, communication channels and activities with stakeholders in 2014 .

G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns	<p>The Bank conducts a stakeholder survey among its key stakeholders every three years. NIB seeks to follow up on the findings to best meet our stakeholders' expectations. The next stakeholder survey will be carried out in 2015, when NIB will request its stakeholders' views on sustainability reporting. NIB also conducts a job satisfaction survey among its staff every other year. The next survey will also be conducted in 2015, with the aim of assessing the well-being and functionality of the working community.</p> <p>NIB classifies loan projects with potential significant adverse social or environmental impacts as Category A projects. These projects must therefore undergo a full environmental impact assessment (EIA). The EIAs are made publicly available on our website at www.nib.int for a period of 30 days to allow our stakeholders to give their opinions before the Bank makes a decision on financing the project. In 2014, the Bank published five Category A projects and received one response. NIB signed loan agreements with two of the Category A projects.</p>
Report profile		
G4-28	Reporting period (such as fiscal or calendar year) for information provided	NIB reports on an annual calendar year basis from 1 January until 31 December. This report covers the year 2014.
G4-29	Date of most recent previous report (if any)	11 March 2014
G4-30	Reporting cycle	Annual
G4-31	The contact point for questions regarding the report or its contents	Chief Compliance Officer, Communications Unit
G4-32	Report the 'in accordance' option and the GRI Content Index for the chosen option.	NIB's Annual Report 2014 has been reported in accordance with the GRI guidelines' core option. See more details on materiality and the complete GRI Index .
G4-33	The organization's policy and current practice with regard to seeking external assurance for the report	NIB has not set a policy on seeking external assurance for its sustainability reporting.
Governance		
G4-34	Report the governance structure of the organization, including committees of the highest governance body.	<p>The Nordic Investment Bank was established in 1975 by Denmark, Finland, Iceland, Norway and Sweden. In 2005, Estonia, Latvia and Lithuania became members of the Bank on equal terms with the original member countries. NIB is governed by the Agreement concerning the Nordic Investment Bank among its Member countries signed in 2004, the related Statutes and the Host Country Agreement concluded between the Government of Finland and the Bank in 2010. According to the Statutes, the Bank shall have a Board of Governors, a Board of Directors, a President and the staff necessary to carry out its operations. In addition, the Bank has a Control Committee.</p>
Ethics and integrity		
G4-56	The organization's values, principles, standards, and norms of behavior, such as codes of conduct and codes of ethics	NIB's vision is a prosperous and sustainable Nordic-Baltic region. The Bank works towards that goal by financing projects that improve the competitiveness and environment of its member countries. Through this, NIB is living up to its promise of financing the future. The Bank's core values are competence, commitment and cooperation. NIB has codes of conduct in place for its staff, Board of Directors and President, and Control Committee. The codes of conduct are publicly available and put into practice the values and principles that underpin NIB.
G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines	NIB expects a high level of integrity and high ethical standards among its staff and other stakeholders and has adopted a zero-tolerance policy towards fraud and corruption. The Office of the Chief Compliance Officer (OCCO) oversees matters relating to integrity and is independent from the Bank's operations, reports directly to the Bank's President, and has unlimited access to the chairpersons of the Board of Directors and the Control Committee. NIB puts particular emphasis on knowing its customers and training its staff well to avoid the Bank becoming involved with unethical borrowers and projects or in money laundering, terrorist financing or tax evasion. All new clients are screened thoroughly in the Bank's integrity due diligence (IDD) process. NIB has endorsed the Uniform Framework for Preventing and Combating Fraud and Corruption, which was agreed upon by the major Multilateral Development Banks (MDBs) in 2006.
G4-58	The internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines	NIB has a dedicated email address for reporting concerns of unethical or unlawful behaviour that is managed by the Office of the Chief Compliance Officer (OCCO). Reports can be made anonymously. Internal reporting can also be done by directly contacting OCCO or alternatively a supervisor. The Code of Conduct for Staff provides whistleblower protection.

SPECIFIC STANDARD DISCLOSURES		
Indicator description		NIB's response
CATEGORY: ECONOMIC		
Aspect: Economic performance		
G4-DMA	Management approach	NIB offers long-term loans to complement and leverage commercial lending in order to help ensure its vision of a prosperous and sustainable Nordic-Baltic region. Loans are extended on market terms and according to sound banking principles. The funds acquired for NIB's lending are borrowed on the international capital markets. With its strong ownership and highest possible credit rating, the Bank offers stability and reliability to global investors. NIB needs to be financially strong in order to fulfil its mission efficiently. The Bank aims to earn a sufficient amount of return from its business operations, and at the same time guarantee its owners a reasonable return on capital.
G4-EC1	Direct economic value generated and distributed	Financial report Loans disbursed
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	Each loan project under consideration for financing undergoes an individual assessment of its potential environmental impact, including social aspects, as an integral part of NIB's mission of promoting sustainable growth in its member countries. NIB has introduced a framework which allows investors to provide funds for the Bank's environmental lending, meaning that the Bank can issue NIB Environmental Bonds (NEB), the proceeds of which are used to finance projects which have a positive impact on the environment. The Bank regularly reports on the impact of projects it finances in terms of greenhouse gas emissions.
G4-EC3	Coverage of the organization's defined benefit plan obligations	See Note 5 in the Financial Report – " Pension obligations "
G4-EC4	Financial assistance received from government	Capital structure
Aspect: Indirect economic impact		
G4-DMA	Management approach	NIB's mission is to improve the competitiveness and environment of the Nordic-Baltic region, fostering a more sustainable and prosperous region. All projects are reviewed from the sustainability perspective, which makes us distinct from ordinary banks. Within its lending, NIB aims to provide added value in its member countries, especially in energy, transport and environmental improvements.
G4-EC7	Development and impact of infrastructure investments and services supported	Lending in the business area of infrastructure, transportation and telecommunications is primarily directed towards financing efficiency improvements in transport, logistics and communications. In 2014, some 23% of all loans agreed were related to this business area, totalling EUR 554 million. The projects were for investments in railway infrastructure, road construction and ports. Other important loan projects concerned investments in infrastructure for education and healthcare.
G4-EC8	Significant indirect economic impacts, including the extent of impacts	In addition to financing projects directly with large enterprises, NIB channels financing to projects for small and medium-sized enterprises (SMEs) through intermediaries. SMEs are seen as the backbone of the economy of the Nordic-Baltic region, and NIB decided in 2013 to expand its loan offering for onlending to SMEs to include investments in new machinery, production or service provision facilities, as well as investments in ICT and R&D. SMEs employ two thirds of all employees in the Nordic-Baltic region; consequently, they are of great importance for productivity and economic growth in their home countries.
CATEGORY: ENVIRONMENTAL		
Aspect: Materials		
G4-DMA	Management approach	The Bank promotes sustainable development in its business operations and extends financing to projects that strengthen competitiveness and enhance the environment. Correspondingly, the Bank emphasises environmentally and socially sound practices in its internal operations as well. Being a relatively small organisation providing non-material services, NIB's usage of materials consists mainly of paper, office supplies and electronics. However, the Bank acknowledges that the purchasing decisions for these items have an impact on the environment. Therefore, NIB is part of WWF's Green Office Network, which assists the Bank to continuously reduce its ecological footprint in a cost-effective way. During 2015, NIB will conduct a sustainability survey with service providers, with the aim of evaluating the existing service providers' sustainability performance, as well as the performance of potential future service providers.

G4-EN1, G4-EN2	Materials used by weight or volume, Percentage of materials used that are recycled input materials	<p>As a bank offering loan products, NIB does not produce or manufacture any physical products. To conduct our work, we use paper, office supplies and electronics. During 2014, NIB worked to improve its waste management and waste handling procedures by cooperating with its catering and cleaning service providers to actively inform the staff about sustainable behaviour at the workplace. NIB is actively following up the recycling success rates with its cleaning service provider, in accordance with the cleaning and recycling services certified by the official Nordic Ecolabel. The Bank is also cooperating with the catering service provider to inform staff about the amounts of food waste per person and their impact on the amounts of biowaste.</p> <p>For 2015, NIB will increase the reporting of its waste fractions into non-recycled and recycled waste fractions as well as develop the internal reporting of the amounts of waste to increase awareness. For information regarding materials used and recycled, see NIB's environmental footprint table.</p>
Aspect: Energy		
G4-DMA	Management approach	NIB uses energy to run its day-to-day operations at its headquarters. Recognising the impact the extraction of fossil fuels may have, NIB favours the use of renewable energy. Therefore for instance the Bank purchases its electricity from clean and renewable energy sources. Its origin is guaranteed by the European Energy Certificate System [EECS]. NIB monitors its annual energy consumption and strives to reduce the amount of water, heat and electricity, yet consume less paper and office supplies.
G4-EN3	Energy consumption within the organization	NIB's environmental footprint table
G4-EN6	Reduction of energy consumption	<p>In 2014, NIB achieved an 8% reduction in energy consumption at its facilities. The air conditioning and hot water circulation pumps were renewed in 2014, and the manufacturer has estimated an annual reduction in electricity consumption of 30,696 kWh. The measures recommended in the energy audit report completed in 2012 also resulted in reduced energy use.</p> <p>In 2015, NIB is planning a major refurbishment of its premises and considering certifying the headquarters premises according to the BREEAM existing building refurbishment standard.</p>
Aspect: Diversity		
G4-DMA	Management approach	In NIB's Sustainability Policy and Guidelines, the Bank states that it will not knowingly finance, directly or indirectly, projects involving biodiversity resources. Projects should also comply with any obligations and standards enshrined in relevant multilateral environmental agreements (MEAs) according to applicable EU legislation, e.g. those dealing with biodiversity, climate change, the ozone layer, wetlands, persistent organic pollution, trans-boundary air pollution, endangered species and environmental information, and others that may be ratified in the future. A benchmark reference often applied in NIB's projects is the HELCOM standards for discharges into the Baltic Sea. Correspondingly, the Bank emphasises environmentally and socially sound practices in its internal operations, and in the working environment aims to avoid placing any unnecessary strain on the natural environment. By providing information and training and offering environmentally sound alternatives, the bank sets out to encourage its staff to act in a way that has less impact on the environment.
G4-EN13	Habitats protected or restored	NIB does not have any specific programmes to protect or restore habitats.
Aspect: Emissions		
G4-DMA	Management approach	NIB is committed to supporting action for combating and adapting to climate change. NIB calculates all the greenhouse gas emissions from its projects, either directly via fuel combustion or production process emissions, or indirectly through purchased electricity and heat. The Bank's management and Board of Directors consider these to be part of the loan decision process. Climate change is a societal challenge as well as an environmental one, and it requires adoption of new advanced technologies to improve, for instance, energy efficiency. Addressing this challenge is part of NIB's mission to improve the environment and competitiveness of the Nordic-Baltic region to increase sustainability and prosperity.
G4-EN19	Reduction of greenhouse gas (GHG) emissions	NIB loans in 2014 contributed to an annual reduction of 260,680 tonnes of CO ₂ emissions. See NIB's environment footprint table for more information of amount of waste and paper recycled.
Aspect: Effluents and waste		
G4-DMA	Management approach	NIB joined the WWF Green Office programme and qualified for the certificate at the beginning of 2010. One of the main points for the Bank in the programme focuses on waste management and sorting, and NIB monitors the amount of waste it produces monthly. Appropriate waste management and waste handling procedures are in place and the main types of waste the Bank generates are sorted. These are: energy, paper, mixed, bio, cardboard, metal, glass and hazardous waste, including electronic waste and ink cartridges. These waste fractions are recycled.

G4-EN23	Total weight of waste by type and disposal method	<p>One of NIB's targets for 2014 was to reduce the amount of waste produced at its headquarters. Recognising that the main impact of NIB is mainly produced by the staff at its headquarters, NIB removed personal waste baskets in the offices to strive for more efficient collective recycling.</p> <p>For 2014, the Bank had the goal of cutting office paper consumption by 10%. This target was achieved, and surpassed, thanks to technical purchases which enable client visits without the need to print company presentations; the development of technical platforms for distributing material and automatic archiving also contributed to the reduction.</p> <p>In 2015, NIB plans to focus on the sustainability of material purchases as well as service providers. See NIB's environmental footprint table for more information on the amount of waste and paper recycled.</p>
Aspect: Environmental grievance mechanisms		
G4-DMA	Management approach	In order to address any concerns regarding its operations, NIB has developed a channel for its stakeholders to express their views or comment on projects with potential significant adverse social or environmental impacts. These projects are classified as Category A projects and are made publicly available for comments before the Bank makes a decision on financing. In addition, if any persons involved in the activities of NIB observe or have reasonable grounds to suspect misconduct, they are encouraged to report it. Complaints can be filed with, and are handled by, NIB's Office of the Chief Compliance Officer.
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	In 2014, the Bank published five Category A projects and received one response. In 2014, no grievances were filed with the Office of the Chief Compliance Officer.
CATEGORY: SOCIAL		
SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK		
Aspect: Employment		
G4-DMA	Management approach	NIB's employees are the Bank's strongest asset in its mission to finance projects that improve the competitiveness and environment of the Nordic and Baltic countries. The working culture at NIB is perceived as attractive, and many employees choose to stay for a lengthy part of their careers. NIB appreciates staying in touch with its former employees and has an alumni network of about 90 registered members. In December 2014, NIB's President and CEO hosted a Christmas lunch for the alumni.
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	In 2014, the average length of employment was 11.3 years. Five permanently employed staff left the Bank in 2014, resulting in an exit turnover of 2.7%. At the end of 2014, NIB had 188 employees in permanent positions. Of these, 82 were women and 106 men. In addition, five employees worked on projects in temporary positions. The average number of permanent employees was 185.5 during the year. Read more about " Our people ".
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	Note 5 has explanations of " Additional benefits for expatriates ", " Pension obligations " and " Staff loans ".
Aspect: Labor practices		
G4-DMA	Management approach	NIB employees are members of an international financial institution. Based on NIB's legal status, the labour laws or other legislation of the host country Finland, or any other member country, do not automatically apply to its employees. There are, however, some exceptions, particularly with regard to taxation, social security and pensions. You can read about these in the Host Country Agreement between the Government of the Republic of Finland and the Nordic Investment Bank.
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	NIB employees are members of an international financial institution. Consequently, NIB has established its own regulations for the staff. See Staff regulations .
Aspect: Occupational health and safety		
G4-DMA	Management approach	<p>NIB makes every effort to create a safe and healthy working environment for its employees. The Bank considers all aspects of work, such as general working conditions, the environment and the personal capacities of its employees. NIB encourages its staff to establish and maintain a sustainable balance between their professional and private lives.</p> <p>NIB conducted a workplace assessment with the occupational health care provider in 2014. An early intervention plan and a non-smoking programme were adopted as part of workplace health promotion. First aid training was also arranged for employees throughout the organisation.</p>
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	NIB strives to continually develop the interaction and cooperation between employer and staff. NIB's Cooperation Council consists of four Members representing the Bank and four Members representing the staff. The Cooperation Council aims to promote communication and initiatives between the Bank and its staff in issues related to working conditions and the workplace, in particular in a manner enabling the Bank to take better account of the staff's opinions concerning such issues. The goal is to achieve mutually acceptable solutions for both the Bank and the staff.

G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	The Bank encourages participation in activities that support well-being, and these are highly appreciated by the employees. The sickness absence rate—as a percentage of total working time—stood at 2%, compared to 3% in 2013.
Aspect: Training and education		
G4-DMA	Management approach	NIB is a professional expert organisation where employees are encouraged to develop their competencies. It is essential for the Bank to have highly skilled and committed employees that are able to meet customers' needs.
G4-LA9	Average hours of training per year per employee by gender, and by employee category	NIB evaluates the need for additional training every year. The average number of training days per employee was 4.9 in 2014, compared to 4.6 in 2013.
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	<p>One of NIB's most successful internal training concepts is Credit School. The main objective of this training is to ensure advanced knowledge of issues such as credit risk assessment, project finance, structured finance and similar matters.</p> <p>With the Bank's staff representing 14 nationalities and using English as their working language, it is essential to provide language training to ensure that all employees develop and maintain excellent language skills.</p> <p>NIB also focuses on developing its managers through supervisor training and personal growth processes. Managers have access to a supervisor intranet site containing the Bank's policies, regulations and guidelines. The site also provides recommendations on how managers can carry out their roles and fulfil their duties.</p>
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	The employees' performance and individual work plans are reviewed in personal appraisal and development discussions with their supervisors. These talks are held at the beginning of the year and again in the autumn.
Aspect: Diversity and equal opportunity		
G4-DMA	Management approach	NIB has an equality and diversity plan for the years 2013–2015. A gender equality and diversity survey conducted in 2013 shows that NIB is at a good level in regard to equality and the legal framework.
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Executive Committee Board of Directors Board of Governors Control Committee Our people
Aspect: Labor practices grievance mechanisms		
G4-DMA	Management approach	As NIB is not subject to the jurisdiction of national courts, the Bank has set up arbitration rules for potential employment-related disputes. NIB has an Ombudsman whom employees can consult and who may also act as mediator in the event of such disputes. The purpose of the Ombudsman function is to enhance cooperation in employment matters and to help maintain an attractive working environment.
G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	The Ombudsman was available once a month for all staff members during 2014. During the year, the Ombudsman held four consultations on different employment issues, none of which resulted in any further action.
SUB-CATEGORY: HUMAN RIGHTS		
Aspect: Investments		
G4-DMA	Management approach	NIB takes into account the Worldwide Governance Indicators in its country analysis. Screening and assessment of social aspects are also carried out at project level.
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	NIB's approach is that all projects undergo an environmental and social impact assessment, of which dialogue with stakeholders is an integral component.
Aspect: Non-discrimination		
G4-DMA	Management approach	NIB has zero tolerance for any type of discrimination. To ensure a workplace free of harassment, NIB has in place an Anti-harassment Policy that is governed primarily by the Human Resources unit. In cases of harassment, the Ombudsman can also be consulted.
G4-HR3	Total number of incidents of discrimination and corrective actions taken	In 2014, no incidents of harassment were reported.

Aspect: Freedom of association and collective bargaining, child labor, compulsory labor		
G4-DMA	Management approach	NIB believes in good human resources management. Respect for workers' rights and their freedom of association is part of good business. The Bank does not accept discrimination based on gender, race, nationality, ethnic origin, religion, disability, age or sexual orientation. Further, NIB requires its clients to comply with international standards for the employment of minors. Use of forced labour is not accepted by NIB. Sound management of workers' and communities' safety and health is essential for the productivity and efficiency of the business, as is respect for their livelihoods.
G4-HR4, HR5, HR6	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk Operations and suppliers identified as having significant risk for incidents of child labor or forced and compulsory labor	None
SUB-CATEGORY: HUMAN RIGHTS, SOCIETY		
Aspect: Local communities and grievance mechanisms for human rights and impacts on society		
G4-DMA	Management approach	NIB finances large projects that may have a significant impact on the surrounding community, environment, people and economy. Some projects may entail some negative consequences. In order to ensure that such risks are identified and addressed, NIB's approach is that all projects undergo an environmental and social impact assessment, of which dialogue with stakeholders is an integral component. The preparation of loans that are listed as Category A projects due to social and environmental concerns are published for 30 days on NIB's website to enable stakeholders to submit their views to NIB. However, any persons involved in the activities of NIB who observe or have reasonable grounds to suspect misconduct or corruption are encouraged to report it. Complaints can be filed with, and are handled by, NIB's Office of the Chief Compliance Officer. There are no regular mechanisms in place to evaluate the management approach or its effectiveness. However, NIB's policies and procedures are regularly reviewed. The present Sustainability Policy and Guidelines was reviewed and changes adopted by the Board in 2012.
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	In 2014, the Bank published five Category A projects and received one response. In 2014 no grievances were filed with the Office of the Chief Compliance Officer. There is no separate human rights grievance mechanism in NIB other than the general complaints mechanism.
G4-S01	Percentage of operations with implemented local community engagement, impact assessments, and development programs	The Bank assesses the environmental and social impacts of all loan applications. The environmental and social review includes: categorisation based on assessment of potential negative impacts of the project, definition of the risks and impacts of the project and of planned mitigation measures, benchmarking of the project's environmental and social performance with relevant standards, assessment of the commitment and capacity of the client to manage the potential impacts, and verification that the costs resulting from the environmental and social risks and impacts are factored into the project.
G4-S011	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	In 2014, the Bank published five Category A projects and received one response. In 2014, no grievances were filed with the Office of the Chief Compliance Officer. NIB has no separate grievance mechanism for impact on society other than the general complaints mechanism.

Aspect: Anti-corruption		
G4-DMA	Management approach	<p>NIB has adopted a zero tolerance policy towards fraud and corruption. As the funds handled and projects financed by NIB are of a high monetary value, issues relating to corruption and bribery could be material. The Resolution on Fighting Corruption and Rules of Procedure for Fighting Corruption have been adopted by the Bank to promote its anti-corruption work, both in terms of preventing and identifying prohibited practices and investigating allegations of fraud and corruption. NIB has also endorsed the Uniform Framework for Preventing and Combating Fraud and Corruption that was agreed upon by the major multilateral development banks [MDBs] in 2006.</p> <p>In terms of prevention, the Bank puts particular emphasis on knowing its customers and training its staff well to avoid the Bank becoming involved with unethical borrowers and projects, or in money laundering, terrorist financing and tax evasion. All new clients are screened thoroughly in the Bank's integrity due diligence [IDD] processes.</p> <p>The Bank's Committee on Fighting Corruption investigates allegations of fraud, corruption and misconduct. The Committee is chaired by the CCO and has four other members from different departments within the Bank. In their capacity as members of the Committee, the chairperson and the members report to the President.</p> <p>The Bank also follows up on investigations and action taken by national prosecutors relating to NIB borrowers and contractors financed by NIB loans. OCCO regularly provides advice and guidance to the Bank's Lending department on how to address integrity and reputational risks in new and ongoing lending operations. A review of NIB's anti-corruption framework is taking place in 2014–2015.</p>
G4-S03	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	All NIB's operations are assessed from a corruption risk point of view and these concerns are addressed in NIB's IDD process.
G4-S04	Communication and training on anti-corruption policies and procedures	All staff at NIB receive training in anti-corruption, integrity, money laundering and ethics as part of NIB's induction programme. Members of NIB's board has also received training in the same subject. Staff working in the lending operations receive additional training in conducting integrity due diligence [IDD] checks. Training is centralized at NIB's headquarters in Helsinki, Finland.
G4-S05	Confirmed incidents of corruption and actions taken	During 2014, the Committee on Fighting Corruption investigated one case of corruption related to projects financed in a non-member country of the Bank. The Committee followed up on other cases that involve borrowers and contractors financed by NIB and that are being investigated by national anti-corruption agencies.
Aspect: Financial sector supplement - product portfolio		
	Management approach	The Bank assesses the environmental and social impacts of all loan applications for consistency with the Sustainability Policy and Guidelines. A proposed project can be rejected due to non-compliance with the policy. The policy also includes an exclusion list with activities not eligible for financing. Read more about "NIB in brief" .
FS1	Policies with specific environmental and social components applied to business lines	Sustainability Policy and Guidelines
FS2, FS5	Procedures for assessing and screening environmental and social risks in business lines. Interactions with clients/investees/business partners regarding environmental and social risks and opportunities.	<p>NIB's environmental and social review</p> <p>The review includes the following key components:</p> <ul style="list-style-type: none"> -Categorisation based on assessment of potential negative impact of the project -Definition of risks and impact of the project and of planned mitigation measures -Benchmark of the project's environmental and social performance with relevant standards -Assessment of the commitment and capacity of the client to manage the potential impact -Verification that the costs resulting from the environmental and social risks and impacts are factored into the project. <p>Based on the categorisation, NIB indicates to the customer what type of environmental information NIB requires.</p>
FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions.	The need for monitoring is assessed as part of NIB's environmental and social review. The Bank expects its clients to be in compliance with the Sustainability Policy and Guidelines throughout the project, and provisions entitling the Bank to monitor projects are incorporated into the loan agreement. After NIB's financing is committed in legal documents and disbursed, the Bank monitors projects with major environmental and social risks and impacts in accordance with the environmental review or as deemed necessary by NIB due to unexpected events.
FS6	Percentage of the portfolio for business lines by specific region, size [e.g. micro/SME/large] and by sector	Lending

FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.	The purpose of NIB's lending activities is to improve the competitiveness and environment of the Nordic and Baltic countries. NIB rates all potential loans internally according to how they contribute to this mission. Only projects that contribute sufficiently strongly to NIB's mission fulfilment qualify for loan approval. The share of lending with a "good" or "excellent" mandate continued to be at a very high level, accounting for 94% of all loans agreed in 2014. Read more about " Mission fulfilment ".
Aspect: Financial sector supplement - audit		
	Management approach	The Control Committee is a supervisory body which ensures that the operations of the Bank are conducted in accordance with its Statutes. The Control Committee is responsible for the audit of the Bank's accounts, and annually delivers an audit statement to the Board of Governors. The audit of the financial statements of the Bank is carried out by external professional auditors appointed by the Control Committee.
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	NIB is mission-driven and its core business is long-term lending. The main risks are assessed in the due diligence process prior to lending agreements.
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	Loans agreed 2014
FS11	Percentage of assets subject to positive and negative environmental or social screening	The Bank assesses the environmental and social impacts of all loan applications.

Operations

Matti Koivu, Chief Risk Officer

"We put a lot of effort into developing robust stress-testing practices for our liquidity and capital management during 2014. We now have a thorough understanding of our risk exposures and feel confident about NIB's strong capital and liquidity position."



HIGHLIGHTS 2014

- NIB's lending activities developed positively despite a subdued investment climate.
- NIB launched its inaugural benchmark Environment Bond.

PROSPECTS 2015

- Overall real economic growth in the Nordic-Baltic regions is expected not to exceed 1.5% - 2.0% in 2015.
- NIB's level of loans disbursed is expected to be at the same level, or somewhat less than in 2014.

Lending

Sebastian Pąwals, Director, Head of Energy & Environment

"Most of the projects financed by NIB have an extended economic life cycles that benefit from our long-term financing. During 2014, we succeeded in helping our customers carry out projects with positive environmental impacts and projects that improve the competitiveness of our region."



HIGHLIGHTS 2014

- NIB signed 45 new loan agreements.
- NIB disbursed new loans of EUR 2.3 billion, up 17.7% on the previous year.

PROSPECTS 2015

- Need for investments that align naturally with NIB's mission is seen to remain high for the foreseeable future.
- Renewal needs are abundant in the most developed economies of the Nordic -Baltic region.

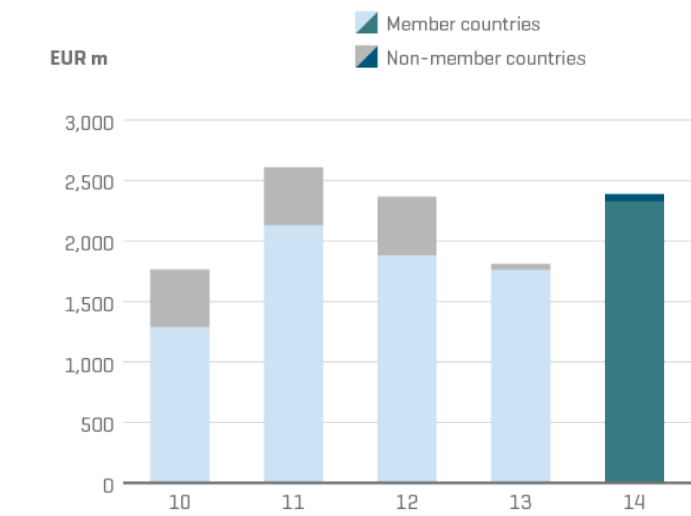
In 2014, NIB's Board of Directors approved new loans to a total of EUR 2.7 billion. The number of agreed loans was 45 and amounted to EUR 2.4 billion. Loan disbursements increased to EUR 2.3 billion, up from EUR 1.9 billion in 2013 in spite of continued low investment activity in the majority of the Nordic-Baltic region. Close to half of the new loans were to new borrowers as a result of NIB's effort to broaden its client base.

The purpose of NIB's lending activities is to improve the competitiveness and environment of the Nordic and Baltic countries. NIB rates all potential loans internally according to how they contribute to this mission. Only projects that contribute sufficiently to NIB's mission fulfilment qualify for loan approval. The share of lending with a "good" or "excellent" mandate continued to be at a very high level, accounting for 94% of all loans agreed in 2014.

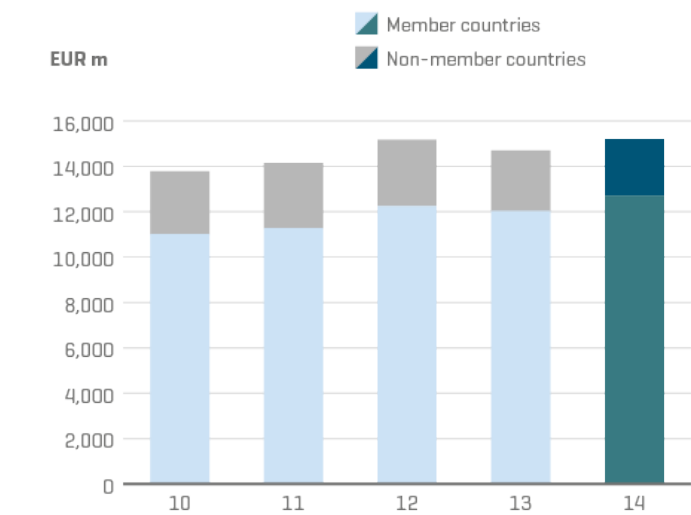
The total amount of loans outstanding increased to EUR 15.2 billion by 31 December 2014 from EUR 14.7 billion the preceding year, despite a very high level of early repayments of loans during 2014. The repayments reflect the strong liquidity in the financial markets in NIB's member region. Prepayments also occurred as a consequence of the Bank protecting its creditor's rights and in connection with renewal of engagements.

No guarantees were outstanding at the end of 2014.

Loans agreed



Loans outstanding



Business areas

Energy and environment

New lending in the energy and environmental business area totalled EUR 630 million. This represents 26% of all loans agreed in 2014. A majority of the loans in this area helped finance upgrades of district heating systems, mostly in the form of combined heat and power plants.

Another important segment was investments in electricity transmission and distribution. Furthering integration of the electricity systems in the Nordic-Baltic region is a high priority for the Bank's member countries.

The third major area in the energy field was renewable energy production, primarily wind power generation. Loans were also provided for upgrading existing hydropower installations.

One loan was provided for a terminal for liquefied natural gas.

In the pollution abatement field, loans were agreed for the rehabilitation and renovation of water and waste facilities.



Infrastructure, transportation and telecom

In 2014, some 23% of all loans agreed were related to projects in the infrastructure, transportation and communications sector, totalling EUR 557 million.

More than half of the lending in this business sector was provided for transport investments. These projects include railway infrastructure and new rolling stock, road construction as well as extensions of airports and seaports.

The other important segment was related to investments in infrastructure for education and healthcare.

Industries and services

The largest share of NIB's lending in this business sector was directed at financing research and development projects. This is a priority for NIB because of the importance of the innovation process for improving the competitiveness of the Nordic and Baltic countries.

Another large segment was the financing of corporate acquisitions. Thirdly, loans were made to finance investments in new production capacity.

Total lending within this business area was EUR 926 million, which equals 39% of all loans agreed during 2014.

Financial institutions and SMEs

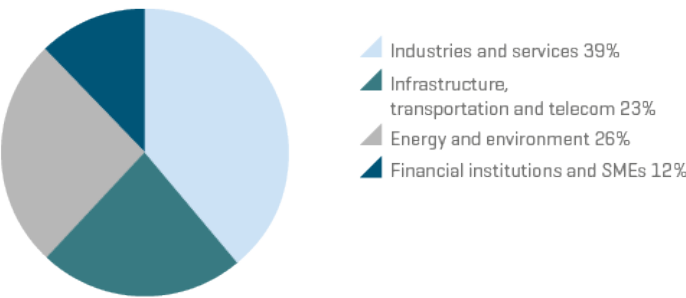
NIB provides financing to banks and other financial institutions for on-lending to their clients. The focus is mainly on small and medium sized enterprises [SMEs], as well as environmental projects that include renewable energy.

NIB carries out this type of onlending in order to reach smaller counterparties and projects that are too small for the Bank to finance directly.

The total amount of loans in this category was EUR 277 million, which is the equivalent of 12% of all loans agreed.

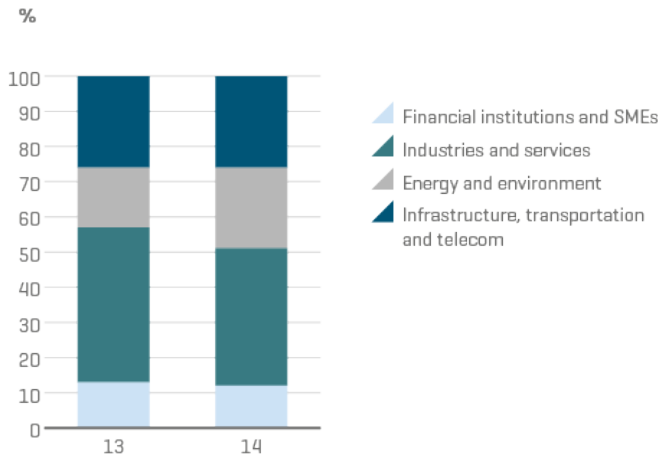
Loans agreed in 2014

%, by business areas



Business area distribution

Loans agreed as a share of total loans



Other activities

Allocations under NIB's Baltic Sea Environment Financing facility (BASE) continued during 2014. The purpose of this EUR 500 million lending facility is to support the realisation of the Baltic Sea Action Plan of the Helsinki Commission (HELCOM) for restoring the ecological health of the Baltic Sea. By the end of 2014, EUR 348 million had been allocated under the facility. Loans under BASE are made in the ordinary course of business and in accordance with the Bank's lending policies.

In the framework of the Northern Dimension, NIB participates in the Environmental Partnership (NDEP) as lead bank for a number of projects under implementation. The purpose of the NDEP is to support the financing of environmental projects with cross-border effects in the Baltic Sea region, the Barents region and Northwest Russia. Projects approved for NDEP may receive grants from the NDEP support fund, which are blended with loans.

Furthermore, NIB engages in the Northern Dimension Partnership on Transport and Logistics (NDPTL) and is hosting its secretariat at NIB's headquarters in Helsinki. The purpose of this partnership is to enhance regional cooperation and support the implementation of transport infrastructure and logistics projects. Assistance for project preparations can be provided through the NDPTL Support Fund.

The EU Strategy for the Baltic Sea Region is currently being revised. The strategy provides a framework for cooperation related to the environment, energy and transport, among other issues. NIB supports the realisation of the strategy by making available long-term loan financing for investment projects that meet the Bank's lending criteria.

Loans agreed in 2014

Borrower	Project	Sector
Helen Sähköverkko Oy [Finland]	Construction of a 110 kV cable in Helsinki, Finland.	Energy and environment
University Properties of Finland Ltd [Finland]	Construction of university campus premises in Tampere and Jyväskylä, Finland.	Infrastructure, transportation and telecom
Husqvarna AB (publ) [Sweden]	Development of a new chainsaw factory in Huskvarna, Sweden.	Industries and services
Tartu University Hospital [Estonia]	Construction of a new medical campus for Tartu University Hospital.	Infrastructure, transportation and telecom
Ryfast AS [Norway]	Construction of two undersea road tunnels between Stavanger and Ryfylke, Norway.	Infrastructure, transportation and telecom
Borregaard ASA [Norway]	Construction of a biological purification plant and R&D investments in alternatives to oil-based products.	Industries and services
City of Lahti [Finland]	Construction of a new bus and freight terminal and two multipurpose school campuses in Lahti, Finland.	Infrastructure, transportation and telecom
Cargotec Corporation [Finland]	Acquisition of a mooring and loading system unit in Norway.	Industries and services
AS Tallinna Vesi [Estonia]	Upgrade of a fresh water distribution network and a wastewater network in Tallinn, Estonia.	Infrastructure, transportation and telecom
Akershus Energi AS [Norway]	Upgrade of the Klosterfoss power plant in eastern Norway.	Energy and environment
Tekniska verken i Linköping AB [Sweden]	Construction of a combined heat and power plant in Linköping, Sweden.	Energy and environment
AB Fortum Värme Holding, co-owned with City of Stockholm [Sweden]	Construction of a new biofuel combined heat and power plant in Stockholm, Sweden.	Energy and environment
Oulun Osuuspankki [Finland]	Loan programme for onlending to SME investments and environmental projects in Finland.	Financial institutions and SMEs
Sogn og Fjordane Energi AS [Norway]	Upgrade of electricity networks during 2013–2015 to increase capacity in western Norway.	Energy and environment
Danfoss A/S [Denmark]	R&D investments in the climate and energy business segment until 2017.	Industries and services
City of Vilnius [Lithuania]	Municipal investments in infrastructure, environmental and energy efficiency projects.	Infrastructure, transportation and telecom
AB Lietuvos geležinkeliai [Lithuania]	Construction of a European-gauge railway track and modernisation of parts of the Trans-European east-west corridors in Lithuania.	Infrastructure, transportation and telecom
Konecranes Finance Oy [Finland]	R&D investments in R&D programme in industrial internet and lifting equipment.	Industries and services
Eidsiva Energi AS [Norway]	Construction of a biofuel district heating plant and upgrade of heating network in Hedmark and Oppland, Norway.	Energy and environment
Litgrid AB [Lithuania]	Construction of a high-voltage overhead electricity transmission line between Lithuania and Poland.	Energy and environment
S-ryhmän logistiikkakeskus Oy [Finland]	Financing of a new grocery logistics centre in Sipoo, Finland.	Industries and services
Central American Bank for Economic Integration (CABEI)	Loan programme for onlending to projects complying with NIB's eligibility criteria in Central America.	Financial institutions and SMEs
P/F BankNordik [Denmark]	Loan programme for onlending to environmental and SME projects in Greenland, Denmark and the Faroe Islands.	Financial institutions and SMEs
Energiselskapet Buskerud AS [Norway]	Upgrade of two hydropower plants and an electricity network in Buskerud, Norway.	Energy and environment
VAS Latvijas Dzelzceļš [Latvia]	Construction of a second track on a section of the eastern railway corridor in Latvia.	Infrastructure, transportation and telecom
Energa SA [Poland]	Financing a 20 MW wind farm project in north-western Poland.	Energy and environment
Kiinteistö Oy Järvenpään Terveystalo [Finland]	Construction of a new health care centre in Järvenpää, Finland.	Infrastructure, transportation and telecom
Town of Norrtälje [Sweden]	Extension and rehabilitation of the wastewater treatment infrastructure in Norrtälje, Sweden.	Energy and environment
Chalmersfastigheter AB [Sweden]	Construction of new campus facilities at the Johanneberg Science Park in Gothenburg, Sweden.	Infrastructure, transportation and telecom
Klaipėdos Nafta AB [Lithuania]	Construction of a new liquefied natural gas terminal in Lithuania.	Infrastructure, transportation and telecom
City of Vantaa [Finland]	Municipal infrastructure investments in Ring Road III and a multipurpose campus.	Infrastructure, transportation and telecom
EPV Tuulivoima Oy [Finland]	Construction of a wind farm in Vaasa, Finland.	Energy and environment
	Modernisation and development of a hospital area in the	Infrastructure, transportation and

Hälsostaden Ängelholm AB [Sweden]	municipality of Ängelholm, Sweden.	telecom
Säästöpankki Optia [Finland]	Loan programme for onlending to SME investments and environmental projects in Finland.	Financial institutions and SMEs
Ringkjøbing Landbobank A/S [Denmark]	Loan programme for financing environmental projects and SMEs.	Financial institutions and SMEs
Gefinge AB [Sweden]	R&D investments in medical systems, infection control and extended care.	Industries and services
Atlas Copco AB [Sweden]	Acquisition of the vacuum engineering company Edwards Group Ltd., United Kingdom.	Industries and services
Loomis AB [Sweden]	Acquisition of the valuables logistics company VIA MAT Holding AG, Switzerland.	Industries and services
Swedish Space Corporation [Sweden]	Modernisation of Esrange Space Centre in Kiruna, Sweden.	Infrastructure, transportation and telecom
Isavia ltd [Iceland]	Expansion of the capacity of Keflavik International Airport.	Infrastructure, transportation and telecom
Nortura SA [Norway]	Construction of a slaughterhouse in Hærland, Norway	Industries and services
GN Store Nord A/S [Denmark]	R&D investments in hearing diagnostic equipment and hands-free audio.	Industries and services
Sparebank 1 SR-Bank ASA [Norway]	Loan programme for financing hydropower projects and SMEs in Norway.	Financial institutions and SMEs
Skellefteå Stadshus AB [Sweden]	Construction of the Blaiken wind farm in Västerbotten County, Sweden.	Energy and environment

Treasury

Thomas Radeborn, Chief Portfolio Manager

"The high quality bond portfolios continued to perform in 2014, supported by considerable liquidity injections from the central banks."



HIGHLIGHTS 2014

- NIB raised EUR 3.4 billion in new funding.
- NIB's funding advantage has been resilient during 2014.
- NIB's Board of Directors renewed the policy towards managing liquidity.

PROSPECTS 2015

- Diversify the predominated euro bond portfolios into Nordic currencies and US dollars.
- NIB will carry on utilising the rapidly growing green bond market.

Liquidity

In 2014, NIB implemented a new Liquidity Policy approved by the Board of Directors in September. The new policy is based on stress testing and takes note of recommendations from Basel III, EU directives and the rating methodologies of rating agencies.

The new policy introduces a survival horizon that measures the period the Bank is able to fulfil all its payment obligations stemming from ongoing business operations during a severe stress scenario. The target is to maintain a survival horizon of a minimum of 365 days.

At the end of 2014, NIB's survival horizon was calculated as 456 days.

To mitigate the liquidity risk, the Bank maintains a liquidity buffer. The liquidity buffer is mainly invested in EUR, secondary in USD and the Nordic currencies. Other currencies will also be used if deemed necessary to fulfil upcoming payment obligations.

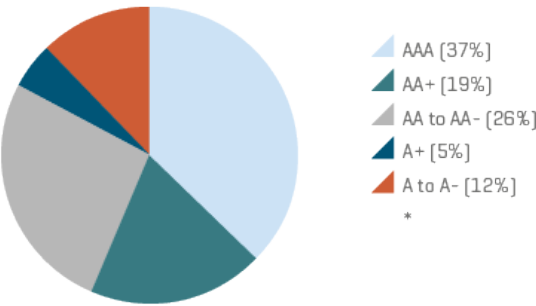
At the end of 2014, the liquidity buffer amounted to EUR 7,899 million including both cash and securities, which the Bank has received from swap counterparties to mitigate counterparty risk. Of this, EUR 1,612 million is held as cash in short-term money market instruments [20%], and EUR 6,287 million is held in securities with longer maturities [80%].

To ensure that the buffer maintains its market value and liquidity under severe market conditions, it must fulfil the quality requirements stipulated in the Liquidity Policy. At the end of 2014, 82% of the liquidity buffer was warehoused in High Quality Liquidity Assets [HQLA], 89% was eligible as repo collateral at one or several Central Banks, and 88% of the assets belonged to the Bank's top four internal rating categories. In addition, the Bank fulfils the liquidity coverage ratio [LCR] and net stable funding ratio [NSFR] requirements as specified in the Capital Requirements Regulation of the European Union.

The counterparty risk class distribution is shown here:

Counterparty risk class distribution in 2014

as of 31 Dec 2014
%, distribution by risk class



* Lower risk classes below 1%

Capital markets

NIB's funding strategy is still built upon the Bank being a leading USD benchmark issuer attracting global investors. The aim is to diversify the borrowing into different currencies and markets.

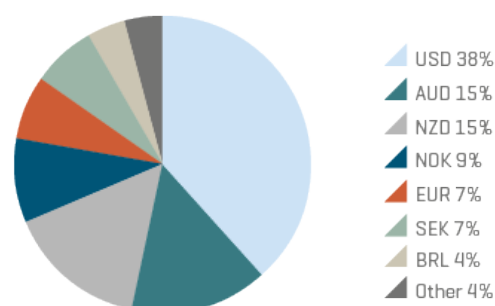
Borrowing

During 2014, the Bank raised EUR 3.4 billion new funding through 35 transactions in ten different currencies. At the end of 2014, outstanding debt totalled EUR 19.5 billion in 17 currencies.

NIB issued a global 1 billion USD benchmark bond in April 2014, which met with good demand from global investors. The final order book was in excess of USD 1.6 billion and involved 40 investors.

New borrowings in 2014

as of 31 Dec 2014
%, distribution by currency



The new funding was diversified into different currencies, with the USD being the largest currency, representing 38% of the total funding, followed by AUD and NZD, each with 15%, as shown above.

The Bank increased its outstanding volume in AUD during 2014 with a total new issuance of AUD 725 million. At the end of 2014, the total outstanding volume in Australia was AUD 3,825 million with six different maturities.

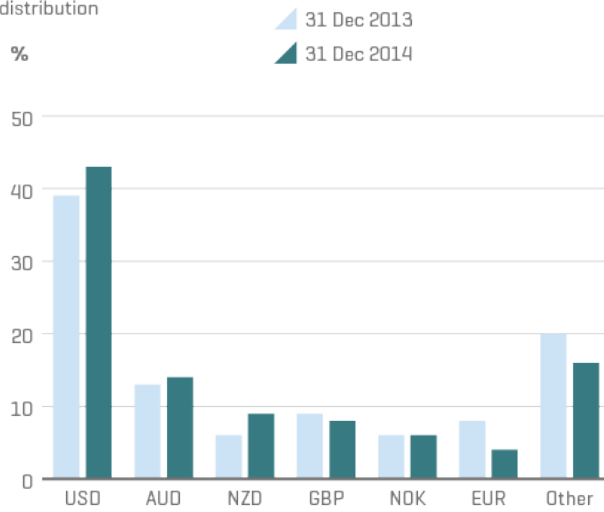
NIB also continued to be present in the New Zealand dollar market. NIB's outstanding volume was NZD 2,475 million in six different maturities at the end of 2014. The Bank's activity in the NZD market was again recognised. NIB was awarded "Kauri Issuer of the Year" by the magazine *KangaNews* in December 2014.

During 2014, the amount of Nordic currencies issued reached a total of NOK 2,500 million and SEK 2,250 million, with NOK representing 9% and SEK 7% of the total currency distribution of new funding. EUR accounted for 7% of new funding, and a further four other smaller currencies were represented in the total EUR 3.4 billion funding plan.

The currency distribution of total borrowing outstanding is shown here.

Borrowings outstanding

Currency distribution

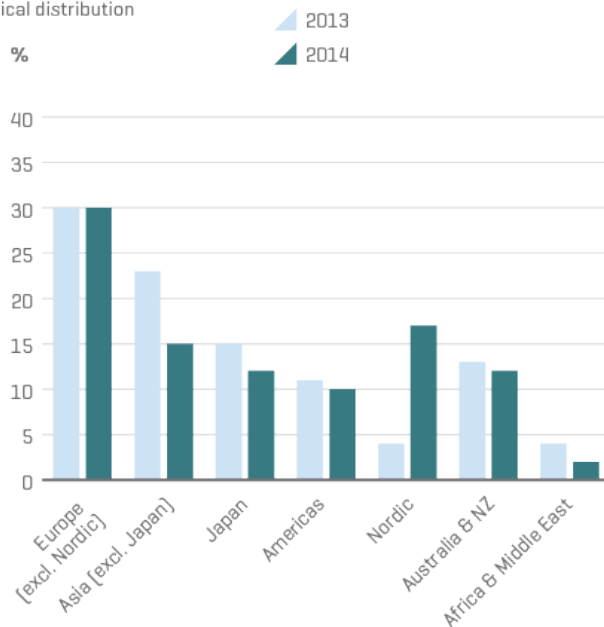


Investors

A broad global investor base supported NIB's funding programme during 2014. European investors, including investors from the Nordic countries, accounted for 48% of NIB's new funding in 2014. Investors from Asia, including Japan, accounted for 27%, and investors from Australia and New Zealand bought 12%.

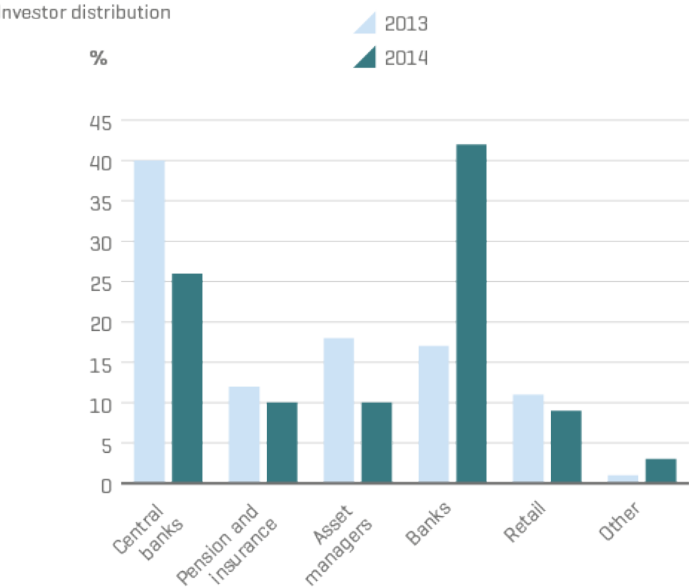
New borrowings

Geographical distribution



In 2014, the most important investor type turned out to be the banks' liquidity portfolios, as they accounted for 42% of the new funding, followed by central banks and official institutions representing 26%. The rest of the demand was equally split between asset managers, pension and insurance funds and retail investors.

New borrowings



NIB Environmental Bonds

Socially responsible behaviour, including issuing and investing in green bonds, has become an important element in debt capital markets.

NIB's explicit environmental mandate places the Bank in a good position to issue green bonds and hence allocate "green funds" to projects that support this mandate.

NIB believes that such bond issues enhance NIB's sustainability profile among its stakeholders. Green bond issuance allows NIB to reach out to new investors, thus diversifying the investor base further.

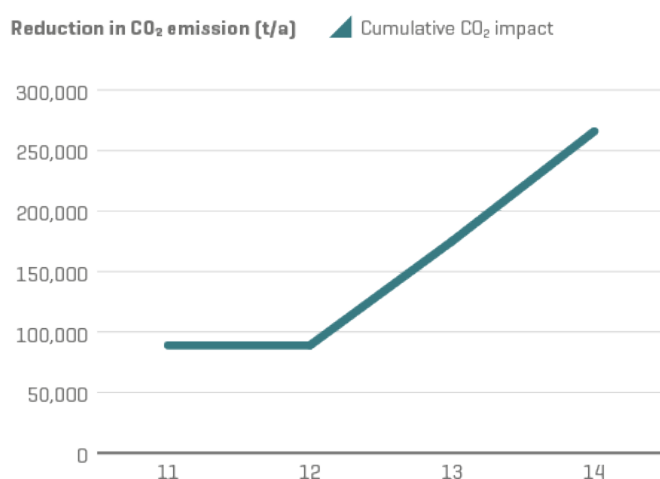
NIB has introduced a framework which allows investors to provide funds dedicated only for the Bank's environmental lending. The framework is called the NIB Environmental Bond framework. In September, NIB issued an inaugural benchmark USD 500 million NIB Environmental Bond. The seven-year bond achieved a demand of USD 800 million, and 85% of the investors participating were estimated to be environmentally minded investors.

At year-end 2014, NIB had a total of EUR 760 million outstanding in NIB Environmental Bonds. At the same time, the Bank had identified 19 eligible loan projects, which have received proceeds from the environmental bonds. Each project considered for financing undergoes an individual assessment of its potential environmental impact, including social aspects. Only loans to projects located in NIB member countries or the EU may be considered for financing under the framework. Projects qualify as eligible if the sustainability review does not identify any potentially threatening risk elements to the projects.

All NIB Environmental Bonds and eligible projects that have been financed under the framework, are published at www.nib.int/capital_markets/environmental_bonds.

In line with market practice, NIB publishes a number for the total CO₂ equivalent impact of all projects financed by NIB Environmental Bonds. At year-end 2014, the CO₂ equivalent impact was calculated as 265,875 tonnes.

Cumulative CO₂ impact of projects under NEB



Energy efficiency: The implementation of energy efficiency projects leading to a reduction in electric energy use of at least 30%. These primarily relate to industrial projects such as improving compressed air systems, replacing light fittings, recovering waste heat, installing heat exchangers in ventilation systems, making drying processes more efficient [including kilns], and making cooling/heating more efficient.

Renewable energy: Increased electricity generation from existing hydroelectric power plants or small-scale greenfield hydropower, increased electricity generation from wind turbines, increased electricity generation from photovoltaic panels, increased generation from tidal and wave, increased electricity or heat generation from geothermal installations, increased electricity or heat generation from solid biofuels, or investments in infrastructure for the production or processing of solid/liquid biofuels.

Public transport solutions: mainly based on electricity or biofuels [improvement of general transport logistics to increase energy efficiency of infrastructure and transport, e.g. reduction of empty running], railway transport ensuring a modal shift of freight and/or passenger transport from road to rail [improvement of existing lines or construction of new lines], waterways transport ensuring a modal shift of freight and/or passenger transport from road to waterways [improvement of existing infrastructure or construction of new infrastructure].

Transmission and distribution systems: Transmission upgrades to allow for more renewable energy connected to the grid.

Waste management systems: with the aim of reducing emissions into air, mainly carbon dioxide equivalent (CO₂eq), sulfur oxides (SO_x), nitrogen oxides (NO_x), dust, heavy metals and dioxins and reducing discharges of pollution into water.

Wastewater treatment: with the aim of reducing discharges into water, mainly phosphorus (P), nitrogen (N), organic matters and heavy metals.

Green buildings: the construction of commercial and multi-family buildings certified, or to be certified, according to LEED Platinum or BREEAM Excellent, and that fulfil the EU Green Building requirements. Site selection is part of the overall assessment and due consideration will be taken to minimise re-bound effects when selecting projects.

Asset and Liability Management

The Asset and Liability Management Unit manages the Bank's market risks in the balance sheet, transfers pricing between funding and lending operations and handles daily cash management.

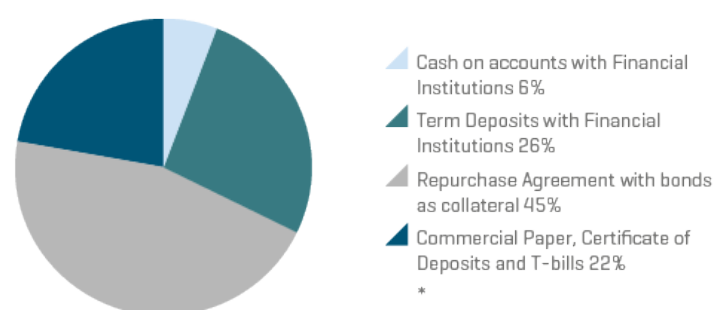
The Bank disbursed new loans of EUR 2,274 million in 2014, and obtained new funding of EUR 3,361 million in ten different currencies.

The EUR 1,612 million held in short-term money market instruments is used to manage the daily payment obligations. The amount covers the expected net cash outflows of the forthcoming three months. Treasury's active usage of reverse repos has had the positive effect of reducing the total treasury counterparty exposure. The instrument distribution is shown here:

Cash instruments in 2014

as of 31 Dec 2014

%, distribution by instrument



* Other instruments less than 1%

The balance sheet total increased from EUR 23,490 million at the end of 2013 to EUR 24,870 million at the end of 2014. Fluctuations in currency rates resulted in the amount of cash collateral received increasing to EUR 832 million from EUR 283 million during 2014.

In 2014, the Asset and Liability Management operation contributed EUR 28.1 million to the Bank in net interest income earnings.

Portfolio Management

The Portfolio Management Unit manages securities with longer maturities. The market value of the bond portfolios amounted to EUR 5,656 million at the end of 2014, excluding EUR 630 million in securities received as collateral.

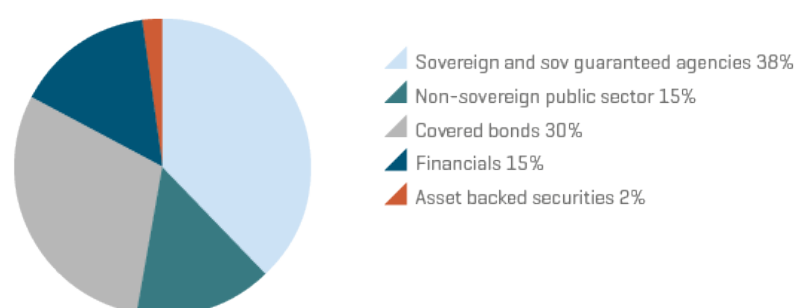
While the bond portfolios include both interest risks and credit risks directly affecting NIB's income, securities held for collateral purposes will need to be replaced or increased by swap counterparties if they decrease in value. Therefore, they do not affect NIB's income. The counterparty and market risk frameworks set limits applicable to Treasury's operations. At the end of 2014, the interest rate risk for all portfolios was calculated to the equivalent of EUR 916,000.

The instrument distribution of the portfolio can be seen here:

Bond instruments in 2014

as of 31 Dec 2014

%, distribution by instrument



The "Sovereign and sovereign-guaranteed agencies"-class consists largely of European governments and guaranteed agencies. The covered bonds are only from jurisdictions where covered bonds have a legal framework and are regulated. The non-sovereign public sector consists of various local governments and municipal agencies, as well as supranationals. "Financials" refers to senior unsecured debt of banks, and asset-backed securities (ABSs) include only residential mortgage-backed securities. All of the financials and ABSs have investment grade ratings.

The bond portfolios include securities held both at amortised cost and fair value, and with both floating- and fixed-rate coupons. During 2014, the Portfolio Management operation contributed EUR 70.8 million in net interest income earnings, and EUR 26.8 million in additional profit from fair value valuations. Valuations from securities held at amortised cost, which do not affect the operating income, amounted to EUR 55.9 million. The positive effect is strengthened by liquidity injections from central banks, leading to lower spreads on almost all fixed-income asset classes and consequently having a positive effect on securities.

About NIB

Christina Stenvall-Kekkonen, Chief Counsel, Institutional & Administrative Legal Affairs

"In order to be entrusted with managing EU grant funds, the European Commission requires that all managing entities have to pass a pillar assessment. In 2014, we went through—and passed—that assessment. This opens new opportunities for receiving grant funds from the EU, for example to be used for project preparation costs for eligible NIB projects, as well as to blend with our long-term loans."



HIGHLIGHTS 2014

- NIB's liquidity remained strong.
- NIB's overall risk position remained solid in 2014, based on sustained high asset quality and a sound capitalisation level.

PROSPECTS 2015

- The Board of Directors is expected to conclude a review process of NIB's strategy during the first half of 2015.
- NIB's level of loans disbursed is expected to be somewhat lower in 2015.

NIB in brief

The Nordic Investment Bank finances projects that improve competitiveness and the environment of the Nordic and Baltic countries.

NIB offers long-term loans to complement and leverage commercial lending in order to help ensure its vision of a prosperous and sustainable Nordic–Baltic region. The Bank extends loans according to sound banking principles and on market terms.

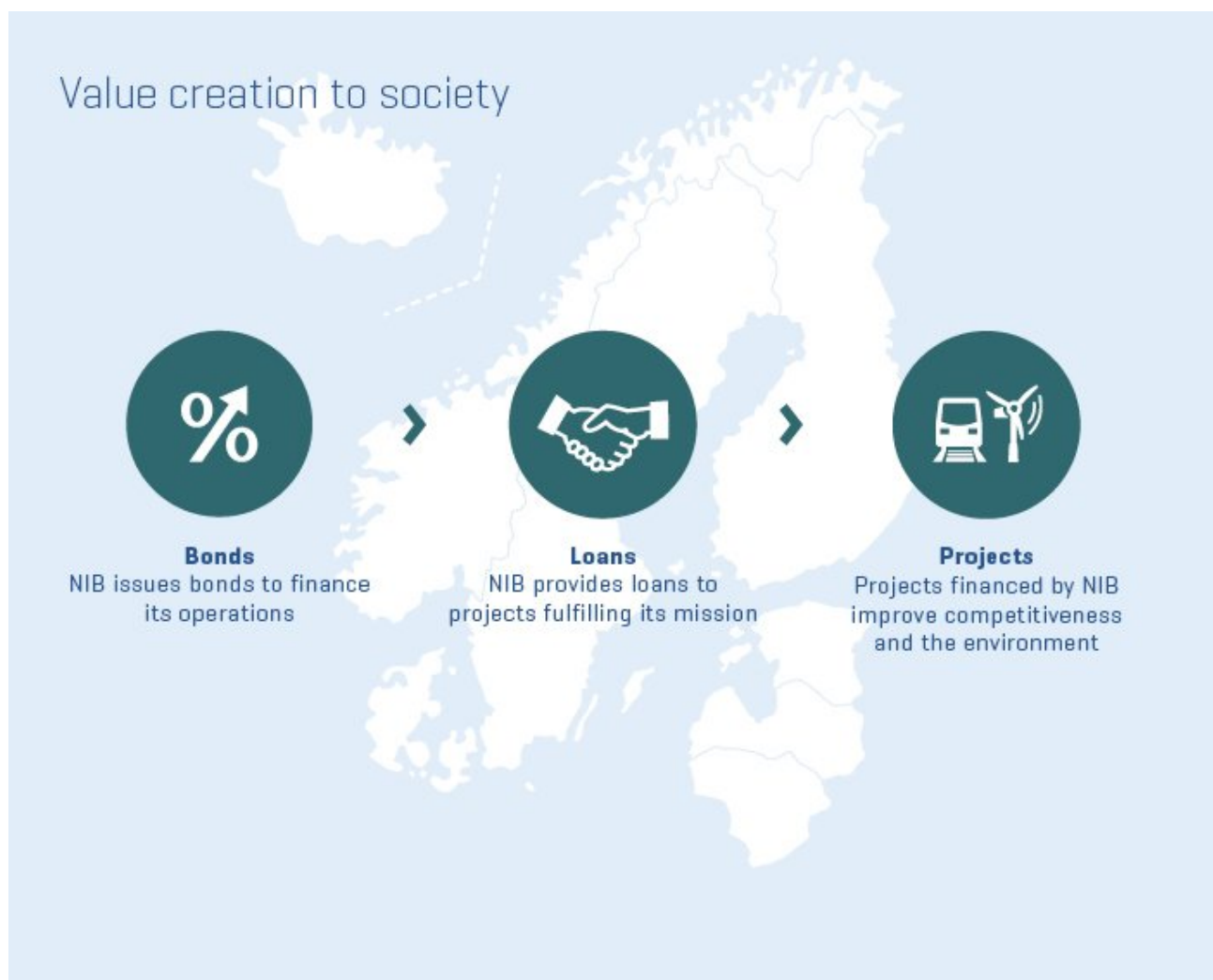
To improve competitiveness, NIB-financed projects should support productivity growth through:

- technical progress and innovation;
- development of human capital;
- improvements in infrastructure;
- increased market efficiency.

To enhance the environment, NIB lends to projects that lead to:

- improved resource efficiency;
- development of a competitive low carbon economy;
- protection of the environment and its ecosystem services;
- development of clean technology.

NIB analyses all potential projects for their direct and indirect impact on competitiveness and the environment. A loan from NIB may therefore be regarded as a stamp of quality.



NIB is an international financial institution owned by Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden. The Nordic countries established the Bank in 1975, and the Baltic countries became members in 2005.

While the main focus of its activities is on the membership area, NIB also operates in selected non-member countries in the Baltic Sea region and emerging markets.

NIB acquires the funds for its lending by borrowing on the international capital markets. With its strong ownership and highest possible AAA/Aaa issuer credit rating with the leading ratings agencies Standard & Poor's and Moody's, the Bank offers stability and reliability to global investors.

NIB needs to be financially strong in order to fulfil its mission efficiently. The Bank therefore aims to earn a profit enabling both accumulation of adequate reserves and a reasonable return for the owners on the paid-in capital.

NIB is located in Helsinki, Finland, and employed 188 people in permanent positions at the end of 2014.

Our People

NIB's employees are the Bank's strongest asset in its mission to finance projects that improve the competitiveness and the environment of the Nordic and Baltic countries.

Values

In August, the Bank arranged a NIB Day for all employees to discuss how our corporate values can support work.

The NIB Day 2014:



Living our values:

Competence, commitment and cooperation, those are NIB's corporate values. In order to make these values better known to the staff, a "NIB Day" was arranged in August.

The purpose of the NIB Day was to give staff a possibility to reflect on these values from different angles. To achieve this, the programme was in many ways surprising and challenging—offering the participants good possibilities to interact with their colleagues, and at the same time to think about how the values can be lived at a more personal level.

Corporate values are not very valuable unless they are easily transformed into concrete actions in daily work, and this was one of the main messages of the NIB Day. One very concrete exercise connected with cooperation took place early in the morning, when all 191 participants were asked to build the world's largest NIB logo together, using as many cardboard pieces as there were attendants. This was done with success, which can be seen in this NIB Day video.

Another part of the programme was the NIB storytelling: a group exercise with the aim of showing how the values are lived in practice. The staff members were asked to share their best NIB stories, describing situations where they had been proud to be an employee of NIB, and where they had felt that the values were visible. The stories were very different in character, and led to good discussions.

At the end of the day, the participants gave feedback. Of the respondents, 72% answered that the values are important or quite important to them in their daily work, and 82% felt that the NIB Day had been a success.

Developing competence

NIB is a professional expert organisation where employees are encouraged to develop their competencies. The average number of training days per employee was 4.9, compared to 4.6 in 2013.

One of NIB's most successful internal training concepts is Credit School. The main objective of this training is to ensure advanced knowledge of issues such as credit risk assessment, project finance, structured finance and similar matters.

With 14 nationalities and using English as the working language, it is essential to provide language training to ensure that all employees develop and maintain excellent language skills.

The employees' performance and individual work plans are reviewed in personal appraisal and development discussions with their supervisors. These talks are held at the beginning of the year and again in the autumn.

NIB also focuses on developing its managers through supervisor training and personal growth processes. Managers have access to a supervisor intranet site containing the Bank's policies, regulations and guidelines. The site also provides recommendations on how managers can carry out their roles and fulfil their duties.

Work community

The working culture at NIB is perceived as attractive, and many employees choose to stay for a lengthy part of their careers. In 2014, the average length of employment was 11.3 years.

Five permanently employed staff left the Bank in 2014, resulting in an exit turnover of 2.7%.

NIB appreciates staying in touch with its former employees and has an alumni network of about 90 registered members. In December, NIB's President and CEO hosted a Christmas lunch for the alumni.

At the end of 2014, NIB had 188 employees in permanent positions. Of these, 82 were women and 106 men. In addition, five employees worked on projects in temporary positions. The average number of permanent employees was 186 during the year.

Employees by gender and age group

as of 31 Dec 2014

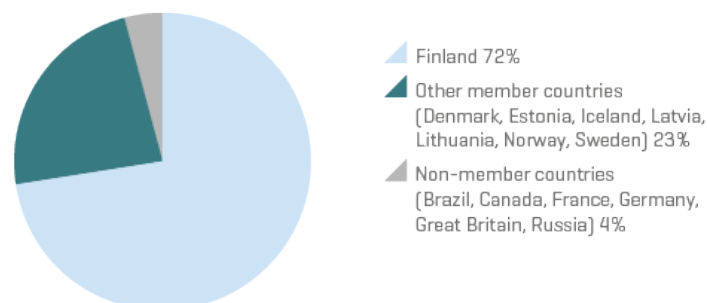


The number of permanent employees with a university degree was 137, or 73% of NIB's staff. The average age of permanent employees was 46 years. All in all, our people represented 14 nationalities.

Origins of staff

as of 31 Dec 2014

%, distribution by country

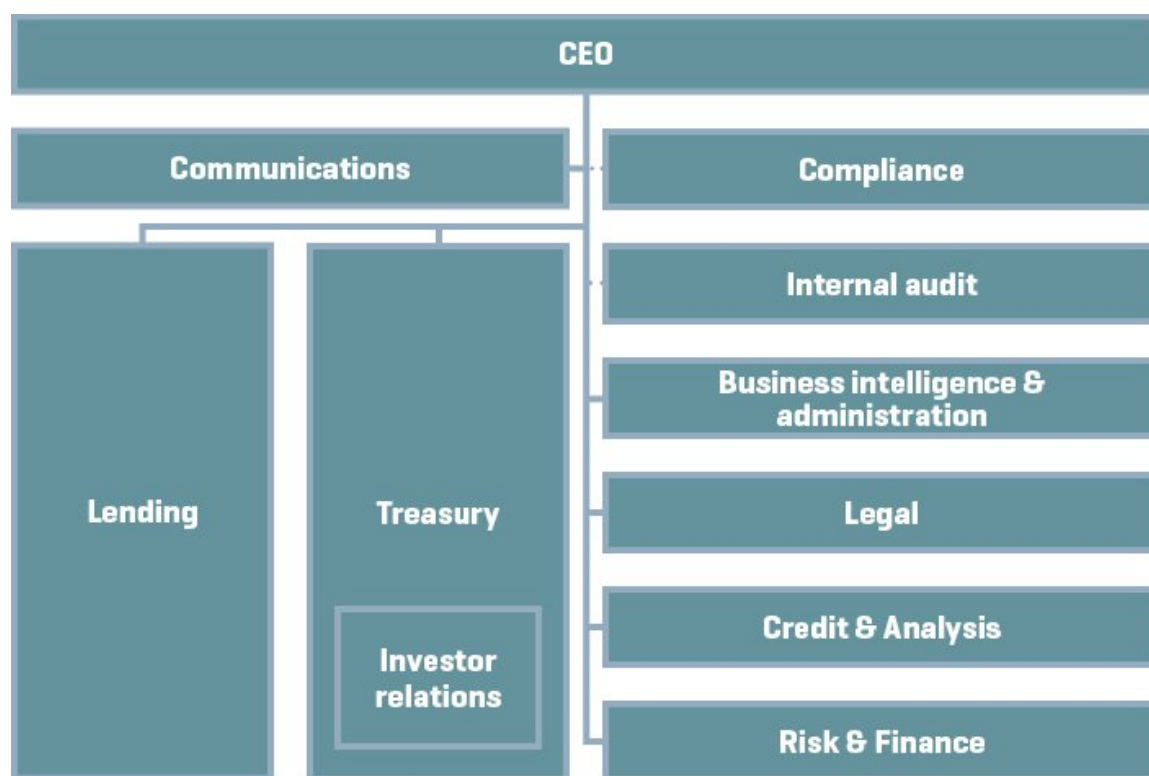


NIB has an equality and diversity plan for the years 2013–2015. A gender equality and diversity survey conducted in 2013 shows that NIB is at a good level in regard to equality and the legal framework.

Organisational changes

The Lending department established a new unit named "Financial institutions and SMEs". This was done to reflect the increasing importance of SME lending.

The Treasury department merged its Financial Analysis & Controlling unit into the Asset & Liability Management unit. This was done to strengthen NIB's liquidity and balance sheet management.



Well-being and safety

NIB makes every effort to create a safe and healthy working environment for its employees. The Bank considers all aspects of work, such as general working conditions, the environment and the personal capacities of its employees. NIB encourages its staff to establish and maintain a sustainable balance between their professional and private lives.

NIB conducted a workplace assessment with the occupational health care provider in 2014. An early intervention plan and a non-smoking programme were taken into use as a part of workplace health promotion. First aid training was also arranged for employees throughout the organisation.

The sickness absence rate—as a percentage of total working time—stood at 2%, compared to 3 % in 2013.

Ombudsman

The purpose of the Ombudsman function is to enhance cooperation in employment matters and to help maintain an attractive working environment. The Ombudsman was available once a month for all staff members during 2014. During the year, the Ombudsman held four consultations on different employment issues, none of which resulted in any further action.

The current Ombudsman mandate period is from 1 August 2014 until 31 July 2016.

NIB has zero tolerance for any type of discrimination. To ensure a workplace free of harassment, NIB has in place an Anti-harassment Policy that is governed primarily by the Human Resources unit. In cases of harassment, the Ombudsman can also be consulted. In 2014, no incidents of harassment were reported.

The Bank expects the highest ethical conduct from its staff, both at the workplace and in their work. The Code of Conduct for the staff, governed by the Compliance unit, provides guidance on business ethics and standards as well as personal conduct.

Legal status

Our employees are members of an international financial institution. Based on NIB's legal status, the labour laws or other legislation of the host country Finland, or any other member country, do not automatically apply to its employees. There are, however, some exceptions, particularly with regard to taxation, social security and pensions. You can read about these in the Host Country Agreement between the Government of the Republic of Finland and the Nordic Investment Bank.

See Note 5 in the Financial Report for more information about NIB's employees.

Governance

The Nordic Investment Bank was established in 1975 by Denmark, Finland, Iceland, Norway and Sweden. In 2005, Estonia, Latvia and Lithuania became members of the Bank on equal terms with the original member countries.

NIB is governed by the Agreement concerning the Nordic Investment Bank signed by its member countries in 2004, the related Statutes and the Host Country Agreement concluded between the Government of Finland and the Bank in 2010.

According to the Statutes, the Bank shall have a Board of Governors, a Board of Directors, a President and the staff necessary to carry out its operations. In addition, the Bank has a Control Committee.

NIB promotes transparency, predictability, accountability, responsibility and disclosure as general principles enhancing and furthering good governance. NIB aims to follow best practices in the field of corporate governance. As part of enhancing good governance, the Board of Directors started a self-assessment process in 2014.

Board of Governors

The Board of Governors is composed of eight governors, one designated by each member country from among the ministers in its Government. The Board of Governors appoints a Chairman for one year according to the rotation scheme it has adopted.

The Governor for Finland is currently serving as Chairman until 31 May 2015.

The Board of Governors held its annual meeting by written procedure on 26 May 2014.

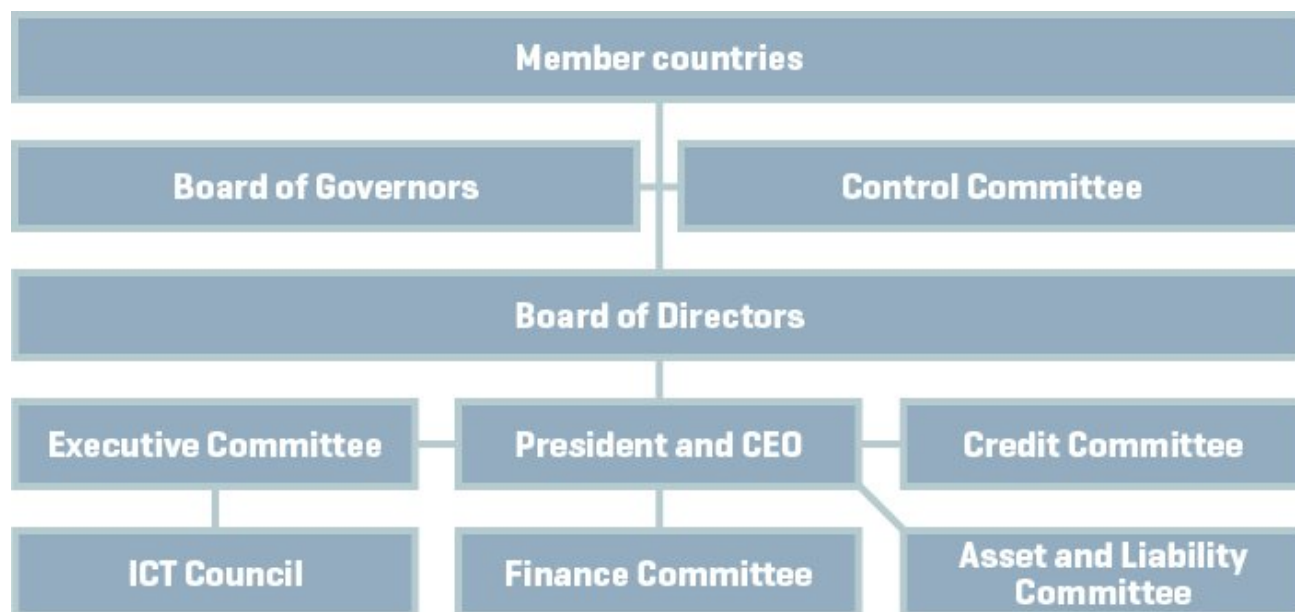
Board of Directors

All the powers that are not exclusively vested in the Board of Governors are entrusted to the Board of Directors. The Board of Directors consists of eight directors and eight alternates. The Board of Directors considers for approval all lending transactions, borrowing and administrative issues proposed by the President. The Board of Directors may delegate its powers to the President to the extent it considers appropriate. The Chairman of the Board of Directors cannot be the President or an employee of the Bank.

President

The President is responsible for conducting the Bank's current operations and is appointed by the Board of Directors for a term of five years at a time. Since 1 April 2012, Mr Henrik Norman has been the President and Chief Executive Officer of the Bank.

Advisory bodies to the President



The President is assisted in his work by the *Executive Committee*, the *Credit Committee*, the *Asset and Liability Committee*, the *Finance Committee* and the *ICT Council*.

The *Executive Committee* is a forum for addressing all aspects of the performance, policy and financial soundness of the Bank. The Executive Committee consists of the President and six senior officers, whose appointments are confirmed by the Board of Directors. The Executive Committee meets formally approximately twice a month. In 2014, it met 21 times. The meetings are ordinarily chaired by the President, who reaches decisions after consulting the members of the committee. The Executive Committee meets informally at the commencement of every working day.

The *Credit Committee* is responsible for the preparation and decision-making related to the Bank's credit matters and treasury counterparty matters. The President exercises his executive powers concerning lending operations through the Credit Committee. The Credit Committee includes the President and six senior officers appointed by the Board of Directors. At the end of 2014, the Credit Committee had the same members as the Bank's Executive Committee. The Credit Committee is chaired by the President, or in his absence, by one of its members. As a rule, the Credit Committee meets once a week. In 2014, it met 65 times.

The *Asset and Liability Committee* assists and advises the President in strategic balance sheet planning and is a forum for sharing information on issues relating to the Bank's asset and liability management. The members of the Asset and Liability Committee are appointed by the President who chairs the committee. In 2014, the Asset and Liability Committee consisted of the members of the Executive Committee and the Chief Risk Officer. The Asset and Liability Committee meets approximately six times a year, but can convene more frequently if necessary. In 2014, the Asset and Liability Committee met seven times.

The *Finance Committee* assists and advises the President in monitoring the market risk, borrowing activities and treasury portfolio management of the Bank. The Finance Committee includes the President, the Head of Treasury and the Head of Risk and Finance. The Finance Committee usually convenes once a month. In 2014, it met eleven times.

The *ICT Council* assists and advises the President in information and communications technology matters, and functions as a steering committee for ICT development projects. The President, however, makes his decisions on ICT matters in the Executive Committee. The ICT Council consists of the Head of ICT and of other senior staff members appointed by the President. The chairman of the Council is always a member of the Executive Committee. In 2014, the ICT Council met three times.

Other internal committees

In addition to the aforementioned advisory bodies to the President, the Bank has also the following permanent internal committees: the New Product and Structure Committee, the Committee on Fighting Corruption, and the Trust Fund Committee, all composed of senior staff members.

The *New Product and Structure Committee* scrutinises product and deal structure proposals significantly different to what NIB has entered into previously from risk and administrative perspectives and gives its recommendations to the Finance Committee or the Credit Committee for their decision.

The *Committee on Fighting Corruption* deals with both corruption prevention and cases of suspected corruption and gives recommendations of action for the President to decide. For further information, see the Bank's integrity statement [here](#).

The *Trust Fund Committee* shall ensure that the purposes of the trust funds managed by NIB are fulfilled in the most efficient way. The Committee also approves the activity plan of the trust funds and proposes allocations from a trust fund. The Committee gives its recommendations to the respective donor[s] for their final decision.

Control Committee

The Control Committee is a supervisory body which ensures that the operations of the Bank are conducted in accordance with the Statutes. The Control Committee is responsible for the audit of the Bank's accounts, and annually delivers an audit statement to the Board of Governors. The audit of the financial statements of the Bank is carried out by external professional auditors appointed by the Control Committee.

Remuneration and incentive programmes

The Board of Governors determines annually the remuneration and attendee allowance for the Board of Directors and for the Control Committee. The President's terms of employment, including remuneration, are determined by the Board of Directors. The Control Committee determines the principles for remuneration of the professional auditors.

The principles for the remuneration of staff are set out in the Compensation Policy. The Bank applies a fixed salary-based system in which individual performance plays an important role, as well as a small bonus programme that rewards exceptional performance on a yearly basis.

For further information on remuneration, see Note 5 in the Financial Report.

Internal control

NIB's internal control system has the dual objective of securing and developing the long-term financial preconditions for operations while conducting cost-efficient operations that comply with rules and regulations. Internal control is focused on managing various forms of financial, compliance and operational risks.

NIB's operational risk management focuses on proactive measures in order to ensure business continuity, the accuracy of information used internally and reported externally, the expertise and integrity of the Bank's personnel and its adherence to established rules and procedures, as well as security arrangements to protect the physical and ICT infrastructure of the Bank.

The *Compliance* function assists the Bank in identifying, assessing, monitoring and reporting on compliance risk in matters relating to the institution, its operations and to the personal conduct of staff members. The Chief Compliance Officer reports to the President, with full and unlimited access to the Chairman of the Board of Directors and the Chairman of the Control Committee.

NIB's internal audit adheres to international professional standards established by the Institute of Internal Auditors. The task of the Internal Audit function is to provide assurance on the effectiveness of the Bank's internal control, risk management and governance processes, and to make recommendations to the management.

The Internal Audit function of the Bank reports to the Board of Directors and to the Control Committee and works administratively under the auspices of the President. The Board of Directors approves the annual plan for the Internal Audit.

For further information on risk management, see the Financial Report.

The Board of Directors reviews NIB's strategy

On top of its regular duties in 2014, NIB's Board of Directors reviewed the Bank's strategy and conducted a self-evaluation of how the board works. The self-assessment aims to further improve the efficiency and coherence of the board's governance, and the strategy process is scheduled to be concluded during the first half of 2015.

The Board of Directors consists of eight directors and eight alternates appointed by NIB's Nordic and Baltic owner countries.

The board was chaired by Finland's representative Pentti Pikkarainen, from 1 June 2014. He took over from Lithuania's representative Rolandas Kriščiūnas. The chairmanship rotates among the owners every two years.

In 2014, the board had eight ordinary meetings, 19 strategy seminar sessions, and three online meetings.

The strategy review and self-assessment have been in addition to the board's ordinary tasks, which are to consider all major lending and borrowing transactions, as well as administrative issues, proposed by NIB's President.

Preparing for the strategy review

The strategy process started in February with a series of seminars to prepare the board for a two-day strategy seminar in June.

The first of these preparatory seminars discussed the framework that NIB uses to decide to what extent potential loan projects contribute to fulfilling the bank's mission. All projects financed by NIB must either improve the competitiveness or the environment of the Nordic and Baltic countries.

Two seminars in March focused on NIB's capital and stress testing, as well as the development of activities after the decision of the Board of Governors in 2010 to increase the bank's capital. A seminar in April assessed the financial landscape of the Nordic-Baltic region.



Copenhagen strategy meeting

The actual strategy seminar was organised in Copenhagen in June, and consisted of three sessions over two days. The first session dealt with NIB's purpose and relevance, and the Bank's President presented the state of the bank and likely future scenarios.

The second session consisted of group work that produced SWOT analyses to evaluate the strengths, weaknesses, opportunities and threats involved in NIB's business venture. The seminar also identified and discussed the bank's success factors. The seminar benefited from a good Nordic-Baltic team spirit from the representatives of the bank's owner countries.

In the third session, NIB's Head of Lending introduced a set of new and possible lending options for NIB to proceed with in the future. The Board members debated and prioritised these and suggested additional lending options. The session also dealt with possible implications of the different options in terms of NIB's mission, resources, risk and the bank's ability to provide something that is additional to commercial lending.

Follow-up and the way forward

In September, the board followed up by taking a deeper look at the way NIB analyses aspects of competitiveness and additionality for its loan projects. The board continued in October by discussing NIB's mission and the relationship between that and the Bank's mandate rating system. The Board of Directors also invited NIB's management to further prepare a few strategic lending options.

In November, the Board of Directors held its meeting in Frankfurt, Germany. The purpose was to combine this with a study visit to

KfW to learn more about their approach to SMEs and strategy development. The Board also held a separate seminar in order to consider possible NIB initiatives in the field of SME lending.

In December, the board discussed the preliminary conclusions of the entire strategy review process. The board expects to finalise the strategy process during the first half of 2015.

Board performance review

Good governance and efficient administration are determining criteria for the success of any institution. In February, the board decided to conduct a survey to develop its teamwork and processes.

All board members replied to a written survey conducted by an external consultancy. Separate interviews were also conducted with the Chairman and the Vice-Chairman. The findings were presented to the board in May.

Since May, the board has discussed the survey findings on two occasions and decided to make several changes to its working practices. The evaluation process will continue as the Board of Directors deems necessary.

Board of Governors

As of 31 December 2014

Mr Antti Rinne Minister of Finance FINLAND	Mr Henrik Sass Larsen Minister for Business and Growth DENMARK	Ms Maris Lauri Minister of Finance ESTONIA
Mr Bjarni Benediktsson Minister of Finance and Economic Affairs ICELAND	Mr Jānis Reirs Minister of Finance LATVIA	Mr Rimantas Šadžius Minister of Finance LITHUANIA
Ms Siv Jensen Minister of Finance NORWAY	Ms Magdalena Andersson Minister of Finance SWEDEN	

The Annual Meeting of the Board of Governors was held according to written procedure by 26 May 2014.

Control Committee

As of 31 December 2014

<p>Chairman</p> <p>Mr Jānis Reirs (until 4 November 2014)</p> <hr/> <p>Member of Parliament</p> <p>LATVIA</p> <p>Mr Leo Ašmanis (from 1 January 2015)</p> <hr/> <p>Head of Internal Audit</p> <p>Bank of Latvia</p> <p>LATVIA</p>		<p>Deputy Chairman</p> <p>Mr Sigurður Þórðarson</p> <hr/> <p>CPA</p> <p>Former State Auditor</p> <p>ICELAND</p>
<p>Ms Karin Gaardsted</p> <hr/> <p>Member of Parliament</p> <p>DENMARK</p>	<p>Mr Rannar Vassiljev</p> <hr/> <p>Chairman of the Finance Committee</p> <p>of the Parliament</p> <p>ESTONIA</p>	<p>Mr Arto Pirttilahti</p> <hr/> <p>Member of Parliament</p> <p>FINLAND</p>
<p>Mr Höskuldur Þórhallsson</p> <hr/> <p>Member of Parliament</p> <p>ICELAND</p>	<p>Ms Karina Korna</p> <hr/> <p>Adviser to the Minister of Transport</p> <p>LATVIA</p>	<p>Ms Daiva Raudonienė</p> <hr/> <p>Member of Parliament</p> <p>LITHUANIA</p>
<p>Mr Kristian Norheim</p> <hr/> <p>Member of Parliament</p> <p>NORWAY</p>	<p>Appointment pending [tbc]</p> <hr/> <p>SWEDEN</p>	

External auditors appointed by the Control Committee

Mr Sixten Nyman

Authorised Public Accountant,
KPMG Finland

Mr Hans Åkervall

Authorised Public Accountant,
KPMG Sweden

The Control Committee met twice in 2014.

Board of Directors



Mr Pentti Pikkarainen

- Director
- Chairman of the Board (from 1 June 2014)
- Director General
- Financial Markets Department
- Ministry of Finance
- FINLAND
- Elected 2012
- 8 meetings

ALTERNATE

MR JANNE KÄNKÄNEN

- Head of Division
- Department of Enterprise and Innovation, Enterprise Policy and Financing
- Ministry of Employment and the Economy
- FINLAND
- Elected 2012
- 6 meetings



Mr Jesper Olesen

- Director
- Deputy Permanent Secretary
- Ministry of Business and Growth
- DENMARK
- Elected 2008
- 5 meetings

ALTERNATE

MS JULIE SONNE (until 30 September 2014)

- Head of Division
- Ministry of Business and Growth
- DENMARK
- Elected 2012
- 3 meetings

ALTERNATE

MR ALF THERKILDSEN (from 1 October 2014)

- Head of Section
- Ministry of Business and Growth
- DENMARK
- 1 meeting



Mr Madis Üürke

- Director
- Advisor
- Ministry of Finance
- ESTONIA
- Elected 2005
- 8 meetings

ALTERNATE

MS MERLE WILKINSON

- Head of State Treasury Department
- Ministry of Finance
- ESTONIA
- Elected 2010
- 7 meetings



Mr Þorsteinn Þorsteinsson

- Director
- Senior Advisor
- Ministry of Finance
- ICELAND
- Elected 2009
- 6 meetings

ALTERNATE

MR SIGURÐUR ÞÓRÐARSON [until 31 May 2014]

- CPA
- Former State Auditor
- ICELAND
- Elected 2009
- 2 meetings

ALTERNATE

MR SIGURÐUR HELGASON [from 1 June 2014]

- Director General
- Ministry of Finance and Economic Affairs
- ICELAND
- 4 meetings



Mr Kaspars Āboliņš

- Director
- Treasurer
- Treasury of the Republic of Latvia
- LATVIA
- Elected 2008
- 6 meetings

ALTERNATE

MS LĪGA KĻAVIŅA

- Deputy State Secretary on Financial Policy Issues
- Ministry of Finance
- LATVIA
- Elected 2013
- 7 meetings



Mr Algimantas Rimkūnas [from 1 August 2014]

- Director
- Vice-Minister of Finance
- Ministry of Finance
- LITHUANIA
- 4 meetings

DIRECTOR

MR ROLANDAS KRIŠČIŪNAS [until 31 July 2014]

- Chairman of the Board [until 31 May 2014]
- Vice-Minister of Foreign Affairs
- Ministry of Foreign Affairs
- LITHUANIA
- Elected 2005
- 4 meetings

ALTERNATE

MS DOVILĖ JASAITIENĖ

- Deputy Director
- EU and International Affairs Department
- Ministry of Finance
- LITHUANIA
- Elected 2013
- 8 meetings



Ms Silje Gamstøbakk

- Director
- Deputy Director General
- Ministry of Finance
- NORWAY
- Elected 2012
- 7 meetings

ALTERNATE
MR TROND EKLUND

- Director
- Norges Bank
- NORWAY
- Elected 2010
- 6 meetings



Mr Sven Hegelund

- Director
- Former State Secretary
- SWEDEN
- Elected 2012
- 8 meetings

ALTERNATE
MS SOPHIE BECKER

- Deputy Director
- Ministry of Finance
- SWEDEN
- Elected 2013
- 7 meetings

Executive Committee



From left: Ms Hilde Kjelsberg, Mr Henrik Normann, Mr Heikki Cantell, Mr Lars Eibeholm, Mr Gunnar Okk and Mr Thomas Wrangdahl.

As of 31 December 2014

Mr Henrik Normann

[1953]

- President and CEO, joined NIB in 2012
- Master of Arts, History and Political Science, Copenhagen University
- Harvard Business School AMP

Mr Thomas Wrangdahl

[1957]

- First Vice-President, Head of Lending, joined NIB in 2012
- Master of Law, University of Lund
- Master of Science, Stockholm School of Economics

Mr Lars Eibeholm

[1964]

- Vice-President, Head of Treasury, joined NIB in 2007
- HD-Master's Degree in Finance and Credit, Copenhagen Business School

Ms Hilde Kjelsberg

[1963]

- Vice-President, Head of Credit & Analysis, joined NIB in 2006
- M.Sc., Norwegian School of Economics and Business Administration
- AFF Management programme for young leaders

Mr Gunnar Okk

[1960]

- Vice-President, Head of Business Intelligence & Administration, joined NIB in 2006
- M.Sc., Tallinn University of Technology

Mr Heikki Cantell

[1959]

- General Counsel, Head of Legal Department, joined NIB in 2007
- Master of Law, University of Helsinki
- Postgraduate degree in Commercial Law, University of Paris II