



NORDIC
INVESTMENT
BANK

FINANCING
THE
FUTURE

MAGAZINE

2013/2014

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NIB and SEB Leasing Oy signed a EUR 70 million loan agreement in September 2013, to finance the acquisition of new railway trailers and coaches to be leased to the Finnish state-owned railway operator VR-Yhtymä Oy. The loan has a 15-year maturity.

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printed by / Erweko Oy


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www.nib.int, annual.nib.int, Twitter: @NIB

cover photo / Soile Laaksonen, VR Group



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FINANCING THE FUTURE OF OUR REGION



Although Nordic competitiveness still remains under pressure and the international demand for Nordic export goods and services is weak, there are small signs of an economic upturn. To take full advantage of this opportunity, Nordic companies

still need to boost their operational efficiency and look to expand and diversify their markets.

NIB's vision is a prosperous and sustainable Nordic-Baltic region. We are working towards that goal by financing projects that improve competitiveness and the environment. This is our mission given to us by our owners, the Nordic and Baltic countries. In this edition of the NIB Magazine you can read about how NIB has emerged as a case study in Britain in a debate on how to fill financial gaps and foster sustainable growth.

The Nordic-Baltic region needs to become more integrated in order to compete globally. Much is already happening. Cross-border transport routes and energy links are being planned and built. We finance projects that move the integration of the Nordic and Baltic countries forward.

An example of new transport routes is the construction of a double-track high speed railway linking the three Baltic states together with Poland. Sijm Kallas, Vice President of the European Commission with responsibility for transport, says the track could be ready by 2025. That hinges, however, on how successful is the cooperation between the countries involved on how to finance and build it. You can read about the project in this edition of the NIB Magazine. We also show you our wide range of models for financing infrastructure projects.

However, what is regional competitiveness without the sustainability aspect? Recently, a 12-kilometre sewage collector tunnel was launched in St. Petersburg, Russia, that crowns the city's efforts to improve its wastewater treatment. The project is co-financed by NIB and will improve the water quality of the Baltic Sea.

These are a few examples of projects that we are co-financing. Do you have a project that could help build a prosperous and sustainable Nordic-Baltic region?

Henrik Normann

NIB President & CEO
Nordic Investment Bank



NIB's financial figures January–August 2013:

Stable eight-month results amid unfavourable investment climate

During the first eight months of the year, the Nordic-Baltic region continued to benefit from its relative “safe-haven” status. The region’s fixed capital investment has nonetheless been stagnating since 2012, reflecting the uncertain global economic environment.

Despite the unfavourable investment climate and muted demand, during the first eight months of the year, NIB’s financial results gained from the increased average margin for the loan portfolio as well as positive valuations of treasury portfolios. The net interest income amounted to EUR 166 million [Jan–Aug 2012: EUR 165 million]. The Bank’s

profit totalled EUR 153 million [Jan–Aug 2012: EUR 162 million].

The amount of loans disbursed during the period totalled EUR 1,039 million, down from EUR 1,190 million in Jan–Aug 2012. Loans were provided for industrial research and development, improvement of education facilities and public buildings, construction of roads, railroads and port infrastructure, wind- and hydropower, and electricity transmission.

Loans outstanding amounted to EUR 14.8 billion, corresponding to the level of a year ago. Loan impairments had a net increase of EUR 5 million during the period caused by increase in collective impairments.

During the first eight months of 2013, NIB raised EUR 3.4 billion in new funding through 29 funding transactions. The Bank expects to fund approximately EUR 4 billion in 2013. In early 2013, NIB issued a three-year USD 2 billion global benchmark, the Bank’s largest single funding transaction so far.

The low level of investment in combination with ample liquidity is expected to continue weighing on the demand for lending in the Nordic-Baltic region during the forthcoming months.

Henrik Normann
President & CEO

KEY FIGURES

[in EUR million unless otherwise noted]

	Aug 2013*	Aug 2012*	Dec 2012
Net interest income	166	165	252
Profit/loss	153	162	209
Loans disbursed	1,039	1,190	2,355
Loans agreed	859	1,490	2,366
Loans outstanding	14,804	14,817	15,131
Guarantee commitments	-	4	-
New debt issues	3,356	2,831	4,355
Debts evidenced by certificates	19,386	20,998	20,332
Total assets	24,562	27,072	25,983
Equity/total assets [%]	11.3	9.7	10.3
Profit/average equity [%]	8.4	9.5	8.1
Number of employees [average during year]	182	179	180

* Unaudited figures, to be read in conjunction with NIB’s audited financial statements for 2012 and the notes thereto.

Loans disbursed in January–August 2013 Total EUR 1,039 million

24%

Infrastructure,
transport & telecom
254,213,588

23%

Energy &
environment
242,131,885

9%

Financial
institutions and
SME lending
89,300,020

TOTAL
1,039,312,414

44%

Industries &
services
453,666,921

VISIT US AT WWW.NIB.INT
FOR UPDATED INFORMATION
ON OUR LOAN PROJECTS.

THE NIB-MODEL, AN IDEA FOR BRITAIN?

Britain is struggling to get back on its feet after the financial crisis of 2007/8. Still today, British real GDP is almost 2% lower, in absolute terms, than the pre-crisis peak in 2007. As is the case everywhere, economics is primarily about politics, and since the general election of 2010, politics has made the reduction of government debt the overarching aim of fiscal policy.

The combination of a stimulus-starved economy and an austerity-craving government has sparked a flurry of policy innovation. One of the more prominent policy suggestions debated is the establishment of a publically-owned and privately managed British Investment Bank (BIB) that could be modelled after the Nordic Investment Bank. The suggestion has been discussed for a couple of years but the debate reached new intensity in September 2013, when Ed Miliband, the leader of the Labour opposition, announced that he had 'set out plans for a British Investment Bank' at his party conference. Although primarily championed by the left, the BIB [or something very similar] is also advocated by the Confederation of British Industry (CBI), the UK's leading business lobby organisation.

Across the political spectrum, the main attraction of such a bank is that it performs something akin to magic: it uses public money to stimulate the economy without necessarily violating austerity. You have your cake and eat it. The explanation, of course, is that it leverages a relatively small pot of public subscription capital backed by an implicit government guarantee to borrow private capital at attractive rates.

In doing this, the BIB would tackle the double death of British investment from both directions: [1] by being able to take a longer and wider view on bankable returns it would increase the supply of credit to SMEs as well as large-scale projects with long-term funding needs; and [2] by making a very public commitment to investment it would

send a demand-boosting signal to private actors.

So far so good in theory. In practice, however, there are two obstacles to this seemingly elegant solution to the Gordian knot around the Treasury. First, the Government considers the BIB to be expansionary fiscal policy by another name. It argues that under the British public-accounts system the debt of the BIB would be recognised on the Government balance sheet and therefore violates its commitment to austerity. This is a tricky but not impossible argument to win. Yet even if the theoretical argument is won, a second obstacle remains: how, exactly, does one run such a bank?

It is in this context that the NIB has gained attention as a successful case study. Britain treats most things "Europe" with suspicion—particularly given the current state of the euro—but is noticeably envious of the way the Nordic countries handled the financial crisis. Consequently, the NIB has featured in several policy papers discussing the merits of a BIB over the last two years. There are three key lessons that British policy makers can learn from the NIB.

First, when provided with a carefully designed mandate and managed independently, a public investment bank is not a government sponsored competitor to the private banking sector; it is a complement. It can serve as a genuine source of additionality, mitigating market failures which otherwise would obstruct economic and financial performance. The additionality effect is particularly easy to ensure in downturns, but policies such as NIB's up to 50% co-investment requirement shows that private-sector access to attractive projects can be safeguarded also in an economy operating at full steam.

Second, a relatively small amount of public money can do a lot of good without jeopardising a solid AAA/Aaa credit rating. Maintaining the trust of creditors goes to the core of the British government's justification for austerity. The NIB's experience shows that a public investment bank backed by a credible

sovereign commitment can enjoy considerable confidence despite a paid-in portion of only 6.8% of subscription capital. It is a cheap way of paying for expensive projects.

Finally, the NIB has shown that far from being a charity institution, a public investment bank can be expected to return a profit; to finance its loans with its lending; and in the process pay a dividend to government backers and strengthen employment and economic growth. Establishing a BIB, in other words, is not another short-term measure to push Britain out of the current stagnation but a long-term initiative to help keep it out of the next downturn.

NIB has shown positive returns in every year but one since its start in 1976; British policy makers ought to be queuing outside NIB's headquarter in Helsinki. ▀



Christian Westerlind Wigström is a Swedish economist with a PhD in international political economy from the University of Oxford.

Though currently a business development analyst at a private company in Southern Africa, Christian was an economic advisor and speech writer to Lord Robert Skidelsky in the British Parliament between 2008 and 2013. Christian contributes to the op-ed section in the Swedish broadsheet Svenska Dagbladet on topics relating to fiscal policy and came out with an edited volume on The Economic Crisis and the State of Economics together with Robert Skidelsky in 2010.

The Baltic Sea can recover

Marine expert Seppo Knuuttila is optimistic about St Petersburg's recent efforts to treat its discharges into the sea, and says "I don't share the view that the Baltic Sea is dying."



Photo: Syke



The city of St Petersburg has implemented a number of impressive NIB-co-financed projects aimed at improving the treatment of its wastewater during the past decade. Seppo Knuuttila, Senior Research Scientist at the Finnish Environment Institute SYKE, is certain it has given the Baltic Sea a better chance to recover from the dire health of its marine environment.

“Although this year the deep bottom oxygen conditions in the Gulf of Finland have deteriorated since last year, we think that, over the longer term, a positive trend has continued,” says Mr Knuuttila.

Every year, two vessels from the Finnish Marine Research Centre tour sea waters off Finnish shores and the Baltic Sea’s main basin to measure the concentration of nutrients, the amount of algae and monitor the seabed. The condition of the seabed plays a crucial role in algae blooming, or eutrophication, which causes the depletion of oxygen in the water. Oxygen is, in turn, vital for fish and other animal populations. Low oxygen concentrations, for example, reduce the ability of cod to spawn in bottom waters.

Mr Knuuttila says the content of phosphorus in near-bottom water of the Gulf of Finland has

increased again, but the amount of algae has not changed. Still, he is optimistic:

“In the summer months, the average amounts of algae are now significantly lower than a little less than a decade ago. Although this is mainly due to the better oxygen situation during recent years, we cannot exclude the effect of decreased external loading of nutrients in the eastern part of the Gulf of Finland, that is, closest to St Petersburg.”

The loading of human created sources in the catchment area has been gradually decreasing since the mid-1980s when it peaked. The loading of phosphorus—the principal nutrient for blue-green algae—is now barely half of what it used to be thirty years ago.

After St Petersburg—Russia’s second largest city with more than five million inhabitants—launched the Southwest Wastewater Treatment Plant in 2005 and introduced modern technologies for the removal of nutrients, the city started to remove about 90% of all phosphorus in wastewater. It has helped to decrease the annual load of phosphorus into the Gulf of Finland by 1,700 tonnes during the past decade.

“The phosphorus load from northwest Russia is very likely to have decreased even more than 3,000 tonnes after a leak from the

1

2

3

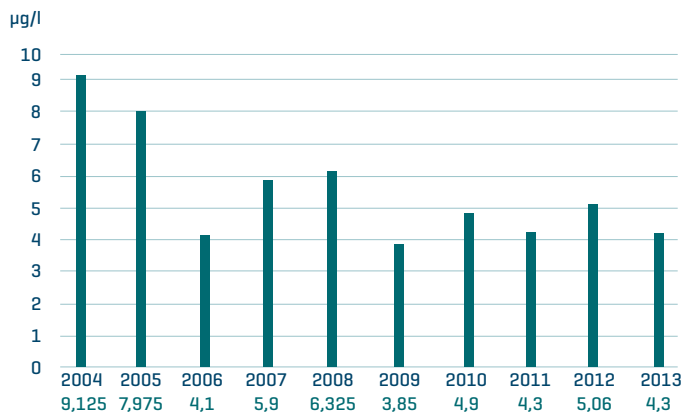
1. R/V Aranda / Researchers monitoring the state of the Baltic Sea.

2. R/V Aranda / Senior Research Scientist Seppo Knuuttila.

3. R/V Aranda / In the service of the Finnish Marine Research Centre.

THE AMOUNT OF ALGAE HAS DECREASED SINCE 2005 IN THE EASTERN GULF OF FINLAND. CHLOROPHYLL-A INDICATES THE AMOUNT OF ALGAE IN SEA WATER

Chlorophyll-a, July–August mean, eastern Gulf of Finland



"I STRONGLY BELIEVE WE'LL SEE OBVIOUS EFFECTS OF IMPROVED WASTE-WATER TREATMENT..."

phosphate fertiliser factory Fosforit in Kingisepp was identified and stopped," the expert continues.

He says that in 2007, when HELCOM was setting targets for cutting phosphorus loading from individual countries, including Russia, the experts were not aware of the discharges from the fertiliser factory in Kingisepp, a small Russian town, 100 kilometres southwest of St Petersburg. The HELCOM Ministerial Meeting in early October 2013 revised the targets for Russia from 2,500 tonnes a year to 3,790 tonnes a year.

"I strongly believe we'll see obvious effects of improved wastewater treatment in St Petersburg and Kingisepp in a few years," he says.

The effect of closing untreated discharge is not immediate for many reasons. One of them is obviously the size of the sea. The surface of the anoxic deep areas in the Baltic Sea is about 80,000 square kilometres, or over 20% of the sea.

There is one much more ominous factor that will continue to cause worries about the health of the Baltic Sea for decades to come. A large part of the phosphorus that has been entering the sea from the catchment area stays in the sediment on the seabed as long as the oxygen situation is reasonable. Phosphorus can be stored this way for many years. In certain years, the amount of phosphorus released from the seabed can be twice or even three times as large as the loading discharged from the catchment area.

"Even if we close up all effluent of untreated wastewater and manage to cut the loading from agriculture, there will still be enough nutrients from the sea's own storage to feed blue-green algae in the worst case for several decades," Mr Knuuttila says.

Unfortunately, the Baltic Sea is predisposed to larger environmental risks compared to most other seas. It is shallower than most seas in the world, and it is connected with the ocean with narrow and shallow

straits. The last time a large amount of fresh oxygen-rich saline water got through to the Baltic Proper was about ten years ago.

"Our sea is much more vulnerable to the effects of pollution. I don't, however, share the view that the Baltic Sea is dying," Mr Knuuttila continues.

"Although the status of the Baltic Proper has not improved much, we see a positive trend in some coastal areas, such as in Denmark and Finland. The status of the sea water off the Helsinki region was terrible forty years ago due to wastewater treatment that was much less effective compared to the modern technologies applied today."

Although the amount of fertilisers used has decreased, the concentrations of nutrients in rivers flowing through intensively cultivated areas are still high.

"Russia is investing and making good progress in cutting its loading. All the countries around the Baltic Sea should continue decreasing their discharges. Take Poland—it's home for almost half of the entire Baltic Sea catchment area population. We are all very interested in Poland's success in improving its record, too," says Mr Knuuttila.

He has no doubt that, regardless of its natural vulnerability, the Baltic Sea has a chance to recover from its current dire status.

"The recovery is a very lengthy process which we will not witness tomorrow or even by 2021 when HELCOM is setting a deadline for restoring the good ecological status of the Baltic marine environment. Maybe around 2030, if all countries fulfil their reduction targets. The sea has a chance if we give it a chance," concludes the environmental expert. ▀

Long-lasting value

"NIB is a very good complement to financing projects that improve competitiveness and the environment in the Nordic and Baltic countries," says Thomas Wrangdahl, First Vice-President and Head of Lending at the Nordic Investment Bank.

In an interview with NIB Magazine, Wrangdahl says the loan market continues to see some pressure on margins and yield spreads and a somewhat lower level of investment activities. Still he expects NIB's pipeline of new loans to grow to good levels during 2014, in part braced by the Bank's good relationships with its long-standing clients.

"Liquidity in the financial markets has increased during 2013, and commercial banks are now able to give loans of up to five years, and the same maturities can be found in the bond market. The strength of NIB is that we are able to complement other banks' lending with long maturities of ten years and more," says Wrangdahl.

Being a complement means that NIB is working to provide financing together with commercial banks and other international financial institutions. A loan from NIB should not exceed 50% of total project costs.

"By co-financing, NIB also adds value as a triple-A rated international financial institution," he says, adding that the Bank has both interest and flexibility to keep up good relationships with long-standing clients.

"We hope that the interest in maintaining long-term relationships is reciprocal," Wrangdahl adds.

How would you describe NIB's flexibility?

"I think flexibility is more than how we analyse projects and offer terms in the loan documentation. It is also about how we are able to listen to clients and to adapt our proposals to meet their demands. We have a good track record of doing that. It's about being close to the client, and understanding the client. That is how we can be flexible and meet our customers' expectations. I think that at the Nordic Investment Bank we are able to do that in a good way."

What other benefits does an NIB loan offer?

"NIB is a mandate-driven bank in the sense that all the projects we finance should improve competitiveness and the environment of the Nordic and Baltic countries. In order to do that, we need to ensure certain minimum standards to make sure we really fulfil our mandate."

"We understand that this means further work for the client during preparations and negotiations for the loan. However, ultimately, this is also to the benefit of our clients and is directly related to the quality stamp that we hope we implicitly provide for their projects."

"We can offer creative solutions where we work together with commercial banks and solve the more long-term financing aspects of a project," he adds.

How do you see NIB's January–August 2013 results?

"I think NIB's result for the first eight months of 2013 is good and that we are keeping up very well in the current market situation. To a certain extent, we have had a good backlog of deals made during the last six to twelve months, but we are also doing increasingly better with the current pipeline of new loans. We will have a little lower disbursement for 2013 compared to 2012, but in my view, we have turned a corner and can now expect to see the pipeline grow again," he says.

What are your expectations for NIB's lending in 2014?

"We expect our lending volumes to grow in 2014 compared to 2013. The aim is to disburse EUR 2 billion in 2014 compared to an estimate of EUR 1.8 billion for 2013," says Wrangdahl. ▴



Photo: Marjo Koivumäki

"The strength of NIB is that we are able to complement other banks' lending with long maturities of ten years and more."

Thomas Wrangdahl,
First Vice-President and Head of Lending

HOW TO OBTAIN A LOAN FROM NIB

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



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

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

In terms of the environment, NIB lends to projects that lead to:

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



NIB also has a Sustainability policy and guidelines that define projects not financed by the Bank.



NIB provides financing for a wide range of private and public sector projects, including:

- direct loans for large-scale projects,
- loans for SMEs and smaller projects through other financial institutions,
- climate change mitigation and adaptation projects,
- other environmental projects in the Baltic Sea region,
- NIB can consider lending to projects fulfilling the Bank's mandate in a few select number of countries outside the Nordic-Baltic region.



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

- competitive market-based loans,
- loans that normally range between EUR 10–100 million,
- maturities ranging 5–10 years on average, with possibility of extending loans up to 30 years,
- grace periods, normally up to 5 years but occasionally also longer,
- EUR and USD as well as local currencies such as SEK, DKK and NOK.



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

Visit NIB's website at nib.int for further information.

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NIB'S CREDIT AND MANDATE PROCESS





ST PETERSBURG: THE SOUND OF CLEAN WATER

The city of St Petersburg has completed the construction of the Northern Tunnel Collector—a 12-kilometre sewerage system—the largest single wastewater treatment project in the Baltic Sea region so far.

The new wastewater treatment project crowns St Petersburg's decades-long efforts to eliminate untreated effluent discharge into the Baltic Sea. The head of the St Petersburg water utility believes it rehabilitates the city's name and

gives it a new sound—the sound of clean water.

From now on, the city is treating, cleaning and removing nutrients from more than 98% of its wastewater, a vast improvement over a few years ago. The Northern Tunnel Collector closes up about 400 points where untreated effluent was directly discharged. Before the collector was built, about 334,000 cubic metres of untreated sewage ended up in the River Neva and the Gulf of Finland every day.

"This is a huge investment, a very challenging endeavour from an engineering point of view, and a matter of prestige for the city and our company," says Felix Karmazinov, Director General of the city's water utility Vodokanal St Petersburg.

Some parts of the new sewerage system, like its pumping station, have no comparison in the world. Vodokanal of St Petersburg involved the best available scientists and engineers to design and construct the collector.

St Petersburg has been slowly but steadily growing its wastewater treatment capacity since the mid-1970s, when the then four-million-strong metropolis had no sewage cleaning at all. It is no wonder that this made St Petersburg the largest single point source polluter in the Baltic Sea area for many decades.

In 1987, the first 12-kilometre leg of the city's badly needed underground sewage collector was nearly completed, and the construction of the second 12 kilometres was about to begin.

"The financing was rapidly shrinking and the situation was nearly desperate," Mr Karmazinov recalls.

Tunnelling work on the second leg of the sewage collector came to a halt in 1990 and did

not resume until a decade later, when Russia's federal government and the city allocated major financial resources for St Petersburg wastewater treatment projects. That opened the door for international financial institutions and Nordic bilateral aid agencies to contribute cleaning up the Baltic Sea's most prominent hotspot.

In 2005, the city launched the state-of-the-art South-Western Wastewater Treatment Plant, with a treatment capacity of 330,000 cubic metres a day. That allowed the total volume of effluent cleaning to increase to 85%. In 2007, St. Petersburg inaugurated an incineration plant that recycles sewage sludge into ash used in construction.

NIB has co-financed these and some other environmental projects in St Petersburg with loans totalling EUR 145 million. NIB was also a lead bank in structuring the international financing for the project under the umbrella of the Northern Dimension Environmental Partnership (NDEP). The partnership was established by four leading multilateral financiers, the European Commission and the Russian Federation to address the pressing environmental problems in the Baltic Sea region, the Barents region and northwest Russia.

"We are grateful to our Nordic neighbours, the EU and the international banks for their moral and financial support. They also helped us discover modern water treatment technologies and learn how to raise international financing," says the head of Vodokanal.

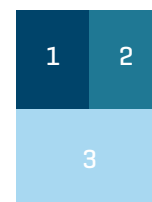
The pool of international financing for the collector included loans from the European Bank for Reconstruction and Development and the European Investment Bank, as well as grants from the NDEP Fund, the Finnish Ministry of the Environment and the Swedish International Development Agency SIDA.

"NIB has had a very fruitful and rewarding cooperation with Vodokanal of St Petersburg for over a decade now. We are proud to have facilitated the implementation of vitally important projects to treat effluent from this

metropolis," says Thomas Wrangdahl, First Vice-President and Head of Lending at NIB.

"Today, we are cleaning 98% of our wastewater, and we are already working on the remaining points of discharge. We are also giving a new sound to the city's name—the sound of clean water," says Mr Karmazinov.

In 2014, Vodokanal is planning to close up some six remaining discharge points in the oldest part of the city, a few hundred metres away from the Winter Palace. Another collector needs to be built along the river Ohta, where more than a hundred discharge points emit about 50,000 cubic metres of untreated wastewater a day. ▴



1. Felix Karmazinov / Director General of the city's water utility Vodokanal of St Petersburg.

2. A new shield lowered to drill a 12 kilometre tunnel some 80 meters under ground.

3. Construction of St Petersburg wastewater treatment project.



Photos: Vodokanal of St. Petersburg



FINANCING THE FUTURE – NIB sharpens its promise

The Nordic Investment Bank sharpens up its promise to stakeholders by clarifying its mission, strategy and values. A new visual identity will be implemented gradually.

NIB's mission dates back to 2006, and it has served the institution well.

"We didn't want to change the mission but rather to express NIB's purpose in a single sentence: 'NIB finances projects that improve the competitiveness and environment of the Nordic and Baltic countries'," says Henrik Normann, President and CEO of the Nordic Investment Bank.

To begin with, NIB has introduced the vision of "a prosperous and sustainable Nordic-Baltic region".

"There was a strong desire within NIB to express the vision in terms of the region rather than in terms of the institution. We are actually rather proud of this unique feature of our institution. We want to do good for the region," he continues.

The strategy message describes NIB in more detail. The starting point is NIB's role as the IFI of the Nordic and Baltic countries. Long-term lending is emphasised as this is the number one strength in the eyes of NIB's customers.

The environmental review is mentioned as a quality stamp. Another choice was to express NIB's business in terms of project characteristics instead of business areas.

On funding activity, strong ownership and the highest possible credit rating are highlighted as these are the cornerstones for stability and reliability which NIB offers to global investors.

"In the exercise, we also wanted to look at NIB's values. We asked ourselves how we could describe our ideal NIB employee in a very down-to-earth way. Such persons are highly competent to do their job, fully committed to achieve high quality results and to give their best, but also open and

co-operative," says Gunnar Okk, NIB Vice-President.

When NIB had arrived at the set of vision, mission, strategy and values, something was still felt to be missing.

"In the end, we wanted to find a tagline to pull all of this together. We presented different options to the staff and encouraged them to come up with their own suggestions," says Jukka Ahonen, Head of Communications at NIB.

"A prosperous
and sustainable
Nordic-Baltic
region".

Among the staff members, the tagline "Financing the future" received most support, as it was perceived as positive and forward-looking. The word "financing" was appreciated since it clearly indicates what NIB's core business is, and "future" was felt to go well with the long-term nature of NIB lending, spanning economic cycles.

"Many also thought that "future" reflects the mandate—financing projects that build a better future. Finally, "future" in itself was felt to give the tagline a feeling of hope and freshness," he continues.

Finally, when all of this was put into place, one final step was left—NIB wanted to sharpen its visual look.

"Having put this effort into clarifying the mission, strategy and values, we also wanted to give NIB a visual appearance that is in line with this," says Communications Officer Pamela Schönberg.

"We asked ourselves what this Nordic-Baltic international financial institution should look like, and what kind of visual language supports the business and values we represent. The outcome was a set of clearly defined visual guidelines, to be used in all of NIB's communications with the external world."

"To help us in this, we called in the Danish architect and designer Bo Linnemann, who has more than thirty years of experience within international design and branding," she continues.

"We feel that his vision of NIB fits well with the soul of the organisation, with a design revolving around a minimalistic, Nordic hinge and cool and bright colours. The defined visual identity will add graphical consistency to our external profile," she concludes.

The rebranding exercise included many forms of feedback and staff interaction. The customer survey gave important feedback on how stakeholders see NIB. Middle management was also very active in formulating ideas concerning NIB's purpose and goals. The staff were involved in two surveys.

"The process with the staff is in many ways as important as the end result. Every organisation needs to have a common understanding of its purpose and goals," says Joe Wright, Senior Director at NIB, who is also a member of the Management Group. ▀

NIB's diverse infrastructure financing

The diversity of infrastructure ownership models is one of the strengths of the Nordic-Baltic region.

Here, owners of for example power plants, may range from large stock-exchange-listed energy utilities to municipal energy companies, church foundations, mutual companies, leasing companies and private equity investors. This makes for a rich variety of models for owning and financing infrastructure.

The Nordic Investment Bank specialises in its knowledge of this market and uses a variety of models to channel its long-term financing to strategic infrastructure projects. The map provides an illustration of this based on some of NIB's recent loans:

"Working at NIB offers a fascinating insight to the many models of infrastructure finance in the region."

Joseph Wright, Senior Director, Head of NIB's Transaction and Portfolio Management



Loan Model: *Loan to a government that is on-lent to an energy utility*

Project: Construction of a hydropower plant

Customer: Greenland Self Rule Government

Amount: DKK 350 million

Maturity: 15 years



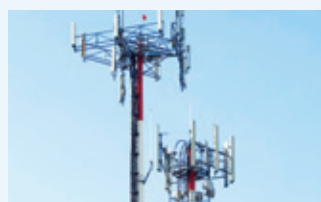
Loan Model: *Corporate loan to a state-owned enterprise*

Project: Construction of a new hydropower plant

Customer: Landsvirkjun, Iceland

Amount: USD 70 million

Maturity: 16 years



Loan Model: *Loan to a publicly listed company*

Project: Expansion of mobile telecommunications network

Customer: Tele2 AB, Norway

Amount: NOK 550 million

Maturity: 8 years



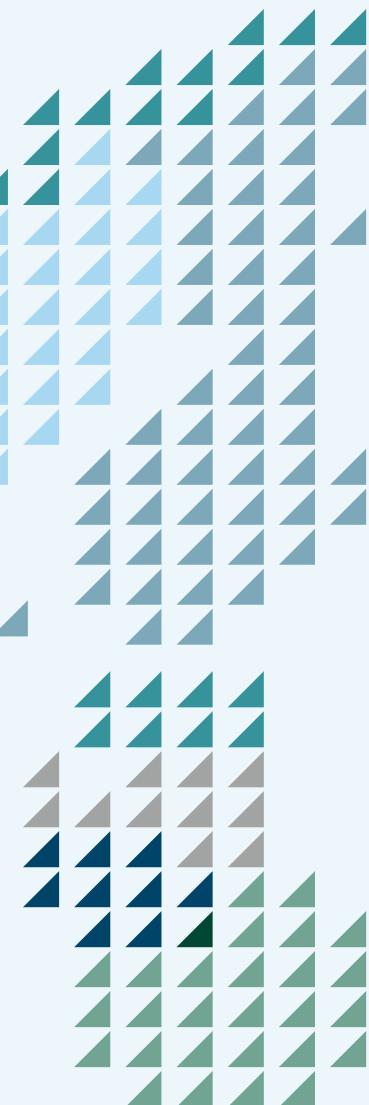
Loan Model: *Loan program with a bank for on-lending to wind power projects and to SMEs*

Project: Loan programme for onlending to wind turbine projects

Customer: Ringkjøbing Landbobank A/S, Denmark

Amount: EUR 30 million

Maturity: 10 years



Loan Model: *Loan to a municipality*

Project: Improve roads, sludge and wastewater treatment and energy efficiency in public buildings

Customer: City of Vilnius, Lithuania

Amount: EUR 8.5 million

Maturity: 20 years



Loan Model: *Corporate loan to a state-owned enterprise*

Project: Construction of a second track of the east-west railway corridor

Customer: VAS Latvijas Dzelzceļš, Latvia

Amount: EUR 17 million

Maturity: 10 years



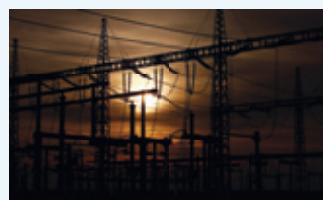
Loan Model: *Loan to a non-profit special purpose vehicle guaranteed by the county council and municipal beneficiaries of the project*

Project: Loan programme for onlending to wind turbine projects

Customer: Helgeland Veutvikling AS, Norway

Amount: NOK 320 million

Maturity: 17 years



Loan Model: *A loan to a state-owned enterprise to finance its investments in a joint venture project company*

Project: Construction of electricity interconnection Estlink-2

Customer: Elering AS, Estonia

Amount: EUR 25 million + EUR 10 million

Maturity: 10 years



Loan Model: *Loan to a sovereign state*

Project: Reconstruction and upgrade wastewater treatment plants

Customer: Republic of Belarus

Amount: EUR 25 million

Maturity: 15 years



Loan Model: *Loan to a bank that is on-lent to a special purpose company for project financing*

Project: Construction of Scandinavia's largest onshore wind farm.

Customer: DnB Bank ASA, Sweden

Amount: EUR 61 million

Maturity: 15 years



Loan Model: *Loan to a joint venture company guaranteed by its county council and municipal owners*

Project: Purchase of train sets for passenger transportation

Customer: Transio AB, Sweden

Amount: SEK 732 million

Maturity: 10 years



Loan Model: *Loan to leasing company secured by payments received under lease contract, rather than recourse to the leasing company*

Project: Purchase of train coaches for state-owned railway operator VR Group

Customer: SEB leasing Oy, Finland

Amount: EUR 70 million

Maturity: 15 years



Loan Model: *Non-recourse project finance loan to a public-private partnership (PPP) project*

Project: Financing the E18 Koskenkylä-Kotka motorway

Customer: Tieyhtiö Valtatie 7 Oy, Finland

Amount: EUR 91 million

Maturity: 14 years

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NiB

AUD 300,000,000

Kangaroo bond due February 2024

NiB

AUD 400,000,000

Kangaroo bond due February 2018

NiB

NZD 700,000,000

Kauri bond due January 2018

NiB

SEK 500,000,000

NiB Environmental Bond due September 2018

NiB

NOK 750,000,000

EMTN Bond due May 2018



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KANGAROO AND KAURI BONDS

While one could think that a story with the words Kangaroo and Kauri in the title might be about a popular Australian animal and a mighty tree species in New Zealand, this article is rather about bonds issued by foreign issuers in the capital markets of Australia and New Zealand.

The Nordic Investment Bank is a recognised issuer of AUD and NZD denominated bonds as investors value the diversification and returns they can offer. During the last six years, NIB has issued AUD 3.45 billion in the Kangaroo market and NZD 1.825 billion in the Kauri market, as shown in Figure 1. NIB is the third-largest issuer in the Kauri market both by volume issued and volume outstanding.

NIB had all in all six maturity lines outstanding in both markets as shown in Figure 2 at the end of October 2013. Of NIB's total outstanding funding, the AUD and the NZD currencies together represented 18% at the time. NIB is an active issuer in these markets due to the good investor demand.

INVESTOR DEMAND

The investor base for NIB's Kangaroo and Kauri bonds is quite evenly split between national and international investors. At the end of October 2013, the Australian investor base has bought 39% of the Kangaroo bonds, while investors domiciled in New Zealand has bought 49% of the Kauri bonds. The biggest investor group in both markets are the local bank liquidity portfolios.

The biggest development to the investor base during recent years, has taken place among international investors. More asset managers and central banks have started to diversify into Kangaroo and Kauri markets than before. By the end of October 2013, central banks accounted for 29% of the demand in both markets, and asset managers accounted for 31% in the Kangaroo market and 22% in the Kauri market. Internationally, the demand comes mainly from Asian investors.

Glen Sørensen, Director of Syndicate from ANZ New Zealand, a subsidiary of the Australia and New Zealand Banking Group Ltd., believes the key drivers for growth in the Kauri market are international investors in search of diversification after the financial crises. New

Zealand's relatively robust economy, debt position and high yields make it an attractive prospect for investors.

In addition, the triple-A rated Supranational, Sovereign, Agency (SSA) asset-class-Kauri-issues represent an alternative high quality NZD asset compared to New Zealand Government Bonds (NZGB). And as NZGB supply has been scaled back since peaking following the Canterbury earthquakes in late 2010 and early 2011, spreads to NZGB's have become more attractive.

Low interest rates and tight valuations versus government bonds in USD and EUR supra-markets, make investments in higher yielding AUD and NZD denominated assets attractive both from an absolute and a relative value perspective.

Investments in currencies other than USD and EUR are increasing, according to a survey of central bank reserve managers published by the International Monetary Fund (IMF) in May 2013. Particularly so-called "commodity currencies" like AUD and CAD are attractive to this investor group.

The IMF Working paper—Survey of Reserve Managers—states that "These commodity currencies may be attractive in their own right but can also function as a proxy for rapidly growing emerging market countries, which are less investable." Apparently, there is an investment trend, both from a diversification and a return perspective that supports assets denominated in currencies like AUD and NZD.

KANGAROO AND KAURI OFFER DIVERSIFICATION TO NIB

NIB's funding team aims to fund the Bank's lending as inexpensively as possible considering the risk framework. While the main funding currency for NIB is USD, the funding team sees great value in having a diversified funding currency composition in order not to be too reliant on one single market. This is why AUD and NZD are so important in the Bank's funding programme.

“NIB is one of the pre-eminent names in the Kauri market, with some of the tightest issuance spreads and largest issuance volumes,” says Glen Sørensen.

In May 2013, NIB announced it had increased its Kauri issue due 30 January 2018 with NZD 175 million. The total size of the deal was thus brought to NZD 700 million.

“This represents the largest Kauri SSA to settle at the time,” says Sørensen.

NIB has issued AUD and NZD denominated bonds nearly every year since 2006 and 2007, respectively. While NIB has for some years had to pay a small concession versus the USD benchmark pricing, this has been outweighed by the benefits arising from diversification and visibility to investors. The consistency has paid off in years with a favourable pricing versus USD benchmark market and NIB has then been able to profit from its well established access to the Kangaroo and Kauri markets.

INVESTOR MARKETING

NIB’s Funding and Investor Relations team visits investors in Australia and New Zealand every year. They appreciate first-hand information and the Nordic story is generally well received, even when news from Europe caused serious investor concerns. NIB has also increased its visibility in these countries by frequently participating in roundtable discussions, conferences and seminars.

As the international investor base has become more important, NIB has also started to conduct road shows to reach non-domestic AUD and NZD investors. Since investors have dedicated portfolio managers for different currencies, NIB sees it as important to be more product specific in its marketing efforts.

ATTRACTIVE FUTURE

NIB expects Kangaroo and Kauri markets to remain attractive. Domestic investors value the diversification offered by international issuers like

NIB, and international investors value the attractive AUD and NZD currency diversification.

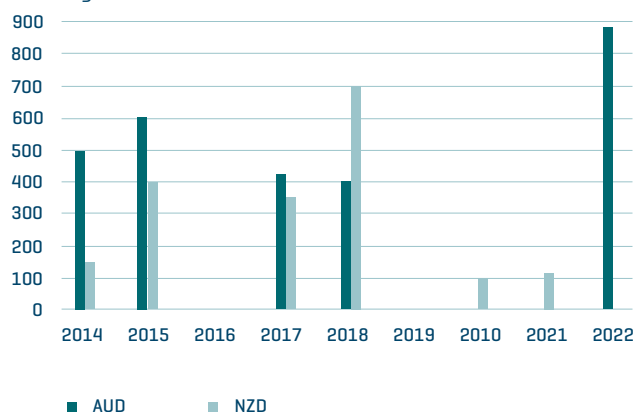
Sørensen says New Zealand’s positive economic, debt and yield drivers look set to continue with the country’s positive soft commodity and Christchurch rebuild stories unfolding after the devastating February 2011 earthquake.

“This is driving five-year NZD swap yields to 70 basis points over the AUD equivalents, versus 100 basis points below less than two years ago,” Sørensen says.

“I hope to see a greater variety of issuers in Kauri format going forward, as has occurred in the Kangaroo market, although this is also a challenge given the NZ-centric mandates many domestic investors face—the AAA SSAs representing a necessary exception for quality,” Sørensen says.

NIB is confident it will remain an active and valuable issuer in the Kangaroo and Kauri market. ▴

NIB OUTSTANDING KANGAROO AND KAURI ISSUES
Figure 1



ISSUED KANGAROO AND KAURI DEALS
Figure 2

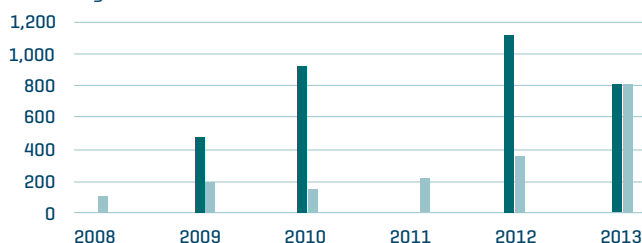


Photo: Syndicate

“NIB is one of the pre-eminent names in the Kauri market.”

Director of Syndicate
Glen Sørensen, ANZ New Zealand



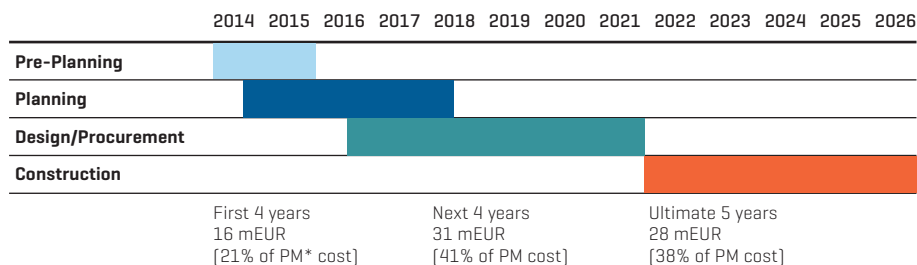
RAIL BALTICA: A QUESTION OF WHEN, **NOT IF**

A thousand-kilometre high-speed link between Tallinn and Warsaw is finally taking shape, after having been a distant ambitious idea for more than 20 years.



Photo: AB Lietuvos geležinkeliai

Project timeline for Rail Baltica joint venture



* Project Management

source: Triniti

Rail Baltica can be easily labelled the project of the century for Estonia, Latvia and Lithuania. An investment into infrastructure of a magnitude historically unprecedented for the Baltic trio, its significance in the second decade of the 21st century compares to opening the national borders after the fall of the Iron Curtain in the early 1990s.

Currently, the trickle of rail traffic between the Baltic countries and mainland Europe stops at the Lithuanian railway station Šeštokai to switch to a different gauge. The Baltic railway networks use the so-called Russian, 1,520-mm gauge, which is wider than the European principal standard of 1,435 mm. It is little wonder the direct passenger service or freight connection by rail between the region and the rest of the EU is close to non-existent.

The project of building a 1,200-kilometre high-speed European-gauge rail string from Tallinn via Riga and Kaunas to Warsaw has been debated and scrutinised since 1994, but its sheer size and level of ambition has not allowed the Baltic countries to undertake practical steps and start implementing it. The Baltic countries have historically been linked along the East-West axis, which is the principle source of revenue for both the harbours and the railway transit operators in all three countries.

“Rail Baltica will ensure a safe, fast and high-quality connection between the Baltic countries and the major centres in the rest of

the EU. The new link will create new opportunities for export industries, transit, tourism and many other branches,” says Stasys Dailydka, CEO of Lithuania’s state railway company Lietuvos Gelezinkeliai.

The studies for the project emphasise the importance of the Baltic railway system’s interoperability with Polish and German 1,435-mm gauge networks, because international traffic in the North-South direction with the present 1,520-mm gauge rail network in the Baltic countries is very inefficient.

“In Lithuania, we are happy to see that, within the European Union, there is full consensus that the Baltic countries need to be fully integrated into the wider rail transport system,” says Mr Dailydka.

In September 2013, the Baltic countries agreed to establish a joint venture for Rail Baltica. The joint venture will act as an applicant for funding and carry out preparatory work necessary for the planning, design and construction of the new line.

The building of the route Warszawa-Kaunas-Riga-Tallinn-Helsinki is included in the list of the EU’s 30 priority infrastructure projects for the programming period 2014–2020. Feasibility studies suggest that the project schedule will stretch over twelve years.

“The question is no longer whether we are building or not. The discussion is about how we coordinate it between the countries involved,” says Mr Dailydka.

The costs of the project are estimated at about EUR 4 billion. Most of the necessary financing is expected to be covered with

EU funds, while the remaining part will be financed with loans from international financial institutions and private investments.

BUILDING THE FIRST STRETCH IN LITHUANIA

Lietuvos Gelezinkeliai is gearing up for the construction of the first 123 kilometres of the European-gauge track between the country’s second-largest city of Kaunas and the border with Poland.

The project is being co-financed with a EUR 114 million loan from NIB. The European-gauge track will be built parallel to the existing wider-gauge line. Lietuvos Gelezinkeliai is also planning to reconstruct a 210-kilometre wider-gauge track from Kaunas to the Lithuanian-Latvian border. Both the newly built and the reconstructed lines will allow train services to run at up to 120 kilometres per hour.

The volume of freight, crossing the Lithuanian-Polish border on road, totals 25 to 28 million tonnes a year. The idea is to move truck semitrailers onto railway platforms to reduce the burden on motorways caused by the increased freight flows.

“We are prepared to launch the construction of the first Rail Baltica stretch. Speeding up the freight flows and passenger traffic is immensely important for our economy to keep growing,” says Mr Dailydka.

The stretch to Kaunas is expected to be in operation at the end of 2015. The section further northward to the Latvian border is to be completed in 2025. ▀

Rail Baltica

– now on track

Rail Baltic, a major EU-funded project, is now firmly on track after the partner countries—the three Baltic States, Finland and Poland—agreed on 16 September 2013, to set up a joint venture to design and build this vital rail link.

The 1,435 mm double-track higher speed line from Tallinn to Warsaw, via Riga, Kaunas, Elk and Białystok will be the largest infrastructure project ever undertaken in the history of the Baltic States. It will add a strategic north-south railway connection down the Eastern side of the Baltic and complete the high-quality transport links around the Baltic Sea which are helping to create the impressive recent growth in the region following the financial crisis.

The planned line will consist of new tracks in the Baltic States and a combination of upgraded and new sections in Poland. Rail Baltic will be part of the newly recast TEN-T (Trans-European Networks - Transport) network and form the northern section of the new Core Network transport corridor—“North Sea-Baltic”, providing a multi-modal transport corridor linking the main North Sea ports eastwards across the Netherlands, Germany and Poland to Tallinn and Helsinki.

The cost of building the new track sections in the Baltic States is estimated at between EUR 3.6 billion and EUR 4 billion, following a recent feasibility study. Assuming a mature project pipeline for designing and building the new line, the EU can provide financial support from the Connecting Europe Facility of up to 85%. It is hoped that the remaining 15% can be obtained in loans from international financial institutions such as the EIB and the Nordic Investment Bank.

While the last year has seen difficult and often complex negotiations between the partner countries, the agreement in September 2013 between the transport ministers paves the way for negotiation on the final documents so that the joint venture can be formally created in Riga. Its aim is to create a business entity with a long-term business plan to design, plan, manage and coordinate the financing for the new construction.

After final decisions are taken on the line's exact routings, the next and final series of studies will deal with issues such as an updated cost-benefit analysis, detailed design and environmental impact assessments, together with the land purchases necessary for the new track. This should be completed around 2018, allowing construction to begin over an estimated period of around 5–6 years. It is hoped that both passenger and freight trains can run along the entire route by 2025.

The European Commission has played its part to set aside the budget. It is now a question of cooperation between member states and building the actual projects. ▴



Siim Kallas was appointed Vice-President of the European Commission in charge of transport in February 2010.

From 2004 until 2011, Kallas served as Vice-President of the European Commission, responsible for administration, audit and anti-fraud. In 2004, he was appointed as the first Estonian member of the European Commission, working in the field of economic and monetary affairs. Before joining the Commission, Kallas has served in Estonia as Prime Minister, Minister of Finance, Minister of Foreign Affairs and President of the Central Bank. Siim Kallas has been elected to the Estonian parliament three times.

OFFSHORE WIND POWER

Anholt, Denmark's largest offshore wind farm, is co-financed by NIB. The farm was inaugurated on 4 September 2013, by Queen Margrethe.

Photos: DONG Energy A/S



he Anholt Offshore Wind Farm is located about 20 kilometres off Denmark's eastern coast between Grenaa Harbour and the island of Anholt. It exemplifies

the ongoing innovation and potential that offshore wind power offers.

The 400 MW wind farm consists of 111 turbines, each with a capacity of 3.6 MW and a rotor diameter of 120 meters. Together, they cover 4% of Denmark's total power consumption. The power produced at Anholt is the result of a political decision on a national offshore wind farm action plan adopted in 2008.

The wind farm has been operational since June 2013, and is a significant contributor to Denmark's ambition of meeting one half of the Nordic country's demand for electricity from wind by 2020. Wind power already accounts for almost one third of the nation's electricity consumption. In comparison, the International Energy Agency forecasts the global share of renewable sources in power generation will increase from 3% in 2009 to 15% in 2035.

Denmark's Prime Minister Helle Thorning-Schmidt said DONG Energy has an important role to play in realising the government's green targets.

"Denmark's wind mill saga is ambitious and exceptional globally. But as we see here today, it is a realistic ambition," said Thorning-Schmidt.

DONG Energy A/S, in which the Danish State holds an 81% share, was awarded the public tender to build the farm in 2011. The company has developed and constructed more offshore wind farms than any other company in the world. Construction took two winters and one summer and involved more than 3,000 people working on-site.

This has created new business opportunities for locals in the town of Grenaa and elsewhere in Jutland, and some will continue as DONG Energy was also awarded the license to operate the offshore farm with a 70-strong crew for the next 25 years.

For Dane Jannick Thru (24) it has meant an opportunity to sustain his own taxi service. While enjoying the benefits of the heightened economic activity in the area, he says few can blame locals for a certain distaste towards the tall and sometimes noisy land-based wind mills in Jutland.

"Still, it's a bit funny that people now actually travel from far away in order to see the Anholt wind mills out in the sea," Thru says.

These so-called "mill trips", arranged on Saturdays by the ferry company Stena Line and DONG Energy, have proven to be very popular with hundreds of participants for each departure.

The farm is co-financed by NIB with a 10-year EUR 240 million loan, of which 38% is raised through the NIB Environmental Bond fixed-income issuance. The 10-year-maturity loan, which represents NIB's largest single loan ever, has financed 36% of DONG Energy's total costs of DKK 5 billion. Financing renewable energy is a priority for NIB and the Bank has also previously financed DONG Energy's projects Horns Rev 1 and 2.

"NIB's loan to DONG Energy's Anholt project contributes to making Denmark less dependent on fossil fuels, and that is something that fits very well into our thinking," says Ann Værum, Senior Manager of energy and environment origination.

The 400 MW Anholt Offshore Wind Farm is only dwarfed by the world's largest offshore installation, the 630 MW London Array in the UK—which in fact was built by DONG Energy—that was inaugurated in July. With the completion of these two wind farms, DONG has installed a total of 2 GW offshore wind power capacity. The company targets installation of a total capacity of 6.5 GW offshore wind by 2020.

Vice President of Group Treasury and Investor Relations of DONG Energy, Allan Bodkov Andersen, says the company has a clear target to significantly bring down the cost of energy from offshore wind power projects towards 2020.

"This will be possible as turbines become larger and more efficient, and as projects are constructed and operated with improved logistics as a result of a growing number of offshore wind farms," Andersen says.

The Danish government currently has two ongoing tenders for the construction and maintenance of two offshore wind farms, the 400 MW Horns Rev 3 planned next to the existing Horns Rev 1 and 2 in the North Sea west of Denmark, and the 600 MW Kriegers Flak east of Denmark in the Baltic Sea. The deadlines for tenders are November 2013 and April 2014, respectively. ▀



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1. One single blade weighs 18 tonnes.
2. Farm consists of 111 Siemens 3.6MW wind turbines.
3. Her Majesty Queen Margrethe of Denmark and the Danish Prime Minister Ms. Helle Thorning-Schmidt inaugurated the Anholt Offshore Wind Farm.
4. Wind farm area is 88 square kilometers.



Energy from waste

The Baltic region's first energy-from-waste combined heat and power plant is situated in the seaport city of Klaipeda, Lithuania. The project is co-financed with a EUR 70 million loan from NIB.

Photos: Fortum Klaipeda

At the official commissioning of the Fortum waste-to-energy combined heat and power plant in Klaipeda on 15 May 2013. In the centre: The Presidents of Finland and Lithuania, Sauli Niinistö and Dalia Grybauskaitė.



The Baltic energy sector, still dominated by gas-fuelled power generation and largely isolated from the rest of the EU, is hungry for innovation. The waste-to-energy heat and power plant built by Finnish Fortum, in Lithuania's third largest city of Klaipeda, seems to be a perfect offer to a market desperately looking for sources more sustainable than imported gas.

Waste and refuse from both households and enterprises in Klaipeda—a port and a major industrial hub—and the neighbouring municipalities, is fuel the new CHP plant can always count on. Out of 250,000 tonnes of waste or biofuel the plant can handle in a year it is capable of producing 380 GWh of heat and 120 GWh of electricity.

Heat is Fortum Klaipeda's principle product to be supplied to the local district heating system. It is expected to cover no less than 40% of the city's heat requirements.

The plant, officially opened in May 2013, uses the so-called semi-dry flue gas cleaning technology in the incineration, which allows keeping emissions within strict limits. The new plant is expected to decrease carbon dioxide emissions in the Klaipeda area by about 100,000 tonnes a year.

The total amount of Fortum's investment

in the plant in Klaipeda is EUR 140 million, of which EUR 70 million is covered by a seven-year loan from NIB. In 2012, this was the largest foreign direct investment in Lithuania.

"I'm sure the waste-to-energy business has very good potential in a modern society. It has a special place in our country's national energy strategy. Waste should produce heat and energy," says Mr Juozas Doniela, Managing Director of the plant.

According to Fortum, the technology of the Klaipeda plant meets the Best Available Techniques requirements defined by the European Union.

"Waste should produce heat and energy." Juozas Doniela, Managing Director of Fortum Klaipeda

"It is a robust and proven technology to secure high availability and high environmental standards with all sorts of wastes. There are hundreds of similar plants in Europe. Emissions limitations for waste-to-energy plants are much

stricter than for power plants utilising traditional fuels," says Jaakko Vähä-Piikkiö, Vice President Baltic Countries at Fortum Power and Heat Oy.

To build a waste-to-energy plant in Klaipeda was a logical decision, because, firstly, Lithuania is desperately in need of innovative solutions—the price tag on Russian gas to Lithuania has been the highest in Europe in recent years. Secondly, Fortum holds a stake in the local energy company Klaipedos Energija that operates the heating network.

The Klaipeda waste-to-energy plant is the first of its kind in the region. With just 35 employees, working in shifts to run the plant 24/7 and covering almost half of a medium-size industrial city's heating needs, the CHP plant in Klaipeda raises productivity standards in the Baltic region's heating branch.

Mr Vähä-Piikkiö believes that similar plants will sooner or later emerge in the Baltic region to meet the requirements of waste management.

"It's a corner stone of Fortum's strategy that we establish efficiently combined heat and power production utilising local renewable fuels. In this way we are able to contribute to reducing greenhouse gas emissions and, thus, to the mitigation of the climate change," he concludes. ▴

NIB broadens SME loan offer

NIB recently expanded the scope of its loan offering towards small and medium-sized enterprises to include projects that improve competitiveness. Earlier, the Bank's lending to this sector had focused mostly on lending to environmental and renewable energy projects.

Small and medium-sized enterprises are truly significant to the economy of the Nordic-Baltic region. They employ two thirds of all employees in the region and contribute a similar share of the added value produced. President and CEO Henrik Normann of NIB says this is precisely why lending to SMEs should be a priority at the Nordic Investment Bank.

“Since productivity growth largely depends on the availability of financing for investments, we hope that the NIB's broadened offering to SMEs will boost their productivity and increase the competitiveness of the economy,” says Normann.

Enterprises considered to be SMEs, in accordance with an EU definition, employ fewer than 250 persons with annual turnover below EUR 50 million or an annual balance sheet less than EUR 43 million. On average, SMEs numerically by this definition accounts for 99% of all enterprises in the Nordic-Baltic region.

In 2012, NIB's total lending to SMEs represented EUR 198 million,

or 8% of all loans agreed. For the first eight months of 2013, the corresponding figure is EUR 170 million, or 15% of all loans agreed.

NIB's broadened loan offering for on-lending to SMEs includes investments in new machinery, production or service provision facilities and investments in ICT and R&D. These project categories come in addition to NIB's traditional SME on-lending that mainly focused on small scale environmental and renewable energy projects.

Since the Nordic Investment Bank channels its lending to SMEs via partnering banks, it is important that loans are evaluated according to NIB's requirements. NIB has therefore developed a set of requirements for financial intermediary projects located in the Nordic-Baltic region. These requirements have been developed in cooperation with several of its partner banks.

The partner banks allocate the funds themselves and report to NIB on how much they have extended to different types of projects.

NIB seeks new partnerships

NIB's increased focus on SME lending has already resulted in a range of new loan agreements with partnering financial institutions. Senior Manager Marjo Harri, heading NIB's lending to financial institutions and SMEs, says NIB's focus is to meet the SME sector's need for long-term financing.

Why has NIB broadened its loan offering to the SME sector?

“There is a scarcity of longer-term financial sources for SMEs and NIB has the capability to meet the demand with longer tenors than are otherwise typically available.”

How does NIB lend to SMEs in practice?

“We cooperate with financial institutions that already have a focus on SMEs. Lending via financial intermediaries allows NIB to reach a much larger number of SMEs than would otherwise have been possible.”

What kinds of loans can NIB offer to its partnering banks for onlending?

“We typically offer loans with long maturities ranging from five to seven years.”

How does NIB allocate risk?

“We do it so that NIB takes the risk on the partner bank, which in turn takes the risk related to its SME clients. However, we are currently looking into the possibilities of introducing also other forms of cooperating with banks.”

What do you require of financial institutions interested in partnering with NIB?

“We have identified a number of interesting financial institutions and are currently evaluating them for their existing SME portfolios and future plans. It is of course important that we share the same views on loan terms, credit quality, covenants and pricing. The Nordic Investment Bank is constantly looking to develop its partnerships with financial institutions in order to help meet the funding needs of the region's SMEs.”

NIB APPOINTMENTS

NEW STAFF AT NIB

Credit and analysis department



Leena Clausen (DK) has been appointed Senior Bank Analyst for the Bank, Country & Municipality Analysis unit. She joins NIB after having worked as Chief Analyst at Danske Bank in Copenhagen.



Viktor Markelin (FI) has been employed as Senior Corporate Analyst for the Corporate & Project Analysis unit. His former employment was as Senior Manager at PwC Transaction Services in Helsinki.



Harry Peltonen (FI) has been employed as Senior Director, Head of Credit for the Credit unit. He previously worked as Head of Asset Management in Svenska Handelsbanken in Helsinki.



Henrik Vesth (DK) has been employed as Senior Corporate Analyst for the Corporate & Project Analysis unit. He joins NIB after his position as Senior Credit Officer at FIH Erhvervsbanken in Copenhagen.

Other departments



Ralf Hansson (SE) has been employed as Senior Manager for the FI & SME unit in the Lending department. He comes from a position as Head of Structured Finance at Xylem Water Solutions AB in Stockholm.



Matti Koivu (FI) has been appointed Chief Risk Officer for the Risk Management unit in the Risk & Finance department. Previously, he was Head of Division, Market and Operational Risk at the Finnish Financial Supervisory Authority in Helsinki.



Maria Niemi (FI) has been appointed Senior Internal Auditor at the Bank. She joins NIB from a position as Authorized Public Accountant with the Assurance Services at Ernst & Young in Helsinki.



Ville Väisänen (FI) has been appointed Financial Controller for the (Accounting & Planning unit and Risk & Finance department). His former employment was as Senior Controller at Nordea in Helsinki.



Cecilia Wirén (SE) has been appointed Senior Director, Head of Human Resources in the Business Intelligence & Administration department. Her former employment was as Head of HR in Lindahl's Law firm in Stockholm.

FROM TEMPORARY TO PERMANENT EMPLOYMENT

Xiaojie Li (CN) has been employed as Enterprise Content Management Specialist for the ICT unit in the Business Intelligence & Administration department.

Tiina Schildt (FI) has been employed as Bank Analyst for the Bank, Country & Municipality Analysis unit in the Credit & Analysis department.

Mari Rasilainen (FI) has been employed as Collateral Officer for the Legal department.

Jonathan Nyström (FI) has been employed as Controller for the Accounting & Planning unit in the Risk & Finance department.

Jarno Virtanen (FI) has been employed as Senior Manager for the Transaction & Portfolio Management, Corporate, in the Lending department.

PROMOTIONS

Legal department

Axel Berglund (SE) has been appointed Senior Counsel for the Lending Operations unit.

Katrin Peskov-Kähkönen (EE) has been appointed Senior Counsel for the Lending Operations unit.

Johanna Halme (FI) has been appointed Senior Counsel for the Institutional & Administrative Affairs unit.

Vera-Maria Lehtonen-Vainionpää (FI) has been appointed Senior Counsel for the Institutional & Administrative Affairs unit.

Marina Nyberg (FI) has been appointed Senior Documentation Specialist for the Treasury Operations unit.

Other departments

Sari Ahtiainen (FI) has been appointed Senior System Specialist, Bank Systems for the ICT unit in the Business Intelligence & Administration department.

Lennart Richardsen (NO) has been appointed Senior Director, Head of Corporate & Project Analysis unit in the Credit & Analysis department.

Antti Miettunen (FI) has been appointed Senior Risk Analyst for the Risk Management unit in the Risk & Finance department.

THIS IS NIB

NIB's vision is a prosperous and sustainable Nordic-Baltic region. We work towards that goal by financing projects that improve the competitiveness and environment of our member countries. Through this, we are living up to our promise of financing the future.



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