



BULLETIN

NORDIC INVESTMENT BANK

NOVEMBER 2010

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Power link

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AND BALTIC COUNTRIES

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Photo courtesy of ABB.

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Stronger capital base adds to lending capacity

Johnny Åkerholm, President & CEO, NIB

Editorial

Earlier this year, NIB's Board of Governors decided that, following the subscription, the Bank's authorised capital will amount to EUR 6,142 million. The capital increase will be allocated to the unpaid portion of the authorised capital stock.

The decision to increase the authorised capital of the Bank by EUR 2 billion as of 1 January 2011 adds to NIB's strong credibility on the global financial markets.

The owners have paid particular attention to high mandate compliance and the need to focus the Bank's activities in order for the Bank to provide a high added value. Read more about NIB's mandate rating on pages 22–23.

The demand for long-term financing has increased during the financial crisis, and there are reasons to believe that it will remain high in the coming years, also after the current crisis is over.

The capital increase gives us a possibility to expand. However, it will not lead to any quantum leap in the level of activity. The Bank will continue expanding at more or less the same pace as in the last few years, and increasing the share of lending in the focus sectors defined by the mandate: energy; environment; transport, logistics and communications; and innovation.

Within the energy sector, the emphasis will be on renewable energy forms, energy efficiency, increased integration and security of supply. This issue's cover story is on the Estlink-2 project, where NIB is financing a new high-voltage power connection across the Gulf of Finland between the Baltic and the Nordic countries.

A stricter focus on high-mandate on projects will require us to be more proactive in our everyday activities. We will continue to closely monitor and reassess developments in our focus sectors to fine-tune the tools available to us on the market. An important part of this is finding a strategy for our activities outside of the membership area. Read more about NIB's new focus country strategies on pages 18–19.

NIB in numbers

NIB's financial figures January–August 2010

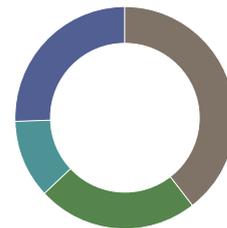
NIB expects
the share of the
priority sectors in
lending to exceed
80%
in the future.

In the first eight months of the year, the international financial markets and the global economy signalled improvements and a continued recovery, yet not without continued uncertainty.

In June, NIB's Board of Governors decided to increase the Bank's capital base. Following the new subscription, the Bank's authorised capital will amount to EUR 6,142 million. A larger capital base adds to the Bank's lending capacity in the aftermath of the financial crisis. New capital allows NIB to continue its lending operations at more or less the same pace as in the last few years, and to increase the share of lending in the focus sectors defined by the mandate.

During the first eight months of the year, NIB's net interest income amounted to EUR 157 million, up 10% compared with the same period in 2009. This reflects higher average margins from lending operations and a higher

Disbursed loans per focus area,
August 2010



■ Environment 39%
■ Energy 23%
■ Transport, logistics and communications 11%
■ Other 27%

income from liquidity management.

NIB's operational results for January–August 2010 in terms of core earnings* amounted to EUR 149 million, up from EUR 127 million during the same period last year. Positive fair values on financial instruments accounted for EUR 28 million. Impairments to the loan book amounted to EUR 42 million as per the end of August 2010 (January–August 2009: EUR 27 million). As a result, NIB's profit amounted to EUR 131 million.

NIB's balance sheet total at the end of the period was EUR 26.6 billion. Loans outstanding amounted to EUR 14.1 billion, a slight increase on year-end 2009. Loans agreed amounted to EUR 1.1 billion. The amount of loan disbursements, totalling EUR 618 million, saw a drop compared to EUR 1,196 million in January–August 2009. The decrease is attributable to high disbursements during the previous years, which consumed the inventory of agreed loans.

Furthermore, the liquidity situation among the Bank's customers has improved and the investment activity is still rather low. The focus sectors—the environment; energy; transport, logistics and communication; and innovation—accounted for 75% of the disbursed amount.

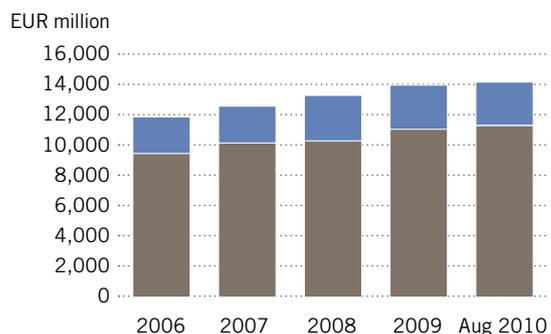
The Bank has undertaken two USD benchmark bond issues this year. Through the end of August 2010, NIB funded EUR 3.1 billion in eight currencies with the cost of funding some 30 to 40 basis points lower than in the same period last year.

NIB expects the share of the priority sectors in lending to exceed 80%, which will generate high mandate fulfilment.

*Core earnings consist of the profit before adjustments to hedge accounting, realised and unrealised gains/losses of the trading portfolio, credit losses and reversals thereof. ▴

€14.1bn
loans outstanding
in August 2010

Loans and guarantees outstanding



■ Non-member countries
■ Member countries

Key figures

EUR million	Aug 2010*	Aug 2009*	Dec 2009
Net interest income	157	142	219
Core earnings**	149	127	192
Profit	131	231	324
Loans disbursed	618	1,196	1,954
Loan agreements	1,117	686	1,417
Loans outstanding	14,146	13,584	13,763
Guarantee commitments	12	17	12
New debt issues	3,127	3,113	4,137
Debts evidenced by certificates	21,703	17,911	17,998
Total assets	26,582	22,306	22,423
Equity/total assets (%)	8.2	8.8	9.1

* Unaudited figures, to be read in conjunction with NIB's audited financial statements for 2009 and the notes thereto.

** Core earnings consist of the profit before adjustments to hedge accounting, realised and unrealised gains/losses of the trading portfolio, credit losses and reversals thereof.

BUILDING LINKS

FOR POWER EXCHANGE

Energy: In 2014, Estlink-2 will become the second high-voltage electricity transmission interconnection to join the Baltic electricity system with that of the Nordic countries and, thus, the rest of the European Union.





The Estlink-2 cable crossing the Gulf of Finland will be 170km long, with 145km under water.

The new high-voltage power connection will be built across the Gulf of Finland between the substation in Püssi in north-eastern Estonia and the Anttila substation in Porvoo in southern Finland. Of the entire 170-kilometre length of the link, 145 kilometres will be laid as a submarine cable on the sea bed.

Once the new 650 MW link is in operation in 2014, the capacity of the interconnection between Estonia and Finland will increase up to 1000 MW.

“Building Estlink-2 is the first priority in Estonia’s energy economy for the security of supply of Estonia and the Baltic countries and to link the entire region to the Nordic area. It is also the largest investment made for the Estonian electricity system,” says Taavi Veskimägi, CEO of Elering OÜ.

The Estonian state-owned Elering is an energy transmission operator that hosts the Estlink-2 project on the southern shore of the gulf. In Finland, the project is being overseen by the national electricity transmission system company Fingrid Oyj.

After twenty years of independence, the Baltic countries still depend to a large extent on an older distribution network that ties them eastward, to Russia. Estlink-1, also financed by NIB and inaugurated in 2006, is currently the only power link between the Baltic energy system and the Nordic electricity network.

“The importance of both Estlink-1 and the upcoming Estlink-2 lies, primarily, in the improved security of electricity supply in the Baltic countries,” says Yngve Söderlund, Senior

Constructing Estlink-1, currently the only power link between the Baltic countries and the rest of the EU.



Manager at NIB's Business Development Unit.

After the decommissioning of the Lithuanian Ignalina nuclear power plant started in 2009, and the closure of the old units at the Estonian Narva plants by 2015, the total energy generation capacity in the Baltic region will shrink 30% from its current size.

The new interconnection will increase the reliability of the Baltic power systems, while decreasing their dependency on the Russian power supply. Studies analysing the market-based benefits of the second interconnection between Estonia and Finland clearly show that the Estlink-2 will be socioeconomically profitable to the Baltic Sea region.

The increase of the transmission capacity is one of the preconditions of the integration of the future power market between the

Baltic countries and Nord Pool Spot.

"The links will allow for electricity trade and provides an alternative electricity purchase channel to cover potential deficits in generating capacity in the Nordic countries as well," continues Mr Söderlund.

He stresses that a large and open electricity market in the Baltic Sea region is crucial for integration of more environment-friendly renewable energy, in particular wind power, into the system.

For the efficient use of opportunities in the Nordic market, the Baltic companies are looking forward to entering the Nordic regional energy exchange. The Nordic countries are the leaders in organising international trade of electricity and deregulating the electric power sector.

"The new cable will boost inter-regional



>>>

€320m
total approximate
budget of the
project

transmission capacity and, after the completion of Estlink-2 and the adoption of Nordic market rules, it will be possible to speak of a common Nordic-Baltic electricity market starting from 2014,” says Mr Söderlund.

The additional link will enable Nordic electricity producers to enter the Baltic electricity market and the Baltic producers to sell electricity on a significantly bigger market. Mr Veskimägi of Elering explains:

“More producers, more interconnections, an open competitive market—all this means better electricity prices for consumers and industry and thus a more competitive economic environment in Estonia. Definitely, stepped-up competition will push the present sellers to make their activity more efficient and customer-friendly.”

Jukka Ruusunen, CEO of Fingrid believes that Estlink 2 is an important step in creating a

common Baltic Sea energy network.

“It will provide an advantage to the entire region in increasing its energy supply and creating an even more efficient electricity market,” he says.

The total budget of the project is close to EUR 320 million. To facilitate the construction of Estlink-2, NIB has signed long-term loan agreements totalling EUR 45 million with Elering and Fingrid.

Mr Söderlund of NIB emphasises that the Bank is committed to promoting the integration of the Baltic power networks into the regional cooperation.

“This is in line with the Bank’s business strategy for the energy sector. NIB sees Estlink-2 as a key to securing energy supply and sustainable development for the whole Baltic Sea region,” concludes Mr Söderlund. ▴

Carrying out maintenance on the filters in the alternating current yard in Harku, the Estonian converter station of Estlink-1.



Waste-to-energy in Finnish Lahti

Environment: While demands for climate change mitigation grow tighter, Finnish Lahti Energia is doing its bit to clean the air. Equipped with the newest gasification techniques and a long-term loan from NIB, a new waste-to-energy power plant is expected to substantially decrease annual CO₂ emissions in the region.



NIB finances new, innovative waste-to-energy plant in southern Finland.

Lahti Energia, the local energy company owned by the City of Lahti, is currently building a new waste-to-energy plant, due to be ready for commercial use in spring 2012. The project is partly financed with a NIB loan of EUR 50 million.

Burning waste for energy has previously been seen as ineffective and polluting. Attitudes towards it, however, have begun to change as national as well as international plans for better waste treatment and new, cleaner technologies have been developed.

Lahti Energia has been one of the first energy companies in the world to use gasification as a method for combustion. The new power plant will also be equipped with gas cleaners and coolers. That needs to be done in order to reduce harmful emissions. This is the first time a similar process is in commercial use in Finland.

Thanks to the innovative features, the new power plant has become an EU showcase.

According to Janne Savelainen, CEO of Lahti Energia, this signifies increased visibility and continuous interest from abroad.

“Many different actors, including technology developers, investors and customers, share our goal of developing energy production technologies that can produce energy from poorer fuels in a more environmentally friendly and highly efficient way,” Mr Savelainen says.

The choice to use waste as fuel was obvious for Lahti Energia, due to its location in the Päijät-Häme region where most waste is efficiently sorted. The waste that would otherwise be deposited into landfills comes from business, industry and households in the region.

Current annual fuel consumption of waste is around 100,000 tonnes at Lahti Energia, while the new plant will utilise 250,000 tonnes of recycled waste annually. According to Mr Savelainen, this is about 10% of total municipal waste suited for incineration in Finland.

The combined heat and power plant will have an estimated production capacity of 50MW of electricity and 90MW of district heat, enough capacity to reach most households, businesses and industry in the Lahti region.

The new power plant is rising next to Lahti Energia’s old coal-fired power plant, thus utilising established infrastructure and power networks. The shift from mainly coal to waste-fuelled energy production also means that there is roughly a 50% drop in the need for fossil fuels in the Lahti region, further translating into decreased annual CO₂ emissions.

Mr Savelainen believes in a bright future for waste-to-energy power plants, as people learn to utilise waste more efficiently and favour green investments for future generations.

Thus in a few years time, when the new waste-to-energy plant is ready for use, residents and businesses in the Lahti region can rest assured that their recycling efforts have not been a waste of energy. ▴

CLEAN ENERGY ROCKS!

Energy: By connecting Oslo's biggest music festival to its transmission grid, Norwegian energy company Hafslund shows that clean energy rocks.

Oslo's biggest music festival turned to renewable energy when it was connected to the NIB-financed transmission grid.



Musicians giving it their all, framed in by webs of cables connected to amplifiers, spotlights and instruments and energetic crowds dancing for days is a common sight in Europe's summer months.

Festival time demands a lot of energy from the artists as well as the audience. It also requires lots of electric power.

This year, one of Norway's biggest music festivals, The Øya Festival in Oslo, replaced their polluting diesel generators with renewable energy sources. With the help of Hafslund, a Norwegian energy company and significant producer of renewable energy, the festival area was connected to Oslo's transmission grid.

The initiative turned the urban festival into one of the most environmentally friendly music festivals in the world.

"Connecting the festival to Oslo's transmission grid was not an easy operation," admits Karen Onsager, Hafslund's Director of Communications and Corporate Responsibility. "But the efforts were surely worth it and the cooperation between us and the festival will continue in the future," she adds.

Energy is one of NIB's focus sectors and in June 2010 the Bank provided a EUR 120 million loan to Hafslund to finance the expansion and upgrade of its transmission grid in the Oslo region.

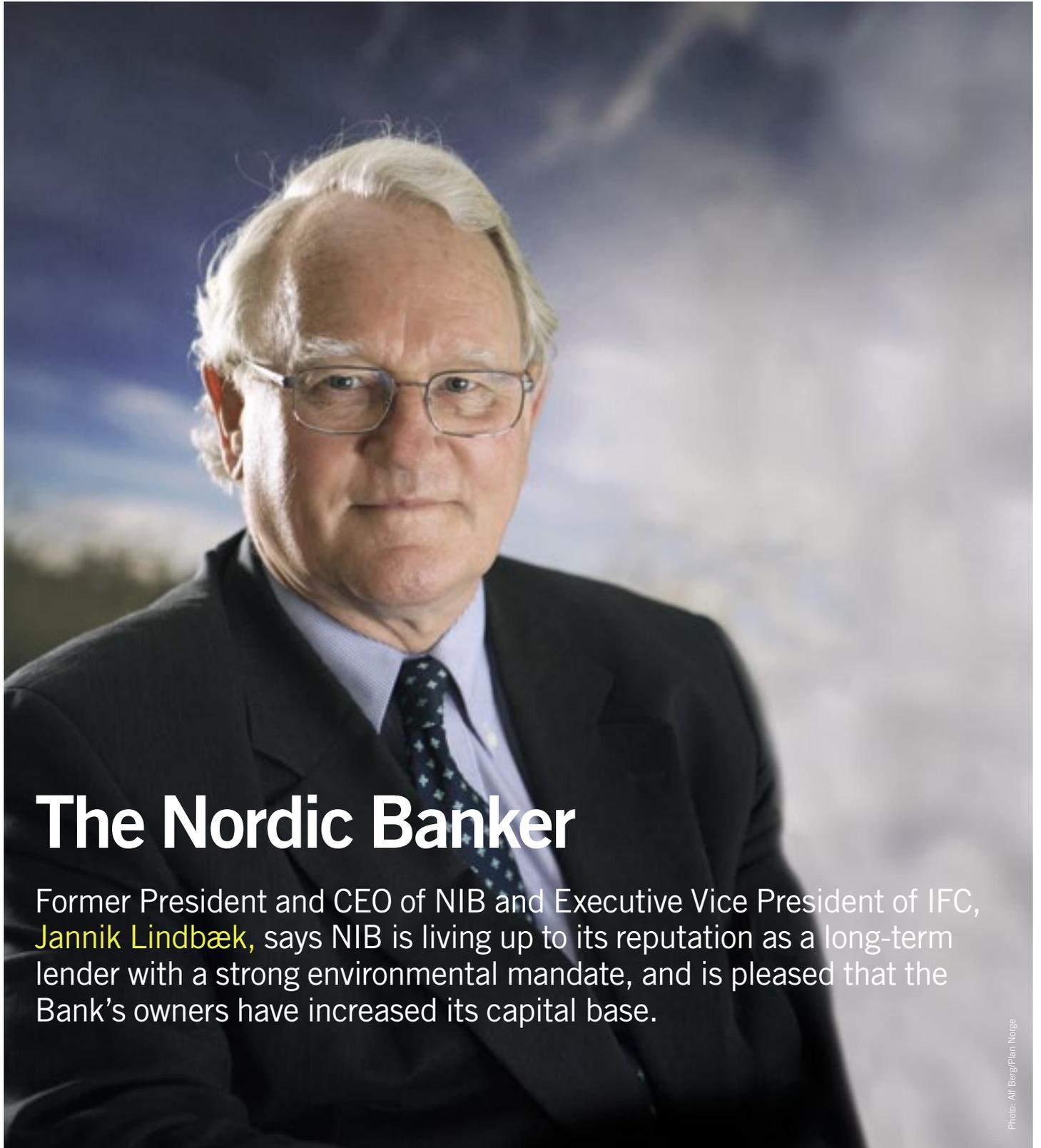
On the signing of the loan, Hafslund's CEO Christian Berg commended NIB's environmental mission.

"NIB is a valuable supplement to the general bank and capital market and our relationship with the Bank dates back many years. We appreciate the Bank's long-term approach and its ability to stay updated on Hafslund's development. In addition, the Bank's environmental appraisals are impressive and we are pleased to meet its requirements," says Mr Berg.

Hafslund is the largest transmission grid owner and power sales provider in Norway. The NIB loan is earmarked for the expansion of the current network, as well as an upgrade of the existing lines and relevant equipment. Among other things, the voltage of transformer stations will be increased in order to reduce the energy loss in the grid. This will mean more reliable electricity delivery to Hafslund's customers, now also including music lovers at The Øya Festival.

"You can't stop the music when it is powered by renewable energy," Ms Onsager concludes. ▀

NIB's mission



The Nordic Banker

Former President and CEO of NIB and Executive Vice President of IFC, **Jannik Lindbæk**, says NIB is living up to its reputation as a long-term lender with a strong environmental mandate, and is pleased that the Bank's owners have increased its capital base.

“Financing long-term projects with short-term capital means high risk. NIB is not just competitive when it comes to pricing, but with its long-term loans, the Bank offers a different product on the global financial market all together,” says Mr Lindbæk, adding that NIB represents the good, old way of doing things.

“The financial crisis was a good reminder of how useful NIB is. Very few institutions offer long-term credit on favourable terms. There is still a huge need for long-term financing on the international financial market and NIB has remained a stable source of this,” Mr Lindbæk says.

The now retired bank man says that the financial crisis also strengthened NIB’s Nordic brand.

“The financial crisis put the Nordic model in the limelight, showing how it balances all areas of a society’s development,” he points out.

Mr Lindbæk headed NIB when the Nordic owners of the Bank took the first initiatives towards Baltic cooperation. In 1991, he represented NIB when international financial institutions and banks met in Tallinn to discuss how to develop the private sector and bring foreign investment to the newly independent Baltic nations.

“The Bank immediately started an exchange of professionals and trained Baltic nationals in the international banking industry. I am very proud to have been active in this process,” Mr Lindbæk says about the cooperation which culminated with the Baltic countries becoming owners of NIB in 2005.

The financial recession made differences in the Nordic–Baltic region’s economies more conspicuous with Iceland and the Baltic countries being hit particularly hard. Mr Lindbæk is confident of their recovery.

“The Baltic countries went through rapid changes since independence. That they face challenges is not surprising. Some of these challenges are caused by fluctuations in the international financial markets,” he says and continues:

A crisis marks a transition from one stage to the next. It does not mean that everything is lost. It may be a difficult transition, but I feel optimistic about the countries’ development. They have come far in a short time.

When Mr Lindbæk left NIB to become the Executive Vice President of the International Finance Corporation (IFC) in 1994, the Baltic countries had just become members of the World Bank, and Mr Lindbæk’s experience with NIB and the Baltic region was highly prized.

“The shift from NIB to the IFC with a staff of over 3,000 people was significant. But I brought important baggage with me from NIB, including a strong focus on the environment and Nordic leadership,” Mr Lindbæk states.

Earlier this year, NIB’s member countries increased the Bank’s capital base with EUR 2 billion on condition that the Bank strives to reach a 90% share of projects that receive a mandate rating of “excellent” or “good”, and aims to increase the share of projects in the focus sectors; energy, environment, transport, logistics and communications and innovation, to 90%.

Mr Lindbæk commends both the increase in resources and the prerequisite for usage.

“Underlining the Bank’s mandate and assessing how the Bank is living up to it, is a way to consolidate the Bank’s existence,” he says.

“A thorough rating of the environmental aspects of an investment may mean the difference between success and failure for a project. The environmental aspect is relevant for the competitiveness of the project. It all boils down to risk. If the project meets resistance because of potential negative environmental impact, there is an increased risk for the vitality of the project,” Mr Lindbæk says about the exacting task of mandate fulfilment.

“All the focus sectors are central and natural to NIB. There is more than enough for the Bank to do within these sectors. I am particularly glad that innovation is a focus sector, as innovation is the fuel for economic development,” he continues, adding that NIB focused on the environment also in his time.

The need for long-term credit is far from met, according to Mr Lindbæk.

“There will be a constant and growing need in both the public and private sector for long-term financing. That the EIB has grown to become the world’s biggest bank is indicative of how useful and important IFIs like NIB and EIB are. They may be less glamorous than the commercial banks, but they are crucial for economic and social development,” Mr Lindbæk concludes. ▽

“International financial institutions like NIB may be less glamorous than the commercial banks, but they are crucial for economic and social development.”

Jannik Lindbæk,
former President and
CEO of NIB.

Jannik Lindbæk has his background from international banking and was President and CEO of NIB between 1986 and 1994. He is currently a member of NIB’s Business Advisory Group.

Mr Lindbæk was named Executive Vice President of IFC on 1 January 1994, becoming the only Norwegian citizen to have achieved such a high rank in an international financial institution.

Mr Lindbæk has a degree from the Norwegian School of Economics and Business Administration in Bergen. In the 1961-62 academic year, he was a Fulbright scholar studying economics at the University of Kansas. He spent the first 25 years of his career in the insurance business.

Lithuania: No time to waste to catch up

The Baltic economy: Lithuania's priorities translate into needs and opportunities for financing, where NIB is seen as a natural partner.

"If we keep our internal dynamism, we are not afraid of any challenges ahead."

Andrius Kubilius,
Lithuania's Prime Minister.



Photo: Pamela Schönberg

"NIB is a natural tool to finance development in the field of renewable energy."

Dainius Kueivys,
Lithuania's Minister
of Economy.



Photo: Pamela Schönberg

The NIB Bulletin met with Lithuania's Prime Minister Andrius Kubilius and the country's Minister of Economy Dainius Kreivys, when they visited NIB in mid-October to participate in a Finnish-Lithuanian investors forum.

"Life is forcing us, the Lithuanian government, to become alpinists. We have been falling down and climbing steep slopes in the recent years," says Mr Kubilius. The Lithuanian economy decreased 15% in 2009; the deficit of the state budget soared to 8% of GDP; the cuts in budget spending, amounting to 12% of GDP over two years, were painful for both the economy and society.

The situation has been improving during 2010 and the Lithuanian government is optimistic about the future outlook. According to Mr Kreivys, the recovery is primarily driven by export industries. The internal consumption and construction that experienced the steepest decline during the recession are on the rise again. Mr Kreivys explains:

"The internal market had been severely overheated by a huge inflow of credit before the crisis. A sudden stop of the flow forced businesses to cut their operations, which resulted in a severe drop in GDP."

The construction business plummeted about 60%. The state provided a stimulus package to this industry through renovation programmes for both public buildings and private housing, supported by a loan from NIB a year ago.

"If we compare our economy with a plane, we are still flying with just one engine. Since internal consumption is also taking off, the hope is high that we'll be flying at full capacity in about a year's time," he continues.

Among the lessons the crisis has taught Lithuania, the Minister of Economy puts fiscal prudence as number 1:

"Those countries that had fiscal surplus were better prepared to face the crisis. Another issue is the management of the incoming liquidity and regulating the financial market with the national currency pegged to euro."

"Everyone has learned from the crisis—the market, the state and the society, which, thanks to an intense debate in the media, is now acting in a more educated manner, seeing the country's economic policies as part of a bigger picture. The Lithuanians have become experts not only in basketball, but also in macroeconomics," he adds.

Mr Kubilius sees the primary goal for his country for the coming years is to shift from being a labour-intense economy to becoming an innovation hub for Northern Europe. Lithuania is now spending 10% of the funds it receives from

the EU on developing innovation clusters around universities in the country's largest cities. He hopes that Lithuania will become a Nordic-Baltic innovation hub by 2020 with the main focus on services within ICT, education, medicine, transport and logistics.

Mr Kreivys adds that the country is cooperating with its neighbours in the Baltic Sea region and using EU funds for building knowledge infrastructure. In his opinion, Lithuania's proximity to the Nordic nations is a challenge for Lithuania, which has no time to waste in catching up with its neighbours.

"We are keen to learn more from the Nordic countries about how to shape our economy to become more competitive and innovative. This is the only way we can attract foreign investors and convince those Lithuanians who work abroad to return home," he says.

Mr Kreivys emphasises the role of NIB as the first regional organisation for all eight Nordic and Baltic countries. NIB demonstrates how

closely these countries are working together on achieving targets in developing clean energy and innovations.

"A key issue for us is to diversify the supply of energy and move from using fossil fuels to producing energy from renewable sources. NIB is a very natural tool to finance development in these areas," says Mr Kreivys.

Commenting on the decision of the member countries to increase NIB's authorised capital by EUR 2 billion as of 2011, Mr Kubilius expects that the Bank will maintain large-scale activities in Lithuania.

"There is a huge need for infrastructure development in Lithuania. In the energy sector, the demand for investments will remain particularly strong in the years to come. The upgrade and construction of railways and roads also create good opportunities for financing," he says.

"Lithuania's internal dynamism has been our major driving force since we regained independence. If we manage to keep it up, no challenge is too big for us," Mr Kubilius concludes. ▀

Excellence to drive Latvia's economy in the future?

Gatis Kokins, economist, Latvia



Column

The Latvian economy was unprepared for the collapse of the global financial market. Now that optimism is back, the cost structure of the Latvian economy suggests excellence as a major driving power of tomorrow.

The introduction of free capital movement and removal of the barriers for international competition in the early 1990s made Latvia a tax haven for the wealthy. Services, especially financial intermediation, were booming, while the industrial growth was much slower.

The currency board arrangement that ensured the stability of the national currency made loans in euros extremely popular and spurred huge inflows of foreign cash. While commercial banks were doubling international borrowing during 2006–2008, Latvia's consumer price index skyrocketed, as did the real exchange rate, making Latvian products no longer competitive due to their high cost base. Investors were tempted to invest in real estate, where returns were higher and tax rate close to zero, rather than in industrial production.

The global collapse of 2008 revealed the frightening truth: the Latvian economy was "naked". With a current

account deficit at 25% of GDP, Latvia narrowly escaped default only thanks to an IMF rescue package, and faced an 18% drop of GDP in 2009.

Today, the mood of foreign investors seems to be bullish again. The prudent fiscal policies of the current government, however, have done little to increase expectation of a leap in industrial output. The real exchange rate was not adjusted during the crisis by deflation: it is still around 30% higher than it was in 2006. Cost base is making Latvia less competitive than, for instance, Poland in attracting cost-sensitive production.

Latvia's simplistic monetary policy can be beneficial only for industries with very high value added, such as high-tech areas, the ITC sector and the so-called design economy.

For instance, recent developments in telecommunications have made Latvia number 2 in the world in the average internet download speed. Such a groundbreaking bandwidth enables the use of interactive IPTV technologies and cloud computing applications.

The excellence of mastering cutting-edge solutions may just very well secure a good deal of the Latvian economy's future competitiveness on the global market. If business is at the cutting edge of technologies, a high real exchange rate may not be the biggest obstacle.



Photo: PTI

Stronger mandate in non-member financing

Mandate: NIB has adopted new strategies for its operations in countries outside of the membership area. The country strategies envisage that the Bank will pay even closer attention to those focus countries where it can provide value-added loan financing for projects of interest to its members.

Clean water after being treated at a modern wastewater treatment plant in St Petersburg. The completion of the city's Southwest Wastewater Treatment Plant (SWTP) has substantially reduced the untreated discharges into the Baltic Sea. NIB was a lead bank in the project, which was the first effort implemented within the framework of the Northern Dimension Environmental Partnership.



“**W**ith a set of new country strategies, we are aiming at securing good compliance of financed projects with NIB’s mandate—to strengthen the member countries’ competitiveness and enhance the environment. The Bank continues financing projects of mutual interests to both NIB and the borrowing countries,” explains Søren Mortensen, Head of Lending, Non-member area at NIB. In order to identify projects that provide a strong mandate fulfilment, NIB is set to extend cooperation with local authorities in the focus countries, other international financial institutions and the European Commission. This will be

done through bilateral co-financing of various instruments, such the Northern Dimension partnerships: the Environmental Partnership (NDEP) and on Transport and Logistics (NDPTL).

“To expand the limits of our financing, we are keen to mobilise additional funding from the financial communities to offer our potential customers A/B loan facilities. NIB has a very positive experience with A/B packages provided to customers in Brazil and Russia in recent years,” says Mr Mortensen.

NIB will also continue close cooperation with local intermediary banks in offering them long-term loan programmes for financing small and medium-sized projects within renewable energy production, clean technology and other areas of high mandate compliance and mutual interest.

Speaking about NIB’s approaches for individual countries, Mr Mortensen emphasises that the Bank will continue to identify and cooperate with member-country companies investing in the Baltic Sea region’s countries, as well as in other regions with a high growth potential. He continues:

“In neighbouring countries, like Russia and Poland, or in more distant powerhouses, such as China and India, NIB has financed a large number of projects that benefitted both Nordic companies and the borrowing countries. We carefully scrutinise each project, in particular within technology transfer from NIB’s member countries, so that it can be further developed to achieve better mandate compliance.”

Located on the Baltic Sea and being a member of the EU, Poland is a strategic partner for the Nordic and Baltic countries. NIB supports both the integration of the energy networks and facilitating transport links between the member countries and Poland as well as environmental improvements.

“For energy investments a key objective is to strengthen and integrate the Baltic Sea Region electricity networks and make them part of a larger integrated European market. A functioning grid is essential for long-term planning of both producers and consumers of electricity,” says Mr Mortensen.

The focus of NIB’s environmental lending in Poland is on projects related to the Baltic Sea marine environment within the Bank’s BASE facility and projects related to mitigation of climate change under the CLEERE facility. NIB will put more emphasis on working together with municipalities in combining EU grant funds with NIB loans for the full financing of



“In Russia, Poland, China and India, NIB has financed a large number of projects that benefit both parties.”

Søren Mortensen, Head of Lending, Non-member area, NIB

environmental projects, in particular wastewater treatment.

India has become an important target for NIB’s member country companies with regard to both investment and technological cooperation. The Indian market values Nordic environmental technologies for renewable energy production, energy efficiency, as well as advanced telecommunications, all of which are well in line with NIB’s mandate-defined focus sectors.

“NIB will follow up project development in clean-tech and engage itself in a dialogue with the Indian authorities to support the initiatives of member country companies,” Mr Mortensen continues.

In China, NIB closely cooperates with the Chinese central government, whose priorities include a balanced development between the urban and rural areas, among various regions, environmental sustainability, as well as balancing China’s domestic development and the opening-up to the outside world.

“From the perspective of the Chinese authorities, the overriding interest in NIB’s financing is based on a desire for technology transfer from NIB’s member countries to the

various provinces in China,” says Mr Mortensen.

In Brazil, where foreign direct investments from the Nordic countries in the economy have increased considerably in recent years, NIB also has an ongoing dialogue with the national authorities. This concerns the country’s priorities in the sectors of environment, energy, infrastructure and communications. NIB will focus its lending to Brazil on financing projects prioritised by the Brazilian authorities and supporting the Bank’s mandate.

“For instance, within the Brazilian wind power sector, there is a large potential for new projects, especially in the north-east of the country, which is considered to be one of the most favourable locations for wind energy in Latin America,” says Mr Mortensen.

“We are seeing that companies from NIB’s member countries are increasingly interested in offering technological cooperation in this area, and also in establishing themselves with local production. NIB will continue to identify solid renewable energy projects in Brazil in support of these companies.”

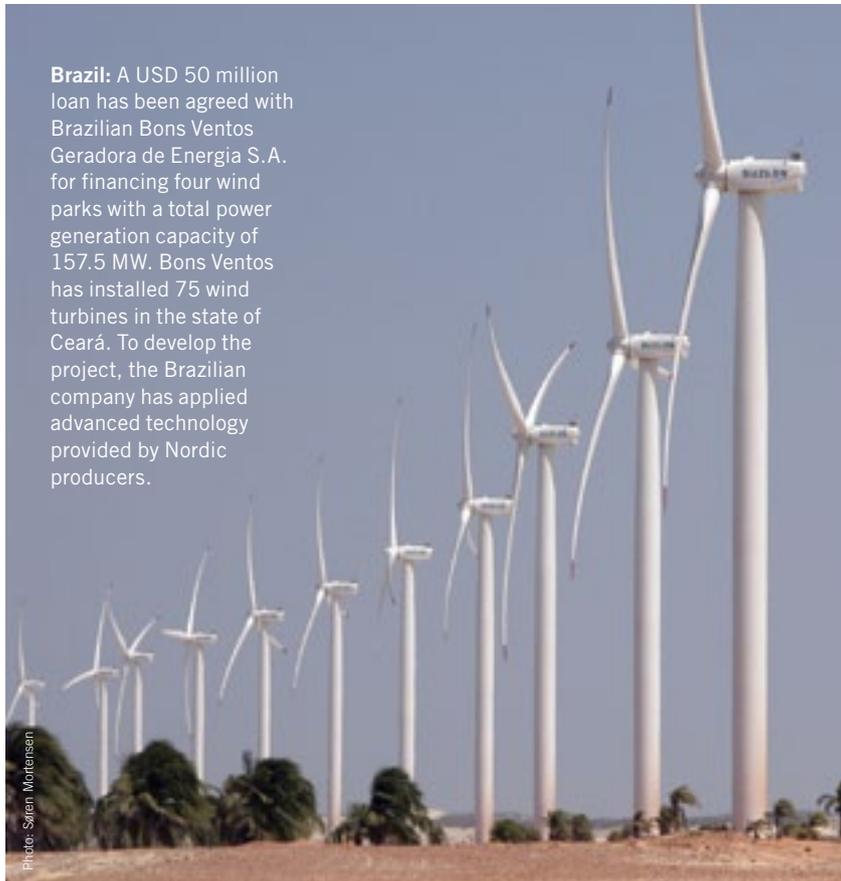
Other focus areas are the transmission and distribution of energy, the safety of offshore oil extraction, the upgrading and expanding of the capacity of 3G and 4G telecom networks, and public transport infrastructure.

Another example is Belarus, with which NIB signed a framework agreement in June 2010. The Bank’s operations in this country are, first and foremost, aimed at financing investments that reduce cross-border pollution—reducing discharges to major rivers in the Baltic Sea catchment area as well as cutting air pollutants and reducing greenhouse gas emissions. About 5% of the total Baltic Sea catchment area lies in Belarus, which has the fifth largest surface area of all the countries in this region. In two of the hot spots identified by the Helsinki Commission in Belarus—Brest and Grodno—NIB is currently developing waste water treatment plants under the NDEP umbrella.

Mr Mortensen explains that, as an international financial institution, NIB can use a number of instruments, such as the NDEP and potentially the EU Neighbourhood Investment Facility for loan-financing projects in Belarus.

NIB will continue an active dialogue with a number of other countries, including Ukraine, South Africa and Vietnam, to identify projects with a high member-country interest in the priority sectors, particularly in energy efficiency and renewable energy. ▴

Brazil: A USD 50 million loan has been agreed with Brazilian Bons Ventos Geradora de Energia S.A. for financing four wind parks with a total power generation capacity of 157,5 MW. Bons Ventos has installed 75 wind turbines in the state of Ceará. To develop the project, the Brazilian company has applied advanced technology provided by Nordic producers.





Ukraine is one of NIB's nine focus countries outside its member states. Mykola Azarov, Ukraine's Prime Minister, sees possibilities in the field of energy.

Cooperation for energy efficiency

NIB is one of the international financial institutions entitled to grant long-term investments within the framework of the E5P—Eastern Europe Energy Efficiency and Environmental Partnership. How could this partnership be of use in Ukraine?

“Ukraine uses over three times more energy per unit of its GDP than the average EU country, and billions of dollars are needed for long-term energy projects. As NIB gives preference to ecofriendly investments that reduce transborder pollution in member countries and in neighboring regions, I see our cooperation within the framework of the E5P as mutually beneficial.

In 2008, the State Export-Import Bank of Ukraine and NIB concluded a US \$50 million loan agreement for the implementation of environmental projects. The proceeds of the loan were committed to fund projects for reequipping and modernising domestic industrial facilities, reducing energy consumption rates and cutting down hazardous emissions. We hope that NIB will continue to finance our efforts to become energy efficient.”

What role is there for international financial institutions such as NIB in your country's economic development?

“For countries with a transition economy, the global financial crisis made 2009 an extremely difficult year. In Ukraine, the interest of commercial banks in energy efficiency projects waned both at the municipal and the national level due to a tariff policy on gas. The population paid only one-fourth of the price of gas, while the previous government had concluded a 10-year contract with Russia under which the gas price increased sharply.

In such situations cooperation with international financial institutions is invaluable.”

What areas have the most potential for cooperation between Ukraine and the Nordic and Baltic countries?

“Renewing our country's economy means attracting not less than a trillion US dollars over the next 10 years. Apart from energy, transport and infrastructure are vital. There are, for example, 100 large bridges that need to be modernised, not to mention the need for new bridges, which will take years to construct. Another area is the agri-industry, where, for example, technologies for the manufacture of eco-friendly food products are needed. High-tech and IT is another sector.

We want to make Ukraine Europe's most attractive investment climate.” ▾

FINANCIAL INTERMEDIARY

New loan programmes to China

NIB and the Ministry of Finance of China have agreed on two new long-term loan programmes, totalling together USD 200 million.

The aim of the USD 150 million General Loan Programme is to finance modernisation projects that can benefit from state-of-the-art technologies and equipment supplied by the Bank's member country producers. The USD 50 million Environmental Loan Programme is aimed at improving the environmental situation in China through pollution abatement and the application of environment-friendly technologies supplied from NIB's member countries.

NIB has been active in the Chinese market for over two decades. Funds provided by the Bank have been lent on for the financing of over 300 projects throughout China relating to energy efficiency, health care service, agricultural processing, rural development, education and infrastructure. China is NIB's largest single borrower outside the membership area.



Rating for excellence

Mandate: Along with NIB's increased capital base of EUR 2 billion, comes an increased commitment to achieve a high mandate rating in all sectors of NIB's lending operations.



Photo: ABB

Improvements in energy networks, like the Estlink power link between the Nordic and Baltic countries, enhance competitiveness in NIB's member area.

The prime way for NIB to strengthen the competitiveness of our member country economies is to support projects that raise the efficiency with which our member country companies produce their products and services. Therefore, the first question we ask our customers when we look at their projects is to what extent they contribute to improving efficiency or productivity.

NIB distinguishes between internal factors (those that businesses can directly influence) and external factors (those that exist in the company's business environment). Internal factors that directly impact efficiency include:

- Upgrades of physical capital such as equipment or human capital in the form of skills
- Business process innovation: improving business practices or strategies
- Product innovation (read how NIB is helping Nokia Siemens Networks innovate their base stations on page 27)
- Improved access to suppliers

External factors indirectly impact a company's competitiveness. They affect the environment in which the company is active, and so help it to produce more efficiently. The rate of return of investments that generate these external effects may often be higher for the society or the national economy than for the company planning the investment. In order to ensure that projects with such spill-over effects materialise, NIB prioritises these types of competitiveness enhancers over direct effects that normally are fully incorporated in companies' business decisions. These external factors include:

- Improvements in infrastructure, including roads as well as telecommunications and energy networks (read how Fingrid and Elering are expanding the Nordic power grid on page 6)
- Improvements in health and education facilities (read about NIB's loan to New Karolinska Hospital on page 28)
- Increased competitive pressures
- Demonstration effects or leakages: showing the way for other companies or simply involving a spill-over of knowledge or technology
- Strengthening cluster or agglomeration effects, for example through better communications or research and development

When the Bank assesses the potential impact on competitiveness of our projects, we look at the relative improvement in the company's performance compared to a no-project situation. The relative impact on the company or on the business sector is then compared to similar projects in similar sectors. To properly gauge the expected benefits of the project, NIB also assesses the implementation risk, the risk that the project's full potential will not be realised.

The second of the two key eligibility criteria for lending is enhancing the environment. This means that NIB provides loans and guarantees for projects that prevent and treat pollution. When the Bank evaluates the environmental impact of a project, we consider the following questions:

- Does the project show a net benefit for the environment? The Bank carries out a before and after comparison of the project's expected effects on the environment.
- Does the project fit into a NIB environmental focus area? These include cleaner production and resource management (read about the Boliden project on page 32); environmental technology; emission reductions; and renewable energy.
- Does the project include research and development that leads to environmental benefits? (Read about Nokia Siemens Networks on page 27).
- Does the project enhance public transport and transport solutions so they benefit the environment?
- Does the project raise industry standards by applying an innovative solution?

To achieve a positive environmental impact rating the project must be in compliance with NIB's Environmental Policy and Guidelines as well as relevant national legislation. A direct positive environmental net impact requires a quantitative assessment.

Defining and limiting the scope or boundaries for the analysis constitutes the first step in assessing mandate fulfilment. Every project is

assessed against:

- The peer group performance
- Best available improvement
- Absolute positive environmental impact

The environmental impact is measured on a six-degree scale, including a negative rating which is not applicable for competitiveness. Similarly to the assessment of competitiveness impact, the environmental assessment covers both the potential impact as well as the implementation risk of the project.

To assess mandate fulfilment we need to understand the client's rationale for, and basic assumptions behind, the investment decision and the context of the investment. For instance, in a larger energy generation project such as a wind farm, most of the information related to environmental issues is available in the environmental impact assessment and feasibility studies. For public transport projects that increase capacity in trains, the information should relate to quantitative environmental benefits of transferring passengers from road to rail. To assess both the environmental impacts and the impact on competitiveness, the basic information needed would consist of traffic volume forecasts combined with performance data on trains. ▴

Simply the best

Hilde Kjelsberg, Vice-President and Head of the Credit and Analysis Department, NIB



Q&A

NIB has one of the most explicit environmental mandates among the IFIs. Is NIB's mandate rating different from its peers?

The Bank and most IFIs have very different mandates, which of course influences the process for measuring mandate impact. This being said, our framework and process for evaluating mandate fulfilment is inspired by other IFIs, such as the EBRD, which have extensive experience in the area.

NIB is aiming for a mandate rating of "good" or better in as much as 90% of all new loan projects. How will you achieve this?

We are already on a path of steady improvement in this regard. In order to safeguard these gains and make further progress, we intend to work even more closely with our customers to jointly identify good projects. This includes raising the awareness of NIB's mandate.

Internally, we are in a similar way working to raise the awareness of what constitutes a good project from a mandate point of view. We are also improving our working procedures to secure that we focus our limited resources on the very best projects.

Are the criteria used for mandate assessments equally important across NIB's four focus sectors, energy; environment; transport, logistics and communications; and innovation?

In principle, yes. When it comes to strengthening competitiveness, most projects in the focus sectors are likely to generate the kind of indirect impacts on competitiveness that we put a high priority on. Some environmental benefits are in practice more common in certain focus sectors, for example renewable energy in the energy sector.

Baltic Sea diplomacy

With her diplomatic skills as a seasoned Swedish diplomat, [Gabriella Lindholm](#) aims, as the new chairperson of HELCOM, to return polluted Baltic beaches to a healthy ecological state.



With 30 years of experience as a diplomat, Ms Lindholm is used to negotiation, mediation and compromise—valuable diplomatic skills which she will need in her job as an ambassador for the marine environment at the Swedish Ministry of Environment.

Ms Lindholm's diplomatic experience will be sorely needed in her new position as the chairperson for the Baltic Marine Environment Protection Commission or HELCOM during the Swedish chairmanship of the organisation.

"My passion and commitment to the Baltic Sea have developed over the years. As a child I remember algae-free, sunny, summer days spent on the eastern coast of Sweden. Today the situation is different. Eutrophication and toxic algae have increased, showing us the severe threat to Baltic beaches," Ms Lindholm laments.

One of Ms Lindholm's key tasks will be to coordinate the work of the Baltic Sea Action Plan (BSAP), which was launched in Krakow, Poland, in 2007 and aims to reduce pollution and restore the ecological balance of the Baltic Sea by 2021. The plan has, among other things, set concrete national targets for countries bordering the Baltic Sea to reduce discharges of phosphorus and nitrogen. To achieve these targets, coastal countries must develop national implementation plans on pollution reduction measures. The work has, however, proceeded slower than expected and some independent observers have described HELCOM's summit in Moscow last May as a failure. Ms Lindholm, however, is optimistic.

"I wouldn't say the situation is that bad. Almost all coastal countries belonging to HELCOM have already developed their national implementation plans including Russia, which chaired the Moscow Summit. They presented a credible national implementation plan and a convincing budget," she says.

Ms Lindholm does not see any conflict between the Baltic Sea Action Plan and the EU Marine Directive. "In my opinion, the EU directives and BSAP activities complement rather than compete with each other," she says.

In order to speed up the implementation of the BSAP, the Swedish chairmanship has offered human and financial resources to the HELCOM Secretariat in order to build up its organisational and monitoring capacity, a process that will also increase the organisation's influence within the EU. ▴

Ms Lindholm believes that high-level summits such as the Baltic Sea Action Summit, which was held in Helsinki in January, have the capacity to mobilise regional initiatives. During the summit, for example, the Russian premier, Vladimir Putin, was able to commit his country to many initiatives to rehabilitate the Baltic Sea. The next high-level meeting arranged by HELCOM will be held in Stockholm next year.

"Cross-sector cooperation is quite crucial in this work. There is, for instance, a great need to coordinate the operations of, say, the fishing, agricultural, shipping and industrial sectors. And HELCOM needs to maintain close cooperation with the scientific community in order to preserve its credibility as an expert organisation," Ms Lindholm maintains. ▴



Photo: Kyra Koponen

"As a child I remember algae-free, sunny, summer days spent on the eastern coast of Sweden. Today eutrophication and toxic algae is threatening the Baltic beaches."

Gabriella Lindholm,
HELCOM chairperson.

Gabriella Lindholm holds a master's degree in political science and history from Justus Liebig University in Germany.

She has worked as a diplomat for over 30 years and has held various positions in the Swedish Ministry of Foreign Affairs. Prior to her current position as ambassador for the marine environment at the Swedish Ministry of Environment, Ms Lindholm served as Sweden's ambassador to Austria and Portugal.

NIB loans

Loan for municipal investments

Transport, logistics and communications: NIB has financed an investment programme of the Lithuanian capital Vilnius. A EUR 20 million loan was provided with a maturity until 2030.



Sludge in Vilnius' wastewater to be reduced by

50%

The investment programme includes a road building project, the improvement of sludge treatment and the renovation of schools.

The loan will finance the construction of a bridge on one of the city's busiest throughputs and the western bypass. The road is part of a trans-European transport corridor connecting the capitals of the Baltic countries.

The westbound motorway is one key to integrating the city's transport system into a broader transport network at the national and the Baltic regional levels.

The scope of the sludge treatment project includes the production of biogas and the use of it for generating heat and power. The Lithuanian capital hopes to reduce the amount of sludge from wastewater treatment by more than 50%.

This will not only create a new source for electricity generation, but also solve the problem of bad odour for the inhabitants of a large residential area in Vilnius.

The energy efficiency project comprises the renovation of 19 schools. The project would help save about 0.1 MWh per square metre. ▴



Speeding up evolution

Environment and innovation: Nokia Siemens Networks has received a NIB loan for developing a breakthrough innovation that combines different mobile telephone standards into an easy-to-upgrade single base station.

It's called Single RAN (Radio Access Network). Is it really a breakthrough for the industry?

"It definitely is in many ways. It's easy to adapt to future upgrades," says Kai Sahala, the Head of Mobile Broadband Marketing in Network Systems at Nokia Siemens Networks.

"The technical idea behind this innovation is that radio can do more—through remote software upgrades without the expense of new hardware."

As the mobile telecommunications technology has evolved from one generation to another, mobile operators have had to replace tens of thousands of base stations supporting the network. It always involves capital investments and it takes time before the revenue flow is back.

"The new Single RAN base station combines three mobile phone standards, including an upcoming one, into a single frequency layer. In order to switch from yesterday's standard to the one of tomorrow, you no longer need to replace the hardware," continues Mr Sahala.

From a business point view, it's about time and speed. Add lower capital expenditure and fewer staff to run a Single RAN-powered network. These are some obvious benefits for businesses using the new technology.

"The evolution of technologies in the telecommunications industry has been very fast during the recent 10 years. Now the evolution can move on even faster and at a lower cost," says Mr Sahala.

After all, isn't all this race about cost efficiency? And a lighter carbon footprint? The environmental effect of the new technology is that it can help cut as much as 70% of energy

consumption for a typical 2G/3G radio site compared to traditional base station sites.

"There is no need for air conditioning. The new base station is built for outdoor usage," Mr Sahala explains.

The environmental promise of Nokia Siemens Networks' innovation, along with the contribution this technology is making to the advancement of the telecommunications industry, has been at the core of NIB's decision to provide a EUR 30 million loan for this R&D project.

According to Kim Krokfors, Senior Manager Origination at NIB, the 7-year-maturity financing is important in supporting Nokia Siemens Networks' target to keep in the forefront of market development. He says:

"Research and development is one of the focus areas for the Bank. Thanks to this innovation, the borrower can offer competitive solutions that will lead to better network efficiency, improved environmental performance, and reduced costs for its customers."

Ben Hunt, Head of Financial Relations at Nokia Siemens Networks, says that the loan from NIB has helped the company diversify the sources of its funding.

"We have very good working relations with NIB and are pleased to add this lending facility to our lending base," says Mr Hunt.

With a EUR 2 billion annual R&D budget, Nokia Siemens Networks is among the top 40 businesses worldwide in investments into innovations. The corporation has 16,000-strong R&D staff in 38 development centres in Finland, Germany, Israel, China, India and the United States. ▀



Photo: Nokia Siemens Networks

"We believe that technology evolution can occur faster and at lower cost."

Kai Sahala, Head of Mobile Broadband Marketing, Nokia Siemens Networks.

Nokia Siemens Networks was established in 2007 as a merger of the telecom infrastructure businesses of Finnish Nokia and German Siemens. With its focus on innovation and sustainability, the company provides a complete portfolio of mobile, fixed and converged network technology. It is one of the world's largest telecom infrastructure companies.



Building the healthcare of tomorrow

Innovation: After 2015, patients looking for healthcare in Stockholm will be offered treatment set by new standards, as Sweden is building one of the most advanced hospitals in the world.

The New Karolinska Solna University Hospital, just outside Stockholm, is still just a huge hole in the ground. The construction work will continue for another seven years, but the plans and visions for the institution are clear and precise.

“Our motto and credo is Patients First,” says Dr Erland Löfberg, Medical Director of the New Karolinska Solna Administration and member of the hospital development team.

“When the new hospital opens, patients will receive treatment that is improved in several ways. The treatment itself will be faster, the waiting times shorter and the patient safety highly enhanced,” Dr Löfberg continues.

“During the planning process we have visited a number of hospitals in Europe and the USA. What we have brought with us to Stockholm is



a thematic structure that makes the healthcare much more patient focused.”

The goal is that a patient will see a specialist, be examined and have all the required tests performed in one day. And if the patient is admitted to the hospital, a single-bed room will be offered for the whole stay. The wards will be small and the patient will be cared for by the same professional team throughout the treatment.

“Having the major part of our patients staying in single-bed rooms is not only a matter of patients’ comfort and privacy. It will be essential in diminishing the risk for healthcare-related infections,” says Dr Löfberg, and emphasises that this has been one of the most important lessons learned from other hospitals.

“The new hospital will give us the best

possible facilities in order to clearly separate flows for the patients, the public and the staff. Another important measure is to decrease the number of patient transferrals within the building, and instead concentrate the healthcare teams and procedures around the patient,” explains Dr Löfberg.

The New Karolinska Solna hospital, situated next to the medical university Karolinska Institute, will be equipped with the latest technology and provide specialised healthcare in close cooperation with education and research.

When ready, the hospital will be one of the most environmentally advanced buildings in Scandinavia, and likely to be unique in meeting the requirements of all the three main international environmental certifications: ISO 14001, LEED and GreenBuilding.



Dr Erland Löfberg,
Medical Director of the
New Karolinska Solna
Administration.



Visualisation: New Karolinska Solna

Built by Skanska, financed by NIB

The building of the New Karolinska Solna hospital, organised as a public-private partnership (PPP), is the largest contract ever for the constructor Skanska.

Mr John Dingle, from the Structured Finance department of Skanska Financial Services, what are the advantages of using the PPP model in this project?

“The most important reason is to transfer risk from the authority and taxpayers to the private sector. The authorities and taxpayers pay only for completed work, under the assumption that the asset is available for use as agreed. A PPP is the best way to ensure that the project is completed on time and on budget, and it ensures that the operations and lifecycle maintenance of the asset are delivered with predictable costs.”

NIB has contributed to the financing of the project with a loan corresponding to EUR 147 million. How do you see NIB’s role as an international finance institution in this project?

“NIB provides welcome and complementary financing for infrastructure projects of this type. Given NIB’s status as an IFI, long-term financing is provided under terms that are more favourable than those of commercial banks and this contributes to the project’s overall affordability. NIB’s involvement also facilitates contacts with other international finance institutions.”

ENERGY

NIB-financed shopping centre platinum-certified

Liljeholmstorget Galleria in Stockholm, opened in October 2009, has become Europe’s first LEED platinum-certified shopping centre. LEED (Leadership in Energy and Environmental Design) evaluates the environmental impact of properties throughout their whole life cycle. A NIB loan to the mall’s owner, Finnish Citycon, totalled EUR 30 million.



Photo: Citycon

The green quality stamp

As much as 40% of all CO₂ emissions in Europe come from buildings. Swedish Skanska constructs buildings with low or zero emissions.



Photo: Pamela Schönberg

The company's Green Business Officer, Cecilia Fasth, explains more about the company's actions.

How would you describe a green building?

"A green building is built with resource-efficient building materials, and it reduces waste production, water use and energy consumption. It utilises renewable sources of energy and has low or zero carbon emissions. In the future, a building's location will play a bigger role in defining whether it can be called green. Whether the building is accessible by public transport and if there are pavements and bicycle tracks in the area to allow people to walk or cycle to it will become more and more important."

The New Karolinska Solna hospital, which NIB helps to finance, will be the largest university hospital in the world to be environmentally certified. What does this imply?

"The New Karolinska Solna is groundbreaking in most respects. It is Skanska's largest construction contract ever, possibly the world's largest PPP hospital project to date and the first

PPP hospital targeting environmental LEED Gold certification.

We won the project thanks to our experienced people and financial strength. The winning team included our Swedish, UK and US healthcare experts as well as our green and financial expertise.

The design of the New Karolinska Solna will bring a new approach to healthcare. Patients will be the focus, given single rooms contained in a multi-expert, multi-discipline ward. The founding values of patient care should be reflected in the building's construction too. A PPP hospital is a unique possibility in this sense, as we control the design and part of the personnel is employed by the constructor in the operational phase."

Why is it good for business for Skanska to be one of the leading green project developers in the world?

"This is the only way forward. Secondly, this is about future-proofing the value of properties. Companies will need good and green workplaces to attract employees. Investors want green buildings that attract tenants and secure the value of the property in addition to reducing operational costs and the carbon footprint. Existing buildings are not green and therefore we see a great business potential in upgrading those to green, or deep green, as we call the concept that substantially reduces use of energy, water and materials."

How are your high aspirations in the green building field received among global investors and lenders?

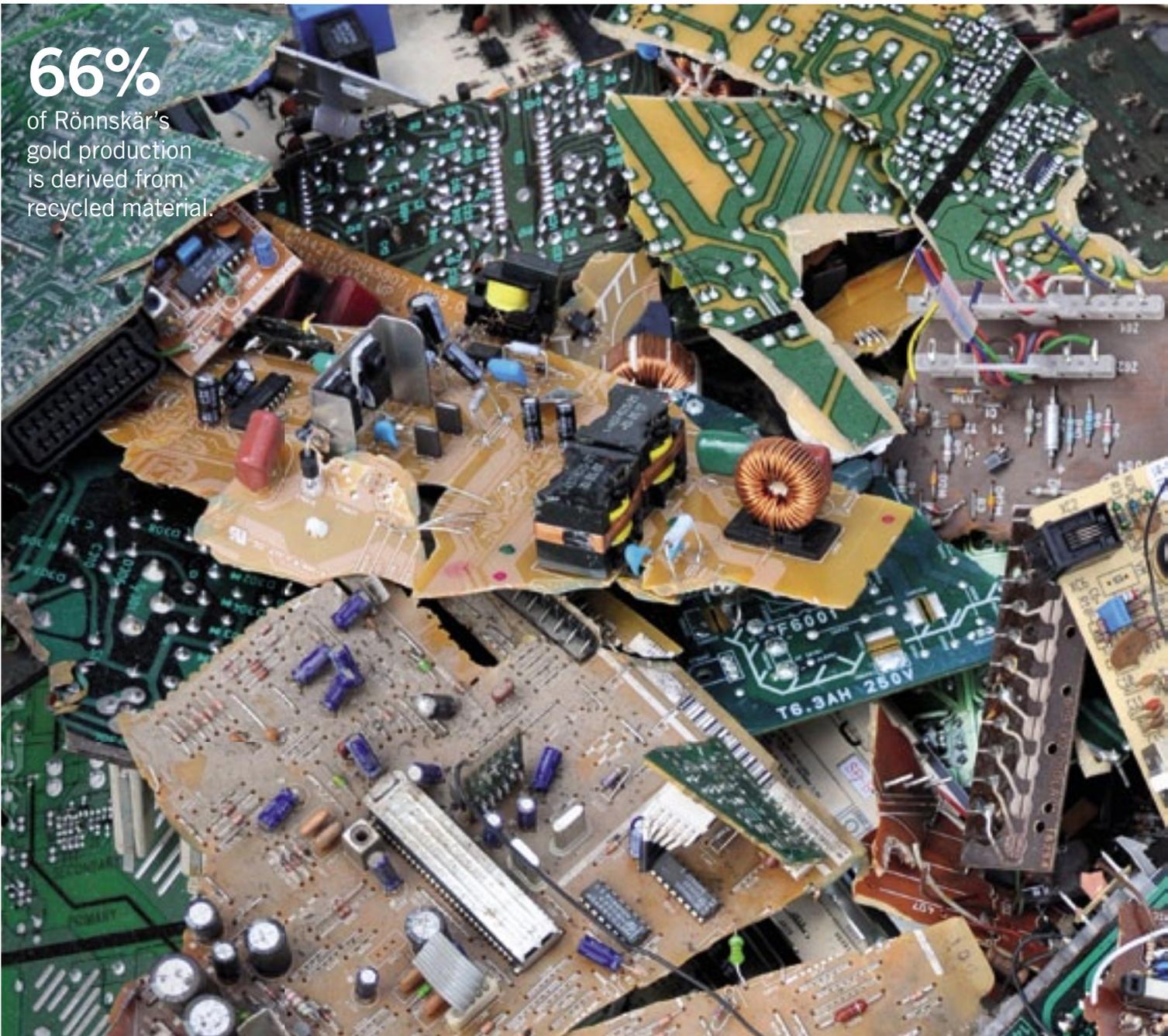
"Investors and banks have very strong interest in this because being green is regarded as a quality stamp. Investors want products that are ahead of their time. Investing in something which is not green will involve ever greater financial risk. We will also see an increase in financial institutions having high environmental demands on customers' project proposals, like what NIB is already doing. The market will increasingly reward green players, and those who lag behind will pay a high price." ▴

Mining a scrap hill

Environment: In our quest for the latest mobile phones, TVs and computers we are producing enormous amounts of electronic waste. To Sweden's metal producer, Boliden, the ever growing mountain of electronic waste is literally a gold mine.

66%

of Rönnskär's
gold production
is derived from
recycled material.





Boliden's Rönnskär plant is one of the world's biggest scrap recycling plants.

“Recyclables are becoming an ever more important raw material. In just ten years the quantity has tripled. Out of the total volume of copper, gold and zinc that Boliden extracts, the portion represented by recycled material is growing steadily,” says Roger Sundqvist, General Manager of Boliden's Rönnskär smelter.

He adds that 29% of Rönnskär's copper production derives from recycling, as does 66% of the gold production and 80% of the zinc production.

The Rönnskär smelter has been a technological leader in electronic scrap recycling for many years, and is now one of the world's biggest players in the field.

“Recycling is the fastest growing part of our operations. Access to e-scrap is growing, while recycling capacity is lacking,” Mr Sundqvist explains.

Boliden receives e-scrap from suppliers in Europe, and also buys from the USA—a market with growth potential.

“The USA has the highest population density of computers in the world,” Mr Sundqvist says.

To Boliden, environmental gains also mean increased market value.

“We believe that the better our recycling becomes from the environmental standpoint, the more our competitive advantage increases,” Mr Sundqvist says.

In spring 2010, Boliden's board approved a SEK 1.3 billion investment to significantly increase the capacity for recycling electronic scrap at the Rönnskär smelter. The main part of the investment is a new Kaldo furnace for the smelting of electronic scrap. The investment also includes the construction of a new facility for unloading and sampling e-scrap. NIB is financing the project with EUR 60 million (SEK 560 million).

The new facilities are expected to be in use by the turn of the year 2011/2012. Rönnskär already recycles some 45,000 tonnes of e-scrap annually. The expansion project will triple this figure to 120,000 tonnes, ensuring that less electronic scrap is sent to landfills.

“In Sweden and Norway, 75% of all electrical waste is recycled. With new, stricter directives from the EU, collection and recycling of e-scrap is expected to increase across Europe,” Mr Sundqvist says.

In addition to the important task of treating e-scrap in a safe manner, extracting metals from e-scrap requires considerably less energy than extracting metals from ore. And even what remains of the waste after the metals have been extracted, is put to use.

“We are reusing energy. Any excess is converted efficiently into steam, electricity and district heating. For example is the plastic material utilised as energy during the smelting of the electronic waste,” Mr Sundqvist continues.

“Metals can be recycled countless times without losing their quality. The metals derived at Rönnskär end up as new products, such as copper wires in electrical goods,” Mr Sundqvist concludes. ▴



Organisation

NIB in green headquarters

In April 2010, NIB obtained the WWF's (World Wide Fund for Nature) Green Office certificate.



Photo: Rami Salla

“We aim to further increase recycling and the use of video conferences.”

Gunnar Okk, Vice-President and head of administration and planning, NIB.

“**W**e are happy to have joined the Green Office programme and we are eager to continue developing our office habits in order to reduce our ecological footprint,” says Gunnar Okk, NIB’s Vice-President and Head of Planning and Administration.

NIB is one of the major international financial institutions with the most explicit environmental mandate. All projects considered for NIB financing undergo assessment of potential environmental impact. A considerable part of the Bank’s total loan portfolio is classified as environmental loans and two lending facilities are exclusively aimed at environmental projects—the BASE and CLEERE frameworks. But, in our daily work and routines, how green are we at NIB?

“Since the first energy audit of NIB’s headquarters in 2003, we have gradually developed environmental guidelines for our office and staff including more extensive recycling and a renewed car policy. The most substantial step, however, came last year when the Bank joined WWF’s Green Office programme,” says Mr Okk.

The WWF Green Office concept was originally created by WWF Finland but is now in use worldwide. “It is a practical environmental programme for offices motivating office staff to act in a more environmentally friendly way in their everyday tasks and improves not only environmental awareness but also cost efficiency,” says Mr Okk.

In Finland 183 different organisations have joined the programme of which 130 have been granted the right to use the Green Office Logo—NIB among them.

During the programme period (from 2009 to 2010), a number of measures were taken at the Bank. NIB’s headquarters building was connected to the Helsinki city district cooling system. Office equipment was updated to be more environmentally friendly and a follow-up and planning procedure for paper consumption was created. NIB’s procurement policy guidelines were updated to include green procurement practices. The Bank’s recycling methods were updated and a couple of bikes were purchased for staff use. In April 2010 NIB passed the final inspection for the programme and was certified as a WWF Green Office with the right to use the logo of the programme.

“The next steps to be taken by the Bank are to further increase recycling and the possibilities to sort glass, metal and energy waste. Video conferences will be used more frequently. We also aim at reducing paper consumption by 5% between 2010 and 2012,” continues Mr Okk.

“Special attention will be paid to more efficient use of electricity and the creation of monitoring system for the headquarters waste amount,” he adds.

In addition to these actions, NIB is in accordance with the obtained certificate obliged to regularly report indicators such as electricity consumption to WWF Green Office.

“As an IFI, NIB enjoys the highest possible AAA credit rating. Why not aim at a premium environmental rating too?” Mr Okk concludes. ▴





NEW STAFF



Juha Heinonen (FI) has been appointed Senior Counsel in the Legal Department. He has previously worked at Municipality Finance Plc and Enfia LTD in Finland.



Vagn Lundhøj (DK) has been employed as Senior Manager for lending in member countries. He has previously worked at Unibank and Forstædernes Bank in Denmark.



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