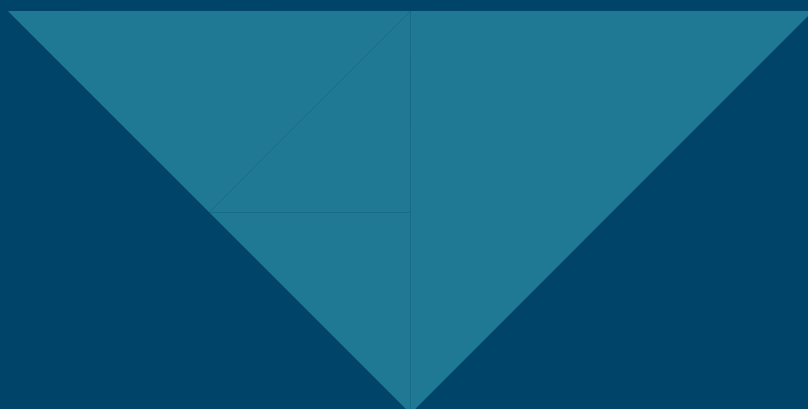




NORDIC
INVESTMENT
BANK

FINANCING
THE
FUTURE

ANNUAL REPORT 2015



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NIB 2015

Joneta Danielsson

Senior Manager, Head of Financial Accounting

Our comprehensive financial reporting is key to understanding NIB's business operations, and that opens new routes to international financial markets.



HIGHLIGHTS 2015

- NIB's Board of Directors proposes that EUR 55 million be paid as dividends to the Bank's member countries for the year 2015
- 94% of NIB's lending achieved a "good" or "excellent" mandate rating

PROSPECTS 2016

- NIB to better serve SMEs and mid-sized corporates
- NIB to increase flexibility in non-member country lending

Key figures

(IN EUR MILLION UNLESS OTHERWISE SPECIFIED)	2015	2014
Net interest income	247	239
Profit/loss	215	210
Loans disbursed	2,716	2,274
Loans agreed	2,830	2,389
Loans outstanding	15,627	15,156
Guarantee commitments	–	–
New debt issues	4,276	3,361
Debts evidenced by certificates	20,862	19,446
Total assets	27,311	24,870
Equity/total assets (%)	11.5	12.0
Profit/average equity (%)	7.0	7.2
Number of employees (average during year)	188	186

President's review

2015 was a year of surprises for NIB. In general, bankers do not like surprises, but for NIB, the past year brought a positive surprise as the disbursements of loans substantially exceeded our expectations, resulting in an all-time high of EUR 2.7 billion for projects that improve the competitiveness and environment of the Nordic–Baltic region. This growth was attributable to a good number of new borrowers in the municipal and private sectors and the growing needs in the municipal field, as well as the Bank's efforts to broaden its customer base.

When we consider that 94% of this lending received an internal mandate rating of "good" or "excellent", it becomes apparent that a long-term lender like NIB has a role to fulfil.

In 2015, most of our loans to projects that improve the competitiveness were in the sectors of R&D, infrastructure and energy projects. Examples include a loan to develop natural ingredient solutions for the global food and health industries, and loans to construct the Rail Baltica line.

The majority of our environmental loans related to climate change mitigation and protection of the marine environment in the Nordic–Baltic region, such as constructing a wastewater treatment plant in Helsinki. Several loans support both competitiveness and the environment, such as constructing the energy-efficient research laboratory MAX IV at Lund University and the investment in a new hydropower plant by Lyse Energi AS.

You can find out about our loan projects on our website at www.nib.int.

We also raised EUR 4.3 billion in new funding and continued to issue NIB Environmental Bonds to investors following socially responsible investment principles.

NIB made a profit of EUR 215 million in 2015.

Forty years ago, the Nordic Investment Bank was established to become a co-financier and coordinator of major projects of joint Nordic interest. The Bank has since developed into a Nordic–Baltic long-term lender with a strong commitment to sustainability and growth. As such, NIB continues to serve as a regional forum for intergovernmental dialogue and decision-making.

In 2015, NIB's Board of Directors concluded a strategy review aimed at further strengthening our ability to fulfil the Bank's mission. We will continue to implement new strategic initiatives to increase our lending to SMEs, mid-sized corporates, projects in the Arctic and also to counterparts outside the Nordic–Baltic region.

Although the year 2016 has started out in turmoil in the financial markets and with investment activity still constrained, we hope that it will turn out to be another year of positive surprises for the Bank. There is a need, in particular, for infrastructure investments in the Nordic–Baltic region, and NIB expects to play a constructive role in enabling these to materialise.

Henrik Normann
President and CEO

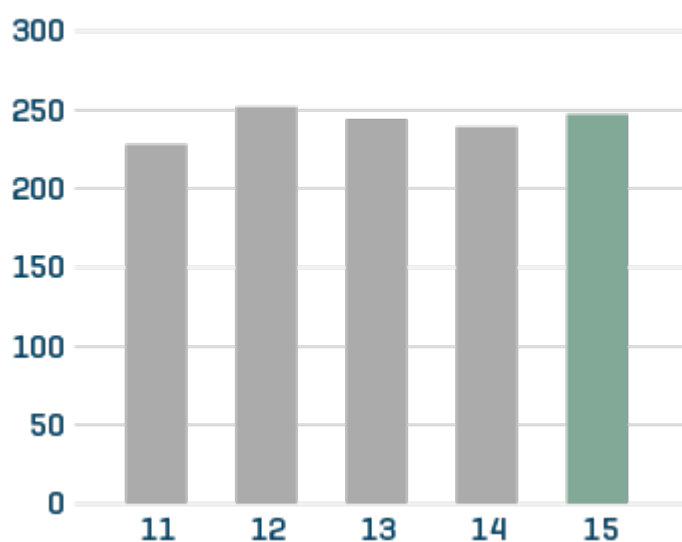
Five-year comparison

AMOUNTS IN EUR MILLION	2015	2014	2013	2012	2011
STATEMENT OF COMPREHENSIVE INCOME, 1 Jan-31 Dec					
Net interest income	247	239	244	252	228
Commission income and expense etc.	10	7	10	17	19
General administrative expenses, depreciation and write-downs	-50	-41	-39	-38	-37
Realised and unrealised gains/losses of financial assets held at fair value	-9	26	15	36	9
Impairment of loans and bonds held at amortised cost	-3	-21	-15	-56	-24
Adjustment to hedge accounting	21	-1	2	-1	-2
Profit/loss for the year	215	210	217	209	194
STATEMENT OF FINANCIAL POSITION, as of 31 Dec					
Assets					
Cash and cash equivalents, placements and debt securities	8,776	7,158	7,131	8,092	6,788
Loans outstanding	15,627	15,156	14,667	15,131	14,153
Intangible and tangible assets	28	34	35	34	35
Accrued interest and other assets	2,880	2,523	1,657	2,726	2,826
Total assets	27,311	24,870	23,490	25,983	23,802
Liabilities and equity					
Amounts owed to credit institutions and repurchase agreements	1,589	872	372	1,609	1,597
Debts evidenced by certificates	20,862	19,446	18,421	20,332	18,433
Accrued interest and other liabilities	1,713	1,567	1,866	1,377	1,315
Paid-in capital	419	419	419	419	419
Statutory Reserve	686	686	686	686	684
Credit risk funds	1,826	1,671	1,509	1,352	1,158
Payments to the Bank's Statutory Reserve and credit risk funds, receivable	–	–	–	–	3
Other value adjustments	–	–	–	–	–
Profit/loss for the year	215	210	217	209	194
Total liabilities and equity	27,311	24,870	23,490	25,983	23,802
ACTIVITIES					
Disbursements of loans	2,716	2,274	1,922	2,355	1,946
Guarantees issued	–	–	–	–	–
Loans outstanding at year-end	15,627	15,156	14,667	15,131	14,153
Guarantee commitments at year-end	–	–	–	–	4
New debt issues (including capitalisations)	4,276	3,361	4,080	4,355	2,887
Number of employees (average during year)	188	186	183	180	175

Graphs 2011-2015

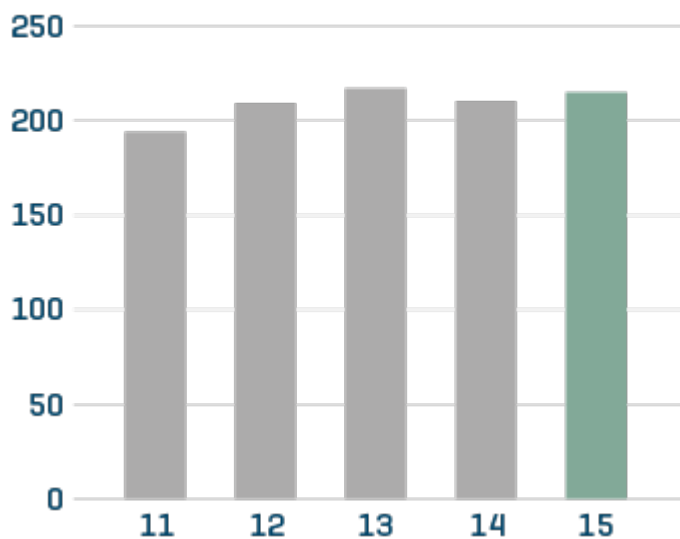
Net interest income

EUR m

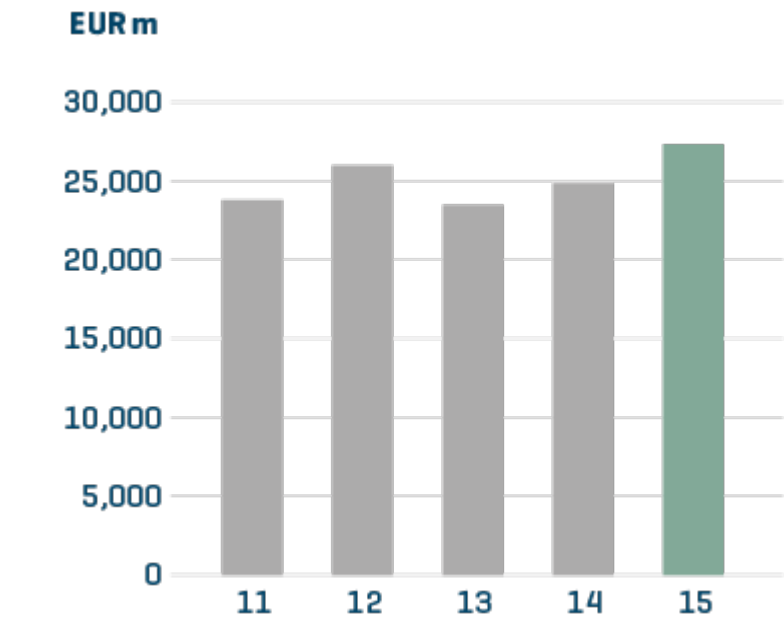


Profit / loss

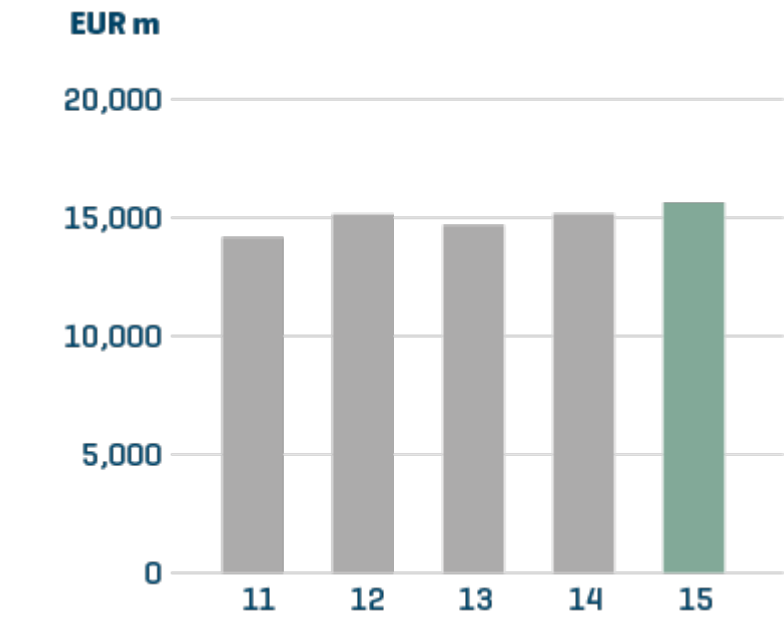
EUR m



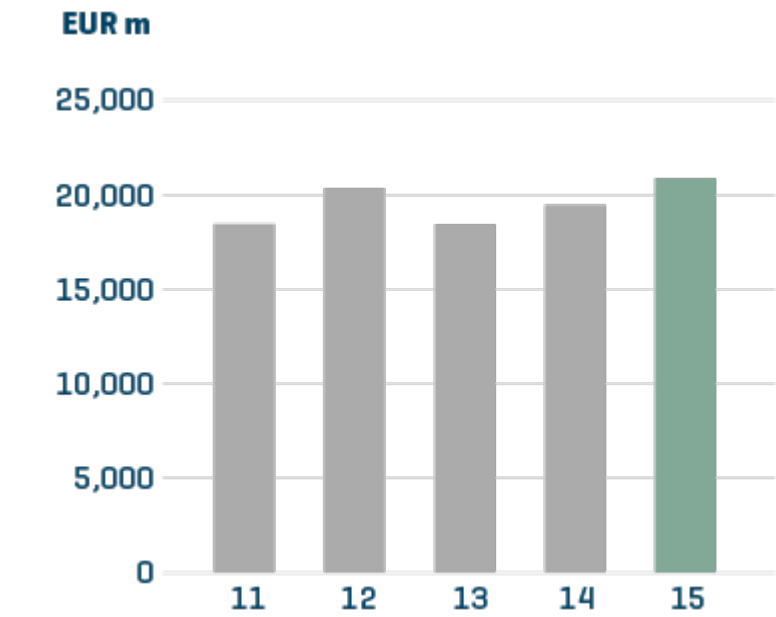
Total assets



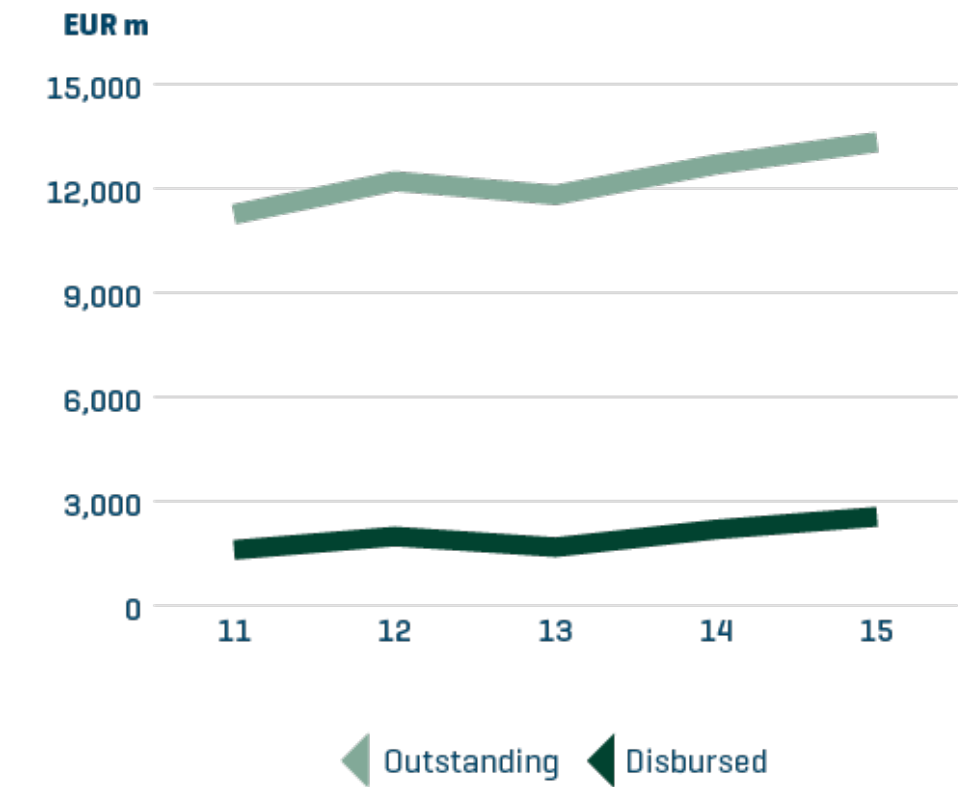
Loans outstanding



Borrowings outstanding

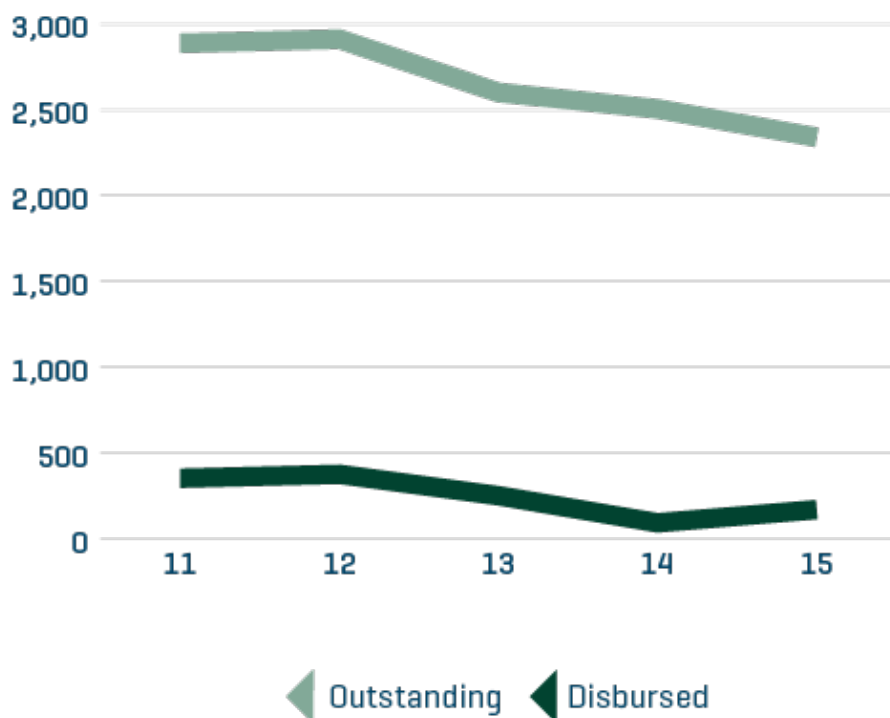


Loans in member countries



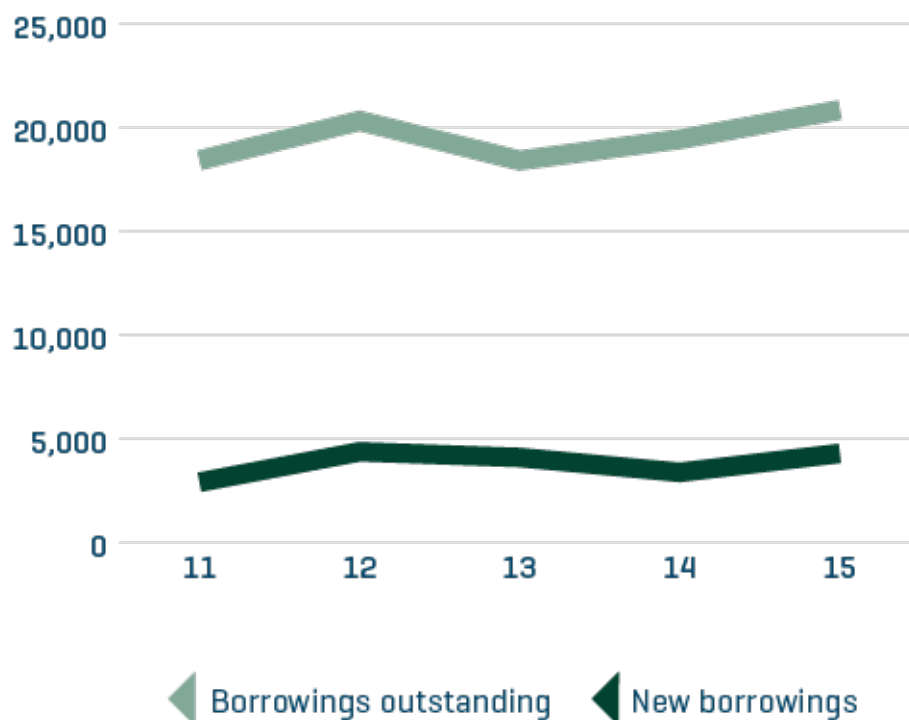
Loans in non-member countries

EUR m



Borrowings

EUR m



Capital structure

NIB's capital base consists of authorised capital subscribed by the member countries and reserves accumulated through internal profit generation.

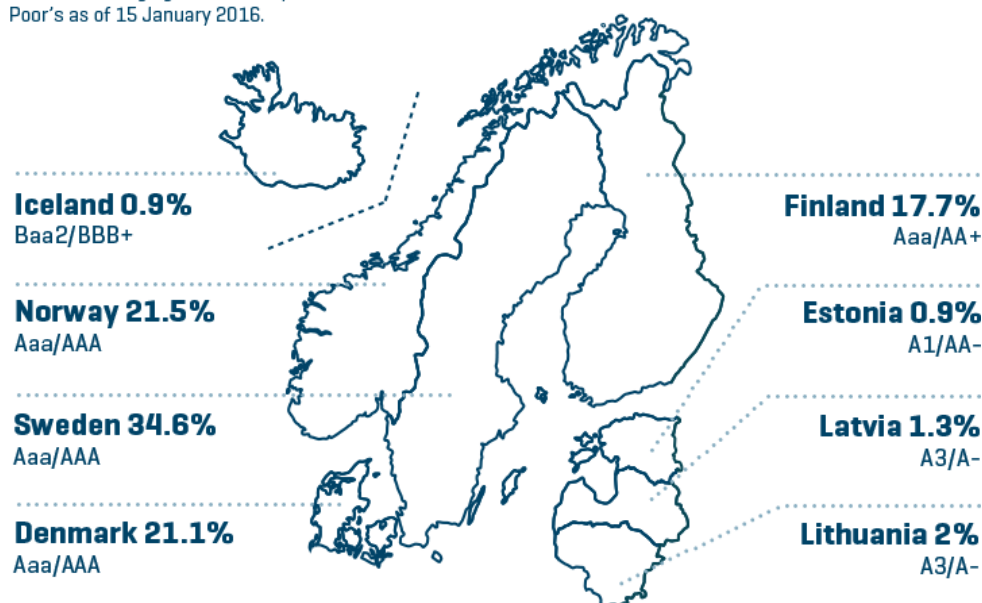
The Bank's authorised capital was EUR 6,141.9 million as of 31 December 2015. The paid-in capital at the end of the year amounted to EUR 418.6 million. The remainder of NIB's authorised capital is subject to call if the Bank's Board of Directors deems it necessary for the fulfilment of the Bank's debt obligations.

The Bank's equity consists of the paid-in portion of the authorised capital and accumulated reserves. As of 31 December 2015 the Bank's equity amounted to EUR 3,146.5 million. Further information on the composition of the Bank's equity is provided in the Statement of financial position and Changes in equity.

NIB's member countries have subscribed to the Bank's authorised capital and guaranteed the special loan facilities mentioned below 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 from the credit rating agencies Moody's and Standard & Poor's as of 15 January 2016.



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 2015, in accordance with the proposal made by the Board of Directors, the ordinary lending ceiling amounts to EUR 20,922 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 90% of each loan under the PIL facility up to a total amount of EUR 1,800 million. The Bank, however, will assume 100% of any losses incurred under an individual PIL loan, up to the amount available at any given time in the Special Credit Risk Fund for PIL. Only thereafter would the Bank be able to call in the member countries' guarantees.

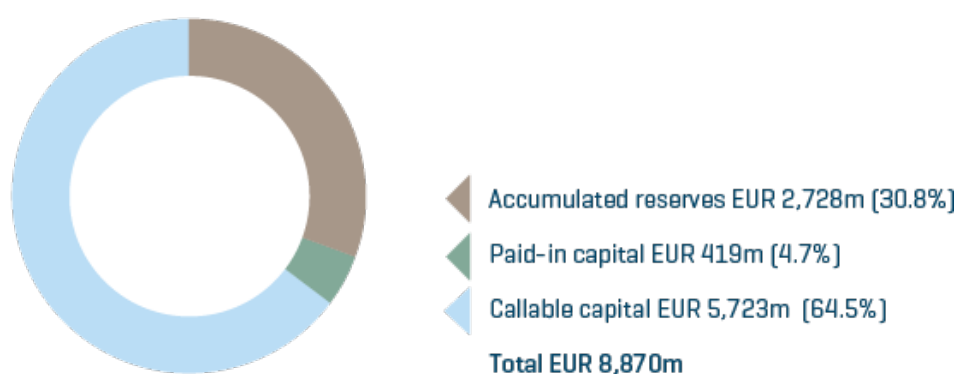
The second special facility, the Environmental Investment Loan facility (MIL) has a maximum ceiling of EUR 300 million. The Bank's member countries guarantee 100% of loans outstanding under the MIL facility. Following a call on the guarantees in 2014 the member countries' total guarantee liabilities as of year-end 2015 amount to EUR 281 million.

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

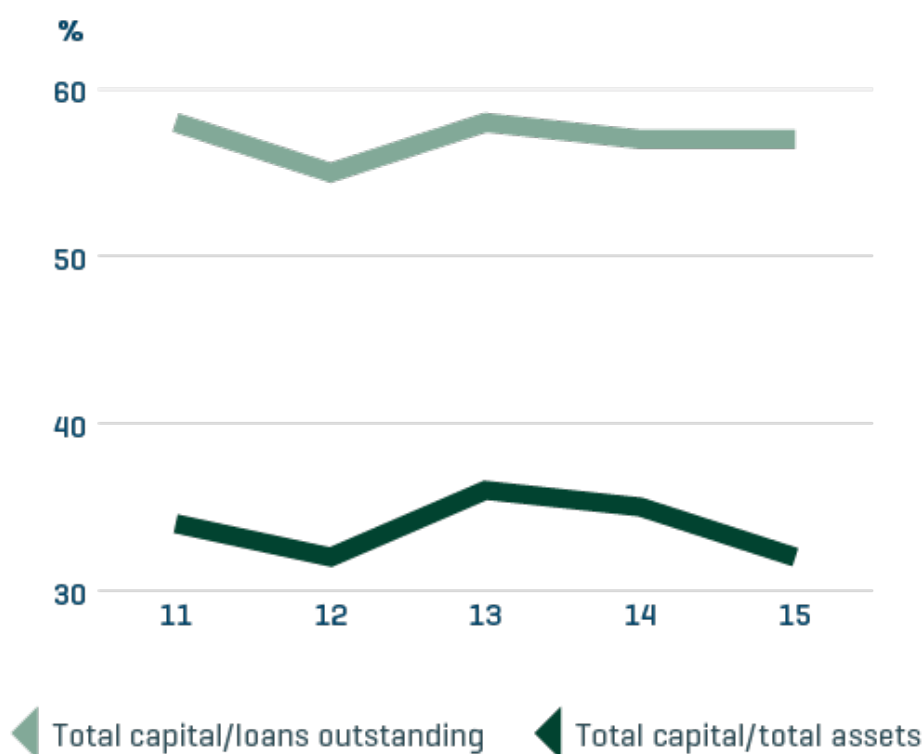
In view of the Bank's strong capital base, the quality of its assets and its status as an international financial institution, the leading international rating agencies, Standard & Poor's and Moody's, have accorded NIB the highest possible issuer credit rating, AAA/Aaa, for long-term obligations and A-1+/P-1, respectively, for short-term obligations. NIB obtained the highest possible credit rating in 1982. Since then, the Bank has maintained this credit rating without interruption.

Capital base

%, as of 31 Dec 2015



Capital ratios



Economic landscape

The global economy slowed to 3.1% growth in 2015, compared to a growth of 3.4% in 2014. Depressed commodity prices, combined with other domestic factors, prompted severe recessions in Brazil and Russia. Meanwhile China, as it adapts its growth model, is gearing down and therefore unable to pick up the slack. While the expansion of the U.S. economy and the European recovery are not derailed, the latter remains slow and performance is mixed. This is well reflected across the Nordic-Baltic region.

Nordic–Baltic region

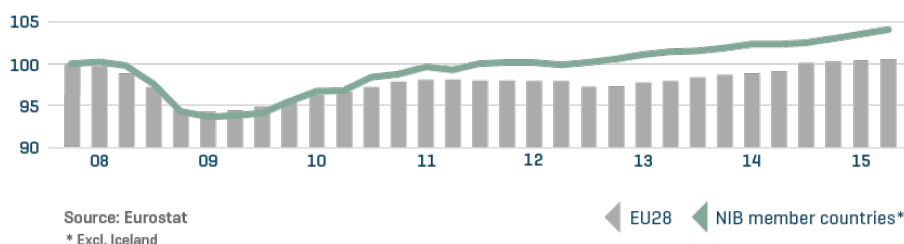
The Baltic and Icelandic economies have so far proved fairly resilient to negative shocks emanating from Russia and commodity markets. On the other hand, the Finnish economy—faced with both cyclical and structural issues—is struggling to avoid contracting further.

The Norwegian economy is contending with lower oil prices, and the resulting slump in business investment, by deploying fiscal stimulus. Secondary knock-on effects are expected to become more evident in 2016.

The Danish economy is on a positive track, but growth remains underwhelming as households continue to deleverage. Sweden has fared substantially better, but growth has largely been tilted towards the household sector and accompanied by rising indebtedness.

Real GDP

Index, 2008Q1=100



Looking forward

In 2016, the global economy is forecast to grow by 3.3%, the US by 2.5% and the euro area by 1.5%. Our expectation for economic growth in the Nordic–Baltic area is around 1.7%, with the Baltic, Icelandic and Swedish economies performing best. Real GDP in Denmark and Norway is predicted to advance at the euro area pace of 1.5%, while Finland would lag behind at a slower pace of 0.5%.

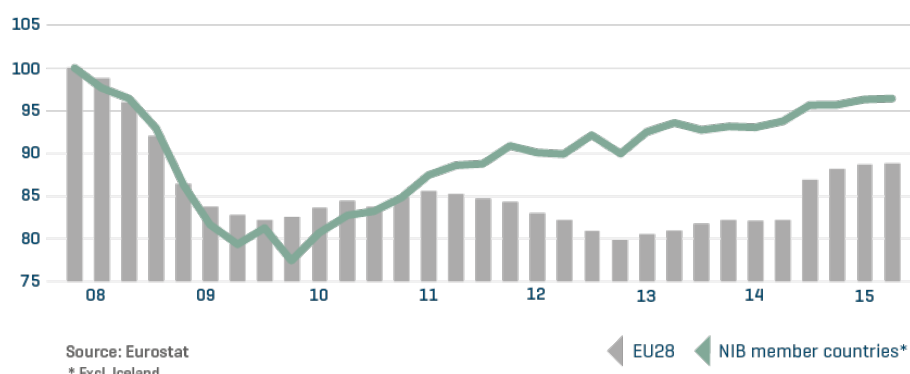
Expected impact on credit demand

Despite the seemingly benign macroeconomic outlook, financial market volatility spiked entering into 2016, with equity markets correcting and commodity prices continuing to plunge. The geopolitical and event-driven risks appear to be at their highest since 9/11.

Real investments

Gross fixed capital formation

Index, 2008Q1=100



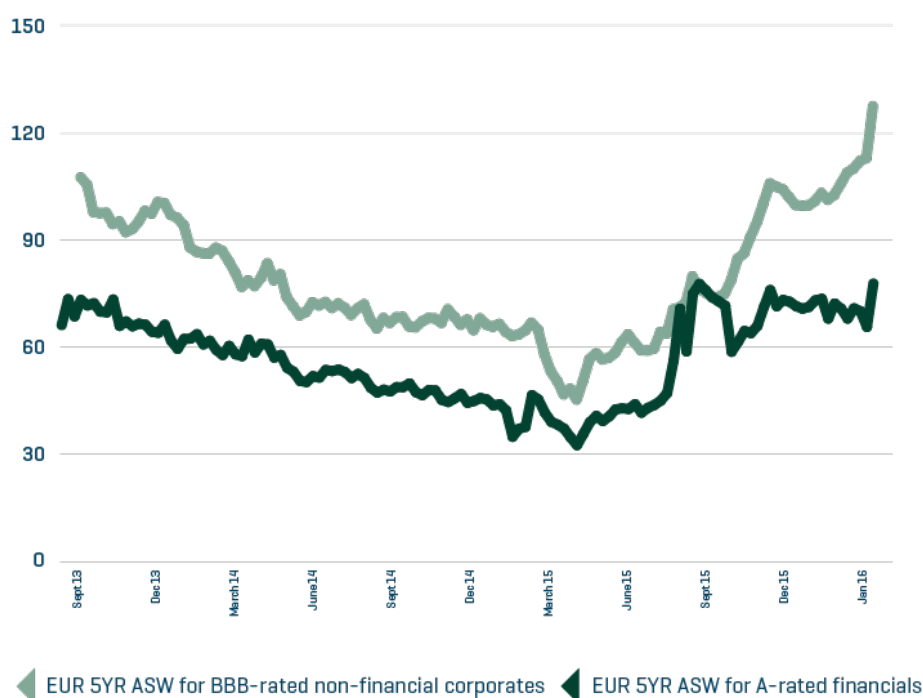
The familiar pair of issues—weak global demand and uncertainty—continues to plague the operating environment, the prospects for business investment and associated credit demand. Partially mitigating such headwinds in developed economies are low interest rates, which could decline further in inflation-adjusted terms. That could, in turn, support credit demand and rotation towards longer maturities.

Estimated impact on credit prices

Price-wise, the downward pressure exerted on credit spreads by monetary policy has faded. Due to unprecedented structural disruptions accompanying central bank and regulatory activity, the signal-to-noise ratio emanating from credit markets is weaker than usual. Nonetheless, barring material positive surprises (from e.g. economic data, corporate earnings, or monetary authorities), the uptrend in credit spreads seen since spring 2015 appears unlikely to abate.

Credit (asset swap) spreads

Basis points



Source: Thomson Reuters

Our Impact

Harry Peltonen

Senior Director, Head of Credit

The robust and very strong credit quality of our loan book was one of the key reasons for Standard & Poor's and Moody's assessments of NIB's credit ratings as AAA/Aaa in 2015.



HIGHLIGHTS 2015

- NIB-financed energy projects will add 0.53 TWh annually to renewable energy generation
- NIB conducted a stakeholder survey in 2015

PROSPECTS 2016

- NIB continues to finance projects that reduce emissions of pollutants
- NIB will carry on its stakeholder engagement

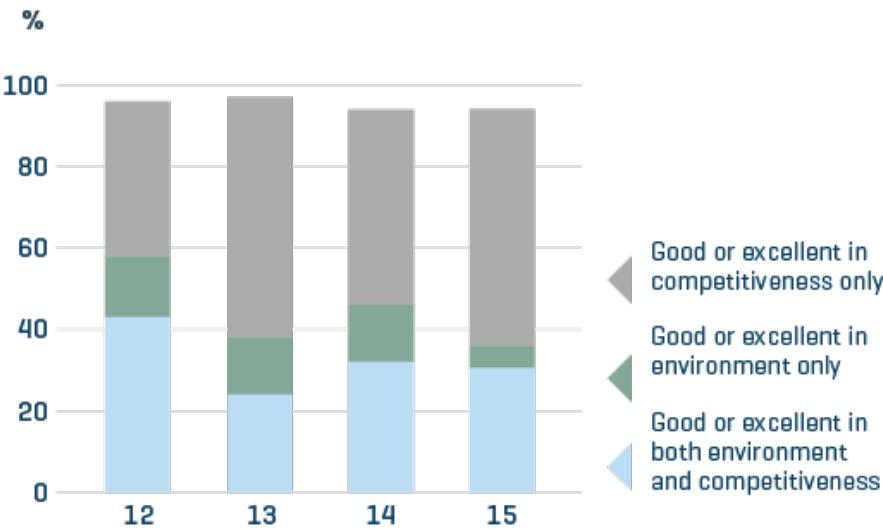
Mission fulfilment

NIB’s mission is to finance projects that improve competitiveness and the environment of the Nordic and Baltic countries. NIB only finances specific projects that fulfil its mission.

In 2015, NIB signed 45 new loan agreements and reviewed all its loan projects. The reviews entail assessment of mission fulfilment, including socioeconomic and environmental aspects. Loans achieving a “good” or “excellent” mandate rating accounted for 94% of the total amount of lending.

The majority of the environmental loans were related to projects aimed at climate change mitigation in the member countries. Competitiveness-based loans mainly supported investments in R&D, infrastructure and energy.

Mandate rating



Improving competitiveness

The level of prosperity that the Nordic–Baltic countries can sustain for their citizens depends essentially on the competitiveness of the region. The term “competitiveness” has many definitions, ranging from short-term indicators reflecting unit labour costs to broader sets of indicators describing the long-term development of the economic and social structures that support the creation of economic value in an economy.

To ensure that NIB fulfils its mission to improve competitiveness, each project the Bank finances is evaluated and rated on a five-grade scale measuring the impact the project is expected to have on the competitiveness of the Bank’s member countries. The ratings are based on a conceptual framework that considers both the aforementioned short-term and long-term indicators. The indicators are both qualitative and quantitative, measuring direct effects at company level and those impacting the region on a broader scale through potential wider and indirect effects on e.g. business clusters, sectors and the rest of the economy.

In 2015, NIB financed a number of projects across sectors contributing to improvements in the competitiveness of the member area through positive impacts on labour productivity and the business environment. The largest share of NIB’s lending was allocated to projects that support technical progress among NIB’s clients in business sectors and academia.

An example is the loan signed by NIB and Chr. Hansen Holding A/S to finance research and development activities into identifying and developing natural ingredient solutions for the global food and health industries. The project directly supports the company by adding value to its product offerings in advanced bioprocess engineering and microbial physiology. As Denmark has a strong local bioscience cluster, these investments in R&D are likely to support broader development of skills in the cluster through knowledge migration to other companies.

Investments in infrastructure boost the long-term growth of labour productivity and increase the attractiveness of the Nordic–Baltic countries as places to do business. NIB contributed to improvements in the quality of infrastructure in its member countries by lending to projects that upgrade and build new core infrastructure.

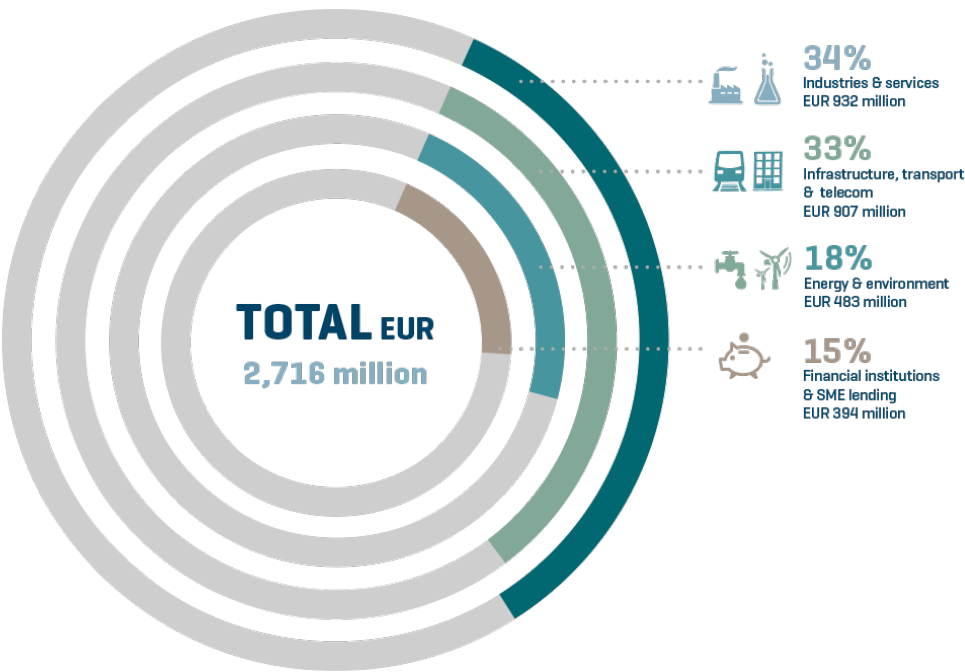
In Finland, NIB provided a loan to the City of Vantaa for the construction of the Ring Rail Line connecting two commuter corridors between central Helsinki and Helsinki Airport. The railway increases the capacity of the Helsinki Metropolitan Area public transport system and is an integral part of ongoing residential housing projects that are expected to add homes for 10,000 residents in Vantaa. The railway will therefore support urbanisation and reduce housing-related friction in the labour market in the Greater Helsinki area.

NIB also extended a loan to AB Lietuvos geležinkeliai, which continues its investment programme in the Rail Baltica railway line from the Lithuanian–Polish border via the city of Kaunas to the Lithuanian–Latvian border. The investments will improve the quality of the country’s main freight corridors by reducing travel times and increasing operational efficiency. These improvements are particularly important in the Baltic countries, where the share of rail transportation of total inland freight traffic is significantly higher than in other European countries.

NIB also reached out to financial intermediaries in order to facilitate lending to smaller businesses. In November, NIB signed a loan with Westra Wermlands Sparbank, which will use the loan facility to offer financing to small and medium-sized enterprises (SME) in the region. The majority of Westra Wermlands Sparbank’s SME clients are active in the forestry, manufacturing, telecommunications and IT sectors.

This and similar loan programmes will continue to be an important way for NIB to support the growth of smaller companies, which account for most of the jobs and value added in NIB’s member countries.

Loans disbursed in 2015



Enhancing the environment

The environment of the Nordic and Baltic countries is naturally influenced by the projects carried out in the region and elsewhere through transboundary and global impacts. NIB therefore promotes projects that enhance the environment in its member countries.

A project is seen as enhancing the environment when it has a direct or indirect positive environmental net impact. Also, R&D projects focusing on benefits for the environment and projects promoting the development of a sustainable society are important. When assessing the environmental impacts of loan projects, NIB's analyses focus on:

- improvements in resource and energy efficiency
- development of a low-carbon economy
- protection of the environment and its ecosystem services
- development of clean technology.

Resource and energy efficiency are key in dealing with climate change and in achieving the EU's 2050 target of reducing greenhouse gas emissions by 80% below 1990 levels.

In 2015, NIB financed several projects and a loan programme for financial intermediaries aimed at improving the energy efficiency of public and commercial buildings. One example is a loan signed with Fastighets AB ML4 for the construction of the MAX IV research laboratory as part of Lund University in Sweden. The office building at the MAX IV laboratory was certified according to the BREEAM-SE scheme, a Swedish adaptation of an international certification system for green buildings. MAX-lab is the first building in Sweden to be certified according to BREEAM. The building reached the level "outstanding", something which only 2% of all certified buildings manage.

In the Republic of Lithuania, NIB participated in financing renovation programmes to reduce the use of heat by an average of 33% and 240 GWh per annum for 4,000,000 square meters of apartments. The loan also includes renovating 49 public buildings estimated to result in heat savings of 13 GWh annually.

Many of NIB's environmental loan projects in 2015 supported the transition to a low-carbon economy, including public rail transport infrastructure projects and renewable energy projects. The above-mentioned loan to the City of Vantaa for the construction of the Ring Rail Line offers a more environmentally efficient mode of transport, which is assessed to result in a decrease of approximately 11,000 tonnes of carbon dioxide annually.

In 2015, NIB also financed the modernisation of 36 SJ 2000 trains in Sweden. As a result of the modernisation programme, the capacity of the SJ 2000 carriages will increase by 13.5%, while their electricity consumption will decrease by 5%. This investment will offer high-quality travel on rail between Stockholm and Gothenburg/Malmö and a more attractive alternative for passengers to switch from air to rail, which would significantly decrease the energy usage and emissions of carbon dioxide per voyage.

An example of a renewable energy project financed in 2015 is a loan to Lyse AS for the construction of a new hydroelectric power plant in an already regulated watercourse at the innermost end of Lysefjord in Forsand municipality, southern Norway. Increasing hydropower generation in an already regulated watercourse is an environmentally efficient way of generating electricity. The project is estimated to increase the electricity generation capacity by 14% and 180 GWh annually, resulting in an annual reduction of carbon dioxide emissions of 2,000 tonnes.

NIB also aims to protect the environment and its ecosystem services by financing projects that reduce emissions of pollutants. In 2015, two loans in Finland were provided for the construction of new wastewater treatment plants.

The Helsinki Region Environmental Services Authority (HSY) is constructing a new wastewater treatment plant in the City of Espoo for the wastewater from 400,000 inhabitants in the Helsinki metropolitan area. The new plant will replace the old plant in Suomenoja. The treatment objective for nitrogen removal is over 90% and for phosphorous removal over 96%. The project is assessed to reduce the annual nitrogen load to the Baltic Sea by 300 tonnes.

In the City of Mikkeli in eastern Finland, Mikkeli Waterworks will construct a new wastewater treatment plant to replace an old plant. The treatment process will be based on membrane bioreactors that permit high treatment efficiency. The project is assessed to reduce the annual phosphorous and nitrogen loads into Lake Saimaa by 400 kg and 81 tonnes, respectively. In both cities, the treatment units will be built underground in caverns, which will reduce their odour and noise impacts on the surroundings.

In Norway, a loan was provided to Elkem to upgrade two furnaces at the Salten plant in Straumen, northern Norway, and a furnace at the Bremanger plant in Svelgen, western Norway. The technical improvements are expected to reduce emissions of nitrogen oxides into the air by 40%.

Greenhouse gases and other environmental parameters

As part of its environmental review, NIB calculates the emissions of greenhouse gases into the atmosphere from all projects considered for financing. These emissions may occur either directly, e.g. due to fuel combustion or production process emissions, or indirectly through purchased electricity or heat. The emissions are prorated to NIB's share of the financing in order to avoid double-accounting with other co-financiers. The carbon footprint of all reviewed projects is reported in the loan documentation to NIB's management and Board of Directors for decision-making.

In 2012, the major international financial institutions agreed on a harmonised approach to project-level greenhouse gas accounting. Since then, technical working groups have developed sector-specific accounting principles for renewable energy (RE) projects, energy efficiency (EE) projects and for the transportation sector. The new harmonized approaches were announced in November 2015 at the COP21 conference in Paris. NIB has participated actively in the work.

In 2015, the majority of NIB's environmental loans were related to projects promoting climate change mitigation in the member countries. These comprised energy efficiency projects, public rail transport projects and renewable energy projects in the hydropower and waste-to-energy sectors.

NIB-financed energy projects will add 0.53 TWh annually to renewable energy generation. NIB estimates that the loans agreed in 2015 are helping to reduce carbon dioxide emissions by 50,100 tonnes annually, prorated to NIB's share of the financing.

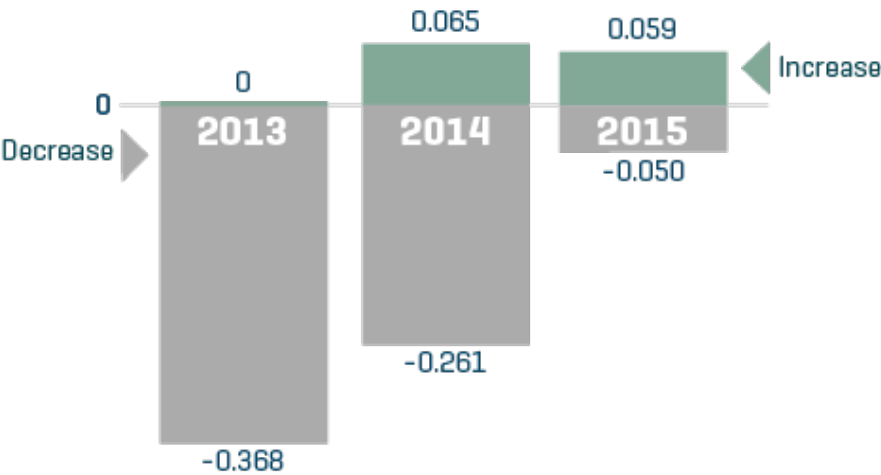
The percentage of NIB's total lending volume allocated to climate change mitigation projects amounted to 27%. The increase in carbon dioxide emissions resulting from the projects financed by NIB in 2015 is assessed to be 59,000 tonnes annually. The largest contributor was the infrastructure investment and terminal expansion at Helsinki Airport that will increase the airport's capacity.

Financing of the two new wastewater treatment projects in Finland is assessed to reduce the annual nitrogen load directly to the Baltic Sea or its catchment area by 380 tonnes. This equals about 6% of the annual nitrogen load to the Baltic Sea from point sources in Finland. The furnace upgrade project in Norway is estimated to reduce nitrogen oxide emissions into the air by 1,060 tonnes, equalling a reduction of 40%.

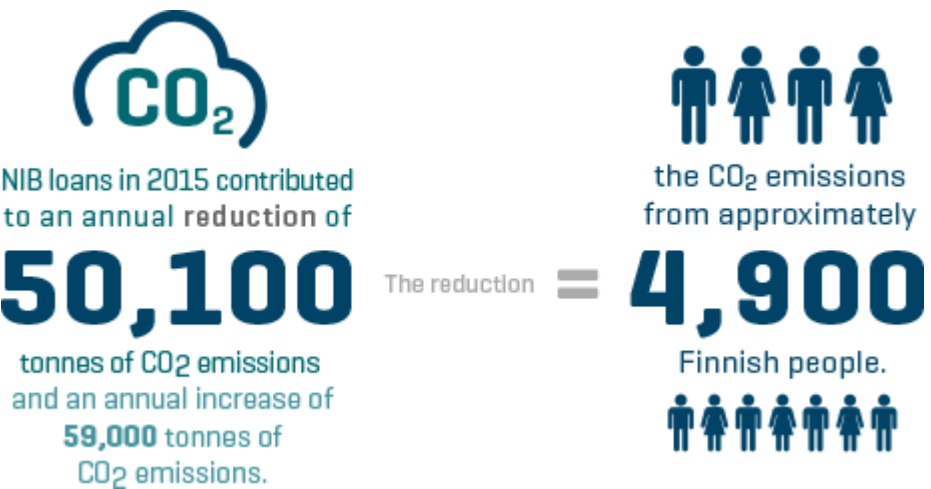
The charts below summarise the climate impact of the Bank's financing.

CO₂ * impact of NIB's financing

Millions of tonnes of CO₂ per year



*CO₂ is CO₂ equivalents.

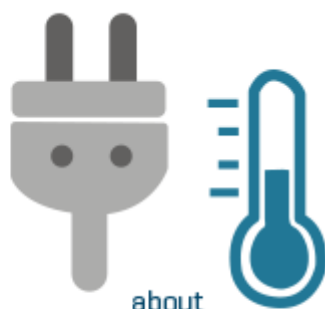




NIB loans to renewable energy projects in 2015 contributed to an annual increase of

221 GWh

in electricity generated and **308 GWh** in heat generated.



about

0.003%

of the annual electricity and heat generated in Finland.

Sustainability management

As the Bank's mission is to finance projects that improve competitiveness and the environment of the Nordic and Baltic countries, sustainability is emphasised strongly in the Bank's operations.

NIB's [Sustainability Policy and Guidelines](#) cover the environmental and social aspects taken into account in every loan decision. The Bank's codes of conduct address the corporate governance issues of our operations. Transparent and ethical business practices are ensured by training staff and developing operations. The Bank also seeks to reduce its own environmental footprint.

Sustainability matters are shared between the Chief Compliance Officer—who reports directly to the CEO and has direct access to the chairpersons of the Board of Directors and the Control Committee—and the Head of the Sustainability and Mandate unit, who can report directly to the CEO on sustainability matters.

The Head of Communication, who also reports directly to the CEO, is responsible for the communication of sustainability matters. The Office of the Chief Compliance Officer handles complaints of allegations of non-compliance with the Bank's policies and procedures, including denials of information. The Sustainability and Mandate unit is responsible for assessing the mandate compliance of projects financed by NIB as well as their sustainability aspects.

Environmental aspects

NIB aims to achieve improved sustainability in all of its business areas. This is done by financing projects with direct and indirect environmental benefits, and by requiring appropriate environmental safeguards to be applied. NIB may also give advice regarding clients' prospective project to enhance their environmental and social performance.

The Bank's Sustainability and Mandate unit assesses the environmental and social impacts of all projects for consistency with the Sustainability Policy and Guidelines. If adverse environmental and social impacts cannot be avoided in a project; they must be appropriately minimised, mitigated or compensated for.

A proposed project can be rejected due to non-compliance with the policy. The policy also includes an exclusion list with activities not eligible for financing. After disbursement, the Bank follows the performance of borrowers' projects based on agreed reporting as well as regular contact. The need for sustainability monitoring is assessed as part of NIB's environmental and social review.

NIB has adopted a framework for a special monitoring and ex-post mandate assessment process. The process will examine the implementation and results of projects financed by the Bank.

NIB is actively involved in the harmonisation process of sustainability issues with its International Financial Institution peers. Harmonisation issues could typically cover common reporting on impacts of projects, due diligence processes, etc.

NIB aims to continuously improve its environmental management system, and has been a member of the WWF's Green Office programme since 2009. The Bank monitors, and reports on its environmental footprint. Read more about internal environmental management in [Environmental footprint](#).

Social aspects

NIB emphasises good management of human resources. Respect for workers' rights and freedom of association are seen as basic elements of good business practice. NIB does not accept discrimination based on gender, race, nationality, ethnic origin, religion, disability, age or sexual orientation internally or in any of the projects it finances. When a risk of any type of discrimination is identified in a financed project, a review by a third party expert may be performed.

Furthermore, NIB requires its clients to comply with international standards for the employment of minors. The use of forced labour is not accepted by NIB. Sound management of health and safety issues among workers and communities is essential for the productivity and efficiency of the business, as is respect for their livelihoods.

As an employer, NIB has introduced an Equality and Diversity Plan for specifying the aims and practical actions to be taken in order to promote and enhance equality and diversity at NIB. The Bank shall, with due regard to available resources and other relevant circumstances, actively strive to prevent discrimination, to encourage both women and men to apply for vacant positions and create as equal and equitable opportunities as possible for employees in respect of training and promotion. Read more about the Bank's human resources practices in [Our people](#) .

Corporate governance

NIB pursues the highest level of integrity, transparency and accountability in all its operations and activities.

The Bank has adopted a zero-tolerance attitude towards corruption. Anti-corruption training is undertaken regularly for the Bank's staff and members of governing bodies to ensure that their respective codes of conduct are well understood and complied with. Read more about [Ethics and Integrity](#) and the [Codes of Conduct](#) .

Our environmental footprint

NIB works proactively and continuously to improve its environmental management system.

The Bank has implemented several improvements to be continued on a permanent basis in its internal operations and human resources management. Examples of these are health, safety and applying best practices in environmental management.

In 2015, NIB initiated a renovation project in its premises in Helsinki. The first phase included the refurbishing of one floor of one wing of the building in accordance with BREEAM certification requirements for environmentally friendly buildings. The aim is to continue the renovation programme in line with BREEAM.

The Bank is a member of the Green Office programme of the World Wide Fund for Nature (WWF). The programme motivates staff to act in an environmentally friendly way in their everyday tasks and improves not only environmental awareness but also cost efficiency.

The bank purchases the electricity needed for its premises from clean and renewable energy sources. Since 2014, our energy source has been 100% wind energy. The origin is guaranteed by the European Energy Certificate System (EECS).

NIB also buys cleaning and recycling services certified by the official Nordic Ecolabel (the "Swan") introduced by the Nordic Council of Ministers.

In order to encourage the use of public transport among NIB's personnel, the Bank offers commuter benefit coupons. In 2015 the number of staff members using the coupons was 143.

A paperless office is not a target, but staffs are continuously encouraged to save paper. Double-sided copying and printing is today standard within the office, and the idea of "think before you print" has become well established throughout the office. All these small efforts have contributed to a reduction in paper consumption.

NIB's direct environmental impact:



	2013	2014	2015	Change from previous year %
Electricity [MWh]	1,459	1,352	1,269	-6%
District heating [MWh]	1,499	1,347	1,188	-12%
District cooling [MWh]	429	422	336	-20%
Energy total [MWh]	3,387	3,121	2,793	-11%
Water [m3]	2,754	2,507	2,725	9%
Paper; FSC certified copy and printing [tonnes]	9	7	6	-14%
Business travel, air (million km)	5,1	4,2	5,0	19%
Business travel, CO2 [t]	645	536	632	18%
Commuter benefit coupons (signed for in number of persons)	152	150	143	-5%
Recycled paper; office, newspapers, magazines and brochures [tonnes]	16	12	12	0%
Mixed waste	na	na	4	
Energy waste	na	na	2	
Bio waste	na	na	10	
Other waste total [tonnes]	18	15	16	7%

Our stakeholders

NIB strives to maintain an open, continuous and constructive dialogue with its owners and key counterparties. Our main stakeholders are our customers, our investors, political decision-makers and public administrations, and own staff. In addition to engaging in a number of activities with stakeholders during 2015, NIB undertook some greater actions that assisted in [defining our material topics](#).

In March 2015, NIB concluded the strategy review that that was initiated in 2014. While NIB's present business model will remain the foundation, lending will be increased to SMEs, mid-sized corporates and counterparts outside the Nordic-Baltic region. NIB also established an Arctic Financing Facility with a framework of up to EUR 500 million in loans for selected projects in the High North.

In 2015, NIB also carried out a [Work Engagement Survey](#) among its staff. The survey is conducted biannually, with the aim of assessing the wellbeing and functionality of the working community at NIB.

NIB also carried out [a survey among its key external stakeholders](#). This survey is conducted once every three years and interviews a vast amount of customers, authorities and investors to gain more understanding of their needs and the expectations they have of the Bank. The aim is to receive feedback on NIB's reputation, customer relationship strength and value added to these key target groups. The results are utilised to develop the Bank's processes, and also to compare to previous years' results.

In June 2015, NIB arranged [a panel debate on environmental bonds](#) at Denmark's people meeting, Folkemødet, on Bornholm.

Also in June, NIB took part in the 6th Annual Forum for the EU Strategy for the Baltic Sea Region in Jurmala, Latvia.

In December, NIB hosted [a panel discussion on green financing](#) in the Nordic pavilion at the COP21 Climate Conference in Paris.

As an on-going general practice and as defined in our Public Information Policy, when a new loan is agreed, NIB publishes information about the borrower, the loan sum, maturity and project description. We also publish the degree to which our loan projects comply with the Bank's mission, which is to improve the competitiveness and environment of the Nordic and Baltic countries. During 2015, NIB signed 45 new loan agreements.

NIB classifies all loan projects with potential negative social or environmental impacts as Category A projects. Such projects must undergo a full environmental impact assessment (EIA). The EIAs are made publicly available at www.nib.int for a period of 30 days. This allows our stakeholders to give their opinions before the Bank makes a decision on financing the project.

In 2015, the Bank published information about seven Category A projects, and received no responses. NIB eventually signed loan agreements with three of the Category A projects.

The Bank develops its sustainability reporting based on the Global Reporting Initiative (GRI). NIB aims to report on the most essential economic, environmental and social impacts of its operations. Our reporting also includes indicators from the GRI's Financial Sector Supplement.

Stakeholders in 2015

	KEY STAKEHOLDERS	MODES OF INTERACTION	2015 ACTIVITY EXAMPLES
Customers	Private and public companies, institutions, municipalities, sovereign countries, banks and other IFIs	Visits, meetings, seminars, correspondence, newsletters	- 45 new loans signed - More than half of the loans to new customers - SMEs reached via 7 new loans to financial institutions - Stakeholder survey
Investors	Central and commercial banks, pension and insurance funds, asset managers and government entities	Bilateral meetings, newsletters, seminars, conferences, and Web-based communication	- Issuance of two USD benchmark bonds - Issuance of two NIB Environmental Bonds (NEB) - Stakeholder survey
Political decision-makers and public administrations	State representatives in Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, and Sweden, as well as other selected countries where NIB operates.	Our owners govern NIB via representatives on the Board of Governors [BoG], Board of Directors [BoD] and Control Committee [CC].	- The BoG approved dividends of EUR 55m for 2014. - The BoD held 8 ordinary and 1 online meeting. - The CC held 2 meetings. - Participation in Folkemødet, EUSBSR and COP21 - Stakeholder survey
NGOs	Organisations raising awareness of ways to protect the environment.	Publishing information on signed loans Inviting comments to loan projects with potentially extensive environmental impacts, known as Category A projects	- Contributions to NGOs working to protect the Baltic Sea in the form of expertise and donations
Media	Mainly the financial media	Press releases about signed loans, newsletters, emails and bilateral meetings with press representatives	- Interviews with NIB's directors and experts - Answering questions from the media - Offering background information to journalists writing about green investments
General public	Everyone interested in NIB's operations	Meetings, website, newsletters, the printed <i>NIB Magazine</i> , online annual reports, social media and emails	- Staff giving presentations about NIB and its mission to various student groups and NGOs - Dialogues via info@nib.int
Staff	NIB is headquartered in Helsinki and had 189 permanent employees at year-end 2015.	Meetings, intranet, monthly plenum, induction for new employees, in-house training	- Work engagement survey - Start of the new "Raising the Bar" training programme - Monthly plenary meetings

NIB's stakeholder survey

In line with the Public Information Policy, NIB actively and regularly seeks feedback from its key target groups on their awareness of the Bank and its reputation. In practice, this is done by conducting a thorough stakeholder survey every three years.

The goal is to receive feedback on NIB's

- awareness and communication channels
- reputation
- customer relationship strength
- sustainability matters and
- value added to the key target groups.

In 2015, the key groups in the survey were lending customers, investors and public authorities. Altogether, 123 interviews were conducted during September and October. The survey was conducted by TNS Gallup Oy.

Newsletters preferred

According to the results, the most preferred information channels among lending customers are the electronic NIB Newsletter, bilateral contacts and the website. Very few expect to be reached via social media.

High reputation and strong relationships

The results show that NIB's overall reputation is very high and clearly outperforms the level of reputation in the financial industry in general, based on benchmark information. This time, the Bank also examined not only its reputation, but also the strength of its customer relationships. In this analysis, NIB is more in line with other financial institutions providing financial services to business customers.

The most important positive drivers in customer relationships include reliability, a stable supply of long-term financing and the overall reputation of NIB. Less positive experiences were related to the fact that the Bank's loan process takes time due to the careful approval process.

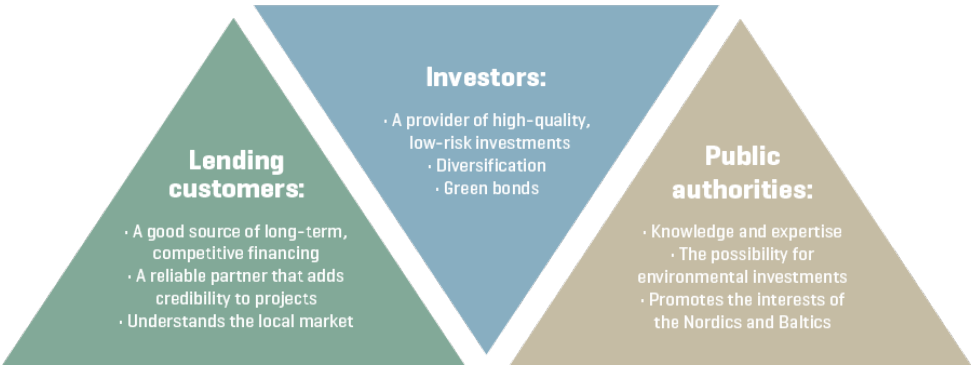
Valuable opinions

On top of the issues mentioned above, the survey covered some questions related to NIB's strategy. One of the findings was that one fifth of lending customers see a need for NIB to continue financing projects also outside its member countries. The results from a small sample of mid-cap companies indicate that NIB can be seen as a potential source of financing on top of house banks and other financial institutions.

Investors are attracted by NIB having the highest credit rating, as well as its financial strength, strong owners and overall reputation. Investors would like to see NIB being a more frequent issuer of global benchmark bonds. They are also increasingly paying attention to sustainability-related issues: the majority of them were aware of [NIB's Environmental Bond Framework](#).

Open answers given by the target groups echo similar sentiments as regards NIB's value added and proposals for improvements.

NIB’s added value according to stakeholders



Ethics and integrity

NIB expects its staff, members of governing bodies and other stakeholders to adhere to the highest level of integrity and ethical standards. To pursue these goals, the Bank has adopted a zero tolerance attitude towards fraud and corruption in all of its operations and activities. The Bank has also established codes of conduct of its staff, Board of Directors and President and members of the Control Committee.

A major review of the Bank's compliance integrity and anti-corruption framework was undertaken in 2015. In its meeting on 4 February 2016 the Board of Directors approved three new policies, namely the Compliance, Integrity and Anti-corruption Policy, the Investigation and Enforcement Policy and the Speaking-up and Whistleblowing Policy. These policies replace the old Compliance Policy, the Resolution on Fighting Corruption and the Rules of Procedures of the Committee on Fighting Corruption. The major changes include the establishment of a Sanctions Panel and an appeals function for external fraud and corruption cases. NIB's anti-corruption efforts are based on the [Uniform Framework for Preventing and Combating Fraud and Corruption](#), which was agreed upon by the major international financial institutions in 2006.

The Office of the Chief Compliance Officer (OCCO) is responsible for the investigations of prohibited practices (including fraud and corruption), misconduct and complaints related to non-compliance with the Bank's policies. Moreover, OCCO oversees and coordinates matters relating to integrity and reputational risks and regularly provides advice and guidance to the Bank's management and Board of Directors on how to address integrity and reputational risks in new and ongoing lending operations. OCCO is headed by the Chief Compliance Officer who reports directly to the President and has unrestricted access to the chairpersons of the Board of Directors and the Control Committee.

In terms of prevention, NIB puts particular emphasis on knowing its customers and training its staff well to avoid the Bank becoming involved with unethical borrowers and projects in which corruption, money laundering, terrorist financing or tax evasion could take place. All new clients are screened thoroughly in the Bank's integrity due diligence processes.

The Bank's Counsel of Fighting Corruption is set up to enhance the awareness of the Bank's ethical values as well as integrity and corruption risks among the Bank's staff and stakeholders. Members of the Counsel may also assist OCCO in certain investigations of allegations of fraud and corruption. The Committee is chaired by the Chief Compliance Officer and shall have between six and ten members from different departments of the Bank.

No allegations of corruption involving the Bank's personnel were reported in 2015. Three new external cases of corruption involving borrowers from NIB member countries were registered. These cases are currently under investigation by OCCO and two members of the Counsel of Fighting Corruption, in consultations with national enforcement agencies and co-financing partners. OCCO has also followed up with national enforcement agencies and prosecutors on fraud and corruption cases for which NIB's own investigations were concluded in 2013 and 2014.

Codes of conduct

The Bank has codes of conduct for its staff, the members of the Control Committee, the Board of Directors and the President. These codes are intended to serve as guidance in ethical dilemmas and to provide a shared approach to acceptable behaviour for NIB.

The codes of conduct are in place to prevent conflicts of interest, to prohibit the use of insider information, to provide guidelines for handling confidential information, for receiving and offering gifts, and for hospitality and representation. In addition, the codes contain limitations to the staff's and the President's possibility to trade in financial instruments.

Once a year, or when changes occur, the staff, the President and the members of the Board must disclose to the Chief Compliance Officer (CCO) any personal financial and business interests that might cause a conflict of interest.

The Code of Conduct for staff also requires staff to report any allegations or suspicions of fraud and corruption to the CCO of NIB.

To ensure vigilance and awareness among staff, the Office of the Chief Compliance Officer (OCCO) trains new staff and members of the governance bodies, and provides regular information sessions on the codes of conduct, integrity and fighting corruption.

As part of its training activities, OCCO has developed an e-learning tool for increasing awareness of the Code of Conduct for staff. The e-learning includes a test and will be rolled during 2016.

Defining what matters

When assessing the most material sustainability topics to NIB, we consider the economic, environmental, and social impacts of our operations. Equally important weight is given to an on-going dialogue with our stakeholders. To better define, understand and respond to the aspects that matter most to us and our key counterparties during 2015, we conducted several actions with different stakeholders to better be able to outline our materiality.

This materiality process was undertaken specifically as part of the report preparation process in line with the requirements of the GRI G4 Reporting Guidelines.

Methodology—Strategy review

It is important to understand that NIB, as an international financial institution, has a purpose to fulfil. This mission— *to finance projects that improve competitiveness and the environment of the Nordic and Baltic countries*— is given to NIB by its five Nordic and three Baltic owner countries, and therefore guides all our operations and is the single most important thing to take into account in our processes.

Starting from 2014 and continuing in 2015, NIB conducted [a strategy review process](#) . For that, NIB's Board of Directors participated in several seminars and workshops. The Board discussed, among other things, the Bank's mission and to what extent potential loan projects contribute to fulfilling it, NIB's capital and stress testing, the financial landscape of the Nordic–Baltic region, and NIB's purpose and relevance. Also, the year-long strategy process included SWOT analyses to evaluate the strengths, weaknesses, opportunities and threats involved in NIB's business.

The conclusions of the strategy review are that the mission is strong and the present business model will remain the foundation of NIB's operations; however, lending activities will be broadened. For instance, NIB will develop and expand its lending to SMEs and mid-sized corporates in the region. The Bank will also be more flexible in its activities outside its member countries and investigate opportunities to increase investments in the Baltics and projects in the Arctic region.

Methodology—External stakeholder survey

Besides the on-going daily communication with its stakeholders ([read more about the main activities in 2015](#)), NIB actively and regularly seeks feedback on awareness and reputation among its key target groups. In practice, this is done by conducting a comprehensive stakeholder survey every three years. The goal is to receive feedback on NIB's reputation, customer relationship strength and value added to the key target groups.

The chosen key counterparties of the 2015 survey were customers, public authorities and investors. As one of the new aspects of the inquiry, all stakeholders were asked about the importance of different sustainability topics. The investors' interest in and awareness of green bonds was also examined.

The survey showed that NIB is strongly perceived to demonstrate ethical business practices, which is also the sustainability topic that was given the most importance and the highest rating by all stakeholders. In addition, success in supporting the competitiveness and environment of the Nordic and Baltic countries was considered important, which underlines the relevance of NIB's mission. When asked about the importance of different sustainability topics related to NIB's operations, such as anti-corruption and transparency, environmental and social reviews of all loan projects, and the competitiveness of the Nordic–Baltic region, customers particularly remarked that they see NIB's professional lending experts as a high-level strength of the Bank. Read more about the survey in the [Stakeholder survey results 2015](#) .

Importance of sustainability topics according to NIB stakeholders



Methodology—Job satisfaction survey

Every second year, NIB conducts a work engagement survey. In 2015, the survey focused particularly on assessing factors such as job motivation, cooperation and engagement among NIB's staff. [The results show](#) that the employees have high levels of identification with the Bank's purpose and values, and that they are committed with strong personal motivation. NIB's employees also consider that they have a relatively high propensity to develop new competences, and to make an effort to help the Bank succeed.

Setting up the reporting boundary for NIB

Based on the results of the processes mentioned above, we identified three key aspects that have high priority for both internal and external stakeholders. These will be the main aspects that we report on for 2015.

Outcome of materiality assessment—the top three material aspects:

- fulfilling our mission to finance projects that improve competitiveness and the environment of the Nordic and Baltic countries
- transparency and good governance
- committed, professional staff

We mapped the relevant GRI G4 aspects as closely as possible to these material aspects, and for each GRI G4 aspect we report on all relevant indicators in line with the requirements of the GRI G4 "in accordance" core option.

Economic performance

NIB's vision is a prosperous and sustainable Nordic-Baltic region. The Bank does this by financing projects that increase productivity, which is the most direct way to strengthen economic competitiveness. In order to do this effectively, NIB needs to be financially strong. The Bank therefore aims to earn a sufficient return from its business operations to build up reserves while providing its owners a reasonable return on capital.

Indirect economic impacts

To improve the well-being of societies, we must continuously seek new ways to improve and strengthen productivity. NIB therefore asks its customers about the extent to which their planned projects can contribute to improving the efficiency and productivity of entire societies and countries.

Environmental impacts

NIB categorises every loan project according to its potential environmental impacts, considering both risks and opportunities. Environmental issues are also inherent in NIB's daily activities and are therefore integrated into the Bank's overall management systems.

Labour practices

NIB's employees are the Bank's strongest assets. NIB is committed to the development and well-being of its employees and underlines the importance of dedicated employees for the organisation's performance. Several staff-related GRI indicators are reported.

Human rights and child labour

The Bank does not accept any discrimination, whether it is based on gender, race, nationality, ethnic origin, religion, disability, age or sexual orientation. Further, NIB requires its clients to comply with international standards for the employment of minors. NIB does not accept the use of forced labour. Sound management of the safety and health of workers and communities is essential for the productivity and efficiency of the business, as is respect for their livelihood.

Society and local communities

NIB's mission has a positive impact on local communities and societies in its member area, as it lends to projects that improve infrastructure, develop human capital, and help to protect the environment and its ecosystem.

Anti-corruption

NIB has adopted a zero-tolerance policy towards fraud and corruption. In terms of prevention, the Bank puts particular emphasis on knowing its customers and training its staff well to prevent the Bank from becoming involved with unethical borrowers and projects, or in money laundering, terrorist financing or tax evasion. All new clients are thoroughly screened in the Bank's integrity due diligence processes.

Grievance mechanisms

In order to address different concerns regarding its operations, NIB has developed a channel for its stakeholders to comment on projects with potential significant adverse social or environmental impacts. These projects are classified as Category A projects and are made publicly available for commenting before the Bank makes a decision on financing.

Product portfolio and audit aspects (Financial Sector Supplement)

NIB's main activity is lending, and with its special mission to improve the environment, it is important that the Bank assesses the environmental and social impacts of all loan applications; it therefore has corresponding procedures and policies in place.

Operations

Ann Damström

Chief Counsel, Head of Legal Support for Lending

The support of an experienced, multilingual legal team is essential for the success of NIB.



HIGHLIGHTS 2015

- NIB's lending operations developed very positively and disbursements reached EUR 2.7 billion, an all-time high
- NIB raised EUR 4.3 billion in new funding

PROSPECTS 2016

- NIB to gradually implement new lending initiatives in 2016
- NIB will continue to issue NIB Environmental Bonds

Lending

Tarja Kylänpää

**Senior Director, Head of
Infrastructure, Transportation &
Telecom**

NIB provides long-term financing for infrastructure projects like roads, ports, airports, railways and urban transport. In 2015, NIB also focused on R&D in the public sector, financing the development of modern facilities for academic research and education. A recent example is the loan provided for the research centre Max IV in Lund, Sweden.



HIGHLIGHTS 2015

- Largest annual disbursements ever of EUR 2.7 billion
- Loans agreed totalled EUR 2.8 billion
- NIB's strategy review completed

PROSPECTS 2016

- NIB to increase lending to SMEs and mid-sized corporates
- NIB to put more emphasis on non-member-country lending

In 2015, new loans approved by NIB's Board of Directors totalled EUR 3.1 billion. Of this, NIB agreed 45 loans amounting to EUR 2.8 billion. More than half of the new loans were made to new borrowers, accomplishing NIB's effort to broaden its client base. Loan disbursements increased to EUR 2.7 billion, reaching an all-time high.

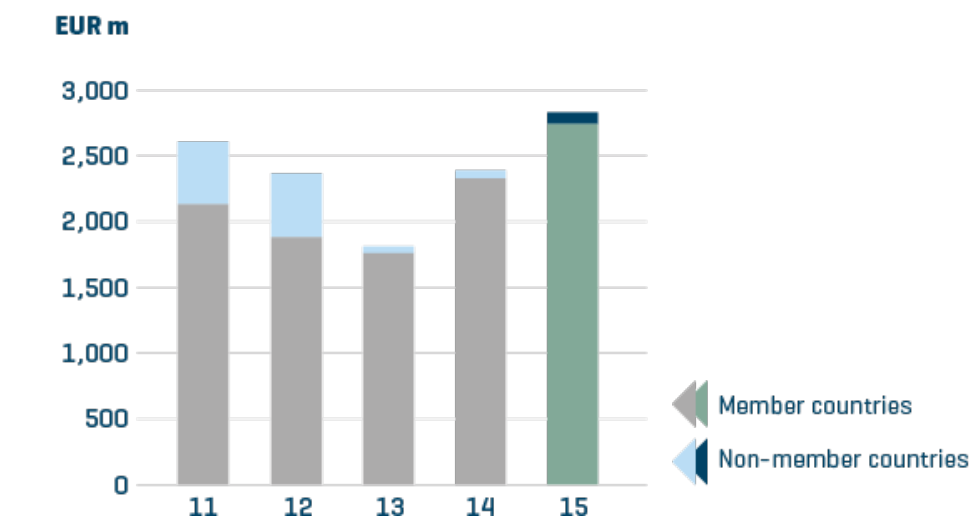
The purpose of NIB's lending is to fulfil the Bank's mandate of improving competitiveness and the environment of the Nordic and Baltic countries. NIB rates all potential loans internally according to their mandate contribution. Only projects that contribute sufficiently strong to NIB's mandate fulfilment, qualify for loan approval. The share of lending with a "good" or "excellent" mandate rating continued to be at a very high level, accounting for 94% of loans agreed in 2015.

The total amount of loans outstanding increased to EUR 15.6 billion by 31 December 2015, from EUR 15.2 billion the preceding year, despite a high level of early redemptions of loans during the year. This reflects the strong liquidity in the financial markets in NIB's member region. Prepayments also occurred as a consequence of the Bank protecting its creditor's rights and in connection with renewal of engagements.

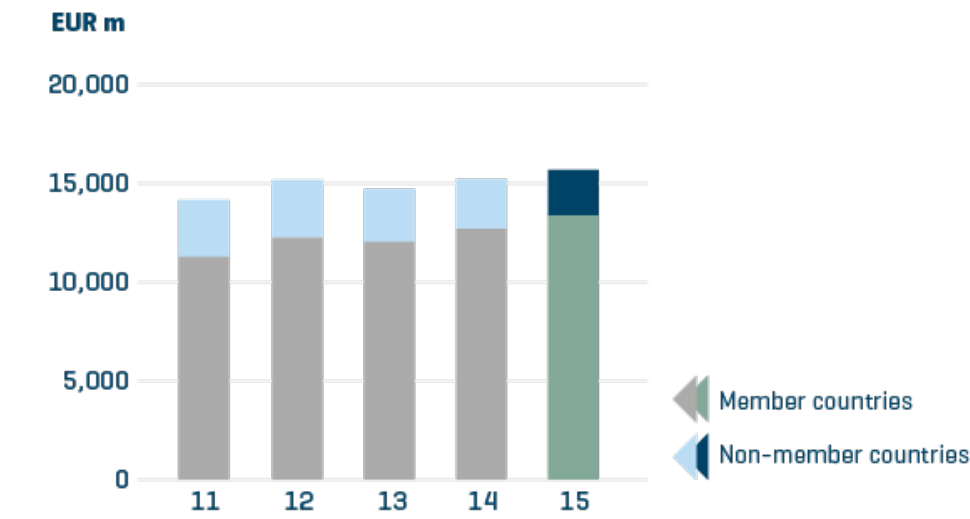
No guarantees were outstanding at the end of the year 2015.

During 2015, NIB concluded the [strategy review](#) process that was initiated the preceding year. The key conclusion was that the Bank's present business model is to remain the foundation of the Bank's activities, but that in order to have flexibility and stay relevant for the future, complementary new products and associated measures should be introduced.

Loans agreed



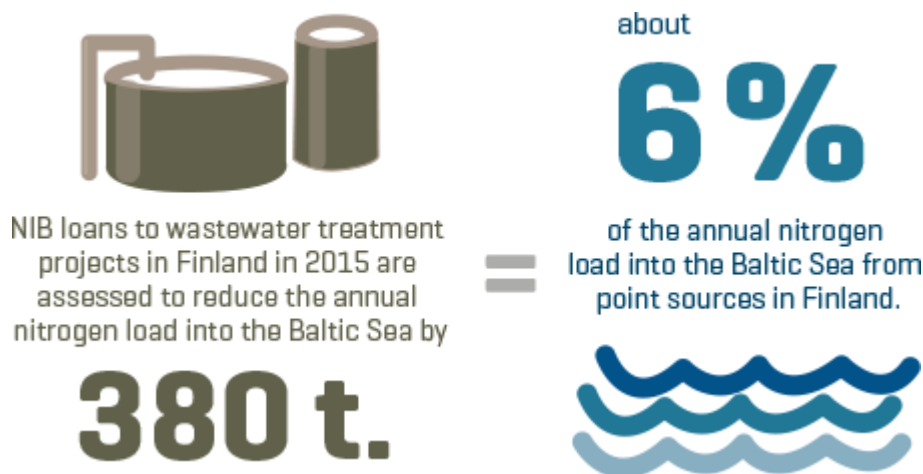
Loans outstanding



Business areas

Energy and environment: New lending in the energy and environmental business area totalled EUR 710 million. Projects relating to energy generation included hydropower, biomass and waste-to-energy plants. The energy distribution area comprised projects related to electricity network improvement, new metering as well as gas pipelines. The Bank also financed energy efficiency measures relating to housing renovation.

In the pollution abatement field, loans were agreed for the financing of two new wastewater treatment facilities.



Infrastructure, transportation and telecom: The agreed loans in these business sectors were EUR 823 million in 2015.

The major part of the lending was provided for transport investments. The Bank participated in the financing of projects for road construction, railway infrastructure and rolling stock, and enlargement of airports.

Another important segment was investments in infrastructure for education and research, exemplified by the advanced research facility MAX-lab IV with Lunds University in Sweden.

The Bank also financed improved water supply infrastructure.

Industries and services: Total lending within Industries and Services was EUR 996 million.

Most loans in this sector were provided to finance research and development projects with Nordic corporates, a priority field for NIB because of the importance of the innovation process for the competitiveness of the member country economies.

Another major segment was financing corporate acquisitions. In addition, loans were made to finance expansion investments.

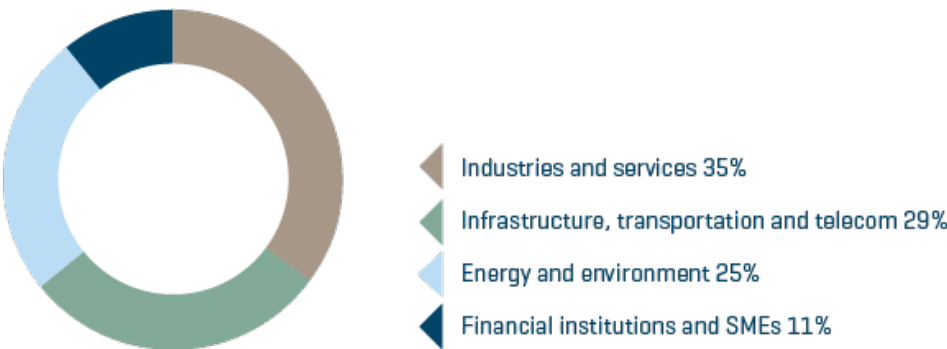
Financial institutions and SMEs: The total amount for this sector category was EUR 301 million.

Within financial institutions and SMEs, NIB provides financing to banks and other financial institutions for on-lending to their clients. This enables NIB to reach out to smaller counterparts and/or projects that the Bank cannot finance directly. The main target is the SME sector and environmental projects, including renewable energy. In 2015, all except one loan were made for this purpose to member country banks and financial institutions.

In addition, the Bank provided financing through a Brazilian development bank to support a pulp and paper mill investment with substantial participation from NIB’s member countries.

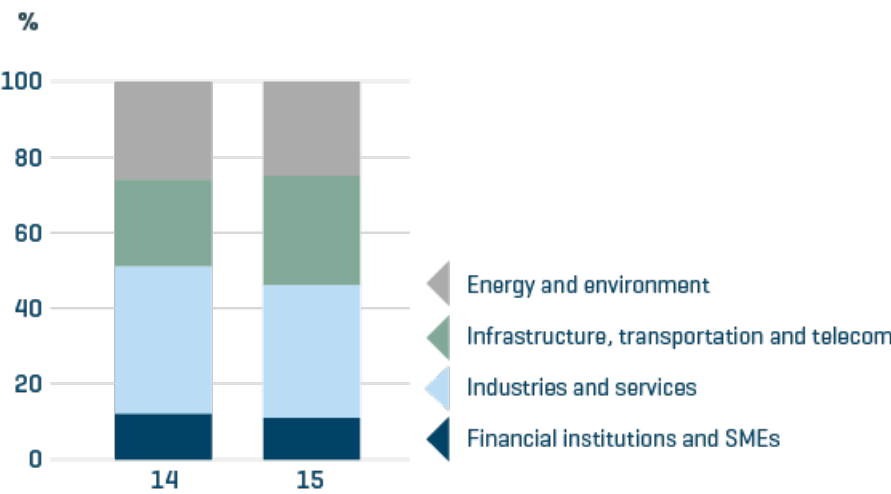
Loans agreed in 2015

%, by business areas



Business area distribution

Loans agreed as a share of total loans



Other activities

As part of the Investment Plan for Europe launched by the European Union, a special financial facility, the European Fund for Strategic Investments, has been set up within the European Investment Bank. NIB is in dialogue with EIB on how to support projects that would qualify for the plan in NIB's membership countries.

In the framework of the Northern Dimension, NIB participates in the Environmental Partnership (NDEP) as lead bank for a number of projects under implementation. The purpose of NDEP is to support the financing of environmental projects with cross-border effects in the Baltic Sea region, the Barents region and Northwest Russia. Projects approved for NDEP can obtain grants from the NDEP support fund, which are blended with loans.

Furthermore, NIB is engaged in the Northern Dimension Partnership on Transport and Logistics (NDPTL), which is hosted by NIB. The purpose of this partnership is to enhance regional cooperation and support the implementation of transport infrastructure and logistics projects. Through the NDPTL Support Fund, grant assistance can be provided for project preparation.

Strategy review

In 2015, the Bank completed a comprehensive review of its operating strategy. The key conclusion of the review was that the present business model will remain the foundation of the Bank's activities.

Within ongoing business, increased attention will be paid to opportunities related to member country integration, investments in the Baltic countries and Arctic region projects.

Additionally, in order to have flexibility and stay relevant in the future, a number of complementary new products and associated measures will be introduced.

An important effort in this respect is to further develop the lending to mid-sized corporates and SMEs. Special frameworks for this have been decided upon. SME lending will be conducted in cooperation with local banks and financial institutions; lending to midcaps will be direct.

Another initiative is to increase the Bank's lending to non-member countries in support of projects that benefit the economic development of the Nordic-Baltic region.

The Bank will also enhance its efforts to identify bankable projects in the environmental sphere. The development will be based on identified needs and the value added for the member country environment and economies.

Loans agreed 2015

BORROWER	PROJECT	SECTOR
Valmet Corporation (Finland)	R&D investment programme, 2014–2017.	Industries and services
Nokianvirran Energia Oy (Finland)	Construction of a combined heat and steam plant in Nokia, Finland.	Energy and environment
NKT Holding A/S (Denmark)	R&D investment programme, 2014–2018.	Industries and services
SEB Leasing Oy (Finland)	Lease of equipment for a waste-to-energy plant in Vantaa, Finland.	Energy and environment
Vantaan Energia Oy (Finland)	Construction of a new waste-to-energy plant in Vantaa, Finland.	Energy and environment
DLF-Trifolium A/S (Denmark)	R&D investment programme in plant breeding and biotechnology innovations.	Industries and services
Republic of Lithuania	Improvement of energy efficiency and renovation of public and residential buildings in Lithuania.	Energy and environment
Lyse AS (Norway)	Construction of a hydropower plant in southern Norway.	Energy and environment
Chr. Hansen Holding A/S (Denmark)	R&D investment programme in bioengineering and new product development.	Industries and services
Avinor AS (Norway)	Construction of a terminal at Bergen Airport in Norway.	Infrastructure, transportation and telecom
Tieyhtiö Vaalimaa Oy (Finland)	Extension of the E18 motorway from Hamina to Vaalimaa, Finland.	Infrastructure, transportation and telecom
Rovaseudun Markkinakiinteistöt Oy (Finland)	Construction of a multipurpose education facility in Rovaniemi, northern Finland.	Infrastructure, transportation and telecom
City of Rovaniemi (Finland)	Expansion of municipal infrastructure and upgrading of street lights in Rovaniemi, Finland.	Infrastructure, transportation and telecom
City of Vantaa (Finland)	Construction of the Ring Rail Line connection to Helsinki Airport, Finland.	Infrastructure, transportation and telecom
Schibsted ASA (Norway)	Financing Schibsted's digital development.	Industries and services
Norrvatten (Sweden)	Expansion of water supply network in Norrtälje, Sweden.	Infrastructure, transportation and telecom
Suomen Hypoteekkiyhdistys (Finland)	Loan programme for environmental investments in Finnish residential buildings.	Financial institutions and SMEs
Banco Nacional de Desenvolvimento Econômico e Social (Brazil)	Construction of a greenfield pulp mill in Brazil.	Financial institutions and SMEs
Lidl Suomi Ky (Finland)	Expansion and upgrading of the Lidl store network in Finland, 2015–2017.	Industries and services
Lidl Sverige KB (Sweden)	Expansion and upgrading of the Lidl store network in Sweden, 2015–2017.	Industries and services
Wärtsilä Corporation (Finland)	Acquisition of the electronic maritime supplier L-3 Marine Systems International, Germany.	Industries and services
Finnish Fund for Industrial Cooperation Ltd (Finland)	Loan programme for onlending to projects in Finnfund's target countries complying with NIB's mandate.	Financial institutions and SMEs
Amber Grid AB (Lithuania)	Construction of a gas transmission pipeline from Klaipėda to Kuršėnai, Lithuania.	Energy and environment
SJ AB (Sweden)	Upgrade of 36 sets of X2000 trains.	Infrastructure, transportation and telecom
Fastighets AB ML 4 (Sweden)	Construction of a synchrotron radiation laboratory in Lund, Sweden.	Infrastructure, transportation and telecom
Elkem AS (Norway)	Refurbishing of three silicon smelter furnaces and financing of R&D investments, 2015–2018.	Industries and services
Fiskars Corporation (Finland)	Acquisition of the WWRD group of companies.	Industries and services
Byggðastofnun (Icelandic Regional Development Institute) (Iceland)	Loan programme for SMEs in Iceland.	Financial institutions and SMEs
Oma Säästöpankki Oyj (Finland)	Loan programme for SMEs and environmental projects in Finland.	Financial institutions and SMEs
Vegfinans E134 Buskerud AS (Norway)	Construction of a new E134 motorway connection in Buskerud County, Norway.	Infrastructure, transportation and telecom
Jönköpings Rådhus AB (Sweden)	Construction of a heat energy plant and an optical fibre cable network in Jönköping, Sweden.	Energy and environment
Pohjois-Karjalan Sähkö Oy (Finland)	Replacing overhead electric power cables with underground cables and renewing transformer substations in eastern Finland.	Energy and environment
Westra Wermlands Sparbank (Sweden)	Loan programme for SMEs and environmental projects in western Sweden.	Financial institutions and SMEs
BillerudKorsnäs Aktiebolag (Sweden)	R&D, innovation and product development programme, 2015–2019.	Industries and services
Lantmännen ekonomisk förening (Sweden)	Financing of the acquisition of the Finnish bakery operator Vaasan Group.	Industries and services
Hafslund ASA (Norway)	Financing of investment in smart meters as part of a national programme in Norway.	Energy and environment
Helsingin Seudun Ympäristöpalvelut (Finland)	Construction of a wastewater treatment plant in Espoo, Finland.	Energy and environment

BORROWER	PROJECT	SECTOR
City of Mikkeli (Finland)	Construction of a new underground wastewater treatment plant in Mikkeli, Finland.	Energy and environment
Ringkjøbing Landbobank A/S (Denmark)	Loan programme for SMEs and environmental projects in Denmark.	Financial institutions and SMEs
William Demant Holding A/S (Denmark)	R&D investment programme for hearing technology, 2015–2016	Industries and services
Scania CV AB (Sweden)	Development of next-generation vehicles.	Industries and services
Landsbankinn hf. (Iceland)	Loan programme for onlending to SMEs and environmental projects in Iceland.	Financial institutions and SMEs
AB Lietuvos geležinkeliai (Lithuania)	Modernisation of Trans-European rail corridors in Lithuania.	Infrastructure, transportation and telecom
Finavia Corp. (Finland)	Expansion of Helsinki Airport, Finland.	Infrastructure, transportation and telecom
Ikano Bank AB (Sweden)	Loan programme for SMEs through leasing operation in Sweden, Denmark, Norway and Finland.	Financial institutions and SMEs

Treasury

Jón Thorsteinsson

Senior Director, Head of Portfolio Management

NIB's Treasury managed to considerably diversify the currencies in its liquidity portfolio, while maintaining the level of creditworthiness of investments and interest income in a challenging market environment. We also initiated investments in liquid Green Bonds in 2015.



HIGHLIGHTS 2015

- NIB raised EUR 4.3 billion in new funding
- NIB issued two Environmental Bonds, in EUR and SEK, totalling EUR 607 million during the year

PROSPECTS 2016

- NIB will continue to issue NIB Environmental bonds (NEB)
- NEB issuances are expected to grow as a share of NIB's total issuance

Liquidity

NIB has a survival horizon measuring the period during which NIB is able to fulfil all its payment obligations stemming from ongoing business operations under a severe stress scenario. The target survival horizon is twelve months and shall always exceed a nine months. At the end of 2015, NIB's survival horizon is calculated at 431 days, equivalent to more than 14 months.

In order to limit the liquidity risk, NIB maintains a liquidity buffer, mainly invested in EUR, USD and the Nordic currencies. At the end of 2015, the liquidity buffer amounted to EUR 9,077 million, of which 29%, or EUR 2,653 million, are held as cash in short-term money market instruments and 71%, or EUR 6,424 million, are held in securities with longer maturities.

The liquidity buffer must fulfil the quality requirements stipulated in NIB's Liquidity Policy, thereby ensuring that the buffer maintains both its market value and sufficient liquidity under severe market conditions, and that the asset quality is high. At year-end, 80% of the liquidity buffer was warehoused in high-quality liquid assets (HQLA), 89% were eligible as repo collateral in one or several central banks, and 85% of the assets belonged to the top four internal rating categories. Furthermore, the Bank easily fulfilled the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) requirements as specified in the Capital Requirements Regulation of the European Union.

Counterparty risk class in 2015
as of 31 Dec 2015
%, distribution by risk class



Capital markets

NIB's funding strategy is built upon the Bank being a leading USD benchmark issuer, attracting global investors. The aim is to diversify the borrowing into different currencies and markets, including being visible in the environmental bond market.

Borrowing

During 2015, the Bank raised EUR 4.3 billion in new funding through 25 transactions in eleven different currencies. At the end of 2015, outstanding debt totalled EUR 20.9 billion in 18 currencies.

NIB issued two global USD benchmarks during 2015. A three-year, USD 1.25 billion bond was issued in March, and a five-year, USD 1 billion bond in September. Both issues were met with good demand from a diversified group of global investors.

New borrowings in 2015

as of 31 Dec 2015
%, distribution by currency



The USD remained the largest currency, representing 48% of the total funding, followed by EUR with 13%. Equally, both AUD and NZD were well represented, with 10% and 12% as shown in the graph above.

The Bank increased its outstanding volume in AUD during 2015 with a total new issuance of AUD 600 million. At the end of 2015, the total outstanding volume in Australia was AUD 3,500 million in seven different maturities.

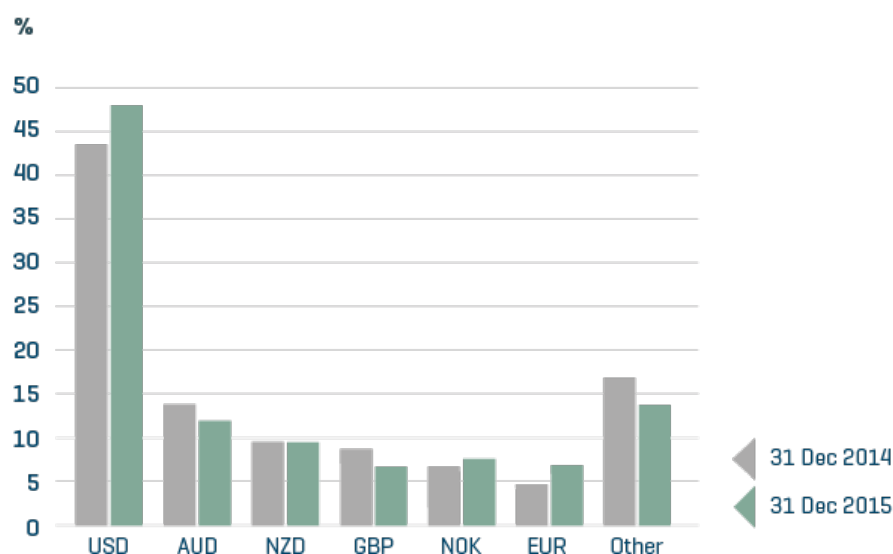
In the New Zealand dollar market, the Bank issued a total of NZD 675 million. NIB's outstanding volume was NZD 2,900 million in six different maturities at the end of 2015.

During 2015, the amount of Nordic currencies issued reached totals of NOK 2,500 million and SEK 1,000 million. In EUR, a total of EUR 574 million was issued, consisting of private placements and a EUR 500 million NIB Environmental Bond (NEB).

The currency distribution of total borrowing outstanding is shown here:

Total borrowings outstanding

Currency distribution

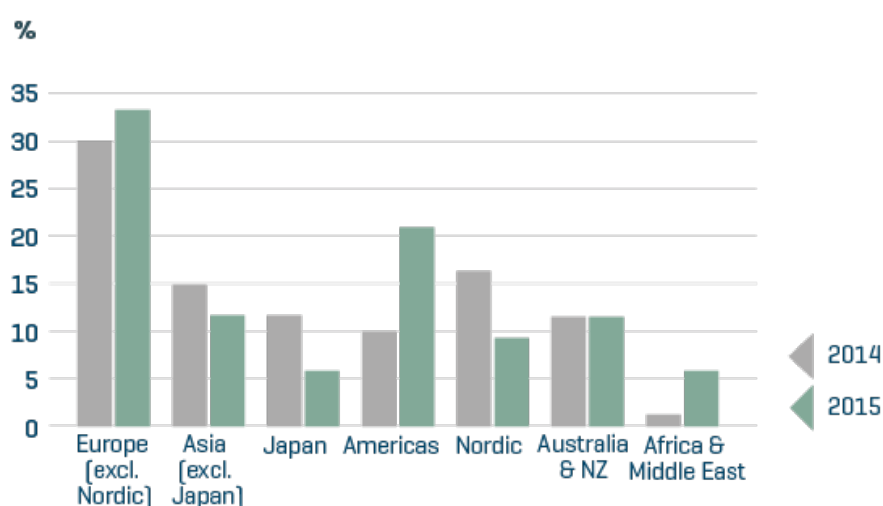


Investors

NIB's new issuance was supported by a broad global investor base in 2015. As in 2014, European investors, including investors from the Nordic countries, were NIB's biggest investor base with 42%. Investors from Asia, including Japan, accounted for 18%, and investors from Australia and New Zealand bought 12%.

New borrowings in 2015

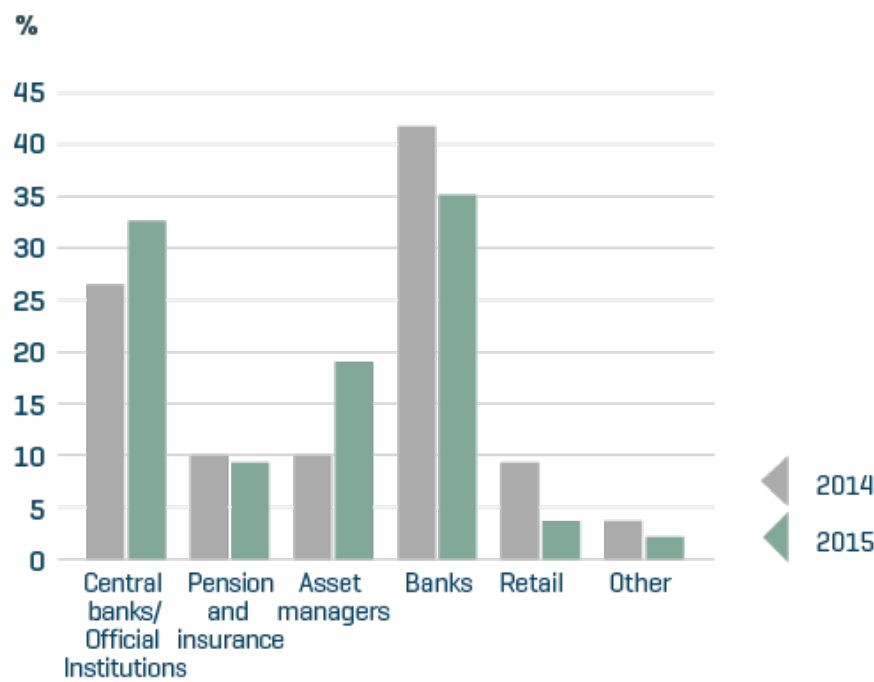
Geographical distribution



As in 2014, the most important investor types were banks' liquidity portfolios, accounting for 35% and central banks and official institutions representing 33%, followed by asset managers with 19%. The rest of the demand was split between pension and insurance funds, corporates and retail investors.

New borrowings in 2015

Investor distribution



NIB Environmental Bonds

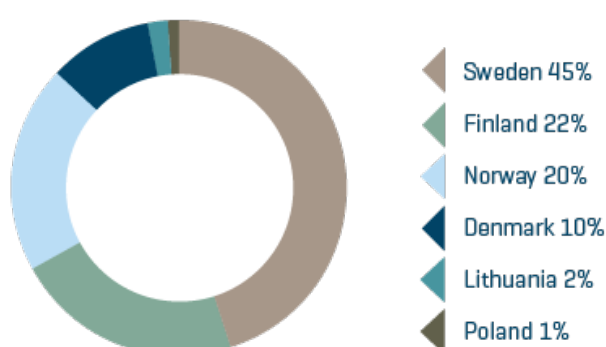
The NIB Environmental Bond framework (NEB) sets out NIB's criteria for issuing environmental bonds and for identifying eligible lending projects with a positive impact on the environment. A high focus is placed on assessing the potential environmental impact and realisation risk.

Since the Bank's NIB Environmental Bond framework was introduced in 2011, the Bank has identified 30 eligible loan projects, which have received proceeds from eight environmental bonds.

Projects financed by NEBs 2011-2015

as of 31 Dec 2015

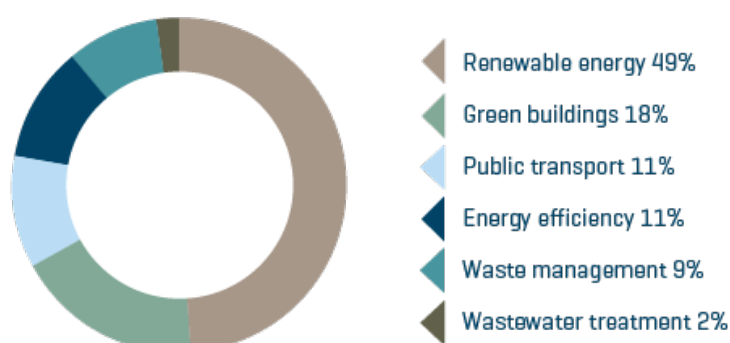
%, projects by country



Projects financed by NEBs 2011-2015

as of 31 Dec 2015

%, projects by type



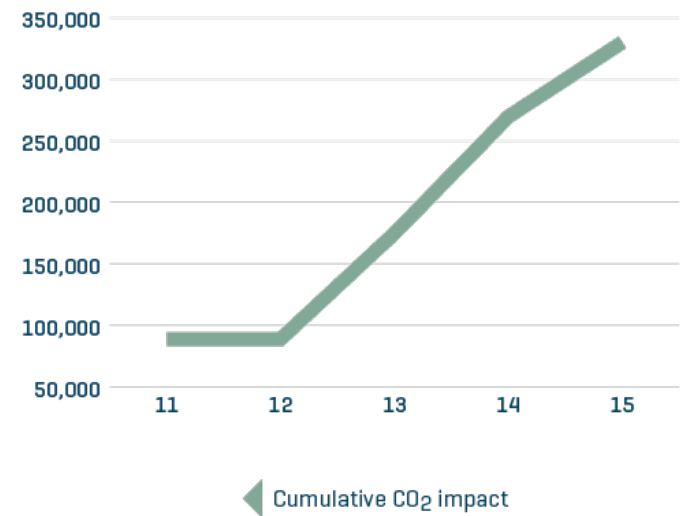
At year-end 2015, the Bank had a total of EUR 1,266 million outstanding in NIB Environmental Bonds. During 2015, NIB issued two NIB Environmental Bonds under its environmental framework, a five-year, SEK 1 billion bond and a seven-year, EUR 500 million bond.

Over the coming years, NIB will continue to issue environmental bonds (NEBs), and the issuance is expected to grow as a share of the total issuance.

In line with market practice, NIB publishes a number for the total CO₂ equivalent impact of all projects financed by NIB Environmental Bonds. At year-end 2015, the CO₂ equivalent impact was calculated as 330,244 tonnes.

Cumulatice CO₂ impact of projects under NEB

Reduction in CO₂ emission [t/a]



All NIB Environmental Bonds and eligible projects that have been financed under the framework are published at www.nib.int/capital_markets/environmental_bonds.

NIB is a signatory to the Green Bond Principles. Together with other IFIs, NIB sets out core principles and recommendations for impact reporting in the paper [Working Towards a Harmonized Framework for Impact Reporting](#). During the year, the work amongst IFIs also continued by further developing the [International Financial Institution Framework for a Harmonised Approach to Greenhouse Gas Accounting](#). The Bank also joined the [European Association of Long-Term Investors' declaration for COP21](#), stating their commitment to contributing to the transition towards a low-carbon economy.

Asset liability management

ALM, the Asset and Liability Management Unit, is responsible for the management of NIB's market risks on the balance sheet. ALM also handles daily cash, including collateral management, and calculates transfer pricing between treasury and the lending operation.

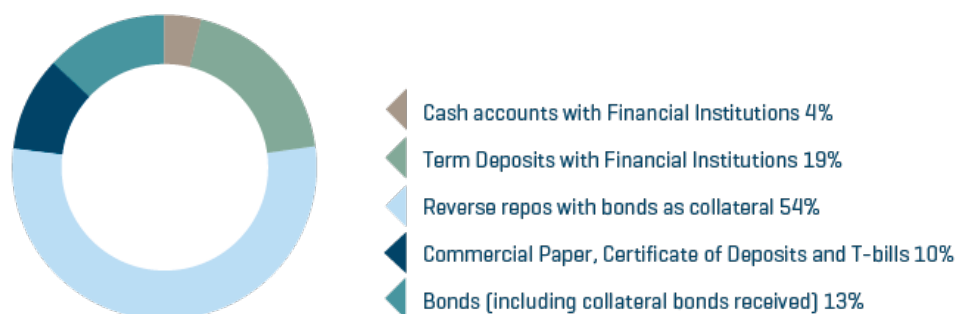
In 2015, the bank disbursed new loans of EUR 2,716 million and obtained new funding of EUR 4,276 million in 11 different currencies.

Short-term money market instruments are used to manage the liquidity and daily payment obligations. The amount covers the expected net cash outflows of the forthcoming three months. Reverse repos are actively used by the ALM department to reduce the total treasury counterparty exposure. The instrument distribution is shown here:

Money market instruments in 2015

as of 31 Dec 2015

%, distribution by instrument



In total, the balance sheet increased from EUR 24,870 million at the end of 2014 to EUR 27,311 million at the end of 2015. Fluctuations in currency rates resulted in an increase of the amount of cash collateral received from EUR 832 million to EUR 1,449 million in 2015.

In 2015, ALM contributed EUR 30.8 million to NIB in net interest income earnings.

Portfolio management

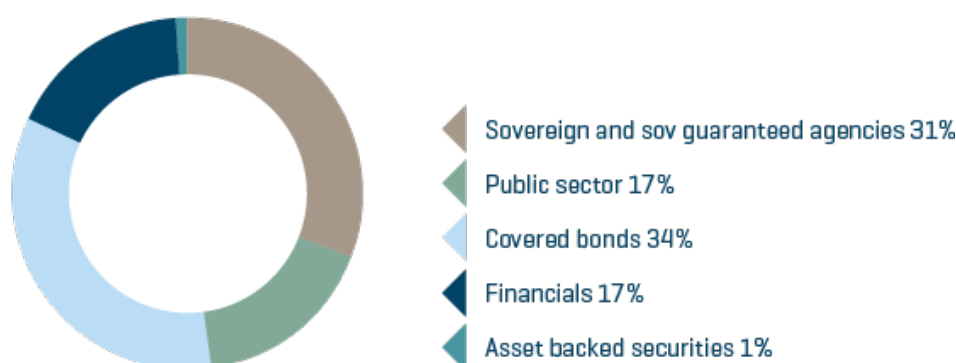
The Portfolio Management unit manages bonds with longer maturities. Bonds may be sold or lent out for short-term liquidity operations, in which case they do not constitute a part of the liquidity buffer. Additionally, the Bank receives bonds as collateral from swap counterparties. The market value of the bond portfolios amounted to EUR 6,264 million at the end of 2015, and the net of bonds received and given as collateral was EUR 160 million, for a total of EUR 6,424 million.

The bond portfolios contain both interest rate risks and credit spread risks directly affecting NIB, while securities movements for collateral purposes do not affect NIB's income. The bond portfolios include bonds both held at amortised cost and fair value and are with floating- and fixed-rate coupons. The instrument distribution of the EUR 6,264 million bond portfolio can be seen here:

Bond instruments in 2015

as of 31 Dec 2015

%, distribution by instrument



The three most liquid and creditworthy asset classes—sovereign and sovereign guaranteed, covered bonds, and public sector—have an average rating above Aa1/AA+ and comprised 81% of the portfolio. “Financials” refers to senior unsecured debt of banks, and asset backed securities (ABS) contained only residential mortgage-backed securities. The lowest rating of financials and ABS is comparable to A3/A-.

The counterparty and market risk frameworks set limits applicable to Treasury operations. At the end of 2015, the interest rate risk for all portfolios was calculated to be equivalent to EUR 883,000. The securities in the portfolio are denominated in EUR, USD and Nordic currencies, with EUR being the dominating currency. During 2015, the currency diversification was achieved by decreasing the allocation to EUR and increasing investments in USD and DKK. Another development was that investing in liquid green bonds commenced, and the green share of the overall portfolio is expected to increase going forward.

In 2015, the Portfolio Management operations contributed EUR 70.1 million in net interest income earnings and EUR 7.2 million in losses from valuations of derivatives and bonds. The negative effect on bond valuations is caused by widening credit spreads in the latter half of the year. The change in value of bonds that were classified at amortised cost was EUR -35.4 million. Most of that effect comes from the price of higher coupon bonds moving closer to par with the shorter time to maturity.

About NIB

Cecilia Wirén

Senior Director, Head of Human Resources

Many talented people want to work for an organisation that truly contributes to a sustainable future. This is precisely what NIB offers its employees.

The statement *"I consider the goals of my organisation significant and important"*, received a commitment ratio of 4.3 out of 5.0 in NIB's 2015 work engagement survey.



HIGHLIGHTS 2015

- NIB's overall risk position remained strong in 2015, the main drivers being high asset quality, solid liquidity, and strong capitalization
- The Board of Directors concluded a review process of NIB's strategy

PROSPECTS 2016

- NIB expects to gradually implement new lending initiatives during 2016
- These initiatives are expected to further support the favorable development of lending volumes and sustainable growth in the Nordic-Baltic region

NIB in brief

The Nordic Investment Bank finances projects that improve competitiveness and the environment of the Nordic and Baltic countries.

NIB offers long-term loans to complement and leverage commercial lending in order to help ensure its vision of a prosperous and sustainable Nordic–Baltic region. The Bank extends loans according to sound banking principles and on market terms.

NIB analyses all potential projects for their direct and indirect impact on competitiveness and the environment.

Value creation to society



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

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

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

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

NIB acquires the funds for its lending by borrowing on the international capital markets. With its strong ownership and highest possible AAA/Aaa issuer credit rating with the leading ratings agencies Standard & Poor's and Moody's, the Bank offers stability and reliability to global investors.

NIB needs to be financially strong in order to fulfil its mission efficiently. The Bank aims to earn a profit enabling both accumulations of adequate reserves and a reasonable return for the owners on the paid-in capital.

NIB is located in Helsinki, Finland, and employed 189 people in permanent positions at the end of 2015.

Our people

The Nordic Investment Bank's vision of a prosperous and sustainable Nordic-Baltic region is shared by our staff members who are skilled experts in their fields. To realise this vision, NIB is developing its working culture to maintain high levels of professionalism based on our corporate values: commitment, competence and cooperation.



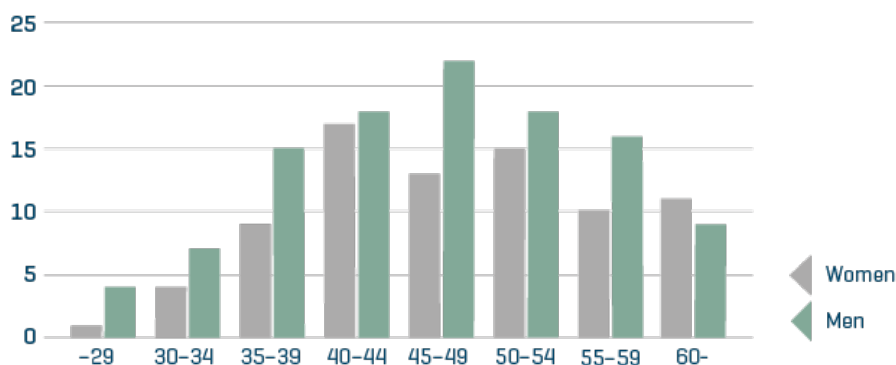
Work community

At the end of 2015, NIB had 189 employees in permanent positions. Of these, 80 were women and 109 men. In addition, six employees worked on projects in temporary positions. The average number of permanent employees during the year was 188.

Employees by gender and age group

as of 31 Dec 2015

Number of employees



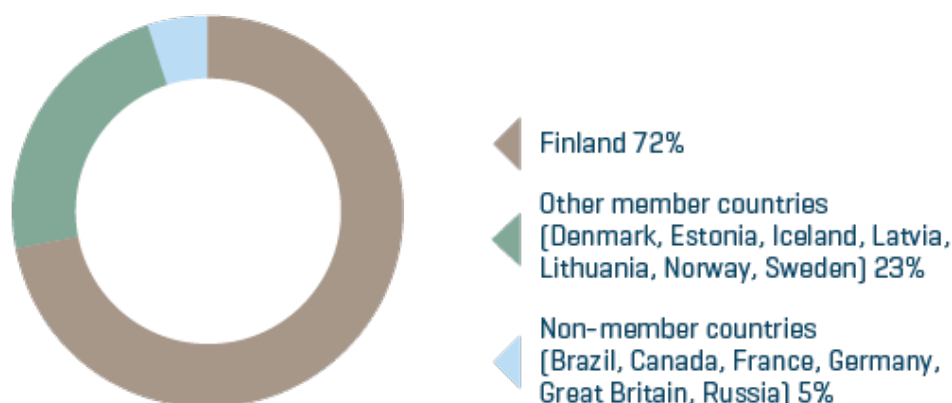
In 2015, the average length of employment was 11.8 years. Eight permanently employed staff members left the Bank in 2015, resulting in an exit turnover of 4.2%.

The number of permanent employees holding a university degree was 140, or 74.1% of NIB's staff. The average age of employees was 47.2 years. All in all, our people represented 15 nationalities.

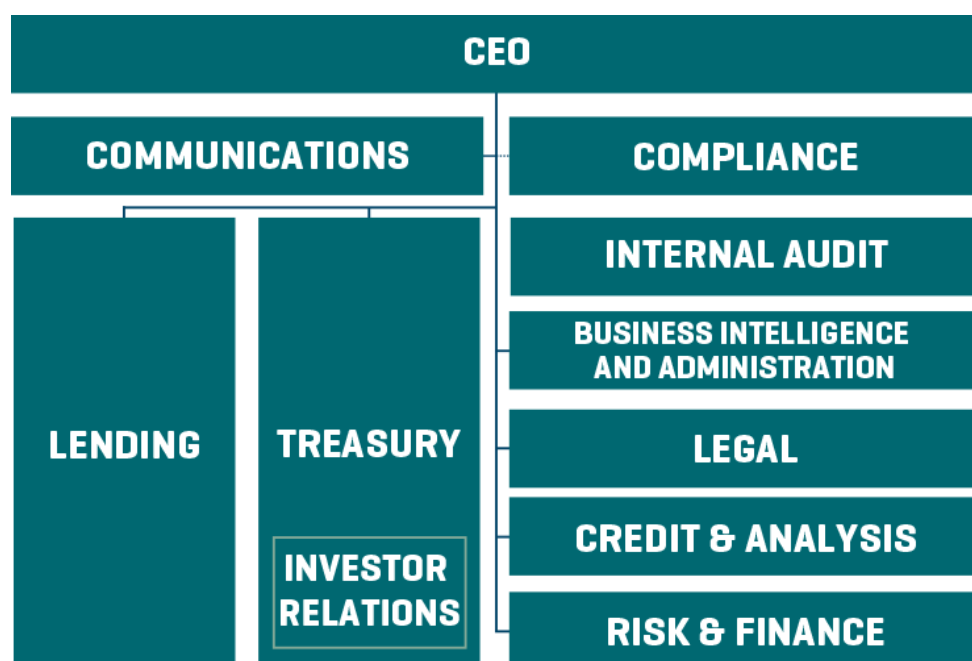
Origins of staff

as of 31 Dec 2015

%, distribution by nationality



It is essential for NIB to have a highly skilled staff composed of experts from the Nordic and Baltic member countries, as well as from outside the membership area. For this purpose, NIB has put more focus on international recruitment. This effort included setting up a LinkedIn site to enable more targeted communication with potential recruitment candidates.



*As of 1 February 2016, the Business Intelligence & administration department has changed its name to Business services department due to an organisational change.

Work Engagement Survey 2015

Every two years, NIB conducts a Work Engagement Survey (previously called Job Satisfaction Survey). The purpose of the survey is to periodically collect employee feedback on issues related to the work environment, management and well-being at work, and to initiate actions for improving practices.

The 2015 Work Engagement Survey, conducted in cooperation with the Finnish Institute of Occupational Health (FIOH), focused particularly on assessing factors such as job motivation, cooperation and engagement among NIB's staff. The response rate to the survey was at 84%. This represents an increase of six percentage points from the 2013 survey.

NIB achieved a high score and was placed in the top 25 of FIOH's reference sample. The results indicate high levels of identification with the Bank's values and purpose among employees, as well as high levels of personal motivation and commitment.

Committed staff

Our values

Results 1-5, the higher the value, the better the result



Skills development

As an expert organisation, NIB encourages its employees to continuously develop their skills. The Bank offers internal training opportunities, such as the Credit School. The main objective of this particular training is to ensure advanced knowledge of issues such as project finance, credit risk assessment and structured finance. All Credit School courses are tailored to NIB's specific needs.

During 2015, NIB organised several training courses on corruption risk in the Nordics and Baltics, on how the private sector tackles corruption and operational risk training. As we are an IFI with a diverse staff, language skills are essential. Therefore, NIB offers language training to its employees. The average number of training days per employee was 4.8 in 2015, compared to 4.9 in 2014.

A further step towards strengthening the professional identity and competence of the staff was taken by initiating a new internal development programme: "Raising the Bar". The programme aims to increase the employees' understanding of the business environment and clients' needs in order to give an outside-in perspective. The programme was initiated with pre-readings in October 2015, and teaching started in January 2016.

In 2015, members of the senior management took part in an advanced management program. The program is part of NIB's strategy to develop NIB's executive leadership skills.

Well-being and safety at work

NIB makes every effort to provide a safe and healthy working environment for its employees. The employer and the staff work together to achieve this goal, and NIB encourages its staff members to establish and maintain a sustainable balance between their professional and private lives.

NIB provides both occupational healthcare and medical care services to its employees. As a means of further improving the overall healthcare coverage of the staff, some additional features were included in the services. During 2015, employees were also provided with first aid training.

The illness absence rate, as a percentage of total working time, stood at 2.2% in 2015, compared to 2.0% in 2014.

Ongoing developments

In 2015, NIB's Human Resources unit began the implementation of a new IT system for providing improved support to various HR processes, to the management and to the employees.

Further, the process of renovating NIB's office building in order to modernise facilities and to comply with environmental standards started in 2015. The remodelling of the Bank's premises is intended to foster increased cooperation between the different departments.

Code of Conduct and Ombudsman

NIB expects the highest ethical conduct from its staff members. The Code of Conduct for the staff, governed by the Compliance unit, provides guidance on business ethics and standards as well as personal conduct.

The functions and activities of the Ombudsman form an integral part of the legal framework for all staff members. The Ombudsman's role is to enhance cooperation on employment matters and represents a means of safeguarding the rule of law within the Bank while maintaining professional conduct and an attractive working environment.

In 2015, the Ombudsman was available once a month for all staff members. Three consultations on employment matters were held, none of which resulted in any further action.

The current Ombudsman's mandate period is from 1 August 2014 until 31 July 2016.

To ensure a workplace free of harassment, NIB has an anti-harassment policy in place, which is governed primarily by the Bank's Human Resources unit. In cases of harassment, the Ombudsman can be consulted as well. In 2015, zero incidents of harassment were reported.

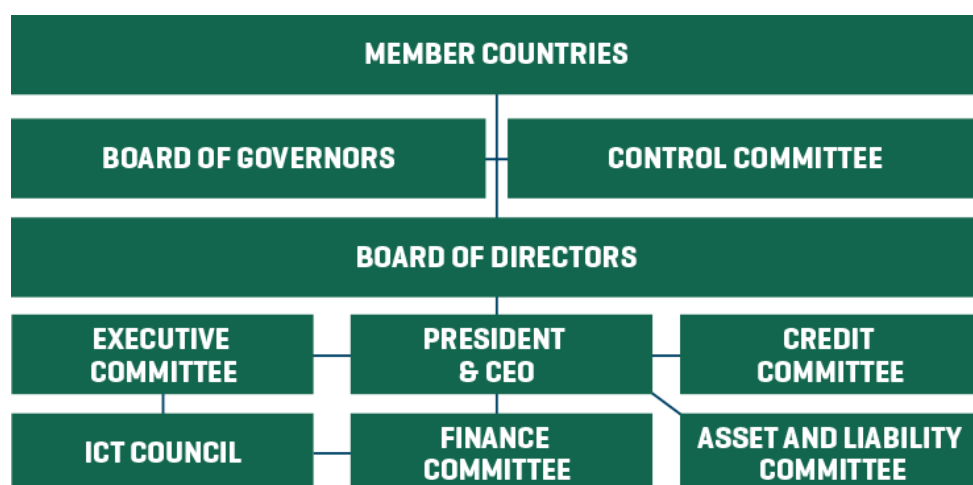
NIB's Work Engagement Survey 2015 mirrored these numbers, and reported low levels of perceived harassment and inequality in the treatment of men and women, older and younger employees, or employees with a different cultural background.

Legal status

NIB has the status of an international financial institution. Hence the labour laws and other legislation of the host country Finland, or any of NIB's other member countries, do not automatically apply to the Bank's employees. There are, however, some exceptions, particularly with regard to taxation, social security and pensions. These are stated in the Host Country Agreement between the Government of the Republic of Finland and the Nordic Investment Bank.

See [Note 5](#) in the Financial Report for more information on NIB's employees.

Governance



The Nordic Investment Bank (NIB) was established on 4 December 1975 through a treaty between Denmark, Finland, Iceland, Norway and Sweden. As of 1 January 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. As part of enhancing good governance, the Board of Directors continued in 2015 its efforts to further improve the efficiency of its decision-making process on the basis of a self-evaluation survey.

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 2016.

The Board of Governors held its annual meeting by written procedure on 29 May 2015.

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 designated by each member country.

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.

The Board of Directors held eight meetings in 2015.

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 has been the President and Chief Executive Officer of the Bank.

Advisory bodies to the President

The President is assisted in his work by the *Executive Committee*, the *Credit Committee*, the *Asset and Liability Committee*, the *Finance Committee* and the *ICT Council*.

The Executive Committee is a forum for addressing all aspects of the performance, policy and financial soundness of the Bank. The Executive Committee consists of the President and six senior officers, whose appointments are confirmed by the Board of Directors. The Executive Committee meets formally approximately twice a month. In 2015, it met 23 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 2015, 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 2015, it met 59 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 2015, 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 2015, 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 2014, it met eleven times.

The ICT Council assists and advises the President in information and communications technology matters, and functions as a steering committee for ICT development projects. The President, however, makes decisions on ICT matters in the *Executive Committee*. The ICT Council consists of the Head of ICT and other senior staff members appointed by the President. The chairman of the Council shall be a member of the Executive Committee. In 2015, the ICT Council met six times.

Other internal committees

In addition to the aforementioned advisory bodies to the President, the Bank has also the following permanent internal committees; the New Product and Structure Committee, the Committee on Fighting Corruption and the Trust Fund Committee, all composed of senior staff members.

The New Product and Structure Committee scrutinizes product and deal structure proposals significantly different to what NIB has entered into previously from risk and administrative perspectives, and gives its recommendations to the Finance Committee or the Credit Committee for their decision.

The Committee on Fighting Corruption deals with both corruption prevention and cases of suspected corruption and gives recommendations of actions to the President for decision. For further information see [Ethics and Integrity](#).

The Trust Fund Committee ensures that the purposes of the trust funds managed by NIB are fulfilled in the most efficient way. The Committee also approves the activity plan of the trust funds as well as proposed allocations from trust funds. The Committee gives its recommendations to the respective donor(s) for their final decision.

Control Committee

The Control Committee is a supervisory body that ensures that the operations of the Bank are conducted in accordance with the Statutes. The Control Committee is responsible for the audit of the Bank's accounts, and annually delivers an audit statement to the Board of Governors. The audit of the financial statements of the Bank is carried out by external professional auditors appointed by the Control Committee.

Remuneration and incentive programmes

The Board of Governors determines annually the remuneration and attendee allowance for the Board of Directors and for the Control Committee. The President's terms of employment, including remuneration, are determined by the Board of Directors. The Control Committee determines the principles for remuneration of the professional auditors.

The principles for the remuneration of staff are set out in the Compensation Policy. The Bank applies a fixed salary-based system in which individual performance plays an important role, as well as a small bonus programme that rewards exceptional performance on a yearly basis.

For further information on remuneration, see [Note 5](#) in the Financial Report.

Internal control

NIB's internal control system has the dual objective of securing and developing the long-term financial preconditions for operations while conducting cost-efficient operations that comply with rules and regulations. Internal control is focused on managing various forms of financial, compliance and operational risks.

NIB's operational risk management focuses on proactive measures in order to ensure business continuity, the accuracy of information used internally and reported externally, the expertise and integrity of the Bank's personnel and its adherence to established rules and procedures, as well as security arrangements to protect the physical and ICT infrastructure of the Bank.

The *Compliance* function assists the Bank in identifying, assessing, monitoring and reporting on compliance risk in matters relating to the institution, its operations and the personal conduct of staff members. The Chief Compliance Officer reports to the President, with full and unlimited access to the Chairman of the Board of Directors and the Chairman of the Control Committee.

NIB's internal audit adheres to international professional standards established by the Institute of Internal Auditors. The task of the Internal Audit function is to provide assurance on the effectiveness of the Bank's internal control, risk management and governance processes, and to make recommendations to the management.

The Internal Audit function of the Bank reports to the Board of Directors and to the Control Committee and works administratively under the auspices of the President. The Board of Directors approves the annual plan for the Internal Audit.

For further information on risk management, see the [Financial Report](#).

Board of Governors

As of 31 December 2015

Mr Sven Sester Minister of Finance ESTONIA	Mr Troels Lund Poulsen Minister for Business and Growth DENMARK	Mr Alexander Stubb Minister of Finance FINLAND
Mr Bjarni Benediktsson Minister of Finance and Economic Affairs ICELAND	Mr Jānis Reirs Minister of Finance LATVIA	Mr Rimantas Šadžius Minister of Finance LITHUANIA
Ms Siv Jensen Minister of Finance NORWAY	Ms Magdalena Andersson Minister of Finance SWEDEN	

The Annual Meeting of the Board of Governors was held according to written procedure by 29 May 2015.

Control Committee

As of 31 December 2015

Chairman Mr Leo Ašmanis Head of Internal Audit Bank of Latvia LATVIA	Deputy Chairman Mr Sigurður Þórðarson CPA Former State Auditor ICELAND	
Ms Karin Gaardsted Member of Parliament DENMARK	Mr Remo Holsmer Member of Parliament ESTONIA	Mr Arto Pirttilahti Member of Parliament FINLAND
Mr Höskuldur Þórhallsson Member of Parliament ICELAND	Ms Karina Korna Parliamentary Secretary LATVIA	Ms Daiva Raudonienė Secretary General LITHUANIA
Mr Michael Tetzschner Member of Parliament NORWAY	Ms Penilla Gunther Member of Parliament SWEDEN	

External auditors appointed by
the Control Committee

Mr Sixten Nyman

Authorised Public Accountant,
KPMG Finland

Mr Hans Åkervall

Authorised Public Accountant,
KPMG Sweden

The Control Committee met twice in 2015.

Board of Directors

DENMARK

Julie Sonne

- From 19.1.2016
- Head of Division, Ministry of Business and Growth

Arendse Ekegren Baggesen *Alternate*

- From 1.9.2015
- Attended meetings 1
- Head of Section, Ministry of Business and Growth



Hans Høj

- Member of the Board until 18.1.2016
- Elected 2015
- Attended meetings 5
- Head of Division, Financial and Legal Affairs, Ministry of Business and Growth

Alf Therkildsen *Alternate*

- Until 31.8.2015
- Attended meetings 1
- Head of Section, Ministry of Business and Growth

Jesper Olesen

- Member of the Board until 30.4.2015
- Elected 2008
- Attended meetings 3
- Deputy Permanent Secretary, Ministry of Business and Growth

FINLAND



Pentti Pikkarainen

- Chairman of the Board
- Elected 2012
- Attended meetings 8
- Director General, Ministry of Finance

Petri Peltonen *Alternate*

- Elected 2015
- Attended meetings 7
- Director General, Ministry of Employment and the Economy

SWEDEN



Sven Hegelund

- Elected 2012
- Attended meetings 8
- Former State Secretary

Anders Wahlberg *Alternate*

- Elected 2015
- Attended meetings 6
- From 23.4.2015
- Deputy Director / Deputy Head of the Division for International Financial Institutions, Ministry of Finance

Sophie Becker *Alternate*

- Elected 2013
- Attended meetings 2
- Until 13.3.2015
- Deputy Director, Ministry of Finance

NORWAY



Trond Eklund

- From 1.6 2015
- Attended meetings 4
- Elected 2010
- Director, Norges Bank

Ingrid Rasmussen *Alternate*

- From 1.6.2015
- Attended meetings 5
- Deputy Director General, Tax Policy Department, Ministry of Finance

Silje Gamstøbakk

- Member of the Board until 31.5.2015
- Attended meetings 3
- Elected 2012
- Deputy Director General, Ministry of Finance

Trond Eklund *Alternate*

- Until 31.5 2015
- Attended meetings 4
- Elected 2010
- Director, Norges Bank

ESTONIA



Madis Ürike

- Elected 2005
- Attended meetings 8
- Advisor, Ministry of Finance

Katrin Rasmann *Alternate*

- From 22.9.2015
- Attended meetings 3
- Elected 2015
- Head of the State Treasury Department, Ministry of Finance

Merle Wilkinson *Alternate*

- Until 31.8.2015
- Attended meetings 4
- Elected 2010
- Head of the State Treasury Department, Ministry of Finance

LATVIA



Kaspars Āboliņš

- Deputy Chairman of the Board
- Elected 2008
- Attended meetings 4
- Treasurer, Treasury of the Republic of Latvia

Līga Kļaviņa *Alternate*

- Elected 2013
- Attended meetings 5
- Deputy State Secretary on Financial Policy Issues, Ministry of Finance

LITHUANIA



Algimantas Rimkūnas

- Elected 2014
- Attended meetings 8
- Vice-Minister of Finance, Ministry of Finance

Dovilė Jasaitienė *Alternate*

- Elected 2013
- Attended meetings 8
- Deputy Director, EU and International Affairs Department, Ministry of Finance

ICELAND



Þorsteinn Þorsteinsson

- Elected 2009
- Attended meetings 7
- Senior Advisor, Ministry of Finance

Sigurður Helgason *Alternate*

- Elected 2014
- Attended meetings 4
- Director General, Ministry of Finance and Economic Affairs

Executive Committee

As of 31 December 2015



From the left: Mr Henrik Normann, Mr Heikki Cantell, Mr Lars Eibeholm, Mr Björn Ordell, Mr Thomas Wrangdahl, Ms Hilde Kjelsberg and Mr Gunnar Okk

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
 - Harvard Business School AMP
-

Ms Hilde Kjelsberg (1963)

- Vice-President, Head of Credit & Analysis, joined NIB in 2006
 - M.Sc., Norwegian School of Economics and Business Administration
 - AFF Management programme for young leaders
-

Mr Gunnar Okk (1960)

- Vice-President, Head of Business Intelligence & Administration, joined NIB in 2006
 - M.Sc., Tallinn University of Technology
 - Harvard Business School AMP
-

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
-

Mr Björn Ordell (1973)

- Vice-President, CFO and Head of Risk and Finance, joined NIB in 2015
- Bachelor of Business Administration, Umeå University

GRI index

GENERAL STANDARD DISCLOSURES		
INDICATOR DESCRIPTION		NIB'S RESPONSE
Strategy and analysis		
G4-1	A statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability	President's review
G4-2	Description of key impacts, risks, and opportunities.	The Nordic Investment Bank finances projects that improve competitiveness and the environment of the Nordic and Baltic countries. President's review Strategy review Economic landscape

Organizational profile		
G4-3	Name of the organisation	Nordic Investment Bank (NIB)
G4-4	Primary brands, products, and services.	NIB offers long-term loans to complement and leverage commercial lending in order to help ensure its vision of a prosperous and sustainable Nordic-Baltic region. Loans are extended on market terms and according to sound banking principles.
G4-5	Location of organization's headquarters	Helsinki, Finland
G4-6	The countries where the organization operates, or that organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	NIB has lending operations both in its member countries and in emerging markets in Africa and the Middle East, Asia, Europe and Eurasia, and Latin America.
G4-7	Nature of ownership and legal form	NIB is an international financial institution (IFI) owned by Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden.
G4-8	Markets served	NIB finances projects in many sectors in member and non-member countries. The focus sectors of the bank's operations are the environment, energy, transport, logistics and communications, and innovation.
G4-9	Scale of organization	At the end of 2015, NIB employed 189 people. In 2015, the Bank signed 45 loan agreements with an aggregate total of EUR 2,830 million. The profit for the year 2015 was EUR 215 million.
G4-10	Total number of employees by employment contract, region, broken down by gender	Of the 189 permanent employees, 80 were women and 109 men. In addition, six employees worked on projects in temporary positions. The average number of permanent employees was 188.3 during the year. Read more about Our People .

Organizational profile		
G4-11	Percentage of total employees covered by collective bargaining agreements	NIB's employees are members of an international financial institution. Based on NIB's legal status, the labour laws or other legislation of the host country Finland, or any other member country, do not automatically apply to its employees. There are, however, some exceptions, particularly with regard to taxation, social security and pensions. NIB grants the whole staff full freedom of association, subject to NIB's staff-related documents and Code of Conduct. These documents ensure full freedom of association, subject only to non-conflict of interest and democratic principles. As NIB is not subject to the jurisdiction of national courts, the Bank has set up arbitration rules for potential employment-related disputes. NIB has an Ombudsman whom the employees can consult and who may also act as mediator in the event of such disputes. The Bank has a Cooperation Council in place, consisting of four Members representing the Bank and four Members representing the staff. The Cooperation Council aims to promote communication and initiatives between the Bank and the staff in issues related to working conditions and the workplace, in particular in a manner enabling the Bank to take better account of the staff's opinions concerning such issues. The purpose is to achieve mutually acceptable solutions for both the Bank and the staff. The Cooperation Council met five times during 2015.
G4-12	The organization's supply chain.	Being a financial institution, NIB does not produce or manufacture any products. The materials NIB needs to perform its operations are mainly office supplies and electronics. In addition, the Bank uses external service providers to provide cleaning, security and catering services at our offices. As an international organisation (to which national legislation on public procurement does not apply) NIB has its own internal procurement rules. These rules are aligned with those of other international organisations. For the projects financed by NIB, there are separate Procurement Guidelines. For more information, see Legal framework and policy documents.
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	No organisational changes happened in 2015.
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization	NIB's Sustainability Policy and Guidelines is based around the principle of taking precautions. Before NIB finances any project, the project is assessed from an environmental and social point of view based on the Sustainability Policy and Guidelines. NIB aims to identify and address concerns pre-emptively.
G4-15	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	NIB has signed the Declaration on the European Principles for the Environment (EPE), concerning environmental management in the financing of projects.
G4-16	Memberships of associations (such as industry associations) and national or international advocacy organizations	NIB is an active partner in the Northern Dimension Environmental Partnership (NDEP). Within the Council of the Baltic Sea States, NIB is part of the international Baltic Agenda 21 working group. NIB also participates in the MFI Environmental Working Group, which is a cooperation forum for multilateral financial institutions.

Identified material aspects and boundaries		
G4-17	All entities included in the organization's consolidated financial statements or equivalent documents	The Nordic Investment Bank
G4-18	The process for defining the report content and the aspect boundaries and how the organization has implemented the reporting principles for defining report content	Issues considered to be material or relevant for disclosure in this annual report were identified in three different processes that took place in 2015. These were the strategy review, stakeholder survey and work engagement survey. Based on the results of the processes mentioned above, we identified three key aspects that are a high priority for both internal and external stakeholders. These will be the main aspects that we report on for 2015. Outcome of materiality assessment – the top three material aspects: – fulfilling our mission to finance projects that improve competitiveness and the environment of the Nordic and Baltic countries – transparency and good governance – committed, professional staff. Read more about defining the content of the report .
G4-19	All the material aspects identified in the process for defining report content	Economic performance Indirect economic impact Environmental impact Labour practices Human rights and child labour Society and local communities Anti-corruption Grievance mechanisms (environmental, human rights, impact on society) Product portfolio / audit aspects (Financial Sector Supplement)
G4-20, G4-21	For each material aspect, the aspect boundary within the organization and outside the organisation	NIB is a financial institution providing only one product: long-term loans. The Bank's aim is to outline the sustainability considerations that apply to its lending and funding functions, daily operations and human resource management. In order to fulfil the Bank's mission, NIB has sustainability requirements for its loan clients. Read more about our process of defining our materiality and setting up the reporting boundaries .
G4-22	The effect of any restatements of information provided in previous reports, and the reasons for such restatements	None
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries	None

Stakeholder engagement		
G4-24	A list of stakeholder groups engaged by the organization	NIB maintains open and continuous dialogue with its owners and key counterparties. Our stakeholders are our customers, investors, political decision-makers and public administrations, NGOs, the media, the general public and our staff.
G4-25	The basis for identification and selection of stakeholders with whom to engage	NIB aims to maintain an open dialogue with all interested parties. The stakeholders are categorised as external or internal. The internal stakeholders are the Bank's owners, the member countries that govern NIB via representatives on the Board of Governors (BoG), Board of Directors (BoD) and Control Committee (CC), and the staff. The main external stakeholders are customers and investors. See an extensive list of NIB's stakeholders, communication channels and activities with stakeholders in 2015 .
G4-26	The organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	With regard to its lending activities, NIB publishes for each project information including the project description, the borrower, the amount of the loan and its maturity. We also publish the degree to which our loan projects comply with the Bank's mission, which is to improve the competitiveness and the environment of the Nordic and Baltic countries. See an extensive list of NIB's stakeholders, communication channels and activities with stakeholders in 2015 .
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns	The Bank conducts a stakeholder survey among its key stakeholders every three years. NIB seeks to follow up on the findings to best meet our stakeholders' expectations. The most recent stakeholder survey was carried out in 2015, and as one of the new aspects, all stakeholders were asked about the importance of different sustainability topics, and investors' interest in and awareness of green bonds was requested. NIB also conducts a work satisfaction survey among its staff every other year. The most recent survey was conducted in 2015, with the aim of assessing the wellbeing and functionality of the working community. Read more about the stakeholder survey results and the work engagement survey. NIB classifies loan projects with potential significant adverse social or environmental impacts as Category A projects. These projects must therefore undergo a full environmental impact assessment (EIA). The EIAs are made publicly available on our website at www.nib.int for a period of 30 days to allow our stakeholders to give their opinions before the Bank makes a decision on financing the project. In 2015, the Bank published information about seven Category A projects and received no responses. NIB eventually signed loan agreements with three of the Category A projects. See List of A, B, and C projects.

Report profile		
G4-28	Reporting period (such as fiscal or calendar year) for information provided	NIB reports on an annual calendar year basis from 1 January until 31 December. This report covers the year 2015.
G4-29	Date of most recent previous report (if any)	10 March 2015
G4-30	Reporting cycle	Annual
G4-31	The contact point for questions regarding the report or its contents	Chief Compliance Officer, Communications Unit (contact information)
G4-32	Report the 'in accordance' option and the GRI Content Index for the chosen option.	NIB's Annual Report 2015 has been reported in accordance with the GRI G4 guidelines' core option. See more details on materiality and the complete GRI Index .
G4-33	The organization's policy and current practice with regard to seeking external assurance for the report	NIB has not set a policy on seeking external assurance for its sustainability reporting.

Governance		
G4-34	Report the governance structure of the organization, including committees of the highest governance body.	The Nordic Investment Bank was established in 1975 by Denmark, Finland, Iceland, Norway and Sweden. In 2005, Estonia, Latvia and Lithuania became members of the Bank on equal terms with the original member countries. NIB is governed by the Agreement concerning the Nordic Investment Bank among its Member countries signed in 2004, the related Statutes and the Host Country Agreement concluded between the Government of Finland and the Bank in 2010. According to the Statutes, the Bank shall have a Board of Governors, a Board of Directors, a President and the staff necessary to carry out its operations. In addition, the Bank has a Control Committee.

Ethics and integrity		
G4-56	The organization's values, principles, standards, and norms of behavior, such as codes of conduct and codes of ethics	NIB's vision is a prosperous and sustainable Nordic-Baltic region. The Bank works towards that goal by financing projects that improve the competitiveness and environment of its member countries. Through this, NIB is living up to its promise of financing the future. The Bank's core values are competence, commitment and cooperation. NIB has codes of conduct in place for its staff, Board of Directors and President, and Control Committee. The codes of conduct are publicly available and put into practice the values and principles that underpin NIB. In addition to the regular induction programmes on the code of conduct for new staff, in 2016 NIB introduced compulsory e-learning course for all staff in the Code of Conduct.
G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines	NIB expects a high level of integrity and high ethical standards among its staff and other stakeholders and has adopted a zero tolerance policy towards fraud and corruption. The Office of the Chief Compliance Officer (OCCO) oversees matters relating to integrity and is independent from the Bank's operations, reports directly to the Bank's President, and has unrestricted access to the chairpersons of the Board of Directors and the Control Committee. NIB puts particular emphasis on knowing its customers and training its staff well to avoid the Bank becoming involved with unethical borrowers and projects or in money laundering, terrorist financing or tax evasion. All new clients are screened thoroughly in the Bank's integrity due diligence (IDD) process. NIB has endorsed the Uniform Framework for Preventing and Combating Fraud and Corruption, which was agreed upon by the major Multilateral Development Banks (MDBs) in 2006.
G4-58	The internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	NIB has a dedicated email address for reporting concerns of unethical or unlawful behaviour that is managed by the Office of the Chief Compliance Officer (OCCO). Reports can be made anonymously. Reporting can also be done by directly contacting OCCO by telephone or a personal visit or alternatively to a supervisor, who is obliged to pass on the report to OCCO. The Code of Conduct for Staff provides whistleblower protection. Also, NIB introduced a Speaking-up and Whistleblowing Policy in February 2016. The policy covers the protection of whistleblowers, the prohibition of retaliation against whistleblowers and guidance on situations when staff can report outside the Bank. The Policy is publicly available and covers external whistleblowers as well.

SPECIFIC STANDARD DISCLOSURES		
INDICATOR DESCRIPTION		NIB'S RESPONSE
CATEGORY: ECONOMIC		
Aspect: Economic performance		
G4-DMA	Management approach	NIB offers long-term loans to complement and leverage commercial lending in order to help ensure its vision of a prosperous and sustainable Nordic–Baltic region. Loans are extended on market terms and according to sound banking principles. The funds acquired for NIB's lending are borrowed on the international capital markets. With its strong ownership and highest possible credit rating, the Bank offers stability and reliability to global investors. NIB needs to be financially strong in order to fulfil its mission effectively. The Bank aims to earn a sufficient amount of return from its business operations, and at the same time guarantee its owners a reasonable return on capital.
G4-EC1	Direct economic value generated and distributed	Financial report Loans disbursed
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	Each loan project under consideration for financing undergoes an individual assessment of its potential environmental impact, including social aspects, as an integral part of NIB's mission of promoting sustainable growth in its member countries. NIB has introduced a framework that allows investors to provide funds for the Bank's environmental lending, meaning that the Bank can issue NIB Environmental Bonds (NEB), the proceeds of which are used to finance projects that have a positive impact on the environment. The Bank regularly reports on the impact of projects it finances in terms of greenhouse gas emissions.
G4-EC3	Coverage of the organization's defined benefit plan obligations	See Note 5 in the Financial Report – Pension obligations .
G4-EC4	Financial assistance received from government	Capital structure

Aspect: Indirect economic impact		
G4-DMA	Management approach	NIB's mission is to improve the competitiveness and environment of the Nordic-Baltic region, fostering sustainability and prosperity in its member countries. All projects are reviewed from the sustainability perspective, which makes us distinct from ordinary banks. Within its lending, NIB aims to provide added value in its member countries, especially in energy, transport and environmental improvements.
G4-EC7	Development and impact of infrastructure investments and services supported	Lending in the business area of infrastructure, transportation and telecommunications is primarily directed towards financing efficiency improvements in transport, logistics and communications. In 2015, some 29% of all loans agreed were related to this business area, totalling EUR 824 million. The projects were for investments in railway infrastructure, waste water treatment, road construction and airport improvements.
G4-EC8	Significant indirect economic impacts, including the extent of impacts	In addition to financing projects directly with large enterprises, NIB channels financing to projects for small and medium-sized enterprises (SMEs) through intermediaries. SMEs are seen as the backbone of the economy of the Nordic-Baltic region, and NIB decided in 2013 to expand its loan offering for onlending to SMEs to include investments in new machinery, production or service provision facilities, as well as investments in ICT and R&D. SMEs employ two thirds of all employees in the Nordic-Baltic region; consequently, they are of great importance for productivity and economic growth in their home countries. In 2015, some 11% of all loans agreed were provided to banks and other financial institutions for on-lending to their clients, those being mainly SMEs.

CATEGORY: ENVIRONMENTAL		
Aspect: Materials		
G4-DMA	Management approach	The Bank promotes sustainable development in its business operations and extends financing to projects that strengthen competitiveness and enhance the environment. Correspondingly, the Bank emphasises environmentally and socially sound practices in its internal operations. Being a relatively small organisation providing non-material services, NIB's usage of materials consists mainly of paper, office supplies and electronics. However, the Bank acknowledges that the purchasing decisions for these items have an impact on the environment. Therefore, NIB is part of WWF's Green Office Network, which assists the Bank to continuously reduce its ecological footprint in a cost-effective way. The planned sustainability survey for service providers in 2015 was postponed due to the revision of NIB's internal Procurement instructions. The revision especially took into account various new requirements and best practices that NIB has chosen to comply with, especially in regards to procurement of goods and/or services. Also, an internal website was established to offer support for the procurement for the staff containing information on NIB's established best practices on contract issues with suppliers as well as environmental and social consideration in the procurement process. The sustainability survey initialised in 2015 will be updated in accordance with the revised procurement instruction guidelines.
G4-EN1, G4-EN2	Materials used by weight or volume, Percentage of materials used that are recycled input materials	As a bank offering loan products, NIB does not produce or manufacture any physical products. To conduct our work, we use paper, office supplies and electronics. NIB works to improve its waste management and waste handling procedures by cooperating with its catering and cleaning service providers. The Bank also actively informs the staff about sustainable behaviour at the workplace. NIB follows up the recycling success rates with its cleaning service provider, in accordance with the cleaning and recycling services certified by the official Nordic Ecolabel. For information regarding materials used and recycled, see NIB's environmental footprint table. NIB continuously collaborates with its catering service provider to raise awareness about ecological food choices. In 2015, several campaigns were held in the staff canteen about the health benefits of different locally produced food products. NIB's herb garden, located in the inner yard, was once again utilised in the summer of 2015 in the daily lunch for the staff. In 2016, NIB aims to focus on utilising the newly renewed procurement instructions and use the revised guidelines of goods and services in its procurement processes in regards to making sound environmental choices. The headquarters renovation project initialised in 2015 resulted in finalising one office area in accordance with the BREEAM existing building refurbishment standard. The standard requires sustainable material choices in both reconstruction work and furniture choices. Also, waste handling and disposal has strict pre-set requirements.

Aspect: Energy		
G4-DMA	Management approach	NIB uses energy to run its day-to-day operations at its headquarters. Recognising the impact the extraction of fossil fuels may have, NIB favours the use of renewable energy. Therefore for instance the Bank purchases its electricity from clean and renewable energy sources. Its origin is guaranteed by the European Energy Certificate System (EECS). NIB monitors its annual energy consumption and strives to reduce the amount of water, heat and electricity, yet consume less paper and fewer office supplies. NIB conducted energy audits and condition studies of its premises in 2013 and again in 2015. The latter one, NIB's first formal energy audit was done due to the new Energy Efficiency Act that came into the force in Finland on January 2015. It obliges certain large companies to conduct a formal energy audit every four (4) years. Even though NIB is not classified as one of the mandatory audited companies by law due to its legal status in Finland, the Bank has decided to follow the practice to ensure that the processes in its premises are as environmentally friendly and energy-efficient as possible. In the audit process, an energy profile is created for a company. Based on the profile, the means for reaching energy efficiency are identified and later monitored in the following audits.
G4-EN3	Energy consumption within the organization	See NIB's environmental footprint table with more info about NIB's energy consumption .
G4-EN6	Reduction of energy consumption	NIB achieved an 8% reduction in energy consumption at its facilities in 2015. The Bank also started a renovation project at its head office by completing one office space in accordance with the BREEAM existing building refurbishment standard. The building renovation project will continue with the planning of the next renovation phase, also in accordance with the BREEAM standard. Not only is NIB complying with the standard, but it is also completing the renovation according to the standard's Excellent level. The BREEAM standard has strict pre-set requirements for a building's energy efficiency that will make NIB's energy consumption more efficient.

Aspect: Diversity		
G4-DMA	Management approach	In NIB's Sustainability Policy and Guidelines, the Bank states that projects should comply with any obligations and standards enshrined in relevant multilateral environmental agreements (MEAs) according to applicable EU legislation, for example those dealing with biodiversity, climate change, the ozone layer, wetlands, persistent organic pollution, trans-boundary air pollution, endangered species and environmental information, and others that may be ratified in the future. A benchmark reference often applied in NIB's projects is the HELCOM standards for discharges into the Baltic Sea. Correspondingly, the Bank emphasises environmentally and socially sound practices in its internal operations, and in the working environment NIB aims to avoid placing any unnecessary strain on the natural environment. By providing information and training and offering environmentally sound alternatives, the Bank sets out to encourage its staff to act in a way that has less impact on the environment.
G4-EN13	Habitats protected or restored	NIB does not have any specific programmes to protect or restore habitats.

Aspect: Emissions		
G4-DMA	Management approach	NIB is committed to supporting action for combating and adapting to climate change. NIB calculates all the greenhouse gas emissions from its projects, either directly via fuel combustion or production process emissions, or indirectly through purchased electricity and heat. The Bank's management and Board of Directors consider these to be part of the loan decision process. Climate change is a societal challenge as well as an environmental one, and it requires adoption of advanced new technologies to improve, for instance, energy efficiency. Addressing this challenge is part of NIB's mission to improve the environment and competitiveness of the Nordic-Baltic region to increase sustainability and prosperity. As concerns its direct ecological footprint and housekeeping, NIB has internal environmental guidelines for office practices, business travel, facilities management and procurement.
G4-EN19	Reduction of greenhouse gas (GHG) emissions	NIB loans in 2015 contributed to an annual reduction of 50,100 tonnes of CO2 emissions. Read more information on NIB's internal environmental footprint such as emissions and waste.

Aspect: Effluents and waste		
G4-DMA	Management approach	NIB joined the WWF Green Office programme and qualified for the certificate at the beginning of 2010. One of the main points for the Bank in the programme focuses on waste management and sorting, and NIB monitors the amount of waste it produces monthly. Appropriate waste management and waste handling procedures are in place, and the main types of waste the Bank generates are sorted. These are: energy, paper, mixed, bio-, cardboard, metal, glass and hazardous waste, including electronic waste and ink cartridges. These waste fractions are recycled.
G4-EN23	Total weight of waste by type and disposal method	In 2015, NIB renewed its waste reporting to specify the different waste types to include energy waste, biowaste and mixed waste. The aim has always been to minimise the amounts of mixed waste and the plan to achieve a reduction is by means of rearranging and simplifying the sorting stations and by raising awareness about waste management through marketing environmental campaigns, such as Earth Hour and Energy-Saving Week (a national energy-saving awareness campaign organised by a Finnish company specialising in energy and material efficiency).

Aspect: Environmental grievance mechanisms		
G4-DMA	Management approach	In order to address any concerns regarding its operations, NIB has developed a channel for its stakeholders to express their views or comment on projects with potential significant adverse social or environmental impacts. These projects are classified as Category A projects and are made publicly available for comments before the Bank makes a decision on financing. In addition, if any persons involved in the activities of NIB observe or have reasonable grounds to suspect misconduct, they are encouraged to report it. Complaints can be filed with, and are handled by, NIB's Office of the Chief Compliance Officer. A new Compliance, Integrity and Anti-Corruption Policy and an Investigations and Enforcement Policy were approved in February 2016. The renewed policies establishes a function for investigating the Bank's compliance with its own rules, including the Sustainability Policy, the Public Information Policy and procurement rules. These policies are publically available on NIB's website .
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	In 2015, the Bank published details of seven Category A projects and received no responses. In 2015, no grievances were filed with the Office of the Chief Compliance Officer.

CATEGORY: SOCIAL**SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK**

Aspect: Employment

G4-DMA	Management approach	NIB's employees are the Bank's strongest asset in its mission to finance projects that improve the competitiveness and environment of the Nordic and Baltic countries. The working culture at NIB is perceived as attractive, and many employees choose to stay for a lengthy part of their careers. NIB appreciates staying in touch with its former employees and has an alumni network of about 90 registered members. In December 2015, NIB's President and CEO hosted a Christmas lunch for the alumni. NIB conducts a survey among its staff bi-annually. The purpose of this work engagement survey is to assess the engagement of the staff as well as the wellbeing and functionality of the working community.
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	In 2015, the average length of employment was 11.8 years. Eight permanently employed staff left the Bank in 2015, resulting in an exit turnover of 4.2%. At the end of 2015, NIB had 189 employees in permanent positions. Of these, 80 were women and 109 men. In addition, six employees worked on projects in temporary positions. The average number of permanent employees was 188.3 during the year.
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	Note 5 has explanations of "Additional benefits for expatriates", "Pension obligations" and "Staff loans"

Aspect: Labor practices		
G4-DMA	Management approach	NIB employees are members of an international financial institution. Based on NIB's legal status, the labour laws or other legislation of the host country Finland, or any other member country, do not automatically apply to its employees. There are, however, some exceptions, particularly with regard to taxation, social security and pensions. You can read about these in the Host Country Agreement between the Government of the Republic of Finland and the Nordic Investment Bank.
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	NIB employees are members of an international financial institution. Consequently, NIB has established its own regulations for the staff. See Staff regulations .

Aspect: Occupational health and safety		
G4-DMA	Management approach	NIB makes every effort to create a safe and healthy working environment for its employees. The Bank considers all aspects of work, such as general working conditions, the environment and the personal capacities of its employees. NIB encourages its staff to establish and maintain a sustainable balance between their professional and private lives. NIB cooperates closely with its occupational health care service provider. Prevention is taken care of, for example, through regular health checks and by conducting work engagement surveys and offering flexible working hours. In 2015, NIB conducted its bi-annual Work Engagement Survey in cooperation with the Finnish Institute of Occupational Health (FIOH). The purpose of the survey is to periodically collect employee feedback on issues related to the work environment, management and well-being at work, as well as to initiate actions for improvement of practices. The response rate of the work engagement survey was 84%, which is an increase of 6% since 2013, when the survey was last carried out. NIB achieved a high score and was placed in the top 25 of the FIOH's external sample.
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	NIB strives to continually develop the interaction and cooperation between employer and staff. NIB's Cooperation Council consists of four Members representing the Bank and four Members representing the staff. The Cooperation Council aims to promote communication and initiatives between the Bank and its staff in issues related to working conditions and the workplace, in particular in a manner enabling the Bank to take better account of the staff's opinions concerning such issues. The goal is to achieve mutually acceptable solutions for both the Bank and the staff. The Cooperation Council functions as an occupational health and safety body. The Occupational Health and Safety Commission consist of an Occupational Health and Safety Manager representing the employer and two Occupational Health and Safety Agents representing the staff. In addition, NIB has a Business Continuity and Security unit that is responsible for, among other things, the development and implementation of NIB's security policies covering all areas of physical, personal and data security. All of NIB's staff are included in its health and safety management system.
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	The Bank encourages participation in activities that support wellbeing, and these are highly appreciated by the employees. The sickness absence rate—as a percentage of total working time—stood at 2.2% in 2015, compared to 2% in 2014.

Aspect: Training and education		
G4-DMA	Management approach	NIB is a professional expert organisation where employees are encouraged to develop their competencies. It is essential for the Bank to have highly skilled and committed employees that are able to meet its customers' needs.
G4-LA9	Average hours of training per year per employee by gender, and by employee category	NIB evaluates the need for additional training every year. The average number of training days per employee was 4.8 in 2015, compared to 4.9 in 2014.
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	One of NIB's most successful internal training concepts is Credit School. The main objective of this training is to ensure advanced knowledge of issues such as credit risk assessment, project finance, structured finance and similar matters. A further step towards strengthening the professional identity and competence of the staff was taken by initiating a new internal development programme: "Raising the Bar". The programme aims to increase the employees' understanding of the business environment and client's needs in order to give an outside-in perspective. The course started in January 2016. With the Bank's staff representing 15 nationalities and using English as their working language, it is essential to provide language training to ensure that all employees develop and maintain excellent language skills. NIB also focuses on developing its managers through supervisor training and personal growth processes. Managers have access to a supervisor intranet site containing the Bank's policies, regulations and guidelines. The site also provides recommendations on how managers can carry out their roles and fulfil their duties.
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	The employees' performance and individual work plans are reviewed in personal appraisal and development discussions with their supervisors. These talks are held at the beginning of the year and again in the autumn.

Aspect: Diversity and equal opportunity		
G4-DMA	Management approach	NIB had an equality and diversity plan for the years 2013–2015. A new plan will be drawn up in the early 2016.
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	See Executive Committee Board of Directors Board of Governors Control Committee

Aspect: Labor practices grievance mechanisms		
G4-DMA	Management approach	As NIB is not subject to the jurisdiction of national courts, the Bank has set up arbitration rules for potential employment-related disputes. NIB has an Ombudsman whom employees can consult and who may also act as mediator in the event of such disputes. The purpose of the Ombudsman function is to enhance cooperation in employment matters and to help maintain an attractive working environment.
G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	The Ombudsman was available once a month, with the exception of February and July, for all staff members during 2015. During the year, the Ombudsman held three consultations on different employment issues, none of which resulted in any further action.

SUB-CATEGORY: HUMAN RIGHTS

Aspect: Investments		
G4-DMA	Management approach	NIB takes into account the Worldwide Governance Indicators in its country analysis. Screening and assessment of social aspects are also carried out at project level.
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	NIB's approach is that all projects undergo an environmental and social impact assessment, of which dialogue with stakeholders is an integral component. The social impact assessment includes the screening of issues relating to labour conditions, workers' rights and their freedom of association, discrimination based on gender, race, nationality, ethnic origin, religion, disability, age or sexual orientation, and, as well as employment of minors, use of forced labour, and the safety and health of workers and communities.

Aspect: Non-discrimination		
G4-DMA	Management approach	NIB has zero tolerance for any type of discrimination. To ensure a workplace free of harassment, NIB has in place an Anti-harassment Policy that is governed primarily by the Human Resources unit. In cases of harassment, the Ombudsman can also be consulted.
G4-HR3	Total number of incidents of discrimination and corrective actions taken	In 2015, no incidents of harassment were reported.

Aspect: Freedom of association and collective bargaining, child labor, compulsory labor		
G4-DMA	Management approach	NIB believes in good human resources management. Respect for workers' rights and their freedom of association is part of good business. The Bank does not accept discrimination based on gender, race, nationality, ethnic origin, religion, disability, age or sexual orientation. Further, NIB requires its clients to comply with international standards for the employment of minors. Use of forced labour is not accepted by NIB. Sound management of the safety and health of workers and communities is essential for the productivity and efficiency of the business, as is respect for their livelihood.
G4-HR4, HR5, HR6	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk Operations and suppliers identified as having significant risk for incidents of child labor or forced and compulsory labor	None

SUB-CATEGORY: HUMAN RIGHTS, SOCIETY		
Aspect: Local communities and grievance mechanisms for human rights and impacts on society		
G4-DMA	Management approach	NIB finances large projects that may have a significant impact on the surrounding community, environment, people and economy. Some projects may entail some negative consequences. In order to ensure that such risks are identified and addressed, NIB's approach is that all projects undergo an environmental and social impact assessment, of which dialogue with stakeholders is an integral component. The preparation of loans that are listed as Category A projects due to social and environmental concerns are published for 30 days on NIB's website to enable stakeholders to submit their views to NIB. However, any persons involved in the activities of NIB who observe or have reasonable grounds to suspect misconduct, corruption or non-compliance are encouraged to report it. Complaints can be filed with, and are handled by, NIB's Office of the Chief Compliance Officer. There are no regular mechanisms in place to evaluate the management approach or its effectiveness. However, NIB's policies and procedures are regularly reviewed. The present Sustainability Policy and Guidelines were reviewed and changes adopted by the Board in 2012.
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	In 2015, the Bank published seven Category A projects and received no responses. In 2015, no grievances were filed with the Office of the Chief Compliance Officer. There is no separate human rights grievance mechanism in NIB other than the general complaints mechanism.
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	The Bank assesses the environmental and social impacts of all loan applications. The environmental and social review includes: categorisation based on assessment of potential negative impacts of the project, definition of the risks and impacts of the project and of planned mitigation measures, benchmarking of the project's environmental and social performance with relevant standards, assessment of the commitment and capacity of the client to manage the potential impacts, and verification that the costs resulting from the environmental and social risks and impacts are factored into the project.
G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	In 2015, the Bank published details of seven Category A projects and received no responses. In 2015, no grievances were filed with the Office of the Chief Compliance Officer. NIB has no separate grievance mechanism for impact on society other than the general complaints mechanism.

Aspect: Anti-corruption		
G4-DMA	Management approach	NIB has adopted a zero-tolerance policy towards fraud and corruption. As the funds handled and projects financed by NIB are of a high monetary value, issues relating to corruption and bribery could be material. During 2015, a major review of the Bank's compliance and anti-corruption framework was undertaken. The review resulted in a new Compliance, Integrity and Anti-corruption Policy, and an Investigations and Enforcement Policy, as well as a new Speaking-up and Whistleblowing Policy. The new framework 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. NIB has also endorsed the Uniform Framework for Preventing and Combating Fraud and Corruption that was agreed upon by the major multilateral development banks (MDBs) in 2006. In terms of prevention, the Bank puts particular emphasis on knowing its customers and training its staff well to avoid the Bank becoming involved with unethical borrowers and projects, or in money laundering, terrorist financing or tax evasion. All new clients are screened thoroughly in the Bank's integrity due diligence (IDD) processes. The new compliance, integrity and anti-corruption framework introduces a Sanctions Panel that will decide on the sanctioning of external entities that have engaged in Prohibited Practices. The Sanctions Panel is constituted of two external members and one internal member. The Bank's Council on Fighting Corruption has the purpose of enhancing awareness of integrity and anti-corruption among the Bank's staff and stakeholders. The Bank also follows up on investigations and actions taken by national enforcement agencies and prosecutors relating to NIB borrowers and contractors financed by NIB loans. OCCO regularly provides advice and guidance to the Bank's Lending department on how to address integrity and reputational risks in new and ongoing lending operations. With the assistance of external consultants, the Bank also undertook a review of its current procedures and processes relating to anti-money laundering and counteracting terrorist financing. Proposed changes resulting from the reviews will be implemented in 2016.
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	All NIB's operations are assessed from a corruption risk point of view, and these concerns are addressed in NIB's IDD process.
G4-SO4	Communication and training on anti-corruption policies and procedures	All staff at NIB receive training in anti-corruption, integrity, money laundering and ethics as part of NIB's induction programme. Members of NIB's Board of Directors have also received training in the same subject. Staff working in the lending operations receive additional training in conducting integrity due diligence (IDD) checks. In 2016, NIB has introduced a compulsory e-learning course for all staff in the Code of Conduct. Training is centralised at NIB's headquarters in Helsinki, Finland, which is the Bank's only office.
G4-SO5	Confirmed incidents of corruption and actions taken	During 2015, the Committee on Fighting Corruption initiated investigation of three new case of corruption related to projects financed in a non-member country of the Bank. The Committee followed up on other cases that involve borrowers and contractors financed by NIB and that are being investigated by national anti-corruption agencies. No cases of internal fraud or corruption has been reported in 2015.

Aspect: Financial sector supplement – product portfolio		
	Management approach	The Bank assesses the environmental and social impacts of all loan applications for consistency with the Sustainability Policy and Guidelines. A proposed project can be rejected due to non-compliance with the policy. The policy also includes an exclusion list with activities not eligible for financing. See NIB's Sustainability Policy and Guidelines .
FS1	Policies with specific environmental and social components applied to business lines	Sustainability Policy and Guidelines
FS2, FS5	Procedures for assessing and screening environmental and social risks in business lines. Interactions with clients/investees/business partners regarding environmental and social risks and opportunities.	NIB's environmental and social review (see also a picture) The review includes the following key components: -categorisation based on assessment of potential negative impact of the project -definition of risks and impact of the project and of planned mitigation measures -benchmark of the project's environmental and social performance with relevant standards -assessment of the commitment and capacity of the client to manage the potential impact -verification that the costs resulting from the environmental and social risks and impacts are factored into the project. Based on the categorisation, NIB indicates to the customer what type of environmental information NIB requires.
FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions.	The need for monitoring is assessed as part of NIB's environmental and social review. The Bank expects its clients to be in compliance with the Sustainability Policy and Guidelines throughout the project, and provisions entitling the Bank to monitor projects are incorporated into the loan agreement. After NIB's financing is committed in legal documents and disbursed, the Bank monitors projects with major environmental and social risks and impacts in accordance with the environmental review or as deemed necessary by NIB due to unexpected events. Beginning in 2016, NIB has decided to introduce a special monitoring and ex-post mandate assessment process to examine the implementation and results of projects financed by the Bank.
FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector	Lending Business areas
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.	The purpose of NIB's lending activities is to improve the competitiveness and environment of the Nordic and Baltic countries. NIB rates all potential loans internally according to how they contribute to this mission. Only projects that contribute sufficiently strongly to NIB's mission fulfilment qualify for loan approval. The share of lending with a "good" or "excellent" mandate continued to be at a very high level, accounting for 94% of all loans agreed in 2015. Read more about • Mission fulfilment .

Aspect: Financial sector supplement – audit		
	Management approach	The Control Committee is a supervisory body that ensures that the operations of the Bank are conducted in accordance with its Statutes. The Control Committee is responsible for the audit of the Bank's accounts and annually delivers an audit statement to the Board of Governors. The Control Committee also monitors the compliance and anti-corruption practices of the Bank. The audit of the financial statements of the Bank is carried out by external professional auditors appointed by the Control Committee.
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	NIB is mission-driven and its core business is long-term lending. The main risks are assessed in the due diligence process prior to lending agreements. After NIB's financing is committed in legal documents and disbursed, the Bank monitors projects with major environmental and social risks and impacts in accordance with the environmental review or as deemed necessary by NIB due to unexpected events. Beginning in 2016, NIB has decided to introduce a special monitoring and ex-post mandate assessment process to examine the implementation and results of projects financed by the Bank.
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	Loans agreed 2015
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.

Report of the Board of Directors

Summary

- The Board concluded NIB's strategy review in 2015. There will be no change to the core business model. The Bank will continue with the mission of financing investments that improve competitiveness and the environment in the region. The Board sees both pillars as being of equal importance. It put emphasis on identifying bankable environmental projects and cross-border investments that support member country integration.
- Furthermore, it was decided that NIB will develop lending activities in two ways. The first route is to better serve SMEs and mid-sized corporates, which are important for growth and jobs in the region. The other initiative is to increase flexibility in non-member-country lending. The new lending initiatives to be implemented in 2016 are expected to promote the favourable development of lending volumes and support sustainable growth in the region.
- NIB's lending activities continued to develop very positively in 2015, with disbursements of loans reaching an all-time high of EUR 2,716 million.
- Loans achieving a "good" or "excellent" mandate rating accounted for 94% of the total amount of lending. The majority of the environmental loans were for projects aimed at climate change mitigation in the member countries. Loans promoting competitiveness mainly supported investments in R&D, infrastructure and energy.
- The profit was EUR 215 million (2014: EUR 210 million).
- NIB raised EUR 4.3 billion in new funding and continued to issue NIB Environmental Bonds.
- The Bank's overall risk position remained strong in 2015, the main drivers being high asset quality, solid liquidity, and strong capitalisation.
- During 2015, the Bank strengthened its risk management practice in line with evolving market standards. The Bank implemented, amongst other things, an improved framework for estimating loss given default and started developing an internal capital adequacy assessment process.

Operating environment

Global growth weakened somewhat in 2015, reflecting uneven developments in the major regions. The recovery in advanced economies was not enough to fully offset the slowdown in emerging markets.

The Nordic-Baltic region experienced modest growth, but developments in the world economy affected the member countries in different ways. As a result of the low oil price, growth in oil-exporting Norway slowed down, whereas the rest of the region benefited from lower commodity prices. Some countries felt the effect of Russia's weakened economy. On the positive side, Denmark, and particularly Sweden and Iceland, fared relatively well, and the Baltic countries showed resilience.

As a result of these developments, underlying demand for corporate investment-related credit remained subdued. The public sector's demand for credit, however, was supported by large-scale investment needs. Against the background of a competitive Nordic banking sector and active bond markets, spreads remained compressed in most markets.

Strategy conclusions and implementation

In 2015, the Board of Directors concluded the Bank's strategy review, which had been initiated one year before. During the process, the Board covered all relevant aspects of the Bank, such as its mission and success factors, lending operations, capital and liquidity, and the implications of possible changes in the strategy.

The key conclusion was that the present business model remains the foundation of NIB's operations. The Bank will continue with the mission of financing investments that improve competitiveness and the environment in the region. The Board sees both pillars as being of equal importance. It put emphasis on identifying bankable environmental projects and cross-border investments.

NIB adopted a framework for monitoring and ex-post mandate assessment in order to evaluate the results of projects financed by the Bank.

Despite the unchanged focus, the Board saw it as important for the Bank to develop its lending activities in order to stay flexible and relevant for the future. The Board decided that during the coming years, NIB will seek to increase lending to SMEs in cooperation with financial intermediaries and to mid-sized corporates, which are important for growth and job creation in the region.

NIB will also put more emphasis on non-member-country lending. The Bank will cease to limit its non-member-country lending activities only to focus countries, with the aim of increasing non-member-country lending in the longer term, up to approximately one fifth of the annual new lending. By doing so, NIB is responding to its customers' wishes for the Bank to become more involved in financing their investments outside the Nordic–Baltic region.

In addition, the Bank will increasingly focus on member country integration, investments in the Baltic countries and projects in the Arctic region.

The Board took its first decisions on how to implement the strategy conclusions for broadened lending activities. An Arctic Financing Facility with a framework of up to EUR 500 million in loans for projects in the Arctic region was set up.

The Board also adopted new financial policies for lending to SMEs and mid-sized corporates.

With the purpose of “keeping the house in order” and supporting the new lending initiatives, the Board stressed the importance of further advancement of compliance, governance and enterprise architecture, development of human resources, and improvement in the working environment. As a result, a number of projects were initiated, for instance an enhanced staff training programme.

Lending activities

NIB's lending activities were better than anticipated in 2015. The Bank signed 45 loan agreements with an aggregate value of EUR 2,830 million. More than half of these loans were to new borrowers, which was in line with the Bank's aim of broadening its client base. Lending volumes by business sector are displayed in the table below.

Disbursements of loans increased to an all-time high of EUR 2,716 million, compared to EUR 2,274 million in 2014. The largest sector was industries and services, with a substantial part of NIB's financing provided for research and development. The public sector in the member countries was also a major recipient of loans.

High liquidity and subdued investment in the Nordic–Baltic region affected NIB's loan portfolio through larger-than-average early redemptions of loans.

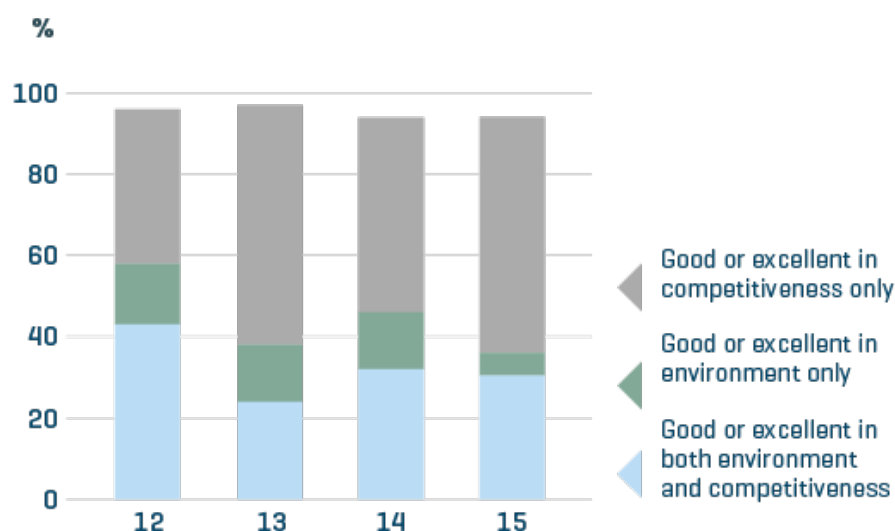
LENDING (IN EUR MILLION, UNLESS OTHERWISE SPECIFIED)	2015	2014
Loans agreed according to areas:		
Energy and environment	710	630
Infrastructure and telecom	823	557
Industries and services	996	926
Financial institutions and SMEs	301	277
Loans agreed, total	2,830	2,389
Member countries	2,740	2,327
Non-member countries	90	62
Loans disbursed, total	2,716	2,274
Member countries	2,546	2,181
Non-member countries	170	93
Number of loan agreements, total	45	45
Member countries	44	43
Non-member countries	1	2
Loans outstanding and guarantees	15,627	15,156
Member countries	13,347	12,705
Non-member countries	2,341	2,506
Collective impairments	-61	-55
Repayments/prepayments	2,351	2,005

Mission fulfilment

Each NIB-financed project is rated regarding how well it fulfils the Bank's mission to improve competitiveness and the environment of the Nordic–Baltic countries. In 2015, the loans achieving a “good” or “excellent” mandate rating accounted for 94% of the total amount of loans agreed.

Besides fulfilling its mission, NIB's lending operations are expected to add value to what the market provides. This is achieved by offering flexible long-term loans, providing diversification of financing sources and sharing expertise. NIB does not compete with commercial or other financiers; it complements them, especially through longer maturities.

Mandate rating



Competitiveness impact

In 2015, the largest part (36%) of NIB's lending in the membership area was extended to industrial and service companies. NIB supported technological innovation in the member countries by providing financing to customers' R&D programmes and investments in new production facilities. Moreover, a significant share of NIB's lending to corporate clients was used to finance acquisitions of member and non-member area companies. Companies add value to their product offerings by developing and adopting new technology and skills through R&D and acquisitions. All agreed loans for corporates' R&D activities received a “good” or “excellent” competitiveness rating. The share of acquisition projects rated at “good” and “excellent” was 44%. In total, lending to finance R&D projects and acquisitions accounted for 23% and 8%, respectively, of NIB's loans agreed.

Infrastructure investments have a long-term impact on the region's ability to maintain its attractiveness as a place to do business. As most of NIB's member countries are sparsely populated, the quality of transport infrastructure and services is of utmost importance for creating a productive business environment. In 2015, NIB contributed 22% of its total loans agreed to transport infrastructure projects. All these loans received a “good” or “excellent” competitiveness rating.

The key focus of investments in the energy sector was on fuel diversification in order to reduce the region's dependence on imported fuels. This trend also involved the upgrade of production technologies to increase the efficiency of energy assets. A significant share of NIB's lending in the energy sector was provided for investments in new production facilities fuelled by local biomass resources.

Member area utilities continued to modernise and expand energy transmission and distribution networks. These investments help remove transmission bottlenecks and secure energy supply in all demand and weather conditions. NIB's lending to the energy sector accounted for 25% of total loans agreed. The share of investments in new heat and power production facilities was 12%. All loans in this sector received a “good” or “excellent” competitiveness and/or environmental mandate rating.

In order to support small companies in better access to finance in member countries, NIB reached out to smaller counterparties by providing financing through financial intermediaries. Excluding unallocated credit lines, these loan programmes accounted for 7% of NIB's total lending. This is considered an important method for NIB to strengthen the capacity of such companies to invest, grow and create jobs. Also, these loans were rated “good” or “excellent” for mandate impact.

Environmental impact

NIB defines loans to projects with significant direct or indirect positive environmental impacts as environmental loans, regardless of the sector in which they occur. In 2015, a total volume of EUR 1,019 million was agreed for projects with an environmental mandate rating of “good” or “excellent”, which is equivalent to 36% of the total agreed volume.

The majority of the environmental loans were related to projects aimed at climate change mitigation in the member countries. These were investments in energy efficiency improvements in public and commercial buildings, as well as investments in public rail transport infrastructure. Financing was also provided for renewable energy projects in the hydropower and waste-to-energy sectors.

When implemented, the NIB-financed energy projects will add 0.52 TWh annually to renewable energy generation. The Bank estimates that the loans agreed in 2015 are helping to reduce CO₂ emissions by 50,100 tonnes annually, prorated to NIB's share of the financing. Loans allocated for climate change mitigation projects accounted for 33% of NIB's total lending volume.

Financing was also provided for two new wastewater treatment plants in Finland and for the technical improvement of industrial plants in Norway to reduce nitrogen oxide emissions into the air by 40%. Furthermore, an environmental loan was provided for an R&D programme with a focus on improving energy and resource efficiency in industrial production.

NIB's Sustainability Policy and Guidelines cover the environmental, social and ethical aspects of the Bank's operations. More detailed information on NIB's corporate responsibility matters are described in the Annual Report 2015, specifically under GRI reporting, available online.

Treasury activities

NIB acquires funds for its lending by borrowing on the international capital markets. During 2015, NIB raised EUR 4.3 billion in new funding through 25 funding transactions. At year-end, outstanding debt totalled EUR 20.9 billion in 18 currencies. The largest transaction in 2015 was a three-year, USD 1.25 billion global benchmark transaction, which was issued in March. In September, NIB launched its second US dollar-denominated benchmark transaction, a five-year, USD 1 billion transaction.

Of the new funding issued in 2015, over EUR 2 billion was issued in US dollars, 13% directly in euros and 12% in Nordic currencies.

NIB continued to issue NIB Environmental Bonds (NEBs) and launched its first EUR benchmark bond under the NEB programme. A seven-year, EUR 500 million Environmental Bond benchmark was issued in September. NEBs are mainly sold to investors following socially responsible investment principles. The proceeds from the bonds are used to finance eligible projects with a positive impact on the environment. In 2015, the Bank enhanced the information and reporting towards investors regarding NIB Environmental Bonds on its website.

Of the total NIB investor base in 2015, Europe (including the Nordics) accounted for 42% and the Americas for 21%, while investors based in Asia bought 18% of NIB's new issuance, and investors from the Australia/New Zealand region contributed a share of 12%.

FINANCIAL ACTIVITIES (IN EUR MILLION)	2015	2014	2013
New debt issues	4,276	3,361	4,080
Debts evidenced by certificates at year-end	20,862	19,446	18,421
Number of borrowing transactions	25	35	42
Number of borrowing currencies	11	10	12

Risk management

The Bank's overall risk position remained strong in 2015, with high asset quality, a solid liquidity and strong capitalisation being the main drivers.

The credit quality of the lending exposure was stable in 2015: 83% of the exposure was in investment-grade categories (risk classes 1–10), which was the same level as at year-end 2014. The exposure in the weakest risk classes (17–20), declined slightly to 0.4% (2014: 1%). The loan portfolio remained well balanced. There were no material changes in the geographical and sectoral distribution of the loan portfolio. At year-end, the member countries accounted for 84% (2014: 82%) of the total lending exposure, followed by 6% for Central and Eastern Europe, and 5% for Asia.

As in the previous year, the credit quality of the Treasury portfolio was strong, with close to 100% of the exposure in the investment-grade categories (risk classes 1–10). Of the Treasury exposure, 39% was within the member countries, compared to 35% the year before. The geographical distribution of the Treasury portfolio continued to be weighted towards Germany, Finland, the Netherlands and Sweden, accounting for 53% of the total exposure (2014: 57%).

The market risk remained largely unchanged. The Bank is mainly exposed to interest rate risk, credit spread risk in treasury operations and cross-currency basis risk. The market value sensitivities towards a one-basis-point shift in the specific yield curves were EUR 0.95 million, EUR 1.6 million and EUR 2 million, respectively.

The Bank's liquidity position remained strong during 2015. At the end of the year, the liquidity buffer amounted to EUR 9,077 million, of which 29%, or EUR 2,653 million, was held as cash and short-term money market instruments, and 71%, or EUR 6,424 million, in securities with longer maturities.

The survival horizon, net stable funding ratio (NSFR) and liquidity coverage ratio [1] (LCR) are the measurements used for the purpose of assessing the liquidity risk. At year-end, the survival horizon measured according to the Bank's liquidity policy was 431 days. The NSFR was approximately 150% and the LCR approximately 1,200%. The minimum NSFR and LCR requirements for commercial banks are 100% following the implementation of Basel III.

The Bank's ordinary lending ceiling corresponds to 250% of the authorised capital and accumulated general reserves. At the end of 2015, the ordinary lending ceiling amounted to EUR 20,922 million, while the ordinary lending portfolio amounted to EUR 13,956 million.

The Bank strengthened its risk management in line with evolving market standards. During 2015, the Bank improved and implemented a framework for estimating loss given default and further developed risk management reporting to the decision-making bodies. Furthermore, the Bank started the work of developing an internal capital adequacy assessment process.

It was decided that the Bank should move from one-way to two-way credit support agreements. This is now the market standard and is expected to decrease the cost of derivative contracts for the Bank. It also requires a higher liquidity buffer to mitigate the need for the Bank to post collateral with swap counterparties.

Compliance

There were no allegations of corruption involving members of the Bank's personnel. The Board of Directors was informed that three new external allegations of corruption were registered during 2015 and that the cases are currently under investigation by the Bank's Committee on Fighting Corruption, in consultation with national enforcement agencies and co-financing partners. The Compliance Unit followed up with national enforcement agencies on other fraud and corruption cases for which investigations were concluded in 2013 and 2014.

During 2015, a major review of the Bank's compliance and anti-corruption framework was undertaken. With the assistance of external consultants, the Bank also undertook a review of its current procedures and processes relating to anti-money laundering and counteracting terrorist financing. Proposed changes resulting from the reviews will be implemented in 2016.

[1] Liquidity coverage ratio is a measure banks need to report and adhere to. Given NIB's business model based on long-term lending matched with long-term funding, LCR is less relevant for NIB than it is for commercial banks.

Financial results

NIB's performance during the year demonstrates the underlying strength of its business model. Despite low interest rates, the Bank managed to improve its financial results. Profit totalled EUR 215 million, up from EUR 210 million in 2014.

The profit reflected growth in net interest income and lower loan impairment charges. This was partially offset by lower profits from financial operations.

The net interest income amounted to EUR 247 million, up 3% from the previous year. Both lending and treasury operations posted a net interest income higher than in 2014. Particularly encouraging was the net interest income growth from lending, mainly driven by a larger loan book. Commission income rose by EUR 3 million, to EUR 12 million.

The financial markets were volatile during the year, which resulted in greater uncertainty and wider spreads. In 2015, NIB updated its valuation model for derivative instruments in order to better align the valuation methods with the current market practice. A EUR 12 million net return on financial operations was recorded, which reflected the volatility of the markets and the fair value movements.

Administrative expenses and depreciation increased compared to 2014, mainly due to the changed depreciation methodology on intangible assets with a once-for-all effect of EUR 4.5 million. Further, the Bank made an extra provision of EUR 2 million for the purpose of planning, training and adapting to the changing banking industry requirements. As a consequence, the cost/income ratio based on underlying costs deteriorated from 15.1% in 2014 to 18.8% in 2015.

The quality of the loan portfolio remained high. Loan impairment charges were down, and in 2015 loan impairment charges amounted to EUR 3 million. New collective impairment charges amounted to EUR 6 million and the reversals of previously recorded impairments to EUR 3 million. The Bank continued to adopt a conservative approach in relation to impairments.

Since year-end 2014, the Bank's total assets have increased by EUR 2 billion to EUR 27.3 billion.

KEY FIGURES (IN EUR MILLION)	2015	2014	2013
Net interest income	247	239	244
Profit/loss on financial operations	12	26	20
Administrative expenses and depreciation	50*	41	39
Loan impairments	3	21	15
Profit/loss	215	210	217
Equity	3,146	2,986	2,831
Total assets	27,311	24,870	23,490
Solvency ratio (equity/total assets, %)	11.5%	12.0%	12.1%
Cost/income ratio	18.8%*	15.1%	14.3%

* Including the effects from changed depreciation methodology and the extra provision as mentioned above.

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 2015.

Chairmanship and meetings

During the year, the Board had eight meetings and one online meeting, all chaired by Pentti Pikkarainen (Finland). As well as formal agenda items, the meetings included seminars (four during the year) with the Bank's customers, investors and other invited experts. In connection with the Board meetings in Lithuania and Norway, the members visited the LNG terminal in Klaipeda, the Lysebotn 2 hydropower plant and the Ryfast road tunnel in Stavanger, which are financed by NIB loans. In London, the Board met with the rating agency Standard & Poor's, the Financial Conduct Authority (FCA), HSBC and the EBRD. The Board continued its efforts to further improve the efficiency of the decision-making process on the basis of a self-evaluation process that had been finalised. The Board also discussed the possibility of undergoing a "fit and proper" test.

Outlook

Going into 2016, prospects across the main regions remain uneven. Although global growth is projected to gather pace somewhat, uncertainties remain, caused by declining commodity prices, weaker emerging market economies and financial market volatility. Forecasts for the Nordic-Baltic countries vary from a slight pick-up in activity in Finland to continued robust growth in Sweden.

As Nordic banks continue to supply credit and corporate investment remains modest despite accommodative central bank policies, volumes and margins are unlikely to pick up in the near term. Meanwhile, the rise in short-term financing rates in the US dollar could further increase spreads in the euro corporate bond market.

In 2016, the Bank expects somewhat lower results compared to the previous year. This is due to lower income from treasury operations in the prevailing market conditions. NIB expects that the new lending initiatives, which will be gradually implemented in 2016, will further support the favourable development of lending volumes and sustainable growth in the region.

Proposal by the Board of Directors to the Board of Governors

The Board of Directors' proposal with regard to the financial results for the year 2015 takes into account the need to maintain the Bank's ratio of equity to total risk-weighted assets at a secure level, which is a prerequisite for maintaining the Bank's high creditworthiness.

In accordance with section 11 of the Statutes of the Bank, the profit for 2015 of EUR 215,398,492.93 is to be allocated as follows:

- EUR 110,398,492.93 will be transferred to the General Credit Risk Fund as a part of equity;
- EUR 50,000,000.00 will be transferred to the Special Credit Risk Fund for Project Investment Loans;
- no transfer is made to the Statutory Reserve. The Statutory Reserve amounts to EUR 686,325,305.70 or 11.2 % of the Bank's authorized capital stock; and
- EUR 55,000,000.00 will be made available for distribution as dividends to the Bank's member countries.

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

Helsinki, 3 March 2016

Pentti Pikkarainen

Trond Eklund

Kaspars Āboliņš

Sven Hegelund

Julie Sonne

Algimantas Rimkūnas

Þorsteinn Þorsteinsson

Henrik Normann
President & CEO

Madis Üürike

Statement of comprehensive income 1 January – 31 December

EUR 1,000	NOTE	2015	2014
Interest income		338,781	382,760
Interest expense		-92,005	-143,652
Net interest income	(1), (2), (21)	246,776	239,108
Commission income and fees received	(3)	12,218	9,326
Commission expense and fees paid		-2,212	-2,092
Net profit/loss on financial operations	(4)	11,521	25,684
Foreign exchange gains and losses		82	187
Operating income		268,385	272,211
Expenses			
General administrative expenses	(5), (21)	41,740	37,386
Depreciation	(9), (10)	8,737	3,709
Impairment of loans	(6), (8)	2,509	20,905
Total expenses		52,987	62,000
PROFIT/LOSS FOR THE YEAR		215,398	210,211
Total comprehensive income		215,398	210,211

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

Statement of financial position at 31 December

EUR 1,000	NOTE	2015	2014
ASSETS	(1), (18), (19), (20)		
Cash and cash equivalents	(17), (22)	2,666,070	1,639,139
Financial placements	(17)		
Placements with credit institutions		7,921	6,571
Debt securities	(7)	6,080,069	5,489,623
Other		22,023	22,190
		6,110,012	5,518,384
Loans outstanding	(8), (17)	15,626,946	15,156,486
Intangible assets	(9)	–	5,217
Tangible assets, property and equipment	(9)	28,360	28,324
Other assets	(11), (17)		
Derivatives		2,557,979	2,198,003
Other assets	(21)	23,103	19,259
		2,581,083	2,217,262
Accrued interest and fees receivable		298,977	305,590
TOTAL ASSETS		27,311,447	24,870,400
LIABILITIES AND EQUITY	(1), (18), (19), (20)		
Liabilities			
Amounts owed to credit institutions	(17), (21)		
Short-term amounts owed to credit institutions	(16), (22)	1,448,888	872,010
Long-term amounts owed to credit institutions		18,000	–
		1,466,888	872,010
Repurchase agreements		122,556	–
Debts evidenced by certificates	(12), (17)		
Debt securities issued		20,802,164	19,369,052
Other debt		59,860	76,597
		20,862,024	19,445,649
Other liabilities	(13), (17)		
Derivatives		1,480,736	1,329,097
Other liabilities		9,946	6,760
		1,490,682	1,335,857
Accrued interest and fees payable		222,800	230,786
Total liabilities		24,164,950	21,884,302
Equity			
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		1,430,252	1,275,041
Special Credit Risk Fund PIL		395,919	395,919
Profit/loss for the year		215,398	210,211
Total equity		3,146,497	2,986,099
TOTAL LIABILITIES AND EQUITY		27,311,447	24,870,400
Collateral and commitments	(16)		

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

Changes in equity

EUR 1,000	PAID-IN CAPITAL	STATUTORY RESERVE	GENERAL CREDIT RISK FUND	SPECIAL CREDIT RISK FUND PIL	PAYMENTS TO THE BANK'S STATUTORY RESERVE AND CREDIT RISK FUNDS	APPROPRIATION TO DIVIDEND PAYMENT	OTHER VALUE ADJUSTMENTS	PROFIT/LOSS FOR THE YEAR	TOTAL
EQUITY AT 31 DECEMBER 2013	418,602	686,325	1,112,831	395,919	0	0	0	217,210	2,830,887
Appropriations between reserve funds			162,210			55,000		-217,210	0
Paid-in capital									0
Called-in authorised and subscribed capital									0
Payments to the Bank's Statutory Reserve and credit risk funds, receivable									0
Dividend payment						-55,000			-55,000
Comprehensive income for the year								210,211	210,211
EQUITY AT 31 DECEMBER 2014	418,602	686,325	1,275,041	395,919	0	0	0	210,211	2,986,099
Appropriations between reserve funds			155,211			55,000		-210,211	0
Paid-in capital									0
Called-in authorised and subscribed capital									0
Payments to the Bank's Statutory Reserve and credit risk funds, receivable									0
Dividend payment						-55,000			-55,000
Comprehensive income for the year								215,398	215,398
EQUITY AT 31 DECEMBER 2015	418,602	686,325	1,430,252	395,919	0	0	0	215,398	3,146,497

PROPOSED APPROPRIATION OF THE YEAR'S PROFIT/LOSS

	2015	2014
Appropriation to Statutory Reserve	–	–
Appropriations to credit risk reserve funds		
General Credit Risk Fund	110,398	155,211
Special Credit Risk Fund PIL	50,000	–
Appropriation to dividend payment	55,000	55,000
Profit/loss for the year	215,398	210,211

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

Cash flow statement 1 January – 31 December

EUR 1,000	NOTE	JAN–DEC 2015	JAN–DEC 2014
Cash flows from operating activities			
Profit/loss from operating activities		215,398	210,211
Adjustments:			
Unrealised gains/losses of financial assets held at fair value		13,865	-27,631
Depreciation and write-down in value of tangible and intangible assets		8,737	3,709
Change in accrued interest and fees (assets)		6,613	12,491
Change in accrued interest and fees (liabilities)		-7,986	-12,069
Impairment of loans		2,509	20,905
Adjustment to hedge accounting		-20,667	1,019
Other adjustments to the year's profit		376	-641
Adjustments, total		3,447	-2,217
Lending			
Disbursements of loans		-2,715,757	-2,273,619
Repayments of loans		2,350,532	2,005,001
Capitalisations, redenominations, index adjustments, etc.		-51	-69
Exchange rate adjustments		-247,764	-84,071
Lending, total		-613,039	-352,758
Cash flows from operating activities, total		-394,193	-144,763
Cash flows from investing activities			
Placements and debt securities			
Purchase of debt securities		-2,168,290	-2,555,763
Sold and matured debt securities		1,614,972	2,489,721
Placements with credit institutions		-1,350	-830
Other financial placements		2,699	1,663
Exchange rate adjustments, etc.		-59,523	-36,599
Placements and debt securities, total		-611,491	-101,808
Other items			
Acquisition of intangible assets		-1,005	-1,637
Acquisition of tangible assets		-2,551	-861
Change in other assets		5,676	16,570
Other items, total		2,120	14,072
Cash flows from investing activities, total		-609,372	-87,736

CASH FLOW STATEMENT 1 JANUARY – 31 DECEMBER

EUR 1,000	NOTE	JAN–DEC 2015	JAN–DEC 2014
Cash flows from financing activities			
Debts evidenced by certificates			
Issues of new debt		4,276,138	3,360,777
Redemptions		-3,636,669	-4,031,164
Exchange rate adjustments		884,174	1,272,741
Debts evidenced by certificates, total		1,523,643	602,354
Other items			
Long-term placements from credit institutions		18,000	–
Change in swap receivables		-441,813	-653,925
Change in swap payables		218,769	-277,680
Change in other liabilities		3,186	-1,334
Dividend paid		-55,000	-55,000
Paid-in capital and reserves		–	–
Other items, total		-256,858	-987,939
Cash flows from financing activities, total		1,266,784	-385,585
CHANGE IN CASH AND CASH EQUIVALENTS, NET	(22)	263,219	-618,084
Opening balance for cash and cash equivalents, net		767,129	1,385,213
Closing balance for cash and cash equivalents, net		1,030,348	767,129
Additional information to the statement of cash flows			
Interest income received		345,394	395,321
Interest expense paid		-99,991	-155,722

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

Notes to the financial statements

Accounting policies

General operating principles

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

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

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

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

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

Significant accounting policies

Basis for preparing the financial statements

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

Significant accounting judgements and estimates

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

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

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

Foreign currency translation

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

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

The Bank uses the official exchange rates published for the euro by the European Central Bank. See Note 23.

Recognition and derecognition of financial instruments

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

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

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

Basis for classification and measurement

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

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

Financial assets at amortised cost

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

Financial assets at fair value

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

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

Determination of fair value

The fair value of financial instruments, including derivative instruments that are traded in a liquid market, is the bid or offered closing price on the balance sheet date. Where the fair values cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable market data where possible. 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, which reflects the significance of the inputs used in making the measurements:

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

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

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

See Note 17 for further details.

Cash and cash equivalents

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

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

Financial placements

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

Reclassifications

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

Lending

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

Ordinary Lending includes loans and guarantees within and outside the member countries. The Bank's Ordinary Lending ceiling corresponds to 250% of its authorised capital and accumulated general reserves and amounts to EUR 20,922 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 on the member countries' guarantees according to the following principle: the member countries guarantee 90% of each loan under the PIL facility up to a total amount of EUR 1,800 million. Payment under the member countries' guarantees would take place at the request of the Board of Directors, as provided for under an agreement between the Bank and each individual member country.

The Bank is authorised to grant special Environmental Investment Loans, originally up to the amount of EUR 300 million, for the financing of environmental projects in the areas adjacent to the member countries. The Bank's member countries guarantee 100% of the MIL facility. For further information about the MIL facility as of 31 December 2015, see "Distribution of loans outstanding and guarantees by various types of security" in Note 8.

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

Impairment of loans and receivables

Impairment of individually assessed loans

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

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

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

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

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

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

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

Impairment of collectively assessed loans

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

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

The process includes the management's judgement based on the current macroeconomic environment and the current view of the expected economic outlook. In the Bank's view, the assumptions and estimates made are appropriately conservative 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. Acquisitions that generate economic benefits exceeding costs beyond one year are recognised as intangible assets. The investments are carried at historical cost, and are amortised over the assessed useful life of the assets, which is estimated to be between three and five years. The amortisations are made on a straight-line basis.

Tangible assets

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

Write-downs and impairment of intangible and tangible assets

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

Derivative instruments and hedge accounting

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

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

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. Currently, the Bank does not have cash flow hedging, although it may choose to do so at any time.

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

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

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

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

Borrowing

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

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

Equity

As of 31 December 2015, the Bank's authorised and subscribed capital is EUR 6,141.9 million, of which the paid-in portion is EUR 418.6 million. Payment of the subscribed, non-paid-in portion of the authorised capital, i.e. the callable capital, will take place at the request of the Bank's Board of Directors to the extent that the Board deems it necessary for the fulfilment of the Bank's debt obligations.

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

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

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

Interest

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

Fees and commissions

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

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

Financial transactions

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

Administrative expenses

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

Leasing agreements

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

Employee pensions and insurance

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

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

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

Segment information

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

Reclassifications

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

International financial reporting standards and interpretations

New and amended standards applied in the financial year 2015

NIB has no transactions that have been affected by new amendments or standards during 2015.

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

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

- Amendment to IAS 1 *Presentation of Financial Statements: Disclosure Initiative* (effective for financial years beginning on or after 1 January 2016). The amendments are designed to encourage companies to apply judgement in determining what information to disclose in the financial statements. For example, the amendments clarify the application of the materiality concept and judgement when determining where and in what order information is presented in the financial disclosures. The interpretation has no significant impact on NIB's financial statements.
- New IFRS 9 *Financial Instruments* (effective for financial years beginning on or after 1 January 2018): IFRS 9 replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. NIB is assessing the impact of IFRS 9.
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* — *Clarification of Acceptable Methods of Depreciation and Amortisation* (effective for financial years beginning on or after 1 January 2016): The amendments clarify IAS 16 and IAS 38 in that the revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in limited circumstances to amortise intangible assets. The amendments will have no impact on NIB's financial statements.
- *Annual Improvements to IFRSs*, (2012-2014 cycle) (effective for financial years beginning on or after 1 January 2016): The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. These amendments cover four standards. Their impacts vary standard by standard but are not significant.

RISK MANAGEMENT

The Bank assumes a conservative approach to risk-taking. Careful balancing of mission fulfilment, revenue generation and risk mitigation is a key consideration in the Bank's risk-taking. The constituent documents require that loans be granted in accordance with sound banking principles, that adequate security be obtained for the loans, unless sufficient security is considered to exist under the circumstances, and that the Bank protect itself against the risk of exchange rate losses to the extent practicable. The Bank's risk tolerance is defined with the objective of maintaining strong credit quality, stable earnings and a level of capital and liquidity required to maintain the Bank's AAA/Aaa rating.

The main risks — credit risk, market risk, liquidity risk, operational risk and compliance risk — are managed carefully with the overall objective of maintaining financial soundness and avoiding activities that could threaten the Bank's reputation. As an international financial institution, the Bank is not subject to national or international banking regulations. However, the Bank's risk management framework is regularly reviewed and adapted to changing conditions with the aim of complying in substance with what the Bank identifies as the relevant market standards and best practices, including the recommendations of the Basel Committee on Banking Supervision.

The Bank's risk management framework comprises risk policies and procedures formulated for the assessment, measurement, monitoring and reporting of risks including several layers of limits set to manage the exposure to quantifiable risks. The Bank recognises that effective risk management is based on a sound risk culture, which is characterised, among other things, by a high level of awareness concerning risk and risk management in the organisation. Regular training of staff in risk-related matters is part of the Bank's risk management practice.

Key risk responsibilities

The *Board of Directors* lays down the general framework for the Bank's risk management by approving its risk policies, including maximum limits for exposure to the main types of risk. The Board approves credits and 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 and willingness to take risk. The Board of Directors has delegated some credit approval authority to the President for execution in the Credit Committee.

The following committees assist and advise the President:

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

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

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

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

The *ICT Council* assists and advises the President in information and communications technology matters, and functions as a steering committee for ICT development projects. The President, however, makes his decisions on ICT matters in the Executive Committee. The ICT Council consists of the Head of ICT and of other senior staff members.

NOTES TO THE FINANCIAL STATEMENTS

The Bank has established a segregation of duties between units that enter into business transactions with customers or otherwise expose the Bank to risk, and units in charge of risk assessment, risk measurement, monitoring and control.

The business units, *Lending* and *Treasury*, are responsible for implementing the Bank's business strategy. Lending is responsible for loan origination and mandate fulfilment in accordance with the Bank's willingness to take risk. Treasury provides support by executing the funding strategy and managing the liquidity as well as balance sheet risks (Asset and Liability Management). The business units carry out the day-to-day management of all risks assumed in their operations and ensure that an adequate return is achieved for the risks taken. The Head of Lending and the Head of Treasury report to the President.

The *Risk Management unit* within *Risk and Finance* carries out independent measuring, controlling, monitoring and reporting of the Bank's credit risk, liquidity risk, market risk and operational risk exposures. The assessment of risk related to new instruments is carried out in the *New Product and Structure Committee* chaired by a representative of Risk and Finance. The Head of Risk and Finance reports to the President.

Credit and Analysis is responsible for assessing and monitoring counterparty credit risk in the Bank's lending and treasury operations. The *Credit unit* oversees that credit proposals are in compliance with established limits and policies. The *Special Credits unit* 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 supports all units of the Bank carrying the responsibility for minimising and mitigating legal risks in the Bank's operational and administrative activities. The General Counsel reports to the President.

The *Compliance* function assists the Bank in identifying, assessing, monitoring and reporting on compliance risks in matters relating to the institution, its operations and the personal conduct of staff members. The Chief Compliance Officer reports to the President, with unrestricted 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. The committee also monitors the anti-corruption and compliance practices of the Bank.

Credit risk

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

Credit risk management

The Bank's credit risk management builds on the principles of (1) appropriate risk diversification within the scope of the mission; (2) thorough risk assessment at the credit appraisal stage; (3) risk-based pricing and risk mitigation; (4) continuous risk monitoring at the individual counterparty level as well as portfolio level; (5) avoidance of undesirable risks to the extent possible.

Credit risk limits

The maximum credit exposure that the Bank is willing to take is expressed in terms of exposure limits set by the Board of Directors. Credit exposure is the aggregate of lending and treasury exposure. 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. Limits are set at both counterparty and portfolio levels.

Counterparty limits are determined based on the probability of default and expected loss. The Bank defines a single counterparty as a counterparty or group of counterparties that are legally and/or financially consolidated or otherwise interdependent from a risk perspective. For exposure limit purposes, the Bank considers the entity where the risk resides, i.e. the risk-owner, as the counterparty. The risk-owner is the entity that is ultimately responsible for the Bank's claim and may be different from the obligor if the risk is transferred through a guarantee. In order for a guarantee to be eligible for risk transfer, it must cover the full exposure and be a guarantee undertaking securing the borrower's debt "as for own debt", meaning that the Bank can make a claim under the guarantee immediately after the borrower has failed to pay on a due date.

To prevent excessive concentrations, the Bank applies portfolio-level limits for large counterparty exposure, as well as for industry sector and country exposures. The Bank has not set limits for the aggregate lending exposure in its member countries. Lending in non-member countries is subject to country limits. For the Bank's treasury operations, country limits have been set for exposure in member and non-member countries.

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. Financing to small and medium-sized enterprises, small mid-cap corporates and mid-cap corporates in the Bank's member countries can be extended up to 75% of the total project or financing need fulfilling NIB's mandate criteria.

Credit risk assessment

The counterparty's debt servicing capacity is a key consideration for credit approval. The assessment of a counterparty's creditworthiness focuses on identifying the main financial and business risks related to the counterparty. Based on the assessment, a risk rating indicating the probability of default (PD) is assigned to the counterparty. The credit risk assessment includes the use of quantitative risk methodologies and models as well as qualitative assessments based on expert judgement. The process of assigning PD ratings to counterparties is carried out in the Credit & Analysis department.

A separate expected loss (EL) rating is assigned at the transaction level. The EL rating factors in the loss given default (LGD), i.e. the loss severity in the event of a counterparty default. The LGD assignment process relies on models that produce an LGD estimate based on the type of counterparty and the characteristics of the transaction, such as guarantees, collateral, the seniority of the claim and other credit enhancing factors in the transaction. The responsibility for assigning the LGD lies with the cross-departmental Transaction Team, except for assigning LGD to sovereign counterparties, which is the responsibility of Credit & Analysis. The risk ratings are approved by the Credit Committee.

The Bank's risk rating system comprises 20 classes to differentiate the risk of counterparty default and the expected loss on a transaction. In addition, separate D classes apply for doubtful and non-performing transactions. For reference to external ratings, the internal scales are mapped to the ratings of S&P and Moody's such that classes 1 to 10 correspond to the external rating equivalent of the investment grade AAA to BBB- and Aaa to Baa3, respectively.

Credit risk mitigation

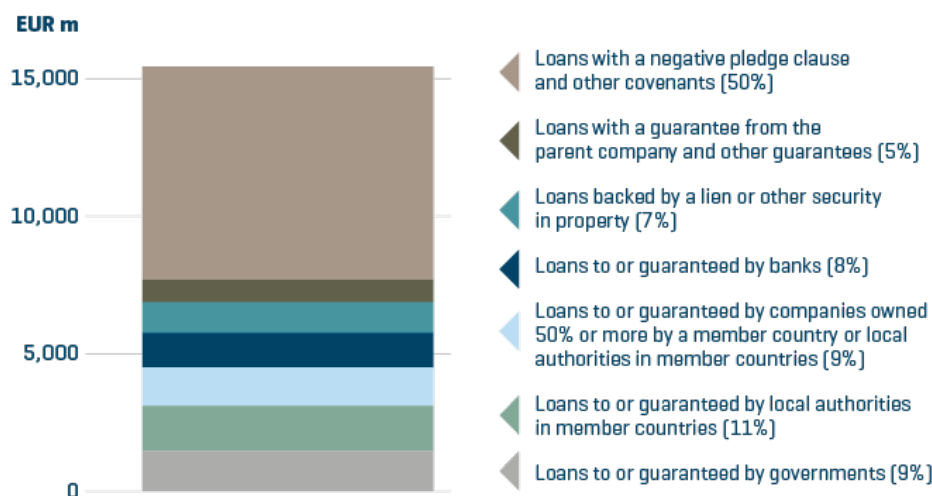
The Bank lends and invests on a senior unsecured or secured basis. The level of credit enhancement required in the Bank's lending depends, among other things, on the creditworthiness of the counterparty and the tenor and repayment structure of the loan. When lending on an unsecured basis, the Bank requires that various undertakings, such as negative pledges and financial and non-financial covenants, are incorporated in the loan documentation.

In its secured lending, the Bank primarily relies on collateral and/or guarantees. The collateral should preferably be independent from the obligor (e.g. third-party shares or commercial real estate that can readily be taken into alternative use) and there should be a reasonably functioning market for the collateral.

The distribution of the Bank's portfolio of outstanding loans and guarantee commitments by type of credit enhancement at year-end 2015 is presented below with further information in Note 8.

Loans outstanding

distribution by type of security as of 31 Dec 2015



In its treasury operations, the Bank uses netting and collateralisation to mitigate credit risk related to derivatives and collateralised placements. The Bank undertakes swap transactions only with counterparties that meet the required minimum counterparty credit rating and have executed an International Swaps and Derivatives Association (ISDA) Master Agreement and signed a Credit Support Annex (CSA). Collateralised placements are made on the terms of the Global Master Repurchase Agreement (GMRA).

The ISDA master agreement allows for a single net settlement of all swap transactions covered by the agreement in the event of a counterparty default or early termination of the transactions. Netting is applied for the measurement of the Bank's credit exposure only in cases when it is deemed to be legally enforceable in the relevant jurisdiction and against a counterparty. At year-end 2015, netting reduced the swap exposure by EUR 772 million from a gross total market value of EUR 2,748 million to EUR 1,976 million (year-end 2014: EUR 2,376 million and EUR 1,628 million, respectively).

The CSA further mitigates credit risk related to swaps, as the swap positions are marked to market daily and the resulting exposures exceeding agreed thresholds are collateralised by cash or high-quality government securities. At year-end 2015, the Bank held EUR 1,829 million (2014: EUR 1,452 million) in gross collateral received, of which EUR 1,440 million (2014: EUR 818 million) was in cash and EUR 389 million (2014: EUR 634 million) in securities (See Note 16, Collateral and Commitments).

Credit risk monitoring

The Bank puts strong emphasis on continuous monitoring of the credit risk development in its lending and treasury operations. Credit risk is monitored both at counterparty level and at portfolio level. The primary responsibility for credit risk monitoring resides with the unit responsible for the client relationship, i.e. Lending, Treasury and Special Credits with support from Credit & Analysis. Risk Management carries out the portfolio level monitoring.

All lending exposures are subject to continuous monitoring of contractual compliance and events/signals that could potentially lead to or indicate a material change in risk. In addition, an annual follow-up is conducted on the entire loan portfolio. The annual follow-up is presented to the Credit Committee and reported to the Board of Directors.

Treasury exposures are subject to continuous monitoring of events and market signals that could potentially lead to or indicate a material change in risk. At a minimum, the counterparties are analysed and the risk class validated every two years. The follow-up is presented to the Credit Committee.

Following the identification of a seriously deteriorated debt repayment capacity and/or a serious deterioration in the financial standing, the counterparty is placed on the watch-list and becomes subject to specific watch-list monitoring. Watch-listed counterparties are reviewed by the Credit Committee at agreed intervals and reported to the Board of Directors.

If a credit exposure requires the expertise of specialists in workout and restructuring, it will be transferred to the Special Credits unit. The unit's primary objective is to take over responsibility for distressed loans from Lending and devote sufficient time and effort to the individual case in order that the Bank may recover all or as much as possible of distressed loans outstanding.

Credit risk monitoring at portfolio level includes, among others, an analysis of the aggregate credit risk exposure, credit risk concentrations and changes in the risk profile. The development is reported to ALCO and the Board of Directors.

Compliance with existing limits is monitored regularly; for treasury counterparties, limit compliance is monitored on a daily basis. Exposure in excess of maximum limits may occur e.g. due to downgrade of a counterparty rating. Limit breaches are reported to senior management, relevant committees and the Board of Directors.

Risk-based pricing

The Statutes stipulate that the Bank shall operate according to sound banking principles and aim for a profit allowing the formation of reserves and a reasonable return on capital.

Loans and guarantees are priced to cover the Bank's cost of funds, administration costs, the cost of the risk involved in the transaction and the cost of capital employed. For loan pricing purposes, the Bank uses a pricing tool that enables calculation of the minimum earnings required on a loan in order to cover all lending related costs and an appropriate return for the level of risk assumed. Internal credit risk ratings and associated risk parameters, as well as the structure of the transaction, are key input factors in the pricing tool.

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 2015, the fund amounted to EUR 1,430 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 2015, the fund amounted to EUR 396 million before allocation of the profit for the year.

At least every four months, the Bank reviews the need for impairment provisions on weak exposures. The assessment is carried out both at the level of the individual counterparty and collectively for groups of counterparties. At the counterparty level, a specific impairment provision is recognised if there is objective evidence that the counterparty's capacity to fulfil its obligations has deteriorated to the extent that full repayment is unlikely, taking into consideration any collateral received. Collective impairment provisions are determined on a portfolio basis for exposures with similar credit risk characteristics as reflected in their risk ratings. The process includes the management's judgement based on the current macroeconomic environment and the current view of the expected economic outlook. In the Bank's view, the assumptions and estimates made are appropriately conservative 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 2015. Aggregate credit exposure comprises lending and treasury exposure. Lending exposure includes loans outstanding (after deduction of specific impairment but before collective impairment) and loans agreed but not yet disbursed, without taking into account any collateral or other credit enhancement. Regarding the treasury exposure, capital market investments are included at nominal value, while derivatives are included at market value net of collateral held when credit support agreements are in place, and at market value with an add-on for potential future exposure when not under a credit support agreement. The exposure to collateralised placements is calculated as a fixed percentage of the market value of the collateral held.

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

RISK CLASS	S&P EQUIVALENT	31 DEC 2015			31 DEC 2014		
		LENDING	TREASURY	TOTAL	LENDING	TREASURY	TOTAL
1-2	AAA/AA+	3,659	5,181	8,839	3,076	3,806	6,881
3-4	AA/AA-	559	1,001	1,560	588	1,714	2,303
5-6	A+/A	1,412	1,307	2,719	930	1,019	1,949
7-8	A-/BBB+	4,907	212	5,119	4,661	44	4,705
9-10	BBB/BBB-	3,213	0	3,213	4,185	23	4,208
11-12	BB+/BB	2,067	0	2,067	1,793	0	1,793
13-14	BB/BB-	333	0	333	672	0	672
15-16	BB-/B+	322	0	322	30	0	30
17-18	B/B-	64	0	64	142	0	142
19-20	B-/CCC	0	0	0	22	0	22
D		74	6	80	59	8	67
TOTAL		16,607	7,707	24,314	16,158	6,613	22,771
Class D							
Gross		205	46	251	186	83	269
Impairment		131	40	171	126	75	202
Net		74	6	80	59	8	67

Overall, the quality of the Bank's aggregate credit exposure remained sound and stable in 2015. Lending exposure increased by 3% and treasury exposure by 17%, the latter due to a higher level of liquid assets. At year-end 2015, 83% (2014: 83%) of lending exposure and practically 100% (2014: 100%) of treasury exposure was in risk classes 1-10, corresponding to investment-grade quality. Lending exposure in the best risk classes (EL 1-2) increased as a result of new lending as well as revised loss-given-default (LGD) values. The exposure in the weakest risk classes (EL 17-20) was reduced mainly due to repayment and downgrading of one customer into class D. Of the net exposure in risk class D, EUR 27 million was under the MIL facility (2014: EUR 12 million).

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.

COUNTRY/REGION	31 DEC 2015			31 DEC 2014		
	LENDING	TREASURY	TOTAL	LENDING	TREASURY	TOTAL
Denmark	1,610	828	2,438	1,604	314	1,918
Estonia	221	0	221	238	0	238
Finland	3,640	928	4,568	3,380	926	4,306
Iceland	535	2	537	498	3	501
Latvia	287	18	305	339	0	339
Lithuania	652	20	672	548	20	568
Norway	3,030	355	3,384	2,818	355	3,173
Sweden	4,040	871	4,912	3,903	691	4,593
Africa and Middle East	187	0	187	240	0	240
Americas	311	604	915	265	416	681
Asia-Pacific	857	39	897	958	50	1,008
Europe	985	3,643	4,628	1,117	3,332	4,449
Multilaterals	251	399	650	252	506	758
TOTAL	16,607	7,707	24,314	16,158	6,613	22,771

In the context of the Bank's mission, the credit risk exposure continued to be fairly well balanced in terms of geographical distribution, with no significant change over the year. At year-end 2015, the member countries accounted for 84% of the Bank's lending exposure (2014: 82%). The largest lending exposures outside the member countries were in Poland, China, Brazil, Russia and India. The Bank's exposure in Russia, Ukraine and Belarus amounted to EUR 312 million (2014: EUR 402 million), of which EUR 84 million (2014: EUR 97 million) was under the MIL facility. The total exposure in Russia, Ukraine and Belarus includes EUR 27 million (2014: EUR 77 million) of agreed, not disbursed loans.

Of the treasury exposure, 39% (2014: 35%) was in the member countries, while the rest of Europe accounted for 47% (2014: 50%), dominated by Germany, the Netherlands and France. The major part of the treasury exposure outside Europe was in Canada.

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

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

INDUSTRY SECTOR	31 DEC 2015			31 DEC 2014		
	LENDING	TREASURY	TOTAL	LENDING	TREASURY	TOTAL
Oil & Gas	344	0	344	371	0	371
Materials	1,115	0	1,115	1,271	0	1,271
Industrials	3,668	0	3,668	3,297	0	3,297
Consumer discretionary	540	0	540	443	0	443
Consumer staples	1,018	0	1,018	1,213	0	1,213
Health care	519	0	519	522	0	522
Financials	1,442	4,470	5,913	1,322	3,398	4,720
Information technology	220	0	220	162	0	162
Telecommunication services	429	0	429	466	0	466
Utilities	3,773	0	3,773	3,635	0	3,635
Public sector	3,540	3,237	6,776	3,458	3,215	6,673
TOTAL	16,607	7,707	24,314	16,158	6,613	22,771

The distribution of the lending exposure by industry sector remained stable in 2015 compared to the previous year, with the public sector, utilities and industrials accounting for 66% (2014: 64%) of the total exposure.

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 2015, the Bank was in compliance with these limits.

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

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

	31 DEC 2015	31 DEC 2014
Top 5	9%	9%
Top 10	16%	16%
Top 20	27%	26%

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 2015, the Bank was within the aggregate limits set for large exposures, with the exception of the limit for large exposures measured against economic capital.

Market risk

The Bank defines market risk as the risk of valuation loss or reduction in the expected earnings stemming from adverse fluctuations in exchange rates, interest rates, credit spreads and cross-currency basis spreads.

Market risks predominantly arise from the Bank's core business activities and the liquidity portfolio needed to support these activities. The Bank's strategy is to obtain cost-efficient funding from diversified sources and provide lending that is tailored to the needs of its customers. This gives rise to foreign exchange risk and structural interest rate risk due to mismatches in the Bank's assets and liabilities in terms of currency composition, maturity profile and interest rate characteristics. Cross-currency basis risk stems from the hedging techniques used by the Bank to mitigate the above risks. This risk relates to transactions exchanging foreign currencies at a future point in time and is mainly driven by liquidity supply and demand in those currencies.

The Bank's securities portfolio held for liquidity purposes is exposed to interest rate risk and credit spread risk, i.e. potential decline in market value due to perceived change in the credit quality of the issuers of the securities held in the portfolio.

Market risk management

The Bank manages market risks by hedging against foreign exchange risk and interest rate risk with the objective of protecting its earnings and the economic value of its assets and liabilities. Foreign exchange risk is practically fully hedged. Interest rate risk deriving from mismatches between funding and lending is kept at a modest level. The Bank's tolerance for interest rate risk and credit spread risk pertains to the earnings expectations set for the liquidity portfolio.

As part of its structured funding transactions, the Bank may use financial instruments linked to other market risk factors than the above. A prerequisite is that such transactions are completely hedged with derivatives and that the Bank is able to value and measure the risks involved in the derivatives.

All of the Bank's market risks are transferred to and managed by Treasury. The Risk Management unit provides independent oversight of all significant market risks, supporting the Finance Committee, ALCO and Treasury with risk measurement, analysis, daily monitoring and reporting.

Foreign exchange rate risk

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

The Bank hedges foreign exchange rate risk with cross-currency swaps, which gives rise to currency basis risk. The market value sensitivity of the Bank's swap portfolio to one basis point shift in the relevant currency basis curves was EUR 2 million at year-end 2015.

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

The Bank manages interest rate risk by using derivatives to convert fixed-rate funding into floating-rate liabilities. Fixed-rate lending that is not match-funded is converted to floating-rate receivables. This hedging approach ensures that the interest rate risk between lending and funding in each currency remains low. The majority of the Bank's interest rate risk, therefore, stems from the portfolio of liquid assets.

The Bank measures and manages interest rate risk by estimating the sensitivity of the economic value of its balance sheet to an interest rate shock. The sensitivity is measured by means of basis point value (BPV) quantifying the impact of a parallel increase in interest rates of one basis point on the present value of interest-bearing assets and liabilities.

The Bank measures its structural net interest income risk by estimating the sensitivity of the accumulated net interest income during the next twelve months to changes in the level of interest rates.

Maximum limits have been set for the acceptable exposure to interest rate risk both at an aggregate balance sheet level and at portfolio level.

A gross limit equivalent to EUR 1.5 million covering all currencies restricts the BPV interest rate risk to approximately 0.05% of the Bank's equity. In addition, individual BPV limits have been set for interest rate risk in EUR, USD and the Nordic currencies, whereas a combined limit applies for all other currencies. At 31 December 2015, the gross exposure was EUR 0.95 million (2014: EUR 0.99 million).

As a supplementary indicator of interest rate risk, the Bank estimates the worst-case effect of a 0.1% change in interest rates on its net interest income over the lifetime of interest-bearing assets and liabilities due to mismatches in terms of re-pricing periods and volumes. This is managed through a limit of EUR 34 million, corresponding to approximately 1% of the Bank's equity. At year-end 2015, the exposure amounted to EUR 10.5 million (2014: EUR 11.8 million).

Credit spread risk

The Bank manages its exposure to credit spread risk by calculating the sensitivity of its liquid assets portfolio to credit spread movements. The sensitivity is measured by means of Credit Spread Basis Point Value (Spread BPV) quantifying the impact of an increase of one basis point in credit spreads on the present value of the assets.

Limits have been defined to restrict the decrease in asset value to acceptable levels in accordance with the Bank's willingness to take risk in its liquidity portfolio. The Bank has set an overall limit of EUR 2.5 million for credit spread risk, with specific sub-limits defined for various asset classes.

As of 31 December 2015, the Bank's exposure to credit spread risk was EUR 1.58 million (2014: EUR 1.78 million). This means that an increase of all debt-instrument-specific credit spreads by 1% as of that date would have reduced the value of the securities portfolio by approximately EUR 158 million.

To ensure that the liquidity portfolio maintains its market value and liquidity even under severe market conditions, the Bank has set limits to control the asset quality of the portfolio, i.a. by defining minimum requirements for counterparty ratings.

Liquidity risk

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

Liquidity risk management

The Bank's business model gives rise to liquidity risk mainly through maturity mismatches between assets and liabilities. The liquidity position and adherence to exposure limits is managed by Treasury and monitored by Risk Management on a daily basis.

The Finance Committee and ALCO oversee the development of the Bank's funding and liquidity position and decide on liquidity risk-related matters in accordance with their respective mandates. The Board of Directors receives regular reports on the liquidity and funding situation of the Bank.

The key metric applied for managing liquidity risk is the survival horizon, which measures how long the Bank would be able to fulfil its payment obligations in a severe stress scenario. The target survival horizon is twelve months, which means that the Bank would be able to meet its payment obligations and continue its business operations without disruption for the coming twelve months under stressed conditions. The minimum requirement is that the survival horizon must at all times exceed nine months. The stress scenario includes, among other things, the assumption of payment disruptions in the loan portfolio, no access to market funding, early termination of all callable funding transactions and severe decline of asset value in the liquidity buffer. At year-end 2015, the survival horizon was 431 days (2014: 456 days).

In addition, the Bank requires that the liquidity position should be strong enough to secure the highest possible issuer credit rating by S&P and Moody's and fulfil the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) requirements as specified in the Capital Requirements Regulation of the European Union. At year-end 2015 the LCR was approximately 1200% and the NSFR approximately 150%. The minimum requirement for NSFR and LCR is 100% for regulated banks once the Basel III regulations are fully implemented.

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

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

TABLE 5. Composition of the liquidity buffer

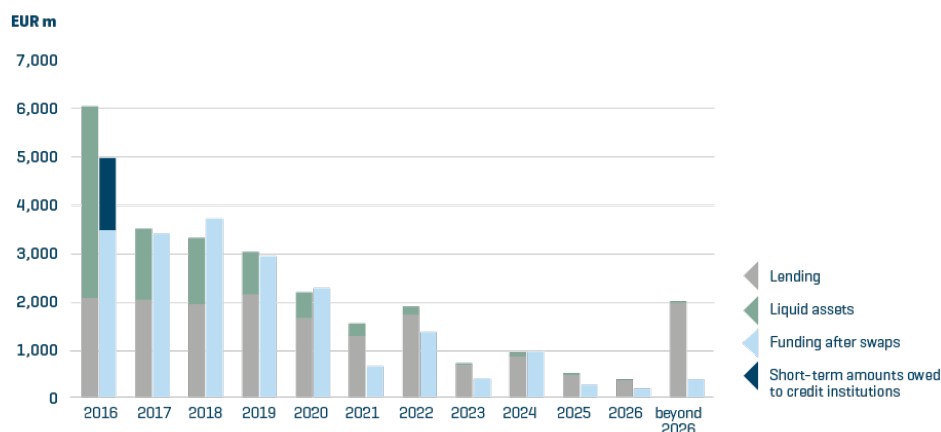
	31 DEC 2015		31 DEC 2014	
	EUR MILLION	%	EUR MILLION	%
Cash and cash equivalents	678	7%	516	7%
Securities issued or guaranteed by sovereigns, public sector entities and supranational institutions	3,269	36%	3,383	43%
Covered bonds	2,123	23%	1,714	22%
Securities issued by financial institutions, excluding covered bonds	1,164	13%	955	12%
Securities received as collateral	1,843	20%	1,330	17%
TOTAL	9,077	100%	7,899	100%

Diversification is a key objective of the Bank's funding and liquidity management. The Bank strives to diversify its borrowing in terms of currencies, maturities, instruments and investor types in order to avoid excessive reliance on individual markets and funding sources. Through regular benchmark issues, the Bank aims to secure broad market access. The annual funding plan is based on the projected twelve-month liquidity requirement and the projected size of the liquidity buffer. The funding plan is regularly adjusted to reflect changes in the liquidity requirement.

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

Maturity profile of funding, lending and liquid assets

as of 31 December 2015



A breakdown of the Bank's financial assets and liabilities by maturity at year-end 2015 is presented in Note 18.

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

Operational risk

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

Operational risk management

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

NIB's operational risk management focuses on proactive measures in order to ensure business continuity, the accuracy of information used internally and reported externally, the expertise and integrity of the Bank's personnel and its adherence to established rules and procedures, as well as on security arrangements to protect the physical and ICT infrastructure of the Bank.

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

Compliance risk

Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss to reputation due to failure to comply with laws, rules and standards.

The Bank is committed to follow best practices and market standards in the areas of accountability, governance, corporate social responsibility, transparency and business ethics in order to promote sustainability. In managing compliance risk, the Bank places particular emphasis on preventing corruption, money laundering and the financing of terrorism. The Bank's procedures are aligned with the International Financial Institutions (IFI) Uniform Framework for Preventing and Combating Fraud and Corruption, which the Bank has endorsed.

For NIB, integrity means adherence to the Bank's ethical values. The Bank focuses on preventive measures as the most effective way to avoid becoming involved with unethical borrowers and projects, money laundering, terrorist financing or tax evasion. Particular emphasis is put on knowing the customers and training the staff to ensure awareness and vigilance. All new clients are screened thoroughly in the Bank's integrity due diligence processes. Monitoring of integrity risks in the loan portfolio is part of the Bank's regular follow-up procedures.

The Office of the Chief Compliance Officer oversees and coordinates matters relating to integrity and reputational risks and provides independent expert advice to management and the Board of Directors in compliance matters. Allegations of fraud and corruption in relation to the Bank's projects or counterparties are investigated by the Committee on Fighting Corruption.

The Chief Compliance Officer reports to the President and has unrestricted access to the chairpersons of the Board of Directors and the Control Committee. He reports regularly to the Board of Directors on serious fraud and corruption investigations and once a year on other integrity and compliance matters. Reports on anti-corruption and compliance matters are presented to the Control Committee at its regular meetings.

Once a year, the Office of the Chief Compliance Officer publishes its Integrity Report on the Bank's website.

Note 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.

2015

(AMOUNTS IN EUR 1,000)	LENDING	ASSET AND LIABILITY MANAGEMENT	PORTFOLIO MANAGEMENT	TREASURY TOTAL	TOTAL
Net interest income	145,884	30,783	70,109	100,891	246,776
Commission income and fees received	9,379	2,839	–	2,839	12,218
Commission expense and fees paid	-161	-1,356	-695	-2,051	-2,212
Net profit on financial operations	2,567	9,147	-193	8,954	11,521
Foreign exchange gains and losses	–	82	–	82	82
Administrative expenses	-28,860	-9,016	-3,864	-12,881	-41,740
Depreciation	-5,705	-2,123	-910	-3,033	-8,737
Impairment of loans	-2,509	–	–	–	-2,509
Profit/loss for the year	120,596	30,356	64,446	94,802	215,398
Assets	15,672,071	8,485,407	3,153,969	11,639,376	27,311,447
Liabilities and equity	15,672,071	8,485,407	3,153,969	11,639,376	27,311,447

2014

(AMOUNTS IN EUR 1,000)	LENDING	ASSET AND LIABILITY MANAGEMENT	PORTFOLIO MANAGEMENT	TREASURY TOTAL	TOTAL
Net interest income	140,188	28,123	70,796	98,920	239,108
Commission income and fees received	8,805	106	414	520	9,325
Commission expense and fees paid	-376	-701	-1,015	-1,716	-2,092
Net profit on financial operations	-379	-703	26,766	26,062	25,684
Foreign exchange gains and losses	–	187	–	187	187
Administrative expenses	-32,016	-2,027	-3,343	-5,369	-37,386
Depreciation	-2,422	-901	-386	-1,287	-3,709
Impairment of loans	-20,905	–	–	–	-20,905
Profit/loss for the year	92,895	24,084	93,232	117,316	210,211
Assets	15,209,726	6,772,439	2,888,236	9,660,675	24,870,400
Liabilities and equity	15,209,726	6,772,439	2,888,236	9,660,675	24,870,400

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)	2015 NET INTEREST INCOME	2014 NET INTEREST INCOME
Member countries		
Denmark	14,520	13,286
Estonia	1,922	1,576
Finland	30,650	30,138
Iceland	5,438	4,855
Latvia	2,981	3,660
Lithuania	5,036	3,861
Norway	20,755	18,601
Sweden	32,093	32,258
Total, member countries	113,394	108,235
Non-member countries		
Africa	1,772	1,859
Asia	10,698	11,007
Europe and Eurasia	13,845	13,330
Latin America	5,573	5,015
Middle East	601	743
Total, non-member countries	32,490	31,954
Total, net interest income from lending	145,884	140,188

Note 2: Interest income and interest expense

(AMOUNTS IN EUR 1,000)	2015	2014
Interest income		
Cash and cash equivalents	-309	4,448
Debt securities	81,526	90,897
Loans outstanding	256,268	286,167
Other interest income	1,296	1,248
Total, interest income ¹	338,781	382,760
Interest expense		
Short-term amounts owed to credit institutions	-1,310	-491
Long-term amounts owed to credit institutions	-9	–
Debts evidenced by certificates	590,836	657,227
Swap contracts and other interest expenses, net	-497,511	-513,084
Total, interest expense ²	92,005	143,652

¹ Including interest income from financial assets recognised at amortised cost of EUR 308,583 (347,084) thousand.

² Including interest expense from financial liabilities recognised at amortised cost of EUR 122,710 (128,294) thousand.

Note 3: Commission income and fees received

(AMOUNTS IN EUR 1,000)	2015	2014
Commitment fees	2,053	1,911
Loan disbursement fees	7,239	6,267
Guarantee commissions	–	–
Premiums on prepayments of loans	2,549	733
Commissions on lending of securities	377	414
Total, commission income and fees received	12,218	9,326

Note 4: Net profit/loss on financial operations

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

(AMOUNTS IN EUR 1,000)	2015	2014
Bonds held at fair value, realised gains and losses	7,456	7,942
Floating-rate notes held at fair value, realised gains and losses	683	-3,525
Derivatives held at fair value, realised gains and losses	-9,242	-5,361
Commercial paper held at fair value, realised gains and losses	-1	–
Other financial placements held at fair value, realised gains and losses	-543	15
Financial instruments held at fair value, realised gains and losses, total	-1,647	-929
Bonds held at fair value, unrealised gains and losses ¹	-22,356	23,938
Floating-rate notes held at fair value, unrealised gains and losses ³	5,551	24,423
Derivatives held at fair value, unrealised gains and losses ²	4,153	-19,965
Commercial paper held at fair value, unrealised gains and losses ¹	25	12
Other financial placements held at fair value, unrealised gains and losses ⁴	3,110	-1,433
Financial instruments held at fair value, unrealised gains and losses, total	-9,517	26,974
Bonds held at amortised cost, realised gains and losses ⁵	627	431
Floating-rate notes held at amortised cost, realised gains and losses ⁵	–	-645
Financial instruments held at amortised cost, realised gains and losses, total	627	-214
Adjustment in fair value of hedged loans ²	-136,906	157,777
Adjustment in fair value of derivatives hedging loans ²	136,001	-158,531
Adjustment in fair value of hedged debts evidenced by certificates ²	171,545	-422,739
Adjustment in fair value of derivatives hedging debts evidenced by certificates ²	-149,973	422,474
Adjustment to hedge accounting, unrealised gains and losses of fair value hedges, total	20,667	-1,019
Repurchase of NIB bonds, other items	1,391	871
Total, net profit/loss on financial operations	11,521	25,684

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

² Fair value adjustment is determined using valuation techniques with observable market inputs (Level 2). In 2015, NIB implemented a new valuation model for derivative instruments in order to better align its valuation methods with current market practice. The new model is based on OIS curves; the old model was LIBOR-based. Another new factor that impacts unrealised gains and losses is the cross-currency basis spread. The cross-currency basis spread is the deviation in the nominal interest rate between two currencies in a currency interest rate swap that depends on the difference in the base interest rate of the currencies. This new element may add volatility to the financial statements. The unrealised gains and losses due to the cross-currency basis spreads will be restored by maturity.

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

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

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

Note 5: General administrative expenses

(AMOUNTS IN EUR 1,000)	2015	2014
Staff costs	30,783	27,369
Wages and salaries	25,067 ¹	22,204
Social security costs	522	518
Other staff costs	5,194	4,647
Pension premiums in accordance with the Finnish state pension system	6,074	5,895
Other pension premiums	1,665	1,796
Office premises costs	1,268	1,161
ICT service charges	4,389	3,238
Other general administrative expenses	7,364	6,996
Cost coverage, NDF and NEFCO	-969	-1,057
Cost coverage, rental income and other administrative income	-430	-444
Total	50,143	44,956
Host country reimbursement according to agreement with the Finnish Government	-8,403	-7,570
Net	41,740	37,386
Remuneration to the auditors		
Audit fee ²	130	119
Other audit-related service fees	0	78
Total remuneration	130	197

¹ An extra provision of EUR 2 million has been made for the purpose of planning, training and adapting to the changing banking industry requirements.

² The cost of issuing comfort letters and certificates in relation to the borrowing operations of the Bank is included in the audit fee.

Number of employees in permanent positions ¹

	2015	2014
Average number of employees	188	186
Average age of employees	47	46
Average period (years) of employment	12	11
Distribution by gender as of 31 Dec 2015 ¹		
All employees	189	188
Female	80	82
Male	109	106
Executive Committee (including the President)		
Female	1	1
Male	6	5
Professional staff		
Female	61	60
Male	94	92
Clerical staff		
Female	18	21
Male	9	9

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

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

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

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

NOTE 5: GENERAL ADMINISTRATIVE EXPENSES

Compensation for the BoD, the CC, the President and the ExCo is presented in the table below. The figures for the President and the ExCo include performance premiums.

(AMOUNTS IN EUR)	2015 COMPENSATION/ TAXABLE INCOME	2014 COMPENSATION/ TAXABLE INCOME
Board of Directors		
Chairman		
annual remuneration	13,258	13,258
attendee allowance	1,720	1,720
Other Directors and Alternates (15 persons)		
annual remuneration	75,967	76,244
attendee allowance	14,247	13,968
Control Committee		
Chairman		
annual remuneration	4,375	3,646 ¹
attendee allowance	430	430
Other members (9 persons)		
annual remuneration	16,549	15,305
attendee allowance	2,880	3,312
President	705,471	661,780
Members of the Executive Committee (6 persons) ²	2,385,977	2,389,425 ³

¹ No chairman 1 Nov – 31 Dec 2014

² 5 persons 1 Oct 2014 – 31 Mar 2015

³ Includes additional costs due to organisational changes

Pension obligations

NIB is responsible for arranging pension security for its employees. The current pension arrangement consists of pension 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 2015 was 18.25% of the employee's pensionable income; this amount is not included in the employee's taxable income. The employee's pension contribution was either 5.70% or 7.20%, depending on the employee's age. NIB pays this contribution for its permanent staff, and this part 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, 6.50%, is calculated on the basis of the employee's taxable income and paid, in general, until the age of 63. This amount is not included in the employee's taxable income.

NIB's contribution (employer's and employee's part) to the Finnish state pension system (VaEL) regarding the President amounted to EUR 179,542 and to the supplementary pension scheme EUR 40,164. The corresponding figures for the ExCo members were EUR 571,742 and EUR 251,342.

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 (0.25% in July–December 2015). 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 2015, there were no (-) outstanding staff loans to the President or the ExCo members.

Additional benefits for expatriates

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

Rental agreement

NIB owns its headquarters office building in Helsinki. The building's total area is 18,500 m². The Bank rents office space totalling 2,087 m² adjacent to its main office building. A total of 2,350 m² is rented to external parties. Furthermore, in 2015 the Bank rented office space totalling 33 m² in Moscow.

Note 6: Impairment of loans

(AMOUNTS IN EUR 1,000)	2015	2014
Credit losses from loans	–	70
Credit losses on receivables from defaulted lending counterparties	-428	–
Allowances for impairment net change, individually assessed	-88	2,171
Allowances for impairment net change, collectively assessed	5,807	18,665
Reversals of previously recorded allowances for credit losses	-2,782	–
Impairment of loans and other assets	2,509	20,905

See also Note 8.

Note 7: Financial placements

The debt securities were issued by the following counterparties:

(AMOUNTS IN EUR MILLION)	2015	2014
Governments	1,219	1,343
Public institutions	1,623	1,527
Other	3,238	2,619
Total, debt securities	6,080	5,490

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

(AMOUNTS IN EUR MILLION)	BOOK VALUE		FAIR VALUE	
	2015	2014	2015	2014
Held at fair value	3,154	2,889	3,154	2,889
Held at amortised cost	2,926	2,601	3,057	2,768
Total, debt securities	6,080	5,490	6,211	5,656

Of these debt securities, EUR 4,345 (4,047) million is at fixed interest rates and EUR 1,735 (1,443) 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
2015	73	74	0
2014	96	98	2
2013	169	164	-4
2012	297	275	-22
2011	409	370	-39
2010	505	483	-22
2009	606	585	-21
2008	684	630	-54
1 Sep 2008	762	715	-47

NOTE 7: FINANCIAL PLACEMENTS

(AMOUNTS IN EUR MILLION)	RECOGNISED INTEREST INCOME DUE TO RECLASSIFICATION	CHANGE IN UNRECOGNISED ADJUSTMENT TO FAIR VALUE	IMPACT ON PROFIT IF THE RECLASSIFICATION HAD NOT BEEN IMPLEMENTED
2015	-0.6	-1.7	-2.3
2014	-0.7	6.2	5.5
2013	-1.4	17.4	16.1
2012	-6.1	17.4	11.3
2011	-7.3	-17.7	-25.0
2010	-8.6	-0.2	-8.7
2009	-8.6	32.6	24.0
2008	-1.5	-7.3	-8.8

Note 8: Loans outstanding and guarantee commitments

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

(AMOUNTS IN EUR MILLION)	2015	2014
Ordinary Loans		
Investment loans in the member countries	13,159	12,403
Investment loans in other countries	545	519
Regional loans in the Nordic countries	2	3
Adjustment to hedge accounting	249	378
Total	13,956	13,303
Project Investment Loans (PIL)		
Africa	145	188
Asia	730	828
Europe and Eurasia	326	369
Latin America	433	389
Middle East	43	52
Adjustment to hedge accounting	13	22
Total	1,689	1,848
Environmental Investment Loans (MIL)	43	61
Collective impairment	-61	-55
Total, loans outstanding	15,627	15,156

The figure for loans outstanding, EUR 15,627 (15,156) million, includes medium-term notes (MTN) of EUR 618 (735) million. These are held at amortised cost unless they form part of a qualifying hedging relationship with a derivative. In a hedge accounting relationship, the MTNs are recognised at fair value.

Loans outstanding at floating interest rates amounted to EUR 12,897 (12,310) million, while those at fixed interest rates amounted to EUR 2,529 (2,502) million. There were no guarantee commitments (-) under Ordinary Lending as of 31 December 2015.

The Bank views forbearance to be modification of loan agreements when the counterparty is considered to be unable to meet the terms and conditions of the contract due to financial difficulties. Modification of the terms and conditions of the contract may include, for example, reduction of the interest rate, principal or accrued interest, or rescheduling of the payment dates of principal and/or interest, and has an actual effect on the future cash flows. Loan forbearance is granted on a selective basis and purposefully to avoid counterparty default in favour of the Bank's collection opportunities. Counterparties under forbearance activities are moved to the watch list, and are subject to the impairment policies of the Bank. As of 31 December 2015, a total of EUR 45.9 (120.8) million of Ordinary Loans and EUR 101.1 (96.5) million of Project Investment Loans from the Bank's loans outstanding before impairments are affected by forbearance, and respectively after impairments EUR 45.9 (120.8) million of Ordinary Loans, and EUR 46.2 (44.8) million of Project Investment Loans. The loans affected by forbearance amounted to interest income of EUR 9.2 million in 2015. See also "Credit risk monitoring" under Risk Management.

As of December 2015, there was one (one) non-performing MIL loan totalling EUR 14.8 million. See also "Impairment of loans and receivables" under Accounting policies.

NOTE 8: LOANS OUTSTANDING AND GUARANTEE COMMITMENTS

A total of EUR 192.3 (181.7) million has been deducted from the Bank's loans outstanding and from lending claims in "other assets". Specific allowances for impairment amounted to EUR 131.0 million and collectively assessed allowances amounted to EUR 61.3 million. During 2015, no (-) lending transactions were converted into claims under "other assets". The following changes in allowances for impairment and effects of foreign currency movements are recognised in the statement of comprehensive income under "impairment of loans" and "foreign exchange gains and losses".

Specific and collective allowances for impairment

(AMOUNTS IN EUR MILLION)	2015	2014
Balance at 1 January	181.7	156.6
Allowances for impairment, individually assessed	7.5	14.2
Allowances for impairment, collectively assessed	5.8	18.7
Reversals of previously recorded allowances for impairment	-2.8	-7.7
Balance at 31 December	192.3	181.7

See also Note 6.

The distribution of allowances for impairment was as follows:

(AMOUNTS IN EUR MILLION)	2015	2014
Distribution by loan facility		
Ordinary Loans	–	–
Project Investment Loans (PIL)	54.9	51.7
Allowances for impairment, loans outstanding	54.9	51.7
Collective impairment	61.3	55.5
Impairment losses on defaulted loan customers, other assets	76.1	74.5
Total	192.3	181.7

(AMOUNTS IN EUR MILLION)	2015	2014
Distribution by NIB business areas		
Energy & Environment	4.1	3.8
Financial Institutions & SMEs	–	–
Industries and Services	–	–
Infrastructure, Transportation and Telecom	50.8	47.9
Allowances for impairment, loans outstanding	54.9	51.7
Collective impairment	61.3	55.5
Impairment losses on defaulted loan customers, other assets	76.1	74.5
Total	192.3	181.7

As of 31 December 2015, loans agreed but not yet disbursed amounted to the following:

(AMOUNTS IN EUR MILLION)	2015	2014
Loans agreed but not yet disbursed		
Ordinary Loans	936	1,005
Project Investment Loans	230	284
Environmental Investment Loans	27	27
Total, loans agreed but not yet disbursed	1,193	1,316

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

(AMOUNTS IN EUR MILLION)	2015		2014	
	SHARE, IN %		SHARE, IN %	
Loans outstanding as of 31 December				
Energy & Environment	4,575	30%	4,529	31%
Financial Institutions & SMEs	2,108	14%	2,016	14%
Industries and Services	4,910	32%	5,149	35%
Infrastructure, Transportation and Telecom	3,833	25%	3,119	21%
Collective impairment	-61		-55	
Adjustments to hedge accounting	263		399	
Total	15,627	100%	15,156	100%
Loans disbursed				
Energy & Environment	483	18%	756	33%
Financial Institutions & SMEs	394	15%	137	6%
Industries and Services	932	34%	827	36%
Infrastructure, Transportation and Telecom	907	33%	554	24%
Total	2,716	100%	2,274	100%

Currency distribution of loans outstanding

(NOMINAL AMOUNTS IN EUR MILLION)	ORDINARY LOANS		PIL LOANS		TOTAL ¹	
	2015	2014	2015	2014	2015	2014
Currency						
Nordic currencies	4,400	4,139	66	65	4,466	4,204
EUR	7,574	7,200	509	591	8,111	7,828
USD	1,556	1,424	1,046	1,097	2,616	2,544
Other currencies	177	162	54	74	232	237
Total	13,707	12,925	1,676	1,826	15,426	14,812
Adjustment to hedge accounting	249	378	13	22	263	399
Collective impairment					-61	-55
Total, loans outstanding	13,956	13,303	1,689	1,848	15,627	15,156

¹ The total amount also includes EUR 43 (61) million in Environmental Investment Loans (MIL)

Distribution of loans outstanding and guarantees by various types of security

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

(AMOUNTS IN EUR MILLION)	2015		2014	
	AMOUNT	SHARE, IN %	AMOUNT	SHARE, IN %
Loans to or guaranteed by governments				
Loans to or guaranteed by member countries	327		346	
Loans to or guaranteed by other countries	1,128		1,202	
Loans to or guaranteed by governments, total	1,456	9.5%	1,548	10.5%
Loans to or guaranteed by local authorities in member countries	1,642	10.7%	1,192	8.1%
Loans to or guaranteed by companies owned 50% or more by member countries or local authorities in member countries	1,402	9.1%	1,349	9.1%
Loans to or guaranteed by banks	1,258	8.2%	1,063	7.2%
Loans backed by a lien or other security in property	1,109	7.2%	773	5.2%
Loans with a guarantee from the parent company and other guarantees	810	5.3%	1,337	9.1%
Loans with a negative pledge clause and other covenants	7,748	50.4%	7,547	51.1%
Loans without formal security	0	0.0%	3	0.0%
Collective impairment	-61		-55	
Total	15,364	100.0%	14,757	100.0%
Adjustment to hedge accounting	263		399	
Total, loans outstanding	15,627		15,156	

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

(AMOUNTS IN EUR 1,000)	2015		2014	
	AMOUNT OF GUARANTEE	SHARE, IN %	AMOUNT OF GUARANTEE	SHARE, IN %
Member country				
Denmark	377,821	21.0%	377,821	21.0%
Estonia	13,139	0.7%	13,139	0.7%
Finland	344,860	19.2%	344,860	19.2%
Iceland	15,586	0.9%	15,586	0.9%
Latvia	19,058	1.1%	19,058	1.1%
Lithuania	29,472	1.6%	29,472	1.6%
Norway	329,309	18.3%	329,309	18.3%
Sweden	670,755	37.3%	670,755	37.3%
Total	1,800,000	100.0%	1,800,000	100.0%

According to NIB's Statutes, the member countries shall cover 100% of the Bank's losses arising from failure of payment in connection with MIL loans. The MIL loan facility has a statutory ceiling of EUR 300 million. Following the Board of Directors' decision to call for payments under the MIL guarantees in 2014 due to non-payment of one MIL loan, all member countries made guarantee payments to the Bank.

NOTE 8: LOANS OUTSTANDING AND GUARANTEE COMMITMENTS

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

(AMOUNTS IN EUR 1,000)	2015		2014	
	AMOUNT OF GUARANTEE	SHARE, IN %	AMOUNT OF GUARANTEE	SHARE, IN %
Member country				
Denmark	65,573	23.4%	65,573	23.4%
Estonia	2,048	0.7%	2,048	0.7%
Finland	48,051	17.1%	48,051	17.1%
Iceland	2,981	1.1%	2,981	1.1%
Latvia	2,971	1.1%	2,971	1.1%
Lithuania	4,594	1.6%	4,594	1.6%
Norway	57,354	20.4%	57,354	20.4%
Sweden	97,005	34.6%	97,005	34.6%
Total	280,577	100.0%	280,577	100.0%

Furthermore, in 2015 the Bank decided to call on the MIL guarantee due to non-payment of one MIL loan. The execution of the decision will take place in 2016.

Note 9: Intangible assets, tangible assets (property and equipment)

The Bank's intangible assets amounted to EUR 0.0 (5.2) million.

(AMOUNTS IN EUR 1,000)	COMPUTER SOFTWARE DEVELOPMENT COSTS, TOTAL 2015	COMPUTER SOFTWARE DEVELOPMENT COSTS, TOTAL 2014
Intangible assets		
Acquisition value at the beginning of the year	26,576	24,939
Acquisitions during the year	1,005	1,637
Sales/disposals during the year	–	–
Acquisition value at the end of the year	27,581	26,576
Accumulated amortisation at the beginning of the year	21,359	19,828
Amortisation for the year	6,222 ¹	1,531
Accumulated amortisation on sales/disposals during the year	–	–
Accumulated amortisation at the end of the year	27,581	21,359
Net book value	0	5,217

¹ Including effect of EUR 4.2 million from change in depreciation methodology and plan on intangible assets.

As of 31 December 2015, 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 22.3 (23.0) million.

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

2015

(AMOUNTS IN EUR 1,000)	BUILDINGS	OFFICE EQUIPMENT AND OTHER TANGIBLE ASSETS	TOTAL
Tangible assets			
Acquisition value at the beginning of the year	33,769	20,017	53,786
Acquisitions during the year	–	2,572	2,572
Sales/disposals during the year	–	-136	-136
Acquisition value at the end of the year	33,769	22,453	56,222
Accumulated depreciation at the beginning of the year	10,771	14,692	25,462
Depreciation for the year	673	1,842 ¹	2,515
Accumulated depreciation on sales/disposals during the year	–	-115	-115
Accumulated depreciation at the end of the year	11,444	16,419	27,863
Net book value	22,326	6,034	28,360

¹ Includes additional depreciation of EUR 0.3 million.

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 2015, there were no indications of impairment of the intangible or tangible assets.

2014

(AMOUNTS IN EUR 1,000)	BUILDINGS	OFFICE EQUIPMENT AND OTHER TANGIBLE ASSETS	TOTAL
Tangible assets			
Acquisition value at the beginning of the year	33,769	19,356	53,126
Acquisitions during the year	–	918	918
Sales/disposals during the year	–	-257	-257
Acquisition value at the end of the year	33,769	20,017	53,786
Accumulated depreciation at the beginning of the year	10,097	13,388	23,486
Depreciation for the year	673	1,504	2,178
Accumulated depreciation on sales/disposals during the year	–	-201	-201
Accumulated depreciation at the end of the year	10,771	14,692	25,462
Net book value	22,999	5,325	28,324

Note 10: Depreciation

(AMOUNTS IN EUR 1,000)	2015	2014
Intangible assets	6,222 ¹	1,531
Tangible assets	2,515	2,178
Buildings	673	673
Office equipment	1,842 ²	1,504
Total	8,737	3,709

¹ Including effect of EUR 4.2 million from change in depreciation methodology and plan on intangible assets.

² Includes additional depreciation of EUR 0.3 million.

Note 11: Other assets

Derivatives are included in "Other assets".

(AMOUNTS IN EUR MILLION)	2015	2014
Interest rate swaps ¹	18,274	15,763
Currency swaps ²	17,996	18,677
Total, nominal amount	36,270	34,440
Netting of nominal amount per derivative	-34,358	-32,970
Derivative receivables, net	1,912	1,470
Adjustment to hedge accounting and changes in fair value of non-hedging derivatives	646	728
Derivative instruments	2,558	2,198
Receivables from defaulted counterparties	6	8
Other	17	12
Total	2,581	2,217

¹ Interest rate swaps at floating interest rates EUR 6,200 (6,323) million and fixed interest rates EUR 12,073 (9,440) million.

² Currency swaps at floating interest rates EUR 11,309 (11,480) million and fixed interest rates EUR 6,686 (7,197) million.

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

Derivative instruments net exposure after collaterals

(AMOUNTS IN EUR MILLION)	2015	2014
Derivative instruments in financial position	2,558	2,198
Netting by counterparty	-795	-799
Derivative instruments net per counterparty	1,763	1,399
Accrued interest net per counterparty	97	109
Net exposure before collaterals	1,861	1,508
Collateral received	-1,725	-1,382
Net exposure	135	125

See also Risk Management, Credit Risk, Credit Risk Mitigation.

Note 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	
	2015	2014	2015	2014	2015	2014
Currency						
USD	9,675	8,078	-5,169	-4,054	4,506	4,024
AUD	2,369	2,637	-2,369	-2,637	0	0
NZD	1,821	1,603	-1,821	-1,603	0	0
EUR	1,222	723	8,490	8,550	9,648	9,273
GBP	1,144	1,516	-1,144	-1,516	0	0
JPY	559	735	-548	-722	11	13
Nordic currencies	2,175	1,761	2,901	2,878	5,076	4,639
Other currencies	1,272	1,597	-1,051	-1,373	220	224
Total	20,238	18,650	-712	-477	19,461	18,173
Adjustment to hedge accounting and changes in fair value of non-hedging derivatives	624	796	-365	-392	259	404
Total, borrowing outstanding	20,862	19,446	-1,077	-869	19,721	18,577

The table set forth above includes the following medium-term note (MTN) programmes: 124 (156) borrowing transactions in the equivalent amount of EUR 5,862 (6,671) million entered into under the Bank's euro MTN programme; 11 (10) borrowing transactions in the equivalent amount of EUR 9,706 (7,824) million under the Bank's US MTN programmes; and 37 (38) borrowing transactions in the equivalent amount of EUR 4,171 (4,174) million under the Bank's Australian MTN programme. There were no borrowing transactions outstanding under the Bank's Swedish MTN programme during the years 2015 and 2014. The Bank has established a EUR 2,000 million commercial paper programme in Europe.

Of debt securities issued, the amount of EUR 1,402 (2,001) million is at floating interest rates, while EUR 18,725 (16,587) million is at fixed interest rates and EUR 64 (-) million is in short-term discounted papers. Of the other borrowing transactions, the amount of EUR 10 (10) million is at floating interest rates, while EUR 37 (52) million is at fixed interest rates.

Note 13: Other liabilities

Derivatives are included in “Other liabilities”.

(AMOUNTS IN EUR MILLION)	2015	2014
Interest rate swaps ¹	18,274	15,747
Currency swaps ²	17,255	18,182
Total, nominal amount	35,529	33,930
Netting of nominal amount per derivative	-34,329	-32,937
Derivative payables, net	1,200	993
Adjustment to hedge accounting and changes in fair value of non-hedging derivatives	281	336
Derivative instruments	1,481	1,329
Other	10	7
Total	1,491	1,336

¹ Interest rate swaps at floating interest rates EUR 14,427 (11,909) million and fixed interest rates EUR 3,847 (3,838) million.

² Currency swaps at floating interest rates EUR 16,929 (18,065) million and fixed interest rates EUR 327 (118) million.

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

Derivative instruments net exposure after collaterals

(AMOUNTS IN EUR MILLION)	2015	2014
Derivative instruments in financial position	1,481	1,329
Netting by counterparty	-795	-799
Derivative instruments net per counterparty	686	530
Accrued interest net per counterparty	-79	-64
Net exposure before collaterals	607	465
Collateral given	-94	–
Net exposure	513	465

See also Risk Management, Credit Risk, Credit Risk Mitigation.

Note 14: Authorised capital – paid-in capital

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

(AMOUNTS IN EUR MILLION)	2015	SHARE, IN %	2014	SHARE, IN %
Member country				
Denmark	1,293.9	21.1%	1,293.9	21.1%
Estonia	56.3	0.9%	56.3	0.9%
Finland	1,088.1	17.7%	1,088.1	17.7%
Iceland	58.1	0.9%	58.1	0.9%
Latvia	82.1	1.3%	82.1	1.3%
Lithuania	119.8	2.0%	119.8	2.0%
Norway	1,320.8	21.5%	1,320.8	21.5%
Sweden	2,122.8	34.6%	2,122.8	34.6%
Total	6,141.9	100.0%	6,141.9	100.0%

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

(AMOUNTS IN EUR MILLION)	2015	SHARE, IN %	2014	SHARE, IN %
Member country				
Denmark	89.2	21.3%	89.2	21.3%
Estonia	3.1	0.7%	3.1	0.7%
Finland	74.4	17.8%	74.4	17.8%
Iceland	3.9	0.9%	3.9	0.9%
Latvia	4.4	1.1%	4.4	1.1%
Lithuania	6.9	1.6%	6.9	1.6%
Norway	77.1	18.4%	77.1	18.4%
Sweden	159.5	38.1%	159.5	38.1%
Total	418.6	100.0%	418.6	100.0%

Note 15: Statutory reserve and credit risk funds

At the end of 2015, 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 1,430.3 million in 2015.

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 2015, 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 on the member country guarantees.

Taken together, these credit risk funds (General Credit Risk Fund and Special Credit Risk Fund PIL) amounted to EUR 1,826.2 million as of 31 December 2015.

Note 16: Collateral and commitments

(AMOUNTS IN EUR MILLION)	2015	2014
Guarantees issued at nominal amount (Note 8)	–	–
Loans agreed but not yet disbursed (Note 8)	1,193	1,316
Borrowing commitments	–	54
Collateral provided for staff loans ¹	–	–
Securities given as collateral for repurchase agreements ¹	121	–
Callable commitments in financial placements	6	9
Collateral received for collateralised placements ^{2 3}	1,677	727
Gross collateral with respect to derivatives exposure		
Collateral received ^{2 4}	1,829	1,452
Collateral given ¹	94	–

¹ Book value.

² Fair value.

³ Including cash of EUR 8 (14) million and securities of EUR 1,669 (713) million received.

⁴ Including cash of EUR 1,440 (818) million and securities of EUR 389 (634) million received.

Note 17: Fair value of financial instruments

(AMOUNTS IN EUR MILLION)	2015			2014		
	CARRYING AMOUNT	FAIR VALUE	DIFFERENCE	CARRYING AMOUNT	FAIR VALUE	DIFFERENCE
Assets						
Cash accounts with banks ¹	111	111	–	100	100	–
Cash equivalents held at fair value ¹	1,985	1,985	–	1,123	1,123	–
Other cash and cash equivalents held at amortised cost ²	570	570	–	417	417	–
Cash and cash equivalents, total	2,666	2,666	–	1,639	1,639	–
Placements with credit institutions ²	8	8	–	7	7	–
Debt securities held at fair value ^{1 3}	3,154	3,154	–	2,889	2,889	–
Other debt securities held at amortised cost ¹	2,926	3,057	131	2,601	2,768	167
Debt securities, total	6,080	6,211	131	5,490	5,656	167
Other financial placements at fair value ^{1 3}	22	22	–	22	22	–
Hedged loans outstanding in fair value hedging relationships ²	2,749	2,749	–	2,899	2,899	–
Loans outstanding, other ²	12,878	12,877	-1	12,257	12,259	2
Loans outstanding, total	15,627	15,626	-1	15,156	15,159	2
Hedging derivatives at fair value ²	1,115	1,115	–	1,274	1,274	–
Other derivatives at fair value ²	1,443	1,443	–	924	924	–
Derivatives at fair value, total	2,558	2,558	–	2,198	2,198	–
Receivables from defaulted counterparties at fair value ³	6	6	–	8	8	–
			130			169
Liabilities						
Short-term amounts owed to credit institutions ²	1,449	1,449	–	872	872	–
Long-term amounts owed to credit institutions ²	18	18	–	–	–	–
Repurchase agreements ²	123	123	–	–	–	–
Hedged debt securities issued in fair value hedging relationships ²	20,051	20,051	–	18,675	18,675	–
Other debt securities issued ²	751	749	-1	694	695	1
Debt securities issued, total	20,802	20,801	-1	19,369	19,370	1
Hedged other debt in fair value hedging relationships ²	60	60	–	77	77	–
Other debt ²	–	–	–	–	–	–
Other debt, total	60	60	–	77	77	–
Hedging derivatives at fair value ²	1,371	1,371	–	1,152	1,152	–
Other derivatives at fair value ²	109	109	–	177	177	–
Derivatives at fair value, total	1,481	1,481	–	1,329	1,329	–
			-1			–
Net			128			169

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

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

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

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

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

(AMOUNTS IN EUR MILLION)	2015			2014		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Assets						
Cash accounts with banks	111			100		
Cash equivalents held at fair value	1,985			1,123		
Other cash and cash equivalents held at amortised cost		570			417	
Cash and cash equivalents, total	2,096	570		1,222	417	
Placements with credit institutions		8			7	
Debt securities held at fair value	3,132		22	2,865		23
Other debt securities held at amortised cost	3,057			2,768		
Debt securities, total	6,189		22	5,633		23
Other financial placements held at fair value	2		20	2		21
Hedged loans outstanding in fair value hedging relationships		2,749			2,899	
Loans outstanding, other		12,877			12,259	
Loans outstanding, total		15,626			15,159	
Derivatives		2,558 ¹			2,198	
Receivables from defaulted counterparties			6			8 ²
Financial assets, total	8,287	18,761	49	6,857	17,780	51
Liabilities						
Short-term amounts owed to credit institutions		1,449			872	
Long-term amounts owed to credit institutions		18				
Repurchase agreements		123				
Debt securities issued						
Hedged debt securities issued in fair value hedging relationships		20,051			18,675	
Other debt securities issued		749			695	
Hedged other debt in fair value hedging relationships		60			77	
Other debt		–			–	
Debt securities issued, total		20,861			19,446	
Derivatives		1,481 ¹			1,329	
Financial liabilities, total		23,931			21,647	

¹ Due to ongoing negotiations regarding two-way Credit Support Annex (CSA) for derivatives, the Bank has decided to exclude Credit Valuation Adjustment (CVA), reflecting the market value of counterparty default risk, and Debit Valuation Adjustment (DVA), reflecting the market value of the Bank's own default, in the fair values of derivative positions. The negotiations are expected to be finalised during 2016. At 31 December 2015, CVA amounted to EUR -12 million, while DVA was EUR 31 million. Under the assumption that the two-way CSA negotiations would reach agreement with all counterparties, CVA is estimated to amount to EUR -6 million, while DVA would amount to EUR 3 million at 31 December 2015.

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

Changes in fair values categorised at level 3

(AMOUNTS IN EUR MILLION)	DEBT SECURITIES HELD AT FAIR VALUE	OTHER FINANCIAL PLACEMENTS HELD AT FAIR VALUE	RECEIVABLES FROM DEFAULTED COUNTERPARTIES	LEVEL 3, TOTAL
31 Dec 2013	43	23	8	74
Matured transactions	-5			-5
Sold transactions	-16		-7	-23
Changes in fair values	–	-1	6	4
31 Dec 2014	23	21	8	51
Matured transactions		-1		-1
Sold transactions			-48	-48
Changes in fair values	-1	1	46	46
31 Dec 2015	22	20	6	49

Sensitivity analysis of level 3 financial instruments

(AMOUNTS IN EUR MILLION)	2015			2014		
	CARRYING AMOUNT	FAVOURABLE CHANGE	UNFAVOURABLE CHANGE	CARRYING AMOUNT	FAVOURABLE CHANGE	UNFAVOURABLE CHANGE
Financial instruments categorised at level 3	49	1	-1	51	1	-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 cash flow evaluation on Bloomberg. The implied market spread over the 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 the present value of their cash flows. No quotation exists for these placements.

Note 18: Maturity profile of financial assets and liabilities

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

2015

(AMOUNTS IN EUR MILLION)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	UP TO AND INCLUDING 3 MONTHS	OVER 3 MONTHS AND UP TO AND INCLUDING 6 MONTHS	OVER 6 MONTHS AND UP TO AND INCLUDING 1 YEAR	OVER 1 YEAR AND UP TO AND INCLUDING 5 YEARS	OVER 5 YEARS
Assets							
Cash and cash equivalents	2,666	2,666	2,666	–	–	–	–
Financial placements							
Debt securities	6,080	6,325	288	494	652	4,282	609
Loans outstanding	15,627	16,847	365	739	948	7,602	7,193
Other assets							
Derivatives							
Receivables	30,424	13,580	576	1,696	1,143	7,238	2,928
Payables	-27,866	-10,443	-395	-1,177	-830	-5,754	-2,288
	2,558	3,137	182	519	313	1,484	641
Assets, total	26,931	28,976	3,501	1,752	1,913	13,368	8,443
Liabilities							
Amounts owed to credit institutions							
Short-term	1,449	1,449	1,449	–	–	–	–
Long-term	18	18	–	–	18	–	–
	1,467	1,467	1,449	–	18	–	–
Repurchase agreements	123	122	–	122	–	–	–
Debts evidenced by certificates	20,862	22,393	1,414	2,544	502	13,434	4,500
Other liabilities							
Derivatives							
Receivables	-6,491	-6,403	-165	-290	-236	-3,769	-1,942
Payables	7,972	7,250	153	373	196	4,113	2,415
	1,481	847	-13	83	-40	343	473
Liabilities, total	23,932	24,830	2,850	2,749	480	13,778	4,972
Net during the period			651	-998	1,433	-410	3,470
Loans agreed but not yet disbursed			1,193	–	–	–	–

2014

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

Note 19: Interest rate risk

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

2015

(AMOUNTS IN EUR MILLION)	UP TO AND INCLUDING 3 MONTHS	OVER 3 MONTHS AND UP TO AND INCLUDING 6 MONTHS	OVER 6 MONTHS AND UP TO AND INCLUDING 1 YEAR	OVER 1 YEAR AND UP TO AND INCLUDING 5 YEARS	OVER 5 YEARS AND UP TO AND INCLUDING 10 YEARS	OVER 10 YEARS	UNDEFINED	TOTAL
Assets								
Cash and cash equivalents	2,666	–	–	–	–	–	0	2,666
Financial placements								
Placements with credit institutions	–	–	–	–	–	–	8	8
Debt securities	1,925	159	329	3,106	504	35	22	6,080
Other	–	–	–	–	–	–	22	22
	1,925	159	329	3,106	504	35	52	6,110
Loans outstanding	6,264	6,604	269	977	860	452	201	15,627
Intangible assets	–	–	–	–	–	–	–	–
Tangible assets	–	–	–	–	–	–	28	28
Other assets								
Derivatives								
Receivables ¹	15,773	5,211	212	11,442	3,008	624	646	36,916
Other assets	–	–	–	–	–	–	23	23
Accrued interest and fees receivable	–	–	–	–	–	–	299	299
Total assets	26,627	11,975	810	15,525	4,371	1,111	1,250	61,669
Liabilities and equity								
Liabilities								
Amounts owed to credit institutions								
Short-term	1,449	–	–	–	–	–	–	1,449
Long-term	–	–	18	–	–	–	–	18
	1,449	0	18	0	0	0	0	1,467
Repurchase agreements	–	123	–	–	–	–	0	123
Debts evidenced by certificates	2,275	2,699	212	11,496	3,008	548	624	20,862
Other liabilities								
Derivatives								
Payables ¹	23,875	7,986	246	1,558	1,185	679	309	35,838
Other liabilities	–	–	–	–	–	–	10	10
Accrued interest and fees payable	–	–	–	–	–	–	223	223
Total liabilities	27,599	10,808	476	13,053	4,193	1,227	1,166	58,523
Equity	–	–	–	–	–	–	3,146	3,146
Total liabilities and equity	27,599	10,808	476	13,053	4,193	1,227	4,313	61,669
Net during the period	-972	1,167	335	2,471	179	-117	-3,063	0
Cumulative net during the period	-972	194	529	3,000	3,179	3,063	0	
Guarantee commitments	–	–	–	–	–	–	–	–

2014

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

¹ Swaps are not netted.

Note 20: Currency risk

NIB's operations are mostly in euro and US dollars. The table below shows the net of assets and liabilities in the major currencies.

See also Risk Management, Market Risk.

Net currency position as of 31 December 2015:

(AMOUNTS IN EUR MILLION)	EUR	USD	SEK	NOK	DKK	OTHER CURRENCIES	FAIR VALUE ADJUSTMENTS AND SWAP NETTING	TOTAL
Assets								
Cash and cash equivalents	1,480	1,180	1	2	3	1	–	2,666
Financial placements								
Placements with credit institutions	8	–	–	–	–	–	–	8
Debt securities	4,662	827	195	109	287	1	–	6,080
Other financial placements	22	–	–	–	–	–	–	22
	4,692	827	195	109	287	1	–	6,110
Loans outstanding	8,027	2,639	2,248	1,657	559	235	263	15,627
Intangible assets	–	–	–	–	–	–	–	–
Tangible assets, property and equipment	28	–	–	–	–	–	–	28
Other assets								
Derivatives	-8,490	5,169	-1,640	-407	-856	6,937	1,846	2,558
Other assets	–	21	–	–	2	–	–	23
	-8,490	5,190	-1,640	-407	-854	6,937	1,846	2,581
Accrued interest and fees receivable	75	74	6	21	6	116	2	299
Total assets	5,812	9,909	809	1,382	–	7,290	2,110	27,311
Liabilities and equity								
Liabilities								
Amounts owed to credit institutions								
Short-term amounts owed to credit institutions	1,342	107	–	–	–	–	–	1,449
Long-term amounts owed to credit institutions	18	–	–	–	–	–	–	18
	1,360	107	–	–	–	–	–	1,467
Repurchase agreements	123	–	–	–	–	–	–	123
Debts evidenced by certificates								
Debt securities issued	1,111	9,739	805	1,364	–	7,172	611	20,802
Other debt	47	–	–	–	–	–	13	60
	1,158	9,739	805	1,364	–	7,172	624	20,862
Other liabilities								
Derivatives	–	–	–	–	–	–	1,481	1,481
Other liabilities	9	–	1	–	–	–	–	10
	9	–	1	–	–	–	1,481	1,491
Accrued interest and fees payable	23	63	2	18	–	116	2	223
Total liabilities	2,672	9,909	808	1,382	–	7,287	2,107	24,165
Equity	2,931	–	–	–	–	–	–	2,931
Total liabilities and equity	5,603	9,909	808	1,382	–	7,287	2,107	27,096
Net of assets and liabilities as of 31 Dec 2015	208	–	–	–	–	2	3	215

Net currency position as of 31 December 2014:

(AMOUNTS IN EUR MILLION)	EUR	USD	SEK	NOK	DKK	OTHER CURRENCIES	FAIR VALUE ADJUSTMENTS AND SWAP NETTING	TOTAL
Assets								
Cash and cash equivalents	486	991	58	1	102	2	–	1,639
Financial placements								
Placements with credit institutions	7	–	–	–	–	–	–	7
Debt securities	4,743	482	133	116	14	1	–	5,490
Other financial placements	22	–	–	–	–	–	–	22
	4,771	482	133	116	14	1	–	5,518
Loans outstanding	7,750	2,567	2,091	1,653	456	240	399	15,156
Intangible assets	5	–	–	–	–	–	–	5
Tangible assets, property and equipment	28	–	–	–	–	–	–	28
Other assets								
Derivatives	-8,550	4,054	-1,604	-701	-576	7,855	1,721	2,198
Other assets	–	17	–	–	2	–	–	19
	-8,551	4,071	-1,604	-701	-574	7,855	1,721	2,217
Accrued interest and fees receivable	84	73	8	22	3	121	-4	306
Total assets	4,574	8,184	686	1,091	1	8,219	2,116	24,870
Liabilities and equity								
Liabilities								
Amounts owed to credit institutions								
Short-term amounts owed to credit institutions	833	38	–	–	–	–	–	872
Long-term amounts owed to credit institutions	–	–	–	–	–	–	–	–
	833	38	–	–	–	–	–	872
Debts evidenced by certificates								
Debt securities issued	661	8,078	681	1,073	–	8,096	781	19,369
Other debt	62	–	–	–	–	–	15	77
	723	8,078	681	1,073	–	8,096	796	19,446
Other liabilities								
Derivatives	–	–	–	–	–	–	1,329	1,329
Other liabilities	7	–	–	–	–	–	–	7
	7	–	–	–	–	–	1,329	1,336
Accrued interest and fees payable	26	65	4	18	1	121	-4	231
Total liabilities	1,589	8,181	686	1,090	1	8,216	2,121	21,884
Equity	2,776	–	–	–	–	–	–	2,776
Total liabilities and equity	4,365	8,181	686	1,090	1	8,216	2,121	24,660
Net of assets and liabilities as of 31 Dec 2014	209	3	–	–	–	2	-4	210

Note 21: Related party disclosures

Nordic Development Fund and Nordic Environment Finance Corporation

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

(AMOUNTS IN EUR 1,000)	INTEREST FROM RELATED PARTIES	INTEREST TO RELATED PARTIES	AMOUNTS OWED BY RELATED PARTIES AS OF 31 DEC	AMOUNTS OWED TO RELATED PARTIES AS OF 31 DEC
2015	–	-22	13	17,994
2014	–	17	38	40,012

Rental income (NDF, NEFCO)

(AMOUNTS IN EUR 1,000)	NDF	NEFCO
2015	52	98
2014	141	294

Key management personnel

The Bank has identified members of the Board of Directors, the Control Committee and the Executive Committee as key management personnel. There have been no transactions between the Bank and key management personnel. Information regarding the compensation of key management personnel for the relevant reporting periods can be found in Note 5.

Note 22: Cash flow statement

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

(AMOUNTS IN EUR 1,000)	2015	2014
Cash and balances with banks ¹	111,256	99,786
Short-term placements with credit institutions	861,672	812,682
Collateralised placements ²	1,693,142	726,671
Cash and cash equivalents	2,666,070	1,639,139
Short-term amounts owed to credit institutions ³	-1,448,888	-872,010
Repurchase agreements	-122,556	–
Short-term debt	-64,277	–
Cash and cash equivalents, net	1,030,348	767,129
Change in cash and cash equivalents, net	263,219	-618,084

¹ Including an initial margin requirement of EUR 413 (836) thousand for futures on 31 December.

² Net exposure after collaterals for collateralised placements EUR 993 (164) thousand.

³ Of which cash received as collateral EUR 1,448,881 (831,553) thousand.

Note 23: Exchange rates

	EUR RATE ON 31 DEC 2015	EUR RATE ON 31 DEC 2014
DKK Danish krone	7.4626	7.4453
ISK Icelandic króna ¹	141.15	154.15
NOK Norwegian krone	9.603	9.042
SEK Swedish krona	9.1895	9.393
ARS Argentine peso ²	14.14056	10.29521
AUD Australian dollar	1.4897	1.4829
BRL Brazilian real	4.3117	3.2207
CAD Canadian dollar	1.5116	1.4063
CHF Swiss franc	1.0835	1.2024
CZK Czech koruna	27.023	27.735
GBP Pound sterling	0.73395	0.7789
HKD Hong Kong dollar	8.4376	9.417
JPY Japanese yen	131.07	145.23
MXN Mexican peso	18.9145	17.8679
NZD New Zealand dollar	1.5923	1.5525
PLN Polish zloty	4.2639	4.2732
RUB Russian rouble	80.6736	72.337
SDR Special drawing right ³	0.78565	0.838
SGD Singapore dollar	1.5417	1.6058
TRY Turkish lira	3.1765	2.832
TWD New Taiwan dollar ²	35.8096	38.1878
USD US dollar	1.0887	1.2141
ZAR South African rand	16.953	14.0353

¹ Reuters closing.

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

³ IMF (International Monetary Fund) closing per 31 December 2015 and per 31 December 2014.

Note 24: Post balance sheet events

There have been no material post balance sheet events that would require disclosure or adjustment to these financial statements. On 3 March 2016, the Board of Directors reviewed and signed the financial statements. These financial statements will be submitted for approval to the Annual Meeting of the Board of Governors scheduled to be held no later than by the end of May 2016.

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 2015, 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 2015, 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.

AUDITORS' REPORT

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, 4 March 2016

Sixten Nyman
Authorised Public Accountant

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Töölönlahdenkatu 3A
00100 Helsinki
Finland

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Authorised Public Accountant

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Tegelbacken 4A
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Sweden

STATEMENT BY THE CONTROL COMMITTEE OF THE NORDIC INVESTMENT BANK ON THE AUDIT OF THE ADMINISTRATION AND ACCOUNTS OF THE BANK

To the Board of Governors of the Nordic Investment Bank

In accordance with section 17 of the Statutes of the Nordic Investment Bank, we have been appointed to ensure that the operations of the Bank are conducted in accordance with its Statutes and to bear responsibility for the audit of the Bank and annually deliver an auditors' report to the Board of Governors. Having completed our assignment for the year 2015, 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 4 March 2016. 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 4 March 2016 by the authorised public accountants appointed by the Control Committee.

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

The Bank's operations during the financial year have been conducted in accordance with the Statutes;

The Board of Directors and the President have complied with the Statutes of the Bank; and that

The Financial Statements give a true and fair view of the financial position of the Bank as at 31 December 2015 and of its results and financing in 2015. The Statement of Comprehensive Income shows a profit of EUR 215,398,492.93 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, 4 March 2016

Leo Ašmanis

Sigurður Þórðarson
Arto Pirttilahti
Daiva Raudonienė

Karin Gaardsted
Höskuldur Þórhallsson
Michael Tetzschner

Remo Holsmer
Karina Korna
Penilla Gunther