



NORDIC  
INVESTMENT  
BANK

FINANCING  
THE  
FUTURE

# MAGAZINE

2015/2016



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# BROADENING NIB'S LENDING ACTIVITIES

The momentum of economic growth in the Nordic-Baltic region remains broadly stable, with the exception of slower development in Norway and Finland. Although the current investment environment continues to be difficult, demand for NIB's long-term lending continues to develop according to plan.

In this edition of the magazine, you can read about the outcome of NIB's updated strategy to broaden its long-term lending, which will mainly be achieved via two routes during the coming years.

Firstly, the Bank will start to provide long-term lending to Nordic and Baltic mid-caps—companies with an annual turnover of up to EUR 500 million—that tend to invest in creating new jobs also outside the capital regions. Unlike NIB's existing lending to SMEs, conducted by placing loan facilities with local intermediary banks, the Bank will engage directly with these mid-caps.

Secondly, NIB will make its non-member country lending more flexible in the long term, one aim of which is to make NIB's resources even more available to Nordic-Baltic companies targeting international markets.

Also, as part of NIB's revised strategy, NIB recently launched an Arctic Financing Facility with a framework of up to EUR 500 million in loans for projects in the High North. The intention is to reflect the priorities of our member countries and contribute to sustainable growth in the higher latitudes.

In general, the Bank will enhance its efforts to identify bankable environmental projects.

The cover of the NIB Magazine 2015/2016 features a recent NIB loan project to construct one of the largest hydroelectric power projects in the Nordic-Baltic region. When commissioned during the spring of 2018, the new 370 MW Lysebotn 2 plant in Rogaland County, Norway, will replace the existing 210 MW Lysebotn 1, using the same dam and the same amount of water.

Improving the output of an already regulated watercourse is, thus, an environmentally sound way of generating more renewable electricity. It would seem that NIB's mission—to finance projects that improve competitiveness and the environment of the Nordic and Baltic countries—continues to be relevant.

## Henrik Normann

NIB President & CEO  
Nordic Investment Bank



Photo: Marjo Kouvumäki

## NIB's financial figures January–August 2015:

# Lending on upward trend

Over the past four months, the economic environment has been turbulent. In the Nordic–Baltic region, growth has slowed further in Norway and Finland. By contrast, growth momentum remained broadly stable in Sweden, Denmark, Iceland and the Baltic countries, with low inflation. Hence, continued expansionary monetary policy is to be expected.

Despite the challenge of the persistently low interest rates, the Bank's eight-month profit amounted to EUR 149.6 million (Jan–Aug 2014: EUR 148.5 million). The figure reflects growth in net interest income and reversals of loan impairment charges, partially offset by lower profits from financial operations. NIB's total assets increased to EUR 26.3 billion (31 Dec 2014: EUR 24.9 billion).

During the period, NIB experienced good demand for long-term financing. In total, EUR 1,389 million of new loans were agreed, up from EUR 1,277 million in January–August 2014. The projects represent a wide range of private and public investments, including industrial research and development, energy efficiency in buildings, urban transport, water and wastewater, as well as support to SMEs through financial intermediaries. Disbursements totalled EUR 1,272 million (Jan–Aug 2014: EUR 1,159 million).

During the first eight months of 2015, NIB issued 17 funding transactions in ten different currencies for a total amount of approximately EUR 2.7 billion. In March, NIB launched a three-year global USD 1.25 billion benchmark transaction. The Bank continued to issue NIB Environmental Bonds by launching a

SEK 1 billion (EUR 107 million) transaction in April. By year-end, the Bank expects to raise EUR 4 to 4.5 billion in new funding.

Looking ahead, the impact of slowing demand in China is likely to have an effect on demand in commodity-driven economies. Due to the expected tightening of the monetary policy in the US, further volatility could be expected in the period ahead.

**Henrik Normann**  
President & CEO

## KEY FIGURES

[in million EUR unless otherwise specified]

	Aug 2015*	Aug 2014*	Dec 2014
NET INTEREST INCOME	165	159	239
PROFIT/LOSS	150	148	210
LOANS DISBURSED	1,272	1,159	2,274
LOANS AGREED	1,389	1,277	2,389
LOANS OUTSTANDING	15,141	14,82	15,156
GUARANTEE COMMITMENTS	-	-	-
NEW DEBT ISSUES	2,665	2,714	3,361
DEBTS EVIDENCED BY CERTIFICATES	19,717	19,747	19,446
TOTAL ASSETS	26,268	24,657	24,87
EQUITY/TOTAL ASSETS (%)	11,7	11,9	12
PROFIT/AVERAGE EQUITY (%)	7,4	7,7	7,2
NUMBER OF EMPLOYEES (AVERAGE DURING THE PERIOD)	189	185	186

\* Unaudited figures, to be read in conjunction with NIB's audited financial statements for 2014 and the notes thereto.

## Loans disbursed in January-August 2015

**TOTAL** EUR  
**1,272 million**

**30%**

Industries & services  
EUR 384 million

**25%**

Energy & environment  
EUR 312 million

**24%**

Infrastructure, telecom &  
transport  
EUR 299 million

**22%**

Financial institutions &  
SME lending  
EUR 276 million





# LYSEBOTN A POWER PLANT INSIDE A MOUNTAIN

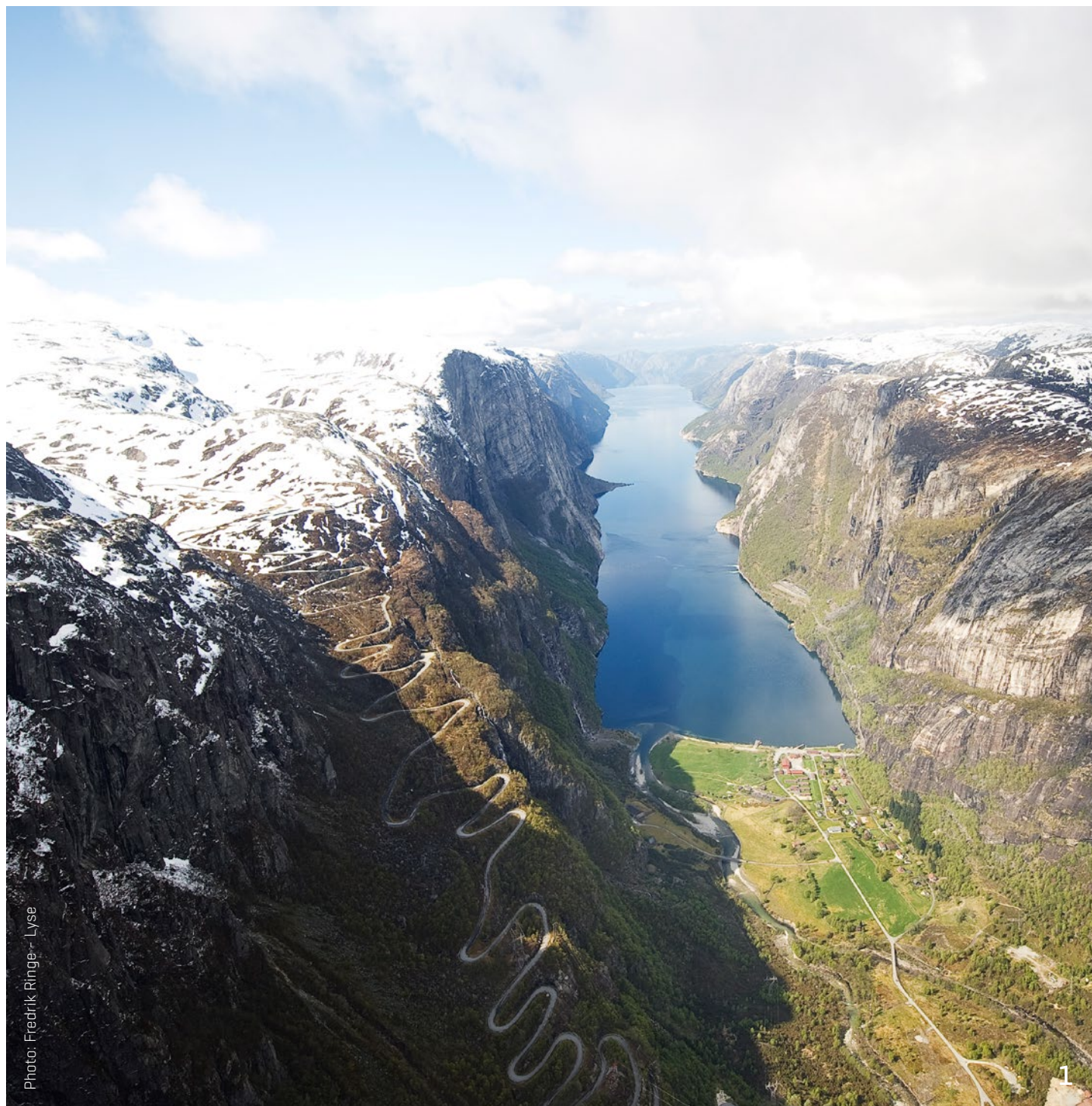


Photo: Fredrik Ringger Lyse



*Same dam, same amount of water, but more power. A new hydropower plant in western Norway will increase the generation of renewable energy by utilising existing water reservoirs more efficiently.*

**W**e are proud to be heading one of the biggest renewable energy projects in Norway," says Bjørn Roger Otterdal, Project Director at Lyse, the company behind the new hydropower plant.

The new hydroelectric power plant, Lysebotn 2, will replace the current power plant and produce 15 per cent more clean energy, totalling 1,500 GWh per year.

"That's enough electricity for 75,000 households every year", Mr Otterdal says.

#### LIFE AT THE END OF THE TUNNEL

Lysefjord is one of Norway's longest fjords, and the majestic mountains that loom over the fjord on both sides are a tourist attraction.

A tunnel opening at the bottom of one of the mountains reveals that there is more to this landscape than can be seen from

## THE NEW PLANT CAN PROVIDE BALANCING SERVICES

the outside. The tunnel leads to a noisy construction site, one and a half kilometres inside the mountain.

"This is a huge project with enormous dimensions", says Terje Anti Nilsen, Head of Construction at Lysebotn 2. He is shouting at the top of his voice, competing with the noise of five excavators.

"More than 100 people are working here in 12-hour shifts, day and night", Mr Nilsen adds.

The new power plant will be the size of a ten-storey building when completed, and a

total of 11 kilometres of tunnels will have been dug out.

#### NIB AND THE NORDIC POWER MARKET

"We are on target and on budget", Mr Otterdal says about the construction process.

NIB has supplied a NOK 950 million loan to that budget. A loan that, according to Mr Otterdal, is essential to finance a long-term project like Lysebotn 2.

The new power plant is located next to an important junction for Norway's national power grid.

"We are planning for the future", Mr Otterdal states, referring to the changes in the Nordic power market.

New cables are connecting the region to the continent and more non-regulated power sources, like wind and sun, are being added to the grid.

Lyse can help maintain a stable voltage and frequency in this new system, according to Mr Otterdal.



“Wind and solar power cannot be regulated and are totally dependent on the weather conditions. With more renewable sources like that in use, it is necessary to have a steady source of power to keep the voltage stable”, Mr Otterdal says, adding that Lysebotn 2 can provide that stability.

### A BIG GREEN BATTERY

Mr Otterdal refers to Lysebotn’s water reservoir as a huge green battery.

“The new plant has the ability to adapt to demand and to provide balancing services to the Nordic market and continental Europe, as well as to the UK in a few years, through the electrical interconnectors”, Mr Otterdal explains.

This ability is an important advantage that Lyse expects to benefit from in the coming years.

Electricity cannot be stored in large quantities. There is a need for instantaneous balance between demand and generation. The energy contained in the reservoirs ensures the plant will be online whenever required.

“Denmark and other countries interconnected with the hydro-dominated Norwegian power system have large amounts of non-adjustable power, mainly wind and solar. We expect hydro-based system services to become more commercially important in the future”, Mr Otterdal says.

“We believe Lysebotn 2 will play an important role in the new market possibilities and contribute substantially to Lyse Group’s revenue in the future”, he adds.

The new hydropower plant is scheduled to commence operations in early 2018. ▲



- 1 Lysefjorden.
- 2 A tunnel opening at the bottom of the Lysefjord reveals a noisy construction site, one and a half kilometers into the mountain.
- 3 Terje Anti Nilsen heads the construction of Lysebotn 2. The construction site is active around the clock.
- 4 The new hydropower plant, Lysebotn 2, is constructed 1,500 metres inside the mountain and will be the size of a ten-storey building.
- 5 In the tunnel.



Photo: Kristoffer Ryde - Lyse



Photo: Kristoffer Ryde - Lyse

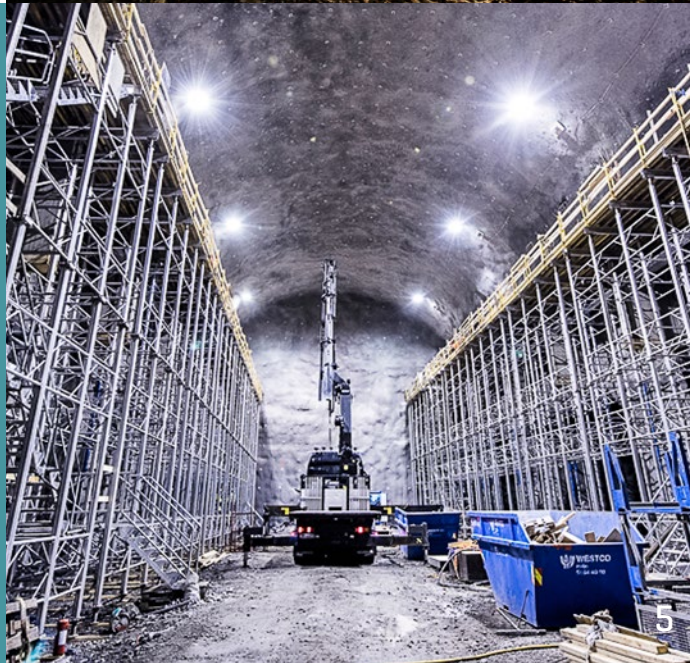


Photo: Kristoffer Ryde - Lyse





## NIB LOAN: Improving research competitiveness

NIB signed a long-term loan agreement of SEK 1.5 billion [EUR 161 million] with the special-purpose venture Fastighets AB ML 4 for the construction of a synchrotron radiation facility in Lund, Sweden, in September 2015.

The 24-year-maturity loan finances the construction of the MAX IV synchrotron light laboratory facility, offering scientists of various disciplines access to high-intensity X-rays for material, climate and medical research. Scientific operations will start in summer 2016.

Fastighets AB ML 4 is a special-purpose venture established by the real estate company Wihlborgs Fastigheter AB and the construction company Peab. ML 4 owns and maintains the MAX IV laboratory facility. The company has entered into a 25-year rental agreement with Lund University.

Aerial image of MAX IV, Lund in Sweden.  
Photo: Wihlborgs Fastigheter AB



## NIB LOAN: Grass roof campus nourishing high-tech dexterity

A new Kampusareena multipurpose building at Tampere University of Technology is located in Tampere, Finland's third largest city and the largest inland urban centre in the Nordic countries.

The new building officially opened its doors in the first week of September 2015. But instead of welcoming just the technical students under its green roofs, the multipurpose building was designed to bring together academia, research and business.

NIB and University Properties of Finland Ltd. signed a EUR 75 million loan agreement to finance the construction of four new campus premises in the cities of Tampere and Jyväskylä, Finland.

University Properties of Finland Ltd constructs, maintains, develops and leases premises for the use of universities and polytechnics outside the greater Helsinki area in Finland. The company is owned by the universities outside the greater Helsinki area and the Finnish state.

Surroundings of the new Kampusareena building at Tampere University of Technology, Finland.  
Photo: University Properties of Finland



NIB ALLOCATES EUR 500M FOR ARCTIC LENDING FACILITY:

# SUSTAINABLE GROWTH IN THE NORTH

*In 2015, NIB launched an Arctic Financing Facility with a framework of up to EUR 500 million in loans for selected priority projects in the High North.*

"NIB's member countries are paying increased attention to the sustainable development of the Arctic region. Launching the new facility reflects the priorities of the Bank's member countries", says Henrik Normann, NIB President & CEO.

"The High North needs investments, for example, in the energy sector, transport, and SMEs with a very good understanding of the region's special environmental circumstances. We hope that the new facility will provide the kind of input necessary to address the pressing needs of the region."

The financing of Arctic projects will be developed as part of Bank's ongoing lending activities. NIB will provide financing for investments to support the Arctic strategies launched by the Bank's member countries. The most likely types of projects eligible for NIB financing would be in the construction of railways, roads, and ports, as well as the development of renewable and biomass power generation and transmission capacity.

NIB has a long experience in financing projects in the Arctic region. NIB is also participating in two Northern Dimension partnerships—the environmental partnership (NDEP) and the partnership on transport and logistics (NDPTL)—which are developing project pipelines in their respective areas, with a strong focus on the Arctic region. ▴





## A need to cooperate in the North

*"With LNG and renewables, green mining, sustainable tourism and world-leading ice and cold climate solutions as the main drivers of growth, the Scandinavian Arctic can rise to become the most innovative, industrious and environmentally friendly growth region in Europe."*

These are the conclusions of an independent working group on how to achieve sustainable growth in the North presented to the Prime Ministers of Norway, Finland and Sweden in 2015.

"The potential for growth in Arctic Scandinavia is considerable; politicians, academic institutions and industry partners must collaborate in order to maximise it. Furthermore, a common Norwegian, Swedish and Finnish Arctic policy should be seen as a priority and an integral part of national growth policies", Anne Husebekk, Rector of University of Tromsø—the Arctic University of Norway, and a member of the working group notes.

The report Growth from the North can be found at [site.uit.no/Growth-FromTheNorth](http://site.uit.no/Growth-FromTheNorth). ▲



Photo: Asbjørn Ivar Bartnes

"The potential for growth in Arctic Scandinavia is considerable",  
**Anne Husebekk,**  
 Rector of UIT, the Arctic University of Norway notes

# Arctic countries aiming for closer cooperation

Over the past few years, all the countries in the Arctic region have adopted specific strategies or policies to deal with the challenges emerging as a consequence of the climate change that the Arctic region is experiencing perhaps more radically than the rest of the world. The Nordic countries—Denmark, Finland, Iceland, Norway and Sweden—are actively seeking ways to deal with these challenges.

**Denmark's** standpoint as an important actor in the Arctic is based on the aims of supporting and strengthening the development of its North Atlantic autonomous regions, Greenland and the Faroe Islands. The country's national Arctic strategy [2011] distinguishes the following priority areas: energy and minerals, trade and tourism, shipping, education and research, and nature and the environment. Denmark has a special interest in promoting long-term, sustainable regional development within the framework of both Arctic cooperation and the activities of the Nordic Council of Ministers. Along with Finland and Sweden, Denmark holds a significant position within the context of EU cooperation concerning Arctic issues.

**Finland's** Arctic strategy [2013] focuses on external relations and discusses issues relating to security, the environment, economy, infrastructure and the indigenous peoples in the Arctic, as well as international institutions and the Arctic policy of the EU. Finland considers it important for businesses to develop Arctic maritime technology, research and innovations, entrepreneurship, a joint labour market, renewable energy and energy efficiency. Finland is an active Arctic player, capable of coordination business opportunities within the constraints set by the Arctic conditions, while making use of international cooperation.

**Iceland's** Arctic policy [2011] underlines the importance of regional and multilateral cooperation. The country wishes to strengthen the Arctic Council as the main cooperative body on Arctic issues. The policy foresees the country benefitting from the increased sea traffic expected in the Arctic in the coming decades.

**Norway** has a history of being at the forefront of investing in industrial, transport and social infrastructure in its northernmost regions. The High North has been the Norway's highest foreign policy priority since 2005. The country's Arctic policy [2014] vows to further develop Norway's Arctic areas and enable the region to meet the demands of the future. The policy recognises the High North as a region of national and global importance. The policy outlines the following five priority areas: international cooperation, the development of a knowledge-based business sector, knowledge development, infrastructure, and emergency preparedness and environmental protection.



In its Arctic strategy [2011], **Sweden** promotes economically, socially and environmentally sustainable development throughout the Arctic region. To a large extent, the strategy addresses the subjects of climate change mitigation as well as the preservation of biodiversity as key conditions to secure adequate living standards for indigenous people and to promote economic growth. Sweden sees its interests in developing common regulatory frameworks, including an EU Arctic policy with a focus on environmental sustainability. Sweden is seeking synergies between the existing cooperation frameworks, such as the Barents Euro-Arctic Council and the Arctic Council, as well as with the EU cooperation programmes. Sweden will continue to be a leading research nation in the climate and environmental fields and will focus on the human impact of climate change.

**The non-European Arctic countries**—Russia, Canada and the US—play important roles in the Arctic Council and have a substantial stake in Arctic research. The Canadian strategy stresses the importance of protecting the Arctic environment and improving and devolving governance for Canadian Northerners. The US Arctic strategy highlights the country's priorities, such as a peaceful, balanced and responsible development of the region, and the promotion of international cooperation. Russia's strategy identifies the priorities of socio-economic development in the Arctic, advanced ICT infrastructure, environmental safety, international cooperation, and the defence of its borders in the Arctic region.

Although **the Baltic countries** do not have official Arctic strategies, they cooperate with their Nordic neighbours and participate in multilateral Arctic-related formats, particularly the EU Northern Dimension. Baltic businesses become involved in certain Arctic projects, their scientists contribute to international Arctic research, and several other stakeholders help to increase awareness of the Arctic among the wider public.

**The European Parliament's** resolution on the EU strategy for the Arctic (2014) stresses the vital importance of the EU's regional and cohesion policy with regard to interregional and cross-border cooperation. It calls for the development of synergies between existing programmes and frameworks, including the Northern Dimension Environmental Partnership and the Northern Dimension Partnership on Transportation and Logistics, to define investment priorities in the Arctic. An EU strategy would encourage investments in cold-climate expertise and relevant environmentally friendly technologies. The region's SME sector would play a special role in this development. The European Commission's communication on EU policy for the Arctic is expected in 2016. ▲

# A Northern Policy is needed

**By Paavo Lipponen, former Prime Minister of Finland**

In the European North, international cooperation has developed dramatically, in parallel with the new opportunities and challenges that have emerged in the region. New forms of institutional cooperation have been established: the Arctic Council, the Northern Dimension Partnership, cross-border structures. The Council of Baltic Sea States and the Barents Euro-Arctic Council are also important institutions for regional cooperation. Significantly, Russia is an equal partner in all these structures.

In these times of tensions between Russia and the West, we need to maintain pragmatic cooperation, on a win-win basis, in matters where common interests transcend conflicts. Particularly in the Arctic region, the challenges are common and of global importance: protecting this sensitive environment and exploiting natural resources in a sustainable way.

What the EU needs is a Northern Policy to coordinate activities in all northern institutions and direct financing for the region from the EU and international financial institutions. There are two prime examples of the need to focus on the North: logistics and the environment.

The South-North transportation and logistics network must be completed and extended to the Arctic coast. The Arctic Report for the Confederation of Finnish Industries suggests that the road connection from Oulu in Finland to Tromsø in Norway should be a near-term priority. Also in Norway, the rail connection from Finland to Narvik should be developed, while preparing for a decision on a rail link from Finland to Kirkenes.

Opening the Northeast Passage to Asia for year-round navigation is not likely until the middle of the 21st century, but certainly worth serious study. A cable connection from Germany to Finnish Lapland to Norway to Asia is another project that would stimulate growth in the EU.

Northern Dimension [ND] cooperation should be a centre-piece in a Northern Policy. It is a real success story in co-operation between the EU and Russia. All of the four partnerships of the ND have produced important results. In the flagship Environmental Partnership [NDEP], EUR 1.4 billion has been invested in waste water treatment plants in north-western Russia and Belarus. The NDEP environmental fund, now standing at EUR 177 million, provides a grant share of a maximum of 20%, with the rest coming from loans from the EBRD, EIB and NIB. Russia is a major donor to the fund.

The ND Partnership on Public Health and Social Well-Being involves hundreds of experts and administrators in combating communicable diseases and improving ways of life. The

ND Partnership on Transport and Logistics has produced important studies on developing traffic infrastructure in the North. The ND Partnership on Culture is concentrating on stimulating creative industries in the region.

Northern Dimension cooperation must not fall victim to tensions caused by the situation in and around Ukraine. Unfortunately, sanctions include freezing financing from the EBRD, EIB and NIB for new projects in the NDEP.

It should be in the interest of all parties to maintain Arctic cooperation and try to keep it outside the East-West tension.

The EU must decide what its priorities are in a Northern Policy. An immediate task is to secure the continuation of Northern Dimension cooperation, particularly the NDEP, which will be phased out in 2017 if it is not extended. Interest in the Arctic exists in all the major member states: all of them are maritime countries and are willing to share in the exploitation of Arctic natural resources, while they also share a concern for the Arctic environment. A Northern Policy, co-ordinated by EEAS, would give the EU new purpose. ▴

Photo:  
Jukka Leinonen - Kaleva



**Paavo Lipponen,  
former Prime Minister of Finland**

In early October 2015, Paavo Lipponen delivered to the President of the European Commission, Jean-Claude Juncker, a memorandum "For An Ambitious EU Arctic And Northern Policy". The memorandum addresses the areas of international cooperation in the European North, including the climate change, the use of natural resources, communication and logistics, as well as perspectives of the Arctic indigenous people. "It is time to pay more attention to the European North for a win-win policy that would benefit the whole Union, North and South", writes Mr Lipponen in the memorandum, calling for an institutional approach in the coordination of European policies in the Arctic.



# ROVANIEMI: THE WORLD IS BENCHMARKING US

*Transport and the development of infrastructure in the Arctic needs better coordination between the neighbours—Finland, Sweden and Norway. “This is not an easy task, but attitudes are changing as the world is benchmarking us”, says Esko Lotvonen, Mayor of Rovaniemi, a growth centre for the one third of Finland that lies within the Arctic Circle.*

Rovaniemi, a city of 60,000, has been investing heavily in its infrastructure in recent years. NIB has co-financed the expansion of water supply and sewage collection networks, road construction and maintenance, the construction of an education centre and upgrading street lighting.

“Rovaniemi is growing and developing, but the population in the rural areas is declining. Transport and the labour market are the areas where we need coordinated policies for the Arctic region. This is not an easy task. The differences between the neighbouring countries are significant. Norway and Sweden need labour, whereas Finland has higher unemployment than its Arctic neighbours”, says Mr Lotvonen.

“The attitude towards the north, however, is changing. The world is benchmarking the development in the Arctic, because the Arctic ice pack is melting and new transport corridors are very likely to emerge in the coming decades”, says the mayor of Rovaniemi.

The Lapland Chamber of Commerce has calculated that the region can expect more than EUR 2 billion in private and state investment projects to commence in the region in the next five years—most of them in mining, transport and power generation. ▲

The lumberjack's candle bridge in Rovaniemi



## EXPANDING GEOGRAPHICAL FOCUS

# NIB EYES MORE LENDING IN NON-MEMBER COUNTRIES

*NIB is set to increase the flexibility of its lending outside its member countries. The aim is to locate more deals scoring highly in the Bank's mandate fulfilment. This will also make the Bank's resources available to more Nordic-Baltic companies targeting international markets.*



Photo: Marjo Koivumäki

"Expanding the geographical focus will eventually lead to larger lending volumes."

**Thomas Wrangdahl,**  
First Vice-President and Head of Lending

Thomas Wrangdahl, First Vice-President and Head of Lending at NIB, comments on the expected outcome of the Board of Directors decision to increase the flexibility of NIB's lending outside its member countries.

### What is the reason for this step?

The purpose is to improve the effectiveness of executing our mission—to improve competitiveness and the environment of the member countries. Both pillars are equally important. The environmental mandate may be even more so in the neighbouring areas affecting the Baltic Sea and the Arctic region.

If we broaden the geographical scope, the variety of projects eligible for NIB's financing will also increase. It was natural to bring it to the table now as part of the strategy overhaul. We have been scrutinising the possibility of opening financing up to a larger number of countries for some years.

### What would be different from the current lending operations?

Actually, it does not have to be different at all. We will continue to assess potential projects from the mandate fulfilment point of view to make sure they have a positive effect on competitiveness and the environment. It should not be different from our normal operations, be it in Denmark, Chile or the UK.



**In recent years, outside the Nordic-Baltic region, NIB has been financing projects in a limited number of focus countries. Should changes be expected in this aspect?**

Expanding the geographical focus of NIB's lending operations is one of the expected outcomes, but it should not be seen as an objective. The goal is to be efficient in fulfilling the mission through financing exports from the Nordic-Baltic region and supporting the internationalisation efforts of companies in our member countries. Our job is to identify the needs of our customers and support them as much as we can in their international business, boosting their competitiveness.

We will still finance projects in countries where NIB has signed many important deals in recent years: the BRICS countries and Poland. And let's not forget cooperation with regional IFIs, such as the Black Sea Trade and Development Bank, the Central American Bank for Economic Integration, the Development Bank of Latin America [CAF] and the Inter-American Investment Corporation.

**Will NIB expand its cooperation with other banks—local or international—in non-member countries?**

The Bank is determined to both expand and intensify cooperation with our existing partners in different countries. This is a very efficient way of financing local projects. We will also seek cooperation with other international financial institutions. We can do either by lending through them, as we do today, or by co-financing in certain cases. This would allow us to outsource parts of the project assessment process.

**Will NIB seek to sign new framework agreements with non-member countries?**

NIB has framework agreements with the governments of 41 countries in different parts of the world. These agreements, concluded over many years, even decades, imply that NIB is recognised as an international financial institution. IFI status enables NIB to participate in the financing of investment projects in the respective countries. The most recent framework agreement was signed with Belarus in 2010.

Having a framework agreement is a key condition for us before we start operations.

We do not, however, limit ourselves to these 41. If NIB's financing can make a difference to our customers' investments in a country where we still do not have a framework agreement, we should consider whether it is essential to have one.

**What business activities will the Bank target in non-member countries?**

NIB's decision is a reaction to indications from our existing and potential customers and business associations in the member countries that certain companies would welcome NIB's involvement in financing their investments outside the Nordic-Baltic region. We have expected this and included it in our strategy. Doing business in non-member countries has obvious potential.

We will continue financing the types of business activities that we know well—telecom, renewable energy, cleantech and the development of infrastructure. These are areas where companies from the Nordic-Baltic region have developed expertise and earned global recognition.

There are no specific activities that we would not consider for financing in non-member countries only because of the geography. NIB has an exclusion list as part of its Sustainability Policy and Guidelines. This list applies both to the member countries and to countries outside the region.

**How will this decision impact the lending operations and financial results in the years to come?**

Expanding the geographical focus will eventually lead to larger lending volumes. We are expecting an increase in disbursements in the coming years. Some areas and countries may have higher risk profiles, and we need to assess the risks carefully before making practical steps. If we do it right, I am sure that more flexibility in non-member lending will also be rewarding from the point of view of the Bank's financial results. We intend to restore the historical 80/20 ratio of member and non-member lending in NIB's portfolio. Currently, the share of non-member countries is less than 20 per cent. Even if the monetary and risk management considerations are very important in defining the business targets, NIB's choice will be driven by the Bank's mission and the quality of the projects proposed for financing. ▀

Our job is to identify the needs of our customers and support them as much as we can in their international business, boosting their competitiveness

# NIB TO ADVANCE LENDING TO SMES AND MID-CAPS

*NIB is expanding its core product range to provide more financing opportunities to small and medium-sized enterprises (SMEs) and mid-cap companies in its member countries. This revised strategy will bring in changes in the ways the Bank supports smaller businesses.*

For decades, NIB has been living up to its mission by granting direct, long-term loans to large private and public sector borrowers and placing loan facilities for SME investments with local intermediary banks. This remains the backbone of the Bank's strategy. The question is: what more can the Bank do to fulfil its mission?

In order to increase its relevance to the economies of its member countries, NIB will gradually increase its exposure to smaller businesses—SMEs and mid-cap companies.

"We have three important messages for the SME sector in the Nordic and Baltic countries. Firstly, we have eased the mandate eligibility criteria for SMEs to qualify for funds from NIB's loan facilities", says Marjo Harri, Head of Financial Institutions and SMEs Group at NIB.

In the past three years, NIB has been releasing funds for SME investments in production machinery and equipment, ICT, and research and development.

"The revised approach will allow us to back up smaller businesses in financing their long-term working capital needs."

"Secondly, we have expanded our definition of SME", Ms Harri continues.

"The revised approach lifts the upper limit of an eligible company's annual turnover from EUR 50 million, as in the EU's definition we have used until recently, to EUR 150 million."

Thirdly, NIB will now be able to finance smaller businesses as a risk-sharing partner with other banks—in addition to the traditional programmes of onlending funds through intermediaries.

"Risk sharing is a new product that we are offering to intermediary banks. As the name suggests, NIB would not only fund a lending facility intended for SMEs, but also carry a portion of the risk related to lending to smaller businesses."

Ms Harri explains how risk sharing will work:

"Imagine an intermediary bank that has long-standing relationships with a number of quality clients that have eligible projects, from NIB's point of view. The intermediary, however, cannot increase its exposure to these clients due to the risk limits that all banks have. This situation is not at all exceptional in the market. NIB will be able to help by stepping in to take over part of the risk, which will allow the intermediary to extend financing to good SME projects."

## Direct lending to mid-caps

Private sector mid-caps—companies with an annual turnover of up to EUR 500 million—are a relatively new target for NIB's lending. The Bank will engage with this group of customers directly.

"Private sector mid-cap companies are often drivers of investment and innovation. This is the main reason why NIB is now extending its lending offer to mid-cap companies", says Joe Wright, Head of Transaction & Portfolio Management at NIB.

"NIB will offer senior, long-term loans to mid-caps to enable them to diversify and extend the maturity of their debt financing."

The size of loans to mid-caps will tend to be smaller than in NIB's core business. The clients will operate in more diverse sectors, and they will be more regionally distributed.

"It's going to be harder work" says Mr Wright.

"We will continue to rely on NIB's core strengths: our commitment to long-term lending, our competence in understanding business and financial risk, and a track-record of long-term cooperation with our clients".



"Risk sharing is a new product that we are offering to intermediary banks."

**Marjo Harri,**  
Head of Financial Institutions and SMEs Group at NIB



"Private sector mid-cap companies are often drivers of investment and innovation."

**Joe Wright,**  
Head of Transaction & Portfolio Management at NIB



# WHAT HAPPENED 40 YEARS AGO?

## NIB

The Nordic Investment Bank was founded in the aftermath of the oil crisis. On 4 December 1975, the Nordic Cooperation Ministers met in Copenhagen to sign the Agreement on the Nordic Investment Bank.

The idea to found a Nordic investment bank had been discussed for over 15 years as part of the unrealised Nordek-plan to establish a Nordic customs union. In January 1975, the Nordic Prime Ministers decided to realise the idea of founding the Bank. After four months work, a working group proposed draft statutes for the Bank. The working group's proposal was discussed by the Nordic Council of Ministers and adopted at the extraordinary session of the Nordic Council in Stockholm in November 1975. Finally, the statutes were ratified by the five countries' parliaments. The statutes entered into force on 1 June 1976, and operations started two months later in Helsinki.



On 4 December 1975, Kristian Gestrin (from the left) signed and cheered the NIB agreement on behalf of Finland's government together with Kjell-Olof Feldt representing Sweden's government, Ivar Nørgaard for Denmark, Bjartmar Gjerde for Norway and Sigurdur Bjarnason for Iceland.

## ICELAND

A series of confrontations between the United Kingdom and Iceland regarding fishing rights in the North Atlantic ended in 1976 as the UK conceded to a 200 nautical-mile Icelandic exclusive fishery zone.

## Norway

In 1975, the population in Norway grew to four million (5.2 million in 2015).

In 1976, Europe's first three-stage rocket was launched from the Andøya Space Center.

## SWEDEN



Photo: Lehtikuva

On 19 June 1976, King of Sweden **Carl XVI Gustaf** married **Silvia Sommerlath** from Germany, who became the Queen of Sweden.

ABBA released *Dancing Queen* as a single two months after the wedding.

Sweden's first reactor, the Barsebäck Nuclear Power Plant, began commercial operations in 1975.

## Denmark

"Kvinde, kend din krop" [Woman, Know Your Body], a handbook about female life and female body, published in 1975 and reprinted four times [latest in 2013] became a symbol for the raising political consciousness and solidarity against patriarchal subordination of women in the society. Forty years ago, the book's radical feminist perspective provoked a stormy debate in the country.

## Finland

In 1975, Finnish President **Urho Kekkonen** hosted the conference of the Organization for Security and Co-operation in Europe (OSCE), which resulted in the Helsinki Accords, laying the foundation for momentous changes in Europe.



Photo: Lehtikuva

## ELSEWHERE

British rock band **Queen** publishes the song *Bohemian Rhapsody* written by **Freddie Mercury** for the band's 1975 studio album *A Night at the Opera*.

**Steve Jobs** and **Steve Wozniak** forms the **Apple Computer Company** in 1976.

# NIB ENVIRONMENTAL BONDS: PROJECT EVALUATION AND SELECTION

*NIB's mandate to improve the environment and competitiveness of the Nordic and Baltic countries has given it extensive experience of assessing projects and their impact on the environment, says Magnus Andersson, Senior Environmental Analyst at NIB.*

The Bank established its environmental bond framework in 2011 to offer investment products to the growing number of socially conscious investors willing to support sustainable environmental investments. The NIB Environmental Bond was seen as an efficient way of communicating the Bank's existing sustainable financing. As the Bank already had a scrutinised internal process for assessing projects, it was only a small leap for NIB to enter the green bond market.

The NIB Environmental Bond (NEB) framework outlines how NIB selects, assesses and reports on the projects that the Bank finds eligible for green bond financing.

As recognised by the Green Bond Principles—widely recognised voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the green bond market—one of the key components is how well the issuers' processes are set up for evaluating and selecting projects eligible for using proceeds from green bonds.

At NIB, the Sustainability & Mandate unit identifies and preselects projects considered eligible for the proceeds of NIB Environmental Bonds. Eventually, the Bank's Credit Committee decides which loans are deemed eligible for financing through NIB Environmental Bonds.

Magnus Andersson is senior environmental analyst in NIB's Sustainability & Mandate unit, and is involved in the project evaluation and selection process at an early stage.

"When a potential loan project has been identified, we are the first to be involved in the process of assessing whether the project is likely to be eligible or not under NIB's environmental mandate", says Andersson.



Photo: Marjo Koivumäki

**Magnus Andersson,**  
Senior Environmental Analyst



### What are the benefits of evaluating the environmental aspects right from the start?

"Since we are involved so early, we can in fact sometimes manage to convince project owners to raise the bar of their projects towards having a greater positive environmental impact".

### How is the process for project evaluation and selection at NIB?

"Due to the Bank's environmental mandate, we start the assessment of a project by giving it a mandate rating. The mandate assessment consists of two main components: an assessment of the project's potential environmental impact, and an assessment of the risk that the project's potential impacts do not materialise."

"The potential impact is rated on a six-grade scale from 'Negative' impact to 'Excellent' environmental improvement. Once the potential impact has been determined, we also assess on a four-grade scale the risk that the project's expected impact will not materialise".

"Only projects that reach the two highest levels on the potential impact and have low realisation risks are eligible to be allocated as eligible for NIB Environmental Bond proceeds."

"Basically, only the best of the best projects are chosen", says Andersson.

TOTAL EMISSION  
REDUCTION IMPACT  
EQUIVALENT TO  
APPROXIMATELY 325,000  
TONNES OF CO<sub>2</sub>

28 PROJECTS FINANCED  
WITH NIB ENVIRONMENTAL  
BONDS

## NIB monitors and report on its green bond projects

*Monitoring and reporting on the project is a key focus for many investors, and NIB acknowledges the need to follow up on its projects.*

NIB can interfere, and even cancel a loan, if a project is not implemented as intended. However, a more likely approach is for NIB first to try getting the project back on track again with the project owner.

"We also report aggregated CO<sub>2</sub> data annually on a portfolio basis", says Magnus Andersson, Senior Environmental Analyst at NIB.

"The challenge is that different green bond issuers use different calculation methodologies based on different assumptions, which can lead to situations where comparing and interpreting their CO<sub>2</sub> numbers is often very difficult."

In 2013, NIB and nine other international financial institutions therefore took a first step to agree on a

harmonised approach to project-level greenhouse gas accounting. The work is still in progress and a technical working group is currently developing sector specific calculation methodologies.

### In your opinion, what are the biggest challenges and opportunities concerning the environment?

"When I meet with representatives of industry and commerce, environmental communication is sometimes not enough balanced, meaning that positive—often relative—environmental improvements are presented instead of an overall picture that also includes the negative impacts in absolute terms."

"Even for us environmental specialists, it is sometimes challenging to see through these 'green smokescreens', and it must be even more difficult for people who aren't in direct contact with the projects."

"I can also see a great opportunity for the environment as the green bond market grows further, making more funds available for green investments." ▀

### During the assessment, do you also conduct a sustainability review?

"We do, and the objective is to ensure that only projects that comply with the requirements of NIB's Sustainability Policy and Guidelines are financed."

NIB's sustainability review also includes defining the project's environmental borders, collecting information, assessing the quality of the information and benchmarking the project's environmental performance against, for instance, the EU's definitions of the best available techniques (BAT). In addition, NIB's Sustainability Policy and Guidelines includes an exclusion list with project types that the Bank's Board of Directors has decided not to finance at all.

### How do you ensure that projects really are eligible for NIB Environmental Bond financing?

"We have found that the written material provided by project owners is not always enough to give us the full picture. Among other things, it is a matter of finding out if all the relevant environmental issues have been included in the documentation and checking that all the information is up to date."

The quality assurance of the environmental documentation—which is essential to avoid "green-washing"—is done by visiting the project sites and interviewing the project owners and other stakeholders.

"In addition to the quality assurance, you need to visit the project site to see for yourself and to discuss matters face-to-face. Only by doing so can we ensure that all the relevant issues have been taken properly into consideration. Such visits are also opportunities for us here at NIB to learn more and, sometimes, even to be able push the project owner towards more sustainable solutions."

"The result of this analysis enables us to identify and assess possible reputational and credit risks related to environmental issues", says Andersson.

So far, NIB has financed 28 projects with NIB Environmental Bonds proceeds. The total emission reduction impact from these projects is equivalent to approximately 325,000 tonnes of CO<sub>2</sub>.

You can find more information about the NIB Environmental Bond framework, transactions and financed projects on NIB's website at [nib.int](http://nib.int). ▴



## NIB's environmental experts eye-to-eye with investors

*Since investors are increasingly taking the environmental aspects into consideration, the Bank believes they should get full insight into NIB's Environmental Bond framework. NIB's Funding and Investor Relations team therefore invites its environmental analysts to accompany them to investor meetings.*

Recently, NIB issued an inaugural EUR 500 million NIB Environmental Bond. Ahead of the seven-year bond, NIB conducted several investor roadshows with NIB's environmental experts.

"I personally welcome the NIB Environmental Bond", says Magnus Andersson, Senior Environmental Analyst at NIB. "It is an excellent tool for bond investors who share our mission."

"It has been very interesting to see how the funding professionals at NIB work, and it is quite rewarding to meet investors that gradually become interested in investing in improving the environment. I am positively surprised about their sincere interest in learning more about environmental issues, and I am happy to contribute to this process."

"I clearly see a positive link between environmentally ambitious investors and project owners, which may enhance the environment. By bringing the two groups together we may be able to boost the growth of the green sector, which is fully in line with NIB's mission." ▴



# NIB's green bond finances waste-to-energy plant in Finland

*In April 2015, NIB signed a loan agreement with Vantaan Energia Oy to finance the construction of a waste-to-energy plant in Vantaa in the Helsinki Metropolitan Area of Finland.*

The loan—EUR 64 million with a maturity of 20 years—is 100% financed with the proceeds of NIB Environmental Bonds.

## **Why did this particular project score so highly in the mandate rating analysis?**

"First of all, the Vantaan Energia project replaced one coal-fired boiler with insufficient desulphurisation capacity. Implementing this project reduces the use of coal and cuts the amount of combustion emissions into the air, including CO<sub>2</sub>."

"Secondly, locally generated waste becomes an asset instead of remaining an environmental problem. The location of the project was also good, with minimum impact on the environment and with an already well-developed infrastructure in place in terms of roads, power lines and district heating pipes", says Magnus Andersson, Senior Environmental Analyst at NIB. ▴



Image: Vantaan Energia

Photo: Vantaan Energia

# Financial markets: From villains to heroes?

Photo: Elisabeth Ohlsson Wallin



**Klas Eklund,**  
Senior Economist at SEB

Financial markets have no doubt been partly responsible for global warming and environmental degradation. Historically, banks have often lent to polluting production facilities and funded exploration for fossil fuels.

That, however, is changing. Investors increasingly want their assets managed in a sustainable way. Bank clients want to have access to “green” products. Employees want to work for a company they can be proud of. NGOs and ratings agencies add to the pressure by measuring the environmental and social performance of banks.

That’s good. If capital is allocated without environmental consideration, financial markets will play a destructive role. But if capital is directed towards investment in green technology, if assets are managed in a sustainable way and if credit is given to responsible companies—then we’re talking.

Governments can help, primarily by changing taxes and subsidies in a way which punishes “black” production and consumption and supports “green” activities. When relative prices make environmentally detrimental products and services more expensive to users, demand will fall—and financial resources will flow into greener sectors, which in turn will spur technical development.

That is now happening—albeit slowly—as more countries reduce subsidies for fossil fuels and instead add CO2 taxes, introduce emissions rights trading and impose fees on other pollutants. Authorities are gradually putting a price on nature—“internalizing externalities” as the economists say—thereby affecting calculations in the financial sector.

One example is the commitment of the G7 countries to phasing out fossil fuels. The conclusion among banks and financial institutions is that a substantial amount of coal and oil must remain underground. Consequently, companies whose balance sheets have included fossil reserves must now see some of these assets as “stranded”. That is a major revolution for energy companies.

This has taught financial analysts that they must get better at including long-term environmental factors in their analyses. How might global warming affect valuations of companies? How should banks assess their corporate clients’ ability [or inability] to handle technical and social challenges from environmental stress—and is management up to the task?

All big banks are now building analytical capacity to be able to answer those questions. My employer, SEB, is working to set up internal guidelines for how to deal with a number of environmentally important sectors from a green perspective. As far as I know, most banks are trying to do the same.

This also exerts strong transformation pressure to innovate. New financial products are being born. SEB has been involved in starting up the green bond market, which helps investors tap the immense resources of the capital market for green investments—in climate mitigation, land remediation, renewables, modern infrastructure, etc.

This development is not without challenges. It can be tempting to call any bond “green” in order to lure investors into the net. Therefore, it is of great importance that the new markets for green products are monitored, and that the “greenness” of projects is vetted, preferably by independent researchers.

Green financial markets are still relatively small—but they are growing rapidly. The long-term aim must be to eradicate the differences between “traditional” and “green” investments and credit. One day, all undertakings of the financial markets should be green, long-term and sustainable—without the need for special labels.

Then we might go from villains to heroes. ▴



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## CICERO:

## A second opinion on green bonds

*The growing market for green bonds is creating demand for independent reviews of the actual “greenness” of the projects they finance.*

The total amount of outstanding bonds labelled as “green” grew to USD 65.9 billion as of 10 June 2015, according to the non-profit Climate Bonds Initiative. This global market is being driven by investors’ confidence that green bond proceeds actually can support a low-carbon future. For now, there is no lack of green bond investors whereas the limiting factor is on the issuer side.

The Center for International Climate and Environmental Research Oslo (CICERO), an independent climate research foundation in Norway, has developed second opinions for 44 per cent of all the 474 labelled green bonds issued globally since June 2007, data from the Climate Bonds Initiative shows.

“I believe that the role of second opinions is to illuminate and secure the best possible information for investors. It is about building confidence and what investors want”, says CICERO’s Senior Researcher Asbjørn Torvanger.

“Green bond issuances generally sell out in a very short time. As long as the issuers see that issuing green bonds adds value, such as adding new investors, we will see growth continue.”

Still, some 36 per cent of all labelled green bonds come with no second opinion.

### Important to avoid carbon lock-in

“Second opinions are seen as important in Europe and somewhat unimportant in the U.S. Overall, there is a deepening understanding in the market that second opinions can play a useful role. My impression is that an increasing share of green bond issuances now comes with a second opinion”, Mr Torvanger says.

CICERO develops a second opinion by analysing whether the issuer’s green bond framework is well aligned with a low-carbon and climate change resilient future, and how well this is supported by the issuer’s policies and strategies. Based on this analysis, CICERO commences a dialogue with the issuer regarding possible inconsistencies and potential pitfalls in the long-term consequences of the projects that will receive funds from the green bonds.

While some types of project are obviously green, such as wind power, it is harder to evaluate projects involving for instance carbon capture and storage, improved energy efficiency in buildings, or reducing methane emissions in fossil fuel production.”

At the end of the process, CICERO gives a scientifically based second opinion on the soundness of the green bond framework in promoting climate-friendly investments, as well as the transparency of the process.

Since the main objective of green bonds is to support a low-carbon future, it is really important for us to avoid carbon lock-in, meaning people should not invest in infrastructure and energy projects that are counterproductive to long-term climate and energy targets, such as

the EU’s long-term goal of reducing greenhouse gas emissions by 80 per cent –95 per cent compared to 1990 levels by 2050.”

### Worries about “greenwashing”

Evaluating the environmental claims made by issuers of green bonds has been a key issue of debate since the market for green bonds started to show real signs of growth in 2013. Market participants currently regulate themselves by developing and adhering to the Green Bond Principles. CICERO’s concern is that the market needs a much more standardised approach than today regarding transparency and what really is green and what is not.

What causes the most concern for Torvanger and his colleagues is the assurance part. The concern is that issuers of green bonds could make the mistake of financing something which turns out not to improve the environment.

“That would certainly backfire and undermine confidence in the whole green bond concept. If there is any doubt, my best advice would be not to use green bond proceeds for projects with more uncertainty in terms of long-term alignment with a climate-friendly future.”

“So far, the green bond market has promised investors that they will get something green for their money. I think investors will soon start asking for verification that the issuer really has achieved what it said it would achieve.”

### NIB Environmental Bonds

NIB also issues Environmental Bonds (NEB) to attract investors who particularly want to help finance a more sustainable future. The use of the proceeds is governed by NIB’s Environmental Bond Framework. CICERO’s second opinion is that NIB’s environmental bond framework provides “a clear and robust framework for climate-friendly investments.”



Photo: CICERO

“It’s about peoples’ and investors’ confidence in green bonds”.  
**Asbjørn Torvanger,**  
 Senior Researcher at the Center for International Climate and Environmental Research Oslo (CICERO)



# NIB'S CREDIT AND MANDATE PROCESS

## 1 LOAN INITIATIVE AND MANDATE EVALUATION

The first step is to determine if the project seeking financing fulfils NIB's mandate of strengthening competitiveness and/or enhancing the environment of the Nordic-Baltic region. NIB will need a brief project description to understand the client's rationale for the investment.

NIB will review and rate the proposed project considering the:

- effects on productivity through e.g. technical progress, human capital formation, improvements in infrastructure or enhanced market efficiency and business environment. Both direct impacts and wider impacts are assessed.
- The net benefit for the environment based on a before-and-after comparison, and the
- risk that the full benefit of the project would not be realised.

## 2 ANALYSIS

NIB will then visit the client to obtain sufficient information for the Bank's credit risk analysis. In most cases, the customer will also be asked to present further detailed project- and borrower-related information.

The Bank will produce a loan proposal consisting of:

- mandate fulfilment analysis
- credit risk analysis
- environment and social impact analysis

Projects that could have extensive environmental impacts must undergo a full environmental impact assessment. NIB makes these projects publicly available for commenting before it makes a decision to finance or not.

## 3 PROJECT APPROVAL

A decision to grant a loan is made by the Board of Directors (or in some cases by the Credit Committee), on recommendation by the Credit Committee. NIB's loan decision process normally takes from two to three months upwards, depending on the complexity of the transaction and the availability of information.

## 4 LOAN NEGOTIATIONS AND AGREEMENT

NIB uses loan documentation typical for international loan transactions and prepares a draft based on standard terms and conditions. Documentation requirements will vary according to the nature of the transaction. After signing, NIB will publish information about the loan sum, maturity, a description of the client's project and mandate fulfilment.

## 5 LOAN DISBURSEMENT

The loan is disbursed in one or several tranches, as agreed with the borrower, upon fulfilment of the conditions precedent or specified in the loan agreement.

## 6 PROJECT MONITORING

NIB continuously follows the implementation of projects and performance of borrowers based on agreed reporting as well as regular contacts. Special monitoring is carried out for projects with potential environmental and social risks and impacts.

# HOW TO OBTAIN A LOAN FROM NIB

*The Nordic Investment Bank finances projects that improve competitiveness and the environment of the Nordic and Baltic countries. NIB complements commercial lending to help ensure sustainable growth. The Bank provides loans and guarantees based on sound banking principles.*

NIB finances only specific investment projects that fulfil the Bank's mission. To improve competitiveness of its member countries, the NIB-financed projects should support productivity growth for example through:

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

In terms of 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 has a sustainability policy and guidelines.

The Bank provides financing through direct loans for larger projects and through other financial institutions for SMEs and smaller projects.

Loans are made for a wide range of private and public sector projects, including:

- RGD projects and other corporate investments,
- SME financing,
- infrastructure,
- transportation and communication systems,
- energy generation, transmission and distribution,
- renewable energy systems,
- climate change mitigation and adaptation projects,
- other environmental projects in the Baltic Sea and Arctic regions.

NIB finances projects both in the member countries and in selected countries outside the Nordic-Baltic region.

NIB acquires the funds for its lending by borrowing on the international capital markets. With its strong ownership and highest possible credit rating, the Bank offers stability and reliability to global investors. NIB can therefore offer:

- competitive market-based loans,
- loans that normally range between EUR 10–100 million,
- maturities adapted to the needs of the projects, ranging from 5–10 years up to 30 years,
- grace periods, normally up to 3 years but occasionally also longer,
- loans in different currencies.


There is no standard application form for NIB financing. Please contact NIB for guidance on what information is required in the specific case.

Visit NIB's website at [nib.int](http://nib.int) for further information.



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[bit.ly/nib\\_29a](http://bit.ly/nib_29a)

## Amber Grid

Europos Sąjungos bendrai finansuojama  
Europos infrastruktūros tinklų priemonės

### NIB LOAN: Klaipeda–Kuršėnai gas transmission pipeline completed

The Lithuanian gas transmission system operator Amber Grid AB has completed the Klaipeda–Kuršėnai gas transmission pipeline, which increases the capacity to transport natural gas from the liquefied natural gas (LNG) terminal in Klaipeda to potential customers in the three Baltic countries.

When fully integrated into the gas transmission system, the LNG terminal will be able to meet over 80% of the natural gas demand in the Baltic region.

The project, totalling EUR 64 million, has been co-financed by the EU, as well as the Lithuanian and Latvian gas utilities. Amber Grid AB is the Lithuanian natural gas transmission system operator responsible for the transmission of natural gas to customers and the operation, maintenance and development of the natural gas transmission system.

NIB has provided a 15-year, EUR 32 million loan for the construction of the pipeline.

Photo: Amber Grid

From the left: Lithuania's Vice Minister of Energy Rokas Baliukovas, CEO of Amber Grid Saulius Bilyš, Lithuania's Prime Minister Algirdas Butkevičius, CEO of UAB Alvora Nikolai Kolesnik



[bit.ly/nib\\_29b](http://bit.ly/nib_29b)

### NIB LOAN: Klaipeda LNG terminal: Competition adds energy security

The liquid natural (LNG) gas terminal at the Port of Klaipeda brings competition to the Lithuanian gas market and increases the energy security of the whole Baltic region.

The LNG terminal consists of a 290-metre tanker, the Independence, which houses a factory for converting LNG into a burnable variety. The ship is permanently moored to a jetty with an 18-kilometre pipeline connection to the Lithuanian gas grid.

The terminal allows Lithuania to purchase gas on competitive gas markets and from a range of suppliers. The Lithuania's new offshore LNG terminal is expected to have an annual capacity of 1.5 BCM for its first 12 months of operation. The full capacity of almost 4 BCM will be achieved when all gas pipelines in the national grid and connections to Estonia and Latvia have been upgraded in the coming years.

NIB is co-financing the LNG terminal with a 20-year maturity loan of EUR 34.8 million.

Photo: Algirdas Kubaitis



# Applying sound banking principles

*“The decision to aim for Basel compliance creates obligations for NIB, but we are doing it to show our investors and our customers that we are in line with best practice”, says Björn Ordell, Vice-President, Head of Risk Finance and CFO at the Nordic Investment Bank since April 2015, speaking about NIB’s position in the era of new banking regulations.*

“The challenge is that NIB needs to be as good at risk management, accounting, reporting, ICT and other areas of banking as any commercial bank, but at the same time we need to fulfil our mission to improve competitiveness and the environment in the Nordic-Baltic region”, says Ordell in an interview with NIB Magazine.

## Why did you choose to become CFO at NIB?

“For me, the incentive lies in working for an organisation that is not only about making profits, but that tries to combine a sustainability mandate with sound banking principles.”

“NIB takes on a long-term role in society by financing a wide range of projects. The international aspect also sets the Bank apart. The organisation’s professional set-up and its people’s expertise allow NIB to achieve a global reach.”

## What are some of the tasks you are currently dealing with?

“In regards to risk management, we are adapting our processes to the new banking regulations. We are looking to be Basel III-compliant when it comes to calculating the regulatory capital and to building the risk organisation and governance structure of the Bank.”

“Within the accounting department, we are focusing on measuring long-term performance, and how to align our performance goals with the Bank’s overall strategy.”

## How will the new banking regulations affect the banking industry?

“I am sure that the banking sector will cope with the regulations. Tighter regulation will reduce the risk appetite for banks and they will be less willing to offer for long-term financing. As for NIB, being a non-regulated entity, it is of course challenging to implement the practices independently.”

## What are the challenges in staying relevant according to our mandate?

“In my view, we manage to be relevant and live up to our commitments well, but I think we could do even more. Our recently concluded strategy review provides a road map for that. NIB will develop and expand its lending to SMEs and mid-sized corporates in the region. The Bank will also be more flexible in its activities outside its member countries.. These activities bring us new avenues to growth and we have the capacity and expertise to do so.”

## Where do you see the additionality that is generated by NIB financing?

“It boils down to the fact that the Nordic-Baltic countries have their own IFI that supplements commercial lending. This in itself represents a real strength for the entire region.”

“NIB financing plays a crucial role for many environmental projects that may not have received long-term funding otherwise. Infrastructure and public service projects also profit from our loans.”

## What is your vision for NIB and the future?

“I would like NIB to be the benchmark for other IFI’s when it comes to efficiency and adopting good banking practice. The Bank is highly professional in this respect, and we are here to show that it is possible to combine the fulfilment of a mandate with sound banking principles.”

“Implementing the new banking regulations is one task. At the same time, it is essential for us to keep the focus on our customers and our mission in our member countries.” ▴



Photo: Marjo Koivumäki

“NIB financing plays a crucial role for many environmental projects that may not have received long-term funding otherwise.”

**Björn Ordell,**  
Vice-President, Head of Risk Finance and CFO

# APPOINTMENTS AT NIB

## NEW STAFF



**Björn Ordell [SE]** has been appointed Chief Financial Officer, Vice-President and Head of Risk & Finance. He is a member of the Executive Committee and is responsible for NIB's functions within Risk & Finance, including risk management, financial administration and accounting. Mr Ordell has previously acted as CFO and Vice President at Landshypotek Bank in Stockholm.



**Patrik Marckert [SE]** has been appointed Senior Manager in the Origination unit [Energy & Environment team] within the Lending department. Prior to NIB, Patrik has worked as a consultant in the energy and environment sectors in Sweden and Chile.



**Niels Møller [DK]** has been appointed Senior Director, Head of Asset Liability Management in the Treasury department. During his career, Mr Møller has worked for the Danish pension fund ATP, Danske Capital, Danske Bank and Nordea.



**Hanne Avea [FI]** has been appointed Senior Data Architect in the Business Intelligence unit of the Business Intelligence & Administration department. Her former employment was as Senior Architect at SAS Institute.



### NIB AT FOLKEMØDET:

## Green bonds contribute to climate friendly investments

In June 2015, NIB arranged a panel debate discussing how capital markets can contribute to sustainable, green economies. The debate was part of Denmark's "People Meeting", or Folkemødet, and was arranged in cooperation with the Nordic Council and the Nordic Council of Ministers in the town of Allinge on the Danish island of Bornholm.

From left Lars Eibeholm, Head of Treasury, NIB, Jens-Christian Stougaard, Director - SRI, PensionDanmark, Connie Hedegaard, Chair, KR Foundation, former European Commissioner for Climate Action, Peter Damgaard Jensen, CEO, PKA, Gitte Seeberg, Secretary General, Danish branch of WWF, Henrik Normann, President & CEO, NIB, and journalist Lene Johansen acted as moderator.

Photo: Mette Højberg

## THIS IS **NIB**

NIB's vision is a prosperous and sustainable Nordic-Baltic region. We do this by financing projects that improve the competitiveness and environment of our member countries. That is how we live up to our promise of financing the future.

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