



NORDIC  
INVESTMENT  
BANK

FINANCING  
THE  
FUTURE

An abstract geometric design composed of several overlapping triangles in various shades of blue, green, and beige, creating a dynamic, layered effect.

# ANNUAL REPORT 2013

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## NIB in 2013



“We always look at the big picture, integrating macro-financial views into credit risk assessments.”

**Pascal Gauthier,**

Director, Head of Bank, Country & Municipality Analysis

### Related links

[Member countries](#)

[Rating](#)

### Highlights 2013

Loans signed totalled EUR 1,810 million

NIB raised EUR 4.1 billion in new funding

NIB's profit amounted to EUR 217 million

### Prospects 2014

Demand for new loans expected to improve

Increased relevance of NIB's flexible long-term lending

NIB continues to focus on building and protecting capital rather than extending new credit

## Key figures

(in EUR million unless otherwise specified)	2013	2012
Net interest income	244	252
Profit/loss	217	209
Loans disbursed	1,922	2,355
Loans agreed	1,810	2,366
Loans outstanding	14,667	15,131
Guarantee commitments	-	-
New debt issues	4,080	4,355
Debts evidenced by certificates	18,421	20,332
Total assets	23,490	25,983
Equity/total assets [%]	12.1	10.3
Profit/average equity [%]	7.9	8.1
Number of employees (average during year)	183	180

## President's review

Our job at NIB is to finance projects that improve the competitiveness and environment of the Nordic-Baltic region.

In 2013, we did that by issuing long-term loans to projects such as public transport, energy infrastructure, research and development. We have also financed wastewater treatment plants on the shores of the Baltic Sea and projects related to efficient and renewable energy sources.

You can read about all this and other loan projects on our website at [www.nib.int](http://www.nib.int). Here you'll also find information on how to obtain a loan from the Nordic Investment Bank.

In 2013, we signed 43 new loans and paid out 1.9 billion euros. Half of these loans were signed with new customers. Our slightly smaller lending volume mirrors the weaker economic activity in our region.

Despite this, we strengthened the Bank's capital by increasing our profit to 217 million euros. This is one of the Bank's best results.

We experienced a pick-up in demand for new loans at the end of the year. If this continues, we have the capital strength to support the many vital projects waiting to get financed.

Because this is what we do: We lend to support a prosperous and sustainable Nordic-Baltic region!

### Henrik Normann

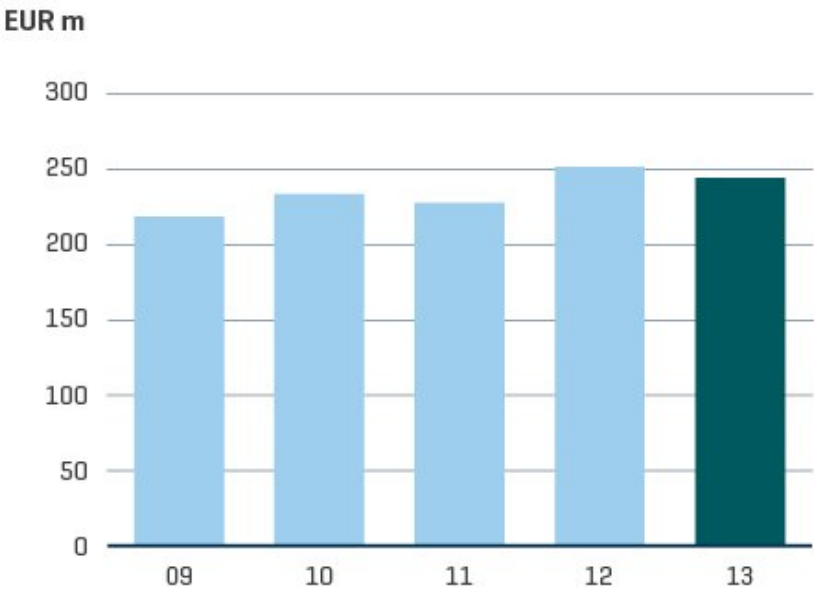
President and CEO

# Five-year comparison

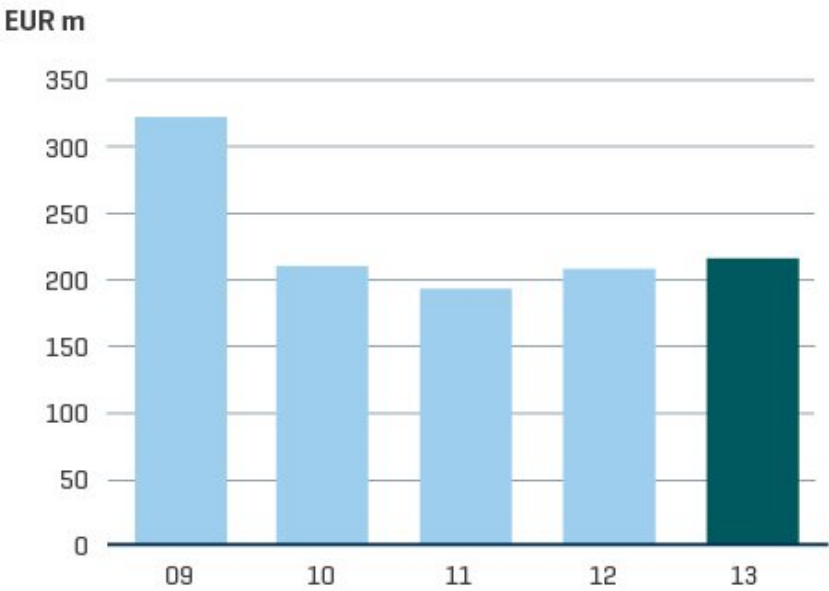
AMOUNTS IN EUR MILLION	2013	2012	2011	2010	2009
<b>STATEMENT OF COMPREHENSIVE INCOME</b>					
Net interest income	244	252	228	234	219
Commission income and expense etc.	10	17	19	20	9
General administrative expenses, depreciation and write-downs	-39	-38	-37	-36	-36
Realised and unrealised gains/losses of financial assets held at fair value	15	36	9	27	137
Impairment of loans and bonds held at amortised cost	-15	-56	-24	-38	-43
Adjustment to hedge accounting	2	-1	-2	5	38
<b>Profit/loss for the year</b>	<b>217</b>	<b>209</b>	<b>194</b>	<b>211</b>	<b>324</b>
<b>STATEMENT OF FINANCIAL POSITION</b>					
<b>Assets</b>					
Cash and cash equivalents, placements and debt securities	7,131	8,092	6,788	7,957	6,738
Loans outstanding	14,667	15,131	14,153	13,771	13,763
Intangible and tangible assets	35	34	35	37	40
Accrued interest and other assets	1,657	2,726	2,826	3,133	1,883
<b>Total assets</b>	<b>23,490</b>	<b>25,983</b>	<b>23,802</b>	<b>24,898</b>	<b>22,423</b>
<b>Liabilities and equity</b>					
Amounts owed to credit institutions	372	1,609	1,597	1,275	653
Debts evidenced by certificates	18,421	20,332	18,433	19,944	17,998
Accrued interest and other liabilities	1,866	1,377	1,315	1,417	1,722
Paid-in capital	419	419	419	419	419
Statutory Reserve	686	686	684	683	671
Credit risk funds	1,509	1,352	1,158	947	623
Payments to the Bank's Statutory Reserve and credit risk funds, receivable	-	-	3	5	18
Other value adjustments	-	-	-	-3	-3
Profit/loss for the year	217	209	194	211	324
<b>Total liabilities and equity</b>	<b>23,490</b>	<b>25,983</b>	<b>23,802</b>	<b>24,898</b>	<b>22,423</b>
<b>ACTIVITIES</b>					
Disbursements of loans	1,922	2,355	1,946	1,274	1,954
Guarantees issued	-	-	-	-	-
Loans outstanding at year-end	14,667	15,131	14,153	13,771	13,763
Guarantee commitments at year-end	-	-	4	8	12
New debt issues (including capitalisations)	4,080	4,355	2,887	4,120	4,137
Number of employees (average during year)	183	180	175	173	173

# Graphs 2009–2013

## Net interest income

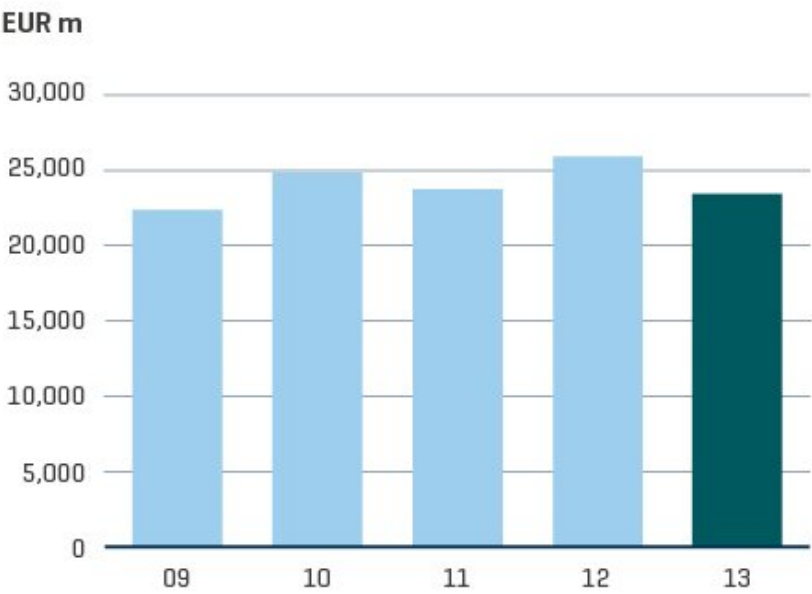


## Profit/loss

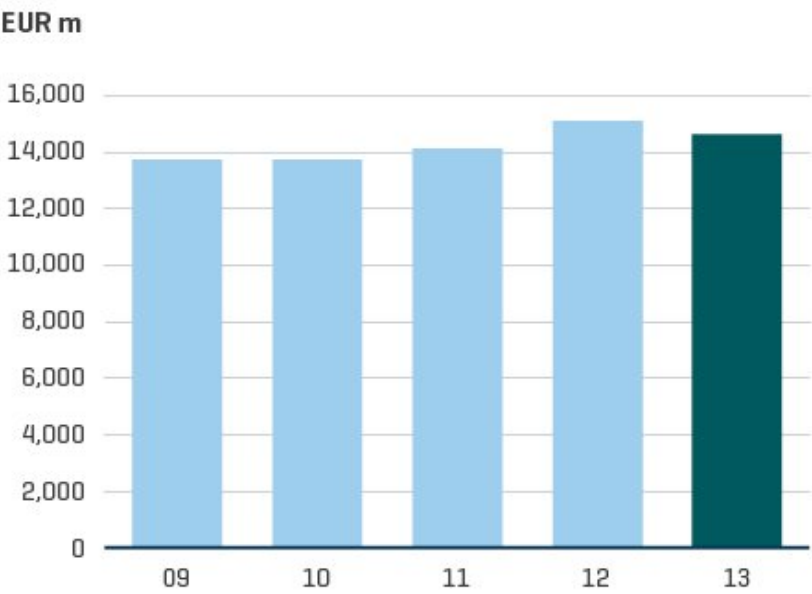




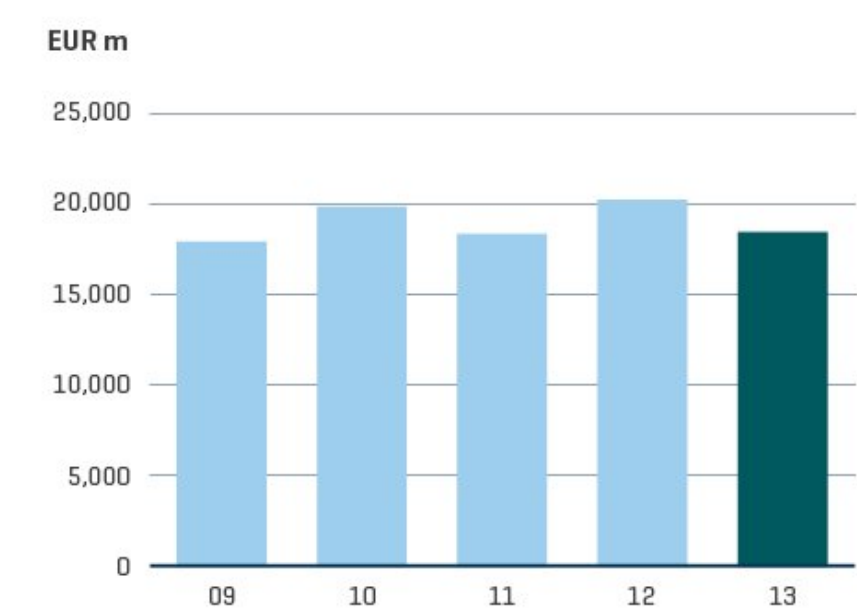
# Total assets



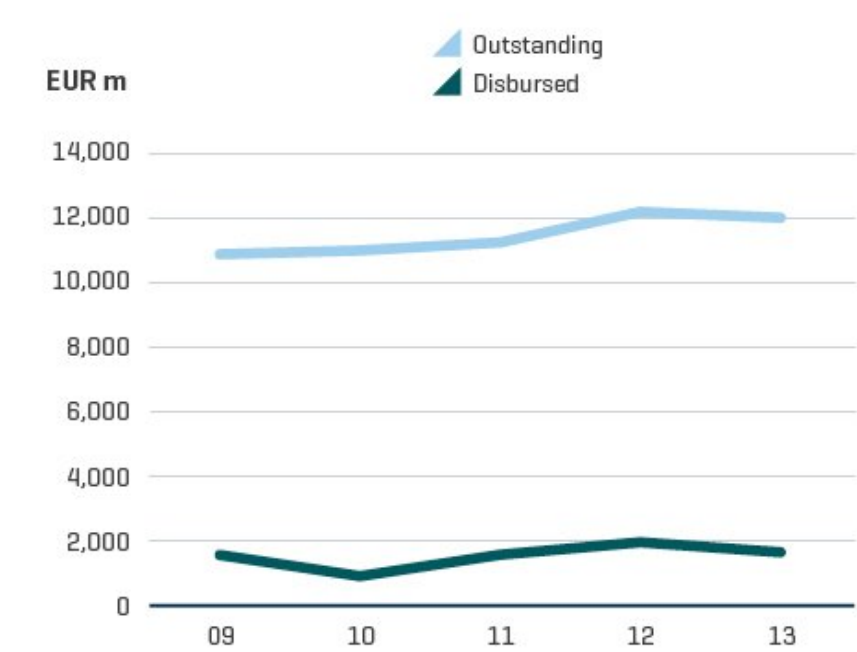
# Loans outstanding



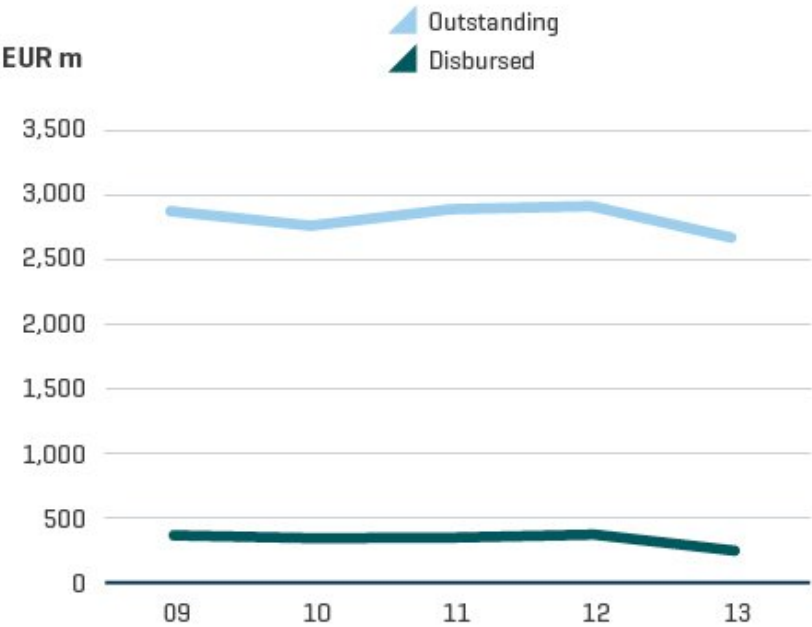
# Borrowings outstanding



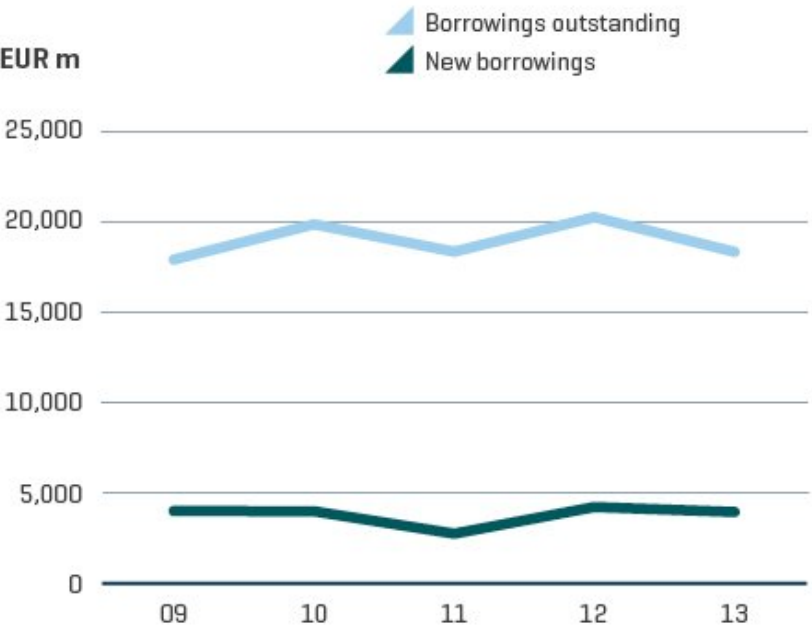
# Loans in member countries



# Loans in non-member countries



# Borrowings



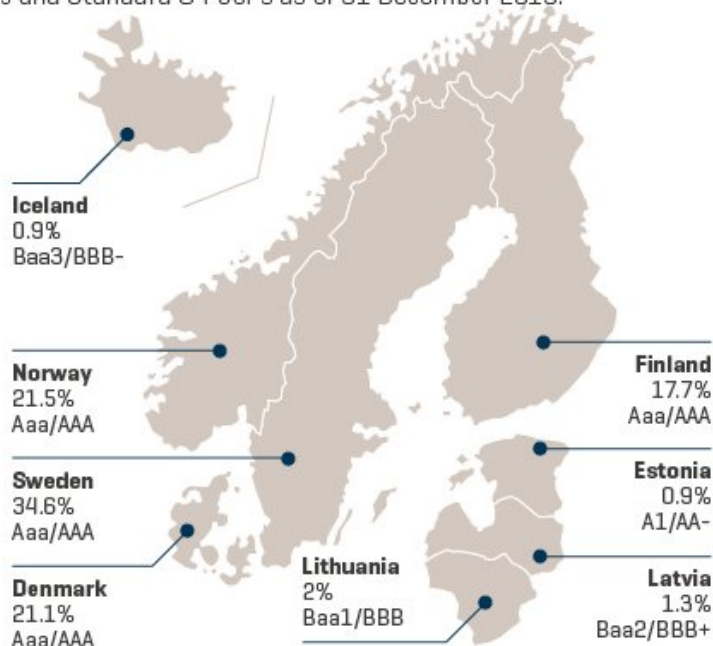
# Capital structure

NIB's authorised capital was EUR 6,141.9 million as of 31 December 2013. 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 its 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.

## Member countries

Share of authorised capital and ratings by credit agencies  
Moody's and Standard & Poor's as of 31 December 2013.



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 2013 in accordance with the proposal made by the Board of Directors, the ordinary lending ceiling amounts to EUR 20,258 million.

In addition to ordinary lending, NIB has two special lending facilities. The Project Investment Loan facility (PIL) amounts to EUR 4,000 million. The member countries guarantee 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.

The second special facility, the Environmental Investment Loan facility (MIL), amounts to EUR 300 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

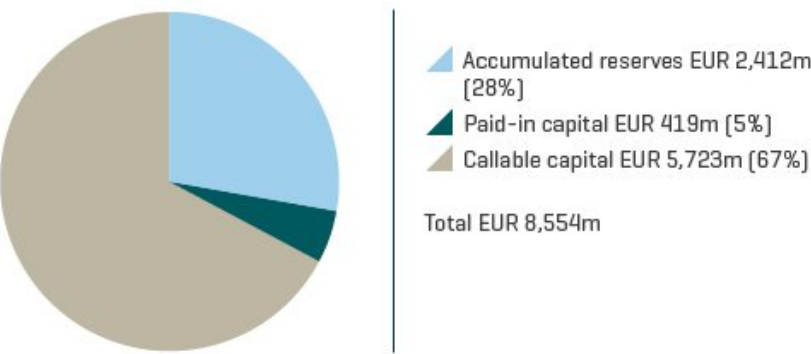
and distribution.

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 A1+/P-1, respectively, for short-term obligations. The Bank’s AAA/Aaa issuer credit was affirmed with stable outlook by S&P on 5 December 2013, and by Moody’s on 28 June 2013.

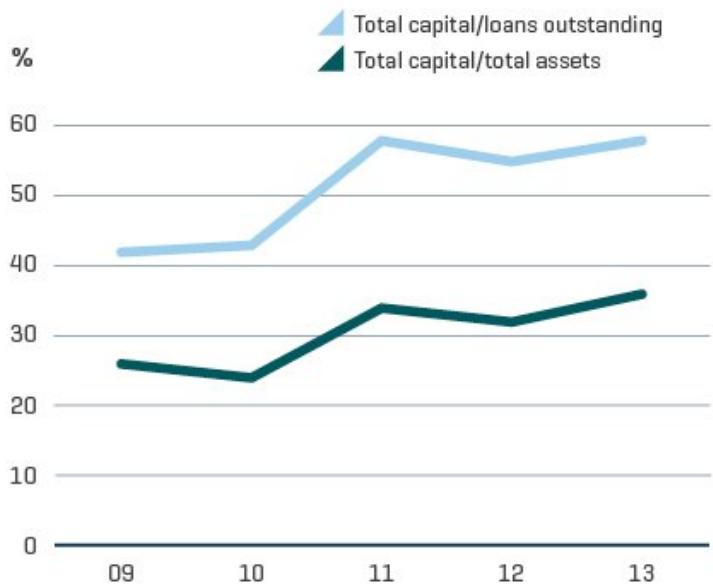
NIB obtained the highest possible credit rating in 1982. Since then, the Bank has maintained this credit rating without interruption.

Capital base

%, on 31 Dec 2013



Capital ratios



# Economic landscape

- The economic recovery continued in developed markets in 2013.
- While substantial challenges and uncertainty remain in the global economy, risk to the growth outlook appear more balanced than earlier.
- Increased focus on cyclical and structural challenges in emerging markets.
- Varying economic outcomes within the Nordic-Baltic region highlight some diverging trends.

The global economy continued its long post-crisis transition in 2013. The largest advanced economies gradually strengthened and economic growth is expected to pick up in 2014 to nearly 4% globally, 3% in the U.S., 2% in the U.K. and to turn positive at around 1% in the euro area.

On the flip side, 2013 saw a substantial slowdown in emerging markets. Economic growth in China and India was about two percentage points lower than their respective 2008–2012 average, and real GDP in Brazil advanced by 2–3%. More of the same is expected in 2014 for these major emerging economies.

Of most relevance for the NIB region, the Russian economy has slowed substantially from an already weak 3.5% growth rate in 2012 to less than 1% in 2013. Furthermore, the current symptoms of stagflation in Russia are more likely structural than cyclical. This is expected to limit Finland's trade growth opportunities in particular.

In this mixed global environment and following a sub-par performance in 2012, overall economic growth in the Nordic-Baltic region remained weak in 2013. Only a few of the region's smaller economies, namely Latvia, Lithuania and Iceland, grew by more than 2%. At the lower end, Finland's economy contracted by over 1%.

While positive, growth at 1% barely improved in Sweden and the previously stellar Norwegian economy slowed to less than 2%. Denmark bucked the trend somewhat, but the pickup remains modest, under 0.5%, from a weak starting point.

Concurrent with overall economic activity, real investment in the region grew only modestly in 2013 and remains below 2008 levels. In financial markets, the anticipation and early phase of monetary policy tapering in the U.S. pushed long-term government bond yields higher. Corporate bond spreads in Northern Europe generally tightened, while short- to medium-term bank lending was generally available.

Reflecting the generally improved outlook in major advanced economies for 2014, economic growth is expected to improve to about 2.5% in Sweden, Norway, and Iceland, 1.5% in Denmark and 1.0% in Finland. The Baltic economies should advance by roughly 3% in Estonia and 4% in Latvia and Lithuania.

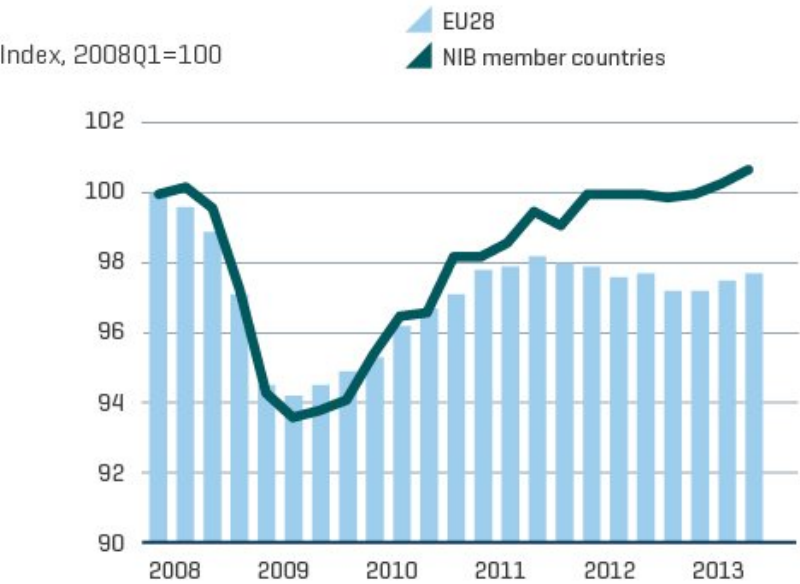
While the slowdown in economic activity and weak investment climate weighed on NIB's lending for most of the year, activity picked up towards year-end. This suggests somewhat healthier demand heading into 2014, and is consistent with underlying macroeconomic data.

Substantial headwinds and downside risks remain, which are likely to prevent activity from picking up more substantially. Yet risks to the economic and investment outlook appear more balanced—rather than solely skewed to the downside—than in the last three years. Nonetheless, banks will focus on building and protecting capital rather than extending new credit. Credit demand from corporates is likely to remain subdued as modest growth in demand for end products and services can mostly be met with higher capacity utilisation, limiting the need to invest in new capacity.

These developments continue to highlight NIB’s value in flexible long-term lending. While the base case forecast calls for continued modest economic growth in the region, this will not by itself alleviate risks and long-term pressures. Unemployment rates are unlikely to drop substantially and cost competitiveness continues to erode.

With NIB playing its part as a long-term financing partner to improve the competitiveness and environment of the region, decisive policy direction is needed to ensure sustainably higher incomes for the next generation.

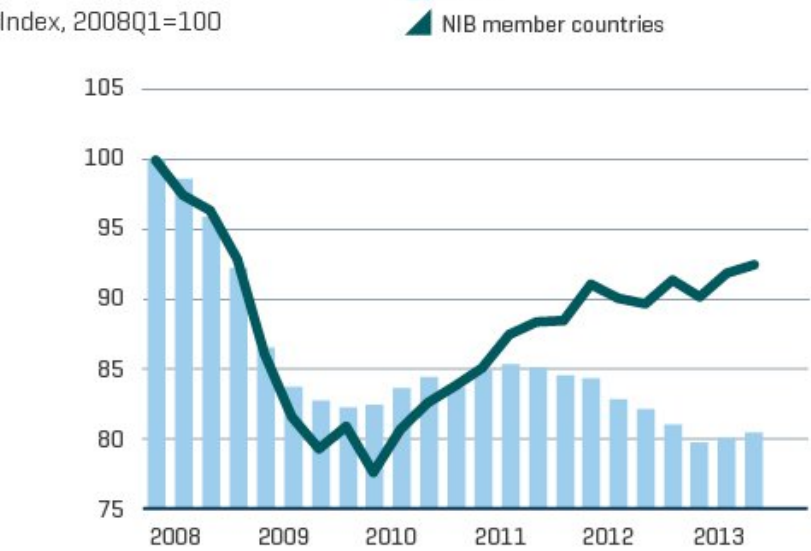
Real GDP



Source: Eurostat

Real investments

Gross fixed capital formation



Source: Eurostat

## Our impact



“NIB is closely monitoring the effects of post-crisis regulations and is ready to change its procedures, if need be.”

**Pernelle de Klauman,**  
Deputy Chief Counsel, Legal Support

### Related links

[NIB and the environment](#)

[Effects of NIB's lending](#)

### Highlights 2013

Highest mission fulfilment ever

NIB estimates it contributed to a reduction of 370,000 tonnes of carbon dioxide emissions via projects financed during the year

NIB helped reduce approximately ten tonnes of phosphorous discharges into the Baltic Sea

NIB helped reduce about 80 tonnes of nitrogen discharges into the Baltic Sea

### Prospects 2014

Maintain the Bank's mission fulfilment at a high level

NIB is committed to act as a good corporate citizen and is constantly seeking to improve its internal operations





## Mission fulfilment

NIB's mission is to finance projects that improve competitiveness and the environment of the Nordic and Baltic countries. The Bank finances up to half of total investment costs, and therefore complements other financing sources with its long-term maturities.

NIB only finances specific projects that fulfil its mission. In financing, NIB aims to implement best practices according to environmental, social and governance standards.

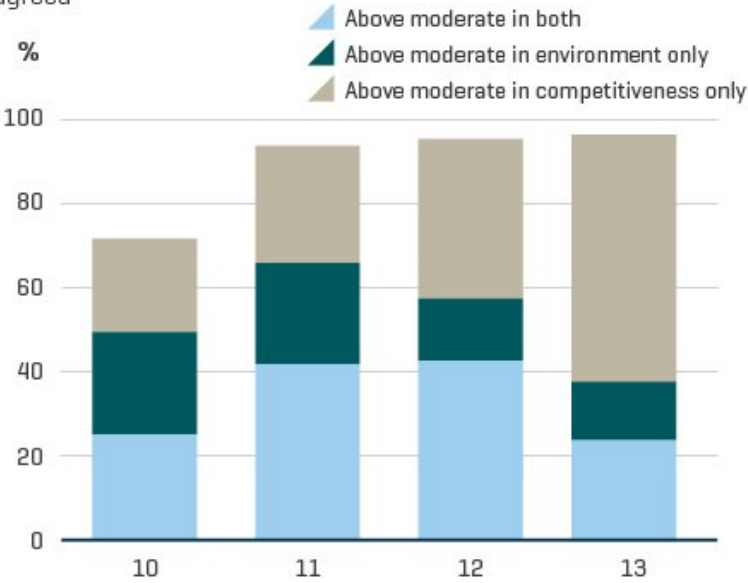
NIB reviews all projects for non-financial performance, including economic and technical aspects, as well as conducting thorough assessments of environmental, social and governance performance.

In 2013, NIB signed 43 new loan agreements.

NIB rates all its loan projects according to the degree to which they comply with its mission. For 2013, the share of agreed loans reaching NIB's internal mission fulfilment rating of good or excellent stood at an all-time high of 98%.

# Mandate rating

Loans agreed



## Improving competitiveness

Financing projects that boost productivity in member area companies is the most direct way for NIB to strengthen the economic competitiveness of its Nordic–Baltic member area. The Nordic and Baltic countries typically rank well on international competitiveness indices. These indices rank countries on the basis of existing institutions, policies and factors that determine the level of productivity.

To improve well-being in societies of aging populations amid slow growth in the global economy, countries must continuously seek new ways to improve and strengthen productivity. Naturally, the first question NIB asks its customers concerns the extent to which their planned projects will contribute to improving efficiency and productivity.

The framework used for assessing the competitiveness impact considers drivers of productivity growth both at the company level and on a broader scale. The drivers are well known from economic studies and history:

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

The framework used for assessing the projects financed by NIB uses this knowledge to evaluate the extents to which NIB-financed projects support productivity growth.

In 2013, the Bank financed a considerable number of infrastructure projects in energy, transport, healthcare and education.

In June, NIB signed a loan agreement with national railway operator AB Lietuvos Gelezinkeliai in Lithuania to finance investments in the country's railway infrastructure. The investments include a segment of the planned Rail Baltica link between Tallinn and Warsaw. The project's main benefits are expected to be higher speed, larger capacity of the infrastructure and improved safety and reliability. These benefits are expected to greatly reduce transportation costs and improve market efficiency across sectors in the Baltic region.

NIB also financed significant projects related to innovation, technology and research and development, productivity-enhancing investments in machinery, equipment and information and technology solutions for manufacturers and service providers in 2013.

In December, NIB signed a loan with Arla Foods Finance A/S to finance technology and research and development related to dairy products at its innovation centre in Aarhus, Denmark.

A number of loan programmes were also extended to financial intermediaries to strengthen the potential of smaller businesses to invest and expand their economic activities.

In September, NIB signed a loan with Sparbanken Nord to facilitate access for small and medium-sized enterprises [SMEs] to credit when investing in tangible capital such as machinery, equipment and information and communications technology, and research and development.

Given that SMEs are responsible for a considerable share of aggregate output and employment in NIB's member country area, improved access to financing may facilitate investments that increase productivity, competition and efficiency in the market. These programmes will continue to be an important way for NIB to support the growth of companies that account for most of the jobs and value added in NIB's member countries.



## Enhancing the environment

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 manage environmental loans.

When assessing the environmental benefits of NIB-financed projects, the analyses focus on:

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

Resource efficiency is a key factor in dealing with climate change. To increase resource efficiency we need technological improvements, a significant transition in energy, industrial, agricultural and transport systems, and more conscious producers and consumers.

In 2013, NIB's loan portfolio included several projects increasing the resource efficiency of transport systems. One of these was a loan agreement signed with Transitio AB in October to finance new rolling stock for the counties of Värmland and Västerbotten in Sweden. This type of project increases the utilization of public railway transportation, which uses less energy and produces less emissions per person-kilometre compared to road and air transport.

Many of NIB's environmental investments in 2013 supported a transition to a more low-carbon economy. The majority of NIB's financing was directed at reducing greenhouse gas emissions by investing in renewable energy generation or improving energy efficiency.

One of these is hydropower, which is one of the most sustainable ways of generating electricity. The most cost-effective way to increase hydropower capacity is to increase the efficiency of existing plants through technical

improvements.

In 2013, NIB was involved in eight hydropower projects aimed at increasing efficiency by upgrading existing plants. Examples of these are the loans NIB signed with the Finnish hydroelectric company Kemijoki Oy in January, and with the Norwegian energy company Agder Energi AS in September.

Biodiversity loss is an enormous challenge in the EU, with around one in four species currently threatened with extinction. NIB aims to protect the environment and its ecosystems.

In 2013, NIB financed an upgrade of Finland's largest wastewater treatment plant, serving the approximately 800,000 inhabitants of the capital, Helsinki. This will improve the wastewater plant's adaptation to climate change, test a new technology for nitrogen removal and result in reduced discharges into the Baltic Sea, thus improving the marine habitat in the coastal area around Helsinki.

In order to reach the target of a low-carbon economy, there is obviously a need to support the further development of clean technology. It is therefore crucial to finance R&D to improve the environmental performance of industry and making it contribute to sustainable development.

The International Energy Agency estimates that clean technologies and best practices could reduce current primary energy use by global industry by 18–26%.

In 2013, NIB financed six research and development projects within the member countries' industries.

## Greenhouse gases

A majority of NIB's projects emit greenhouse gases (GHGs) into the atmosphere. This takes place either directly, e.g. via fuel combustion or production process emissions, or indirectly through purchased electricity and heat. NIB prorates these emissions according to its share of the financing in order to avoid double-accounting with other co-financiers.

As an IFI, NIB works with the IFIs' Working Group on GHG Accounting to harmonise reporting on the carbon footprint of mitigation projects.

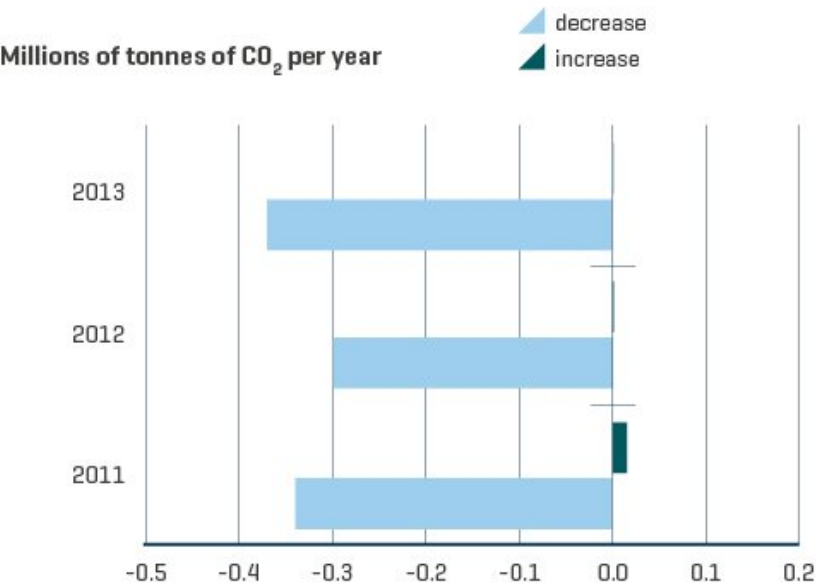
NIB estimates it contributed to an annual reduction of 370,000 tonnes of carbon dioxide emissions via projects financed in 2013.

What contributed most to NIB's share in reducing GHG in 2013 was the Bank's financing of renewable energy projects such as wind power, bioenergy and upgrading existing hydropower. Together, they contributed to an increase in the generation of electricity of 1,400 GWh. For comparison, that would correspond to about 4% of Finland's annual generation of electricity.

NIB also financed three projects in 2013 that will lead to reduced discharges into the Baltic Sea. A loan to the Helsinki Region Environmental Services Authority in March reduced discharges of nitrogen into the Baltic Sea by approximately 80 tonnes in 2013. This is equivalent to the untreated sewage from about 20,000 persons during one year. The project also helped reduce the release of some ten tonnes of phosphorous in 2013.

The chart below summarise the climatological impacts of the Bank’s financing.

CO<sub>2</sub>\* impact of NIB’s financing



\*CO<sub>2</sub> is CO<sub>2</sub> equivalents.

## Sustainability management

NIB's vision is a prosperous and sustainable Nordic–Baltic region. To achieve this, the Bank provides long-term loans to projects that improve the competitiveness and the environment of our region.

NIB issues bonds on international financial markets. The Bank is also entrusted with public funds from its Nordic and Baltic owner countries. This requires trust and confidence from our stakeholders. As an IFI, NIB therefore emphasises the importance of maintaining the highest standards in managing its sustainability.

Our work on managing sustainability is led by the Bank's Chief Compliance Officer (CCO) and the Head of Sustainability and Mandate. They cooperate with the Bank's Communications Unit to develop the sustainability reporting.

The Bank has a Sustainability policy and guidelines that cover both the environmental and social dimensions of sustainable development. By strictly adhering to this policy, NIB seeks to improve the predictability, transparency and accountability of its actions.

NIB can reject a proposed loan project due to non-compliance with this policy. NIB also applies an exclusion list of activities not eligible for financing. This list is part of the Sustainability Policy. The CCO handles complaints of non-compliance with the policy.

### Economic aspect

NIB operates according to sound banking principles. The Bank can finance up to 50% of total project costs, and complements other financing sources through long-term lending.

NIB needs to be financially strong in order to fulfil its mission efficiently. We therefore aim to earn a sufficient amount of return from our business operations and at the same time guarantee our owners a reasonable return on capital.

### Environmental aspect

NIB aims to achieve improved sustainability in all its business areas. We achieve this through promoting projects with direct or indirect environmental benefits, and with a high environmental performance.

The Bank assesses the environmental and social impacts of all loan applications for consistency with the Bank's Sustainability Policy and Guidelines. However, we recognise that adverse environmental and social impacts cannot be avoided in all projects but must be appropriately reduced, mitigated or compensated for.

The Bank also works to reduce its own environmental footprint.

### Social aspect

NIB considers respect for workers' rights and freedom of association as essential elements of good business practice. The Bank does not accept discrimination based on gender, race, nationality, ethnic origin, religion, disability, age or sexual orientation.

The Bank also requires its clients to comply with international standards for the employment of minors. NIB does



not accept the use of forced or child labour. Sound management of health and safety issues among workers is essential for both their livelihood and the productivity and efficiency of businesses.

## Ethical aspect

NIB's actions are guided by a high level of integrity, transparency and accountability. These principles are part of NIB's mission, policies and procedures. They are intended to help protect the society, the environment, the Bank and the projects it finances from fraud, corruption and other negative impacts.

The Bank has adopted a zero tolerance towards corruption and misconduct. The staff and members of the Board of Directors and the Control Committee adhere to codes of conduct which describe what is expected of them with respect to ethical behaviour.

The Bank has also adopted strict insider rules limiting the possibility of staff members to trade in financial instruments issued by the Bank and cooperating partners.



## Our environmental footprint

NIB is committed to acting as a good corporate citizen and constantly seeks to improve its internal operations. The Bank continuously works to improve its environmental management system.

NIB is part of WWF's Green Office Network. The network helps NIB to reduce its ecological footprint in a cost effective way. The initiative also motivates our staff to act in an environmentally friendly way with regard to everyday tasks. WWF audited the Bank in 2013 and extended our Green Office certificate until 2016.

An external energy audit of the Bank's office premises in 2013 identified the potential for the bank to save energy equivalent to offsetting close to 300 tonnes of CO<sub>2</sub> emissions annually. NIB had achieved 7% of these energy savings by the end of 2013. The bank will continue to implement measures to achieve further reductions.

The bank purchases the electricity needed for its premises from clean and renewable energy sources. Its origin is guaranteed by the European Energy Certificate System [EECS].

NIB also buys cleaning and recycling services certified by the official Nordic Eco-label, the Swan, introduced by the Nordic Council of Ministers.

In order to encourage the use of public transport among the NIB personnel the Bank offers commuter benefit coupons. Some 152 employees signed out the coupons in 2013 compared to 132 in the preceding year.

Appropriate waste management and waste handling procedures are in place and sorting of different main waste types is conducted. The main types of waste generated at the bank are: energy, mixed, bio-, cardboard, metal, glass and hazardous waste including electronic waste and ink cartridges. The waste fractions are recycled.

## NIB's environmental footprint

	2011	2012	2013	change from previous year %
Electricity [MWh]	1,558	1,486	1,459	-2%
District heating [MWh]	1,660	1,784	1,499	-16%
District cooling [MWh]	435	357	429	20%
Energy total [MWh]	3,653	3,627	3,387	-7%
Water [m3]	2,700	3,101	2,754	-11%
Paper [tonnes]	9	9	10	11%
Business travel, air [million km]	5.2	4.9	5.1	4%
Business travel, CO2 [tonnes]	651	632	645	2%
Paper recycled [tonnes]	13	16	16	0%
Other waste [tonnes]	19	14	18	29%
Commuter benefit coupons (signed for in number of persons)	...	132	152	15%

## Our stakeholders

NIB maintains an open dialogue with all interested parties. Our stakeholders are customers, investors, financing partners, the Nordic–Baltic owner countries as well as our staff. Other significant stakeholders are non-governmental organisations, the media and the general public.

NIB's Disclosure Policy safeguards public access to information about the Bank. NIB's guiding principles for external communication are outlined in our Communication Policy, which also defines key target groups and communication tools. The main part of NIB's legal framework and policy documents are published at [www.nib.int](http://www.nib.int).

NIB discloses information on individual loans once the loan agreement has been signed. The Bank publishes the name of the borrower, loan sum, maturity and a description of the project and how it complies with NIB's mandate.

Projects with potentially extensive environmental impacts are published as category A projects on <http://www.nib.int/> for 30 days. Comments received during the public disclosure are taken into consideration in the project appraisal. In 2013, NIB published two category A projects.

The Bank strives to develop and expand its sustainability reporting. NIB reports on topics and indicators from the Global Reporting Initiative [GRI] Reporting Framework that reflects the Bank's main economic, environmental and social impacts.

### Customers

*NIB's customers are usually private and public companies and the public sector, both in NIB's member countries and in selected non-member countries.*

NIB actively seeks to find new customers and to maintain close relationships with existing ones. In 2013, NIB interacted with current and potential customers at regular bilateral meetings, conferences, exhibitions and via web-based communication tools such as newsletters.

### Investors

*NIB's investors are typically central banks, commercial banks, pension and insurance funds, asset managers and government entities around the world.*

NIB also allocated a lot of resources to investor relations activities in 2013. NIB's representatives met with a substantial number of investors, banks and other stakeholders to update them on developments at the Bank. The meetings were bilateral, held during seminars, conferences and via web-based communication.

### Financing partners

*Other international financial institutions, as well as public and private sector lenders, regularly serve as NIB's financing partners.*

NIB considers other international financial institutions to be very important stakeholders. In addition to regular gatherings between chief officials of different activities, NIB works closely on several institutional initiatives,

programmes and transactions to safeguard a harmonised approach to the market and to meet the expectations of our respective member countries.

### Owners

*NIB is owned by Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden.*

NIB participated in events in many of the member countries and the Bank's governing bodies met regularly. The Board of Governors, composed of one governor from each member country, held its annual meeting on 30 April 2013. The Board of Directors, which consists of eight directors and eight alternates, held eight ordinary meetings during 2013.

### Environment and society

*Non-governmental organisations, the media and the general public.*

The media is an important intermediary in reaching other stakeholder groups. During 2013, NIB responded to various enquiries from the media and non-governmental organisations.

### Staff

*NIB has its headquarters in Helsinki, Finland, and employed 185 staff at the end of 2013.*

Committed and well-informed staff are essential to achieving the Bank's goals. NIB's main channel for internal communication is its intranet, along with monthly staff meetings, in-house training and induction for new employees. The Bank's internal communication, particularly between the management and the staff, is constantly being developed.

## Clarifying NIB's role

NIB conducted a process to discuss and clarify its mission, strategy and values during 2013. The Bank also developed guidelines for a consistent and unique visual style. The results were approved by the Board of Directors in October, 2013. Here you can read about what came out of the process:

### Vision

Our vision is a prosperous and sustainable Nordic-Baltic region.

### Mission

Our mission is to finance projects that improve the competitiveness and environment of the Nordic and Baltic countries.

### Tagline

Every organisation needs to have a common understanding of its purpose and goals. The process to clarify our reasons for being involved all the staff and were in many ways just as important as our new tagline: Financing the future.

### Strategy

Our strategy is based on NIB's role as an IFI of the Nordic and Baltic countries. We emphasise long-term lending because this is what our customers perceive as NIB's most important strength. We also consider our environmental reviewing as a quality stamp. Another choice was to express NIB's business in terms of project characteristics instead of business areas.

Concerning our funding activity, we also highlight our strong ownership and the highest possible credit rating as these are the cornerstones for the stability and reliability which we offer to global investors.

### Values

NIB's shared values were also reformulated in concert with the staff to better describe the ideal NIB employee in a down-to-earth way. These are: Competence, Commitment and Co-operation.

### Visual guidelines

We also asked ourselves what visual language would best communicate the mission and strategy of this Nordic-Baltic IFI. With the help of an external branding consultant, NIB found an answer that suits the organisation well. The new design is minimalistic with cool and bright Nordic colours. The defined visual identity will add graphical consistency to NIB's external profile.

## Integrity

NIB promotes a high level of integrity and high ethical standards among its staff and other stakeholders. To maintain these standards, the Bank has adopted a zero tolerance attitude towards fraud and corruption in its internal and external operations.

To safeguard the Bank from integrity and reputational risks, the Bank has established a Compliance function headed by the Chief Compliance Officer (CCO) and one professional member of staff. The Compliance function is independent from 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 has 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. The Bank has developed a set of rules of procedures for fighting fraud and corruption. NIB has also endorsed the Uniform Framework for Preventing and Combating Fraud and Corruption that was agreed upon by the major IFIs in 2006.

In terms of prevention, the Bank puts particular emphasis on knowing its customers and to avoid becoming involved in money laundering, terrorist financing and tax evasion for which the Bank has established integrity due diligence (IDD).

For the purpose of investigating allegations of fraud, corruption and misconduct, the Bank has established the Committee on Fighting Corruption, which 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 2013, the Committee on Fighting Corruption has investigated two cases of corruption related to projects financed in two non-member countries of the Bank. One external case was concluded in 2013, with the outcome that the client involved took measures to avoid corruption in its future operations.

The Bank also follows up on investigations and action taken by national prosecutors related to NIB clients. The Compliance function 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.

In March 2013, the Compliance function of NIB organized a training event for operational staff on integrity due diligence to improve skills in detecting and analysing integrity risks.

To mark the International Anti-Corruption Day, NIB organised a fraud and corruption awareness session on 9 December 2013 in collaboration with the Nordic Development Fund (NDF) and Nordic Environment Financing Corporation (NEFCO).

## Codes of conduct

In order to ensure high ethical standards, the Bank has prepared separate codes of conduct for its staff and key governing bodies:

- Code of Conduct for the Staff
- Code of Conduct for the Board of Directors and the President
- Code of Conduct for the Control Committee

The codes require responsible behaviour in all aspects of NIB's operations. This includes preventing conflicts of interest, limiting the use of insider information and the handling of confidential information.

The codes also regulate what NIB considers to be acceptable concerning receiving and offering gifts, as well as hospitality representation.

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 the Staff sets specific limitations on employees' possibility to trade in financial instruments. The Code also requires all staff to report any allegation or suspicion of fraud and corruption to the CCO of NIB.

The CCO trains new staff and provides regular information sessions on the codes of conduct and rules of procedures for fighting corruption.

In March 2013, the Bank organised a half-day ethical training event with the assistance of an external trainer.



# Global Reporting Initiative indicators

NIB's Annual report 2013 has been prepared according to the Global Reporting Initiative (GRI), the most widely used sustainability reporting framework. NIB declares itself that the report fulfils the GRI requirement of Application Level C.

Our strategy and everyday work is all about sustainability: NIB has a mandate to finance projects that improve the competitiveness and environment of the Nordic and Baltic countries.

In this report, we focus on the indicators relevant to our business in order to provide our stakeholders a comprehensive understanding of the Bank's role as an international financial institution.

The limits of this report are defined by our stakeholders' views on the most important issues for NIB and its operations.

Profile		
Vision & strategy		
1.1	Statement from the most senior decision maker in the organisation about the relevance of sustainability to the organisation and its strategy	<a href="#">President's review</a>
1.2	Description of key impacts, risks and opportunities	<a href="#">Mission fulfilment</a> <a href="#">Sustainability management</a>
Organisational profile		
2.1	Name of the organisation	<a href="#">NIB in brief</a>
2.2	Primary brands, products and services	<a href="#">NIB in brief</a>
2.3	Operational structure	<a href="#">Our people</a> <a href="#">Governance</a>
2.4	Location of organisation's headquarters	Fabianinkatu 34, 00171 Helsinki, Finland
2.5	Countries where the organisation operates	<a href="#">Countries of operation</a> <a href="#">Note 1</a>
2.6	Nature of ownership and legal form	<a href="#">Governance</a> <a href="#">Notes to the financial statements</a>
2.7	Markets served	<a href="#">Lending</a>
2.8	Scale of the reporting organisation	<a href="#">Key figures</a> <a href="#">Five-year comparison</a> <a href="#">Capital structure</a> <a href="#">Our people</a>
2.9	Significant changes during the reporting period regarding size, structure or ownership	No significant changes
2.10	Awards received in the reporting period	None
Report parameters		
3.1	Reporting period for information provided	Operating year 2013
3.2	Date of most recent previous report	12 March 2013
3.3	Reporting cycle	Annual
3.4	Contact point for questions regarding the report or its content	Chief Compliance Officer Communications Unit
3.5-3.7	Scope and boundary of the report	<a href="#">GRI index</a>
3.8	Basis for reporting that can affect the comparability of the report	<a href="#">Notes to the financial statements</a>
3.9	Data measurement techniques and bases of calculations	<a href="#">Notes to the financial statements</a> <a href="#">Mission fulfilment - Greenhouse gases</a> <a href="#">Our environmental footprint</a>
3.10	The effect and reasons of any restatements of information provided in earlier reports	None
3.11	Significant changes from previous reporting periods	<a href="#">Notes to the financial statements</a>
3.12	Table identifying the location of the Standard Disclosure in the Report	<a href="#">GRI index</a>
Governance, commitments and engagement		
4.1-4.4	Corporate governance	<a href="#">Governance</a> <a href="#">Board of Directors</a>

4.13	Memberships in associations	Lending - Other activities
4.14-4.17	Stakeholder engagement	Our stakeholders
<b>Indicators</b>		
<b>Economic</b>		
	Disclosure on management approach to economic issues	Sustainability management
		Mission fulfilment
		President's review
EC1	Direct economic value generated and distributed	Five-year comparison
		Capital structure
		Proposal by the Board of Directors
		Cash flow statement
		Note 5
EC2	Financial implications and other risks and opportunities due to climate change	Mission fulfilment
EC3	Coverage of the organisation's defined benefit plan obligations	Note 5
EC4	Significant financial assistance received from government	Capital structure
		Note 5
<b>Environmental</b>		
	Disclosure on management approach to environmental issues	Sustainability management
		Mission fulfilment
		Enhancing the environment
		President's review
EN1	Materials used by weight or volume [internal]	Our environmental footprint
EN4	Indirect energy consumption by primary source [internal]	Our environmental footprint
EN8	Total water usage by source [internal]	Our environmental footprint
EN12	Impact of activities, products and services on biodiversity in sensitive areas	Loans agreed 2013
EN16	Total direct and indirect greenhouse gas emissions by weight	Mission fulfilment - Greenhouse gases
		Our environmental footprint
EN17	Other relevant indirect greenhouse gas emissions by weight	Mission fulfilment - Greenhouse gases
EN20	NOx, SOx and other significant air emissions	Mission fulfilment - Greenhouse gases
EN22	Total weight of waste by type and disposal method [internal]	Our environmental footprint
EN26	Initiatives to mitigate environmental impacts of products and services	Lending
		Business areas
		Mission fulfilment
<b>Social</b>		
	Disclosure on management approach to social issues	Sustainability management
		Our people
LA1	Total workforce by employment type, contract and region	Our people
LA2	Employee turnover	Our people
LA4	Percentage of employees covered by collective bargaining agreements	This does not apply to NIB. As an IFI, the Bank has internal rules and regulations for its employees.
LA5	Minimum notice period[s] regarding operational changes	Our people
LA7	Rates of injury, occupational diseases, lost days and absenteeism [internal]	Our people
LA10	Average hours of training per employee by employee category	Our people
LA13	Composition of governance bodies and employees according to gender, age, etc. [internal]	Our people
		Executive Committee
		Board of Directors
		Board of Governors
		Control Committee
<b>Social performance: human rights</b>		
HR1	Human rights screening in investments	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.
HR5	Actions taken to secure freedom of association	Our people
		Staff regulations
HR6-HR7	Measures taken to prevent child or forced labour	Sustainability management
		Sustainability policy and guidelines
<b>Social performance: society</b>		

S01	Policy to assess and manage the impact of operations on communities	<a href="#">Sustainability policy and guidelines</a>
S02-S04	Anti-corruption activities	<a href="#">Integrity</a>
		<a href="#">Codes of conduct</a>
<b>GRI financial services supplement</b>		
FS1	Environmental and social responsibility policies	<a href="#">Sustainability management</a>
FS2	Procedures for assessing and screening environmental and social risks in business lines	<a href="#">Sustainability management</a>
		<a href="#">Sustainability policy and guidelines</a>
FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	<a href="#">Sustainability management</a>
		<a href="#">Sustainability policy and guidelines</a>
		<a href="#">Mission fulfilment</a>
FS4	Process(es) for improving staff competence to implement the environmental and social policies and procedures as applied to business lines	<a href="#">Sustainability management</a>
FS5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities	<a href="#">Sustainability management</a>
		<a href="#">Sustainability policy and guidelines</a>
		<a href="#">Mission fulfilment</a>
FS6-FS7	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector	<a href="#">Lending</a>
		<a href="#">Business areas</a>
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	<a href="#">Lending</a>
		<a href="#">Business areas</a>
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	NIB is mandate-driven and its core business is long-term lending. The main risks are assessed in the due diligence process prior to lending agreements.
		<a href="#">Sustainability management</a>
		<a href="#">Sustainability policy and guidelines</a>
		<a href="#">Enhancing the environment</a>
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	<a href="#">Loans agreed 2013</a>
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.
		<a href="#">Sustainability management</a>

Note x refers to a specific note in the Financial Report 2013

# Operations



“We are continuously developing our risk management by evolving best practices.”

**Matti Koivu,**  
Chief Risk Officer

## Related links

[Loans](#)

[Capital markets](#)

## Lending highlights 2013

Loans disbursed totalled EUR 1.9 billion and loans agreed EUR 1.8 billion

Half of the 43 loans agreed in 2013 were to new borrowers

Lending merged its heavy and service industries business

## Treasury highlights 2013

NIB issued its largest USD global benchmark bond ever

NIB's funding team was awarded "Kauri Issuer of the Year" by KangaNews

# Lending



“NIB broadened its client base in 2013. Half of the loans were signed by new counterparties.”

**Nicolas Audibert,**  
Director, Head of Industries & Services

## Related links

[Loan characteristics](#)

[Loan process](#)

## Highlights 2013

Loans disbursed totalled EUR 1.9 billion and loans agreed EUR 1.8 billion

Half of the 43 loans agreed in 2013 were to new borrowers

## Prospects 2014

NIB wants to enhance its offering of longer-term financing to SMEs to support investments and expand economic activities.

In 2013, new loans approved by NIB's Board of Directors totalled EUR 2.3 billion, whereas agreed loans amounted to EUR 1.8 billion. Disbursed loans reached EUR 1.9 billion.

NIB is particularly pleased that half of the 43 loans agreed in 2013 were to new borrowers, meeting the Bank's target of broadening its client base. Still, the volume of new lending decreased somewhat from the preceding year. This was due to continued low investment activity in the majority of our Nordic and Baltic member countries, and also improved liquidity in the financial markets.

The purpose of NIB's lending activities is to improve the competitiveness and environment of the Nordic and Baltic countries.

NIB internally rates all potential loans according to how they contribute to fulfilling the mission. Only projects that contribute sufficiently to NIB's mission fulfilment qualify for loan approval. The share of lending deemed "good" or "excellent" accounted for 98% of all loans agreed in 2013.

The focus sectors of the bank's operations are environment, energy, transport, logistics and communications, and innovation. Lending to these focus sectors represented 86% of all new lending. The figure does not include loans that were not yet finally allocated during 2013, many of which will eventually fall within the focus sectors later.

In 2013, NIB streamlined its lending organisation by putting together the units for heavy and service industries. Lending activities are therefore carried out in four business areas: Energy and environment; Infrastructure, transportation and telecom; Industries and Services; and Financial institutions and SMEs.

The total amount of loans outstanding decreased to EUR 14.7 billion by 31 December 2013, from EUR 15.1 billion the preceding year. This was mainly due to larger than average early redemptions of loans, some as a consequence of successful restructuring arrangements. No guarantees were outstanding at the end of 2013.



## Business areas

NIB reports the distribution of loans according to the Bank's four business areas: Energy and environment; Infrastructure, transportation and telecom; Industries and services; and Financial institutions and SMEs.

The Bank distributes its environmental loan projects among various business areas. While renewable and energy efficiency projects are reported in the business area of Energy and environment, public transport projects are found in the area of Infrastructure, transportation and telecom.

## Energy and environment

The energy sector faces continuously high investment needs to secure supply and environmental sustainability. Still, 2013 saw only a few investment projects related to new generation capacity. This was partly due to uncertainties regarding price developments in energy. However, investments in transmission and distribution continued at a relatively high level in 2013.

New lending in NIB's energy and environmental business area totalled EUR 302 million, equivalent to 17% of all loans agreed in 2013.

The projects financed by the Bank in this area related primarily to investments in renewable energy, hydropower and wind power generation. Loans were also provided for upgrading electricity transmission and distribution systems and for constructing new bio-power plants.

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

## Infrastructure, transportation and telecom

NIB supports projects that improve the efficiency of transport, logistics and communications.

In 2013, 26% of all loans agreed were related to this business area, totalling EUR 474 million.

The projects were for investments in railway infrastructure and rolling stock, road construction and ports. Other important loan projects concerned investments in infrastructure for education and healthcare.

## Industries and services

Lending in the business area of industries and services was primarily directed towards financing innovation processes, especially technology research and development projects. This kind of investment is essential for maintaining the competitiveness of enterprises in NIB's member countries.

Total lending within this business area was EUR 805 million, equalling 44% of all loans agreed during 2013.

In addition to R&D, loans were also given for investments in new production and logistics capacity as well as medical services.

## Financial institutions and SMEs

The Bank channels its lending to small and medium-sized enterprises (SMEs) and projects in the form of loan programmes via partnering financial institutions, such as banks and leasing companies.

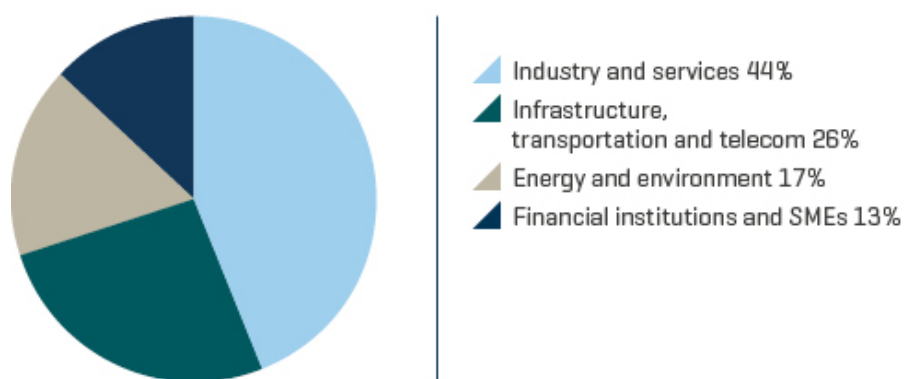
In 2013, seven such programmes were agreed for on-lending to the SME sector and for environmental projects, including renewable energy.

In addition, one loan programme was agreed for energy efficiency investments in Northwest Russia.

The total amount for this business area was EUR 230 million, which is equivalent to 13% of all loans agreed.

## Loans agreed in 2013

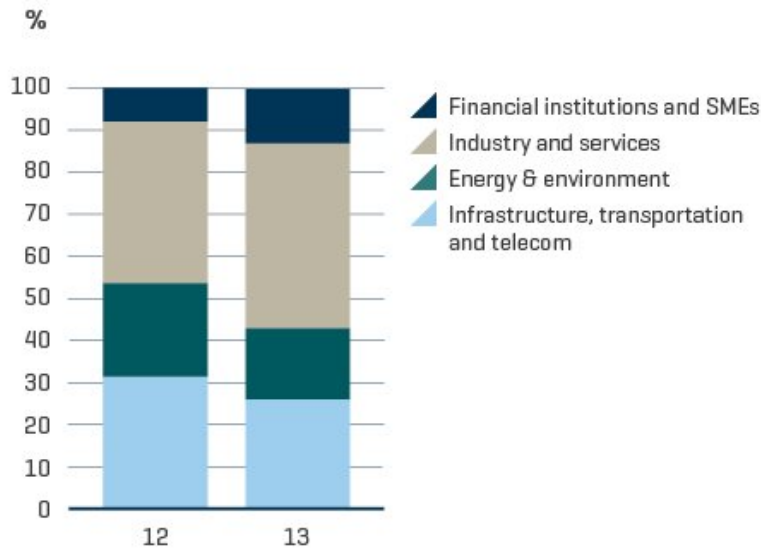
%, by business areas





# Business area distribution

Loans agreed as a share of total loans





## Countries of operation

Nearly all new loans agreed in 2013 were made to the Bank's member countries: 97% of all new lending.

NIB's outstanding loans in the member countries amounted to EUR 12,035 million at year-end. Loans agreed, but not yet disbursed in the member countries amounted to EUR 820 million at the end of the year. In 2013, Finland accounted for 29% of the new lending to member countries, followed by Norway with 20%, Sweden with 19%, and Denmark with 18%.

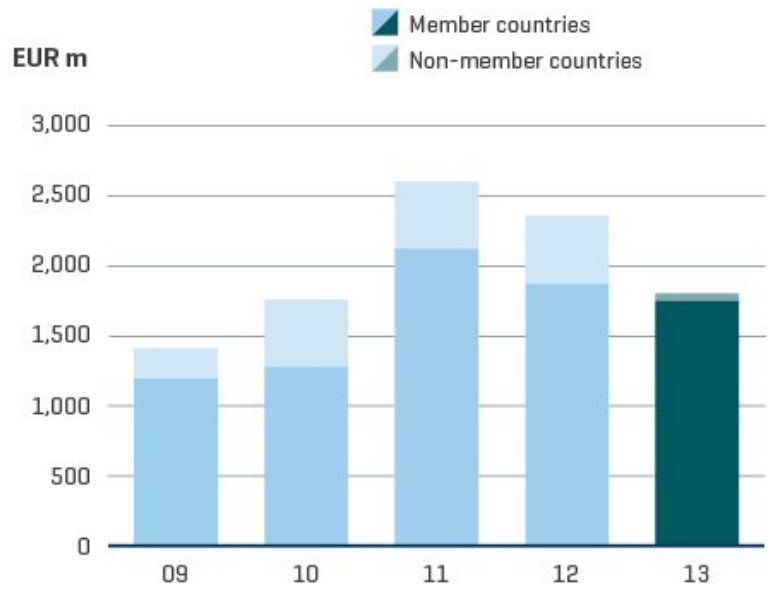
Outside the member country region, NIB finances projects of mutual interest to the Bank's member countries and the countries of operation. Loans are granted under the Project Investment Loan facility (PIL), the Environmental Loan facility (MIL) and to some extent also within the Bank's ordinary lending.

The Bank focuses operations on a limited group of countries where it sees good opportunities to achieve strong mandate fulfilment and maintain a long-term presence. NIB's outstanding loans in non-member countries stood at EUR 2,669 million at year-end. Loans agreed but not yet disbursed amounted to EUR 554 million at the end of the year.

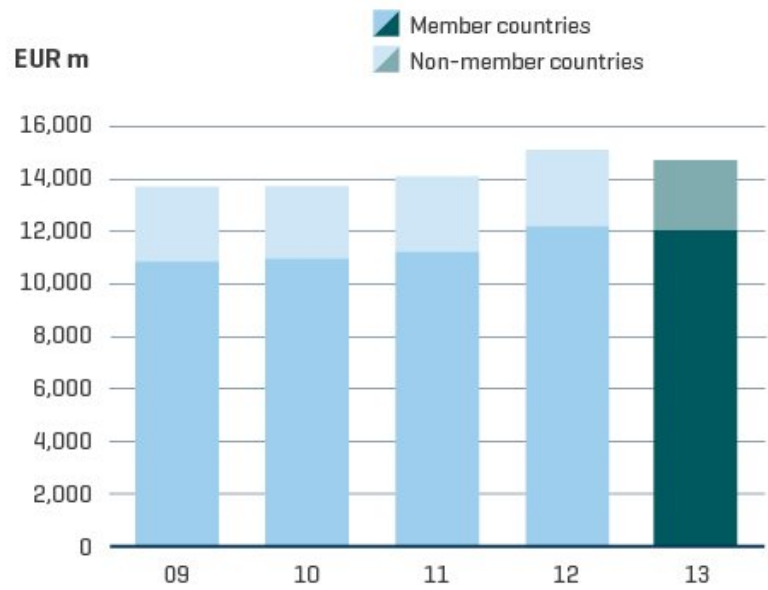
Loan losses continued to decrease in 2013 and also the collective impairments were smaller than the year before.

The distribution of lending is summarised in the graphs below.

Loans agreed



Loans outstanding



You can read about all our loans agreed during 2013 [here](#).

## Other activities

In 2013, the Bank started to develop a special initiative to broaden its outreach to the SME sector in cooperation with local banks in the member countries. The initiative comes in addition to NIB's current loan programmes with intermediary banks. NIB wants to enhance its offering of longer-term financing to SMEs in order to support investments and expand economic activity.

Allocations continued under the Baltic Sea Environment [BASE] financing facility. The purpose of the EUR 500 million facility is to help restore the ecological health of the Baltic Sea according to the Helsinki Commission's [HELCOM] Baltic Sea Action Plan. At the end of 2013, NIB had allocated EUR 329 million under the facility. Base loans are made in the ordinary course of the Bank's business.

Activities in the Russian Energy Efficiency Programme [REEP] developed positively during 2013. The programme, whereby NIB provides long-term loans via Russian banks to improve district heating and industrial processes in Russia, aims to reduce cross-border pollution from Russia to the Nordic-Baltic countries.

NIB continued as lead bank for several projects being implemented under the Northern Dimension Environmental Partnership [NDEP]. The NDEP aims to coordinate the financing of environmental projects with cross-border effects in the Baltic Sea region, the Barents region and Northwest Russia. Projects prioritised by NDEP may receive grants from the NDEP support fund, which are combined with loans.

The Northern Dimension Partnership on Transport and Logistics [NDPTL] also developed positively during 2013. The NDPTL secretariat is hosted by NIB. The purpose of the partnership is to facilitate cooperation on and implementation of regional transport infrastructure and logistics projects. The NDPTL support fund initiated its activities, approving the first grants for preparation of projects in Finland, Russia and Poland.

The EU Strategy for the Baltic Sea Region provides a framework for cooperation in issues related to the environment, energy and transport. 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 2013

Borrower	Project	Sector
Kemijoki Oy [Finland]	Upgrading of Kemijoki Oy's hydropower facilities in Finland.	Energy and environment
Helsingin Yliopistokiinteistöt Oy [Finland]	Construction and renovation of laboratories at the University of Helsinki, Finland	Industries and services
Aalto University Properties Ltd [Finland]	Construction and renovation of university buildings.	Infrastructure, transportation and telecom
Wärtsilä Corporation [Finland]	Research and development programme for further development of medium-speed engines.	Industries and services
Chr. Hansen Holding A/S [Denmark]	Research and development programme within natural ingredient solutions.	Industries and services
Sparbanken Öresund AB [Sweden]	Loan programme for onlending to SMEs and households for small-scale environmental investments.	Financial institutions and SMEs
Helsinki Region Environmental Services Authority [Finland]	Upgrading of wastewater treatment in the Helsinki metropolitan region.	Energy and environment
Klaipėda State Seaport Authority [Lithuania]	Reconstruction of quays and construction of piers and a terminal for passenger and cargo ferries, capital dredging and widening of the port's navigation channel.	Infrastructure, transportation and telecom
NorgesGruppen ASA [Norway]	Development of a regional distribution hub in Norway.	Industries and services
AS Tallinna Sadam [Estonia]	Acquisition of an icebreaker for the harbour of Tallinn.	Infrastructure, transportation and telecom
Suomen Hypoteekkiyhdistys [Finland]	Loan programme for financing small-scale environmental investments of households and housing companies.	Financial institutions and SMEs
Vimmerby Energi & Miljö [Sweden]	Construction of a biofuel combined heat and power plant in Vimmerby, Sweden.	Energy and environment
DNB Bank ASA [Sweden]	Loan programme for the construction of the Jådraås wind farm outside Gävle, Sweden.	Energy and environment
VAS Latvijas Dzelzceļš [Latvia]	Construction of a second track on a 52-kilometre section of the east-west railway corridor in Latvia.	Infrastructure, transportation and telecom
City of Rovaniemi [Finland]	Financing the city of Rovaniemi's investments in road infrastructure	Infrastructure, transportation and telecom
AB Electrolux [Sweden]	Research and development activities in 2012–2015.	Industries and services
Helgeland Veitvik AS [Norway]	Construction of a 35-kilometre road and an 11-kilometre tunnel in northern Norway	Infrastructure, transportation and telecom
Säästöpankki Optia [Finland]	Loan programme for onlending to SME investments and environmental projects.	Financial institutions and SMEs
Senaatti-kiinteistöt [Finland]	Investments in governmental offices and a research building.	Infrastructure, transportation and telecom
AB Lietuvos geležinkeliai [Lithuania]	Construction of a European-gauge railway track and modernisation of parts of the trans-European east-west corridors in Lithuania.	Infrastructure, transportation and telecom
Elering AS [Estonia]	Construction of a 170-kilometre electricity interconnection between Estonia and Finland, Estlink-2.	Energy and environment
Ringkjøbing Landbobank A/S [Denmark]	Loan programme for onlending to wind power projects and SMEs.	Financial institutions and SMEs

Sydvatten AB [Sweden]	Construction of a 20-kilometre drinking water pipe and upgrade of a water purification plant in southern Sweden.	Infrastructure, transportation and telecom
Suur-Savon Sähkö Oy [Finland]	Replacement of transformer substations and overhead electrical power cables with underground cables in eastern Finland.	Energy and environment
Agder Energi AS [Norway]	Construction of a new hydropower plant and modernising an existing one in southern Norway.	Energy and environment
SEB Leasing Oy [Finland]	Acquisition of rolling stock for Finland's railway operator VR Group	Infrastructure, transportation and telecom
Litgrid AB [Lithuania]	Reconstruction of electricity transmission network projects in Lithuania.	Energy and environment
Sparbanken Nord [Sweden]	Loan programme for SMEs for environmental investments.	Financial institutions and SMEs
SG Finans AS [Norway]	Loan programme for equipment leasing to SMEs in Norway.	Financial institutions and SMEs
AB Transitio [Sweden]	Acquisition of a new train to further increase transport capacity in Värmland County in western Sweden.	Infrastructure, transportation and telecom
AB Transitio [Sweden]	Acquisition of two new trains to further increase transport capacity in Västerbotten County in northern Sweden.	Infrastructure, transportation and telecom
Kiinteistö Oy Espoon Sairaala [Finland]	Construction of a new hospital building in Espoo, Finland.	Infrastructure, transportation and telecom
H. Lundbeck A/S [Denmark]	Research and development in the field of psychiatric disorders.	Industries and services
Vnesheconombank [Russia]	Loan programme for projects improving energy efficiency in Northwest Russia.	Financial institutions and SMEs
Danish Crown A/S [Denmark]	Construction of a slaughterhouse in Holsted, Denmark.	Industries and services
UPM-Kymmene Oyj [Finland]	Construction of biorefinery producing wood-based renewable diesel in Lappeenranta, Finland.	Industries and services
City of Lahti [Finland]	Upgrade of the hospital in the city of Lahti, Finland.	Infrastructure, transportation and telecom
Liedon Säästöpankki [Finland]	Loan programme for onlending to SME investments and environmental projects.	Financial institutions and SMEs
Jotun A/S [Norway]	Financing a pilot factory for paint and colorant production, and research and development in 2013-2016.	Industries and services
Arla Foods Finance A/S [Denmark]	Research and development programme in 2013-2016.	Industries and services
Camfil AB [Sweden]	Research and development investment programme for air filtration products.	Industries and services
Assa Abloy Financial Services AB [Sweden]	Research and development investments in Sweden, Finland, Norway and Denmark in 2013-2016.	Industries and services

# Treasury



“NIB being named ‘Kauri Issuer of the Year’ was a great achievement in 2013.”

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**Britt-Marie Olin,**  
Controller

## Related links

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[Capital markets](#)

[Investor relations](#)

## Highlights 2013

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NIB issued its largest USD global benchmark bond ever

NIB was awarded “Kauri Issuer of the Year” by KangaNews

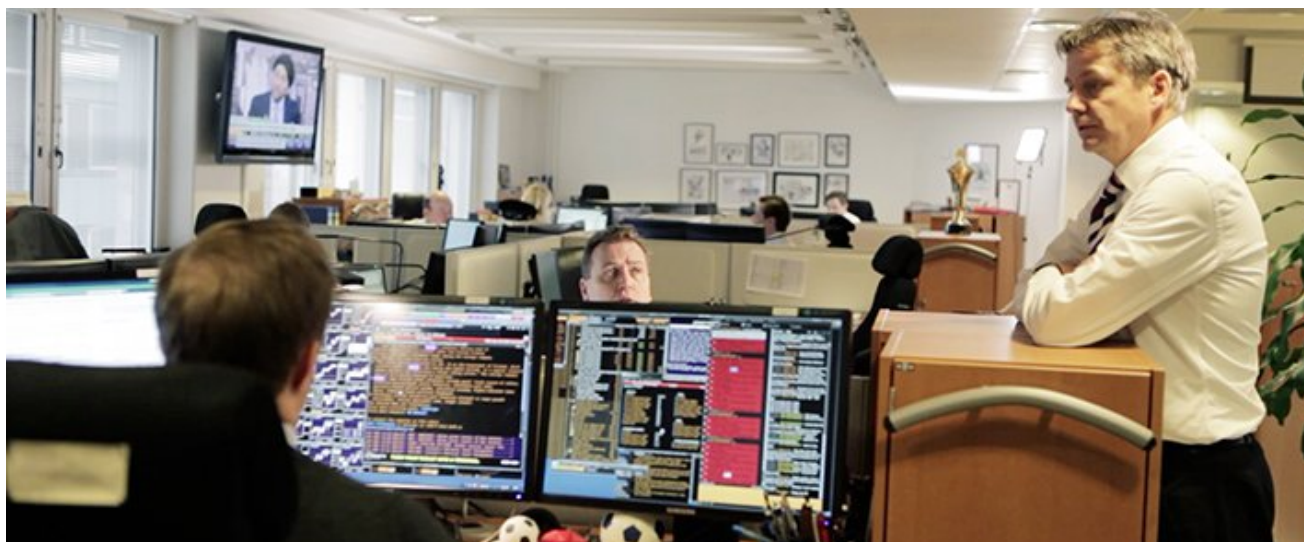
## Prospects 2014

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The Bank will remain active in many markets worldwide

NIB’s funding target for 2014 is EUR 3–4 billion





## Capital markets

NIB's funding strategy is based on being a leading USD benchmark issuer in order to attract global investors and at the same time diversifying the borrowing into different currencies and markets.

### Borrowing

During 2013, NIB raised EUR 4.1 billion new funding through 42 capital market bond transactions in 12 different currencies. Outstanding debt totalled EUR 18.4 billion in 19 currencies at year-end.

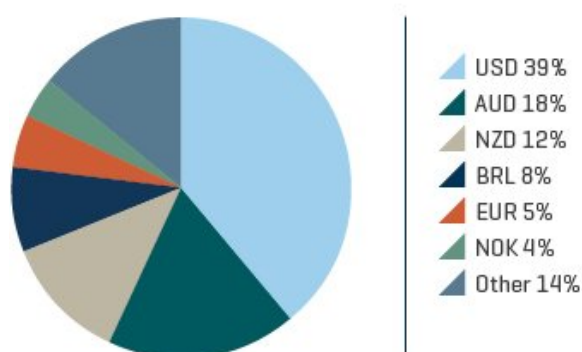
The Bank issued one global US dollar benchmark bond in 2013. The three-year USD 2 billion benchmark transaction was priced in February and is the largest funding transaction in NIB's history. The larger-than-anticipated issue was upsized due to strong demand from global investors.

The Bank's new funding remained diversified in 2013. The US dollar was the largest funding currency, with 39% of NIB's total funding. Other important funding currencies were the Australian dollar [AUD] with 18% and the New Zealand dollar [NZD] with 12%.



## New borrowings in 2013

%, by currency distribution



The Australian dollar market contributed with long maturities when NIB issued a new 2024 bond of AUD 200 million. The bond was increased twice by AUD 100 million, bringing the total size to AUD 400 million. Similarly, the existing bond maturing in 2022 was increased two times, taking the total outstanding size in this maturity to AUD 875 million. Further, NIB priced a new AUD 400 million bond due 2018, bringing the total outstanding volume in Australia up to AUD 3,550 million.

In the New Zealand dollar market, NIB priced a new 2018 bond of NZD 525 million, which was further increased by NZD 175 million, bringing the total amount to NZD 700 million. The issue is the biggest bond transaction ever issued by NIB in this market. Later in 2013, a new 2020 bond was issued with a size of NZD 100 million. NIB's outstanding volume was NZD 1,825 million at the end of 2013.

NIB was awarded "Kauri Issuer of the Year" for its activities in the New Zealand dollar market by the magazine KangaNews in December.

In Nordic currencies, the Bank issued one 5-year Norwegian krone bond of NOK 750 million and two Swedish krona five-year bonds of SEK 500 million each. The second SEK bond was issued under the NIB Environmental Bond programme (NEB). Under the NEB programme, the Bank further issued a Brazilian real five-year green bond of BRL 343.5 million, which was sold to Japanese retail investors.

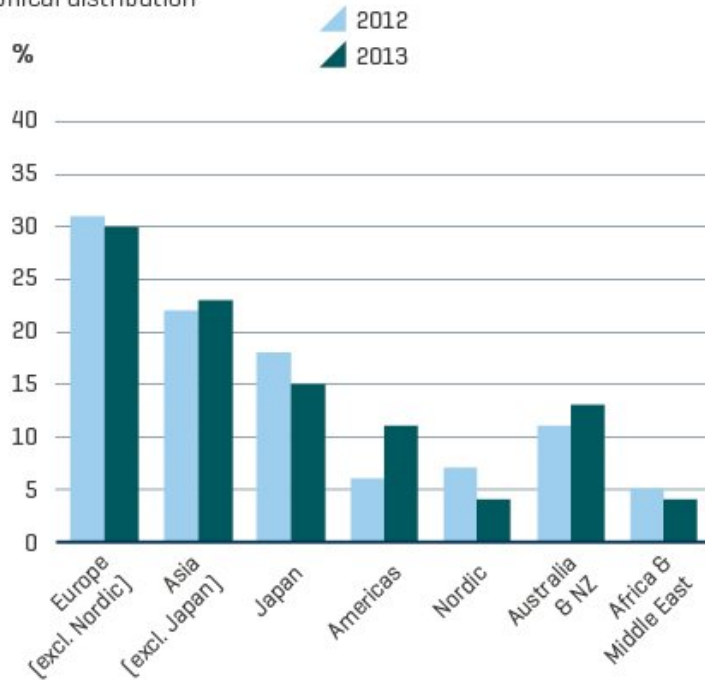
The Bank further diversified its funding in 2013 in pounds sterling, with a GBP 100 million increase to its outstanding 2015 bond, and numerous transactions in Brazilian reais (BRL), Mexican pesos (MXN) and South African rand (ZAR). Finally, NIB issued several long-dated callable transactions in euro, sold mainly to German investors.

## Investors

NIB's investor base remains well diversified through global investors supporting NIB funding program. Asia, including Japan, continued to be the most important region of investors for the Bank in 2013. The region accounted for 38% of all investors, followed by Europe (including the Nordic countries) with 34% and Australia and New Zealand with 13%.

## New borrowings

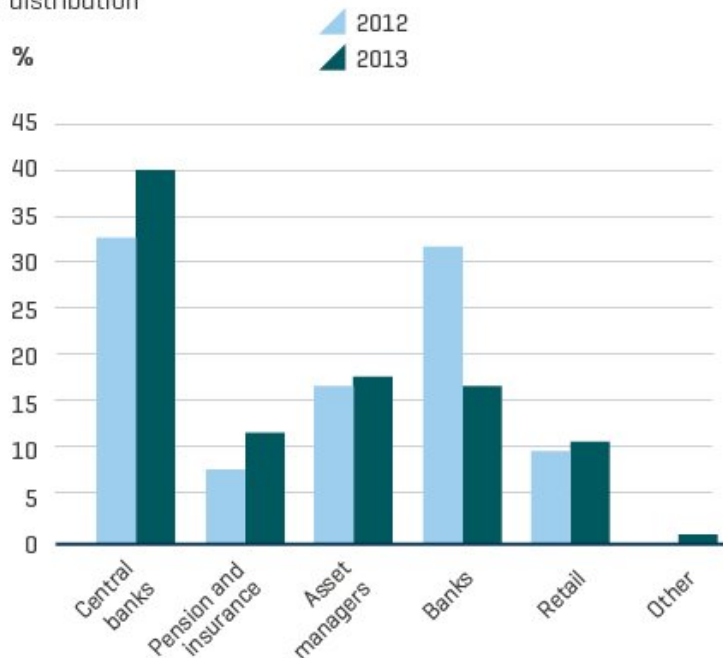
Geographical distribution



In 2013, central banks were again the most important investor base, accounting for 40% of the new funding. The remainder of investor demand was equally split between asset managers, bank treasuries, pension and insurance investors, and retail demand.

## New borrowings

Investor distribution



## Borrowings outstanding

Currency distribution



## Liquidity

NIB's target is to ensure sufficient liquidity to continue disbursing new loans and fulfil all payment obligations for at least one year ahead, without additional new funding. The Bank managed to maintain sufficient liquidity throughout 2013.

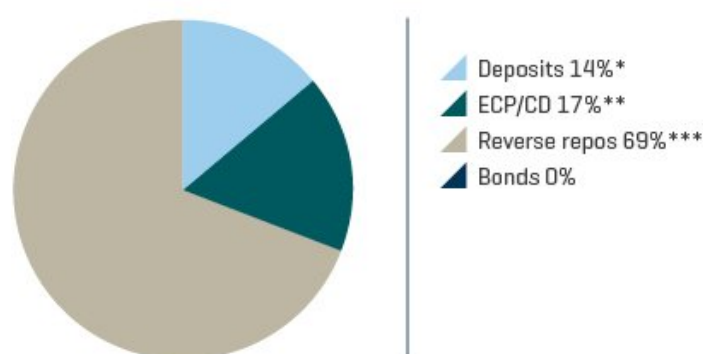
At the end of 2013, NIB's total liquidity amounted to EUR 7,084 million, of which EUR 1,641 million (30% of the total) was held as short-term money market instruments, and EUR 5,443 million (70% of the total) was invested in bonds with longer maturities.

## Asset and liability management

The Bank disbursed new loans of EUR 1,922 million, mainly in five currencies (USD, EUR, NOK, SEK and DKK), and obtained new funding of EUR 4.1 billion in 12 currencies. The EUR 1,641 million held in short-term money market instruments is used to manage daily payment obligations. The instrument distribution is shown here:

### Cash instruments in 2013

%, distribution by instrument



\* Deposits – Cash Deposits with Financial Institutions

\*\* ECP/CD – Commercial Paper and Certificate of Deposits issued by Supranationals, Agencies and Financial Institutions

\*\*\* Reverse repos – Repurchase Agreement in which a Bond is given as collateral for a cash deposit

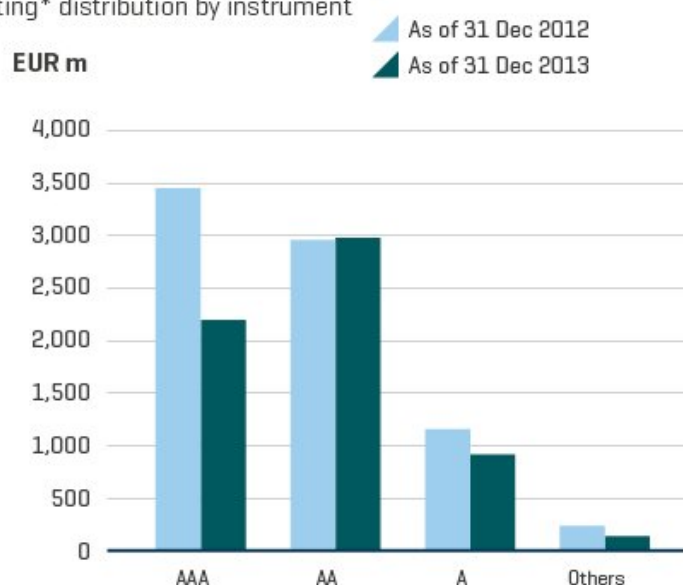
The balance sheet total decreased from EUR 25,983 million at the end of 2012 to EUR 23,490 million at the end of 2013. The main reason for the lower balance sheet total is fluctuations in currency rates. The Bank matches all currencies in the balance sheet and is reducing currency risks to a minimum.

Fluctuations in currency rates also decreased cash collateral, which the Bank receives from swap counterparties to mitigate swap counterparty risk exposure. In 2013, the received cash decreased from EUR 1,464 million to EUR 283 million, something which also resulted in a lower balance sheet total.

Treasury increased usage of reverse repos has had a positive effect in reducing the total treasury counterparty exposure. The total counterparty exposure decreased during the year from EUR 7,797 million to EUR 6,216 million. Counterparty risk class distribution is shown here:

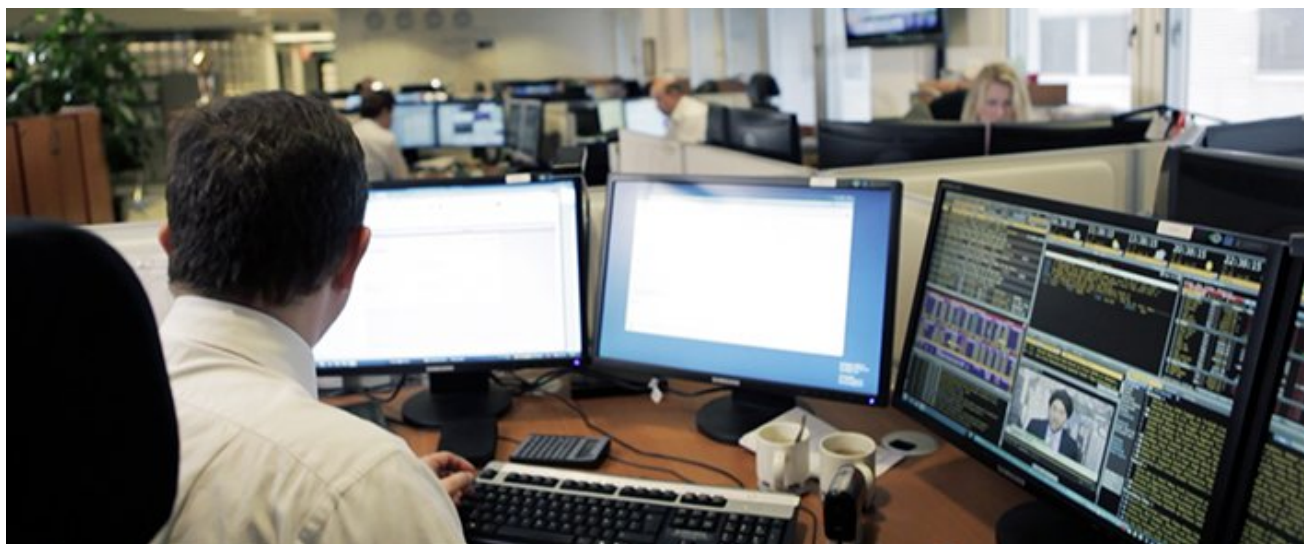
## Treasury counterparty risk

Rating\* distribution by instrument



\* NIB's internal rating.

In 2013, the asset and liability management operations contributed with EUR 29.3 million in net interest income earnings.

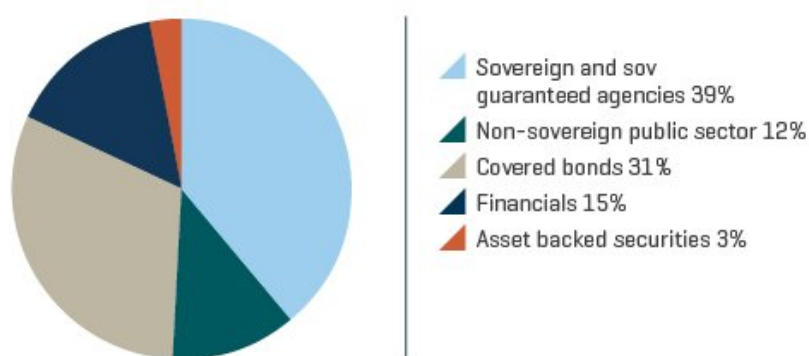


## Portfolio Management

The Portfolio Management unit manages the bond security portfolios within the Treasury. The market value of the portfolios amounted to EUR 5,505 million at the end of 2013. The securities are held at amortised cost and fair value and have both floating- and fixed-rate coupons. The instrument distribution of the portfolio can be seen here:

### Bond instruments in 2013

%, distribution by instrument



The counterparty and market risk frameworks set limits applicable to Treasury operations. At the end of 2013, the interest rate risk for all portfolios was calculated to the equivalence of EUR 970,000.

There are also guidelines applicable to the Treasury's liquidity investments with the aim of making sure that the assets remain liquid even under stressed market conditions.

At year-end, more than 80% of the liquidity was invested in accordance with the Basel III liquidity rules

applicable to High Quality Liquid Assets. Also, more than 87% of the liquidity, after official haircut rules, could be used as collateral for repurchase agreements with one or several central banks. NIB does not have direct access to central bank repurchase agreements, but it can repurchase its bond securities via intermediating banks.

In 2013, the portfolio management operation contributed EUR 78.6 million in net interest income earnings.

## About NIB



"NIB offers additionality through long-term lending, complementing other financial sources."

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**Helmi Karesti,**  
Manager

### Related links

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[About NIB](#)

[News and publications](#)

### Highlights 2013

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NIB introduced a vision of "a prosperous and sustainable Nordic-Baltic region"

The Bank developed guidelines for a consistent and unique visual style

### Prospects 2014

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Maintain a strong balance sheet, high asset quality and strong ownership support





## 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. Loans are extended on market terms and according to sound banking principles.

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 mandate efficiently. The Bank therefore 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.

NIB is located in Helsinki, Finland, and employed 183 people on average during 2013.

## Our People

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.

### Values

Our values are: Competence, Commitment and Co-operation. We aim for a high level of professionalism and efficiency in our daily business. We also do our best to support our colleagues by sharing information, knowledge, skills and experience.

In 2013, staff representatives and management discussed and reformulated the Bank's shared values. All employees were invited to voice their opinions. The staff signalled that the new formulation of our shared values is more "down-to-earth" than the previous ones.



### Opportunities to develop

NIB aims to promote individual growth and offers its employees several opportunities to develop. It is essential for the Bank to have highly skilled and committed employees that are able to meet the customers' needs.

Personal development is a joint responsibility of employees and their supervisors. The staff's performance and individual work plan is reviewed in the personal appraisal and development discussions. These take place in the beginning of the year and in the autumn.

NIB evaluates the need for additional training every year. In 2013, the average number of training days per employee was 4.6 days, compared to 6.4 in 2012.

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

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

## Work community

NIB has an attractive working culture where many employees choose to stay and develop longer parts of their career. In 2013, the average length of employment was 11.1 years. Ten permanently employed staff left the Bank in 2013, resulting in an exit turnover of 5.5%.

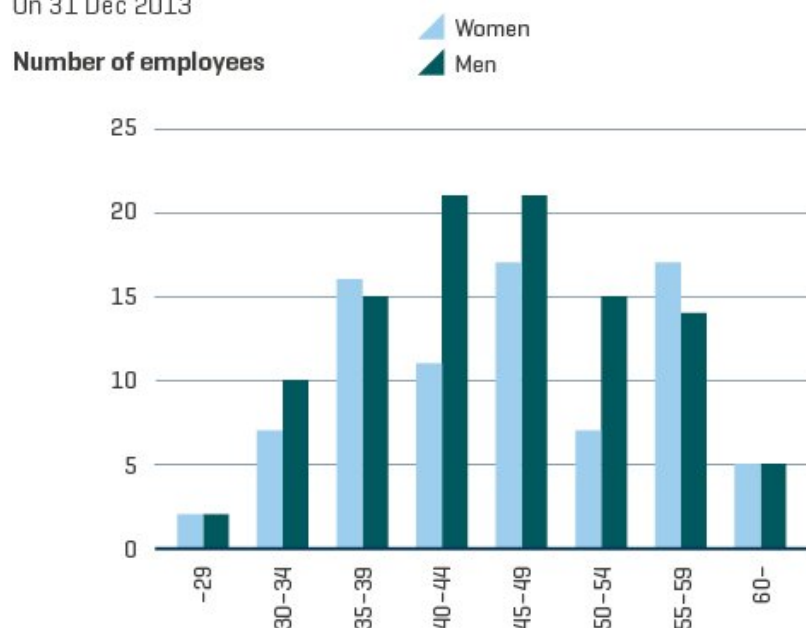
NIB appreciates keeping in touch with former employees and has an alumni network of about 90 registered members. In September 2013, 32 former NIB employees participated in a seminar and a dinner at the Bank hosted by NIB's President and CEO.

In May 2013, NIB conducted a job satisfaction survey to assess the wellbeing and functionality of the work community at NIB. The overall positive findings were presented to and discussed among all interested staff at a plenum in September. The discussion continued in all the Bank's departments and units and provided a good understanding of issues that could be further improved. The survey is done biannually for NIB by an external occupational health consultancy.

NIB conducted an internal survey on gender equality and diversity in 2013. The results showed that we are formally at a good level concerning equality and the legal framework. The Bank updated its equality and diversity plan until 2015.

## Employees by gender and age group

On 31 Dec 2013



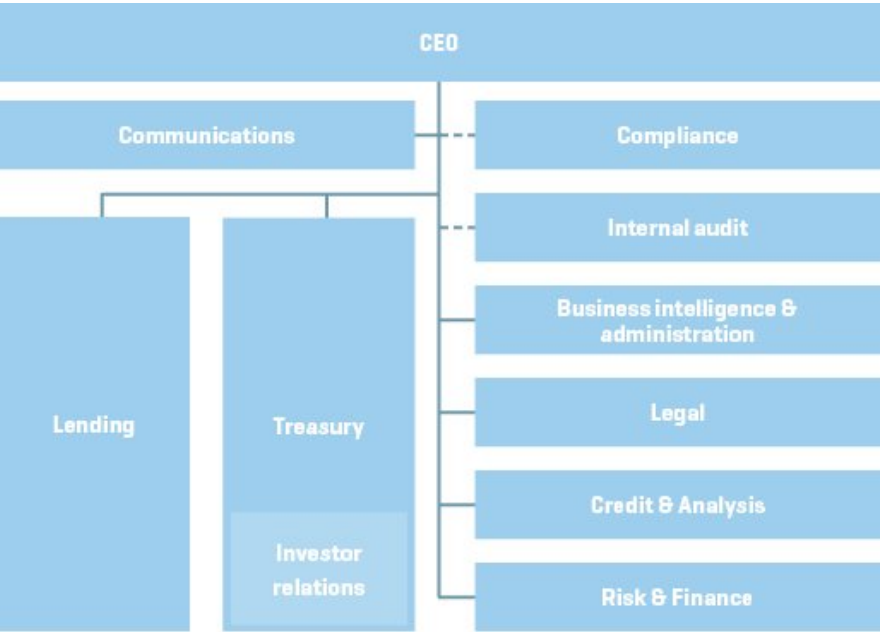
At the end of 2013, NIB had 185 employees in permanent positions, of which 82 were women and 103 men. In addition, five employees worked on projects in temporary positions. The average number of permanent employees was 183 during the year.

The amount of employees with a university degree was 136, or 73.5% of NIB’s staff. The average age of permanent employees was 45.7 years. Together our people represented 14 nationalities.

Origins of staff  
%, on 31 Dec 2013



NIB streamlined its lending organisation by merging the units for heavy and service industries into a new unit named Industry and services. Otherwise, there were no major organisational changes to NIB’s organisation in 2013.



## Well-being and safety

In February 2013, the Bank conducted a safety and security week to increase staff's awareness and rehearse a revised evacuation plan for the headquarters.

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

The Bank also 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 3% in 2013 and was unchanged from the preceding year.

## Legal status

Our employees are members of an IFI. 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.

## Ombudsman

The purpose of the Ombudsman function is to enhance cooperation in employment matters, and to help maintain an attractive work environment. The Ombudsman has been available once a month for all staff members during 2013. The current Ombudsman mandate period is from 1 August 2012 until 31 July 2014.

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 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 shall have 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.



## 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 Denmark is currently serving as Chairman until 31 May 2014.

The Board of Governors held its annual meeting on 30 April 2013 in Vilnius, Lithuania. At the meeting the Board of Governors welcomed the Bank's proposal to resume dividend payments.

## 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 Norrman is the President and Chief Executive Officer of the Bank.

The President is assisted in his work by *the Executive Committee, the Credit Committee, the Asset and Liability Committee and the Finance Committee*. In 2013, new or revised Rules of Procedures were adopted for these committees. The President is also assisted by 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 2013, it met 18 times. The meetings are ordinarily chaired by the President, who reaches decisions having consulted 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 2013, 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 2013, it met 47 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 2013, 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 2013, the Asset and Liability Committee met six 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 2013, it met 11 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 shall be a member of the Executive Committee. In 2013, the ICT Council met four times.

## 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 financial and operational risks.

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.

# Board of Governors

As of 31 December 2013

<b>Mr Rimantas Šadžius</b> Minister of Finance <i>Lithuania</i>	<b>Mr Henrik Sass Larsen</b> Minister for Business and Growth <i>Denmark</i>	<b>Mr Jürgen Ligi</b> Minister of Finance <i>Estonia</i>
<b>Mr Jan Vapaavuori</b> Minister of Economic Affairs <i>Finland</i>	<b>Mr Bjarni Benediktsson</b> Minister of Finance and Economic Affairs <i>Iceland</i>	<b>Mr Andris Vilks</b> Minister of Finance <i>Latvia</i>
<b>Ms Siv Jensen</b> Minister of Finance <i>Norway</i>	<b>Mr Anders Borg</b> Minister of Finance <i>Sweden</i>	

The Board of Governors held its Annual Meeting on 30 April 2013.

# Control Committee

As of 31 December 2013

<b>Chairman</b> <b>Ms Eva Lindström</b> BA in Economics and former Auditor General Sweden		<b>Deputy Chairman</b> <b>Mr Jānis Reirs</b> Member of Parliament Latvia
<b>Mr Thomas Jensen</b> Member of Parliament Denmark	<b>Mr Sven Sester</b> Member of Parliament Estonia	<b>Ms Tuula Peltonen</b> Member of Parliament Finland
<b>Ms Ragnheiður Ríkharðsdóttir</b> Member of Parliament Iceland	<b>Ms Karina Korna</b> Adviser to the Minister of Transport Latvia	<b>Ms Alina Brazdilienė</b> Adviser to the Office of the Seimas Committee on the Budget and Finance Lithuania
<b>Mr Hans Frode Kielland Asmyhr</b> Former Member of Parliament Norway	<b>Ms Åsa Torstensson</b> Member of Parliament Sweden	

External auditors appointed by the Control Committee

<b>Mr Sixten Nyman</b> Authorised Public Accountant, KPMG Finland	<b>Mr Per Gunslev</b> Authorised Public Accountant, KPMG Denmark
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The Control Committee met twice in 2013.

## Board of Directors



### **MR ROLANDAS KRIŠČIŪNAS**

Director, Chairman of the Board

- Vice-Minister of Foreign Affairs
- Ministry of Foreign Affairs
- LITHUANIA
- Elected 2005
- 7 meetings

#### **Alternate**

**MS DOVILĖ JASAITIENĖ** [from 1 April 2013]

- Deputy Director
- EU and International Affairs Department
- Ministry of Finance
- LITHUANIA
- 6 meetings

#### **Alternate**

**MS JURGITA UZIELIENĖ** [until 31 March 2013]

- Deputy Director
- EU and International Affairs Department
- Ministry of Finance
- LITHUANIA
- Elected 2008
- 2 meetings



### **MR JESPER OLESEN**

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

#### **Alternate**

**MS JULIE SONNE**

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



**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 PENTTI PIKKARAINEN**

- Director General
- Financial Markets Department
- Ministry of Finance
- FINLAND
- Elected 2012
- 7 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
- 5 meetings



**MR ÞORSTEINN ÞORSTEINSSON**

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

**Alternate**

**MR SIGURÐUR ÞÓRÐARSON**

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



**MR KASPARS ĀBOLIŅŠ**

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

**Alternate**

**MS LĪGA KĻAVIŅA** [from 5 March 2013]

- Deputy State Secretary on Financial Policy Issues
- Ministry of Finance
- LATVIA
- 6 meetings

**Alternate**

**MS AGNESE TIMOFEJEVA** [until 4 March 2013]

- Head of International Market Policy Division
- Ministry of Finance
- LATVIA
- Elected 2011
- 1 meeting



**MS SILJE GAMSTØBAKK**

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

**Alternate**

**MR TROND EKLUND**

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



**MR SVEN HEGELUND**

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

**Alternate**

**MS SOPHIE BECKER** [from 5 September 2013]

- Deputy Director
- Ministry of Finance
- SWEDEN
- 4 meetings

**Alternate**

**MS ANNA BJÖRNERMARK** [until 4 September 2013]

- Deputy Director
- Ministry of Finance
- SWEDEN
- Elected 2009
- 4 meetings

## Executive Committee



As of 31 December 2013

### 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 Juha Kotajoki

[1959]

- Vice-President, Head of Risk & Finance, CFO, joined NIB in 1986
- B.A., University of Turku

## 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 2013

In 2013, the global economy continued its protracted post-crisis transition. The largest advanced economies gradually strengthened, while emerging economies slowed down. The anticipation of more restrictive monetary policy in the U.S. pushed long-term government bond yields higher. Corporate bond spreads in Northern Europe generally tightened, while short- to medium-term bank lending was readily available.

During the year, the overall economic growth in the Nordic-Baltic region remained weak, with only a few of the smaller economies growing by more than 2%. While faring better than the rest of Europe, real capital investment stagnated and remains well below 2008 levels.

Despite the stagnant investment climate, the Bank signed loan agreements for a total of EUR 1,810 million (2012: EUR 2,366 million) and disbursed EUR 1,922 million (2012: EUR 2,355 million). Moreover, half of these loans are to new borrowers, which broadens NIB's client base and reduces concentration in the loan portfolio.

NIB raised EUR 4.1 billion in new funding during 2013.

Despite somewhat lower lending volumes, the Bank's profit for the period increased to EUR 217 million (2012: EUR 209 million). Impairment charges decreased compared to the previous year and the average margin for the loan portfolio increased.

## Mission fulfilment

In 2013, the Board of Directors, chaired by Rolandas Kriščiūnas, streamlined NIB's mission. According to the new wording, "NIB finances projects that improve the competitiveness and environment of the Nordic and Baltic countries". In the same context, a vision of "a prosperous and sustainable Nordic-Baltic region" was introduced.

NIB finances specific investment projects that fulfil the Bank's mission. This is secured by reviewing all projects from the sustainability perspective, by doing a so called mandate rating. In 2013, the proportion of loans achieving "good" or "excellent" mandate fulfilment was 98%.

Projects with a high competitiveness impact included infrastructure investments, such as public transport, roads, ports, transmission lines, healthcare development and municipal infrastructure. In addition, support for R&D continues to have a strong focus, given that innovation is the key driver of improvements in productivity and long-term growth in today's knowledge-based economies.

A number of loan programmes have also been extended to financial intermediaries, including leasing companies, with the specific target of strengthening the potential of smaller businesses to invest and expand their economic activities. These programmes will continue to be an important way for NIB to support the growth of the companies that account for job creation and value added in its member countries.

During the year, the Bank started developing a special initiative to broaden its outreach to the SME sector in its member countries in cooperation with local banks.

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 2013, a total volume of EUR 713 million was agreed for projects with an environmental mission fulfilment of "good" or "excellent", which is equivalent to 39% of total agreed volume.

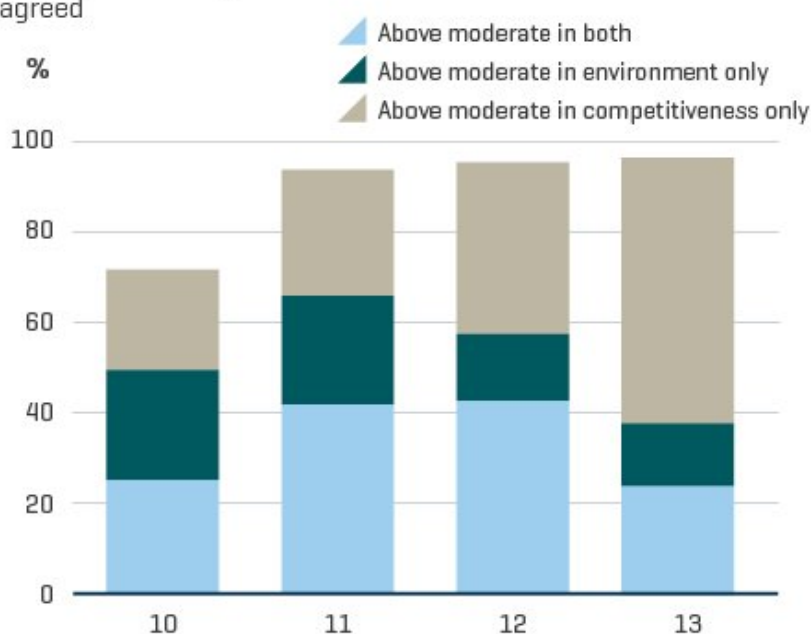
Many projects had a strong focus on climate change mitigation and on helping our member countries' transition towards a resource-efficient, low-carbon economy. NIB estimates that its projects agreed in 2013 will help reduce CO<sub>2</sub> emissions by 370,000 tonnes annually.

The majority of NIB's financing was directed at reducing greenhouse gas emissions by investing in renewable energy generation or improving energy efficiency. NIB was involved in eight hydropower projects aimed at increasing efficiency by upgrading existing plants. NIB-financed energy projects will add over 1 TWh annually to renewable energy generation.

NIB's environmental lending also included several projects increasing the resource efficiency of transport systems (e.g. rail and public transport infrastructure projects in Sweden, Lithuania and Latvia).

## Mandate rating

Loans agreed



## Lending activities

In 2013, NIB's lending activities developed well. The Bank signed 43 loan agreements with a combined total of EUR 1,810 million. Half of these loans are to new borrowers, which broadens NIB's client base and reduces concentration in the loan portfolio. Lending developments in terms of business sectors are displayed in the table.

Disbursements of loans totalled EUR 1,922 million, compared to EUR 2,355 million during 2012. The lower outcome was the result of some coinciding factors. Continued low growth in the major part of the member area held back investments. At the same time, liquidity in general improved in the financial markets, with increasing amounts of capital being made available in the Nordic-Baltic region. This also affected the loan portfolio through larger than average early redemptions of loans, partly due to successful refinancing arrangements. Lending activities, however, increased notably towards the end of the year.

## Lending

<b>(In EUR million unless otherwise specified)</b>	<b>2013</b>	<b>2012</b>
Energy and environment	302	525
Infrastructure and telecom	474	744
Industries and services	805	899
Financial institutions and SMEs	230	198
<b>Loans agreed, total</b>	<b>1,810</b>	<b>2,366</b>
Member countries	1,760	1,880
Non-member countries	50	487
<b>Loans disbursed, total</b>	<b>1,922</b>	<b>2,355</b>
Member countries	1,670	1,979
Non-member countries	251	376
<b>Number of loan agreements, total</b>	<b>43</b>	<b>42</b>
Member countries	42	33
Non-member countries	1	9
<b>Loans outstanding and guarantees</b>	<b>14,667</b>	<b>15,131</b>
Member countries	12,035	12,241
Non-member countries	2,669	2,930
<b>Repayments and prepayments</b>	<b>1,819</b>	<b>1,503</b>
<b>Collective impairments</b>	<b>-37</b>	<b>-40</b>

## Treasury activities

During 2013, NIB raised EUR 4.1 billion through 42 funding transactions. At year-end, outstanding debt totalled EUR 18,421 million in 19 currencies. In February 2013, the Bank issued its largest ever single funding transaction through a three-year, USD 2 billion global benchmark transaction.

NIB's investor distribution continued to be diversified, with global investors supporting NIB's funding programme. Asia remains the most important region and made up 38% of all investors in 2013. Investors based in Europe and the Americas make up 30% and 11% respectively, while the Australia and New Zealand region increased and represents 13% of the investor base in 2013.

The Bank issued two NIB Environmental Bonds during 2013. One issue targeted Swedish investors and one was directed at Japanese retail investors. The proceeds were used for financing environmental projects in Sweden and Denmark.

The Bank's liquidity remained strong during 2013, with 23% invested in money market instruments and 77% invested in highly rated floating and fixed-income securities. Of this liquidity, 83% is invested in line with the Basel III liquidity criteria [being defined as High Quality Liquid Assets].

It is the Bank's target to ensure a sufficient level of liquidity to be able to continue disbursing new loans and fulfil all payment obligations for one year forward without necessitating additional funding. This target was also reached in 2013.

## Financial activities

<b>(In EUR million)</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
New debt issues	4,080	4,355	2,887
Debts evidenced by certificates at year-end	18,421	20,332	18,433
Number of borrowing transactions	42	28	43
Number of borrowing currencies	12	8	11

## Risk management

The Bank's overall risk position remained solid in 2013, 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 the investment grade categories [risk classes 1–10], which was almost unchanged compared to year-end 2012. The exposure in the weakest risk classes [17–20] increased to 1.2% of total lending [compared to 0.5% the year before] due to the downgrading of a few borrowers.

Non-performing loans and loans for which specific impairments have been made decreased to EUR 66 million net after impairment (2012: EUR 80 million), representing 0.4% of the total lending exposure.

The Bank maintains a well-balanced loan portfolio, taking into consideration its mission. There were no material changes in the geographical and sectoral distribution of the loan portfolio in 2013. At year-end, the member countries accounted for 80% (2012: 77%) of the total lending exposure, followed by Central and Eastern Europe with 9% and Asia with 7%.

The decline in the treasury exposure mainly stemmed from a decrease in the swap exposure and related lower volumes of cash collateral placed.

As in the previous year, the credit quality of the Treasury portfolio was strong, with 99% of the exposure in the investment-grade categories [risk classes 1–10]. The geographical distribution of the Treasury portfolio was weighted towards Germany and France, together accounting for 41% of the exposure (2012: 32%). Of the Treasury exposure, 32% was to the member countries, compared to 39% the year before.

The Bank continues to put emphasis on strengthening its risk management in order to keep up with evolving market standards. During 2013, resources were devoted to identifying and addressing gaps in such standards, and measures were taken to further enhance the monitoring of the Bank's market risk. Furthermore, credit risk management is being streamlined by integrating credit analysis, monitoring and reporting into a common platform.

## Compliance

In 2013, the Board approved a Non-Compliant Jurisdiction Policy aimed at strengthening the Bank's due diligence on anti-money laundering and terrorist financing and tax evasion. The Board of Directors was presented in 2013 with investigation reports on two customer cases of alleged fraud and corruption. The relevant national authorities have been informed accordingly.

## Financial results

Despite the unfavourable investment climate, NIB managed to improve its financial results. NIB recorded a solid profit of EUR 217 million, compared with a profit of EUR 209 million in 2012.

Net interest income decreased somewhat in 2013. This was driven by lower interest income from treasury activities due to the low-yield interest rate environment. Partly offsetting this was the increased average margin for the loan portfolio.

Impairment charges in 2013 decreased and were EUR 15 million, compared with EUR 56 million last year. Individually assessed impairments were in line with last year. Collectively assessed impairments decreased, with a positive impact on the result of EUR 3 million.

Costs including depreciation in 2013 were 2% higher than in 2012, and total expenses amounted to EUR 39 million [2012: EUR 38 million]. The cost/income ratio remained low and was 14%. The average number of employees was 183 [2012: 180]. The increase was due to a strengthening of the control environment of the Bank.

The Bank's total assets decreased to EUR 23 billion as of 31 December 2013 [2012: EUR 26 billion]. The equity ratio, calculated as equity over total assets, has consequently increased to 12%. The total amount of loans outstanding decreased to EUR 14.7 billion [2012: EUR 15.1 billion].

NIB issued EUR 4.1 billion of long-term debt during the year. Total debt outstanding as of the end of 2013 amounted to EUR 18.4 billion [2012: EUR 20.3 billion]. Changes in currency exchange rates reduced the size of the Bank's balance sheet, particularly total debt outstanding and the related swap transactions.

The Bank's AAA/Aaa credit rating was affirmed with stable outlook by S&P on 5 December 2013 and by Moody's on 28 June 2013. NIB maintains strong balance sheet, high asset quality and strong ownership support.

## Key figures

(in EUR million)	2013	2012	2011
Net interest income	244	252	228
Profit/loss on financial operations	20	43	8
Loan impairments	15	56	12
Profit/loss	217	209	194
Equity	2,831	2,666	2,456
Total assets	23,490	25,983	23,802
Solvency ratio [equity/total assets %]	12.1%	10.3%	10.3%
Cost/income ratio	14.3%	12.5%	15.2%

## 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 2013.

## Outlook

While most of the year 2013 was dominated by the slowdown in economic activity and weak investment climate, activity picked up towards year-end. Consistent with underlying macroeconomic fundamentals, this suggests an improving trend in capital investment in the Nordic-Baltic region and somewhat stronger demand for loans heading into 2014.

Banks will still focus on building and protecting capital rather than extending new credit. These developments—together with the stricter Basel requirements—continue to highlight NIB's value in flexible long-term lending. However, headwinds remain in both the global and regional economies, which are expected to prevent activity from picking up more substantially.

# Proposal by the Board of Directors to the Board of Governors

The Board of Directors' proposal with regard to the allocation of profit for the year 2013 takes into account the need to keep the Bank's ratio of equity to 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 2013 of EUR 217,210,128.68 is to be allocated as follows:

- EUR 162,210,128.68 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 authorised capital stock as of 31 December 2013; 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 in equity and cash flow statement, as well as in the notes to the financial statements.

Helsinki, 6 March 2014

Rolandas Kriščiūnas

Līga Kļaviņa on behalf of Kaspars Āboliņš

Pentti Pikkarainen

Silje Gamstøbakk

Jesper Olesen

Sven Hegelund

Þorsteinn Þorsteinsson

Henrik Normann  
President and CEO

Madis Üürike

# Statement of comprehensive income

## 1 January – 31 December

EUR 1,000	Note	2013	2012
Interest income		404,179	494,064
Interest expense		-159,975	-242,370
<b>Net interest income</b>	[1], [2], [22]	<b>244,204</b>	<b>251,693</b>
Commission income and fees received	[3]	10,199	10,620
Commission expense and fees paid		-2,454	-2,223
Net profit/loss on financial operations	[4]	19,840	43,288
Foreign exchange gains and losses		-384	-221
<b>Operating income</b>		<b>271,404</b>	<b>303,157</b>
<b>Expenses</b>			
General administrative expenses	[5], [22]	35,217	34,291
Depreciation	[9], [10]	3,592	3,611
Impairment of loans	[6], [8]	15,385	56,050
<b>Total expenses</b>		<b>54,194</b>	<b>93,951</b>
<b>PROFIT/LOSS FOR THE YEAR</b>		<b>217,210</b>	<b>209,205</b>
<b>Total comprehensive income</b>		<b>217,210</b>	<b>209,205</b>

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



# Statement of financial position at 31 December

EUR 1,000	Note	2013	2012
<b>ASSETS</b>	[1], [18], [19], [20], [21]		
Cash and cash equivalents	[17], [23]	1,757,616	2,817,189
Financial placements	[17]		
Placements with credit institutions		5,741	4,191
Debt securities	[7]	5,343,419	5,248,858
Other		24,247	22,059
		<b>5,373,407</b>	<b>5,275,108</b>
Loans outstanding	[8], [17]	14,666,747	15,130,669
Intangible assets	[9]	5,111	4,446
Tangible assets, property and equipment	[9]	29,640	29,856
Other assets	[11], [17]		
Derivatives		1,308,990	2,347,873
Other assets	[22]	30,279	25,895
		<b>1,339,269</b>	<b>2,373,768</b>
Payments to the Bank's reserves, receivable		-	-
Accrued interest and fees receivable		318,151	351,875
<b>TOTAL ASSETS</b>		<b>23,489,941</b>	<b>25,982,911</b>
<b>LIABILITIES AND EQUITY</b>	[1], [18], [19], [20], [21]		
<b>Liabilities</b>			
Amounts owed to credit institutions	[17], [22]		
Short-term amounts owed to credit institutions	[16], [23]	372,402	1,593,338
Long-term amounts owed to credit institutions		-	15,222
		<b>372,402</b>	<b>1,608,560</b>
Debts evidenced by certificates	[12], [17]		
Debt securities issued		18,346,651	20,254,987
Other debt		73,906	77,144
		<b>18,420,557</b>	<b>20,332,131</b>
Other liabilities	[13], [17]		
Derivatives		1,615,146	1,102,707
Other liabilities		8,094	9,397
		<b>1,623,240</b>	<b>1,112,104</b>
Accrued interest and fees payable		242,855	264,439
<b>Total liabilities</b>		<b>20,659,054</b>	<b>23,317,234</b>
<b>Equity</b>			
Authorised and subscribed capital		6,141,903	
of which callable capital		-5,723,302	
Paid-in capital	[14]	418,602	418,602
Reserve funds	[15]		
Statutory Reserve		686,325	686,325
General Credit Risk Fund		1,112,831	955,626
Special Credit Risk Fund PIL		395,919	395,919
Payments to the Bank's reserves, receivable		-	-
Profit/loss for the year		217,210	209,205
<b>Total equity</b>		<b>2,830,887</b>	<b>2,665,677</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>23,489,941</b>	<b>25,982,911</b>
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
<b>EQUITY AT 31 DECEMBER 2011</b>	418,602	683,685	761,589	395,919	2,640	0	0	194,037	2,456,472
Appropriations between reserve funds			194,037					-194,037	0
Paid-in capital									0
Called in authorised and subscribed capital									0
Payments to the Bank's Statutory Reserve and credit risk funds, receivable		2,640			-2,640				0
Comprehensive income for the year								209,205	209,205
<b>EQUITY AT 31 DECEMBER 2012</b>	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
<b>EQUITY AT 31 DECEMBER 2013</b>	418,602	686,325	1,112,831	395,919	0	0	0	217,210	2,830,887

Proposed appropriation of the year's profit/loss	2013	2012
Appropriation to Statutory Reserve	-	-
Appropriations to credit risk reserve funds		
General Credit Risk Fund	162,210	157,205
Special Credit Risk Fund PIL	-	-
Appropriation to dividend payment	55,000	52,000
<b>Profit/loss for the year</b>	<b>217,210</b>	<b>209,205</b>

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

# Cash flow statement 1 January – 31 December

EUR 1,000	Note	Jan-Dec 2013	Jan-Dec 2012
<b>Cash flows from operating activities</b>			
Profit/loss from operating activities		217,210	209,205
<b>Adjustments:</b>			
Unrealised gains/losses of financial assets held at fair value		-13,500	-44,717
Depreciation and write-down in value of tangible and intangible assets		3,592	3,611
Change in accrued interest and fees (assets)		33,724	11,812
Change in accrued interest and fees (liabilities)		-21,584	-14,939
Impairment of loans		15,385	56,050
Adjustment to hedge accounting		-2,294	1,381
Other adjustments to the year's profit		-1,820	-2,523
<b>Adjustments, total</b>		<b>13,503</b>	<b>10,675</b>
<b>Lending</b>			
Disbursements of loans		-1,921,755	-2,354,787
Repayments of loans		1,818,766	1,502,789
Capitalisations, redenominations, index adjustments, etc.		-686	245
Transfer of loans to claims in other assets		-	2,854
Exchange rate adjustments		414,332	-85,199
<b>Lending, total</b>		<b>310,656</b>	<b>-934,098</b>
<b>Cash flows from operating activities, total</b>		<b>541,369</b>	<b>-714,218</b>
<b>Cash flows from investing activities</b>			
<b>Placements and debt securities</b>			
Purchase of debt securities		-2,437,468	-2,893,778
Sold and matured debt securities		2,310,584	2,046,894
Placements with credit institutions		-1,550	-674
Other financial placements		1,222	-3,463
Exchange rate adjustments, etc.		27,783	4,074
<b>Placements and debt securities, total</b>		<b>-99,429</b>	<b>-846,947</b>
<b>Other items</b>			
Acquisition of intangible assets		-2,440	-1,727
Acquisition of tangible assets		-1,602	-820
Change in other assets		172	13,587
<b>Other items, total</b>		<b>-3,870</b>	<b>11,040</b>
<b>Cash flows from investing activities, total</b>		<b>-103,300</b>	<b>-835,907</b>
<b>Cash flows from financing activities</b>			
<b>Debts evidenced by certificates</b>			
Issues of new debt		4,079,958	4,355,019
Redemptions		-3,776,926	-2,435,918
Exchange rate adjustments		-1,608,276	-312,663
<b>Debts evidenced by certificates, total</b>		<b>-1,305,244</b>	<b>1,606,438</b>
<b>Other items</b>			
Long-term placements from credit institutions		-15,222	-86,444
Change in swap receivables		638,041	262,337
Change in swap payables		459,022	70,114
Change in other liabilities		-1,304	-545
Dividend paid		-52,000	-
Paid-in capital and reserves		-	2,640
<b>Other items, total</b>		<b>1,028,537</b>	<b>248,102</b>
<b>Cash flows from financing activities, total</b>		<b>-276,706</b>	<b>1,854,540</b>

<b>CHANGE IN CASH AND CASH EQUIVALENTS, NET</b>	<b>(23)</b>	<b>161,363</b>	<b>304,414</b>
Opening balance for cash and cash equivalents, net		1,223,851	919,437
Closing balance for cash and cash equivalents, net		1,385,213	1,223,851
<b>Additional information to the statement of cash flows</b>			
Interest income received		437,903	505,876
Interest expense paid		-181,559	-257,309

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] among the governments of Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden [hereinafter called the member countries], and the Statutes adopted in conjunction with that 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 with the member countries and the 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 is exempt from payment restrictions and credit policy measures, and has the legal status of an international legal person, with full legal capacity. 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 have an effect on the Bank's profits, its financial position and other information presented in the Annual Report. These estimates are based on available information and the judgements made by the 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 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 the 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.

## Recognition and derecognition of financial instruments

Financial instruments are recognised in the statement of financial position on a settlement 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.

## 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.

## Basis for measurement

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

After the adaptation 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.

## 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.

## 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 20,258 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 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.

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, judgement by 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.

## 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".

## Derivative instruments and hedge accounting

The Bank's derivative instruments are initially 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 given point in

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 assessed continuously.

## 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 at 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.

## Equity

As of 31 December 2013, 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, that is, 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

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.

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 2013**

Since 1 January 2013, 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 2013.

- Amendments to IAS 1 *Presentation of Financial Statements*: The major change is the requirement to group items of other comprehensive income as to whether or not they will be reclassified subsequently to profit or loss when specific conditions are met. The amendments have not had an impact on the presentation of NIB's other comprehensive income.
- IFRS 10 *Consolidated Financial Statements* and subsequent amendments: IFRS 10 builds on existing principles by identifying the concept of control as the determining factor when deciding whether an entity should be incorporated within the consolidated financial statements. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess. The new standard has not had an impact on NIB's financial statements.
- IFRS 11 *Joint Arrangements* and subsequent amendments: In the accounting of joint arrangements, IFRS 11 focuses on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. In future, jointly controlled entities are to be accounted for using only one method, the equity method, and the other alternative of proportional consolidation is no longer allowed. The new standard has not had an impact on NIB's financial statements.
- IFRS 12 *Disclosures of Interest in other Entities* and subsequent amendments. IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including associates, joint arrangements, structured entities and other off-balance sheet vehicles. The new standard has not had an impact on NIB's financial statements.
- IFRS 13 *Fair Value Measurement*: IFRS 13 establishes a single source for all fair value measurements and disclosure requirements for use across IFRSs. The new standard also provides a precise definition of fair value. IFRS 13 does not extend the use of fair value accounting, but it provides guidance on how to measure fair value under IFRSs when fair value is required or permitted. The impact has not been significant.
- *Annual Improvements to IFRSs 2009-2011* [May 2012]: 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 five standards in total. Their impact has not been significant.
- Amendments to IFRS 7 *Financial Instruments: Disclosures*: The amendments clarify disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements. The amended standard has not had a significant 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.

- 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 are not assessed to have a 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 is not assessed to have a 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 are not assessed to have an 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.

IFRS 9 *Financial Instruments 2013*: Introduces new requirements for hedge accounting that align hedge accounting more closely with risk management. The requirements also establish a more principle-based approach to hedge accounting. Amendments dealing with general hedge accounting were issued in November 2013. The unfinished part of IFRS 9, impairment of financial assets, is still a work in progress. Furthermore, the IASB is also considering limited amendments regarding the classification and measurement of financial assets. The macro hedge phase has been taken apart from the IFRS 9 project as a separate project. As the IFRS 9 project is incomplete, the impacts of the standard on the financial statement cannot yet be assessed.

## RISK MANAGEMENT

The Bank assumes a conservative approach to risk-taking. Its constituent documents require that loans be made 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 required to maintain the 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 to comply 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.

To assist and advise the President, the following committees have been established:

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 the 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 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 the treasury operations. The committee makes recommendations, and where appropriate, decisions in the area of market, counterparty and liquidity risk exposure, monitors the Bank's borrowing activities and has oversight of treasury risk reporting to the Board of Directors. The committee 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 the 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.

In the day-to-day management of risks, the Bank has established a segregation of duties between units that enter into business transactions with customers or otherwise expose the Bank to risk on the one hand, and units in charge of risk assessment, risk measurement and control on the other hand. 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.

*Risk and Finance* has the 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, the day-to-day monitoring of market and operational risks and the assessment of risk related to new instruments. 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 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.

*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 risks, including the minimum credit quality levels for borrowers and guarantors in lending operations, and identifies 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. The portfolio policy aims to ensure adequate diversification of credit risk across counterparties, countries and industry sectors. Based on the policies set by the Board of Directors, specific guidelines and instructions have been implemented as a basis for the business and control processes and procedures.

### Credit risk assessment

Credit risk assessment is an important part of the credit process. 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 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 reduce risk concentration, the Bank applies portfolio-level limits for large counterparty exposure as well as for sector and country exposures. 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 works continuously to review the quality of its credit exposures. Strong emphasis is put on regularly monitoring the creditworthiness of the counterparties in the Bank's lending and treasury operations. The monitoring frequency is determined based on, among other things, the ratings and the size and type of exposure. Generally, 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

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 interest rate risk. Derivatives are transacted under normal counterparty limits.

As a rule, NIB enters into International Swaps and Derivatives Association (ISDA) contracts with swap counterparties. 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. The gross total market value of swaps at year-end 2013 amounted to EUR 1,480 million, compared to a market value of EUR 651 million after applying netting (year-end 2012: EUR 2,568 million and EUR 1,951 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. The Bank largely uses unilateral credit support agreements under which the Bank does not have to post collateral. At year-end 2013, the Bank held EUR 601 million (2012: EUR 1,783 million) in gross collateral received, of which EUR 283 million (2012: EUR 1,464 million) was in cash and EUR 318 million (2012: EUR 319 million) in securities (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 2013 the fund amounted to EUR 1,113 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 2013, 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 when 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 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 2013 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 credit support agreement. The exposure to collateralised placements is calculated as a fixed percentage of the market value of the collateral held.

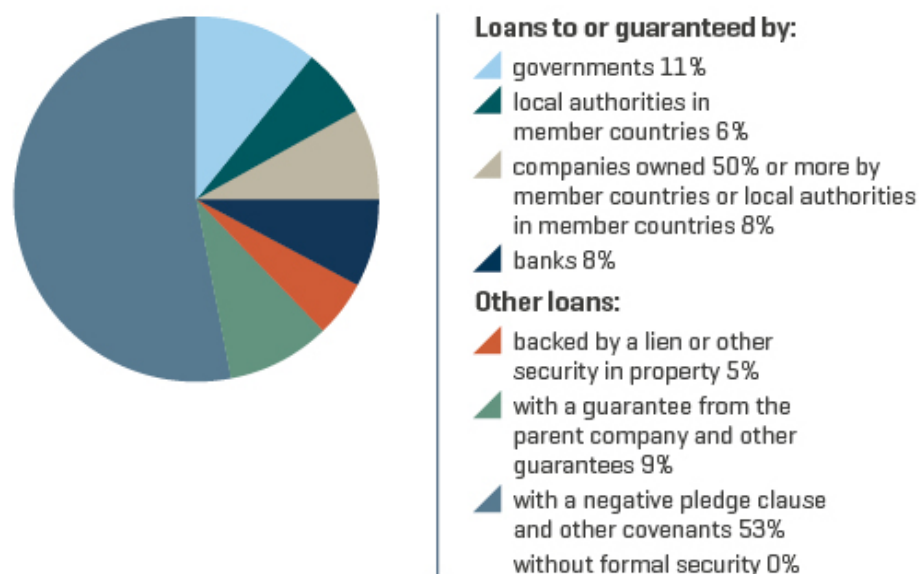
TABLE 1. Credit risk exposure by internal rating [in EUR million]

Risk class [EL]	S&P equivalent	31.12.2013			31.12.2012		
		Lending	Treasury	Total	Lending	Treasury	Total
1-2	AAA/AA+	2,417	3,577	5,994	2,277	4,966	7,243
3-4	AA/AA-	831	1,605	2,436	1,014	1,455	2,469
5-6	A+/A	1,307	853	2,160	1,147	1,044	2,191
7-8	A-/BBB+	4,398	86	4,484	5,112	207	5,319
9-10	BBB/BBB-	4,099	24	4,123	3,912	85	3,997
11-12	BB+/BB	1,899	42	1,941	2,045	10	2,055
13-14	BB/BB-	606	0	606	507	0	507
15-16	BB-/B+	7	20	27	272	20	292
17-18	B/B-	160	0	160	76	0	76
19-20	B-/CCC	24	0	24	0	0	0
D		66	8	74	80	10	89
<b>TOTAL</b>		<b>15,813</b>	<b>6,216</b>	<b>22,029</b>	<b>16,442</b>	<b>7,797</b>	<b>24,239</b>
<b>Class D</b>							
Gross		186	83	269	198	90	288
Impairment		120	75	195	118	80	198
<b>Net</b>		<b>66</b>	<b>8</b>	<b>74</b>	<b>80</b>	<b>10</b>	<b>89</b>

Overall, the quality of the Bank's aggregate credit exposure remained sound and stable in 2013. Lending exposure decreased by 4% and treasury exposure by 20%. The decline in treasury exposure mainly stemmed from a decrease in swap exposure and related lower volumes of cash collateral held, as well as the increased use of collateralised placements replacing cash deposits. At year-end 2013, 83% [2012: 82%] of lending exposure and 99% [2012: 99%] of treasury exposure was in risk classes 1-10, corresponding to investment-grade quality. Lending exposure in the weakest risk classes [EL17-20] increased somewhat as a result of the rating migration of a few customers.

## Loans outstanding and guarantees

%, distribution by type of security as of 31 Dec 2013



The distribution of the Bank's portfolio of outstanding loans and guarantee commitments by type of credit enhancement at year-end 2013 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	31.12.2013			31.12.2012		
	Lending	Treasury	Total	Lending	Treasury	Total
Denmark	1,524	337	1,861	1,428	204	1,632
Estonia	232	0	232	250	0	250
Finland	3,280	695	3,975	3,265	1,646	4,911
Iceland	471	4	475	534	5	538
Latvia	369	0	369	377	0	377
Lithuania	346	20	366	247	35	282
Norway	2,451	323	2,774	2,579	330	2,909
Sweden	3,904	607	4,511	3,947	784	4,731
Africa and Middle East	252	0	252	290	0	290
Americas	293	253	546	393	304	697
Asia-Pacific	1,147	86	1,233	1,402	118	1,520
Europe	1,339	3,701	5,040	1,501	4,174	5,675
Multilaterals	206	190	396	229	197	426
<b>TOTAL</b>	<b>15,813</b>	<b>6,216</b>	<b>22,029</b>	<b>16,442</b>	<b>7,797</b>	<b>24,239</b>

In the context of the Bank's mission and mandate, 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 2013, the member countries accounted for 80% of the Bank's lending exposure (2012: 77%). The Bank has not set limits for the lending exposure in its member countries. Lending to non-member countries is subject to country limits that are reviewed annually. The largest lending exposures outside the member countries were to China, Poland, Russia and Brazil.

The treasury exposure was concentrated in the Nordic region with 32% (2012: 38%), and the rest of Europe with 60% (2012: 54%), dominated by Germany, France, the Netherlands and the UK.

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	31.12.2013			31.12.2012		
	Lending	Treasury	Total	Lending	Treasury	Total
Oil & Gas	461	0	461	156	0	156
Materials	1,417	0	1,417	1,436	0	1,436
Industrials	3,209	0	3,209	2,900	0	2,900
Consumer discretionary	481	0	481	398	0	398
Consumer staples	1,127	0	1,127	1,074	0	1,074
Health care	396	0	396	332	0	332
Financials	1,278	4,670	5,948	1,920	6,157	8,076
Information technology	163	0	163	269	0	269
Telecommunication services	565	0	565	714	0	714
Utilities	3,491	0	3,491	4,228	0	4,228
Public sector	3,225	1,546	4,771	3,016	1,640	4,656
<b>TOTAL</b>	<b>15,813</b>	<b>6,216</b>	<b>22,029</b>	<b>16,442</b>	<b>7,797</b>	<b>24,239</b>

The distribution by industry sector remained fairly stable in 2013 compared to the previous year. The largest credit risk exposure continued to be in the financial sector, which accounted for 27% [2012: 33%] of total exposure. This largely derives from treasury operations, but also from the Bank's lending to financial intermediaries for financing smaller projects. Of the lending exposure, 63% was distributed across the public sector, utilities and industrials. 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 2013, the Bank was in compliance with all these limits.

TABLE 4. Largest counterparty exposures [in % 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.

	31.12.2013	31.12.2012
Top 5	10%	12%
Top 10	16%	20%
Top 20	27%	31%

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 2013, the Bank was in compliance with the limits for large exposures in relation to total exposure. However, the aggregate of the Bank's twenty largest counterparties, measured by their consumption of economic capital, marginally exceeded the limit of 35% set for total economic capital consumption.

## Market risk

Market risk includes, among others, the risk that losses are incurred as a result of movements in exchange rates and interest rates. NIB's exposure to exchange rate risk occurs when translating assets and liabilities denominated in foreign currencies into the functional 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 bonds 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 matches the structure of the loans granted. Treasury uses derivatives to mitigate exposure to interest rate risk and 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.

### 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 0.15% 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

In 2013, the Bank revised its management of interest rate risk. Interest rate risk is now 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, including the portfolio of euro-denominated assets corresponding to the size of the Bank's capital, which previously was monitored separately. Most of the Bank's interest rate risk derives from positions in this portfolio, for which a modified duration of 2.0 – 5.0 years is allowed.

The revised risk measurement has no impact on the total level of interest rate risk that the Bank assumes. A gross limit equivalent to EUR 1.5 million covering all currencies restricts total 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 2013, the gross exposure was EUR 0.97 million.

As a supplementary indicator of interest rate risk, the Bank estimates the effect of a 0.1% change in interest rates on its net interest income over time due to mismatches between interest-bearing assets and liabilities in terms of re-pricing periods and volumes. This is managed through a limit of EUR 34 million, corresponding to approximately 1.2% of the Bank's equity. At year-end 2013, the exposure amounted to EUR 12.4 [2012: EUR 17.7 million].

## Value-at-Risk

Total market risk, incorporating both 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 2013, the VaR of this portfolio was EUR 2.9 million [2012: EUR 4.0 million]. The average VaR over the year was EUR 4.9 million [2012: EUR 5.0 million], while the lowest and highest values were EUR 2.6 million and EUR 10.5 million, respectively [2012: EUR 3.3 million and EUR 7.4 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.

In 2013, the credit spread limit was increased from EUR 0.90 million to EUR 2.275 million to reflect the incorporation of the portfolio of assets corresponding to the size of the Bank's capital under this limit. At year-end 2013, the exposure was EUR 1.65 million [year-end 2012: EUR 0.56 million excluding the portfolio of assets corresponding to the size of the Bank's capital].

## Liquidity risk

Liquidity risk is defined as the risk of losing earnings and capital due to an inability to meet payment obligations in a timely manner when they become due. Funding liquidity risk occurs when obligations cannot be fulfilled because of an inability to obtain new funding. Market liquidity risk occurs when specific assets cannot be liquidated without significant losses in price.

## Liquidity risk management

The Bank manages liquidity risk with the objective to ensure that all payment obligations can be met punctually and that the core activities can be carried out at a reasonable cost. To meet this objective, the Bank seeks to retain access to funding in the capital markets and to maintain an optimal liquidity reserve to protect against market disruptions.

The Bank has a proven record of access to funding. In order to manage market access, the Bank strives to diversify its sources of funding and maintain its relationship with investors. A cornerstone is the Bank's established funding programmes, supported by the highest possible credit rating assigned to the Bank by the major international rating agencies. The Bank's AAA/Aaa issuer credit rating was affirmed with stable outlook by S&P on 5 December 2013 and by Moody's on 28 June 2013. Information on the distribution of the Bank's funding by geography and investor type is provided in the Treasury section of the Annual Review.

The Bank considers as liquidity all the financial assets held in the treasury portfolios. In the balance sheet, these financial assets are recognised as cash and cash equivalents, placements with credit institutions and investment securities. The liquidity is managed by Treasury in different portfolios with distinct objectives outlined in the Bank's liquidity policy. Strict rules have been set regarding the eligibility of assets to be warehoused in the portfolios. Overall, the portfolios consist of short-term money market deposits with highly-rated financial institutions, collateralised placements as well as securities issued by highly-rated governments and financial institutions, including covered bonds. A major portion of the assets held qualify as collateral in central bank funding.



The Bank's liquidity risk management focuses on both short-term liquidity risk and long-term structural liquidity risk. The short-term target is to maintain positive liquidity for the coming 12 months, i.e. available liquidity should be large enough to cover expected payment obligations. Liquidity planning is based on projected cash flows from all assets and liabilities as well as planned loan disbursements. In order to protect against an unnecessarily large need for funding in future periods, caps have been set on long-term liquidity mismatches. The Bank has defined targets for acceptable liquidity gaps in the periods 1-2 years and 2-10 years. A breakdown of the Bank's assets and liabilities by maturity at year-end 2013 is presented in Note 18.

At year-end 2013, the Bank's liquidity portfolio and short-term cash instruments covered its estimated liquidity requirement for 343 days. The available liquid assets were sufficient to cover the need for 714 days when including the portfolio of assets corresponding to the size of the Bank's capital.

## 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 management of operational risk puts emphasis 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 identification of key risks and on 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.

The Treasury's two sub-segments for 2013 are not directly comparable with the previous year's figures due to regrouping of Treasury portfolios at the beginning of 2013.

[Amounts in EUR 1,000]	Lending management		Asset and liability management	Portfolio management	Treasury Total	Total	Lending management		Asset and liability management	Portfolio management	Treasury Total	Total
	2013	2013	2013	2013	2013	2013	2012	2012	2012	2012	2012	2012
<b>Net interest income</b>	<b>136,301</b>	<b>29,296</b>	<b>78,606</b>	<b>107,903</b>	<b>244,204</b>	<b>244,204</b>	<b>122,893</b>	<b>55,210</b>	<b>73,590</b>	<b>128,800</b>	<b>251,693</b>	<b>251,693</b>
Commission income and fees received	9,101			1,097	10,199	10,199	10,015			604	10,620	10,620
Commission expense and fees paid	-535			-1,919	-2,454	-2,454	-583			-1,639	-2,223	-2,223
Net profit on financial operations	3,422			16,418	19,840	19,840	-6,869			50,157	43,288	43,288
Foreign exchange gains and losses	-			-384	-384	-384	-			-221	-221	-221
Administrative expenses	-30,279			-4,938	-35,217	-35,217	-29,743			-4,548	-34,291	-34,291
Depreciation	-2,345			-1,247	-3,592	-3,592	-2,357			-1,253	-3,611	-3,611
Impairment of loans	-15,385			-	-15,385	-15,385	-56,050			-	-56,050	-56,050
<b>Profit/loss for the year</b>	<b>100,280</b>			<b>116,930</b>	<b>217,210</b>	<b>217,210</b>	<b>37,305</b>			<b>171,900</b>	<b>209,205</b>	<b>209,205</b>
<b>Assets</b>	<b>14,720,857</b>			<b>8,769,084</b>	<b>23,489,941</b>	<b>23,489,941</b>	<b>15,194,606</b>			<b>10,788,305</b>	<b>25,982,911</b>	<b>25,982,911</b>
<b>Liabilities and equity</b>	<b>14,720,857</b>			<b>8,769,084</b>	<b>23,489,941</b>	<b>23,489,941</b>	<b>15,194,606</b>			<b>10,788,305</b>	<b>25,982,911</b>	<b>25,982,911</b>

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]	2013	2012
	Net interest income	Net interest income
<b>Member countries</b>		
Denmark	14,450	9,623
Estonia	1,412	1,067
Finland	26,997	26,192
Iceland	4,742	4,835
Latvia	3,820	3,656
Lithuania	2,534	1,960
Norway	16,844	16,782
Sweden	32,347	27,506
<b>Total, member countries</b>	<b>103,148</b>	<b>91,621</b>
<b>Non-member countries</b>		
Africa	2,010	2,274
Asia	11,746	12,444
Europe and Eurasia	13,665	10,180
Latin America	4,985	5,499
Middle East	747	875
<b>Total, non-member countries</b>	<b>33,153</b>	<b>31,272</b>
<b>Total, net interest income from lending</b>	<b>136,301</b>	<b>122,893</b>

## [2] INTEREST INCOME AND INTEREST EXPENSE

[Amounts in EUR 1,000]	2013	2012
<b>Interest income</b>		
Cash and cash equivalents	4,913	7,600
Debt securities	95,543	122,083
Loans outstanding	303,185	363,614
Other interest income	538	767
<b>Total, interest income <sup>1</sup></b>	<b>404,179</b>	<b>494,064</b>
<b>Interest expense</b>		
Short-term amounts owed to credit institutions	185	2,692
Long-term amounts owed to credit institutions	3	419
Debts evidenced by certificates	717,089	681,660
Swap contracts and other interest expenses, net	-557,301	-442,400
<b>Total, interest expense <sup>2</sup></b>	<b>159,975</b>	<b>242,370</b>

<sup>1</sup> Including interest income from financial assets recognised at amortised cost EUR 369,412 [449,463] thousand.

<sup>2</sup> Including interest expense from financial liabilities recognised at amortised cost EUR 142,965 [178,461] thousand.

## [3] COMMISSION INCOME AND FEES RECEIVED

<b>[Amounts in EUR 1,000]</b>	<b>2013</b>	<b>2012</b>
Commitment fees	2,906	4,061
Loan disbursement fees	5,543	5,839
Guarantee commissions	-	23
Premiums on prepayments of loans	1,379	276
Commissions on lending of securities	370	421
<b>Total, commission income and fees received</b>	<b>10,199</b>	<b>10,620</b>

## [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 are presented in the statement of comprehensive income as follows:

<b>[Amounts in EUR 1,000]</b>	<b>2013</b>	<b>2012</b>
Bonds held at fair value, realised gains and losses	3,123	4,502
Floating Rate Notes held at fair value, realised gains and losses	3,297	-160
Derivatives held at fair value, realised gains and losses	-2,757	-3,941
Other financial placements held at fair value, realised gains and losses	13	-107
<b>Financial instruments held at fair value, realised gains and losses, total</b>	<b>3,676</b>	<b>294</b>
Bonds held at fair value, unrealised gains and losses <sup>1</sup>	-15,114	25,228
Floating Rate Notes held at fair value, unrealised gains and losses <sup>3</sup>	11,281	27,863
Derivatives held at fair value, unrealised gains and losses <sup>2</sup>	11,813	-10,955
Commercial paper held at fair value, unrealised gains and losses <sup>1</sup>	-125	12
Other financial placements held at fair value, unrealised gains and losses <sup>4</sup>	3,409	-6,762
<b>Financial instruments held at fair value, unrealised gains and losses, total</b>	<b>11,265</b>	<b>35,387</b>
Bonds held at amortised cost, realised gains and losses <sup>5</sup>	4,684	9,475
Floating rate notes held at amortised cost, realised gains and losses <sup>5</sup>	-3,363	-3,185
<b>Financial instruments held at amortised cost, realised gains and losses, total</b>	<b>1,321</b>	<b>6,290</b>
Adjustment in fair value of hedged loans <sup>2</sup>	-138,482	97,586
Adjustment in fair value of derivatives hedging loans <sup>2</sup>	138,138	-98,591
Adjustment in fair value of hedged debts evidenced by certificates <sup>2</sup>	606,330	-292,974
Adjustment in fair value of derivatives hedging debts evidenced by certificates <sup>2</sup>	-603,692	292,598
<b>Adjustment to hedge accounting, unrealised gains and losses of fair value hedges, total</b>	<b>2,294</b>	<b>-1,381</b>
Repurchase of NIB bonds, other items	1,284	2,699
<b>Total, net profit/loss on financial operations</b>	<b>19,840</b>	<b>43,288</b>

<sup>1</sup> Fair value is determined according to market quotes for identical instruments [Level 1].

<sup>2</sup> Fair value adjustment is determined using valuation techniques with observable market inputs [Level 2].

<sup>3</sup> 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].

<sup>4</sup> Fair value is determined using valuation techniques with unobservable market inputs [Level 3].

<sup>5</sup> These sales were made as these financial assets no longer met NIB's investment policy.

## [5] GENERAL ADMINISTRATIVE EXPENSES

[Amounts in EUR 1,000]	2013	2012
Staff costs	25,617	24,292
Wages and salaries	20,771	19,254
Social security costs	457	440
Other staff costs	4,389	4,598
Pension premiums in accordance with the Finnish state pension system	5,425	4,831
Other pension premiums	1,459	1,316
Office premises costs	1,279	1,208
ICT service charges	2,714	2,945
Other general administrative expenses	7,444	8,112
Cost coverage, NDF and NEFCO	-986	-903
Cost coverage, rental income and other administrative income	-699	-698
<b>Total</b>	<b>42,255</b>	<b>41,103</b>
Host country reimbursement according to agreement with the Finnish Government	-7,038	-6,812
<b>Net</b>	<b>35,217</b>	<b>34,291</b>
<b>Remuneration to the auditors</b>		
Audit fee <sup>1</sup>	103	120
Other audit-related service fees	1	-
<b>Total remuneration</b>	<b>104</b>	<b>120</b>

<sup>1</sup> The cost of issuing comfort letters and certificates in relation to the borrowing operations of the Bank is included in the audit fee.

Average number of employees in permanent positions <sup>1</sup>

	2013	2012
Average number of employees	183	180
Average age of employees	46	46
Average period (years) of employment	11	11
<b>Distribution by gender <sup>1</sup></b>		
All employees	183	180
Females	81	82
Males	102	98
Executive Committee (including the President)		
Females	1	1
Males	6	6
Professional staff		
Females	57	53
Males	87	81
Clerical staff		
Females	23	28
Males	9	11

<sup>1</sup> 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 makes decisions concerning 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 percentage available for performance premiums is determined annually. For 2013, a total of 3% of the estimated salary costs was available. All personnel are eligible for performance premiums.

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

<b>[Amounts in EUR]</b>	<b>2013 Compensation/ Taxable income</b>	<b>2012 Compensation/ Taxable income</b>
Board of Directors		
Chairman		
annual remuneration	13,258	13,258
attendee allowance	1,505	1,828
Other Directors and Alternates (15 persons)		
annual remuneration	76,242	74,036
attendee allowance	13,536	15,048
Control Committee		
Chairman		
annual remuneration	4,375	4,375
attendee allowance	430	430
Other members (9 persons)		
annual remuneration	16,272	16,021
attendee allowance	3,456	3,168
President <sup>1</sup>	600,763	631,309
Members of the Executive Committee (6 persons)	2,047,238	1,858,618

<sup>1</sup> The figures include the cost for the former President for the period 01-03/12 and the cost for the current President for the period 04-12/12

## 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 2013 was 18.55% of the pensionable income. The employee's pension contribution was either 5.15% or 6.5%, 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 184,145 of which EUR 33,653 comprised supplementary pension premiums. The corresponding figures for the ExCo members were EUR 705,463 and EUR 213,193.



## 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 2013]. 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 2013, there were no staff loans to the President or the ExCo members outstanding [-].

## 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<sup>2</sup>. The Bank rents office space totalling 2,028 m<sup>2</sup> adjacent to its main office building. A total of 2,402 m<sup>2</sup> is rented to external parties. Furthermore, in 2013 the Bank rented office space totalling 162 m<sup>2</sup> in Beijing and Moscow.

## [6] IMPAIRMENT OF LOANS

<b>[Amounts in EUR 1,000]</b>	<b>2013</b>	<b>2012</b>
Credit losses from loans	-	-
Credit losses on receivables from defaulted lending counterparties	19,988	19,620
Allowances for impairment net change, individually assessed	18,034	17,133
Allowances for impairment net change, collectively assessed	-3,210	40,000
Reversals of previously recorded allowances for credit losses	-19,428	-20,703
<b>Impairment of loans and other assets</b>	<b>15,385</b>	<b>56,050</b>

See also Note 8.

## [7] FINANCIAL PLACEMENTS

The debt securities were issued by the following counterparties:

[Amounts in EUR million]	2013	2012
Governments	1,395	1,375
Public institutions	1,215	1,063
Other	2,733	2,811
<b>Total, debt securities</b>	<b>5,343</b>	<b>5,249</b>

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

[Amounts in EUR million]	Book value		Fair value	
	2013	2012	2013	2012
Held at fair value	2,752	2,600	2,752	2,600
Held at amortised cost	2,592	2,649	2,703	2,800
<b>Total, debt securities</b>	<b>5,343</b>	<b>5,249</b>	<b>5,454</b>	<b>5,399</b>

Of these debt securities, EUR 3,775 (3,515) million is at fixed interest rates and EUR 1,569 (1,734) 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
<b>2013</b>	169	164	-4
<b>2012</b>	297	275	-22
<b>2011</b>	409	370	-39
<b>2010</b>	505	483	-22
<b>2009</b>	606	585	-21
<b>2008</b>	684	630	-54
<b>1 Sep 2008</b>	762	715	-47

[Amounts in EUR million]	2013	2012	2011	2010	2009	2008
Recognised interest income due to reclassification	-1.4	-6.1	-7.3	-8.6	-8.6	-1.5
Change in unrecognised adjustment to fair value	17.4	17.4	-17.7	-0.2	32.6	-7.3
Impact on profit if the reclassification had not been implemented	16.1	11.3	-25.0	-8.7	24.0	-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]	2013	2012
<b>Ordinary Loans</b>		
Investment loans in the member countries	11,848	11,952
Investment loans in other countries	511	535
Regional loans in the Nordic countries	3	4
Adjustment to hedge accounting	226	346
<b>Total</b>	<b>12,587</b>	<b>12,837</b>
<b>Project Investment Loans (PIL)</b>		
Africa	195	221
Asia	957	1,100
Europe and Eurasia	411	388
Latin America	398	419
Middle East	57	70
Adjustment to hedge accounting	16	34
<b>Total</b>	<b>2,034</b>	<b>2,232</b>
<b>Environmental Investment Loans (MIL)</b>	<b>83</b>	<b>102</b>
<b>Collective impairment</b>	<b>-37</b>	<b>-40</b>
<b>Total, loans outstanding</b>	<b>14,667</b>	<b>15,131</b>

The figure for loans outstanding, EUR 14,667 [15,131] million, includes medium-term notes (MTN) of EUR 966 [1,461] million. These are held at amortised cost unless they form a 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 12,181 [12,495] million, while those at fixed interest rates amounted to EUR 2,281 [2,296] million. There were no guarantee commitments [-] under Ordinary Lending as of 31 December 2013.

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, accrued interest or rescheduling of the payment dates of principal and/or interests, and has an actual effect on the future cash flows. Loan forbearance is granted on a selective basis and in purpose 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 2013, a total of EUR 125.6 [-] million of Ordinary Loans and EUR 9.1 [10.7] million of Project Investment Loans from the Bank's loans outstanding before impairments is affected by forbearance, and respectively after impairments EUR 125.6 [-] million of Ordinary Loans, EUR 1.2 [3.5] million of Project Investment Loans. The loans affected by forbearance amounted to interest income of EUR 4.2 million in 2013. See also Risk Management, Credit risk monitoring.

As of December 2013, there was one [-] non-performing MIL loan totalling EUR 29.9 million. See also Accounting policies, Impairment of loans and receivables.

A total of EUR 156.6 [158.3] million has been deducted from the Bank's loans outstanding and from lending claims in "other assets". Specific allowances for impairment amounted to EUR 119.8 million and collectively assessed allowances amounted to EUR 36.8 million. During 2013, no [22.8] 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

<b>[Amounts in EUR million]</b>	<b>2013</b>	<b>2012</b>
Balance at 1 January	158.3	126.9
Allowances for impairment, individually assessed	44.0	16.7
Allowances for impairment, collectively assessed	-3.2	40.0
Reversals of previously recorded allowances for impairment	-42.5	-25.3
<b>Balance at 31 December</b>	<b>156.6</b>	<b>158.3</b>

See also Note 6.

The distribution of allowances for impairment was as follows:

<b>[Amounts in EUR million]</b>	<b>2013</b>	<b>2012</b>
<b>Distribution by loan facility</b>		
Ordinary Loans	2.2	21.6
Project Investment Loans (PIL)	44.3	7.2
<b>Allowances for impairment, loans outstanding</b>	<b>46.5</b>	<b>28.8</b>
<b>Collective impairment</b>	<b>36.8</b>	<b>40.0</b>
<b>Impairment losses on defaulted loan customers, other assets</b>	<b>73.3</b>	<b>89.5</b>
<b>Total</b>	<b>156.6</b>	<b>158.3</b>

In 2013, NIB reorganized its lending activities; the business areas Heavy industry and mechanical engineering and Consumer goods and services were combined into Industries and services. The lending activities are thus carried out in four areas: Energy and environment; Financial institutions and SMEs; Industries and services; and Infrastructure, transportation and telecom.

<b>[Amounts in EUR million]</b>	<b>2013</b>	<b>2012</b>
<b>Distribution by NIB business areas</b>		
Energy & Environment	4.4	15.2
Financial Institutions & SMEs	-	-
Industries and Services	5.6	7.0
Infrastructure, Transportation and Telecom	36.5	6.6
<b>Allowances for impairment, loans outstanding</b>	<b>46.5</b>	<b>28.8</b>
<b>Collective impairment</b>	<b>36.8</b>	<b>40.0</b>
<b>Impairment losses on defaulted loan customers, other assets</b>	<b>73.3</b>	<b>89.5</b>
<b>Total</b>	<b>156.6</b>	<b>158.3</b>

As of 31 December 2013, loans agreed but not yet disbursed amounted to the following:

<b>[Amounts in EUR million]</b>	<b>2013</b>	<b>2012</b>
Loans agreed but not yet disbursed		
Ordinary Loans	955	909
Project Investment Loans	390	656
Environmental Investment Loans	29	47
<b>Total, loans agreed but not yet disbursed</b>	<b>1,374</b>	<b>1,613</b>

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

<b>[Amounts in EUR million]</b>	<b>2013</b>		<b>2012</b>	
	<b>Share, in %</b>		<b>Share, in %</b>	
<b>Loans outstanding as of 31 December</b>				
Energy & Environment	4,318	30%	4,590	31%
Financial Institutions & SMEs	1,784	12%	2,019	14%
Industries and Services	5,528	38%	5,362	36%
Infrastructure, Transportation and Telecom	2,832	20%	2,820	19%
<b>Collective impairment</b>	<b>-37</b>		<b>-40</b>	
Adjustments to hedge accounting	242		380	
<b>Total</b>	<b>14,667</b>	<b>100%</b>	<b>15,131</b>	<b>100%</b>
<b>Loans disbursed</b>				
Energy & Environment	382	20%	608	26%
Financial Institutions & SMEs	275	14%	225	10%
Industries and Services	889	46%	719	31%
Infrastructure, Transportation and Telecom	376	20%	803	34%
<b>Total</b>	<b>1,922</b>	<b>100%</b>	<b>2,355</b>	<b>100%</b>

## Currency distribution of loans outstanding

<b>[Nominal amounts in EUR million]</b>	<b>Ordinary loans</b>		<b>PIL loans</b>		<b>Total <sup>1</sup></b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Currency</b>						
Nordic currencies	3,864	4,240	69	67	3,933	4,307
EUR	7,044	6,698	683	721	7,773	7,472
USD	1,350	1,383	1,189	1,366	2,574	2,795
Other currencies	104	170	77	44	183	216
<b>Total</b>	<b>12,362</b>	<b>12,490</b>	<b>2,018</b>	<b>2,198</b>	<b>14,462</b>	<b>14,790</b>
Adjustment to hedge accounting	226	346	16	34	242	380
<b>Collective impairment</b>					<b>-37</b>	<b>-40</b>
<b>Total, loans outstanding</b>	<b>12,587</b>	<b>12,837</b>	<b>2,034</b>	<b>2,232</b>	<b>14,667</b>	<b>15,131</b>

<sup>1</sup> The total amount also includes EUR 83 million [102] 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]	2013		2012	
	Amount	Share, in %	Amount	Share, in %
Loans to or guaranteed by governments				
Loans to or guaranteed by member countries	377		355	
Loans to or guaranteed by other countries	1,258		1,426	
Loans to or guaranteed by governments, total	1,635	11.3%	1,781	12.1%
Loans to or guaranteed by local authorities in member countries	929	6.4%	759	5.1%
Loans to or guaranteed by companies owned 50% or more by member countries or local authorities in member countries	1,123	7.8%	1,032	7.0%
Loans to or guaranteed by banks	1,142	7.9%	1,158	7.8%
Other loans				
Backed by a lien or other security in property	658		615	
With a guarantee from the parent company and other guarantees	1,289		1,321	
With a negative pledge clause and other covenants	7,685		8,121	
Without formal security	1		4	
Other loans, total	9,633	66.6%	10,061	68.0%
Collective impairment	-37		-40	
<b>Total</b>	<b>14,425</b>	<b>100.0%</b>	<b>14,750</b>	<b>100.0%</b>
Adjustment to hedge accounting	242		380	
<b>Total, loans outstanding</b>	<b>14,667</b>		<b>15,131</b>	

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:

[Amount in EUR 1,000]	2013		2012	
	Amount of guarantee	Share, in %	Amount of guarantee	Share, in %
<b>Member country</b>				
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%
<b>Total</b>	<b>1,800,000</b>	<b>100.0%</b>	<b>1,800,000</b>	<b>100.0%</b>

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 up to the following amounts:

[Amount in EUR 1,000]	2013		2012	
	Amount of guarantee	Share, in %	Amount of guarantee	Share, in %
<b>Member country</b>				
Denmark	70,113	23.4%	70,113	23.4%
Estonia	2,190	0.7%	2,190	0.7%
Finland	51,377	17.1%	51,377	17.1%
Iceland	3,187	1.1%	3,187	1.1%
Latvia	3,176	1.1%	3,176	1.1%
Lithuania	4,912	1.6%	4,912	1.6%
Norway	61,324	20.4%	61,324	20.4%
Sweden	103,720	34.6%	103,720	34.6%
<b>Total</b>	<b>300,000</b>	<b>100.0%</b>	<b>300,000</b>	<b>100.0%</b>

The Bank's Board of Directors has decided to call on the MIL guarantees due to non-payment of one MIL loan. The execution of the decision will start in 2014.



## [9] INTANGIBLE ASSETS, TANGIBLE ASSETS [PROPERTY AND EQUIPMENT]

The Bank's intangible assets amounted to EUR 5.1 [4.4] million.

[Amounts in EUR 1,000]	Computer software development costs, total 2013	Computer software development costs, total 2012
<b>Intangible assets</b>		
Acquisition value at the beginning of the year	22,499	20,771
Acquisitions during the year	2,440	1,727
Sales/disposals during the year	-	-
<b>Acquisition value at the end of the year</b>	<b>24,939</b>	<b>22,499</b>
Accumulated amortisation at the beginning of the year	18,053	16,212
Amortisation according to plan for the year	1,775	1,841
Accumulated amortisation on sales/disposals during the year	-	-
<b>Accumulated amortisation at the end of the year</b>	<b>19,828</b>	<b>18,053</b>
<b>Net book value</b>	<b>5,111</b>	<b>4,446</b>

As of 31 December 2013, 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 23.7 [24.3] million.

The value of office equipment and other tangible assets is recognised at EUR 6.0 [5.5] million.

### 2013

[Amounts in EUR 1,000]	Buildings	Office equipment and other tangible assets	Total
<b>Tangible assets</b>			
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
<b>Acquisition value at the end of the year</b>	<b>33,769</b>	<b>19,356</b>	<b>53,126</b>
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
<b>Accumulated depreciation at the end of the year</b>	<b>10,097</b>	<b>13,388</b>	<b>23,486</b>
<b>Net book value</b>	<b>23,672</b>	<b>5,968</b>	<b>29,640</b>

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 2013, there were no indications of impairment of the intangible or tangible assets.

2012

<b>[Amounts in EUR 1,000]</b>	<b>Buildings</b>	<b>Office equipment and other tangible assets</b>	<b>Total</b>
<b>Tangible assets</b>			
Acquisition value at the beginning of the year	33,769	17,304	51,074
Acquisitions during the year	-	871	871
Sales/disposals during the year	-	-268	-268
<b>Acquisition value at the end of the year</b>	<b>33,769</b>	<b>17,908</b>	<b>51,677</b>
Accumulated depreciation at the beginning of the year	8,750	11,518	20,268
Depreciation according to plan for the year	673	1,097	1,770
Accumulated depreciation on sales/disposals during the year	-	-216	-216
<b>Accumulated depreciation at the end of the year</b>	<b>9,424</b>	<b>12,398</b>	<b>21,822</b>
<b>Net book value</b>	<b>24,346</b>	<b>5,510</b>	<b>29,856</b>

## [10] DEPRECIATION

[Amounts in EUR 1,000]		2013	2012
Intangible assets		1,775	1,841
Tangible assets		1,817	1,770
Buildings		673	673
Office equipment		1,144	1,097
<b>Total</b>		<b>3,592</b>	<b>3,611</b>

## [11] OTHER ASSETS

Derivatives are included in "Other assets".

<b>[Amounts in EUR million]</b>	<b>2013</b>	<b>2012</b>
Interest rate swaps <sup>1</sup>	14,275	14,728
Currency swaps <sup>2</sup>	18,133	18,744
<b>Total, nominal amount</b>	<b>32,409</b>	<b>33,471</b>
Netting of nominal amount per derivative	-31,592	-32,017
<b>Derivative receivables, net</b>	<b>816</b>	<b>1,454</b>
Adjustment to hedge accounting and changes in fair value of non-hedging derivatives	493	894
<b>Derivative instruments</b>	<b>1,309</b>	<b>2,348</b>
Receivables from defaulted counterparties	8	10
Other	22	16
<b>Total</b>	<b>1,339</b>	<b>2,374</b>

<sup>1</sup> Interest rate swaps at floating interest rates EUR 4,867 (4,274) million and fixed interest rates EUR 9,408 (10,454) million.

<sup>2</sup> Currency swaps at floating interest rates EUR 11,341 (12,229) million and fixed interest rates EUR 6,792 (6,515) 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

<b>[Amounts in EUR million]</b>	<b>2013</b>	<b>2012</b>
Derivative instruments in financial position	1,309	2,348
Netting by counterparty	-745	-669
<b>Derivative instruments net per counterparty</b>	<b>564</b>	<b>1,679</b>
Accrued interest net per counterparty	52	196
<b>Net exposure before collaterals</b>	<b>616</b>	<b>1,875</b>
Collateral received	-542	-1,673
<b>Net exposure</b>	<b>75</b>	<b>202</b>

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.

[Amounts in EUR million]	Borrowing		Swap contracts payable/receivable		Net currency	
	2013	2012	2013	2012	2013	2012
<b>Currency</b>						
USD	7,025	8,357	-3,830	-4,749	3,194	3,609
AUD	2,396	2,121	-2,396	-2,121	0	-
GBP	1,548	1,928	-1,548	-1,927	0	1
EUR	1,457	1,253	9,369	9,034	10,825	10,287
JPY	1,222	1,785	-1,205	-1,759	16	26
Nordic currencies	1,488	1,493	2,791	3,097	4,279	4,591
Other currencies	2,912	2,415	-2,745	-2,225	167	190
<b>Total</b>	<b>18,048</b>	<b>19,353</b>	<b>435</b>	<b>-650</b>	<b>18,482</b>	<b>18,703</b>
<b>Adjustment to hedge accounting and changes in fair value of non-hedging derivatives</b>	<b>373</b>	<b>979</b>	<b>-128</b>	<b>-596</b>	<b>244</b>	<b>384</b>
<b>Total, borrowing outstanding</b>	<b>18,421</b>	<b>20,332</b>	<b>306</b>	<b>-1,245</b>	<b>18,727</b>	<b>19,087</b>

The table set forth above includes the following medium-term note (MTN) programmes: 196 [237] borrowing transactions in the equivalent amount of EUR 9,301 [9,679] million entered into under the Bank's euro MTN programme; 9 [10] borrowing transactions in the equivalent amount of EUR 6,579 [6,948] million under the Bank's US MTN programmes; and 27 [17] borrowing transactions in the equivalent amount of EUR 3,331 [2,582] million under the Bank's Australian MTN programme. There were no borrowing transactions outstanding under the Bank's Swedish MTN programme during the years 2013 and 2012. The Bank has established a EUR 2,000 million commercial paper programme in Europe.

Of debt securities issued, the amount of EUR 1,831 [2,366] million is at floating interest rates, while EUR 16,151 [16,921] million is at fixed interest rates. Of the other borrowing transactions, the amount of EUR 13 [14] 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".

<b>(Amounts in EUR million)</b>	<b>2013</b>	<b>2012</b>
Interest rate swaps <sup>1</sup>	14,253	14,723
Currency swaps <sup>2</sup>	18,577	18,062
<b>Total, nominal amount</b>	<b>32,831</b>	<b>32,785</b>
Netting of nominal amount per derivative	-31,580	-31,980
<b>Derivative payables, net</b>	<b>1,251</b>	<b>805</b>
Adjustment to hedge accounting and changes in fair value of non-hedging derivatives	364	298
<b>Derivative instruments</b>	<b>1,615</b>	<b>1,103</b>
Other	8	9
<b>Total</b>	<b>1,623</b>	<b>1,112</b>

<sup>1</sup> Interest rate swaps at floating interest rates EUR 10,882 [11,627] million and fixed interest rates EUR 3,372 [3,095] million.

<sup>2</sup> Currency swaps at floating interest rates EUR 18,388 [17,893] million and fixed interest rates EUR 189 [169] 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

<b>(Amounts in EUR million)</b>	<b>2013</b>	<b>2012</b>
Derivative instruments in financial position	1,615	1,103
Netting by counterparty	-745	-669
<b>Derivative instruments net per counterparty</b>	<b>870</b>	<b>433</b>
Accrued interest net per counterparty	-125	6
<b>Net exposure before collaterals</b>	<b>745</b>	<b>439</b>
Collateral given	-10	-15
<b>Net exposure</b>	<b>735</b>	<b>424</b>

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]	2013	Share, in %	2012	Share, in %
<b>Member country</b>				
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%
<b>Total</b>	<b>6,141.9</b>	<b>100.0%</b>	<b>6,141.9</b>	<b>100.0%</b>

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

[Amounts in EUR million]	2013	Share, in %	2012	Share, in %
<b>Member country</b>				
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%
<b>Total</b>	<b>418.6</b>	<b>100.0%</b>	<b>418.6</b>	<b>100.0%</b>

## [15] STATUTORY RESERVE AND CREDIT RISK FUNDS

At the end of 2013, 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 1,112.8 million in 2013.

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 2013, 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 1,508.8 million as of 31 December 2013.

As part of the terms and conditions of membership, Estonia, Latvia and Lithuania have, as of 1 January 2005, agreed to pay to the Bank's reserves altogether the amount of EUR 42.7 million in the same proportion as their share of the subscribed capital. In accordance with individual payment agreements, Estonia and Lithuania have paid their shares of the reserves in full by September 2010, and Latvia by 30 September 2012.



## [16] COLLATERAL AND COMMITMENTS

Amounts in EUR million	2013	2012
Guarantees issued at nominal amount (Note 8)	-	-
Loans agreed but not yet disbursed (Note 8)	1,374	1,613
Borrowing commitments	10	-
Collateral provided for staff loans <sup>1</sup>	-	-
Callable commitments in financial placements	16	23
Collateral received for collateralised placements <sup>2</sup>	1,126	636
Gross collateral with respect to derivatives exposure		
Collateral received <sup>2 3</sup>	601	1,783
Collateral given <sup>1</sup>	10	15

<sup>1</sup> Book value.

<sup>2</sup> Fair value.

<sup>3</sup> Including cash EUR 283 million (1,464) and securities EUR 318 million (319) received.

## [17] FAIR VALUE OF FINANCIAL INSTRUMENTS

[Amounts in EUR million]	2013			2012		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
<b>Assets</b>						
Cash accounts with banks <sup>1</sup>	101	101	-	106	106	-
Cash equivalents held at fair value <sup>1</sup>	1,406	1,406	-	1,338	1,338	-
Other cash and cash equivalents held at amortised cost <sup>2</sup>	250	250	-	1,374	1,374	-
<b>Cash and cash equivalents, total</b>	<b>1,758</b>	<b>1,758</b>	<b>-</b>	<b>2,817</b>	<b>2,817</b>	<b>-</b>
Placements with credit institutions <sup>2</sup>	6	6	-	4	4	-
Debt securities held at fair value <sup>1 3</sup>	2,752	2,752	-	2,600	2,600	-
Other debt securities held at amortised cost <sup>1</sup>	2,592	2,703	111	2,649	2,800	151
<b>Debt securities, total</b>	<b>5,343</b>	<b>5,454</b>	<b>111</b>	<b>5,249</b>	<b>5,400</b>	<b>151</b>
Other financial placements at fair value <sup>1 3</sup>	24	24	-	22	22	-
Hedged loans outstanding in fair value hedging relationships <sup>2</sup>	2,518	2,518	-	2,668	2,668	-
Loans outstanding, other <sup>2</sup>	12,149	12,155	6	12,463	12,459	-4
<b>Loans outstanding, total</b>	<b>14,667</b>	<b>14,673</b>	<b>6</b>	<b>15,131</b>	<b>15,127</b>	<b>-4</b>
Hedging derivatives at fair value <sup>2</sup>	1,146	1,146	-	1,956	1,956	-
Other derivatives at fair value <sup>2</sup>	163	163	-	392	392	-
<b>Derivatives at fair value, total</b>	<b>1,309</b>	<b>1,309</b>	<b>-</b>	<b>2,348</b>	<b>2,348</b>	<b>-</b>
Receivables from defaulted counterparties at fair value <sup>3</sup>	8	8	-	10	10	-
			<b>117</b>			<b>147</b>
<b>Liabilities</b>						
Short-term amounts owed to credit institutions <sup>2</sup>	372	372	-	1,593	1,592	-1
Long-term amounts owed to credit institutions <sup>2</sup>	-	-	-	15	15	-
Hedged debt securities issued in fair value hedging relationships <sup>2</sup>	18,157	18,157	-	20,059	20,059	-
Other debt securities issued <sup>2</sup>	189	190	1	196	196	-
<b>Debt securities issued, total</b>	<b>18,347</b>	<b>18,347</b>	<b>1</b>	<b>20,255</b>	<b>20,255</b>	<b>-</b>
Hedged other debt in fair value hedging relationships <sup>2</sup>	71	71	-	73	73	-
Other debt <sup>2</sup>	3	3	-	4	4	-
<b>Other debt, total</b>	<b>74</b>	<b>74</b>	<b>-</b>	<b>77</b>	<b>77</b>	<b>-</b>
Hedging derivatives at fair value <sup>2</sup>	1,117	1,117	-	687	687	-
Other derivatives at fair value <sup>2</sup>	498	498	-	416	416	-
<b>Derivatives at fair value, total</b>	<b>1,615</b>	<b>1,615</b>	<b>-</b>	<b>1,103</b>	<b>1,103</b>	<b>-</b>
			<b>1</b>			<b>-1</b>
<b>Net</b>			<b>118</b>			<b>146</b>

<sup>1</sup> The fair value is determined according to market quotes for identical instruments.

<sup>2</sup> The fair value is determined using valuation techniques with observable market inputs.

<sup>3</sup> 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.

[Amounts in EUR million]	31.12.2013			31.12.2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Assets</b>						
Cash accounts with banks	101			106		
Cash equivalents held at fair value	1,406			1,338		
Other cash and cash equivalents held at amortised cost		250			1,374	
<b>Cash and cash equivalents, total</b>	<b>1,508</b>	<b>250</b>		<b>1,443</b>	<b>1,374</b>	
Placements with credit institutions		6			4	
Debt securities held at fair value	2,709		43	2,556		44
Other debt securities held at amortised cost	2,703			2,800		
<b>Debt securities, total</b>	<b>5,411</b>		<b>43</b>	<b>5,356</b>		<b>44</b>
Other financial placements held at fair value	2		23			22
Hedged loans outstanding in fair value hedging relationships		2,518			2,668	
Loans outstanding, other		12,155			12,459	
<b>Loans outstanding, total</b>		<b>14,673</b>			<b>15,127</b>	
Derivatives		1,309			2,348	
Receivables from defaulted counterparties			8 <sup>1</sup>			10 <sup>1</sup>
<b>Financial assets, total</b>	<b>6,921</b>	<b>16,238</b>	<b>74</b>	<b>6,799</b>	<b>18,853</b>	<b>76</b>
<b>Liabilities</b>						
Short-term amounts owed to credit institutions		372			1,592	
Long-term amount owed to credit institutions					15	
<b>Debt securities issued</b>						
Hedged debt securities issued in fair value hedging relationships		18,157			20,059	
Other debt securities issued		190			196	
Hedged other debt in fair value hedging relationships		71			73	
Other debt		3			4	
<b>Debt securities issued, total</b>		<b>18,421</b>			<b>20,332</b>	
Derivatives		1,615			1,103	
<b>Financial liabilities, total</b>		<b>20,409</b>			<b>23,043</b>	

<sup>1</sup> 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

	Debt securities held at fair value	Other financial placements held at fair value	Receivables from defaulted counterparties	Level 3, total
<b>31 Dec 2011 (Amounts in EUR million)</b>	<b>60</b>	<b>26</b>	<b>36</b>	<b>121</b>
Matured transactions	-12			-12
Sold transactions			-17	-17
Changes in fair values	-4	-3	-8	-15
<b>31 Dec 2012 (Amounts in EUR million)</b>	<b>44</b>	<b>22</b>	<b>10</b>	<b>76</b>
Matured transactions				
Sold transactions	-3		-7	-10
Changes in fair values	2	2	5	9
<b>31 Dec 2013 (Amounts in EUR million)</b>	<b>43</b>	<b>23</b>	<b>8</b>	<b>74</b>

## Sensitivity analysis of level 3 financial instruments

[Amounts in EUR million]	2013			2012		
	Carrying amount	Favourable change	Unfavourable change	Carrying amount	Favourable change	Unfavourable change
Financial instruments categorised at level 3	74	3	-2	76	3	-1

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

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. Those assets and liabilities that do not have a contractual maturity date, as well as all value adjustments, are recognised in the "Undefined" column. See also Notes 11 and 13 and Risk Management, Liquidity Risk.

2013

<b>[Amounts in EUR million]</b>	<b>Up to and including 3 months</b>	<b>Over 3 months and up to and including 6 months</b>	<b>Over 6 months and up to and including 1 year</b>	<b>Over 1 year and up to and including 5 years</b>	<b>Over 5 years and up to and including 10 years</b>	<b>Over 10 years</b>	<b>Undefined</b>	<b>Total</b>
<b>Assets</b>								
Cash and cash equivalents	1,358	400	-	-	-	-	0	1,758
Financial placements								
Placements with credit institutions	-	-	-	-	-	-	6	6
Debt securities	447	182	372	3,530	627	183	2	5,343
Other	-	-	-	-	-	-	24	24
	<b>447</b>	<b>182</b>	<b>372</b>	<b>3,530</b>	<b>627</b>	<b>183</b>	<b>32</b>	<b>5,373</b>
Loans outstanding	174	484	576	7,529	4,439	1,260	205	14,667
Intangible assets	-	-	-	-	-	-	5	5
Tangible assets	-	-	-	-	-	-	30	30
Other assets								
Derivatives								
Receivables	880	1,892	2,383	12,581	2,237	1,399	496	21,869
Payables	-814	-1,826	-2,303	-12,162	-2,095	-1,359	-	-20,560
	<b>66</b>	<b>66</b>	<b>80</b>	<b>420</b>	<b>143</b>	<b>39</b>	<b>496</b>	<b>1,309</b>
Other assets	-	-	-	-	-	-	30	30
Payments to the Bank's reserves, receivable	-	-	-	-	-	-	-	-
Accrued interest and fees receivable	-	-	-	-	-	-	318	318
<b>Total assets</b>	<b>2,044</b>	<b>1,132</b>	<b>1,028</b>	<b>11,479</b>	<b>5,209</b>	<b>1,482</b>	<b>1,116</b>	<b>23,490</b>
<b>Liabilities and equity</b>								
<b>Liabilities</b>								
Amounts owed to credit institutions								
Short-term	372	-	-	-	-	-	-	372
Long-term	-	-	-	-	-	-	-	-
	<b>372</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>372</b>
Short-term debt	-	-	-	-	-	-	-	-
Debts evidenced by certificates	1,078	1,362	1,753	10,951	2,006	898	373	18,421
Other liabilities								
Derivatives								
Receivables	-288	-191	-555	-8,238	-1,207	-556	-	-11,036
Payables	345	214	684	8,959	1,437	631	380	12,651
	<b>57</b>	<b>23</b>	<b>129</b>	<b>721</b>	<b>231</b>	<b>75</b>	<b>380</b>	<b>1,615</b>
Other liabilities	-	-	-	-	-	-	8	8
Accrued interest and fees payable	-	-	-	-	-	-	243	243
<b>Total liabilities</b>	<b>1,507</b>	<b>1,385</b>	<b>1,882</b>	<b>11,672</b>	<b>2,236</b>	<b>973</b>	<b>1,004</b>	<b>20,659</b>
<b>Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,831</b>	<b>2,831</b>
<b>Total liabilities and equity</b>	<b>1,507</b>	<b>1,385</b>	<b>1,882</b>	<b>11,672</b>	<b>2,236</b>	<b>973</b>	<b>3,835</b>	<b>23,490</b>
Net during the period	537	-253	-854	-193	2,972	509	-2,719	-
Cumulative net during the period	537	285	-569	-762	2,211	2,719	-	-
Guarantee commitments	-	-	-	-	-	-	-	-
Loans agreed but not yet disbursed	1,374	-	-	-	-	-	-	-

2012

[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
<b>Assets</b>								
Cash and cash equivalents	2,592	225	-	-	-	-	0	2,817
Financial placements								
Placements with credit institutions	-	-	-	-	-	-	4	4
Debt securities	250	116	233	3,885	623	134	8	5,249
Other	-	-	-	-	-	-	22	22
	<b>250</b>	<b>116</b>	<b>233</b>	<b>3,885</b>	<b>623</b>	<b>134</b>	<b>34</b>	<b>5,275</b>
Loans outstanding	237	396	865	6,904	5,055	1,334	340	15,131
Intangible assets	-	-	-	-	-	-	4	4
Tangible assets	-	-	-	-	-	-	30	30
Other assets								
Derivatives								
Receivables	2,065	1,640	1,244	16,388	3,183	1,858	894	27,271
Payables	-1,889	-1,505	-1,203	-15,500	-3,038	-1,789	-	-24,924
	<b>176</b>	<b>135</b>	<b>41</b>	<b>888</b>	<b>146</b>	<b>69</b>	<b>894</b>	<b>2,348</b>
Other assets	-	-	-	-	-	-	26	26
Payments to the Bank's reserves, receivable	-	-	-	-	-	-	-	-
Accrued interest and fees receivable	-	-	-	-	-	-	352	352
<b>Total assets</b>	<b>3,255</b>	<b>872</b>	<b>1,140</b>	<b>11,676</b>	<b>5,823</b>	<b>1,537</b>	<b>1,680</b>	<b>25,983</b>
<b>Liabilities and equity</b>								
<i>Liabilities</i>								
Amounts owed to credit institutions								
Short-term	1,593	-	-	-	-	-	-	1,593
Long-term	10	6	-	-	-	-	-	15
	<b>1,603</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,609</b>
Short-term debt	-	-	-	-	-	-	-	-
Debts evidenced by certificates	1,866	1,406	1,221	11,525	2,723	612	979	20,332
Other liabilities								
Derivatives								
Receivables	-243	-230	-417	-4,935	-1,104	-167	-	-7,095
Payables	269	255	435	5,425	1,250	228	335	8,198
	<b>27</b>	<b>25</b>	<b>18</b>	<b>490</b>	<b>146</b>	<b>61</b>	<b>335</b>	<b>1,103</b>
Other liabilities	-	-	-	-	-	-	9	9
Accrued interest and fees payable	-	-	-	-	-	-	264	264
<b>Total liabilities</b>	<b>3,496</b>	<b>1,436</b>	<b>1,240</b>	<b>12,015</b>	<b>2,869</b>	<b>673</b>	<b>1,589</b>	<b>23,317</b>
<i>Equity</i>	-	-	-	-	-	-	2,666	2,666
<b>Total liabilities and equity</b>	<b>3,496</b>	<b>1,436</b>	<b>1,240</b>	<b>12,015</b>	<b>2,869</b>	<b>673</b>	<b>4,254</b>	<b>25,983</b>
Net during the period	-241	-565	-100	-338	2,955	864	-2,574	-
Cumulative net during the period	-241	-806	-906	-1,244	1,711	2,574	-	-
Guarantee commitments	-	-	-	-	-	-	-	-
Loans agreed but not yet disbursed	1,613	-	-	-	-	-	-	-

## [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 brackets 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 bracket makes the Bank sensitive to interest rate fluctuations. See also Risk Management, Market Risk.

### 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
<b>Assets</b>								
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
	<b>1,756</b>	<b>121</b>	<b>253</b>	<b>2,533</b>	<b>573</b>	<b>107</b>	<b>32</b>	<b>5,373</b>
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 <sup>1</sup>	13,366	4,320	1,832	10,309	1,719	863	496	32,905
Other assets	-	-	-	-	-	-	30	30
Payments to the Bank's reserves, receivable	-	-	-	-	-	-	-	-
Accrued interest and fees receivable	-	-	-	-	-	-	318	318
<b>Total assets</b>	<b>22,460</b>	<b>10,943</b>	<b>2,311</b>	<b>13,709</b>	<b>3,188</b>	<b>1,359</b>	<b>1,116</b>	<b>55,086</b>
<b>Liabilities and equity</b>								
<b>Liabilities</b>								
Amounts owed to credit institutions								
Short-term	372	-	-	-	-	-	-	372
Long-term	-	-	-	-	-	-	-	-
	<b>372</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>372</b>
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 <sup>1</sup>	22,752	6,695	74	1,740	1,050	519	380	33,211
Other liabilities	-	-	-	-	-	-	8	8
Accrued interest and fees payable	-	-	-	-	-	-	243	243
<b>Total liabilities</b>	<b>24,870</b>	<b>8,318</b>	<b>1,906</b>	<b>12,115</b>	<b>2,806</b>	<b>1,236</b>	<b>1,004</b>	<b>52,255</b>
<b>Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,831</b>	<b>2,831</b>
<b>Total liabilities and equity</b>	<b>24,870</b>	<b>8,318</b>	<b>1,906</b>	<b>12,115</b>	<b>2,806</b>	<b>1,236</b>	<b>3,835</b>	<b>55,086</b>
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	-	-	-	-	-	-	-	-

2012

<b>[Amounts in EUR million]</b>	<b>Up to and including 3 months</b>	<b>Over 3 months and up to and including 6 months</b>	<b>Over 6 months and up to and including 1 year</b>	<b>Over 1 year and up to and including 5 years</b>	<b>Over 5 years and up to and including 10 years</b>	<b>Over 10 years</b>	<b>Undefined</b>	<b>Total</b>
<b>Assets</b>								
Cash and cash equivalents	2,592	225	-	-	-	-	0	2,817
Financial placements								
Placements with credit institutions	-	-	-	-	-	-	4	4
Debt securities	1,969	38	108	2,421	572	134	8	5,249
Other	-	-	-	-	-	-	22	22
	<b>1,969</b>	<b>38</b>	<b>108</b>	<b>2,421</b>	<b>572</b>	<b>134</b>	<b>34</b>	<b>5,275</b>
Loans outstanding	6,150	6,260	229	748	981	423	340	15,131
Intangible assets	-	-	-	-	-	-	4	4
Tangible assets	-	-	-	-	-	-	30	30
Other assets								
Derivatives								
Receivables <sup>1</sup>	13,618	4,996	1,116	10,324	2,430	988	894	34,366
Other assets	-	-	-	-	-	-	26	26
Payments to the Bank's reserves, receivable	-	-	-	-	-	-	-	-
Accrued interest and fees receivable	-	-	-	-	-	-	352	352
<b>Total assets</b>	<b>24,329</b>	<b>11,519</b>	<b>1,453</b>	<b>13,492</b>	<b>3,983</b>	<b>1,544</b>	<b>1,680</b>	<b>58,001</b>
<b>Liabilities and equity</b>								
<i>Liabilities</i>								
Amounts owed to credit institutions								
Short-term	1,593	-	-	-	-	-	-	1,593
Long-term	10	6	-	-	-	-	-	15
	<b>1,603</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,609</b>
Short-term debt	-	-	-	-	-	-	-	-
Debts evidenced by certificates	2,969	1,634	1,187	10,676	2,437	449	979	20,332
Other liabilities								
Derivatives								
Payables <sup>1</sup>	22,766	6,860	88	1,580	955	537	335	33,120
Other liabilities	-	-	-	-	-	-	9	9
Accrued interest and fees payable	-	-	-	-	-	-	264	264
<b>Total liabilities</b>	<b>27,338</b>	<b>8,499</b>	<b>1,275</b>	<b>12,256</b>	<b>3,392</b>	<b>986</b>	<b>1,589</b>	<b>55,335</b>
<i>Equity</i>								
	-	-	-	-	-	-	2,666	2,666
<b>Total liabilities and equity</b>	<b>27,338</b>	<b>8,499</b>	<b>1,275</b>	<b>12,256</b>	<b>3,392</b>	<b>986</b>	<b>4,254</b>	<b>58,001</b>
Net during the period	-3,009	3,020	178	1,236	591	558	-2,574	-
Cumulative net during the period	-3,009	11	189	1,425	2,016	2,574	-	-
Guarantee commitments	-	-	-	-	-	-	-	-

<sup>1</sup> 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 of the major currencies.

See also Risk Management, Market Risk.

Net currency position as of 31 December 2013:

<b>[Amounts in EUR million]</b>	<b>EUR</b>	<b>USD</b>	<b>GBP</b>	<b>JPY</b>	<b>SEK</b>	<b>Other currencies</b>	<b>Fair value adjustments and swap netting</b>	<b>Total</b>
<b>Assets</b>								
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
	<b>4,814</b>	<b>411</b>	<b>-</b>	<b>-</b>	<b>34</b>	<b>114</b>	<b>-</b>	<b>5,373</b>
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
	<b>-9,367</b>	<b>3,857</b>	<b>1,548</b>	<b>1,205</b>	<b>-1,769</b>	<b>4,122</b>	<b>1,744</b>	<b>1,339</b>
Accrued interest and fees receivable	107	72	23	9	10	102	-6	318
<b>Total assets</b>	<b>4,624</b>	<b>7,180</b>	<b>1,571</b>	<b>1,231</b>	<b>477</b>	<b>6,428</b>	<b>1,980</b>	<b>23,490</b>
<b>Liabilities and equity</b>								
<b>Liabilities</b>								
Amounts owed to credit institutions								
Short-term amounts owed to credit institutions	284	88	-	-	-	-	-	372
Long-term amounts owed to credit institutions	-	-	-	-	-	-	-	-
	<b>284</b>	<b>88</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>372</b>
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
	<b>1,457</b>	<b>7,025</b>	<b>1,548</b>	<b>1,222</b>	<b>468</b>	<b>6,328</b>	<b>373</b>	<b>18,421</b>
Other liabilities								
Derivatives	-	-	-	-	-	-	1,615	1,615
Other liabilities	8	-	-	-	-	-	-	8
	<b>8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,615</b>	<b>1,623</b>
Accrued interest and fees payable	46	65	23	9	8	98	-6	243
<b>Total liabilities</b>	<b>1,796</b>	<b>7,178</b>	<b>1,571</b>	<b>1,230</b>	<b>476</b>	<b>6,426</b>	<b>1,982</b>	<b>20,659</b>
<b>Equity</b>	<b>2,614</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,614</b>
<b>Total liabilities and equity</b>	<b>4,410</b>	<b>7,178</b>	<b>1,571</b>	<b>1,230</b>	<b>476</b>	<b>6,426</b>	<b>1,982</b>	<b>23,273</b>
<b>Net of assets and liabilities as of 31 Dec 2013</b>	<b>215</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>2</b>	<b>-3</b>	<b>217</b>

Net currency position as of 31 December 2012:

[Amounts in EUR million]	EUR	USD	GBP	JPY	SEK	Other currencies	Fair value adjustments and swap netting	Total
<b>Assets</b>								
Cash and cash equivalents	2,399	300	-	-	60	58	-	2,817
Financial placements								
Placements with credit institutions	4	-	-	-	-	-	-	4
Debt securities	4,597	493	-	-	44	115	-	5,249
Other financial placements	22	-	-	-	-	-	-	22
	<b>4,623</b>	<b>493</b>	<b>-</b>	<b>-</b>	<b>44</b>	<b>115</b>	<b>-</b>	<b>5,275</b>
Loans outstanding	7,433	2,795	-	26	2,215	2,282	380	15,131
Intangible assets	4	-	-	-	-	-	-	4
Tangible assets, property and equipment	30	-	-	-	-	-	-	30
Other assets								
Derivatives	-9,034	4,749	1,927	1,759	-1,954	3,203	1,698	2,348
Other assets	3	21	-	-	-	2	-	26
	<b>-9,032</b>	<b>4,770</b>	<b>1,927</b>	<b>1,759</b>	<b>-1,954</b>	<b>3,205</b>	<b>1,698</b>	<b>2,374</b>
Accrued interest and fees receivable	115	103	23	8	13	100	-10	352
<b>Total assets</b>	<b>5,572</b>	<b>8,460</b>	<b>1,951</b>	<b>1,793</b>	<b>378</b>	<b>5,760</b>	<b>2,069</b>	<b>25,983</b>
<b>Liabilities and equity</b>								
<i>Liabilities</i>								
Amounts owed to credit institutions								
Short-term amounts owed to credit institutions	1,588	5	-	-	-	-	-	1,593
Long-term amounts owed to credit institutions	15	-	-	-	-	-	-	15
	<b>1,604</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,609</b>
Debts evidenced by certificates								
Debt securities issued	1,191	8,357	1,928	1,785	367	5,659	968	20,255
Other debt	62	-	-	-	-	4	11	77
	<b>1,253</b>	<b>8,357</b>	<b>1,928</b>	<b>1,785</b>	<b>367</b>	<b>5,663</b>	<b>979</b>	<b>20,332</b>
Other liabilities								
Derivatives	-	-	-	-	-	-	1,103	1,103
Other liabilities	9	-	-	-	-	-	-	9
	<b>9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,103</b>	<b>1,112</b>
Accrued interest and fees payable	45	94	23	8	10	94	-10	264
<b>Total liabilities</b>	<b>2,911</b>	<b>8,456</b>	<b>1,951</b>	<b>1,793</b>	<b>377</b>	<b>5,757</b>	<b>2,072</b>	<b>23,317</b>
<i>Equity</i>	2,456	-	-	-	-	-	-	2,456
<b>Total liabilities and equity</b>	<b>5,367</b>	<b>8,456</b>	<b>1,951</b>	<b>1,793</b>	<b>377</b>	<b>5,757</b>	<b>2,072</b>	<b>25,774</b>
<b>Net of assets and liabilities as of 31 Dec 2012</b>	<b>205</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>3</b>	<b>-4</b>	<b>209</b>

## [21] AVERAGE STATEMENT OF FINANCIAL POSITION

[Amounts in EUR million]	2013	2012
<b>Assets</b>		
Cash and cash equivalents	2,806	3,196
Financial placements		
Placements with credit institutions	5	4
Debt securities	5,186	5,060
Other	21	27
	<b>5,212</b>	<b>5,090</b>
Loans outstanding	14,996	14,542
Intangible assets	5	5
Tangible assets	29	30
Other assets		
Derivatives (incl.exchange rate adjustments)	1,816	2,542
Other assets	26	35
	<b>1,842</b>	<b>2,577</b>
Payments to the Bank's reserves, receivable	-	1
Accrued interest and fees receivable	324	368
<b>Total assets</b>	<b>25,213</b>	<b>25,810</b>
<b>Liabilities and equity</b>		
<i>Liabilities</i>		
Amounts owed to credit institutions		
Short-term amounts owed to credit institutions	1,045	1,740
Long-term amounts owed to credit institutions	4	69
	<b>1,049</b>	<b>1,809</b>
Short-term debt	-	26
Debts evidenced by certificates		
Debt securities issued	19,819	19,977
Other debt	76	75
	<b>19,896</b>	<b>20,052</b>
Other liabilities		
Derivatives (incl.exchange rate adjustments)	1,264	1,043
Other liabilities	10	12
	<b>1,275</b>	<b>1,055</b>
Accrued interest and fees payable	244	283
<b>Total liabilities</b>	<b>22,463</b>	<b>23,226</b>
<i>Equity</i>	2,750	2,584
<b>Total liabilities and equity</b>	<b>25,213</b>	<b>25,810</b>

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 and NEFCO 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
2013	-	6	82	84,464
2012	-	535	19	143,411

### Rental income (NDF, NEFCO)

[Amounts in EUR 1,000]	NDF	NEFCO
2013	138	234
2012	121	209

## [23] CASH FLOW STATEMENT

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

<b>[Amounts in EUR 1,000]</b>	<b>2013</b>	<b>2012</b>
Cash and balances with banks <sup>1</sup>	101,406	105,647
Short-term placements with credit institutions	529,995	2,076,035
Collateralised placements <sup>2</sup>	1,126,214	635,507
<b>Cash and cash equivalents</b>	<b>1,757,616</b>	<b>2,817,189</b>
Short-term amounts owed to credit institutions <sup>3</sup>	-372,402	-1,593,338
<b>Cash and cash equivalents, net</b>	<b>1,385,213</b>	<b>1,223,851</b>
<b>Change in cash and cash equivalents, net</b>	<b>161,363</b>	<b>304,414</b>

<sup>1</sup> Including an initial margin requirement of EUR 688 [1,243] thousand for futures on 31 December.

<sup>2</sup> Net exposure after collaterals for collateralised placements EUR 215 [-13] thousand.

<sup>3</sup> Of which cash received as collateral EUR 282,651 [1,464,012] thousand.

## [24] EXCHANGE RATES

	EUR rate on 31 Dec 2013	EUR rate on 31 Dec 2012
DKK Danish krone	7.4593	7.461
ISK Icelandic króna	158.15 <sup>1</sup>	170.20 <sup>1</sup>
LVL Latvian lats	0.7028 <sup>2</sup>	0.6977
NOK Norwegian krone	8.363	7.3483
SEK Swedish krona	8.8591	8.582
ARS Argentine peso	8.96413 <sup>3</sup>	6.47531 <sup>3</sup>
AUD Australian dollar	1.5423	1.2712
BRL Brazilian real	3.2576	2.7036
CAD Canadian dollar	1.4671	1.3137
CHF Swiss franc	1.2276	1.2072
CZK Czech koruna	27.427	25.151
GBP Pound sterling	0.8337	0.8161
HKD Hong Kong dollar	10.6933	10.226
JPY Japanese yen	144.72	113.61
MXN Mexican peso	18.0731	17.1845
NZD New Zealand dollar	1.6762	1.6045
PLN Polish zloty	4.1543	4.074
RUB Russian rouble	45.3246	40.3295
SDR Special drawing right	0.895 <sup>4</sup>	0.85776 <sup>4</sup>
SGD Singapore dollar	1.7414	1.6111
TRY Turkish lira	2.9605	2.3551
TWD New Taiwan dollar	41.0584 <sup>3</sup>	38.3098 <sup>3</sup>
USD US dollar	1.3791	1.3194
ZAR South African rand	14.566	11.1727

<sup>1</sup> Reuters closing.

<sup>2</sup> ECB (European Central Bank) closing per 31 December 2013 rounded to 4 decimals.

<sup>3</sup> The exchange rate is calculated using the year-end market rate for USD/relevant currency, which then provides the EUR/relevant currency rate.

<sup>4</sup> IMF (International Monetary Fund) closing per 30 December 2013 and per 28 December 2012.

## [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 6 March 2014, 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 the end of May 2014.

# 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 2013, 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 2013, 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, 7 March 2014

Sixten Nyman  
*Authorised Public Accountant*

Per Gunslev  
*State Authorised Public Accountant*

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# Statement by the Control Committee of the Nordic Investment Bank on the audit of the administration and accounts on 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 2013, 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 7 March 2014. 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 7 March 2014 by the authorized public accountants appointed by the Control Committee.

Following 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; and that
- The Financial Statements give a true and fair view of the financial position of the Bank as at 31 December 2013 and of its results and financing in 2013. The Statement of Comprehensive Income shows a profit of EUR 217,210,128.68 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, 7 March 2014

Eva Lindström

Jānis Reirs

Thomas Jensen

Sven Sester

Tuula Peltonen

Ragnheiður Ríkharðsdóttir

Karina Korna

Alina Brazdiliene

Hans Frode Kielland Asmyhr

Åsa Torstensson