NORDIC INVESTMENT BANK

FINANCING THE FUTURE

Annual Report 2014

NORDIC INVESTMENT BANK | FINANCING THE FUTURE

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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.

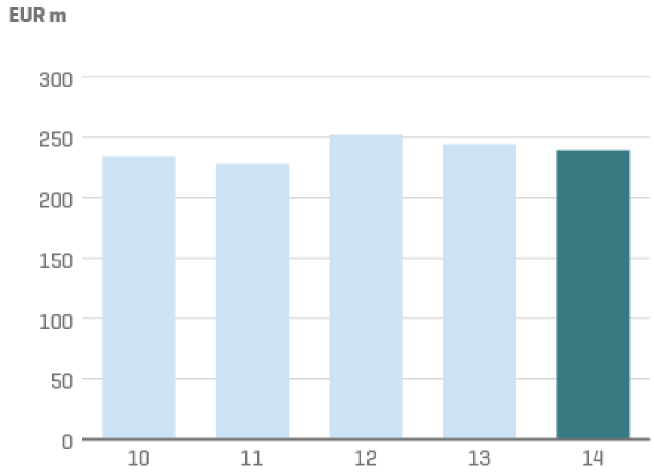
Henrik Normann
President and CEO

Five-year comparison

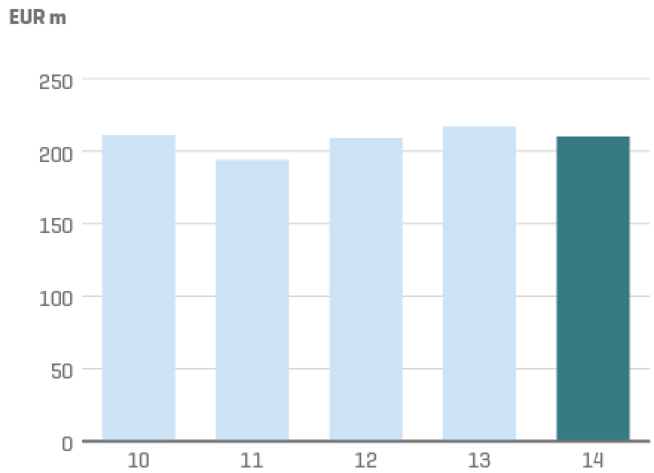
AMOUNTS IN EUR MILLION	2014	2013	2012	2011	2010
STATEMENT OF COMPREHENSIVE INCOME					
Net interest income	239	244	252	228	234
Commission income and expense etc.	7	10	17	19	20
General administrative expenses, depreciation and write-downs	-41	-39	-38	-37	-36
Realised and unrealised gains/losses of financial 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

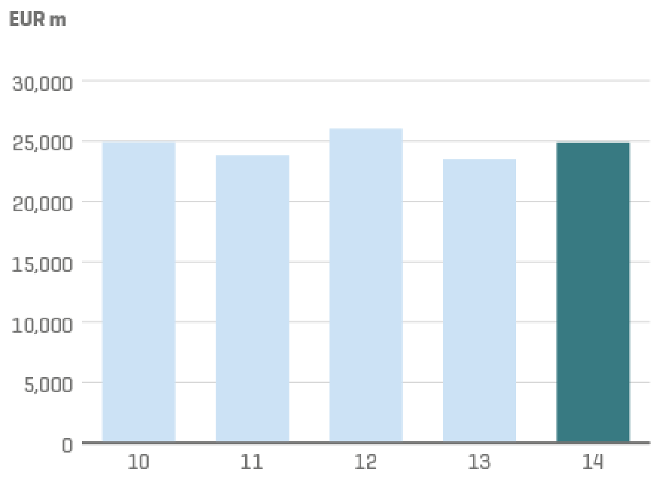
Net interest income



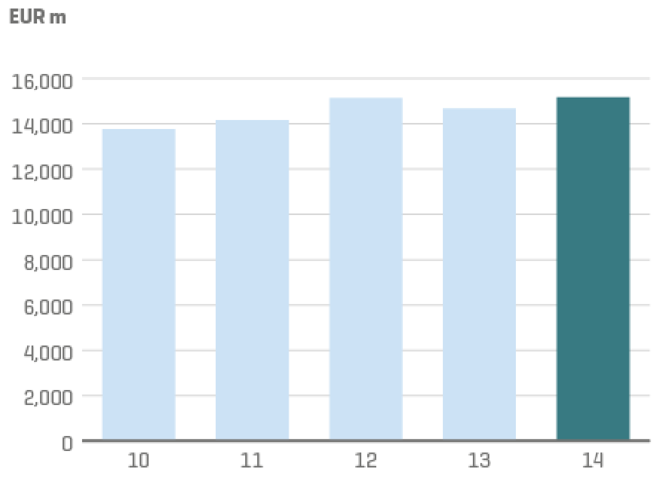
Profit/loss



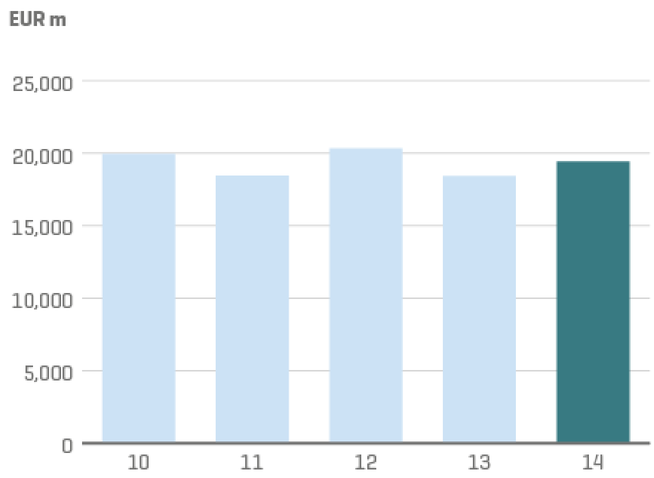
Total assets



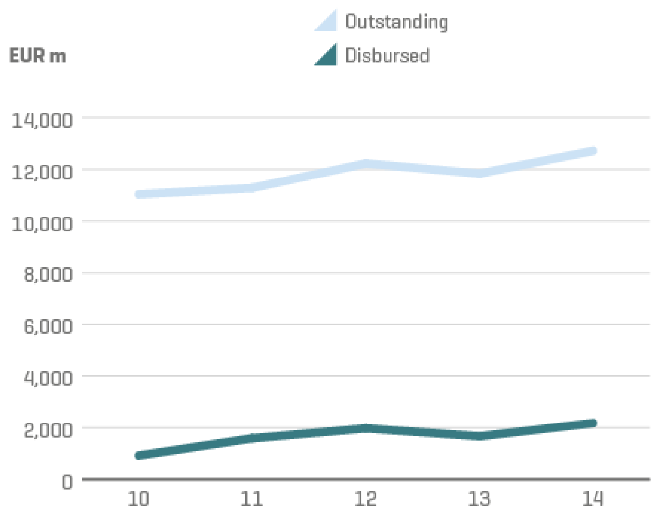
Loans outstanding



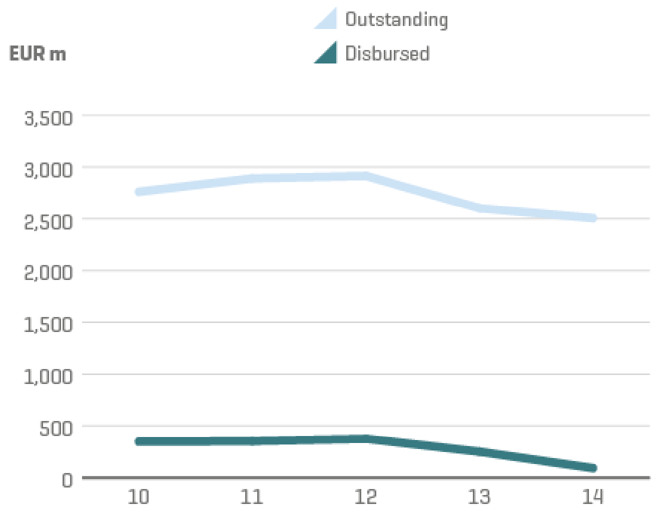
Borrowings outstanding



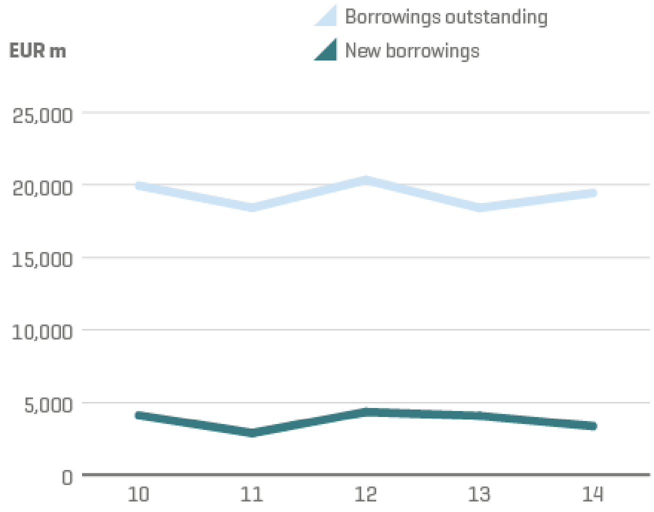
Loans in member countries



Loans in non-member countries



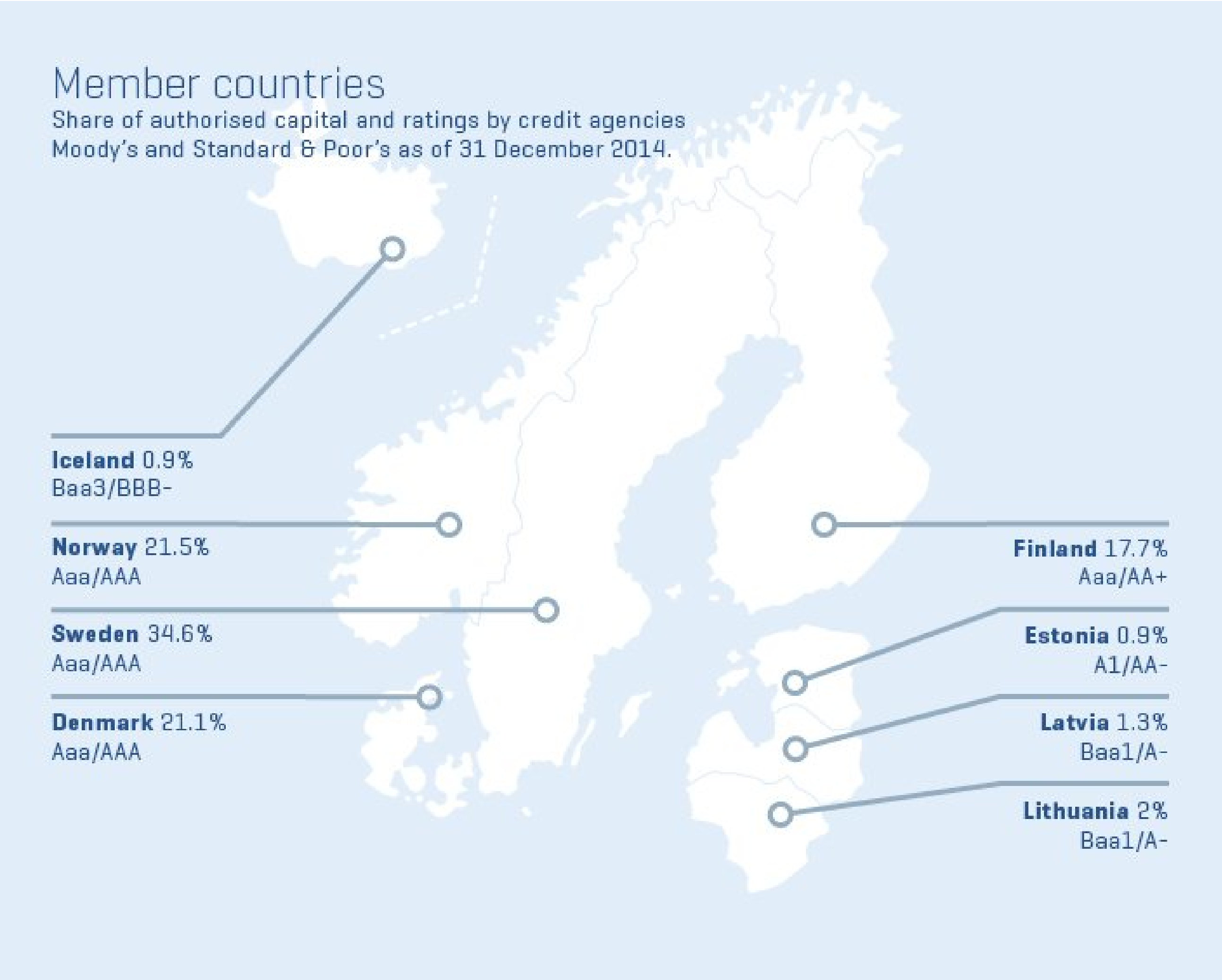
Borrowings



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.

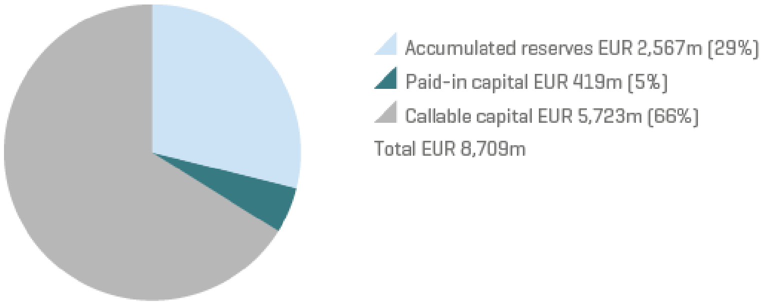
The second special facility, the Environmental Investment Loan facility (MIL), currently amounts to EUR 281 million. The Bank's member countries guarantee up to 100% of loans outstanding under MIL.

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

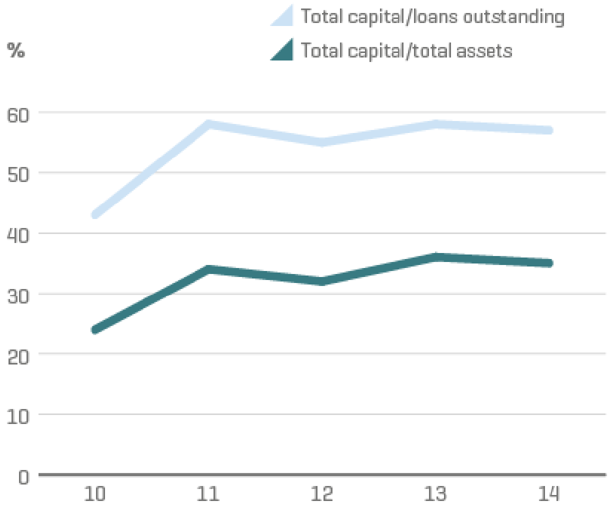
In view of the Bank's strong capital base, the quality of its assets and its status as an international financial institution, the leading international rating agencies, Standard & Poor's and Moody's, have accorded NIB the highest possible issuer credit rating, AAA/Aaa, for long-term obligations and 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.

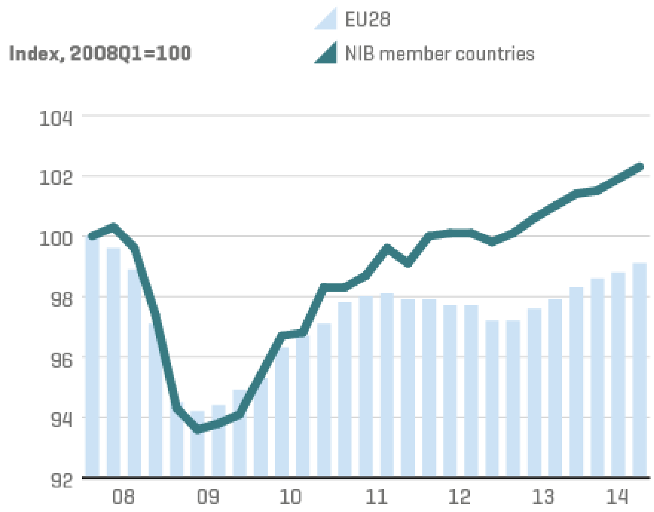
Meanwhile, the Icelandic economy continues its gradual improvement.

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.

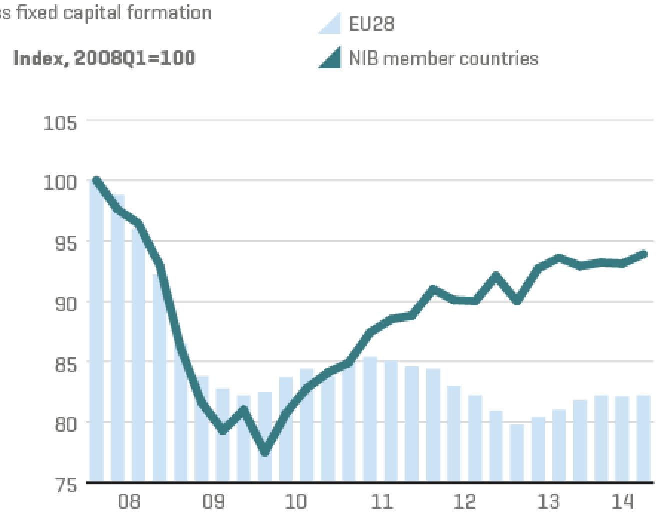
Real GDP



Source: Eurostat

Real investments

Gross fixed capital formation



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 CO_2 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.

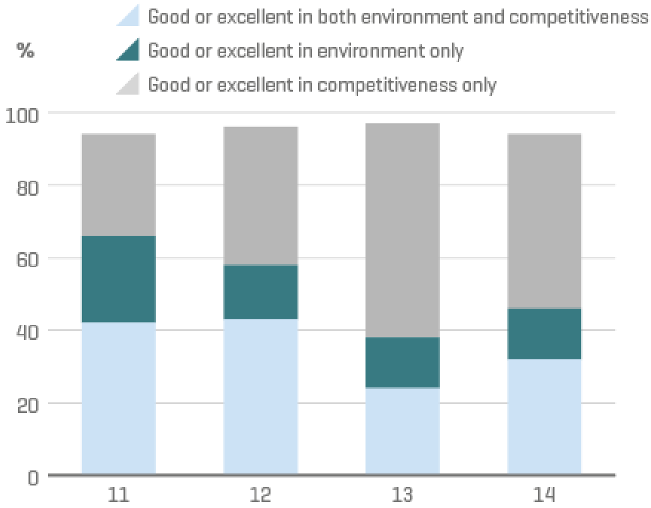
Mission fulfilment

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 Klaipedos 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.

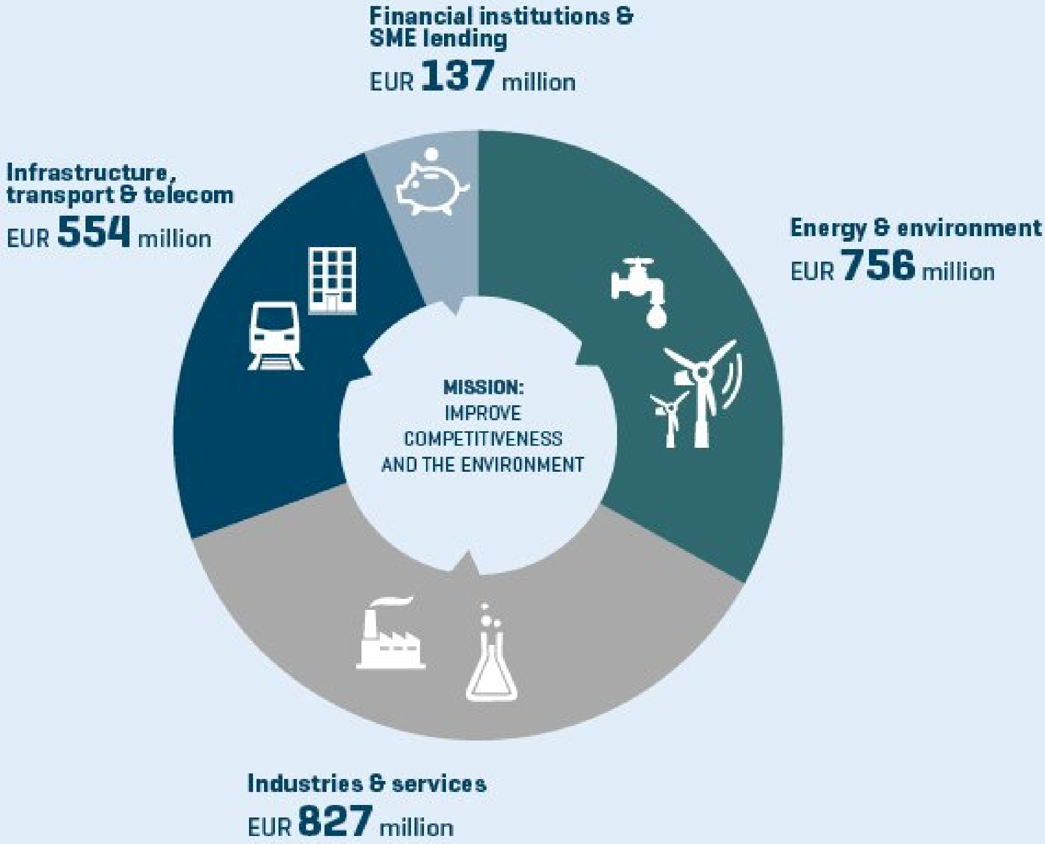
The Bank extended a number of loan programmes to financial intermediaries for onlending to small and medium-sized enterprises (SMEs). Facilitating access to financing for SMEs is an important channel for increasing productivity and employment, given their large contribution to the Nordic and Baltic economies. 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.

Loans disbursed in 2014



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 logistiikkakeskukset'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).

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 CO_2 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.

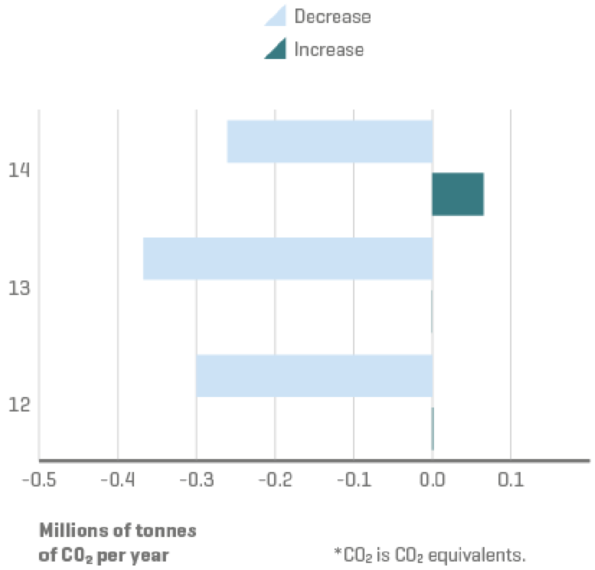
Klaipedos Nafta's LNG terminal project was the single largest contributor of increased carbon dioxide emissions in 2014. NIB's financing of renewable energy projects, such as wind power, bioenergy and existing hydropower, contributed the most to decreasing greenhouse gas emissions in 2014.

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.

CO_2* 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 competiveness 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	The issues considered to be material or relevant for disclosure in this annual report were identified by: · 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: 1. What value does NIB add to target groups? 2. How is NIB perceived (reputation index)? 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.
G4-19	All the material aspects identified in the process for defining report content	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)
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	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. 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.
	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.	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.
	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 publically 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	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. 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.
	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	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. 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.
	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	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. 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. 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.
	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	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 adopted as part of workplace health promotion. First aid training was also arranged for employees throughout the organisation.
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 saftey 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	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 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. 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.
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-SO1	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-SO11	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	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. 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. 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. 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.
G4-SO3	Total number and percentage of operations asessed 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-SO4	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-SO5	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.	NIB's environmental and social review The review includes the following key components: -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. Based on the categorisation, NIB indicates to the customer what type of environmental information NIB requires.
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 Påwals, 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.

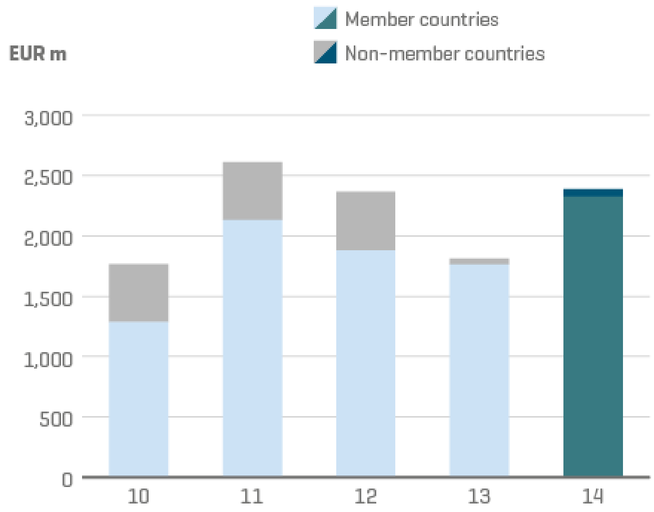
In 2014, NIB's Board of Directors approved new loans to a total of EUR 2.7 billion. The number of agreed loans was 45 and amounted to EUR 2.4 billion. Loan disbursements increased to EUR 2.3 billion, up from EUR 1.9 billion in 2013 in spite of continued low investment activity in the majority of the 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.

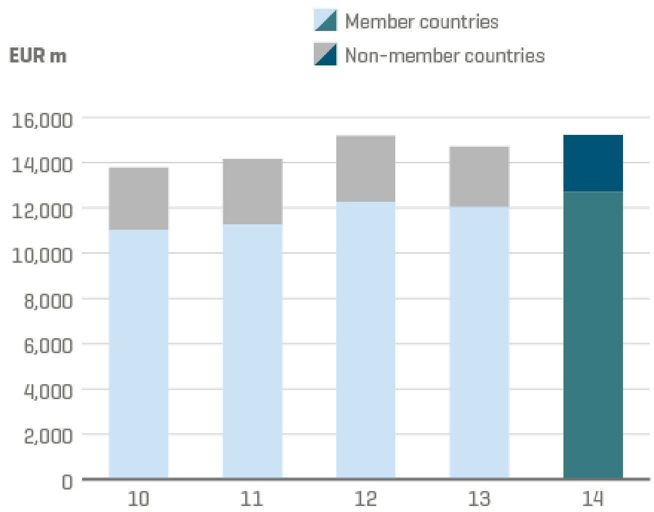
The total amount of loans outstanding increased to EUR 15.2 billion by 31 December 2014 from EUR 14.7 billion the preceding year, despite a very high level of early repayments of loans during 2014. The repayments reflect the strong liquidity in the financial markets in NIB's member region. Prepayments 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

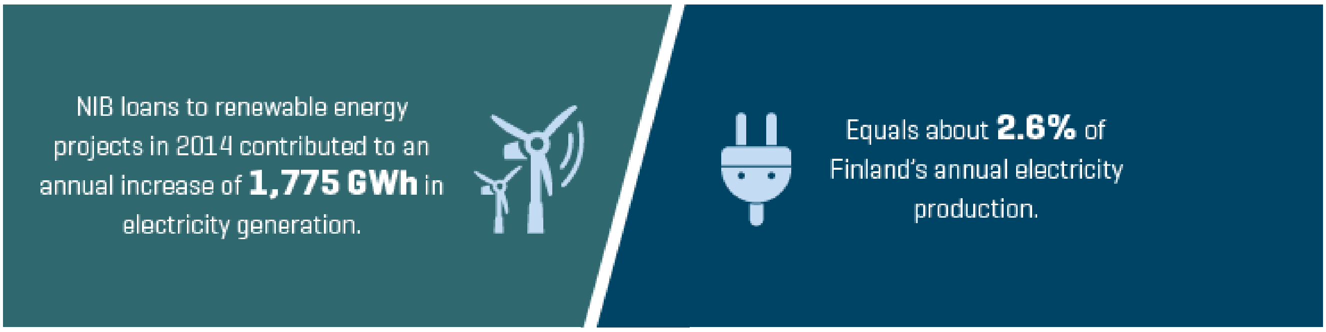
New lending in the energy and environmental business area totalled EUR 630 million. This represents 26% of all loans agreed in 2014. A majority of the loans in this area helped finance upgrades of district heating systems, mostly in the form of combined heat and power plants.

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

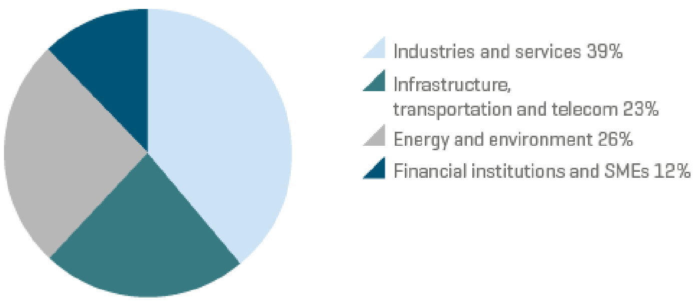
NIB provides financing to banks and other financial institutions for on-lending to their clients. The focus is mainly on small and medium sized enterprises (SMEs), as well as environmental projects that include renewable energy.

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.

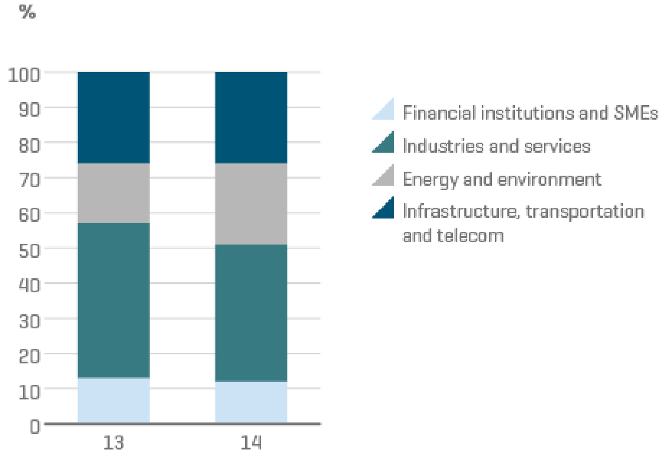
Loans agreed in 2014

%, 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 gelezinkeliai (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 logistiikkakeskukset 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 Dzelzcels (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
Klaipedos 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
Getinge 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.

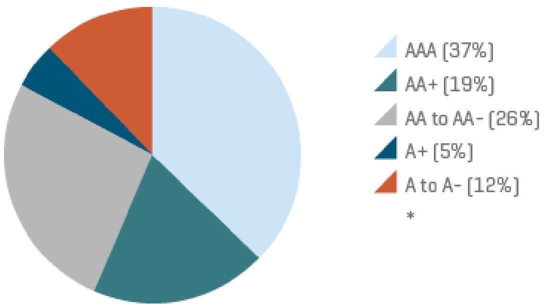
At the end of 2014, the liquidity buffer amounted to EUR 7,899 million including both cash and securities, which the Bank has received from swap counterparties to mitigate counterparty risk. Of this, EUR 1,612 million is held as cash in short-term money market instruments (20%), and EUR 6,287 million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

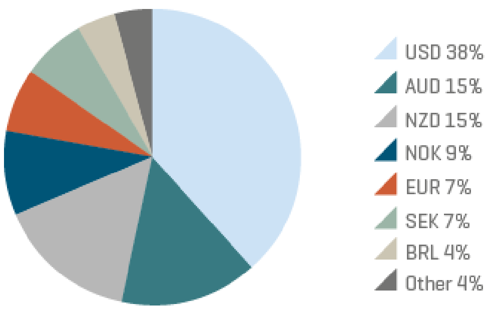
Borrowing

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.

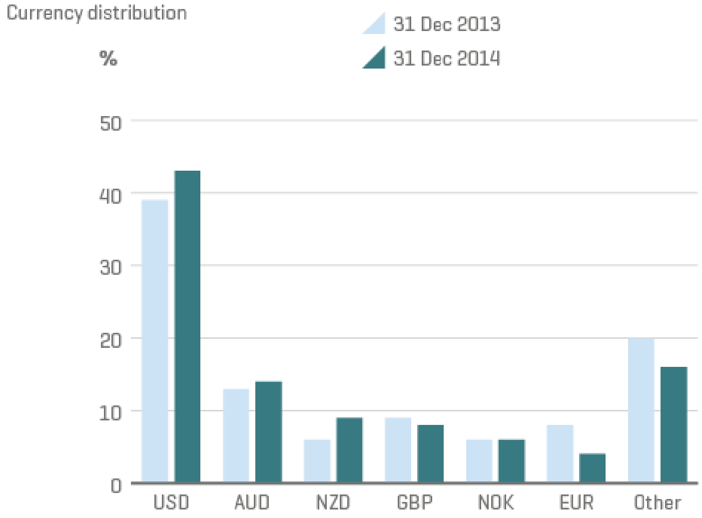
The Bank increased its outstanding volume in AUD during 2014 with a total new issuance of AUD 725 million. At the end of 2014, the total outstanding volume in Australia was AUD 3,825 million with six different maturities.

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.

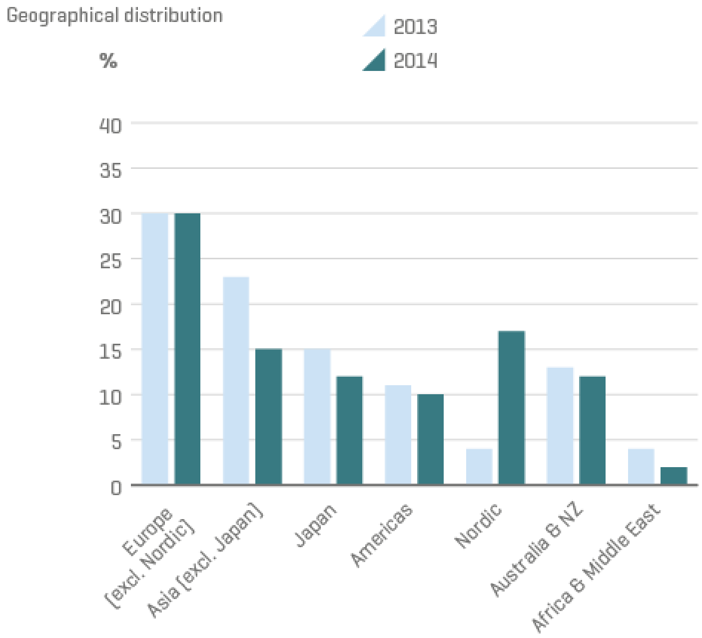
Borrowings outstanding



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%.

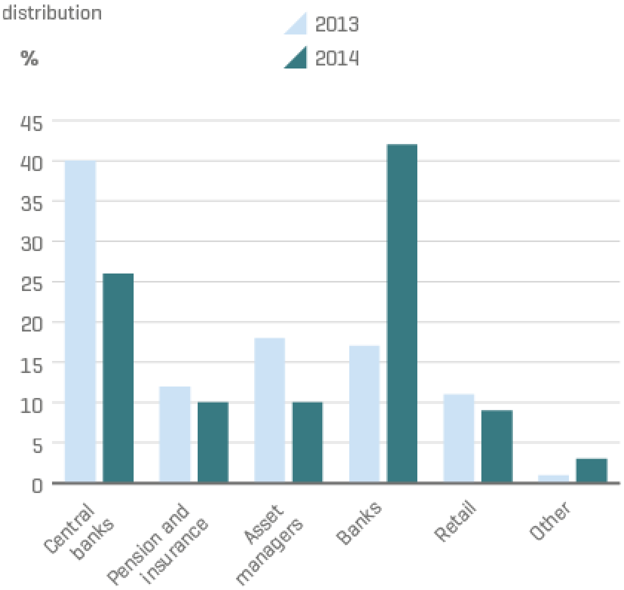
New borrowings



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

Investor distribution



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.

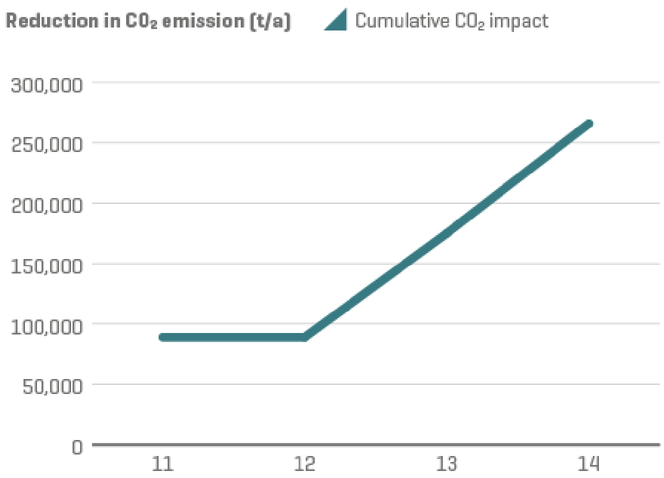
NIB has introduced a framework which allows investors to provide funds dedicated only for the Bank's environmental lending. The framework is called the NIB Environmental Bond framework. In September, NIB issued an inaugural benchmark USD 500 million NIB Environmental Bond. The seven-year bond achieved 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 CO_2 equivalent impact of all projects financed by NIB Environmental Bonds. At year-end 2014, the CO_2 equivalent impact was calculated as 265,875 tonnes.

Cumulative CO_2 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 (CO_2eq), sulfur oxides (SOx), 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

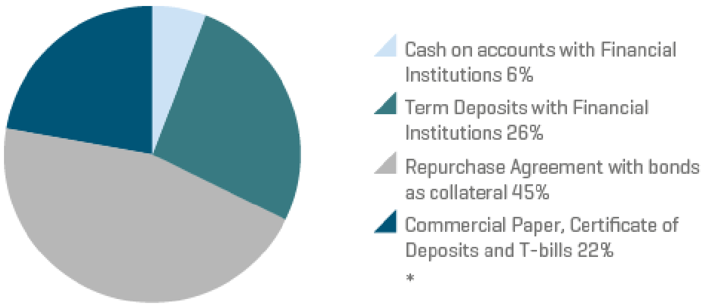
The Asset and Liability Management Unit manages the Bank's market risks in the balance sheet, transfers pricing between funding and lending operations and handles daily cash management.

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

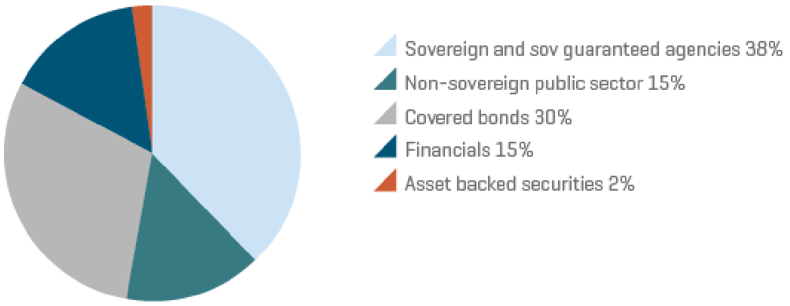
The Portfolio Management Unit manages securities with longer maturities. The market value of the bond portfolios amounted to EUR 5,656 million at the end of 2014, excluding EUR 630 million in securities received as collateral.

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.

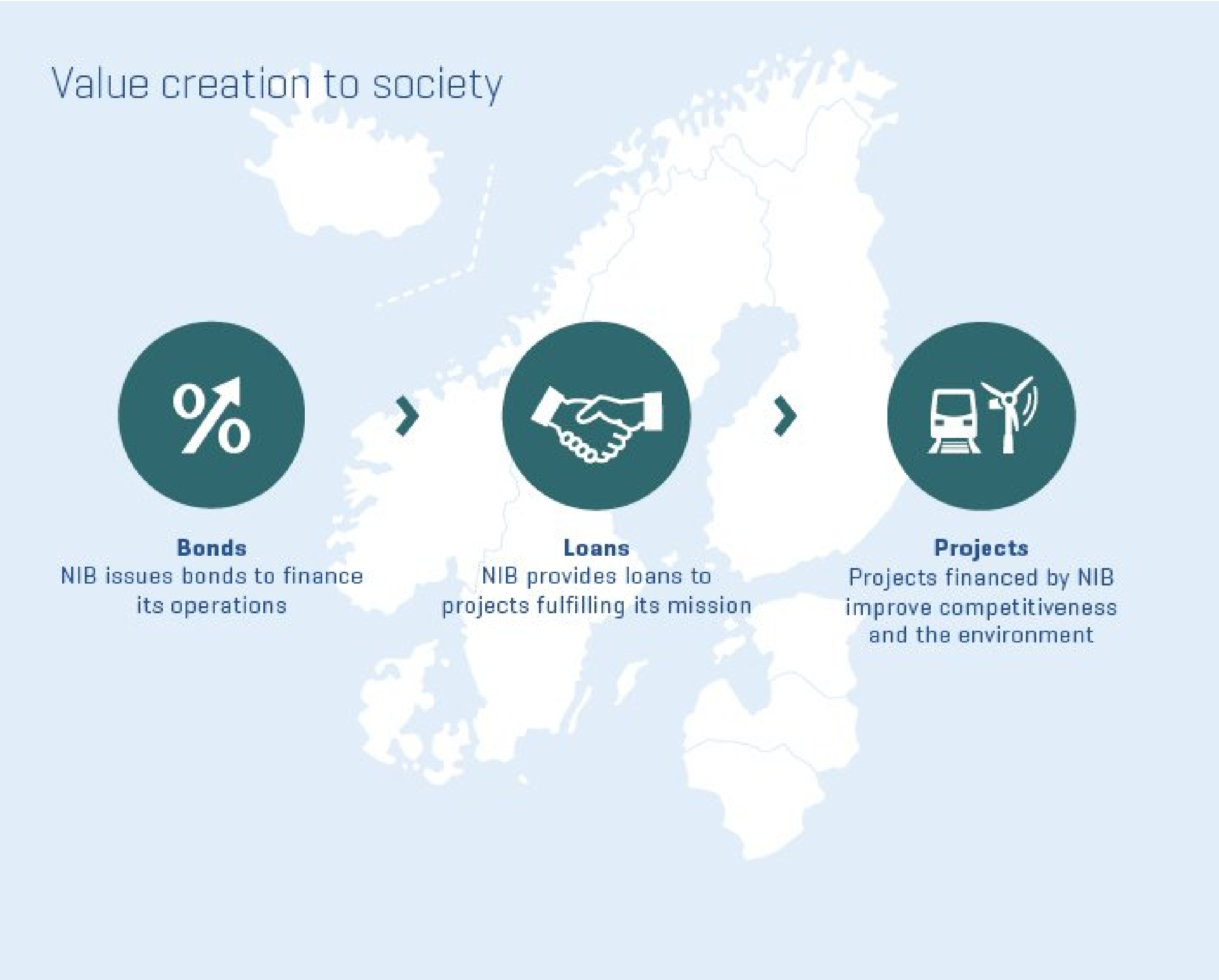
To improve competitiveness, NIB-financed projects should support productivity growth through:

- 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.

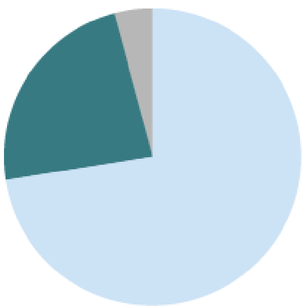
Employees by gender and age group

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



Finland 72%

Other member countries (Denmark, Estonia, Iceland, Latvia, Lithuania, Norway, Sweden) 23%

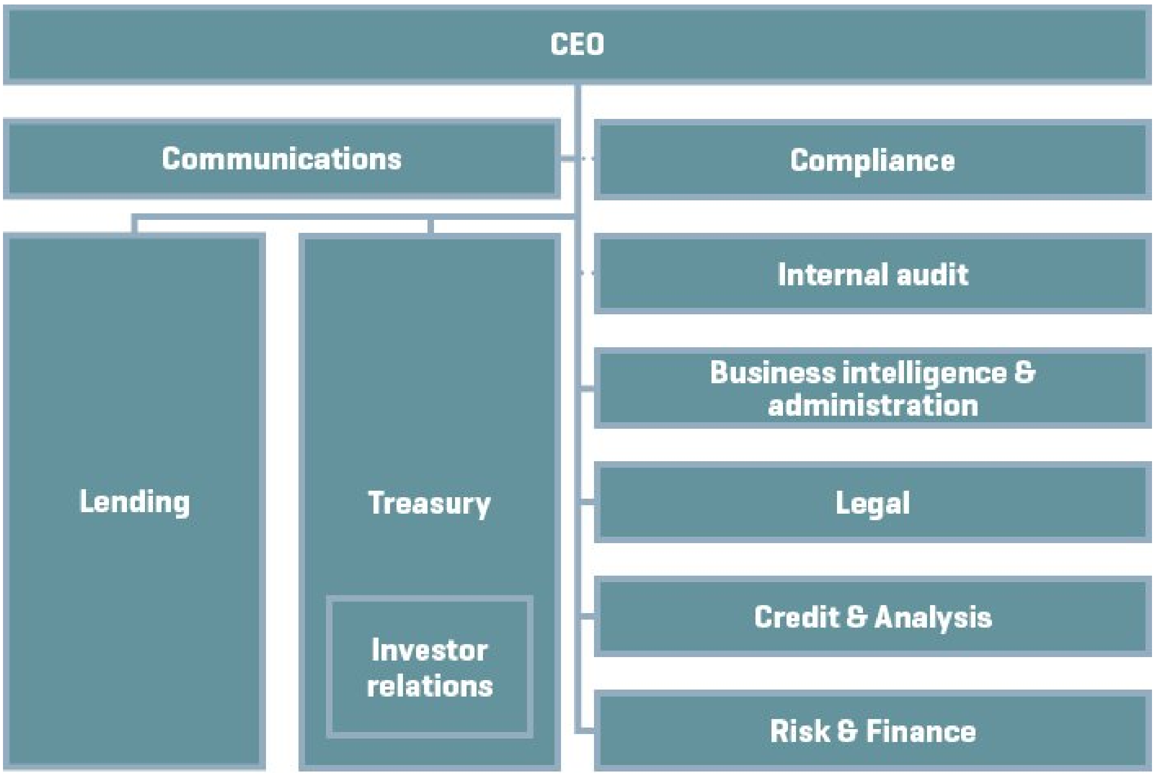
Non-member countries (Brazil, Canada, France, Germany, Great Britain, Russia) 4%

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.

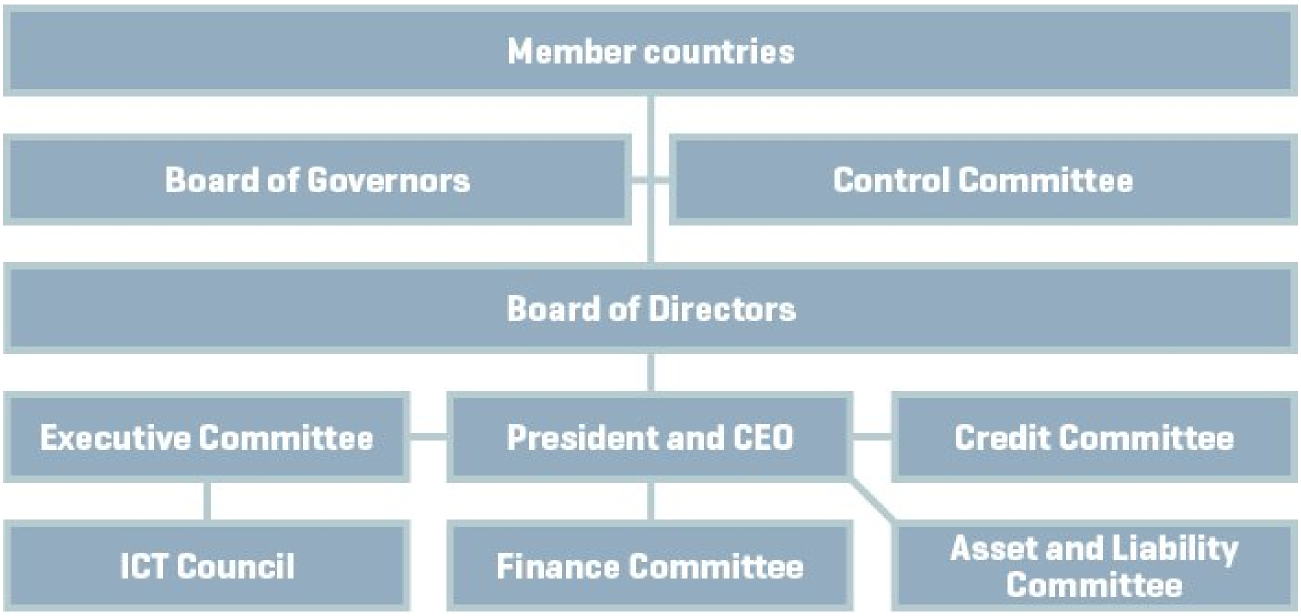
Board of Directors

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 competiveness 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

Chairman **Mr Jānis Reirs** (until 4 November 2014) Member of Parliament LATVIA **Mr Leo Ašmanis** (from 1 January 2015) Head of Internal Audit Bank of Latvia LATVIA	Deputy Chairman **Mr Sigurður Þórðarson** CPA Former State Auditor ICELAND

Ms Karin Gaardsted Member of Parliament DENMARK	**Mr Rannar Vassiljev** Chairman of the Finance Committee of the Parliament ESTONIA	**Mr Arto Pirttilahti** Member of Parliament FINLAND
Mr Höskuldur Þórhallsson Member of Parliament ICELAND	**Ms Karina Korna** Adviser to the Minister of Transport LATVIA	**Ms Daiva Raudonienė** Member of Parliament LITHUANIA
Mr Kristian Norheim Member of Parliament NORWAY	**Appointment pending** (tbc) SWEDEN	

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 Üürike

- 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

Report of the Board of Directors 2014

Summary

- **Despite a subdued investment climate, NIB's lending activities developed positively.**
- **The sum total of new loan agreements increased to EUR 2.4 billion, compared to EUR 1.8 billion during 2013.**
- **94% of loans received good or excellent ratings in terms of improving the competitiveness and environment in the region.**
- **During 2014, NIB raised EUR 3.4 billion in new funding.**
- **NIB launched its inaugural benchmark Environmental Bond.**
- **The profit for the year 2014 was EUR 210 million (2013: EUR 217 million).**
- **The Board reviewed NIB's strategy.**
- **The Board conducted a self-evaluation survey.**

Operating environment

Global economic performance was uneven in 2014. While the US and UK economies continued to gain strength, the bulk of continental Europe stagnated. Anticipation of increasingly divergent monetary policy also led to currency swings, with the US currency appreciating broadly and steadily.

From mid-2014 onward, the price of crude oil started to fall substantially, with important yet varying repercussions across the globe. While a lower price for oil is positive for net importers and consumers, its volatility is costly: it disrupts long-term investment, and currently comes within the context of increased geopolitical turmoil, as well as worsening prospects in Russia.

The knock-on effect on the open Nordic–Baltic region has been reflected in weak economic growth, estimated at only 1.5% overall for 2014. Some of the region's individual economies fared better, but key regions and sectors stagnated while much of the growth was supported by consumers and residential investment rather than exports or business investment.

Lending activities

Against the background of the operating environment in 2014, NIB's lending activities continued to develop very positively. The Bank signed 45 loan agreements with an aggregate total of EUR 2,389 million. Close to half of these loans are to new borrowers. This broadens the Bank's client base and reduces concentration in the loan portfolio. Lending developments in terms of business sectors are displayed in the table below.

Disbursements of loans increased to EUR 2,274 million, compared to EUR 1,922 million during 2013. The largest sector was industries and services, with a substantial part of NIB's financing provided for research and development. The public sector in the member countries was also a major recipient of loans.

Liquidity remained ample in the financial markets, with increasing amounts of capital being made available in the Nordic–Baltic region and with continued low investment levels. This also affected NIB's loan portfolio, resulting in larger-than-average early redemptions of loans. Moreover, prepayments in some cases occurred as a consequence of the Bank protecting its creditor's rights and in connection with renewal of engagements.

Lending

(In EUR million unless otherwise specified)	2014	2013
Loans agreed according to area:		
Energy and environment	630	302
Infrastructure and telecom	557	474
Industries and services	926	805
Financial institutions and SMEs	277	230
Loans agreed, total	**2,389**	**1,810**
Member countries	2,327	1,760
Non-member countries	62	50
Loans disbursed, total	**2,274**	**1,922**
Member countries	2,181	1,670
Non-member countries	93	251
Number of loan agreements, total	**45**	**43**
Member countries	43	42
Non-member countries	2	1
Loans outstanding and guarantees	**15,156**	**14,667**
Member countries	12,705	12,035
Non-member countries	2,506	2,669
Collective impairments	-55	-37
Repayments and prepayments	**2,005**	**1,819**

NIB finances investment projects that improve the competitiveness and environment of the Nordic–Baltic countries. NIB strives to ensure that all its lending adds value to what the market provides. One way of doing this is by offering flexible long-term lending and technical expertise. All projects are rated from the perspective of fulfilling this mission. In 2014, the proportion of loans achieving a "good" or "excellent" mandate rating was 94%.

Projects generating a high competitiveness impact are identified in both the private and public sectors. Innovation is a key catalyst for productivity and long-term growth in the region. In 2014, NIB provided financing to numerous of its corporate clients' R&D programmes. In the public sector, the focus was on supporting investments in infrastructure, including public transport, roads, transmission lines, healthcare development and education facilities.

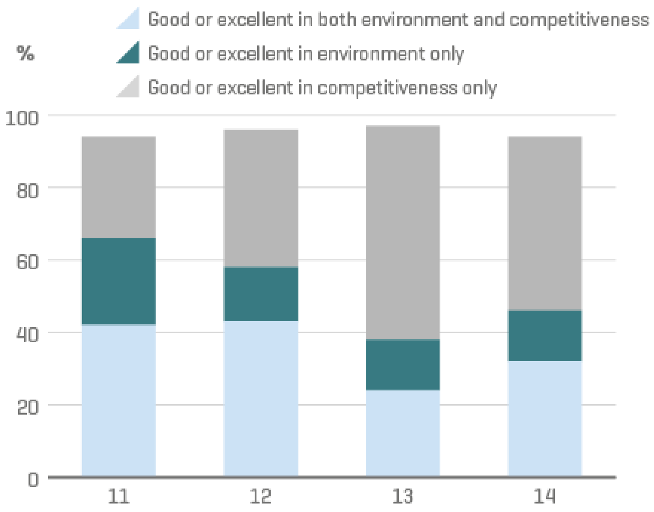
In order to reach out to smaller counterparties, NIB provided financing through financial intermediaries. These loan programmes are an important method for NIB to strengthen the capacity of such companies to invest, grow and create jobs.

NIB defines loans to projects with significant direct or indirect positive environmental impacts as environmental loans, regardless of the industrial sector in which they occur. In 2014, a total volume of EUR 1,096 million was agreed for projects with an environmental mandate rating of "good" or "excellent", which is equivalent to 46% of the total agreed volume.

Many projects were related to climate change mitigation, particularly by supporting the member countries in their advances along the path towards having resource-efficient, low-carbon economies by investing in renewable energy generation or improving energy efficiency. One industrial R&D project had a targeted focus on environmental technology in the field of energy efficiency. NIB estimates that the loans agreed in 2014 are helping to reduce CO_2 emissions by 260,000 tonnes annually, prorated to NIB's share of the financing. The percentage of NIB's total lending allocated to renewable energy projects and energy efficiency projects amounted to 19% and 15%.

Loans were approved for combined heat and power plants fuelled by biomass and for wind power projects. NIB-financed energy projects will add 1.77 TWh annually to renewable energy generation. Financing was also provided for one investment in wastewater treatment. Furthermore, the Bank's environmental lending encompassed projects increasing the resource efficiency of transport systems (i.e. rail and public transport infrastructure projects in Finland, Sweden, Lithuania and Latvia).

Mandate rating



Treasury activities

During 2014, NIB raised EUR 3.4 billion in new funding through 35 funding transactions. At year-end, outstanding debt totalled EUR 19.4 billion in 17 currencies. The largest transaction in 2014 was the five-year, USD 1 billion global benchmark transaction, which was issued in April.

Treasury activities

(In EUR million)	2014	2013	2012
New debt issues	**3,361**	4,080	4,355
Debts evidenced by certificates at year-end	**19,446**	18,421	20,332
Number of borrowing transactions	**35**	42	28
Number of borrowing currencies	**10**	12	8

NIB launched its inaugural benchmark Environmental Bond in 2014. The seven-year, USD 500 million transaction was issued in September. The bond was mainly bought by investors following socially responsible investment principles. The proceeds of the transaction have been used to finance distinct eligible projects with a positive impact on the environment.

NIB's investor distribution continued to be global and well diversified. Investors from Europe made up 48% of the total investor base in 2014, while investors based in Asia bought 27% of NIB's new issuance, investors from the Australia/New Zealand region contributed a share of 12%, and investors from the Americas accounted for 10%.

The Bank's liquidity remained strong during 2014. In September, the Board of Directors approved the policy towards managing liquidity. The Liquidity Policy defines the Bank's objectives for managing liquidity risk, and sets conditions for the calculation of the minimum size of the liquidity buffer and the funding needed to support it. The size is based on stress testing and quantified so that the Bank is able to fulfil all its payment obligations falling due during the coming 12 months without obtaining new funding. At the end of 2014, the liquidity buffer amounts to EUR 7,899 million, including received collateral (both cash and securities), which the Bank receives from swap counterparties to mitigate counterparty risk. Of the liquidity buffer, 20%, or EUR 1,612 million, is held as cash in short-term money market instruments. The remaining 80%, or EUR 6,287 million, is held in securities with longer maturities.

Risk management

The Bank's overall risk position remained solid in 2014, based on sustained high asset quality and a sound capitalisation level. Despite continued weakness in the economic environment and some counterparties facing difficulties, the overall quality of the loan portfolio remained high.

In total, 83% of the lending exposure was in investment-grade categories (risk classes 1–10), which was unchanged compared to year-end 2013. The exposure in the weakest risk classes (17–20) declined slightly to 1% (2013: 1.2%).

The Bank maintains a well-balanced loan portfolio, taking its mission into consideration. There were no material changes in the geographical and sectoral distribution of the loan portfolio in 2014. At year-end, the member countries accounted for 82% (2013: 79%) of the total lending exposure, followed by 7% for Central and Eastern Europe, and 6% for Asia.

As in the previous year, the credit quality of the Treasury portfolio was strong, with close to 100% of the exposure in investment-grade categories (risk classes 1–10). Of the Treasury exposure, 35% was within the member countries, compared to 32% the year before. The geographical distribution of the Treasury portfolio continued to be weighted towards Germany, accounting for 26% of the total exposure (2013: 29%).

The Bank has strengthened its risk management in line with evolving market standards. During 2014, the Bank improved its measurement and monitoring of liquidity, market, and counterparty credit risk and launched a project to enhance the framework for estimating loss-given-default. Furthermore, the implementation of a single platform for the credit process was finalised, improving efficiency and system support for credit risk management.

Compliance

The Board of Directors has regularly been updated on the progress of and follow-up on actions resulting from investigations conducted by the Bank's Committee on Fighting Corruption and the Office of the Chief Compliance Officer. This includes sanctioning contractors as well as referring allegations of corruption to national investigative authorities for criminal investigation. As part of the Bank's credit process, the Board of Directors has also been informed about the management's assessments of corruption risks relating to projects considered for financing by the Bank.

During 2014, the Bank's Non-Compliant Jurisdiction Policy (NCJ) entered into force. The policy emphasises the need to include information in Board documents about ownership structures, especially concerning entities registered in countries determined by NIB as non-compliant or only partially compliant with NCJ.

Financial results

Despite a very demanding environment with low interest rates and modest economic growth, NIB's profit for 2014 amounted to EUR 210 million (2013: EUR 217 million).

The net interest income was EUR 239 million (2013: EUR 244 million). Net interest income from lending operations remained broadly stable, reflecting consistent volumes and margins, but was lower for treasury operations.

The profit on financial operations increased. The contribution of financial operations to the Bank's profit was EUR 26 million (2013: EUR 20 million). These gains on financial operations are the result of actively managing portfolios, and resulted from the volatility of the markets and the fair value movements.

Loan impairment charges remained low and amounted to EUR 21 million. The impairment charge level corresponds to 14 (2013: 10) basis points of total loans outstanding. During 2014, there was one realised loss.

NIB's Statutes provide that the member countries guarantee loans granted under the environmental investment loan facility (MIL). Since a loss was incurred on an MIL loan extended to finance a project in eastern Ukraine, the Board called on the guarantees.

Total assets at the end of the year were EUR 25 billion (2013: EUR 23 billion). Outstanding lending amounted to EUR 15 billion (2013:

EUR 15 billion). NIB maintained a strong balance sheet and a robust capital position.

Administrative expenses for the year amounted to EUR 41 million (2013: EUR 39 million). The increase was mainly due to the cost of compliance and regulation.

The results were achieved with a staff of 188 (2013: 185).

Key figures

(in EUR million)	2014	2013	2012
Net interest income	239	244	252
Profit/loss on financial operations	26	20	43
Loan impairments	21	15	56
Profit/loss	210	217	209
Equity	2,986	2,831	2,666
Total assets	24,870	23,490	25,983
Solvency ratio (equity/total assets %)	12.0%	12.1%	10.3%
Cost/income ratio	15.1%	14.3%	12.5%

Dividend

The Board of Directors proposes to the Board of Governors that EUR 55 million be paid as dividends to the Bank's member countries for the year 2014.

Board evaluation

Good governance and efficient administration are the determining criteria for the success of any institution. The Board conducted a self-evaluation survey in order to develop its own way of working. All Board members replied to a written survey conducted by an external consultancy. The Board discussed the results of the survey in several meetings and decided to make several changes to its working practices.

Strategy review

On top of the Bank's regular activities, the Board of Directors and the Management reviewed NIB's strategy in 2014. The work was organised in the form of seminars and interactive working sessions in connection with formal meetings.

The Board has discussed NIB's mission and success factors, the mandate rating framework (in particular the competitiveness mandate), additionality, the Bank's capital and liquidity, new lending options and the risk implications of these. Ex-post assessment of the mandate fulfilment of projects will be introduced as a result of discussions on the mandate rating framework.

The Board is expected to conclude this process during the first half of 2015.

Chairmanship

The Chairmanship of the Board rotates among the member countries every two years. Rolandas Kriščiūnas (LIT) ended his two-year term on 1 June 2014, when Pentti Pikkarainen (FI) took over the Chairmanship.

Outlook for 2015

Overall real economic growth in the Nordic–Baltic region is not expected to exceed 1.5%–2.0% over the coming year. Inflation and interest rates in Europe are forecast to remain abnormally low for an extended period. As a consequence, NIB expects its profit and the level of disbursements to be somewhat lower in 2015.

Nonetheless, the need for investments that align naturally with NIB's mission—in infrastructure, energy, transportation and logistics, and corporate R&D—remains high for the foreseeable future. In the most developed economies of the region, renewal needs are abundant. In the other parts of the region, large investments are still needed to support and accelerate the ongoing economic convergence.

Consistent with policy goals and reflected by tighter regulation and supervision, the risk appetite of commercial banks is low. In this context, the private-sector credit cycle is lagging behind—rather than leading—the economic cycle.

Local corporate bond markets have been active, but their robustness and liquidity remain largely untested. The NIB funding advantage has, on the other hand, been resilient. As a follow-up to the strategy review, NIB is expected to further enhance its relevance to its customers in the Nordic–Baltic region and beyond.

Proposal by the Board of Directors to the Board of Governors

The Board of Directors' proposal with regards to the financial results for the year 2014 takes into account the need to keep its ratio of equity to total risk weighted assets at a secure level, which is a prerequisite for maintaining the Bank's high creditworthiness.

In accordance with section 11 of the Statutes of the Bank, the profit for 2014 of EUR 210,211,265.10 is to be allocated as follows:

- EUR 155,211,265.10 is transferred to the General Credit Risk Fund as a part of equity;
- no transfer is made to the Special Credit Risk Fund for Project Investment Loans;
- no transfer is made to the Statutory reserve. The Statutory Reserve amounts to EUR 686,325,305.70 or 11.2 % of the Bank's authorized capital stock; and
- EUR 55,000,000.00 is made available for distribution as dividends to the Bank's member countries.

More information can be found in the statement of comprehensive income, statement of financial position, changes is equity and cash flow statement, as well as the notes to the financial statements.

Helsinki, 5 March 2015

Pentti Pikkarainen	Kaspars Āboliņš	Sven Hegelund
Silje Gamstøbakk	Algimantas Rimkūnas	Jesper Olesen
Þorsteinn Þorsteinsson	Henrik Normann President & CEO	Madis Üürike

Statement of comprehensive income 1 January – 31 December

EUR 1,000	Note	2014	2013
Interest income		382,760	404,179
Interest expense		-143,652	-159,975
Net interest income	[1], [2], [22]	**239,108**	**244,204**
Commission income and fees received	[3]	9,326	10,199
Commission expense and fees paid		-2,092	-2,454
Net profit/loss on financial operations	[4]	25,684	19,840
Foreign exchange gains and losses		187	-384
Operating income		**272,211**	**271,404**
Expenses			
General administrative expenses	[5], [22]	37,386	35,217
Depreciation	[9], [10]	3,709	3,592
Impairment of loans	[6], [8]	20,905	15,385
Total expenses		**62,000**	**54,194**
PROFIT/LOSS FOR THE YEAR		**210,211**	**217,210**
Total comprehensive income		**210,211**	**217,210**

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

Statement of financial position at 31 December

EUR 1,000		Note	2014	2013
ASSETS		[1], [18], [19], [20], [21]		
Cash and cash equivalents		[17], [23]	1,639,139	1,757,616
Financial placements		[17]		
Placements with credit institutions			6,571	5,741
Debt securities		[7]	5,489,623	5,343,419
Other			22,190	24,247
			5,518,384	**5,373,407**
Loans outstanding		[8], [17]	15,156,486	14,666,747
Intangible assets		[9]	5,217	5,111
Tangible assets, property and equipment		[9]	28,324	29,640
Other assets		[11], [17]		
Derivatives			2,198,003	1,308,990
Other assets		[22]	19,259	30,279
			2,217,262	**1,339,269**
Accrued interest and fees receivable			305,590	318,151
TOTAL ASSETS			**24,870,400**	**23,489,941**
LIABILITIES AND EQUITY		[1], [18], [19], [20], [21]		
Liabilities				
Amounts owed to credit institutions		[17], [22]		
Short-term amounts owed to credit institutions		[16], [23]	872,010	372,402
Long-term amounts owed to credit institutions			-	-
			872,010	**372,402**
Debts evidenced by certificates		[12], [17]		
Debt securities issued			19,369,052	18,346,651
Other debt			76,597	73,906
			19,445,649	**18,420,557**
Other liabilities		[13], [17]		
Derivatives			1,329,097	1,615,146
Other liabilities			6,760	8,094
			1,335,857	**1,623,240**
Accrued interest and fees payable			230,786	242,855
Total liabilities			**21,884,302**	**20,659,054**
Equity				
Authorised and subscribed capital	6,141,903			
of which callable capital	-5,723,302			
Paid-in capital	418,602	[14]	418,602	418,602
Reserve funds		[15]		
Statutory Reserve			686,325	686,325
General Credit Risk Fund			1,275,041	1,112,831
Special Credit Risk Fund PIL			395,919	395,919
Profit/loss for the year			210,211	217,210
Total equity			**2,986,099**	**2,830,887**
TOTAL LIABILITIES AND EQUITY			**24,870,400**	**23,489,941**
Collateral and commitments		[16]		

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

Changes in equity

EUR 1,000	Paid-in capital	Statutory Reserve	General Credit Risk Fund	Special Credit Risk Fund PIL	Payments to the Bank's Statutory Reserve and credit risk funds	Appropriation to dividend payment	Other value adjustments	Profit/Loss for the year	Total
EQUITY AT 31 DECEMBER 2012	**418,602**	**686,325**	**955,625**	**395,919**	**0**	**0**	**0**	**209,205**	**2,665,677**
Appropriations between reserve funds			157,205			52,000		-209,205	0
Paid-in capital									0
Called-in authorised and subscribed capital									0
Payments to the Bank's Statutory Reserve and credit risk funds, receivable									0
Dividend payment						-52,000			-52,000
Comprehensive income for the year								217,210	217,210
EQUITY AT 31 DECEMBER 2013	**418,602**	**686,325**	**1,112,831**	**395,919**	**0**	**0**	**0**	**217,210**	**2,830,887**
Appropriations between reserve funds			162,210			55,000		-217,210	0
Paid-in capital									0
Called-in authorised and subscribed capital									0
Payments to the Bank's Statutory Reserve and credit risk funds, receivable									0
Dividend payment						-55,000			-55,000
Comprehensive income for the year								210,211	210,211
EQUITY AT 31 DECEMBER 2014	**418,602**	**686,325**	**1,275,041**	**395,919**	**0**	**0**	**0**	**210,211**	**2,986,099**

Proposed appropriation of the year's profit/loss	**2014**	**2013**
Appropriation to Statutory Reserve	-	-
Appropriations to credit risk reserve funds		
General Credit Risk Fund	155,211	162,210
Special Credit Risk Fund PIL	-	-
Appropriation to dividend payment	55,000	55,000
Profit/loss for the year	**210,211**	**217,210**

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

Cash flow statement 1 January – 31 December

EUR 1,000	Note	Jan–Dec 2014	Jan–Dec 2013
Cash flows from operating activities			
Profit/loss from operating activities		**210,211**	**217,210**
Adjustments:			
Unrealised gains/losses of financial assets held at fair value		-27,631	-13,500
Depreciation and write-down in value of tangible and intangible assets		3,709	3,592
Change in accrued interest and fees (assets)		12,491	33,724
Change in accrued interest and fees (liabilities)		-12,069	-21,584
Impairment of loans		20,905	15,385
Adjustment to hedge accounting		1,019	-2,294
Other adjustments to the year's profit		-641	-1,820
Adjustments, total		**-2,217**	**13,503**
Lending			
Disbursements of loans		-2,273,619	-1,921,755
Repayments of loans		2,005,001	1,818,766
Capitalisations, redenominations, index adjustments, etc.		-69	-686
Exchange rate adjustments		-84,071	414,332
Lending, total		**-352,758**	**310,656**
Cash flows from operating activities, total		**-144,763**	**541,369**
Cash flows from investing activities			
Placements and debt securities			
Purchase of debt securities		-2,555,763	-2,437,468
Sold and matured debt securities		2,489,721	2,310,584
Placements with credit institutions		-830	-1,550
Other financial placements		1,663	1,222
Exchange rate adjustments, etc.		-36,599	27,783
Placements and debt securities, total		**-101,808**	**-99,429**
Other items			
Acquisition of intangible assets		-1,637	-2,440
Acquisition of tangible assets		-861	-1,602
Change in other assets		16,570	172
Other items, total		**14,072**	**-3,870**
Cash flows from investing activities, total		**-87,736**	**-103,300**

Cash flows from financing activities			
Debts evidenced by certificates			
Issues of new debt		3,360,777	4,079,958
Redemptions		-4,031,164	-3,776,926
Exchange rate adjustments		1,272,741	-1,608,276
Debts evidenced by certificates, total		**602,354**	**-1,305,244**
Other items			
Long-term placements from credit institutions		-	-15,222
Change in swap receivables		-653,925	638,041
Change in swap payables		-277,680	459,022
Change in other liabilities		-1,334	-1,304
Dividend paid		-55,000	-52,000
Paid-in capital and reserves		-	-
Other items, total		**-987,939**	**1,028,537**
Cash flows from financing activities, total		**-385,585**	**-276,706**
CHANGE IN CASH AND CASH EQUIVALENTS, NET	(23)	**-618,084**	**161,363**
Opening balance for cash and cash equivalents, net		**1,385,213**	**1,223,851**
Closing balance for cash and cash equivalents, net		**767,129**	**1,385,213**
Additional information to the statement of cash flows			
Interest income received		395,321	437,903
Interest expense paid		-155,722	-181,559

The cash flow statement has been prepared using the indirect method and cash flow items cannot be directly concluded from the statements of financial positions.

Notes to the financial statements

ACCOUNTING POLICIES

General operating principles

The operations of the Nordic Investment Bank (hereinafter called "the Bank" or "NIB") are governed by an agreement (hereinafter called "the Agreement") between the governments of Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden (hereinafter called "the member countries"), and the Statutes adopted in conjunction with the Agreement. NIB is an international financial institution that operates in accordance with sound banking principles. NIB finances private and public projects which have high priority for the member countries and borrowers. NIB finances projects both within and outside the member countries, and offers its clients long-term loans and guarantees on competitive market terms.

NIB acquires the funds to finance its lending by borrowing on international capital markets.

The authorised capital stock of the Bank is subscribed by the member countries. Any increase or decrease in the authorised capital stock shall be decided by the Board of Governors, upon a proposal of the Board of Directors of the Bank.

In the member countries, the Bank has the legal status of an international legal person, with full legal capacity, and is exempt from payment restrictions and credit policy measures. The Agreement concerning NIB contains provisions regarding immunities and privileges accorded to the Bank, e.g. the exemption of the Bank's assets and income from taxation.

The headquarters of the Bank are located at Fabianinkatu 34 in Helsinki, Finland.

Significant accounting policies

Basis for preparing the financial statements

The Bank's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The Bank's accounts are kept in euro. With the exceptions noted below, they are based on historical cost.

Significant accounting judgements and estimates

As part of the process of preparing the financial statements in conformity with IFRS, the Bank's management is required to make certain judgements, estimates and assumptions that may affect the Bank's profits, its financial position and other information presented in the Annual Report. These estimates are based on available information and the judgements made by the Bank's management. Actual outcomes may deviate from the assessments made, and such deviations may at times be substantial.

The Bank uses various valuation models and techniques to estimate the fair values of assets and liabilities. There are significant uncertainties related to these estimates, in particular when they involve modelling complex financial instruments, such as derivative instruments used for hedging activities related to both borrowing and lending. The estimates are highly dependent on market data, such as the level of interest rates, currency rates and other factors. The uncertainties related to these estimates are reflected mainly in the statement of financial position. NIB undertakes continuous development in order to improve the basis for fair value estimates, with regard to both modelling and market data. Changes in estimates resulting from refinements in assumptions and methodologies are reflected in the period in which the enhancements are first applied.

Judgements and estimates are also associated with impairment testing of loans and claims.

Foreign currency translation

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

Realised and unrealised exchange rate gains and losses are recognised in the statement of comprehensive income.

The Bank uses the official exchange rates published for the euro by the European Central Bank. See Note 24.

Recognition and derecognition of financial instruments

Financial instruments are recognised in the statement of financial position on a settlement date basis, except for derivative instruments, which are recognised on a trade date basis.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire.

A financial liability is removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expires.

Basis for classification and measurement

The financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position.

Following the early adoption of IFRS 9 in 2011, the Bank classifies its financial assets into the following categories: those measured at amortised cost, and those measured at fair value. This classification depends on both the contractual characteristics of the assets and the business model adopted for their management.

Financial assets at amortised cost

An investment is classified at "amortised cost" only if both of the following criteria are met: the objective of the Bank's business model is to hold the assets in order to collect the contractual cash flows, and the contractual terms of the financial assets must give rise on specified dates to cash flows that are only payments of principal and interest on the principal amount outstanding.

Financial assets at fair value

If either of the two criteria above is not met, the asset cannot be classified in the amortised cost category and must be classified at fair value.

Recognised financial assets and financial liabilities designated as hedged items in qualifying fair value hedge relationships are adjusted for changes in fair value attributable to the risk being hedged.

Determination of fair value

The fair value of financial instruments, including derivative instruments that are traded in a liquid market, is the bid or offered closing price on the balance sheet date. Many of NIB's financial instruments are not traded in a liquid market, such as the Bank's borrowing transactions with embedded derivative instruments. These are measured at fair value using different valuation models and techniques. This process involves determining future expected cash flows, which can then be discounted to the balance sheet date. The estimation of future cash flows for these instruments is subject to assumptions on market data, and in some cases, in particular where options are involved, even on the behaviour of the Bank's counterparties. The fair value estimate may therefore be subject to variations and may not be realisable in the market. Under different market assumptions, the values could also differ substantially.

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market prices (unadjusted) in an active market for identical instruments.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and where the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

See Note 17 for further details.

Cash and cash equivalents

Cash and cash equivalents comprise monetary assets and placements with original maturities of six months or less, calculated from the date the acquisition and placements were made.

Cash and cash equivalents in the cash flow statement refers to the net amount of monetary assets, placements and liabilities with original maturities of six months or less, calculated from the time the transaction was entered into.

Financial placements

Items recognised as financial placements in the statement of financial position include placements with credit institutions and placements in debt securities, for example, bonds and other debt certificates, as well as certain placements in instruments with equity features. The placements are initially recognised on the settlement date. Their subsequent accounting treatment depends on both the Bank's business model for managing the placements and their contractual cash flow characteristics.

Reclassifications

Following the amendment to IAS 39 issued in October 2008, permitting the reclassification of financial assets in certain restricted circumstances, the Bank decided to reclassify EUR 715 million of its trading portfolio assets into the held-to-maturity portfolio. This amendment has been applied retrospectively to commence on 1 September 2008. The reclassification has resulted in the cessation of fair value accounting for those assets previously designated as held for trading. The fair values of the assets at the date of reclassification became their new amortised cost, and those assets will subsequently be accounted for on that measurement basis. The reclassified cost will be amortised over the instrument's expected remaining lifetime through interest income using the effective interest method. See Note 7.

Lending

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

Ordinary Lending includes loans and guarantees within and outside the member countries. The Bank's Ordinary Lending ceiling corresponds to 250% of its authorised capital and accumulated general reserves and amounts to EUR 20,646 million following the allocations of the year's profit in accordance with the Board of Directors' proposal.

Project Investment Loans are granted for financing creditworthy projects in the emerging markets of Africa, Asia, Europe and Eurasia, Latin America and the Middle East. The Bank's Statutes permit loans to be granted and guarantees to be issued under the PIL facility up to an amount corresponding to EUR 4,000 million. The member countries guarantee the PIL loans 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 according to the following principle: the member countries guarantee 90% of each loan under the PIL facility up to a total amount of EUR 1,800 million. Payment under the member countries' guarantees would take place at the request of the Board of Directors, as provided for under an agreement between the Bank and each individual member country.

The Bank is authorised to grant special Environmental Investment Loans originally up to the amount of EUR 300 million, for the financing of environmental projects in the areas adjacent to the member countries. The Bank's member countries guarantee 100% of the MIL facility. For further information about the MIL facility as of 31 December 2014, see Distribution of loans outstanding and guarantees by various types of security in Note 8.

The Bank's lending transactions are recognised in the statement of financial position at the time the funds are transferred to the borrower. Loans are recognised initially at historical cost, which corresponds to the fair value of the transferred funds, including transaction costs. Loans outstanding are carried at amortised cost. If the loans are hedged against changes in fair value by using derivative instruments, they are recognised in the statement of financial position at fair value, with value changes recognised in the statement of comprehensive income. Changes in fair value are mainly caused by changes in market interest rates.

Impairment of loans and receivables

Impairment of individually assessed loans

The Bank reviews its problem loans and receivables on each reporting date to assess whether an allowance for impairment should be recorded in the statement of comprehensive income. In particular, the judgement of the management is required in estimating the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors, and actual results may differ, resulting in future changes to the allowance.

Receivables are carried at their estimated recoverable amount. Where the collectability of identified loans is in doubt, specific impairment losses are recognised in the statement of comprehensive income. Impairment is defined as the difference between the carrying value of the asset and the net present value of expected future cash flows, determined using the instrument's original effective interest rate, where applicable. If the carrying amount of the loan is higher than the net present value of the estimated future cash flows, including the fair value of the collaterals, the loan is impaired.

For issued guarantees, the impairment is recognised when it is both probable that the guarantee will need to be settled and the settlement amount can be reliably estimated.

In the event that payments in respect of an ordinary loan are more than 90 days overdue, all of the borrower's loans are deemed to be non-performing, and consequently the need for impairment is assessed and recognised.

In the event that payments in respect of a PIL loan to a government or guaranteed by a government are more than 180 days overdue, all of the borrower's loans are deemed to be non-performing.

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

Whenever payments in respect of a MIL loan that is not to a government or guaranteed by a government are more than 90 days overdue, or payments in respect of a MIL loan to a government or guaranteed by a government are more than 180 days overdue, all of the borrower's loans are deemed to be non-performing. Due to the Bank's member countries' guarantees, no impairment losses are recognised for MIL loans.

Impairment of collectively assessed loans

Loans that are not individually impaired will be transferred to a group of loans with similar risk characteristics for a collective impairment test.

The Bank assesses the need to make a collective impairment test on exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective impairment test is based on any deterioration in the internal rating of the groups of loans or investments from the time they were granted or acquired. These internal ratings take into consideration factors such as any deterioration in counterparty risk, the value of collaterals or securities received, and the outlook for the sector, as well as identified structural weaknesses or deterioration in cash flows.

The process includes management's judgement based on the current macroeconomic environment and the current view of the expected economic outlook. In the Bank's view, the assumptions and estimates made represent an appropriate level of conservatism and are reflective of the predicted economic conditions, the Bank's portfolio characteristics and their correlation with losses incurred based on historical loss experience. The impairment remains related to the group of loans until the losses have been identified on an individual basis.

Intangible assets

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

Tangible assets

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

Write-downs and impairment of intangible and tangible assets

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

Derivative instruments and hedge accounting

The Bank's derivative instruments are recognised on a trade-date basis at fair value in the statement of financial position as "Other assets" or "Other liabilities".

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

At the time the IAS 39 standard concerning hedge accounting was adopted, the Bank had a portfolio of floating rate assets which had been converted to fixed rates using derivative contracts (swaps). This portfolio was designated as a cash flow hedge, but this specific type of hedging is no longer used for new transactions. In general, the Bank does not have an ongoing programme for entering into cash flow hedging, although it may choose to do so at any time.

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

In order to protect NIB from market risks that arise as an inherent part of its borrowing and lending activities, the Bank enters into swap transactions. The net effect of the swap hedging is to convert the borrowing and lending transactions to floating rates. This hedging activity is an integral part of the Bank's business process and is a fair value hedge.

When hedging the fair value of a financial asset or liability, the derivative instrument's change in fair value is recognised in the statement of comprehensive income together with the hedged item's change in fair value in "Net profit on financial operations".

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

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

Borrowing

The Bank's borrowing transactions are recognised in the statement of financial position at the time the funds are transferred to the Bank. The borrowing transactions are recognised initially at a cost that comprises the fair value of the funds transferred, less transaction costs. The Bank uses derivative instruments to hedge the fair value of virtually all its borrowing transactions. In these instances, the borrowing transaction is subsequently recognised in the statement of financial position at fair value, with any changes in value recognised in the statement of comprehensive income.

Securities delivered under repurchase agreements are not derecognised from the statement of financial position. Cash received under repurchase agreements is recognised in the statement of financial position as "Amounts owed to credit institutions".

Equity

As of 31 December 2014, the Bank's authorised and subscribed capital is EUR 6,141.9 million, of which the paid-in portion is EUR 418.6 million. Payment of the subscribed, non-paid-in portion of the authorised capital, i.e. the callable capital, will take place at the request of the Bank's Board of Directors to the extent that the Board deems it necessary for the fulfilment of the Bank's debt obligations.

The Bank's reserves have been built up by means of appropriations from the profits of previous accounting periods, and consist of the Statutory Reserve, as well as the General Credit Risk Fund and the Special Credit Risk Fund for PIL.

The Bank's profits, after allocation to appropriate credit risk funds, are transferred to the Statutory Reserve until it amounts to 10% of NIB's subscribed authorised capital. Thereafter, the Board of Governors, upon a proposal by the Bank's Board of Directors, decides upon the allocation of the profits between the reserve fund and dividends on the subscribed capital.

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

Interest

The Bank's net interest income includes accrued interest on loans, debt securities, placements and accruals of the premium or discount value of financial instruments. Net interest income also includes interest expenses on debts, swap fees and borrowing costs.

Fees and commissions

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

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

Financial transactions

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

Administrative expenses

The Bank provides services to its related parties, the Nordic Development Fund (NDF) and the Nordic Environment Finance Corporation (NEFCO). Payments received by the Bank for providing services at cost to these organisations are recognised as a reduction in the Bank's administrative expenses. NIB receives a host country reimbursement from the Finnish Government equal to the tax withheld from the salaries of NIB's employees. This payment reduces the Bank's administrative expenses, as shown in Note 5.

Leasing agreements

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

Employee pensions and insurance

The Bank is responsible for arranging pension security for its employees. In accordance with the Host Country Agreement between the Bank and the Finnish Government and as part of the Bank's pension arrangements, the Bank has decided to apply the Finnish state pension system. Contributions to this pension system, which are paid into the Finnish State Pension Fund, are calculated as a percentage of salaries. The Finnish Ministry of Finance determines the basis for the contributions and establishes the actual percentage of the contributions according to a proposal from the local government pensions institution Keva. See Note 5.

NIB also provides its permanent employees with a supplementary pension insurance scheme arranged by a private pension insurance company. This is group pension insurance based on a defined contribution plan. The Bank's pension liability is completely covered.

In addition to the applicable local social security systems, NIB has taken out, for example, comprehensive accident, life, medical and disability insurance policies for its employees in the form of group insurance.

Segment information

Segment information and currency distribution in the notes are presented in nominal amounts. The adjustment to hedge accounting is presented as a separate item (except for Note 1, the primary reporting segment).

Reclassifications

In addition to the reclassifications under financial placements, some other minor reclassifications have been made. The comparative figures have been adjusted accordingly.

International financial reporting standards and interpretations

New and amended standards applied in the financial year 2014

Since 1 January 2014, NIB has applied the following new and amended standards that have come into effect. These had no significant impact on the financial statements for the financial year 2014.

- Amendments to IAS 32 *Financial Instruments: Presentation* (effective for financial years beginning on or after 1 January 2014): The amendments provide clarifications on the application of presentation requirements for offsetting financial assets and financial liabilities on the statement of financial position and give more related application guidance. The amendments had no significant impact on NIB's financial statements.
- Amendments to IAS 36 *Impairment of Assets* (effective for financial years beginning on or after 1 January 2014): The objective of the amendments is to clarify that the scope of the disclosures of information about the recoverable amount of assets, where that amount is based on fair value less costs of disposal, is limited to impaired assets. The amended standard had no significant impact on NIB's financial statements.
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* (effective for financial years beginning on or after 1 January 2014): The amendments made to IAS 39 provide an exception to the requirement to discontinue hedge accounting in certain circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. The amendments had no impact on NIB's financial statements.

Adoption of new and amended standards and interpretations applicable in future financial years

NIB has not yet adopted the following new and amended standards and interpretations already issued by the IASB. NIB will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year.

- Amendment to IAS 1 *Presentation of Financial Statements: Disclosure Initiative* (effective for financial years beginning on or after 1 January 2016). The amendments are designed to encourage companies to apply judgement in determining what information to disclose in the financial statements. For example, the amendments clarify the application of the materiality concept and judgement when determining where and in what order information is presented in the financial disclosures. The interpretation has no significant impact on NIB's financial statements.
- New IFRS 9 *Financial Instruments* (effective for financial years beginning on or after 1 January 2018): IFRS 9 replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. NIB is assessing the impact of IFRS 9.
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets — Clarification of Acceptable Methods of Depreciation and Amortisation* (effective for financial years beginning on or after 1 January 2016): The amendments

clarify IAS 16 and IAS 38 in that the revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in limited circumstances to amortise intangible assets. The amendments will have no impact on NIB's financial statements.

- *Annual Improvements to IFRSs* (2011-2013 cycle and 2010-2012 cycle, December 2013) (effective for financial years beginning on or after 1 July 2014): The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one annual package. These amendments cover in total four (2011-2013 cycle) and seven (2010-2012 cycle) standards. Their impacts vary standard by standard but are not significant.
- *Annual Improvements to IFRSs*, (2012-2014 cycle) (effective for financial years beginning on or after 1 January 2016): The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. These amendments cover four standards. Their impacts vary standard by standard but are not significant.

RISK MANAGEMENT

The Bank assumes a conservative approach to risk-taking. Its constituent documents require that loans be granted in accordance with sound banking principles, that adequate security be obtained for the loans and that the Bank protect itself against the risk of exchange rate losses. The Bank's risk tolerance is defined by a set of policies, guidelines and limits taking into account the objective of maintaining strong credit quality, stable earnings and a level of capital and liquidity required to maintain the Bank's AAA/Aaa rating.

The main risks—credit risk, market risk, liquidity risk and operational risk— are managed carefully with risk management closely integrated into the Bank's business processes. As an international financial institution, the Bank is not subject to national or international banking regulations. However, the Bank's risk management systems and processes are reviewed on an ongoing basis and adapted to changing conditions with the aim of complying in substance with what the Bank identifies as the relevant market standards and best practices, including the recommendations of the Basel Committee on Banking Supervision.

Key risk responsibilities

The *Board of Directors* lays down the general framework for the Bank's risk management by approving its financial policies and guidelines, including maximum limits for exposure to the main types of risk. Credit approval is primarily the responsibility of the Board of Directors. The Board annually grants authorisation to the Bank to raise funds in the capital markets based on its estimated funding requirements.

The *President* is responsible for managing the risk profile of the Bank within the framework set by the Board of Directors, and for ensuring that the Bank's aggregate risk is consistent with its financial resources. The Board of Directors has delegated some credit approval authority to the President for execution in the Credit Committee.

The following committees assist and advise the President:

The *Executive Committee* consists of the President and senior officers, whose appointment to the committee has been confirmed by the Board of Directors. The committee is the forum for addressing policy and management issues, including following up the financial results, business plan and strategy of the Bank. The committee meets approximately twice a month.

The *Credit Committee* consists of the President and senior officers appointed by the Board of Directors. The committee is responsible for preparing and making decisions on credit matters related to lending operations and for decisions on treasury counterparties. Among other things, the committee reviews all credit proposals before they are submitted to the Board of Directors for approval. The committee usually meets weekly.

The *Finance Committee* consists of the President, the Head of Treasury and the Head of Risk and Finance. The committee is responsible for preparing and making decisions on matters related to treasury operations. The committee makes recommendations, and where appropriate, decisions in the area of market, counterparty and liquidity risk exposure. It also monitors the Bank's borrowing activities and has oversight of treasury risk reporting to the Board of Directors. The committee usually meets monthly.

The *Asset and Liability Committee* (ALCO) consists of the members of the Executive Committee and the Chief Risk Officer. Together with the Executive Committee, it has overall responsibility for the Bank's risk management. ALCO's duties include monitoring the Bank's balance sheet development and capital adequacy, setting targets and limits for risk to be managed at the bank level, reviewing liquidity risk management and funding structure, as well as monitoring performance against the agreed risk appetite. The committee meets approximately six times a year.

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.

The Bank has established a segregation of duties between units that enter into business transactions with customers or otherwise expose the Bank to risk, and units in charge of risk assessment, risk measurement and control. The business units, Lending and Treasury, are responsible for the day-to-day management of all risks assumed through their operations and for ensuring that an adequate return is achieved for the risks taken. These duties are carried out in accordance with guidelines, instructions and limits set for their respective activities.

Risk and Finance, Credit and Analysis, Legal and Compliance and Internal Audit are independent from the departments carrying out the Bank's business activities.

The *Risk Management* unit within *Risk and Finance* has overall responsibility for measuring, monitoring and reporting on risks across risk types and organisational units. The unit is responsible for the Bank's risk models and tools and the day-to-day monitoring of market, liquidity and operational risks. The assessment of risk related to new instruments is carried out in the New Product and Structure Committee chaired by a representative from Risk and Finance. The Head of Risk and Finance reports to the President.

Credit and Analysis is responsible for assessing and monitoring credit risk in the Bank's lending and treasury operations and for overseeing that credit proposals are in compliance with established limits and policies. The unit also manages transactions requiring particular attention due to restructuring work-out and recovery processing. The Head of Credit and Analysis reports to the President.

The *Legal* department carries the responsibility for minimising and mitigating legal risks in the Bank's activities. The General Counsel reports to the President.

The *Compliance* function assists the Bank in identifying, assessing, monitoring and reporting on compliance risks in matters relating to the institution, its operations and 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.

Internal Audit provides an independent evaluation of the controls, risk management and governance processes. The Head of Internal Audit reports to the Board of Directors and the Control Committee.

The *Control Committee* is the Bank's supervisory body. It ensures that the operations of the Bank are conducted in accordance with the Statutes. The committee is responsible for the audit of the Bank and submits its annual audit report to the Board of Governors.

Credit risk

Credit risk is the Bank's main financial risk. Credit risk is the risk that the Bank's borrowers and other counterparties fail to fulfil their contractual obligations and that any collateral held does not cover the Bank's claims. Following from NIB's mandate and financial structure, most of the credit risk stems from lending operations. The Bank is also exposed to credit risk in its treasury activities, where credit risk derives from the financial assets, such as fixed-income securities and interbank deposits, that the Bank uses for investing its liquidity, and from derivative instruments used for managing currency and interest rate risks and other market risks related to structured funding transactions.

Credit risk management

Credit risk policies and guidelines

The Bank's credit policy sets the basic criteria for acceptable credit risk in lending operations. The policy defines the minimum credit quality levels for borrowers and guarantors and risk areas that require special attention. The credit enhancement policy requires that the Bank's position in a transaction should rank at least equal to that of other senior lenders. The credit enhancement guidelines specify the types of security and contractual undertakings that the Bank deems acceptable to mitigate credit risk. Through a set of key clauses for the loan documentation, the Bank strives to ensure that it will receive early warning if the credit quality of a borrower deteriorates or if an event occurs that could have an adverse effect on a borrower's ability to repay the loan.

For counterparties in the Bank's treasury operations conservative eligibility criteria apply. Eligible counterparties are predominantly banks, financial institutions, governments and agencies with high credit ratings from the leading international credit rating agencies.

The Bank's portfolio policy aims to ensure adequate diversification of credit risk across counterparties, countries and industry sectors.

Credit risk assessment

Credit and Analysis independently assesses the creditworthiness of borrowers and treasury counterparties. The assessment is qualitative and quantitative and based on internal rating methodologies supported by scoring models. The assessment results in a risk rating denoting the probability of default of the counterparty.

The credit enhancement in a transaction is assessed separately and a loss-given-default (LGD) is determined for the transaction as an estimate of the portion of the Bank's claim that would not be recoverable if the counterparty defaults. The combination of the probability of default of the counterparty and the LGD quantifies the expected loss for the transaction. The Bank applies a rating scale ranging from 1 to 20, with class 1 representing the lowest probability of default and expected loss. In addition, the rating scale includes a class D for non-performing transactions or transactions for which specific impairment provisions have been made. The rating scale is mapped to the ratings of Standard & Poor's and Moody's such that classes 1 to 10 correspond to the external rating equivalent of the investment grade AAA to BBB- and Aaa to Baa3, respectively.

Credit risk limits

The primary source of credit risk is the individual counterparty, and the secondary source is the potential default correlation of groups of counterparties and sectors. Exposure limits are set at both counterparty and portfolio levels. Counterparty limits are determined based on the probability of default and expected loss. To prevent excessive concentrations, the Bank applies portfolio-level limits for large counterparty exposure, as well as for sector and country exposures. The Bank has not set limits for the aggregate lending exposure in its member countries. Lending in non-member countries is subject to country limits that are reviewed on a regular basis. Country limits also apply to the exposure in the Bank's treasury operations.

The limits are scaled to the Bank's equity, the counterparty's equity, the size of the total credit exposure and the Bank's economic capital. As a general principle, the Bank limits the maximum amount granted as loan or guarantee for a single project to 50% of the total project cost.

Credit risk monitoring

The Bank actively monitors the creditworthiness of the counterparties in its lending and treasury operations. The monitoring frequency is determined based on criteria including the ratings and the size and type of exposure. All counterparties undergo an annual review whereby any change in the risk profile is assessed and the risk rating affirmed or adjusted. In general, intensified follow-up applies to counterparties with internal ratings below the level eligible for new exposure or other defined levels. When serious deterioration of a counterparty's debt repayment capacity and/or financial standing is identified, the counterparty is transferred to the watch list and placed under close monitoring with regular reporting to the Board of Directors.

Compliance with existing limits is monitored regularly, for treasury counterparties limit compliance is monitored on a daily basis.

Portfolio-level measurement and monitoring of credit risk is carried out within the Bank's economic capital framework. Economic capital is the Bank's estimate of the capital required to cover unexpected losses deriving from credit risk, market risk and operational risk. As the Bank is not subject to regulatory capital requirements, the economic capital is used for internal monitoring to ensure that the Bank has sufficient capital to fulfil its commitments. The portfolio approach provides a more comprehensive assessment of the Bank's aggregate credit risk as it captures the impact of concentration and diversification in the Bank's operations. A report on the Bank's economic capital and risk profile is submitted to the Board of Directors every four months. The report includes an analysis of the capital required, the aggregate credit risk exposure, credit risk concentrations, changes in the risk profile and exposure against portfolio risk limits with any breaches of limits explained.

Derivatives

To fulfil its mission of providing long-term financing to eligible projects in the member countries, the Bank strives to obtain funding at the most favourable terms in the international capital markets. The Bank uses derivatives as part of its funding strategy in order to match the interest rate and currency characteristics of the funds raised with those of loans granted and to reduce funding costs. In liquidity management, derivatives are used to mitigate foreign exchange rate and interest rate risk. Derivative transactions take place under normal counterparty limits.

As a rule, NIB enters into International Swaps and Derivatives Association (ISDA) contracts with counterparties to which the Bank has derivative exposure. This allows the netting of the obligations arising under all of the derivative contracts covered by the ISDA agreement in case of insolvency and, thus, results in one single net claim on, or payable to, the counterparty. Netting is applied for the measurement of the Bank's credit exposure only in cases when it is deemed to be legally enforceable in the relevant jurisdiction and against a counterparty. At year-end 2014, netting reduced the exposure by EUR 748 million from a gross total market value of EUR 2,376 million to EUR 1,628 million (year-end 2013: EUR 1,480 million and EUR 651 million, respectively).

The credit risk on swaps is further mitigated through credit support agreements with the Bank's major swap counterparties. Under these agreements, swap exposures exceeding agreed thresholds are collateralised by cash or high-quality government securities. Both the swap portfolio with individual counterparties and the collateral received are regularly monitored and valued, with a subsequent call for additional collateral or release. At year-end 2014, the Bank held EUR 1,452 million (2013: EUR 601 million) in gross collateral received, of which EUR 818 million (2013: EUR 283 million) was in cash and EUR 634 million (2013: EUR 318 million) in securities (See Note 16, Collateral and Commitments).

Credit risk reserves, impairment methodology

The Bank maintains two credit risk funds within its equity, in addition to the Statutory Reserve. The General Credit Risk Fund is available to cover unexpected losses arising from the Bank's lending and other business activities. At year-end 2014 the fund amounted to EUR 1,275 million before allocation of the profit for the year. The Statutes require that the Bank maintains the Special Credit Risk Fund for the Project Investment Loan (PIL) facility to cover the Bank's own risk on such loans before resorting to the member countries' guarantees that support the facility. At year-end 2014, the fund amounted to EUR 396 million.

At least every four months, the Bank reviews the possible need for impairment provisions on weak exposures. The assessment is carried out both at the level of the individual counterparty and collectively for groups of counterparties. At the counterparty level, a specific impairment provision is recognised if there is objective evidence that the counterparty's capacity to fulfil its obligations has deteriorated to the extent that full repayment is unlikely, taking into consideration any collateral received. Collective impairment provisions are determined on a portfolio basis for exposures with similar credit risk characteristics as reflected in their risk ratings. The process includes the management's judgement based on the current macroeconomic environment and the current view of the expected economic outlook. In the Bank's view, the assumptions and estimates made represent an appropriate level of conservatism and are reflective of the predicted economic conditions, the Bank's portfolio characteristics and their correlation with losses incurred based on historical loss experience. In the assessment of sovereign exposures, the Bank takes into account its preferred creditor status. The Bank's principles for impairment provisioning are described in more detail in the section Significant accounting policies.

Credit risk exposure

Tables 1 to 3 below provide an overview of the Bank's aggregate credit risk exposure at year-end 2014 distributed according to expected loss (EL) before collective impairment. Aggregate credit exposure comprises lending and treasury exposure. Lending exposure includes loans outstanding and loans agreed but not yet disbursed, without taking into account any collateral or other credit enhancement. Regarding the treasury exposure, capital market investments are included at nominal value, while derivatives are included at market value net of collateral held when credit support agreements are in place, and at market value with an add-on for potential future exposure when not under a credit support agreement. The exposure to collateralised placements is calculated as a fixed percentage of the market value of the collateral held.

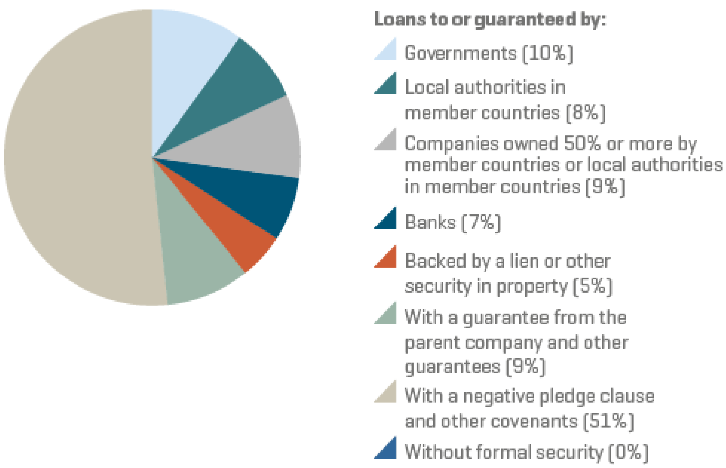
TABLE 1. Credit risk exposure by internal rating based on expected loss (EL) (in EUR million)

Risk class (EL)	S&P equivalent	31 Dec 2014 Lending	31 Dec 2014 Treasury	31 Dec 2014 Total	31 Dec 2013 Lending	31 Dec 2013 Treasury	31 Dec 2013 Total
1–2	AAA/AA+	3,076	3,806	6,881	2,417	3,577	5,994
3–4	AA/AA-	588	1,714	2,303	831	1,605	2,436
5–6	A+/A	930	1,019	1,949	1,307	853	2,160
7–8	A-/BBB+	4,661	44	4,705	4,398	86	4,484
9–10	BBB/BBB-	4,185	23	4,208	4,099	24	4,123
11–12	BB+/BB	1,793	0	1,793	1,899	42	1,941
13–14	BB/BB-	672	0	672	606	0	606
15–16	BB-/B+	30	0	30	7	20	27
17–18	B/B-	142	0	142	160	0	160
19–20	B-/CCC	22	0	22	24	0	24
D		59	8	67	66	8	74
TOTAL		**16,158**	**6,613**	**22,771**	**15,813**	**6,216**	**22,029**
Class D							
Gross		186	83	269	186	83	269
Impairment		126	75	202	120	75	195
Net		**59**	**8**	**67**	**66**	**8**	**74**

Overall, the quality of the Bank's aggregate credit exposure remained sound and stable in 2014. Lending exposure increased by 2% and treasury exposure by 6%. At year-end 2014, 83% (2013: 83%) of lending exposure and practically 100% (2013: 99%) of treasury exposure was in risk classes 1-10, corresponding to investment-grade quality. Lending exposure in the best risk classes (EL 1-2) increased as a result of new lending and improved credit quality of some of the existing exposure. The exposure in the weakest risk classes (EL 17-20) was slightly reduced mainly due to a downgrading of one customer into class D.

Loans outstanding and guarantees

%, distribution by type of security as of 31 Dec 2014



The distribution of the Bank's portfolio of outstanding loans and guarantee commitments by type of credit enhancement at year-end 2014 was largely unchanged compared to the previous year. Further information is presented in Note 8.

TABLE 2. Geographical distribution of the credit risk exposure (in EUR million)

The geographical distribution of the aggregate credit risk exposure is shown in the table below. The distribution is based on the risk-owner's country of domicile. "Risk-owner" refers to the entity ultimately responsible for the Bank's claim. As such, if a guarantee is provided for the Bank's loan, the guarantor may be considered the risk-owner if the guarantee meets certain conditions.

Country/Region	31 Dec 2014			31 Dec 2013		
	Lending	Treasury	Total	Lending	Treasury	Total
Denmark	1,604	314	1,918	1,524	337	1,861
Estonia	238	0	238	232	0	232
Finland	3,380	926	4,306	3,280	695	3,975
Iceland	498	3	501	471	4	475
Latvia	339	0	339	369	0	369
Lithuania	548	20	568	346	20	366
Norway	2,818	355	3,173	2,451	323	2,774
Sweden	3,903	691	4,593	3,904	607	4,511
Africa and Middle East	240	0	240	252	0	252
Americas	265	416	681	293	253	546
Asia-Pacific	958	50	1,008	1,147	86	1,233
Europe	1,117	3,332	4,449	1,339	3,701	5,040
Multilaterals	252	506	758	206	190	396
TOTAL	**16,158**	**6,613**	**22,771**	**15,813**	**6,216**	**22,029**

In the context of the Bank's mission, the credit risk exposure continued to be fairly well balanced in terms of geographical distribution, with no significant change over the year. At year-end 2014, the member countries accounted for 82% of the Bank's lending exposure (2013: 80%). The largest lending exposures outside the member countries were in Poland, China, Russia, India and Brazil. In aggregate the Bank's exposure in Russia, Ukraine and Belarus amounted to EUR 402 million, of which EUR 77 million was agreed, not disbursed loans.

The treasury exposure was concentrated in the member countries with 35% (2013: 32%), and the rest of Europe with 50% (2013: 60%), dominated by Germany, the Netherlands and France. Multilateral institutions accounted for an increased share of the treasury exposure in 2014.

TABLE 3. Credit risk exposure by industry sector (in EUR million)

The distribution by sector of the credit risk exposure is based on the industry sector of the risk-owner. These sectors are different from the four business areas into which the Bank has organised its lending operations.

Industry sector	31 Dec 2014			31 Dec 2013		
	Lending	Treasury	Total	Lending	Treasury	Total
Oil & gas	371	0	371	461	0	461
Materials	1,271	0	1,271	1,417	0	1,417
Industrials	3,297	0	3,297	3,209	0	3,209
Consumer discretionary	443	0	443	481	0	481
Consumer staples	1,213	0	1,213	1,127	0	1,127
Health care	522	0	522	396	0	396
Financials	1,322	3,398	4,720	1,278	4,670	5,948
Information technology	162	0	162	163	0	163
Telecommunication services	466	0	466	565	0	565
Utilities	3,635	0	3,635	3,491	0	3,491
Public sector	3,458	3,215	6,673	3,225	1,546	4,771
TOTAL	**16,158**	**6,613**	**22,771**	**15,813**	**6,216**	**22,029**

The distribution of the lending exposure by industry sector remained stable in 2014 compared to the previous year, with the public sector, utilities and industrials accounting for 64% (2013: 63%) of the total exposure. The shift in the treasury exposure towards the public sector primarily follows from a reclassification in connection with the Bank's update of its industry sector classification in 2014. The development also reflects the increased exposure to multilateral institutions.

The Bank has defined limits for maximum exposure to single industry sectors both in relation to its economic capital requirement and to its total credit risk exposure. At year-end 2014, the Bank was in compliance with these limits.

TABLE 4. Largest counterparty exposures (% of total credit risk exposure)

A counterparty exposure is defined as the consolidated group exposure, i.e. individual counterparties that are linked to one another by ownership or other group affiliation are considered as one counterparty.

	31 Dec 2014	31 Dec 2013
Top 5	9%	10%
Top 10	16%	16%
Top 20	26%	27%

The Bank's limits for large single counterparty exposures and for the aggregate of such large exposures are scaled to its economic capital and equity. Any deviations from the set limits must be approved by the Board of Directors. At year-end 2014, the Bank was in compliance with the limits for large exposures.

Market risk

Market risk includes, among others, the risk that losses are incurred as a result of movements in foreign exchange rates, interest rates and credit spreads. NIB's exposure to foreign exchange rate risk occurs when translating assets and liabilities denominated in foreign currencies into the Bank's statutory currency, the euro. The Bank funds its operations by borrowing in the international capital markets and often provides loans in currencies other than those borrowed. The funds borrowed often have interest rate structures differing from those applied in the loans provided to the Bank's customers. Moreover, risks arise from differences in the maturity profile of assets and liabilities. Refinancing risk occurs when long-term assets are financed with short-term liabilities, and reinvestment risk when short-term assets are financed with long-term liabilities. The Bank is exposed to credit spread risk relating to the securities held in its treasury portfolios. Credit spread risk arises from changes in the value of debt instruments due to a perceived change in the credit quality of the issuers or underlying assets.

Market risk management

The Bank's market risk management is concentrated in Treasury, which provides Lending with funds that match the structure of the loans granted. Treasury uses derivatives to mitigate exposure to interest rate risk and foreign exchange rate risk resulting from mismatches between lending and the underlying borrowing. Any residual risk is kept to a minimum under limits set by the Board of Directors. The limits are low compared with the Bank's capital and they are reviewed annually. Exposure to foreign exchange rate and interest rate risk, as well as credit spread risk, is measured and monitored daily to ensure compliance with authorised limits. The Board of Directors is informed of the Bank's market risks at each regular board meeting.

Foreign exchange rate risk

The Statutes require that the Bank shall, to the extent practicable, protect itself against the risk of exchange rate losses. Exchange rate risk is measured on the basis of net open positions in each currency. Limits restricting overnight positions have been set to the equivalent of EUR 1 million for all currencies except USD, for which the limit is EUR 4 million. Furthermore, exposure to currencies other than USD and the Nordic currencies may not, in aggregate, exceed the equivalent of EUR 4 million, representing approximately 0.13% of the Bank's equity.

The Bank does not hedge future net interest income in foreign currency. Loans are provided primarily in euro, US dollars and Nordic currencies. There is a possibility that interest income in currencies other than the euro may cause some fluctuation in the Bank's future net income in euro terms. However, at present the Bank expects that any such potential fluctuations in future cash flows from its current portfolio would be minor in relation to its total assets and equity.

Interest rate risk

Interest rate risk is measured as basis point values (BPV) estimating the sensitivity of the Bank's positions to a 0.01% parallel increase in the level of interest rates. The limits have been set to cover all interest rate sensitive cash flows. Most of the Bank's interest rate risk derives from positions in the portfolio of liquid assets.

A gross limit equivalent to EUR 1.5 million covering all currencies restricts BPV interest rate risk to approximately 0.05% of the Bank's equity. In addition, individual BPV limits have been set for interest rate risk in EUR, USD, GBP and the Nordic currencies, whereas a combined limit applies for all other currencies. At 31 December 2014, the gross exposure was EUR 0.99 million (2013: EUR 0.97 million). This means that an immediate parallel increase of 1% in interest rates would reduce the market value of the Bank's portfolio of liquid assets by approximately EUR 99 million.

As a supplementary indicator of interest rate risk, the Bank estimates the worst-case effect of a 0.1% change in interest rates on its net interest income over the lifetime of interest-bearing assets and liabilities due to mismatches in terms of re-pricing periods and volumes. This is managed through a limit of EUR 34 million, corresponding to approximately 1.1% of the Bank's equity. At year-end 2014, the exposure amounted to EUR 11.8 million (2013: EUR 12.4 million).

Value-at-Risk

Total market risk, incorporating both foreign exchange rate risk and interest rate risk, is measured with a Value-at-Risk (VaR) model. VaR indicates the potential loss (in terms of market value) that may arise from the Bank's current positions due to movements in market rates over a specified period and for a given confidence level. The Bank applies a 95% confidence level and a holding period of one day.

The main contributor to the Bank's market risk is the portfolio of euro-denominated assets corresponding to the size of the Bank's capital. At year-end 2014, the VaR of this portfolio was EUR 1.6 million (2013: EUR 2.9 million). The average VaR over the year was

EUR 2.7 million (2013: EUR 4.9 million), while the lowest and highest values were EUR 1.5 million and EUR 4.2 million, respectively (2013: EUR 2.6 million and EUR 10.5 million).

Credit spread risk

The Bank manages the exposure to credit spread movements by calculating the sensitivity of the positions to a 0.01% change in credit spreads. The limit for credit spread risk has been set at EUR 2,275 thousand or approximately 0.08% of the Bank's equity.

As of 31 December 2014, the Bank's exposure to credit spread risk was EUR 1.78 million (2013: EUR 1.65 million). This means that an increase of all debt-instrument-specific credit spreads by 1% as of that date would have reduced the value of the securities portfolio by approximately EUR 178 million.

Liquidity risk

Liquidity risk is defined as the risk of incurring losses due to an inability to meet payment obligations in a timely manner when they become due. The Bank categorises liquidity risk into funding liquidity risk, which occurs when payment obligations cannot be fulfilled because of an inability to obtain new funding, and market liquidity risk, which occurs when the Bank is unable to sell or transform assets in the liquidity buffer into cash without significant losses.

Liquidity risk management

The Bank's business model gives rise to liquidity risk mainly through maturity mismatches between assets (loans and treasury investments) and liabilities (borrowing and equity). A revised liquidity policy was approved by the Board of Directors in 2014. The policy is regularly reviewed to ensure that it is aligned with the Bank's business plan, economic and financial position and any significant changes affecting the Bank. The Board of Directors receives regular reports on the liquidity and funding situation of the Bank.

The key metric applied for managing liquidity risk is the survival horizon, which measures how long the Bank is able to fulfil its payment obligations in a severe stress scenario. The target survival horizon is twelve months, which means that the Bank is able to meet its payment obligations and continue its business operations without disruption for the coming twelve months under stressed conditions. The minimum requirement is that the survival horizon must at all times exceed nine months. The stress scenario includes, among others, the assumption of payment disruptions in the loan portfolio, no access to market funding, early termination of all callable funding transactions and severe decline of asset value in the liquidity buffer. At year-end 2014, the survival horizon was 456 days.

In addition, the Bank requires that the liquidity position should be strong enough to secure the highest possible issuer credit rating by S&P and Moody's and fulfil the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) requirements as specified in the Capital Requirements Regulation of the European Union.

The Bank's liquidity buffer comprises unencumbered cash, deposits and securities mainly denominated in EUR, USD and the Nordic currencies. In order to ensure that the market value and liquidity of the buffer is preserved during adverse market conditions, the Bank has set strict rules for the composition of the buffer. As such, the buffer must include a minimum level of High Quality Liquid Assets as defined in the EU capital requirement regulation and a minimum level of assets in the internal rating categories corresponding to at least AA- by S&P and Aa3 by Moody's. Furthermore, the buffer must comprise a certain level of assets eligible as repo collateral in central banks. At present, the Bank does not have direct access to central bank repo facilities.

The maturity profile of the liquidity buffer is structured to fulfil the Bank's requirement that the expected net cash outflow during the next three months must be covered by maturing investments in the liquidity buffer.

TABLE 5. Composition of the liquidity buffer as of 31 December 2014

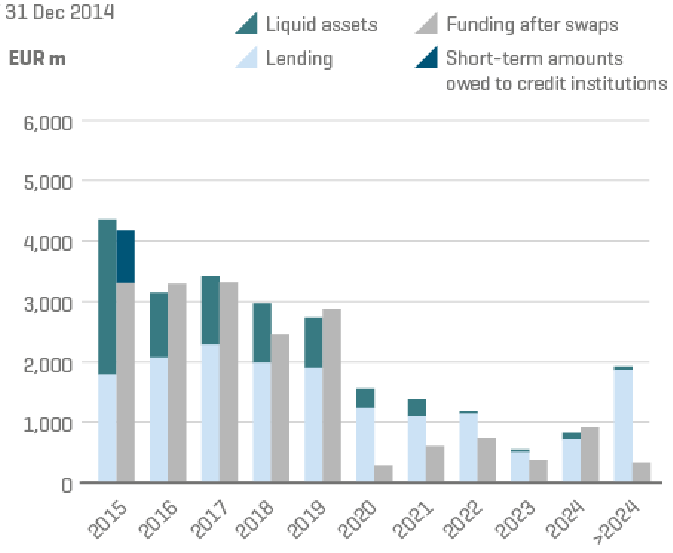
	31 Dec 2014	
	EUR million	%
Cash and cash equivalents	516	7%
Securities issued or guaranteed by sovereigns, public sector entities and supranational institutions	3,383	43%
Covered bonds	1,714	22%
Securities issued by financial institutions, excluding covered bonds	955	12%
Securities received as collateral	1,330	17%
TOTAL	**7,899**	**100%**

In order to manage funding liquidity risk, the Bank strives to diversify its borrowing in terms of currencies, maturities, instruments and investor types. Through regular benchmark issues, the Bank aims to secure broad market access. The annual funding plan is based on the projected twelve-month liquidity requirement and the projected size of the liquidity buffer. The funding plan is regularly adjusted to reflect changes in the liquidity requirement.

The following graph shows the maturity profile of liquid assets and the annual scheduled payments on loans outstanding compared to payments on the Bank's funding. Payments on loans outstanding are shown until the contractual maturity of the loans. Repayment of funding is shown until the first possible early repayment date, and taking into account the cash flow from associated swaps. Short-term amounts owed to credit institutions predominantly comprise cash collateral received from swap counterparties.

Maturity profile of funding, lending and liquid assets

as of 31 Dec 2014



A breakdown of the Bank's financial assets and liabilities by maturity at year-end 2014 is presented in Note 18.

The Bank has a contingency plan in place which defines the actions to be taken should the Bank encounter a liquidity shortfall in an emergency situation. The President decides on the activation of the contingency plan and subsequently informs the Board of Directors.

Operational risk

The Bank defines operational risk as the risk of direct or indirect losses or damaged reputation due to failure attributable to technology, employees, processes, procedures or physical arrangements, including external events and legal risks.

Operational risk management

The Bank's status as an international organisation with immunities and privileges granted to the Bank and its personnel, and the fact that the Bank is neither bound by nor under the supervision of any national laws as such, results in a specific need to address potential risks by adopting an extensive set of guidelines, regulations, rules and instructions governing the activities of the Bank and its staff. The Bank's operational risk management policy is set by the Board of Directors. The policy is complemented by an operational risk management framework comprising the guiding principles for the identification, assessment, monitoring and control of the operational risks that the Bank faces or may face.

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 on security arrangements to protect the physical and ICT infrastructure of the Bank.

The day-to-day management of operational risk is performed across the organisation and is primarily the responsibility of each function. Emphasis is put on training the Bank's personnel in risk awareness. In the risk and control self-assessment (RCSA) process, risks are identified and their impact assessed by the various functions for their respective fields of expertise. Focus is placed on identifying key risks and assessing the quality of risk detection and risk mitigation in order to ensure compliance with the Bank's policies and guidelines. Operational risks are also identified through analysis of results obtained from the Bank's incident reporting system. Key observations are reported to the management. The Bank strives to continuously build expertise in operational risk management concepts and tools.

[1] SEGMENT INFORMATION

Operating segments

The Bank determines and presents operating segments based on the information that is provided internally to the management. Segment results that are reported to the management include items directly attributable to that segment as well as other items allocated on a reasonable basis.

In its segment reporting, NIB divides its operations into two major segments: lending and treasury operations. Treasury operations consist of asset and liability management and portfolio management.

	Lending	Asset and liability management	Portfolio management	Treasury Total	Total	Lending	Asset and liability management	Portfolio management	Treasury Total	Total
(Amounts in EUR 1,000)	**2014**	**2014**	**2014**	**2014**	**2014**	**2013**	**2013**	**2013**	**2013**	**2013**
Net interest income	**140,188**	**28,123**	**70,796**	**98,920**	**239,108**	**136,301**	**29,296**	**78,606**	**107,903**	**244,204**
Commission income and fees received	8,805	106	414	520	9,325	9,101	727	370	1,097	10,199
Commission expense and fees paid	-376	-701	-1,015	-1,716	-2,092	-535	-883	-1,036	-1,919	-2,454
Net profit on financial operations	-379	-703	26,766	26,062	25,684	3,422	-603	17,021	16,418	19,840
Foreign exchange gains and losses	-	187	-	187	187	-	-384	-	-384	-384
Administrative expenses	-32,016	-2,027	-3,343	-5,369	-37,386	-30,279	-1,807	-3,131	-4,938	-35,217
Depreciation	-2,422	-901	-386	-1,287	-3,709	-2,345	-873	-374	-1,247	-3,592
Impairment of loans	-20,905	-	-	-	-20,905	-15,385	-	-	-	-15,385
Profit/loss for the year	**92,895**	**24,084**	**93,232**	**117,316**	**210,211**	**100,280**	**25,473**	**91,457**	**116,930**	**217,210**
Assets	**15,209,726**	**6,772,439**	**2,888,236**	**9,660,675**	**24,870,400**	**14,720,857**	**5,938,197**	**2,830,887**	**8,769,084**	**23,489,941**
Liabilities and equity	**15,209,726**	**6,772,439**	**2,888,236**	**9,660,675**	**24,870,400**	**14,720,857**	**5,938,197**	**2,830,887**	**8,769,084**	**23,489,941**

Due to rounding, the total of individual items may differ from the reported sum.

Geographical segments

The table below is based on the region where the borrowers reside, according to the domicile of the borrower's group headquarters.

(Amounts in EUR 1,000)	2014 Net interest income	2013 Net interest income
Member countries		
Denmark	13,286	14,450
Estonia	1,576	1,412
Finland	30,138	26,997
Iceland	4,855	4,742
Latvia	3,660	3,820
Lithuania	3,861	2,534
Norway	18,601	16,844
Sweden	32,258	32,347
Total, member countries	**108,235**	**103,148**
Non-member countries		
Africa	1,859	2,010
Asia	11,007	11,746
Europe and Eurasia	13,330	13,665
Latin America	5,015	4,985
Middle East	743	747
Total, non-member countries	**31,954**	**33,153**
Total, net interest income from lending	**140,188**	**136,301**

(2) INTEREST INCOME AND INTEREST EXPENSE

(Amounts in EUR 1,000)	2014	2013
Interest income		
Cash and cash equivalents	4,448	4,913
Debt securities	90,897	95,543
Loans outstanding	286,167	303,185
Other interest income	1,248	538
Total, interest income [1]	**382,760**	**404,179**
Interest expense		
Short-term amounts owed to credit institutions	-491	185
Long-term amounts owed to credit institutions	-	3
Debts evidenced by certificates	657,227	717,089
Swap contracts and other interest expenses, net	-513,084	-557,301
Total, interest expense [2]	**143,652**	**159,975**

[1] Including interest income from financial assets recognised at amortised cost EUR 347,084 (369,412) thousand.

[2] Including interest expense from financial liabilities recognised at amortised cost EUR 128,294 (142,965) thousand.

(3) COMMISSION INCOME AND FEES RECEIVED

(Amounts in EUR 1,000)	2014	2013
Commitment fees	1,911	2,906
Loan disbursement fees	6,267	5,543
Guarantee commissions	-	-
Premiums on prepayments of loans	733	1,379
Commissions on lending of securities	414	370
Total, commission income and fees received	**9,326**	**10,199**

(4) NET PROFIT/LOSS ON FINANCIAL OPERATIONS

Net profit/loss on financial operations included in profit or loss for the period in the table below is presented in the statement of comprehensive income as follows:

(Amounts in EUR 1,000)	2014	2013
Bonds held at fair value, realised gains and losses	7,942	3,123
Floating-rate notes held at fair value, realised gains and losses	-3,525	3,297
Derivatives held at fair value, realised gains and losses	-5,361	-2,757
Other financial placements held at fair value, realised gains and losses	15	13
Financial instruments held at fair value, realised gains and losses, total	**-929**	**3,676**
Bonds held at fair value, unrealised gains and losses [1]	23,938	-15,114
Floating-rate notes held at fair value, unrealised gains and losses [3]	24,423	11,281
Derivatives held at fair value, unrealised gains and losses [2]	-19,965	11,813
Commercial paper held at fair value, unrealised gains and losses [1]	12	-125
Other financial placements held at fair value, unrealised gains and losses [4]	-1,433	3,409
Financial instruments held at fair value, unrealised gains and losses, total	**26,974**	**11,265**
Bonds held at amortised cost, realised gains and losses [5]	431	4,684
Floating-rate notes held at amortised cost, realised gains and losses [5]	-645	-3,363
Financial instruments held at amortised cost, realised gains and losses, total	**-214**	**1,321**
Adjustment in fair value of hedged loans [2]	157,777	-138,482
Adjustment in fair value of derivatives hedging loans [2]	-158,531	138,138
Adjustment in fair value of hedged debts evidenced by certificates [2]	-422,739	606,330
Adjustment in fair value of derivatives hedging debts evidenced by certificates [2]	422,474	-603,692
Adjustment to hedge accounting, unrealised gains and losses of fair value hedges, total	**-1,019**	**2,294**
Repurchase of NIB bonds, other items	871	1,284
Total, net profit/loss on financial operations	**25,684**	**19,840**

[1] Fair value is determined according to market quotes for identical instruments (Level 1).

[2] Fair value adjustment is determined using valuation techniques with observable market inputs (Level 2).

[3] The fair value adjustments are mainly determined using market quotes for identical instruments (Level 1). The fair value measurements of treasury claims have been determined using valuation techniques with unobservable market inputs (Level 3).

[4] Fair value is determined using valuation techniques with unobservable market inputs (Level 3).

[5] These sales were made as these financial assets no longer met NIB's investment policy.

(5) GENERAL ADMINISTRATIVE EXPENSES

(Amounts in EUR 1,000)	2014	2013
Staff costs	27,369	25,617
Wages and salaries	22,204	20,771
Social security costs	518	457
Other staff costs	4,647	4,389
Pension premiums in accordance with the Finnish state pension system	5,895	5,425
Other pension premiums	1,796	1,459
Office premises costs	1,161	1,279
ICT service charges	3,238	2,714
Other general administrative expenses	6,996	7,444
Cost coverage, NDF and NEFCO	-1,057	-986
Cost coverage, rental income and other administrative income	-444	-699
Total	**44,956**	**42,255**
Host country reimbursement according to agreement with the Finnish Government	-7,570	-7,038
Net	**37,386**	**35,217**
Remuneration to the auditors		
Audit fee [1]	119	103
Other audit-related service fees	78	1
Total remuneration	**197**	**104**

[1] The cost of issuing comfort letters and certificates in relation to the borrowing operations of the Bank is included in the audit fee.

Number of employees in permanent positions [1]

	2014	2013
Average number of employees	186	183
Average age of employees	46	46
Average period (years) of employment	11	11
Distribution by gender as of 31 Dec 2014 [1]		
All employees	188	185
Female	82	82
Male	106	103
Executive Committee (including the President)		
Female	1	1
Male	5	6
Professional staff		
Female	60	60
Male	92	88
Clerical staff		
Female	21	21
Male	9	9

[1] The figures comprise staff in permanent positions including the President.

Compensation for the Board of Directors, the Control Committee, the President and the Executive Committee

Compensation for the Board of Directors (BoD) and the Control Committee (CC) is set by the Board of Governors (BoG). The compensation consists of fixed annual remuneration and an attendee allowance. The members of the BoD and the CC are also entitled to reimbursement of travel and accommodation expenses and a daily allowance in accordance with the Bank's travel policy.

The BoD decides on the appointment and remuneration of the President. As a rule, the President is appointed on a fixed-term contract for five years at a time, but the existing contract can also be prolonged for a shorter period. The President decides upon the employment of the Executive Committee (ExCo) members. The members of the ExCo are normally employed for an indefinite period of time. The period of notice is six months. The President is authorised by the BoD to make decisions regarding compensation within the scope of the Staff Policy, Staff Regulations and the Financial Plan. The remuneration package for the members of the ExCo includes a fixed base salary and customary taxable benefits, which are in principle the same for all staff at the managerial level. In addition to this remuneration package, the members of the ExCo enjoy other benefits common to all staff (e.g. health care, supplementary group pension, insurance coverage and staff loans). The Bank can pay performance premiums of up to three months' salary for excellent and extraordinary performance. The maximum cost for the Bank of performance premiums is a total of 3% of the estimated salary costs.

Compensation for the BoD, the CC, the President and the ExCo is presented in the table below:

(Amounts in EUR)	2014 Compensation/ Taxable income	2013 Compensation/ Taxable income
Board of Directors		
Chairman		
annual remuneration	13,258	13,258
attendee allowance	1,720	1,505
Other Directors and Alternates (15 persons)		
annual remuneration	76,244	76,242
attendee allowance	13,968	13,536
Control Committee		
Chairman		
annual remuneration	3,646 [1]	4,375
attendee allowance	430	430
Other members (9 persons)		
annual remuneration	15,305	16,272
attendee allowance	3,312	3,456
President	661,780 [2]	600,763
Members of the Executive Committee (6 persons) [3]	2,389,425 [4]	2,047,238

[1] No chairman 1 Nov - 31 Dec 2014

[2] Includes performance premium for 2013

[3] 5 persons as of 1 Oct 2014

[4] Includes additional costs due to organisational changes

Pension obligations

NIB is responsible for arranging pension security for its employees. The current pension arrangement consists of pensions based on the Finnish state pension system (VaEL Pension) as the basis for the pension benefits. The VaEL Pension is calculated on the basis of the employee's annual pensionable income and the applicable age-linked pension accrual rate. The employer's pension contribution in 2014 was 18.78% of the pensionable income. The employee's pension contribution was either 5.55% or 7.05%, depending on the employee's age. NIB pays this contribution for the permanent staff and it is taxed as a benefit for the employee.

In addition to the VaEL Pension, the Bank has taken out a supplementary group pension insurance policy for all its permanently employed staff, including the President. This pension insurance is based on the principle of a defined contribution. The insurance premium, 6.5%, is calculated on the basis of the employee's taxable income and paid until the age of 63.

The employer's pension contribution regarding the President amounted to EUR 208,419 of which EUR 37,481 comprised supplementary pension premiums. The corresponding figures for the ExCo members were EUR 774,706 and EUR 225,293.

Staff loans

Staff loans can be granted to permanently employed staff members who have been employed by the Bank for a period of at least one year. The staff loans are granted by a commercial bank, subject to a recommendation from NIB.

At present, the maximum loan amount is EUR 200,000. The employee pays interest on the loan in accordance with the official base rate established by the Ministry of Finance in Finland (0.5% in July–December 2014). The same interest rates, terms and conditions are applicable to all the employees of the Bank, including the President and the ExCo members.

As of 31 December 2014, there were no (-) outstanding staff loans to the President or the ExCo members.

Additional benefits for expatriates

Professional staff (including Executive Committee members) who move to Finland for the sole purpose of taking up employment at the Bank are entitled to certain expatriate benefits, such as an expatriate allowance and a spouse/family allowance. In addition, NIB assists the expatriate e.g. in finding accommodation, usually by renting a house or a flat in its own name. The staff member reimburses the Bank a part of the rent, which is equal to at least the taxable value of the accommodation benefit established annually by the Finnish National Board of Taxes.

Rental agreement

NIB owns its headquarters office building in Helsinki. The building's total area is 18,500 m^2. The Bank rents office space totalling 2,028 m^2 adjacent to its main office building. A total of 2,402 m^2 is rented to external parties. Furthermore, in 2014 the Bank rented office space totalling 162 m^2 in Beijing and Moscow.

(6) IMPAIRMENT OF LOANS

(Amounts in EUR 1,000)	2014	2013
Credit losses from loans	70	-
Credit losses on receivables from defaulted lending counterparties	-	19,988
Allowances for impairment net change, individually assessed	2,171	18,034
Allowances for impairment net change, collectively assessed	18,665	-3,210
Reversals of previously recorded allowances for credit losses	-	-19,428
Impairment of loans and other assets	**20,905**	**15,385**

See also Note 8.

(7) FINANCIAL PLACEMENTS

The debt securities were issued by the following counterparties:

(Amounts in EUR million)	2014	2013
Governments	1,343	1,395
Public institutions	1,527	1,215
Other	2,619	2,733
Total, debt securities	**5,490**	**5,343**

The distribution of the Bank's debt security portfolios was as follows:

		Book value		Fair value
(Amounts in EUR million)	2014	2013	2014	2013
Held at fair value	2,889	2,752	2,889	2,752
Held at amortised cost	2,601	2,592	2,768	2,703
Total, debt securities	**5,490**	**5,343**	**5,656**	**5,454**

Of these debt securities, EUR 4,047 (3,775) million is at fixed interest rates and EUR 1,443 (1,569) million at floating interest rates.

Reclassified securities

The Bank reclassified financial assets out of the held-for-trading portfolio to the held-to-maturity portfolio during 2008 because these assets are no longer held for the purpose of being sold in the near term. At the same time, assets recognised among cash and cash equivalents became financial placements and are not included in net liquidity. All the reclassifications took place at the fair value at the date of reclassification. The reclassified cost will be amortised over the instrument's expected remaining lifetime through interest income using the effective interest method.

(Amounts in EUR million)	Book value	Fair value	Unrecognised adjustments to fair value
2014	96	98	2
2013	169	164	-4
2012	297	275	-22
2011	409	370	-39
2010	505	483	-22
2009	606	585	-21
2008	684	630	-54
1 Sep 2008	762	715	-47

(Amounts in EUR million)	Recognised interest income due to reclassification	Change in unrecognised adjustment to fair value	Impact on profit if the reclassification had not been implemented
2014	-0.7	6.2	5.5
2013	-1.4	17.4	16.1
2012	-6.1	17.4	11.3
2011	-7.3	-17.7	-25.0
2010	-8.6	-0.2	-8.7
2009	-8.6	32.6	24.0
2008	-1.5	-7.3	-8.8

[8] LOANS OUTSTANDING AND GUARANTEE COMMITMENTS

Loans outstanding were distributed as follows over the Bank's three loan facilities:

(Amounts in EUR million)	2014	2013
Ordinary Loans		
Investment loans in the member countries	12,403	11,848
Investment loans in other countries	519	511
Regional loans in the Nordic countries	3	3
Adjustment to hedge accounting	378	226
Total	**13,303**	**12,587**
Project Investment Loans (PIL)		
Africa	188	195
Asia	828	957
Europe and Eurasia	369	411
Latin America	389	398
Middle East	52	57
Adjustment to hedge accounting	22	16
Total	**1,848**	**2,034**
Environmental Investment Loans (MIL)	**61**	**83**
Collective impairment	**-55**	**-37**
Total, loans outstanding	**15,156**	**14,667**

The figure for loans outstanding, EUR 15,156 (14,667) million, includes medium-term notes (MTN) of EUR 735 (966) million. These are held at amortised cost unless they form part of a qualifying hedging relationship with a derivative. In a hedge accounting relationship, the MTNs are recognised at fair value.

Loans outstanding at floating interest rates amounted to EUR 12,310 (12,181) million, while those at fixed interest rates amounted to EUR 2,502 (2,281) million. There were no guarantee commitments (-) under Ordinary Lending as of 31 December 2014.

The Bank views forbearance to be modification of loan agreements when the counterparty is considered to be unable to meet the terms and conditions of the contract due to financial difficulties. Modification of the terms and conditions of the contract may include, for example, reduction of the interest rate, principal or accrued interest, or rescheduling of the payment dates of principal and/or interest, and has an actual effect on the future cash flows. Loan forbearance is granted on a selective basis and purposefully to avoid counterparty default in favour of the Bank's collection opportunities. The Bank's watch-listed counterparties' loans have been scrutinized for forbearance, and a procedure for recognition of future forbearance occurrences is being developed. Counterparties under forbearance activities are moved to the watch list, and are subject to the impairment policies of the Bank. As of 31 December 2014, a total of EUR 120.8 (125.6) million of Ordinary Loans and EUR 96.5 (9.1) million of Project Investment Loans from the Bank's loans outstanding before impairments is affected by forbearance, and respectively after impairments EUR 120.8 (125.6) million of Ordinary Loans, and EUR 44.8 (1.2) million of Project Investment Loans. The loans affected by forbearance amounted to interest income of EUR 9.6 million in 2014. See also "Credit risk monitoring" under Risk Management.

As of December 2014, there was one (one) non-performing MIL loan totalling EUR 13.4 million. See also "Impairment of loans and receivables" under Accounting policies.

A total of EUR 181.7 (156.6) million has been deducted from the Bank's loans outstanding and from lending claims in "other assets". Specific allowances for impairment amounted to EUR 126.2 million and collectively assessed allowances amounted to EUR 55.5 million. During 2014, no (-) lending transactions were converted into claims under "other assets". The following changes in allowances for impairment and effects of foreign currency movements are recognised in the statement of comprehensive income under "impairment of loans" and "foreign exchange gains and losses".

Specific and collective allowances for impairment

(Amounts in EUR million)	2014	2013
Balance at 1 January	156.6	158.3
Allowances for impairment, individually assessed	14.2	44.0
Allowances for impairment, collectively assessed	18.7	-3.2
Reversals of previously recorded allowances for impairment	-7.7	-42.5
Balance at 31 December	**181.7**	**156.6**

See also Note 6.

The distribution of allowances for impairment was as follows:

(Amounts in EUR million)	2014	2013
Distribution by loan facility		
Ordinary Loans	-	2.2
Project Investment Loans (PIL)	51.7	44.3
Allowances for impairment, loans outstanding	**51.7**	**46.5**
Collective impairment	**55.5**	**36.8**
Impairment losses on defaulted loan customers, other assets	**74.5**	**73.3**
Total	**181.7**	**156.6**

(Amounts in EUR million)	2014	2013
Distribution by NIB business areas		
Energy & Environment	3.8	4.4
Financial Institutions & SMEs	-	-
Industries and Services	-	5.6
Infrastructure, Transportation and Telecom	47.9	36.5
Allowances for impairment, loans outstanding	**51.7**	**46.5**
Collective impairment	**55.5**	**36.8**
Impairment losses on defaulted loan customers, other assets	**74.5**	**73.3**
Total	**181.7**	**156.6**

As of 31 December 2014, loans agreed but not yet disbursed amounted to the following:

(Amounts in EUR million)	2014	2013
Loans agreed but not yet disbursed		
Ordinary Loans	1,005	955
Project Investment Loans	284	390
Environmental Investment Loans	27	29
Total, loans agreed but not yet disbursed	**1,316**	**1,374**

The amounts set forth above for loans agreed but not yet disbursed include loans in considerable amounts where certain conditions, primarily interest rate conditions, may not yet have been finally approved.

Distribution according to NIB business areas

	2014		2013	
(Amounts in EUR million)		Share, in %		Share, in %
Loans outstanding as of 31 December				
Energy & Environment	4,529	31%	4,318	30%
Financial Institutions & SMEs	2,016	14%	1,784	12%
Industries and Services	5,149	35%	5,528	38%
Infrastructure, Transportation and Telecom	3,119	21%	2,832	20%
Collective impairment	**-55**		**-37**	
Adjustments to hedge accounting	399		242	
Total	**15,156**	**100%**	**14,667**	**100%**
Loans disbursed				
Energy & Environment	756	33%	382	20%
Financial Institutions & SMEs	137	6%	275	14%
Industries and Services	827	36%	889	46%
Infrastructure, Transportation and Telecom	554	24%	376	20%
Total	**2,274**	**100%**	**1,922**	**100%**

Currency distribution of loans outstanding

	Ordinary loans		PIL loans		Total [1]	
(Nominal amounts in EUR million)	2014	2013	2014	2013	2014	2013
Currency						
Nordic currencies	4,139	3,864	65	69	4,204	3,933
EUR	7,200	7,044	591	683	7,828	7,773
USD	1,424	1,350	1,097	1,189	2,544	2,574
Other currencies	162	104	74	77	237	183
Total	**12,925**	**12,362**	**1,826**	**2,018**	**14,812**	**14,462**
Adjustment to hedge accounting	378	226	22	16	399	242
Collective impairment					**-55**	**-37**
Total, loans outstanding	**13,303**	**12,587**	**1,848**	**2,034**	**15,156**	**14,667**

[1] The total amount also includes EUR 61 (83) million in Environmental Investment Loans (MIL)

Distribution of loans outstanding and guarantees by various types of security

The following table shows loans outstanding, including guarantee commitments, distributed by type of security:

(Amounts in EUR million)	2014 Amount	2014 Share, in %	2013 Amount	2013 Share, in %
Loans to or guaranteed by governments				
Loans to or guaranteed by member countries	346		377	
Loans to or guaranteed by other countries	1,202		1,258	
Loans to or guaranteed by governments, total	1,548	10.5%	1,635	11.3%
Loans to or guaranteed by local authorities in member countries	1,192	8.1%	929	6.4%
Loans to or guaranteed by companies owned 50% or more by member countries or local authorities in member countries	1,349	9.1%	1,123	7.8%
Loans to or guaranteed by banks	1,063	7.2%	1,142	7.9%
Loans backed by a lien or other security in property	773	5.2%	658	4.6%
Loans with a guarantee from the parent company and other guarantees	1,337	9.1%	1,289	8.9%
Loans with a negative pledge clause and other covenants	7,547	51.1%	7,685	53.3%
Loans without formal security	3	0.0%	1	0.0%
Collective impairment	**-55**		**-37**	
Total	**14,757**	100.0%	**14,425**	100.0%
Adjustment to hedge accounting	399		242	
Total, loans outstanding	**15,156**		**14,667**	

According to NIB's Statutes, the member countries shall cover the Bank's losses arising from failure of payment in connection with PIL loans up to the following amounts:

(Amounts in EUR 1,000)	2014 Amount of guarantee	2014 Share, in %	2013 Amount of guarantee	2013 Share, in %
Member country				
Denmark	377,821	21.0%	377,821	21.0%
Estonia	13,139	0.7%	13,139	0.7%
Finland	344,860	19.2%	344,860	19.2%
Iceland	15,586	0.9%	15,586	0.9%
Latvia	19,058	1.1%	19,058	1.1%
Lithuania	29,472	1.6%	29,472	1.6%
Norway	329,309	18.3%	329,309	18.3%
Sweden	670,755	37.3%	670,755	37.3%
Total	**1,800,000**	**100.0%**	**1,800,000**	**100.0%**

According to NIB's Statutes, the member countries shall cover 100% of the Bank's losses arising from failure of payment in connection with MIL loans.The MIL loan facility has a statutory ceiling of EUR 300 million. Following the Board of Directors' decision to call for payments under the MIL guarantees due to non-payment of one MIL loan, all member countries have made guarantee payments to the Bank.

The member countries' total guarantee liabilities under the MIL facility are as follows after the guarantee payments as of 2 July 2014:

(Amounts in EUR 1,000)	2014 Amount of guarantee	2014 Share, in %	2013 Amount of guarantee	2013 Share, in %
Member country				
Denmark	65,573	23.4%	70,113	23.4%
Estonia	2,048	0.7%	2,190	0.7%
Finland	48,051	17.1%	51,377	17.1%
Iceland	2,981	1.1%	3,187	1.1%
Latvia	2,971	1.1%	3,176	1.1%
Lithuania	4,594	1.6%	4,912	1.6%
Norway	57,354	20.4%	61,324	20.4%
Sweden	97,005	34.6%	103,720	34.6%
Total	**280,577**	**100.0%**	**300,000**	**100.0%**

(9) INTANGIBLE ASSETS, TANGIBLE ASSETS (PROPERTY AND EQUIPMENT)

The Bank's intangible assets amounted to EUR 5.2 (5.1) million.

(Amounts in EUR 1,000)	Computer software development costs, total 2014	Computer software development costs, total 2013
Intangible assets		
Acquisition value at the beginning of the year	24,939	22,499
Acquisitions during the year	1,637	2,440
Sales/disposals during the year	-	-
Acquisition value at the end of the year	**26,576**	**24,939**
Accumulated amortisation at the beginning of the year	19,828	18,053
Amortisation according to plan for the year	1,531	1,775
Accumulated amortisation on sales/disposals during the year	-	-
Accumulated amortisation at the end the of the year	**21,359**	**19,828**
Net book value	**5,217**	**5,111**

As of 31 December 2014, the historical cost of buildings and land was recognised in the statement of financial position (net of depreciation on the buildings in accordance with the depreciation plan) at EUR 23.0 (23.7) million.

The value of office equipment and other tangible assets is recognised at EUR 5.3 (6.0) million.

2014

(Amounts in EUR 1,000)	Buildings	Office equipment and other tangible assets	Total
Tangible assets			
Acquisition value at the beginning of the year	33,769	19,356	53,126
Acquisitions during the year	-	918	918
Sales/disposals during the year	-	-257	-257
Acquisition value at the end of the year	**33,769**	**20,017**	**53,786**
Accumulated depreciation at the beginning of the year	10,097	13,388	23,486
Depreciation according to plan for the year	673	1,504	2,178
Accumulated depreciation on sales/disposals during the year	-	-201	-201
Accumulated depreciation at the end of the year	**10,771**	**14,692**	**25,462**
Net book value	**22,999**	**5,325**	**28,324**

On each closing date, the Bank's assets are assessed to determine whether there is any indication of an asset's impairment. As of 31 December 2014, there were no indications of impairment of the intangible or tangible assets.

2013

(Amounts in EUR 1,000)	Buildings	Office equipment and other tangible assets	Total
Tangible assets			
Acquisition value at the beginning of the year	33,769	17,908	51,677
Acquisitions during the year	-	1,635	1,635
Sales/disposals during the year	-	-187	-187
Acquisition value at the end of the year	**33,769**	**19,356**	**53,126**
Accumulated depreciation at the beginning of the year	9,424	12,398	21,822
Depreciation according to plan for the year	673	1,144	1,817
Accumulated depreciation on sales/disposals during the year	-	-154	-154
Accumulated depreciation at the end of the year	**10,097**	**13,388**	**23,486**
Net book value	**23,672**	**5,968**	**29,640**

(10) DEPRECIATION

(Amounts in EUR 1,000)	2014	2013
Intangible assets	1,531	1,775
Tangible assets	2,178	1,817
Buildings	673	673
Office equipment	1,504	1,144
Total	**3,709**	**3,592**

(11) OTHER ASSETS

Derivatives are included in "Other assets".

(Amounts in EUR million)	2014	2013
Interest rate swaps [1]	15,763	14,275
Currency swaps [2]	18,677	18,133
Total, nominal amount	**34,440**	**32,409**
Netting of nominal amount per derivative	-32,970	-31,592
Derivative receivables, net	**1,470**	**816**
Adjustment to hedge accounting and changes in fair value of non-hedging derivatives	728	493
Derivative instruments	**2,198**	**1,309**
Receivables from defaulted counterparties	8	8
Other	12	22
Total	**2,217**	**1,339**

[1] Interest rate swaps at floating interest rates EUR 6,323 (4,867) million and fixed interest rates EUR 9,440 (9,408) million.
[2] Currency swaps at floating interest rates EUR 11,480 (11,341) million and fixed interest rates EUR 7,197 (6,792) million.

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

Derivative instruments net exposure after collaterals

(Amounts in EUR million)	2014	2013
Derivative instruments in financial position	2,198	1,309
Netting by counterparty	-799	-745
Derivative instruments net per counterparty	**1,399**	**564**
Accrued interest net per counterparty	109	52
Net exposure before collaterals	**1,508**	**616**
Collateral received	-1,382	-542
Net exposure	**125**	**75**

See also Risk Management, Credit Risk, Derivatives.

(12) DEBTS EVIDENCED BY CERTIFICATES AND SWAPS

At year-end, the Bank's borrowings evidenced by certificates were distributed between the currencies shown in the table below. The table also demonstrates the distribution of borrowings by currency on an after-swap nominal basis.

	Borrowing		Swap contracts payable/receivable		Net currency	
(Amounts in EUR million)	2014	2013	2014	2013	2014	2013
Currency						
USD	8,078	7,025	-4,054	-3,830	4,024	3,194
AUD	2,637	2,396	-2,637	-2,396	0	0
NZD	1,603	1,097	-1,603	-1,097	0	0
GBP	1,516	1,548	-1,516	-1,548	0	0
JPY	735	1,222	-722	-1,205	13	16
EUR	723	1,457	8,550	9,369	9,273	10,825
Nordic currencies	1,761	1,488	2,878	2,791	4,639	4,279
Other currencies	1,597	1,815	-1,373	-1,648	224	167
Total	**18,650**	**18,048**	**-477**	**435**	**18,173**	**18,482**
Adjustment to hedge accounting and changes in fair value of non-hedging derivatives	**796**	**373**	**-392**	**-128**	**404**	**244**
Total, borrowing outstanding	**19,446**	**18,421**	**-869**	**306**	**18,577**	**18,727**

The table set forth above includes the following medium-term note (MTN) programmes: 156 (196) borrowing transactions in the equivalent amount of EUR 6,671 (7,851) million entered into under the Bank's euro MTN programme; 10 (9) borrowing transactions in the equivalent amount of EUR 7,824 (6,579) million under the Bank's US MTN programmes; and 38 (27) borrowing transactions in the equivalent amount of EUR 4,174 (3,331) million under the Bank's Australian MTN programme. There were no borrowing transactions outstanding under the Bank's Swedish MTN programme during the years 2014 and 2013. The Bank has established a EUR 2,000 million commercial paper programme in Europe.

Of debt securities issued, the amount of EUR 2,001 (1,831) million is at floating interest rates, while EUR 16,587 (16,151) million is at fixed interest rates. Of the other borrowing transactions, the amount of EUR 10 (13) million is at floating interest rates, while EUR 52 (52) million is at fixed interest rates.

(13) OTHER LIABILITIES

Derivatives are included in "Other liabilities".

(Amounts in EUR million)	2014	2013
Interest rate swaps [1]	15,747	14,253
Currency swaps [2]	18,182	18,577
Total, nominal amount	**33,930**	**32,831**
Netting of nominal amount per derivative	-32,937	-31,580
Derivative payables, net	**993**	**1,251**
Adjustment to hedge accounting and changes in fair value of non-hedging derivatives	336	364
Derivative instruments	**1,329**	**1,615**
Other	7	8
Total	**1,336**	**1,623**

[1] Interest rate swaps at floating interest rates EUR 11,909 (10,882) million and fixed interest rates EUR 3,838 (3,372) million.

[2] Currency swaps at floating interest rates EUR 18,065 (18,388) million and fixed interest rates EUR 118 (189) million.

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

Derivative instruments net exposure after collaterals

(Amounts in EUR million)	2014	2013
Derivative instruments in financial position	**1,329**	1,615
Netting by counterparty	-799	-745
Derivative instruments net per counterparty	**530**	**870**
Accrued interest net per counterparty	-64	-125
Net exposure before collaterals	**465**	**745**
Collateral given		-10
Net exposure	**465**	**735**

See also Risk Management, Credit Risk, Derivatives.

(14) AUTHORISED CAPITAL – PAID-IN CAPITAL

The member countries' portions of authorised capital are as follows:

(Amounts in EUR million)	2014	Share, in %	2013	Share, in %
Member country				
Denmark	1,293.9	21.1%	1,293.9	21.1%
Estonia	56.3	0.9%	56.3	0.9%
Finland	1,088.1	17.7%	1,088.1	17.7%
Iceland	58.1	0.9%	58.1	0.9%
Latvia	82.1	1.3%	82.1	1.3%
Lithuania	119.8	2.0%	119.8	2.0%
Norway	1,320.8	21.5%	1,320.8	21.5%
Sweden	2,122.8	34.6%	2,122.8	34.6%
Total	**6,141.9**	**100.0%**	**6,141.9**	**100.0%**

The member countries' portions of paid-in capital are as follows:

(Amounts in EUR million)	2014	Share, in %	2013	Share, in %
Member country				
Denmark	89.2	21.3%	89.2	21.3%
Estonia	3.1	0.7%	3.1	0.7%
Finland	74.4	17.8%	74.4	17.8%
Iceland	3.9	0.9%	3.9	0.9%
Latvia	4.4	1.1%	4.4	1.1%
Lithuania	6.9	1.6%	6.9	1.6%
Norway	77.1	18.4%	77.1	18.4%
Sweden	159.5	38.1%	159.5	38.1%
Total	**418.6**	**100.0%**	**418.6**	**100.0%**

(15) STATUTORY RESERVE AND CREDIT RISK FUNDS

At the end of 2014, the Statutory Reserve amounted to EUR 686.3 million, or 11.2% of the Bank's authorised capital of EUR 6,141.9 million.

The General Credit Risk Fund recognised in "Equity" is built up by means of allocations from prior years' profits. This fund is established to cover unidentified, exceptional credit losses. The Statutory Reserve and the General Credit Risk Fund together constitute the Bank's general reserves. The General Credit Risk Fund amounted to EUR 1,275.0 million in 2014.

In accordance with its Statutes, the Bank has a Special Credit Risk Fund for the Project Investment Loan facility (PIL). This fund is primarily designed to cover the Bank's own risk in respect of this PIL loan facility, which in part is guaranteed by the member countries. In 2014, the fund amounted to EUR 395.9 million. The Bank assumes 100% of any losses under individual PIL loans, up to the amount available at any given time in the Special Credit Risk Fund for PIL. Only after this fund has been fully used can the Board of Directors call the member country guarantees.

Taken together, these credit risk funds (General Credit Risk Fund and Special Credit Risk Fund PIL) amounted to EUR 1,671.0 million as of 31 December 2014.

(16) COLLATERAL AND COMMITMENTS

(Amounts in EUR million)	2014	2013
Guarantees issued at nominal amount (Note 8)	-	-
Loans agreed but not yet disbursed (Note 8)	1,316	1,374
Borrowing commitments	54	10
Collateral provided for staff loans [1]	-	-
Callable commitments in financial placements	9	16
Collateral received for collateralised placements [2] [3]	727	1,126
Gross collateral with respect to derivatives exposure		
Collateral received [2] [4]	1,452	601
Collateral given [1]	-	10

[1] Book value.

[2] Fair value.

[3] Including cash EUR 14 (-) million and securities EUR 713 (1,126) million received.

[4] Including cash EUR 818 (283) million and securities EUR 634 (318) million received.

(17) FAIR VALUE OF FINANCIAL INSTRUMENTS

			2014			2013
(Amounts in EUR million)	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Assets						
Cash accounts with banks [1]	100	100	-	101	101	-
Cash equivalents held at fair value [1]	1,123	1,123	-	1,406	1,406	-
Other cash and cash equivalents held at amortised cost [2]	417	417	-	250	250	-
Cash and cash equivalents, total	**1,639**	**1,639**	**-**	**1,758**	**1,758**	**-**
Placements with credit institutions [2]	7	7	-	6	6	-
Debt securities held at fair value [1 3]	2,889	2,889	-	2,752	2,752	-
Other debt securities held at amortised cost [1]	2,601	2,768	167	2,592	2,703	111
Debt securities, total	**5,490**	**5,656**	**167**	**5,343**	**5,454**	**111**
Other financial placements at fair value [1 3]	22	22	-	24	24	-
Hedged loans outstanding in fair value hedging relationships [2]	2,899	2,899	-	2,518	2,518	-
Loans outstanding, other [2]	12,257	12,259	2	12,149	12,155	6
Loans outstanding, total	**15,156**	**15,159**	**2**	**14,667**	**14,673**	**6**
Hedging derivatives at fair value [2]	1,274	1,274	-	1,146	1,146	-
Other derivatives at fair value [2]	924	924	-	163	163	-
Derivatives at fair value, total	**2,198**	**2,198**	-	**1,309**	**1,309**	**-**
Receivables from defaulted counterparties at fair value [3]	8	8	-	8	8	-
			169			**117**
Liabilities						
Short-term amounts owed to credit institutions [2]	872	872	-	372	372	-
Long-term amounts owed to credit institutions [2]	-	-	-	-	-	-
Hedged debt securities issued in fair value hedging relationships [2]	18,675	18,675	-	18,157	18,157	-
Other debt securities issued [2]	694	695	1	189	190	1
Debt securities issued, total	**19,369**	**19,370**	**1**	**18,347**	**18,347**	**1**
Hedged other debt in fair value hedging relationships [2]	77	77	-	71	71	-
Other debt [2]	-	-	-	3	3	-
Other debt, total	**77**	**77**	**-**	**74**	**74**	**-**
Hedging derivatives at fair value [2]	1,152	1,152	-	1,117	1,117	-
Other derivatives at fair value [2]	177	177	-	498	498	-
Derivatives at fair value, total	**1,329**	**1,329**	**-**	**1,615**	**1,615**	**-**
			-			1
Net			**169**			**118**

[1] The fair value is determined according to market quotes for identical instruments.

[2] The fair value is determined using valuation techniques with observable market inputs.

[3] The fair value is determined using valuation techniques with unobservable market inputs.

Level of fair value measurement for financial instruments at the end of the period

The table below analyses financial instruments' fair value at the end of the year by the level in the fair value hierarchy into which the fair value measurement is categorised. See Accounting policies, Determination of fair value.

	31 Dec 2014			31 Dec 2013		
(Amounts in EUR million)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Cash accounts with banks	100			101		
Cash equivalents held at fair value	1,123			1,406		
Other cash and cash equivalents held at amortised cost		417			250	
Cash and cash equivalents, total	**1,222**	**417**		**1,508**	**250**	
Placements with credit institutions		7			6	
Debt securities held at fair value	2,865		23	2,709		43
Other debt securities held at amortised cost	2,768			2,703		
Debt securities, total	**5,633**		**23**	**5,411**		**43**
Other financial placements held at fair value	2		21	2		23
Hedged loans outstanding in fair value hedging relationships		2,899			2,518	
Loans outstanding, other		12,259			12,155	
Loans outstanding, total		**15,159**			**14,673**	
Derivatives		2,198 [1]			1,309	
Receivables from defaulted counterparties			8 [2]			8 [2]
Financial assets, total	**6,857**	**17,780**	**51**	**6,921**	**16,238**	**74**
Liabilities						
Short-term amounts owed to credit institutions		872			372	
Long-term amounts owed to credit institutions						
Debt securities issued						
Hedged debt securities issued in fair value hedging relationships		18,675			18,157	
Other debt securities issued		695			190	
Hedged other debt in fair value hedging relationships		77			71	
Other debt		-			3	
Debt securities issued, total		**19,446**			**18,421**	
Derivatives		1,329 [1]			1,615	
Financial liabilities, total		**21,647**			**20,409**	

[1] Valuation adjustments related to counterparty credit risk of over-the-counter derivative transactions are not reflected in the fair values of the derivative positions. The Bank is developing a robust modelling methodology for the calculation of Credit Valuation Adjustment (CVA), reflecting the market value of counterpary default risk, and Debit Valuation Adjustment (DVA), reflecting the market value of the Bank's own default, in the fair values of derivative positions. The methodology will take into account projected exposure profiles of derivative transactions and credit risk mitigants, such as exposure netting and collateral. According to preliminary calculations the estimated effects of CVA and DVA on the fair values of derivative positions as of 31 December 2014 are immaterial.

[2] Receivables from defaulted treasury counterparties are measured at fair value. Receivables from defaulted lending counterparties are measured at cost minus impairment.

Changes in fair values categorised at level 3

(Amounts in EUR million)	Debt securities held at fair value	Other financial placements held at fair value	Receivables from defaulted counterparties	Level 3, total
31 Dec 2012	44	22	10	76
Matured transactions				
Sold transactions	-3		-7	-10
Changes in fair values	2	2	5	9
31 Dec 2013	43	23	8	74
Matured transactions	-5			-5
Sold transactions	-16		-7	-23
Changes in fair values	-	-1	6	4
31 Dec 2014	23	21	8	51

Sensitivity analysis of level 3 financial instruments

	2014			2013		
(Amounts in EUR million)	Carrying amount	Favourable change	Unfavourable change	Carrying amount	Favourable change	Unfavourable change
Financial instruments categorised at level 3	51	1	-1	74	3	-2

The table above shows the sensitivity of the fair value of level 3 instruments to changes in key assumptions. The sensitivity analysis of the debt securities valued as level 3 is based on cashflow evaluation on Bloomberg. The implied market spread over reference curve has been changed reflecting a credit migration of the issuer. The fair value for other financial placements in level 3 is received from the funds in question and is based on their present value of cash flows. No quotation exists for these placements.

[18] MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES

The table below sets out a maturity analysis for financial assets and liabilities containing principal and interest flows. For loans outstanding, undiscounted cash flows are presented until contractual final maturity. For borrowing outstanding and derivatives with call options, cash flows are presented in the time bucket corresponding to the first possible termination date. Cash flows are presented on net basis for interest rate swaps and on gross basis for all other swaps. Interest cash flows are projected based on the interest rates prevailing on the closing date. See also Notes 11 and 13, and Risk Management, Liquidity Risk.

The 2014 figures are not directly comparable with the previous year's figures due to changed handling of derivatives within the tables and adaptation of projected interest cash flows in the 2014 table.

2014

(Amounts in EUR million)	Carrying amount	Contractual cash flows	Up to and including 3 months	Over 3 months and up to and including 6 months	Over 6 months and up to and including 1 year	Over 1 year and up to and including 5 years	Over 5 years
Assets							
Cash and cash equivalents	1,639	1,640	945	694	-	-	-
Financial placements							
Debt securities	5,490	5,781	195	257	478	4,021	830
Loans outstanding	15,156	16,438	406	566	797	8,188	6,481
Other assets							
Derivatives							
Receivables	28,897	14,908	829	909	2,417	7,980	2,773
Payables	-26,699	-12,016	-683	-800	-2,137	-6,359	-2,037
	2,198	**2,892**	**146**	**109**	**280**	**1,621**	**736**
Assets, total	**24,483**	**26,751**	**1,692**	**1,626**	**1,556**	**13,830**	**8,047**
Liabilities							
Amounts owed to credit institutions							
Short-term	872	872	872	-	-	-	-
Long-term	-	-	-	-	-	-	-
	872	**872**	**872**	**-**	**-**	**-**	**-**
Short-term debt	-	-	-	-	-	-	-
Debts evidenced by certificates	19,446	20,994	494	1,250	1,961	13,425	3,864
Other liabilities							
Derivatives							
Receivables	-6,273	-6,427	-206	-914	-293	-3,846	-1,167
Payables	7,602	6,832	176	1,072	275	3,905	1,404
	1,329	**405**	**-31**	**158**	**-18**	**59**	**237**
Liabilities, total	**21,647**	**22,271**	**1,335**	**1,408**	**1,942**	**13,485**	**4,101**
Net during the period			**358**	**218**	**-387**	**345**	**3,946**
Loans agreed but not yet disbursed			1,316	-	-	-	-

The table set forth below presents assets and liabilities according to their remaining maturities, calculated from closing date to maturity date. The possibility of prepayments is taken into consideration regarding derivative contracts and borrowing transactions. Loans outstanding, however, are reported according to the latest possible repayment date.

2013

(Amounts in EUR million)	Carrying amount	Gross nominal amounts	Up to and including 3 months	Over 3 months and up to and including 6 months	Over 6 months and up to and including 1 year	Over 1 year and up to and including 5 years	Over 5 years
Assets							
Cash and cash equivalents	1,758	1,758	1,358	400	-	-	-
Financial placements							
Debt securities	5,343	5,342	447	182	372	3,530	810
Loans outstanding	14,667	14,462	174	484	576	7,529	5,699
Other assets							
Derivatives							
Receivables	21,869	21,373	880	1,892	2,383	12,581	3,636
Payables	-20,560	-20,560	-814	-1,826	-2,303	-12,162	-3,454
	1,309	**813**	**66**	**66**	**80**	**420**	**182**
Accrued interest and fees receivable	318	318	175	114	29	-	-
Assets, total	**23,395**	**22,692**	**2,219**	**1,246**	**1,057**	**11,479**	**6,691**
Liabilities							
Amounts owed to credit institutions							
Short-term	372	372	372	-	-	-	-
Long-term	-	-	-	-	-	-	-
	372	**372**	**372**	**-**	**-**	**-**	**-**
Short-term debt			-	-	-	-	-
Debts evidenced by certificates	18,421	18,048	1,078	1,362	1,753	10,951	2,904
Other liabilities							
Derivatives							
Receivables	-11,036	-11,036	-288	-191	-555	-8,238	-1,763
Payables	12,651	12,271	345	214	684	8,959	2,069
	1,615	**1,235**	**57**	**23**	**129**	**721**	**306**
Accrued interest and fees payable	243	243	131	95	17	-	-
Liabilities, total	**20,651**	**19,898**	**1,638**	**1,480**	**1,899**	**11,672**	**3,209**
Net during the period			**581**	**-234**	**-842**	**-193**	**3,481**
Loans agreed but not yet disbursed			1,374	-	-	-	-

(19) INTEREST RATE RISK

Interest rate risk is the impact that fluctuations in market interest rates can have on the value of the Bank's interest-bearing assets and liabilities and on the interest income recognised in the statement of comprehensive income. The table below provides information on the extent of the Bank's interest rate exposure. The assets and liabilities are grouped into buckets defined by their time to maturity or the date of the interest rate adjustment. The difference, or gap, between assets and liabilities in each time bucket makes the Bank sensitive to interest rate fluctuations. See also Risk Management, Market Risk.

2014

(Amounts in EUR million)	Up to and including 3 months	Over 3 months and up to and including 6 months	Over 6 months and up to and including 1 year	Over 1 year and up to and including 5 years	Over 5 years and up to and including 10 years	Over 10 years	Undefined	Total
Assets								
Cash and cash equivalents	945	694	-	-	-	-	0	1,639
Financial placements								
Placements with credit institutions	-	-	-	-	-	-	7	7
Debt securities	1,604	110	361	2,657	657	56	45	5,490
Other	-	-	-	-	-	-	22	22
	1,604	**110**	**361**	**2,657**	**657**	**56**	**73**	**5,518**
Loans outstanding	6,033	6,307	247	970	857	398	344	15,156
Intangible assets	-	-	-	-	-	-	5	5
Tangible assets	-	-	-	-	-	-	28	28
Other assets								
Derivatives								
Receivables [1]	14,701	3,848	1,855	11,165	2,263	606	730	35,170
Other assets	-	-	-	-	-	-	19	19
Accrued interest and fees receivable	-	-	-	-	-	-	306	306
Total assets	**23,284**	**10,959**	**2,463**	**14,793**	**3,777**	**1,061**	**1,506**	**57,843**
Liabilities and equity								
Liabilities								
Amounts owed to credit institutions								
Short-term	872	-	-	-	-	-	-	872
Long-term	-	-	-	-	-	-	-	-
	872	**-**	**-**	**-**	**-**	**-**	**-**	**872**
Short-term debt	-	-	-	-	-	-	-	-
Debts evidenced by certificates	1,572	1,185	1,870	11,271	2,263	488	796	19,446
Other liabilities								
Derivatives								
Payables [1]	22,195	8,088	159	1,733	1,201	553	372	34,301
Other liabilities	-	-	-	-	-	-	7	7
Accrued interest and fees payable	-	-	-	-	-	-	231	231
Total liabilities	**24,639**	**9,273**	**2,029**	**13,005**	**3,464**	**1,042**	**1,405**	**54,857**
Equity	-	-	-	-	-	-	2,986	2,986
Total liabilities and equity	**24,639**	**9,273**	**2,029**	**13,005**	**3,464**	**1,042**	**4,391**	**57,843**
Net during the period	-1,355	1,686	434	1,788	313	19	-2,885	-
Cumulative net during the period	-1,355	331	765	2,553	2,866	2,885	-	-
Guarantee commitments	-	-	-	-	-	-	-	-

2013

(Amounts in EUR million)	Up to and including 3 months	Over 3 months and up to and including 6 months	Over 6 months and up to and including 1 year	Over 1 year and up to and including 5 years	Over 5 years and up to and including 10 years	Over 10 years	Undefined	Total
Assets								
Cash and cash equivalents	1,358	400	-	-	-	-	0	1,758
Financial placements								
Placements with credit institutions	-	-	-	-	-	-	6	6
Debt securities	1,756	121	253	2,533	573	107	2	5,343
Other	-	-	-	-	-	-	24	24
	1,756	**121**	**253**	**2,533**	**573**	**107**	**32**	**5,373**
Loans outstanding	5,981	6,102	226	867	896	390	205	14,667
Intangible assets	-	-	-	-	-	-	5	5
Tangible assets	-	-	-	-	-	-	30	30
Other assets								
Derivatives								
Receivables [1]	13,366	4,320	1,832	10,309	1,719	863	496	32,905
Other assets	-	-	-	-	-	-	30	30
Accrued interest and fees receivable	-	-	-	-	-	-	318	318
Total assets	**22,460**	**10,943**	**2,311**	**13,709**	**3,188**	**1,359**	**1,116**	**55,086**
Liabilities and equity								
Liabilities								
Amounts owed to credit institutions								
Short-term	372	-	-	-	-	-	-	372
Long-term	-	-	-	-	-	-	-	-
	372	**-**	**-**	**-**	**-**	**-**	**-**	**372**
Short-term debt	-	-	-	-	-	-	-	-
Debts evidenced by certificates	1,745	1,622	1,831	10,375	1,756	717	373	18,421
Other liabilities								
Derivatives								
Payables [1]	22,752	6,695	74	1,740	1,050	519	380	33,211
Other liabilities	-	-	-	-	-	-	8	8
Accrued interest and fees payable	-	-	-	-	-	-	243	243
Total liabilities	**24,870**	**8,318**	**1,906**	**12,115**	**2,806**	**1,236**	**1,004**	**52,255**
Equity	-	-	-	-	-	-	2,831	2,831
Total liabilities and equity	**24,870**	**8,318**	**1,906**	**12,115**	**2,806**	**1,236**	**3,835**	**55,086**
Net during the period	-2,410	2,625	405	1,594	382	123	-2,719	-
Cumulative net during the period	-2,410	216	621	2,215	2,596	2,719	-	-
Guarantee commitments	-	-	-	-	-	-	-	-

[1] Swaps are not netted.

[20] CURRENCY RISK

NIB's operations are mostly in euro and US dollars. The table below shows the net of assets and liabilities in the major currencies.
See also Risk Management, Market Risk.

Net currency position as of 31 December 2014:

(Amounts in EUR million)	EUR	USD	GBP	JPY	SEK	Other currencies	Fair value adjustments and swap netting	Total
Assets								
Cash and cash equivalents	486	991	-	-	58	104	-	1,639
Financial placements								
Placements with credit institutions	7	-	-	-	-	-	-	7
Debt securities	4,743	482	-	-	133	131	-	5,490
Other financial placements	22	-	-	-	-	-	-	22
	4,771	**482**	**-**	**-**	**133**	**131**	**-**	**5,518**
Loans outstanding	7,750	2,567	-	13	2,091	2,336	399	15,156
Intangible assets	5	-	-	-	-	-	-	5
Tangible assets, property and equipment	28	-	-	-	-	-	-	28
Other assets								
Derivatives	-8,550	4,054	1,516	722	-1,604	4,340	1,721	2,198
Other assets	-	17	-	-	-	2	-	19
	-8,551	**4,071**	**1,516**	**722**	**-1,604**	**4,342**	**1,721**	**2,217**
Accrued interest and fees receivable	84	73	25	10	8	110	-4	306
Total assets	**4,574**	**8,184**	**1,542**	**745**	**686**	**7,024**	**2,116**	**24,870**
Liabilities and equity								
Liabilities								
Amounts owed to credit institutions								
Short-term amounts owed to credit institutions	833	38	-	-	-	-	-	872
Long-term amounts owed to credit institutions	-	-	-	-	-	-	-	-
	833	**38**	**-**	**-**	**-**	**-**	**-**	**872**
Debts evidenced by certificates								
Debt securities issued	661	8,078	1,516	735	681	6,917	781	19,369
Other debt	62	-	-	-	-	-	15	77
	723	**8,078**	**1,516**	**735**	**681**	**6,917**	**796**	**19,446**
Other liabilities								
Derivatives	-	-	-	-	-	-	1,329	1,329
Other liabilities	7	-	-	-	-	-	-	7
	7	**-**	**-**	**-**	**-**	**-**	**1,329**	**1,336**
Accrued interest and fees payable	26	65	25	10	4	104	-4	231
Total liabilities	**1,589**	**8,181**	**1,541**	**745**	**686**	**7,022**	**2,121**	**21,884**
Equity	2,776	-	-	-	-	-	-	2,776
Total liabilities and equity	**4,365**	**8,181**	**1,541**	**745**	**686**	**7,022**	**2,121**	**24,660**
Net of assets and liabilities as of 31 Dec 2014	**209**	**3**	**-**	**-**	**-**	**2**	**-4**	**210**

Net currency position as of 31 December 2013:

(Amounts in EUR million)	EUR	USD	GBP	JPY	SEK	Other currencies	Fair value adjustments and swap netting	Total
Assets								
Cash and cash equivalents	1,317	247	-	-	117	75	-	1,758
Financial placements								
Placements with credit institutions	6	-	-	-	-	-	-	6
Debt securities	4,784	411	-	-	34	114	-	5,343
Other financial placements	24	-	-	-	-	-	-	24
	4,814	**411**	**-**	**-**	**34**	**114**	**-**	**5,373**
Loans outstanding	7,718	2,592	-	16	2,085	2,015	242	14,667
Intangible assets	5	-	-	-	-	-	-	5
Tangible assets, property and equipment	30	-	-	-	-	-	-	30
Other assets								
Derivatives	-9,369	3,830	1,548	1,205	-1,769	4,120	1,744	1,309
Other assets	1	27	-	-	-	2	-	30
	-9,367	**3,857**	**1,548**	**1,205**	**-1,769**	**4,122**	**1,744**	**1,339**
Accrued interest and fees receivable	107	72	23	9	10	102	-6	318
Total assets	**4,624**	**7,180**	**1,571**	**1,231**	**477**	**6,428**	**1,980**	**23,490**
Liabilities and equity								
Liabilities								
Amounts owed to credit institutions								
Short-term amounts owed to credit institutions	284	88	-	-	-	-	-	372
Long-term amounts owed to credit institutions	-	-	-	-	-	-	-	-
	284	**88**	**-**	**-**	**-**	**-**	**-**	**372**
Debts evidenced by certificates								
Debt securities issued	1,395	7,025	1,548	1,222	468	6,325	364	18,347
Other debt	62	-	-	-	-	3	9	74
	1,457	**7,025**	**1,548**	**1,222**	**468**	**6,328**	**373**	**18,421**
Other liabilities								
Derivatives	-	-	-	-	-	-	1,615	1,615
Other liabilities	8	-	-	-	-	-	-	8
	8	**-**	**-**	**-**	**-**	**-**	**1,615**	**1,623**
Accrued interest and fees payable	46	65	23	9	8	98	-6	243
Total liabilities	**1,796**	**7,178**	**1,571**	**1,230**	**476**	**6,426**	**1,982**	**20,659**
Equity	2,614	-	-	-	-	-	-	2,614
Total liabilities and equity	**4,410**	**7,178**	**1,571**	**1,230**	**476**	**6,426**	**1,982**	**23,273**
Net of assets and liabilities as of 31 Dec 2013	**215**	**2**	**-**	**-**	**1**	**2**	**-3**	**217**

[21] AVERAGE STATEMENT OF FINANCIAL POSITION

(Amounts in EUR million)	2014	2013
Assets		
Cash and cash equivalents	2,195	2,806
Financial placements		
Placements with credit institutions	6	5
Debt securities	5,382	5,186
Other	23	21
	5,411	**5,212**
Loans outstanding	14,702	14,996
Intangible assets	5	5
Tangible assets	29	29
Other assets		
Derivatives (incl.exchange rate adjustments)	1,622	1,816
Other assets	24	26
	1,646	**1,842**
Accrued interest and fees receivable	309	324
Total assets	**24,297**	**25,213**
Liabilities and equity		
Liabilities		
Amounts owed to credit institutions		
Short-term amounts owed to credit institutions	498	1,045
Long-term amounts owed to credit institutions	-	4
	498	**1,049**
Short-term debt	-	-
Debts evidenced by certificates		
Debt securities issued	19,199	19,819
Other debt	76	76
	19,275	**19,896**
Other liabilities		
Derivatives (incl.exchange rate adjustments)	1,368	1,264
Other liabilities	9	10
	1,377	**1,275**
Accrued interest and fees payable	232	244
Total liabilities	**21,383**	**22,463**
Equity	2,914	2,750
Total liabilities and equity	**24,297**	**25,213**

The average statement of financial position is calculated on a monthly basis.

(22) RELATED PARTY DISCLOSURES

The Bank provides administrative services to and enters into transactions with the Nordic Development Fund (NDF) and the Nordic Environment Finance Corporation (NEFCO), which have, for the most part, the same owners as NIB. The following table shows the outstanding balance of amounts owed to NDF, NEFCO and the trust funds administered by them, and the interest paid during the year. The interest paid to these institutions is at normal commercial rates.

(Amounts in EUR 1,000)	Interest from related parties	Interest to related parties	Amounts owed by related parties as of 31 Dec	Amounts owed to related parties as of 31 Dec
2014	-	17	38	40,012
2013	-	6	82	84,464

Rental income (NDF, NEFCO)

(Amounts in EUR 1,000)	NDF	NEFCO
2014	141	294
2013	138	234

(23) CASH FLOW STATEMENT

Specification of the change in cash and cash equivalents, net on 31 December:

(Amounts in EUR 1,000)	2014	2013
Cash and balances with banks [1]	99,786	101,406
Short-term placements with credit institutions	812,682	529,995
Collateralised placements [2]	726,671	1,126,214
Cash and cash equivalents	**1,639,139**	**1,757,616**
Short-term amounts owed to credit institutions [3]	-872,010	-372,402
Cash and cash equivalents, net	**767,129**	**1,385,213**
Change in cash and cash equivalents, net	**-618,084**	**161,363**

[1] Including an initial margin requirement of EUR 836 (688) thousand for futures on 31 December.

[2] Net exposure after collaterals for collateralised placements EUR 164 (215) thousand.

[3] Of which cash received as collateral EUR 831,553 (282,651) thousand.

[24] EXCHANGE RATES

	EUR rate on 31 Dec 2014	EUR rate on 31 Dec 2013
DKK Danish krone	7.4453	7.4593
ISK Icelandic króna	154.15[1]	158.15[1]
NOK Norwegian krone	9.042	8.363
SEK Swedish krona	9.393	8.8591
ARS Argentine peso	10.29521[2]	8.96413[2]
AUD Australian dollar	1.4829	1.5423
BRL Brazilian real	3.2207	3.2576
CAD Canadian dollar	1.4063	1.4671
CHF Swiss franc	1.2024	1.2276
CZK Czech koruna	27.735	27.427
GBP Pound sterling	0.7789	0.8337
HKD Hong Kong dollar	9.417	10.6933
JPY Japanese yen	145.23	144.72
MXN Mexican peso	17.8679	18.0731
NZD New Zealand dollar	1.5525	1.6762
PLN Polish zloty	4.2732	4.1543
RUB Russian rouble	72.337	45.3246
SDR Special drawing right	0.838[3]	0.895[3]
SGD Singapore dollar	1.6058	1.7414
TRY Turkish lira	2.832	2.9605
TWD New Taiwan dollar	38.1878[2]	41.0584[2]
USD US dollar	1.2141	1.3791
ZAR South African rand	14.0353	14.566

[1] Reuters closing.

[2] The exchange rate is calculated using the year-end market rate for USD/relevant currency, which then provides the EUR/relevant currency rate.

[3] IMF (International Monetary Fund) closing per 31 December 2014 and per 30 December 2013.

[25] POST BALANCE SHEET EVENTS

There have been no material post balance sheet events that would require disclosure or adjustment to these financial statements. On 5 March 2015, the Board of Directors reviewed and signed the financial statements. These financial statements will be submitted for approval to the Annual Meeting of the Board of Governors scheduled to be held no later than by the end of May 2015.

Independent Auditors' Report to the Control Committee of the Nordic Investment Bank

Independent auditors' report on the financial statements

In our capacity as auditors appointed by the Control Committee of the Nordic Investment Bank we have audited the accompanying financial statements of the Bank, which comprise the statement of financial position as at 31 December 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

The Board of Directors' and the President's responsibility for the financial statements

The Board of Directors and the President are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Nordic Investment Bank as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the other requirements

In accordance with the Terms of Engagement our audit also included a review of whether the Board of Directors' and the President's administration have complied with the Statutes of the Bank. It is our opinion that the administration of the Board of Directors and the President complied with the Statutes of the Bank.

Helsinki, 6 March 2015

Sixten Nyman	Hans Åkervall
Authorised Public Accountant	*Authorised Public Accountant*
KPMG Oy Ab	KPMG AB
Töölönlahdenkatu 3A	Tegelbacken 4A
00100 Helsinki	103 23 Stockholm
Finland	Sweden

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

To the Board of Governors of the Nordic Investment Bank

In accordance with section 17 of the Statutes of the Nordic Investment Bank, we have been appointed to ensure that the operations of the Bank are conducted in accordance with its Statutes and to bear responsibility for the audit of the Bank and annually deliver an auditors' report to the Board of Governors. Having completed our assignment for the year 2014, we hereby submit the following report.

The Control Committee met during the fiscal year as well as after the Bank's Financial Statements had been prepared, and the Committee performed the control and examination measures considered necessary. The Annual Report of the Bank was examined at a meeting in Helsinki on 6 March 2015. In carrying out its tasks, the Control Committee received such information and carried out such examination measures as it deemed necessary to assess the Bank's position in regard to its risks. We have also received the Independent Auditors' Report, submitted on 6 March 2015 by the authorized public accountants appointed by the Control Committee.

Based on the audit, carried out by the independent auditors, we consider that:

- The Bank's operations during the financial year have been conducted in accordance with the Statutes;
- The Board of Directors and the President have complied with the Statutes of the Bank; and that
- The Financial Statements give a true and fair view of the financial position of the Bank as at 31 December 2014 and of its results and financing in 2014. The Statement of Comprehensive Income shows a profit of EUR 210,211,265.10 for the financial period.

We recommend to the Board of Governors that:

- The allocation of the Bank's profit for the financial period, as proposed by the Board of Directors, be approved;
- The Statement of Comprehensive Income and the Statement of Financial Position be adopted; and
- The Board of Directors and the President be discharged from liability for the administration of the Bank's operations during the accounting period examined by us.

Helsinki, 6 March 2015

Leo Ašmanis

Sigurður Þórðarson	Karin Gaardsted	Rannar Vassiljev
Arto Pirttilahti	Höskuldur Þórhallsson	Karina Korna
Daiva Raudoniene	Kristian Norheim	Penilla Gunther