



NORDIC
INVESTMENT
BANK

FINANCING
THE
FUTURE

ANNUAL REVIEW 2016

SUMMARY

Full Annual Report published at annualreport.nib.int/2016

How to obtain a loan from NIB

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

NIB finances only specific investment projects that fulfil the Bank's mission.

To improve competitiveness of its member countries, the NIB-financed projects should support productivity growth 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 ecosystem services,
- development of clean technology.

Projects have to comply with NIB's sustainability policy and guidelines.

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

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

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

The Bank also invests in green bonds issued by member country corporates and municipalities.

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

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

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

There is no standard application form for NIB financing. Please contact NIB for guidance on what information is required in the specific case. Visit NIB's website at nib.int for further information.

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NIB's credit and mandate process

1

LOAN INITIATIVE AND MANDATE EVALUATION

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

NIB will, based on written information and frequently also site visits, review and rate the proposed loan considering the:

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

2

ANALYSIS

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

The Bank will produce a loan proposal consisting of:

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

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

3

PROJECT APPROVAL

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

4

LOAN NEGOTIATIONS AND AGREEMENT

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

5

LOAN DISBURSEMENT

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

6

PROJECT MONITORING

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

7

EX-POST MANDATE ASSESSMENT

NIB will as a rule three years after commissioning of the financed investment project carry out an ex-post assessment regarding the fulfilment of the Bank's mandate.

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This brochure is a summary of NIB's Annual Report 2016.
The complete annual report for 2016, including financial
statements, is available at: annualreport.nib.int/2016

Cover image: In 2016, NIB signed a 15-year maturity loan with Norwegian power company Helgeland Kraft.

The NOK 470 million loan [EUR 50 million] helps finance six hydropower plants in the Helgeland region of Nordland County in Norway.

Front page image: Øvre Forsland hydropower plant, photo: Bjørn Leirvik, Helgeland Kraft

THIS IS NIB

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.

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 celebrated its 40th anniversary in 2016. The Bank was established in accordance with a treaty signed by the Nordic countries Denmark, Finland, Iceland, Norway and Sweden in December 1975. NIB started its activities in June 1976. The Nordic Council played an active and important role in the establishment of NIB. The Bank acted under the Council until 2005, when Estonia, Latvia and Lithuania became members of NIB on an equal footing.

Value creation to society



BONDS

NIB issues bonds to finance its operations



LOANS

NIB provides loans to projects fulfilling its mission



PROJECTS

Projects financed by NIB improve competitiveness and the environment

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.

The Bank 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 195 people in permanent positions at the end of 2016.

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 2016. 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 2016, the Bank's equity amounted to EUR 3,275.1 million. Further information on the composition of the Bank's equity is provided in the Statement of financial position and the Statement of changes in equity on the Bank's website at www.nib.int.

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.

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 2016, in accordance with the proposal made by the Board of Directors, the ordinary lending ceiling amounts to EUR 21,244 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 statutory 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 and 2016 the member countries' total guarantee liabilities as of year-end 2016 amount to EUR 266 million.

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 credit rating, AAA/Aaa, for long-term obligations and A-1+/P-1 for short-term obligations. NIB first obtained the highest possible credit rating in 1982. Since then, the Bank has continuously maintained this credit rating.



Member countries

Share of authorised capital and rating by credit rating agencies
Moody's and Standard & Poor's as of 31 January 2017.

Sweden..... Aaa/AAA..... 34.6%	Lithuania A3/A- 2%
Norway..... Aaa/AAA..... 21.5%	Latvia..... A3/A- 1.3%
Denmark..... Aaa/AAA..... 21.1%	Estonia..... A1/AA- 0.9%
Finland..... Aa1/AA+ 17.7%	Iceland A3/A- 0.9%

PRESIDENT'S REVIEW

The Nordic Investment Bank (NIB) experienced strong demand for long-term financing in 2016. This is of course reflected in NIB's annual results, which will be remembered as record-breaking. Demand increased mostly from municipalities in our member countries, much like in 2015. More than half of all our loan agreements were signed with new borrowers in different business sectors.

In 2016, NIB reached all-time highs with EUR 4.4 billion in agreed loans and EUR 3.4 billion in disbursed loans. The Bank also raised EUR 6.7 billion in new funding and continued to issue NIB Environmental Bonds. Despite the low interest rates, NIB made a profit of EUR 212 million (EUR 215 million in 2015).

Our significance lies in that we can provide "patient" money in the form of long-term loans, which is crucial for many projects. This can also create synergies between public and private sectors.

NIB continued to implement its recently updated strategy. We increased lending to SMEs and midcaps and launched an Arctic Financing Facility. NIB also started to purchase green bonds as part of its lending to projects that improve the environment. We want to further develop the green bond market, both as an issuer and a buyer of green bonds. This is a good example of how NIB seeks to stay relevant and add value.

NIB supports our Nordic and Baltic member countries' policies for improving competitiveness and the environment. That is our mission. In 2016, 96% of our agreed loans rated "good" or "excellent" in fulfilling this mission. All our projects are reviewed from the perspective of sustainability.

NIB exists as a tool for the Nordic and Baltic countries to create a prosperous and sustainable region. Do you have a project that improves competitiveness and/or the environment?

Henrik Normann
President & CEO

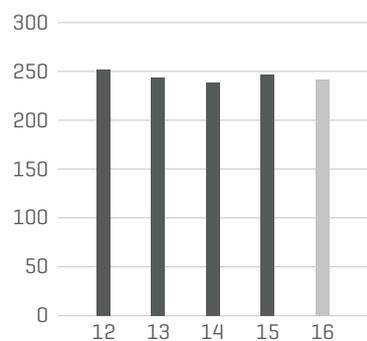


FIVE-YEAR COMPARISON

IN EUR MILLION	2016	2015	2014	2013	2012
STATEMENT OF COMPREHENSIVE INCOME, 1 JAN - 31 DEC					
Net interest income	242	247	239	244	252
Net commission and fee income	11	10	7	10	17
Total operating expenses	-45	-50	-41	-39	-38
Realised and unrealised gains and losses of financial instruments	20	-9	26	15	36
Net loan losses	-20	-3	-21	-15	-56
Adjustment to hedge accounting	4	21	-1	2	-1
Net profit for the year	212	215	210	217	209
Other comprehensive income	-28	-	-	-	-
Total comprehensive income	184	215	210	217	209
STATEMENT OF FINANCIAL POSITION, AS OF 31 DEC					
Assets					
Cash and cash equivalents, placements and debt securities	11,056	8,776	7,158	7,131	8,092
Loans outstanding	16,640	15,627	15,156	14,667	15,131
Intangible and tangible assets	28	28	34	35	34
Accrued interest and other assets	2,454	2,880	2,523	1,657	2,726
Total assets	30,178	27,311	24,870	23,490	25,983
Liabilities and equity					
Amounts owed to credit institutions and repurchase agreements	1,329	1,589	872	372	1,609
Debts evidenced by certificates	23,907	20,862	19,446	18,421	20,332
Accrued interest and other liabilities	1,667	1,713	1,567	1,866	1,377
Paid-in capital	419	419	419	419	419
Statutory reserve	686	686	686	686	686
Credit risk funds	1,986	1,826	1,671	1,509	1,352
Hedging reserve	-28	-	-	-	-
Profit/loss for the year	212	215	210	217	209
Total liabilities and equity	30,178	27,311	24,870	23,490	25,983
ACTIVITIES					
Disbursements of loans	3,373	2,716	2,274	1,922	2,355
Loans outstanding at year-end	16,640	15,627	15,156	14,667	15,131
New debt issues [including capitalisations]	6,700	4,276	3,361	4,080	4,355
Number of employees [average during year]	192	188	186	183	180

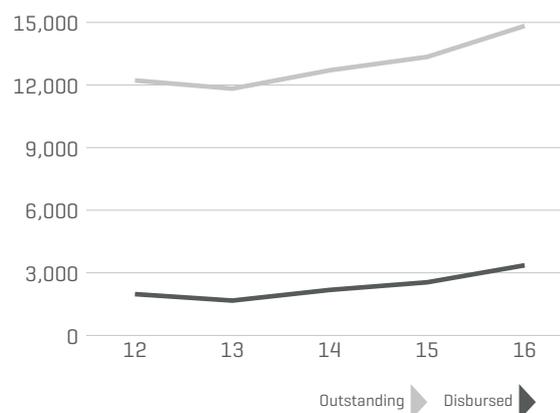
Net interest income

EUR m



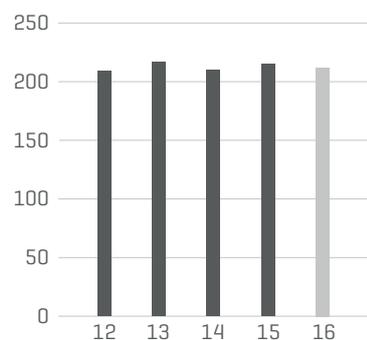
Loans in member countries

EUR m



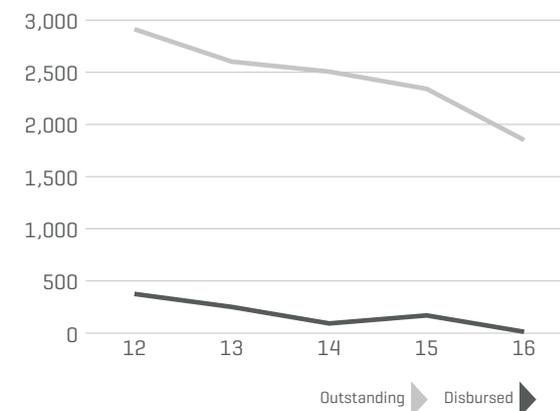
Profit/loss

EUR m



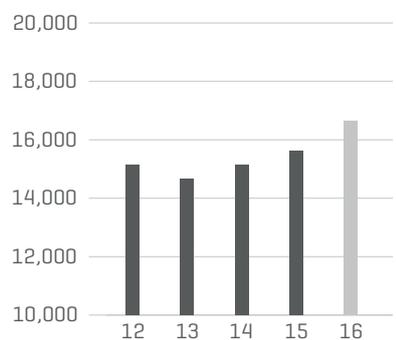
Loans in non-member countries

EUR m



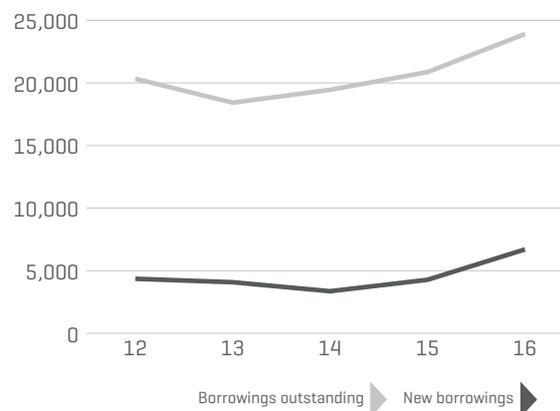
Loans outstanding

EUR m



Borrowings

EUR m



Lending

ALL-TIME HIGH

REACHED FOR LOANS DISBURSED

EUR 3.4 BILLION

LOANS AGREED

EUR 4.4

BILLION

FIRST LOANS UNDER THE
ARCTIC FACILITY AND TO
MIDCAP BORROWERS

NIB LENDING LAUNCHES
PROGRAMME TO BUY

**GREEN
BONDS**

In 2016, NIB's Board of Directors approved a total of EUR 4.8 billion in new loans. NIB agreed 58 loans and invested in eight green bonds. Aggregated, this amounts to EUR 4.4 billion, of which EUR 3.4 billion was disbursed. These volume figures represent all-time highs. More than two thirds of the new loans were made to new borrowers, supporting NIB's aim to broaden its client base.

The purpose of NIB's lending is to fulfil the Bank's mandate of improving the competitiveness and environment of the Nordic and Baltic countries. All projects considered eligible for financing are assessed according to their mandate contribution. NIB's high share of lending with a "good" or "excellent" mandate rating was sustained in 2016, accounting for 96% of all loans agreed.

The total amount of loans outstanding increased to EUR 16.6 billion by 31 December 2016, from EUR 15.6 billion a year earlier. No guarantees were outstanding at the end of the year.

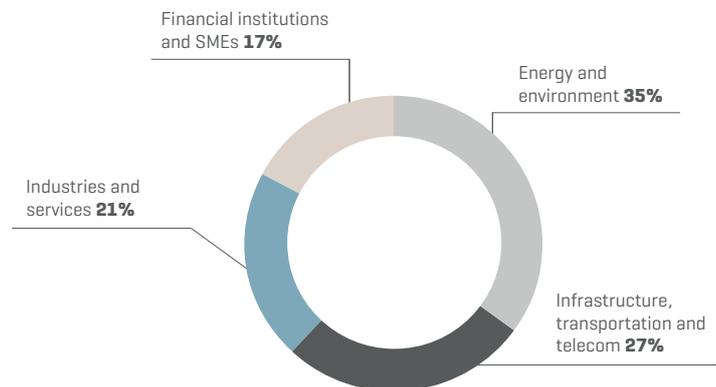
In 2016, NIB Lending started purchasing green bonds issued by companies or municipalities in the member countries to support the development of the green bond market. A facility of EUR 500 million was approved for this purpose. NIB held EUR 143 million in green bonds at year-end.

During 2016, NIB began implementing the Bank's updated strategy. While the established business model still remains the core of NIB's lending activities, new activities were initiated to target arctic projects, midcap borrowers and risk-sharing with financial institutions.

In 2016, NIB also started to perform ex-post mandate assessments of its financed projects.

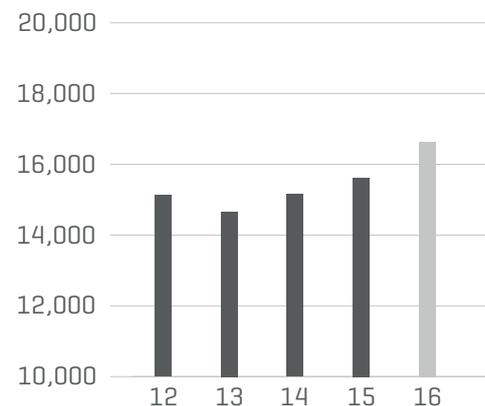
Loans agreed in 2016

(including Lending Green Bond purchases)
%, by business areas



Loans outstanding

EUR m



LENDING AREAS



ENERGY AND ENVIRONMENT

New loans in Energy and environment accounted for the largest share of lending in 2016, totalling EUR 1,534 million.

A substantial part of loans was earmarked for wastewater treatment projects. Other financed projects include electricity transmission, distribution networks and smart metering systems, as well as hydropower, biomass and industrial energy plants.



INFRASTRUCTURE, TRANSPORTATION AND TELECOM

In 2016, the loans agreed in this lending area totalled EUR 1,198 million.

NIB co-financed several public transport and airport enlargement projects, as well as improved water supply facilities. Further, the Bank provided financing for educational infrastructure projects, such as the modernisation and enlargement of universities and schools.



INDUSTRIES AND SERVICES

Agreed loans in Industries and services amounted to EUR 912 million.

More than half of the loans in this area were provided for industrial research and development programmes. NIB also financed several green buildings. As part of the Bank's updated strategy, the first loan agreement with a midcap company was signed in 2016.



FINANCIAL INSTITUTIONS AND SMES

The total amount of agreed loans in this business area was EUR 720 million.

NIB provided financing to banks and other financial institutions, which act as intermediaries that on-lend the funds to their clients. The majority of such loans targeted small and medium-sized companies and renewable energy projects. As part of NIB's updated strategy, the first loan involving risk-sharing with a financial intermediary institution was also made in 2016.

OTHER ACTIVITIES

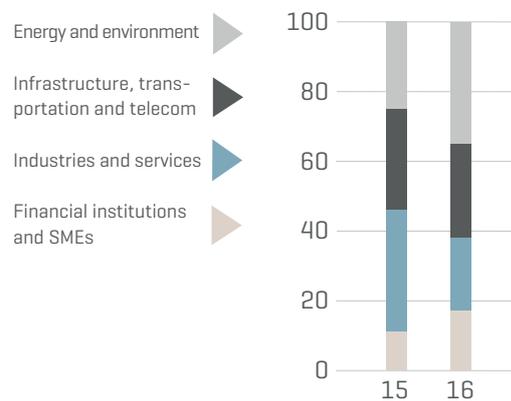
In the framework of the Northern Dimension, NIB participates in the Environmental Partnership (NDEP) as lead bank for a number of projects under implementation. The purpose of the NDEP is to support the financing of environmental projects with cross-border effects.

Furthermore, NIB is engaged in the Northern Dimension Partnership on Transport and Logistics (NDPTL), which is also hosted by NIB. The purpose of this partnership is to enhance regional cooperation and support the implementation of transport infrastructure and logistics projects.

In 2016, NIB was elected as a member of the Executive Committee of the Green Bond Principles. NIB was also appointed by the European Commission as an observer to the newly formed High-Level Expert Group on sustainable finance.

Business area distribution

Loans agreed as a share of total loans
(including Lending Green Bond purchases)
%



Treasury

LIQUIDITY

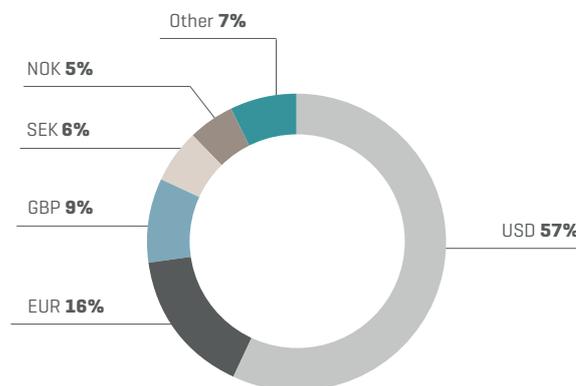
NIB has a survival horizon measuring the period during which the Bank is able to fulfil all its payment obligations stemming from ongoing business operations under a severe stress scenario. The target survival horizon is twelve months, and it must always exceed nine months.

At the end of 2016, NIB's survival horizon is calculated at 443 days, equivalent to more than 14 months.

To limit liquidity risk, NIB maintains a liquidity buffer, mainly invested in EUR, USD and the Nordic currencies. At the end of 2016, the liquidity buffer amounted to EUR 11,097 million.

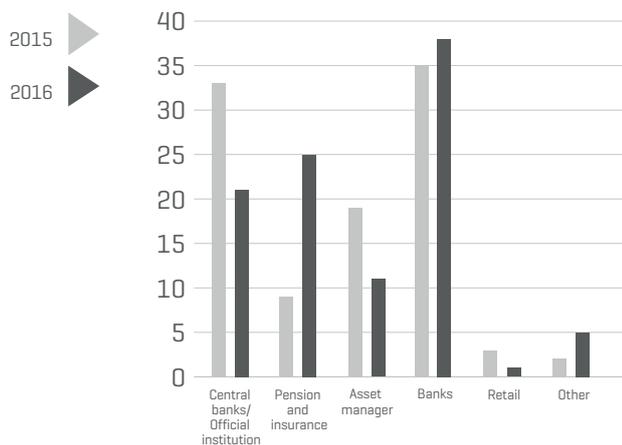
New borrowings in 2016

as of 31 Dec 2016
%, distribution by currency



New borrowings in 2016

Investor distribution
%



CAPITAL MARKETS

NIB's funding strategy is to be a leading issuer of USD benchmarks, attracting global investors. The aim is to diversify the borrowing into different currencies and markets, including issuing NIB Environmental Bonds (NEBs).

In 2016, NIB raised an all-time high of EUR 6.7 billion in new funding. The Bank issued a total of 58 bonds in nine different currencies. At year-end, outstanding debt totalled EUR 23.9 billion in 18 currencies.

To be in line with the market standard, NIB decided in 2016 to convert its one-way credit support annexes to bilateral agreements with counterparties to reduce the counterparty exposure in derivative contracts. NIB has signed 17 agreements at the end of the year.

NIB issued three USD-denominated global benchmark transactions in 2016. A three-year, USD 1.25 billion global benchmark issued in February was followed by a five-year, USD 1 billion bond in July and a two-year USD 1 billion issue in September.

NIB ENVIRONMENTAL BONDS

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

NIB continued to be active in the green bond market in 2016. During the year, the Bank issued NEBs equivalent to a total of EUR 763 million under its environmental bond framework.

In January, NIB issued a five-year, SEK 1,000 million environmental bond, and an eight-year, EUR 500 million environmental bond in June. A seven-year, SEK 1,500 million issue took place in September.

All NIB Environmental Bonds and eligible projects that have been financed under the framework are published on NIB's website.

At year-end 2016, the cumulative CO₂ equivalent impact of all projects financed by NEBs was calculated as 740,000 tonnes. The number is calculated in accordance with the new harmonised methodology implemented by IFIs in January 2016.

In June 2016, NIB was elected a member of the Green Bond Principles' Executive Committee. The Bank was also appointed an observer to the European Commission's High-Level Expert Group on Sustainable Finance. Further, NIB joined the European Association of Long-Term Investors' declaration for COP21, reinforcing the commitment to support the transition to a low-carbon economy.

ASSET LIABILITY MANAGEMENT

The Asset and Liability Management (ALM) unit is responsible for managing 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 operations.

In 2016, the Bank disbursed new loans of EUR 3,373 million and obtained new funding of EUR 6,700 million in nine different currencies.

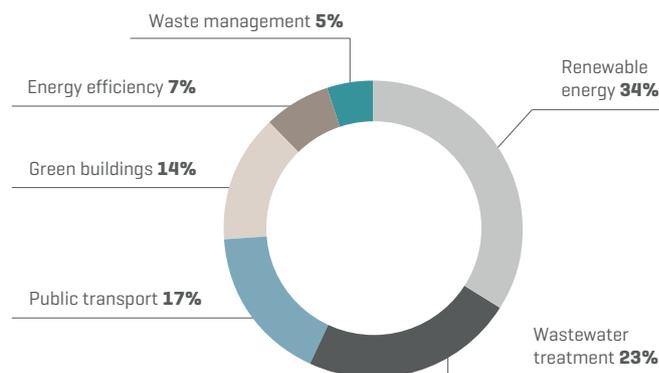
In total, the balance sheet increased from EUR 27,311 million at the end of 2015 to EUR 30,178 million at the end of 2016.

PORTFOLIO MANAGEMENT

The Portfolio Management unit manages bonds with longer maturities. The market value of the bond portfolios grew from EUR 6,264 million at the end of 2015 to EUR 6,736 million at the end of 2016, and the net of bonds received and given as collateral was EUR 112 million, resulting in a total of EUR 6,848 million at end of 2016.

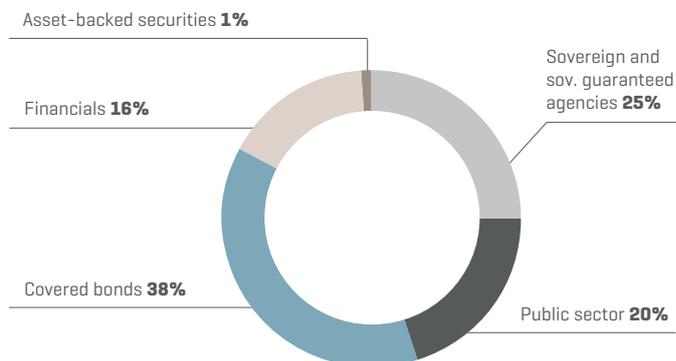
Projects financed by NEBs 2012–2016

as of 31 Dec 2016
%, projects by type



Bond instruments in 2016

as of 31 Dec 2016
%, distribution by instrument



Our mission

NIB's mission is to finance projects that improve competitiveness and the environment of the Nordic and Baltic countries. All projects considered eligible for financing are analysed for their potential socioeconomic and environmental impact to ensure conformity with NIB's mission and sound banking principles.

In 2016, NIB signed 58 new loan agreements. Loans achieving a "good" or "excellent" mandate rating accounted for 96% of the total amount of lending.

The majority of the environmental loans were related to projects supporting the transition to low-carbon economies in NIB's member countries, including projects promoting climate change mitigation and renewable energy. Competitiveness-based loans mainly supported investments in municipal infrastructure, such as public transport projects and wastewater treatment, as well as investments in research and development.

IMPROVING COMPETITIVENESS

NIB uses a five-grade scale to measure the expected potential impact its financed projects have on the competitiveness of its member countries. The ratings are based on a conceptual framework that considers both short- and long-term indicators. They measure direct effects at a project owner level, and also those impacting the region on a broader scale through potential wider and indirect effects on business clusters, sectors and the rest of the economy.

The largest share of lending was extended to municipal infrastructure, such as schools, modern healthcare facilities, water networks and wastewater systems. In Stockholm, Sweden, NIB is financing an expansion of the Henriksdal underground wastewater treatment plant and the construction of a 15-kilometre sewer tunnel.

In addition to municipal infrastructure, NIB also financed several regionally important projects in 2016. In Estonia, NIB agreed a loan with Tallinn Airport to upgrade its infrastructure.

NIB also extended a loan from its Arctic Facility to finance Statnet's new power transmission line in Norway. The investment will significantly increase the transmission capacity required for security of supply reasons and allow for more production of renewable energy.

According to NIB's updated strategy of reaching out to mid-cap companies, NIB signed a loan with the Icelandic company Össur, a technology leader in bracing and support solutions, compression therapy and prosthetics products. Össur is an R&D-intensive company, and its investments create high value-added jobs and contribute to skills development in Iceland.

NIB significantly increased lending to financial intermediaries to facilitate lending to smaller businesses. One of these loan programmes is a new risk-sharing loan facility launched by NIB and the Finnish non-life insurer Garantia Insurance Company Ltd. Garantia is authorised to select eligible borrowers and perform the credit analysis and risk rating according to principles agreed with NIB.

IMPROVING THE ENVIRONMENT

Environmental concerns are integral to NIB's daily activities and part of the Bank's overall management systems. The Bank's environmental analysts and loan officers work in close cooperation to identify and assess eligible projects.

When assessing the environmental impacts of loan projects the analyses focus on:

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

In 2016, long-term loans for projects with a "good" or "excellent" environmental mandate rating amounted to an all-time high of EUR 1,567 million, or 37% of all agreed loans.

Many of these environmental loans support the transition to a low-carbon economy by financing renewable energy projects, public transportation systems and green buildings. Public transport projects with climate-change-mitigation effects received a total of EUR 390 million in loans from NIB in 2016. Loans for biomass-fired power plants and hydropower investments in Sweden, Finland and Norway amounted to EUR 378 million. Loans to green buildings accounted for EUR 229 million.

NIB agreed a loan to finance the design, construction, operation and maintenance of the biomass combined heat and power (CHP) plant in Värtan, Stockholm. The plant is an important step in developing a sustainable energy supply for Stockholm.

In Northern Norway, NIB signed a loan agreement with Helgeland Kraft for financing six hydropower plants with an estimated total generation capacity of 166 GWh annually.

During 2016, NIB agreed a significant number of wastewater treatment projects, eight loans totalling EUR 683 million.

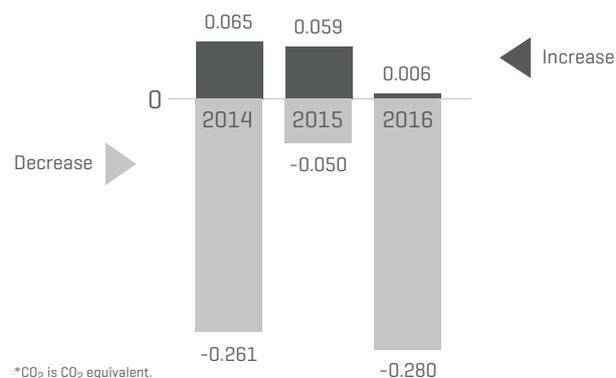
The NIB-financed expansion of the Henriksdal wastewater treatment plant in Stockholm will increase the capacity of the facility to more than 500,000 cubic metres per day. This will increase the capacity of Stockholm's sewer network. In addition, the production of biogas at Henriksdal will almost double to 35 million normal cubic meters per year. Improving the sewer network will also lessen overflows of untreated wastewater discharged into Lake Mälaren from an estimated 185,000 cubic meters annually to less than 10,000.

In addition, the use of a new membrane bioreactor (MBR) technology at Henriksdal is expected to significantly reduce discharges of phosphorous and nitrogen. The MBR will also prepare for the installation of pharmaceutical cleaning equipment. The MBR technology will result in 40% lower discharges of phosphorus and 33% lower discharges of nitrogen into the Baltic Sea. It will also remove all micro plastics from the wastewater.

In Luleå, north Sweden, three projects were agreed; a second bio-waste digester and a bio-fuel upgrade, a sewage pipeline and the expansion of a drinking-water plant. The second project concerns the construction of another digester at the Uddebo wastewater treatment plant and bio-fuel production. The bio-fuel upgrade installed at Uddebo is unique in Sweden as it uses a new membrane filtering technique with lower fugitive emissions of methane. The bio-fuel is used to fuel the municipality's vehicles, and surplus gas is used for heating the wastewater treatment plant. In the City of Oslo, a loan from NIB will support investments in increasing the capacity of the Bekkelaget wastewater treatment plant to handle sewage and wastewater from a population equivalent of 490,000 people. That is up from the current capacity of 270,000. The production of biogas from wastewater sludge will double, and the gas will be used for heating the plant as fuel for buses. The remaining residue will be used as fertiliser on agricultural land.

CO₂* impact of NIB's financing

Millions of tonnes of CO₂ per year



ENVIRONMENTAL PARAMETERS

NIB calculates the total net emissions of greenhouse gases for all its financed projects. Emissions can either be direct, e.g. via fuel combustion or production process emissions, or indirect through purchased electricity or heat. NIB prorates the emission to its share of the financing in order to avoid double-accounting with co-financiers.

All projects have had their carbon footprint information reported to NIB's decision makers in the credit committee and Board of Directors prior to loan decisions.

The major international financial institutions agreed on a harmonised approach to project-level greenhouse gas accounting in 2012. Since then, technical working groups have developed sector specific accounting principles for renewable energy, energy efficiency and for the transportation sector. NIB is actively participating in the working groups.

Loans were also agreed for renewable energy generation projects in hydropower, biomass-fuelled heat and power plants for municipalities and as part of new pulp mills.

Energy projects financed by NIB in 2016 will add 1.5 TWh annually to renewable energy generation.

NIB estimates that the loans agreed in 2016 help to reduce CO₂ emissions by 280,000 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 22%. NIB financed also projects that will increase the CO₂ emissions to air from fossil fuels. The added CO₂ impact resulted in an increase of 6,000 tonnes of CO₂ prorated to NIB's share of the financing.

Risk management

The Nordic Investment Bank assumes a conservative approach to risk-taking. NIB's statutes require that loans are made:

- in accordance with sound banking principles,
- adequate security is obtained for the loans, unless sufficient security is considered to exist under the circumstances and that
- the Bank protects itself against the risk of exchange rate losses.

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 management of credit risk, market risk, liquidity risk, operational risk and compliance risk is closely integrated into NIB's business processes.

The Bank's risk management is described in detail in the Financial Report 2016 at annualreport.nib.int/2016.

CREDIT RISK

Credit risk is the Bank's main financial risk. Most of the credit risk stems from NIB's lending operations. The quality of the Bank's aggregate credit exposure remained sound in 2016. The lending exposure increased by 10% due to a high volume of loan disbursements. Around one third of the disbursements were to counterparties in the best risk classes [EL1-2]**, which was largely explained by new lending to the public sector. At year-end 2016, 88% of the lending exposure was in the member countries, followed by 5% in the rest of Europe, and 3% in Asia. Treasury exposure increased by 9% due to a higher level of liquid assets. At year-end 2016 practically the entire Treasury exposure was in risk classes EL1-10 corresponding to investment-grade quality.

MARKET RISK

Market risk includes, among others, the risk that losses are incurred as a result of movements in foreign exchange rates, interest rates and credit spreads. The Bank manages market risks by using derivatives to hedge against foreign exchange risk and interest rate risk. Foreign exchange risk

is practically fully hedged. Interest rate risk stemming from different interest rate characteristics in the Bank's funding and lending is kept at a modest level. The Bank's exposure to market risk remained largely unchanged in 2016 as compared to the previous year and mainly derived from the liquidity portfolio.

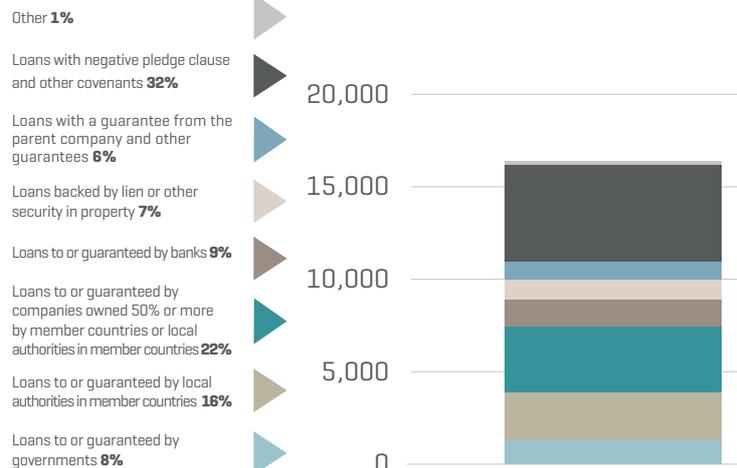
LIQUIDITY RISK

Liquidity risk is the risk of incurring losses due to an inability to meet payment obligations in a timely manner when they become due. The Bank's business model gives rise to liquidity risk mainly through maturity mismatches between assets [loans and treasury investments] and liabilities [borrowed funds].

The key metric applied for managing liquidity risk is the survival horizon, which measures how long the Bank is able to fulfil its payment obligations in a severe stress scenario. At year-end 2016, the survival horizon was 443 days.

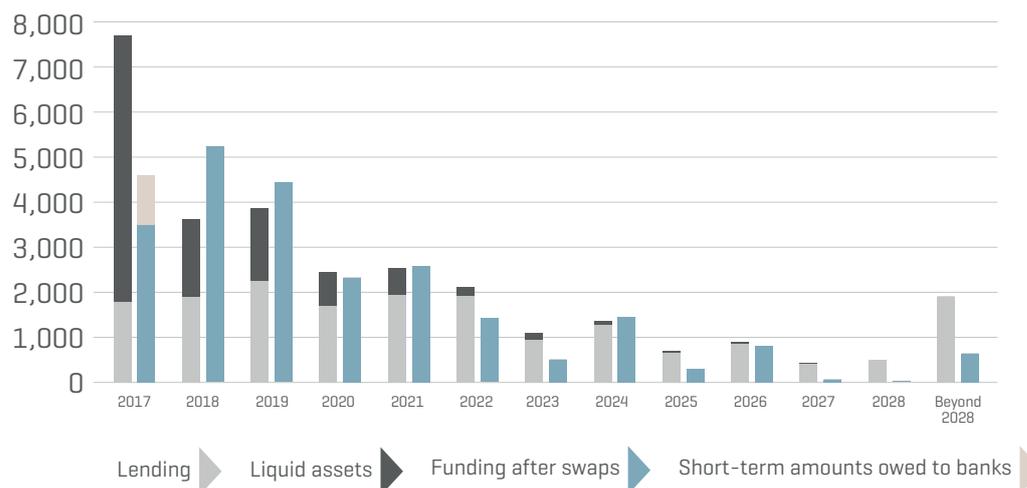
Lending by type of security

as of 31 Dec 2016
EUR m



Maturity profile of funding, lending and liquid assets

as of 31 Dec 2016
EUR m



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

The 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.

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 risks are managed proactively emphasising risk awareness among the personnel i.a. through conducting risk and control self-assessment processes [RCSA]. Recent priority areas include increased focus on risks in the Bank's key processes and further development of reporting on operational risks and trends. No material losses were incurred as a result of operational risks during the year.

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.

NIB 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. 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.

* NIB's AAA/Aaa issuer credit rating was affirmed with stable outlook by S&P on 16 May 2016 and by Moody's on 24 November 2016.

** NIB's risk rating system comprises 20 classes and a D class for non-performing transactions (further described in the Financial Report, Note 2: Risk Management)

Our people

NIB is developing its work culture and maintains high levels of professionalism based on its values of commitment, competence and cooperation.

At the end of 2016, NIB had 195 employees in permanent positions. Of these, 85 were women and 110 men. The average number of permanent employees during the year was 192. In addition, three employees worked on projects in long-term temporary positions.

In 2016, the average length of employment was 11.7 years. Seven permanently employed staff members left the Bank in 2016, resulting in an exit turnover of 3.6%.

NIB continued to communicate with potential recruitment candidates via LinkedIn. The Bank also launched a career page on its website (www.nib.int) to highlight relevant information about NIB as an employer.

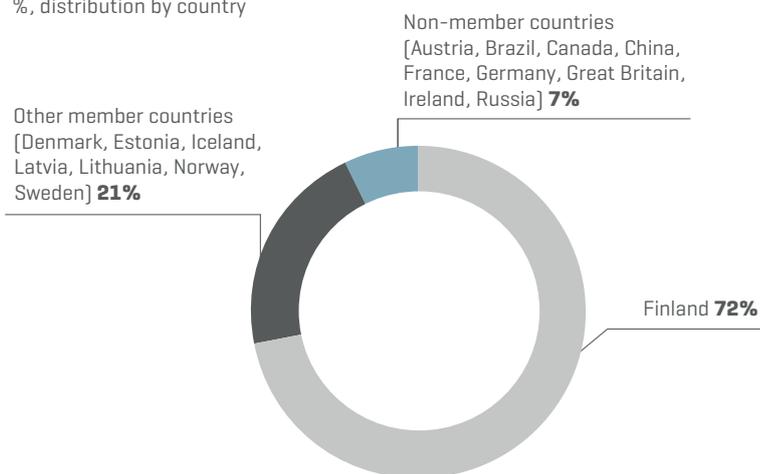
In 2016, NIB organised various training courses on topics such as derivatives and derivatives pricing, banking regulations, introduction to banking and the financial markets. The average number of training days per employee, including professional and language training, was 5.4 in 2016, compared to 4.8 in 2015.

A continuous 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. "Raising the Bar" was first launched in January 2016 and included 20 participants. In January 2017, the second round of the programme kicked off with a new group of participants.

NIB makes every effort to provide a safe and healthy working environment for its employees and encourages its staff members to establish and maintain a sustainable balance between their professional and private lives. The illness absence rate, as a percentage of total working time, stood at 2.2% in 2016, which is the same as in 2015.

Origins of staff

as of 31 Dec 2016
%, distribution by country



In 2016, the Human Resources Unit continued to implement NIB's new HR IT system, which offers online tools in various HR-related processes to the management and to the employees.

In 2016, a working group consisting of members representing the staff as well as the employer reviewed the previous Plan's development areas and drew up a new plan: the Equality, Diversity and Inclusion Plan 2016–2018. Efforts will focus on creating awareness among the staff about a diverse and inclusive work environment free of any form of harassment or discrimination.

Executive Committee

As of 31 December 2016

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
- Harvard Business School AMP

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
- Harvard Business School AMP

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



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

REPORT OF THE BOARD OF DIRECTORS 2016

SUMMARY

- In 2016, NIB's operations exceeded expectations in terms of lending volumes and financial results.
- The Bank's operations focused on implementing the areas of activity that the Board identified in the latest strategy review. The Bank increased lending to SMEs and mid-sized corporates, and launched the Arctic Financing Facility.
- As a new initiative, NIB started purchasing green bonds issued by companies or municipalities in the member countries. The purpose of this new product is to finance environmental projects and to support the green bond market.
- Loans provided to projects achieving a "good" or "excellent" mandate rating for improving competitiveness and the environment accounted for 96% of the total amount of lending, excluding investments in green bonds.
- In 2016, long-term loans for projects with a "good" or "excellent" mandate rating on their environmental impact amounted to an all-time high of EUR 1,567 million, or 37% of agreed loans. These loans were provided, to a large extent, for projects aimed at improving wastewater treatment and water supply in the member countries.
- Loans aimed at improving competitiveness mainly supported investments in R&D, infrastructure and energy.
- In order to identify areas of improvement in project implementation, NIB launched ex-post mandate assessments of financed projects.
- NIB's volume of loans agreed grew markedly. The Bank signed 58 loan agreements and invested in eight green bonds with a combined value of EUR 4,363 million. Financing long-term investments in public infrastructure was one of the principal drivers of this development.
- Disbursements of loans also saw a significant increase to an all-time high of EUR 3,373 million.
- The profit was EUR 212 million (2015: EUR 215 million).
- NIB raised an all-time high of EUR 6.7 billion in new funding and continued to issue NIB Environmental Bonds.

OPERATING ENVIRONMENT

The global and Nordic-Baltic economies grew by 3% and 2%, respectively, in 2016—a very similar pace as in the previous year. However, within the region, the developments continued to vary between the countries. While the strong growth of the Swedish economy has slowed somewhat, in Finland, the economy showed signs of improvement. The decline in oil investment is still damping activity in Norway, and weak global demand for exports has kept the economy in low gear in Denmark. The Icelandic economy is showing strong growth, with early signs of overheating. The Estonian, Latvian and Lithuanian economies ended the year on a good note, and this positive momentum is expected to carry over into 2017.

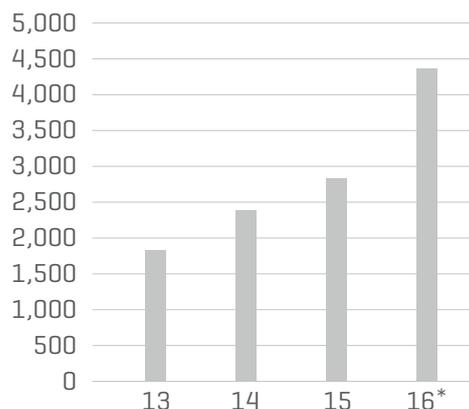
Despite favourable financing conditions, corporate investment activity and related demand for long-term loans remained subdued. Loans to non-financial corporations in the four main Nordic markets grew by an average of 3.7% in 2016. Meanwhile, the demand from the public sector for long-term loans to finance infrastructure investments grew strongly, and margins also compressed further. Corporate spreads for euro area BBB-rated companies ended 2016 about 30–50 basis points lower than at the end of 2015.

LENDING ACTIVITIES

NIB's lending activities saw continued strong development in 2016, with new lending volume reaching an all-time high. In particular, demand for long-term financing from municipalities in the member countries increased substantially. The Bank signed 58 loan agreements and invested in eight green bonds with an aggregate value of EUR 4,363 million (out of which EUR 143 million were investments in green bonds). Disbursements of loans also saw a significant increase to an all-time high of EUR 3,373 million, compared to EUR 2,716 million in 2015. More than half of the new loans were extended to new borrowers. Lending volumes by business sector are displayed in the table on the next page.

Loans agreed

EUR m



*Including Lending Green Bonds

Following the review of NIB's strategy performed a year earlier, the core business model of the Bank remains intact. NIB continues to fulfil its mission to finance investments that improve competitiveness and the environment in the region. However, it was decided that within this mission, NIB will develop its lending activities in order to increase its impact.

One focus area is to increase lending to small and medium-sized enterprises (SMEs) in cooperation with financial intermediaries, as well as to mid-sized corporates. These activities have been initiated, and NIB's offering is being broadened with new lending products, for example through risk-sharing mechanisms. NIB's aim is to complement other sources of financing and to stand ready to respond to demand. Alongside these new initiatives, the Bank continues its traditional lending through local banks and other financial intermediary institutions.

A further aim based on the review is to increase NIB's lending activities in non-member countries to approximately one fifth of the total amount of annual new lending. The purpose of these activities is to support the Bank's clients by financing investments outside the Nordic-Baltic region. NIB has enhanced its outreach activities directed towards the member country business community and its partners among regional financial institutions. As a result, the project pipeline is developing and the first transaction was concluded. The Bank also completed a review of its China lending programme.

Lending

(IN EUR MILLION UNLESS OTHERWISE SPECIFIED)

	2016	2015	2014
Loans agreed, including green bond investments, according to business areas:			
Energy and environment	1,534	710	630
Infrastructure, transportation and telecom	1,198	823	557
Industries and services	912	996	926
Financial institutions and SMEs	720	301	277
Loans agreed, including green bond investments, total	4,363	2,830	2,389
Loans disbursed, total	3,373	2,716	2,274
Number of loan agreements, including green bond investments, total	66	45	45
Repayments and prepayments	2,471	2,351	2,005
Loans outstanding and guarantees	16,640	15,627	15,156
Member countries	14,831	13,347	12,705
Non-member countries	1,851	2,341	2,506
Collective impairments	-42	-61	-55

The strategic focus on projects in the Arctic region is being implemented within the framework of the EUR 500 million Arctic Financing Facility. This activity had a good start in 2016, with several loans approved and four deals signed.

Another prioritised activity is financing investments in the Baltic countries. During the year, NIB was actively sourcing deals in this region and building a good pipeline, which is expected to materialise in 2017.

MISSION FULFILMENT¹

Projects financed by the Bank are expected to contribute to the Bank's mission to improve competitiveness and the environment of the Nordic-Baltic countries. Before approval is given in each individual case, all eligible investments are scrutinised and rated against the criteria developed on the basis of the Bank's mission. In 2016, loans achieving a "good" or "excellent" mandate rating accounted for 96% of the total amount of loans agreed. Some 37% of the new lending is classified as environmental.

In 2016, NIB started a procedure of performing ex-post mandate assessments of financed projects. The Bank will

¹ NIB buying green bonds is classified as lending. The data provided in the sections "Mission fulfilment", "Competitiveness impact" and "Environmental impact" are calculated on the basis of the total amount of loans agreed that do not include investments in green bonds. The reason is that the mandate rating which is required for regular lending does not apply to green bond investments due to the nature of bond transactions. NIB defines loans with "good" or "excellent" environmental mandate as environmental loans.

continue to keep systematic records of how well the expected mandate contribution was achieved. The first cases of completed ex-post mandate assessments were presented to the Board during the year.

COMPETITIVENESS IMPACT

In 2016, the largest part (27%) of NIB's lending was extended for investment projects in member country municipalities, typically regional growth centres that are attracting new population and experiencing rising pressure on their public infrastructure. These projects will improve key infrastructure services in education, public transport, and water supply and wastewater treatment. These investments will have long-term impacts on the growth potential and business environment in the whole Nordic-Baltic region.

The Bank continued financing investments by energy utilities in energy production and networks. An effective and sustainable energy system is a cornerstone of long-term competitiveness. The utilities in Norway mainly invested in electricity networks and rolled out automated metering systems to improve the management of the distribution network and to facilitate the development of smart grids. NIB also financed several heat and power production facilities fuelled with local biomass in Finland and Sweden, and a geothermal project in Iceland. Energy sector projects accounted for 18% of the total loans agreed.

NIB extended loans to support research and development activities in several member countries. Innovations add value to companies' product offerings and have spill-over effects on other companies in the member area business clusters and regions. Loans to finance R&D accounted for 14% of NIB's lending.

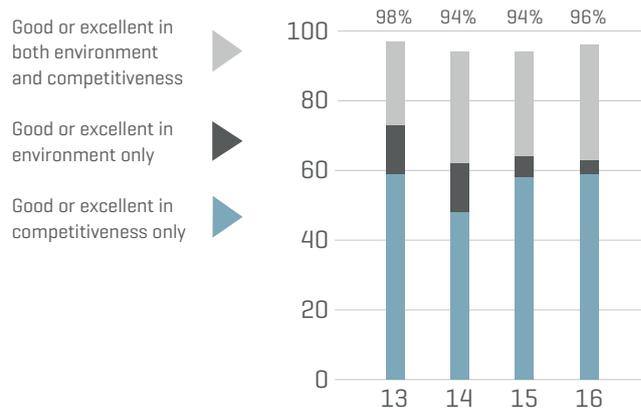
In line with NIB's strategy to reach out to smaller member area companies, NIB increased its lending to financial intermediaries. Loan programmes for SMEs and non-member country counterparts reached 12% of NIB's total lending in 2016. The 50% annual increase in NIB-funded loan programmes for small and medium-sized companies will improve the capacity of such companies to grow and innovate.

ENVIRONMENTAL IMPACT

NIB's major environmental impact comes through its traditional long-term lending. Since 2011, NIB has also raised funds for its environmental lending through issuing green bonds. Last year, this was complemented when NIB started to buy green bonds issued by companies and municipalities in the member countries. NIB is actively participating in setting standards for green financing.

Mandate rating

% of loans agreed, excluding Lending Green Bond purchases



In 2016, long-term loans for projects with a "good" or "excellent" mandate rating on their environmental impact amounted to an all-time high of EUR 1,567 million, or 37% of agreed loans.

In particular, the Bank financed eight wastewater treatment projects in Sweden and Norway for a total of EUR 683 million, which was a markedly larger amount than in any of the previous years. Several wastewater treatment projects included bio-gas utilisation of the sludge and thus contributed to climate change mitigation.

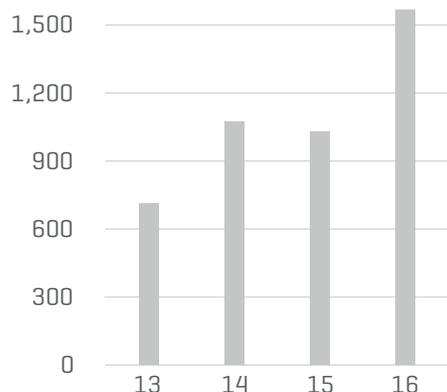
Public transport projects with a climate change mitigation effect received a total of EUR 390 million in loans from NIB. Loans for biomass-fired power plants and hydropower investments in Sweden, Finland and Norway amounted to EUR 378 million.

The energy projects that the Bank financed in 2016 are expected to add 1.5 TWh annually to renewable energy generation. NIB estimates that the loans agreed during the year have the potential to reduce CO₂ emissions by 280,000 tonnes annually, prorated to NIB's share of the financing.

With a framework of EUR 500 million, NIB launched a new lending product for investing in green bonds issued by companies or municipalities in the member countries. The purpose of the new approach is to support the development of the green bond market, finance environmental investments and promote good standards. In 2016, NIB invested in eight bond transactions, which exceeded expectations. At year-end, the Bank held EUR 143 million in green bonds.

Environmental loans

[of loans agreed, excluding Lending Green Bonds]
EUR m



As an active promoter of the green bond market, NIB was elected as a member of the Executive Committee of the Green Bond Principles, an international group of issuers, investors and intermediaries in the green bond market. NIB was also appointed by the European Commission as an observer to the High-Level Expert Group on sustainable finance.

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 2016, specifically under "GRI reporting", available online.

TREASURY ACTIVITIES

In 2016, NIB's funding amounted to EUR 6.7 billion, which was the largest amount NIB has ever raised in one year. Altogether, the Bank issued 58 bonds. At year-end, outstanding debt totalled EUR 24 billion in 18 currencies.

In 2016, NIB issued three USD-denominated global benchmark transactions and maintained its position as a leading USD benchmark issuer. The overall funding costs from the programme are deemed to be attractive and to contribute positively to NIB's business model.

The Bank continued the NIB Environmental Bond (NEB) programme targeting sustainability-conscious investors. In this segment, NIB also continued to develop well, issuing a record-high number of environmental bonds, totalling EUR 763 million, in three transactions. An eight-year,

EUR 500 million Environmental Bond benchmark was issued in June, and bonds in Swedish kronor in January and September. The proceeds from the Environmental Bond issues are used to finance projects with a positive impact on the environment.

NIB's investor base continued to be global and diversified. Of all investors that NIB's bond issues attracted during the year, only 14% were from the Bank's member countries; given that the Bank lent almost exclusively within its member countries, this means that NIB continued to draw funds into the Nordic-Baltic region. Of the investors, 44% were from Europe (excluding the member countries) and investors from the Americas accounted for 20%, while investors based in Asia bought 17% of NIB's new issuance. Investors from other regions of the world contributed 5% to NIB's annual funding.

In 2016, the Bank gradually moved from one-way to two-way credit support agreements with its derivative counterparties. 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.

RISK MANAGEMENT

The Bank's overall risk position remained strong, with high asset quality, solid liquidity and strong capitalisation.

The credit quality of the lending exposure was stable, with 85% of the exposure placed in investment-grade categories (risk classes 1-10; it was 83% at year-end 2015). The exposure in the best risk classes (1-2) increased, mainly due to growth in lending to the public sector. This reflects the Bank's response to the demand for financing from this sector in the Bank's member countries. In terms of geographical distribution, lending exposure in Norway and Sweden increased the most.

The Treasury portfolio continued to be of high credit quality, with close to 100% of the exposure in the investment-grade categories (risk classes 1-10).

In terms of market risk, the Bank is mainly exposed to interest rate risk, credit spread risk and cross currency basis risk in treasury operations. Market risk is monitored with sensitivity-based measures and managed within strict limits. The Bank's overall market risk remained almost unchanged compared to the previous year. At the end of the year, the Bank's liquidity buffer amounted to EUR 11,097 million. The survival horizon measured according to the Bank's liquidity policy was 443 days, exceeding the target level

of 365 days. More detailed commentary on the Bank's risk exposures is provided in the "Risk management" section in the notes to the financial statements.

The Bank continued to strengthen its risk management in line with evolving market standards. During 2016, the Bank progressed with the development of an internal capital adequacy assessment process and started the development of a methodology for expected credit loss calculation in accordance with the new IFRS 9 standard. Risk management reporting was also further improved during the year.

In early 2016, the Bank implemented the methodology developed for calculating credit valuation adjustments (CVA/DVA) for counterparty credit risk in the derivative portfolio.

FINANCIAL RESULTS

Despite the low interest rate environment, the Bank managed to maintain its financial results. NIB's annual profit of EUR 212 million, compared to EUR 215 million in 2015, was the result of the successful advancement in lending operations, higher net profit on financial operations, and lower general administrative expenses. Net interest income deviated negatively by EUR 5 million compared with last year.

As described above, the quality of the loan portfolio remained high, and the Bank continues to adopt a conservative approach in relation to loan impairment provisions.

More detailed commentary on the Bank's financial results can be found in the Operating and financial review.

DIVIDEND

The Board of Directors proposes to the Board of Governors that EUR 55 million be paid in dividends to the Bank's member countries for the year 2016.

GOVERNANCE

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 Control Committee is responsible for the audit of the Bank and submits its annual audit report to the Board of Governors. In 2016, the Control Committee for the first time appointed an independent expert, Peter Engberg Jensen, to assist on matters within its responsibility. This was done to further strengthen the competence within the Committee and to enhance its supervisory capabilities.

The Control Committee appointed Anders Tagde, Authorised Public Accountant from KPMG Sweden, as dual-signing external auditor, together with Marcus Tötterman, Authorised Public Accountant from KPMG Finland.

COMPLIANCE

Two new external cases of corruption involving borrowers of the Bank were reported to the Board. These cases are currently under investigation by the Office of the Chief Compliance Officer (OCCO). In addition, in cooperation with national enforcement agencies, OCCO followed up on other cases registered in previous years.

In February 2016, the Board of Directors adopted three new policies in NIB's anti-corruption framework: the Speaking-up and Whistleblowing Policy; the Compliance, Integrity and Anti-corruption Policy; and the Investigation and Enforcement Policy. As part of the latter policy, a Sanctions Panel was established. The panel consists of three members, including two external members, both appointed by the Board of Directors in June 2016. An appeal function and procedures were also established in line with the Investigation and Enforcement Policy.

During 2016, a comprehensive assessment of the Bank's integrity and corruption risks was conducted. On the basis of this assessment, the Bank will improve its control and screening procedures for anti-money laundering and counteracting terrorist financing as well as integrity issues and sanctions.

ADJUSTMENT AND ALIGNMENT OF NIB'S AUTHORISED CAPITAL

In line with the Bank's Statutes, NIB's Board of Governors decided to review, adjust and align the authorised capital of the Bank according to the allocation currently in force for the authorised capital; each member country's share, in percentage of paid-in capital and callable capital, is equal to its share of the authorised capital. This was based on a proposal from the Board of Directors. The adjustment also concerns the member countries' statutory guarantee, where it was decided to also align each member country's share of the guarantee for the Project Investment Loan and Environmental Investment Loan facilities in accordance with its share of the authorised capital of the Bank. The changes will enter into force as soon as the approval or ratification process is completed in all member countries in early 2017.

CHAIRMANSHIP AND MEETINGS

During the year, the Board of Directors had eight ordinary meetings and one extra online meeting. Seven meetings were held in Helsinki, Finland, and one in Copenhagen, Denmark. Four meetings were chaired by Mr Pentti Pikkarainen (Finland) and the remaining four meetings by the new Chairman, Mr Kaspars Āboliņš (Latvia). Three seminars were held for the Members of the Board.

In connection with the Nordic Council session held in Copenhagen in November, NIB organised its 40th Anniversary event with external speakers: Finland's Prime Minister, Mr Juha Sipilä, and Latvia's Minister of Finance, Ms Dana Reizniece-Ozola, as well as Professor in the Economics of Innovation from the University of Sussex, Ms Mariana Mazzucato.

OTHER STRATEGY INITIATIVES

Implementing the strategy review completed a year earlier, NIB conducted a number of measures with the aim of "keeping the house in order". The Bank carried out the first round of the training programme "Raising the Bar" for staff members, initiated the implementation of the comprehensive ICT

project FOBORA (an integrated system for treasury front office, back office, risk management and accounting), and continued the ongoing renovation of its office building in Helsinki.

OUTLOOK

Entering 2017, economic indicators are pointing to a modest global cyclical upswing in industrial activity. In the absence of clarity, however, forecasts for economic growth globally and the Nordic-Baltic region continue to have positive indications but below full potential. Inflation and commodity prices are forecast to rise, while short-term interest rates should increase slightly in the US but remain unchanged in the euro area and most of Europe.

In this context, the long-term trend of subdued corporate investment is expected to continue. On the other hand, infrastructure investments by local and regional governments in the Nordic-Baltic countries should continue to generate demand for long-term capital.

Lower net interest income and valuation effects are expected to result in a lower profit in 2017. At the same time, the implementation of the strategic initiatives that started in 2016 will help the Bank build a healthy flow of deals in lending.

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 2016 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 2016 of EUR 211,810,055.68 is to be allocated as follows:

- EUR 156,810,055.68 will be transferred to the General Credit Risk Fund as a part of equity; 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, 9 March 2017

Kaspars Āboliņš
Sven Hegelund
Jurgita Uzieliene

Esther Finnbogadóttir
Julie Sonne
Henrik Normann, President and CEO

Trond Eklund, on behalf of Silje Gamstøbakk
Pekka Morén
Madis Üürrike

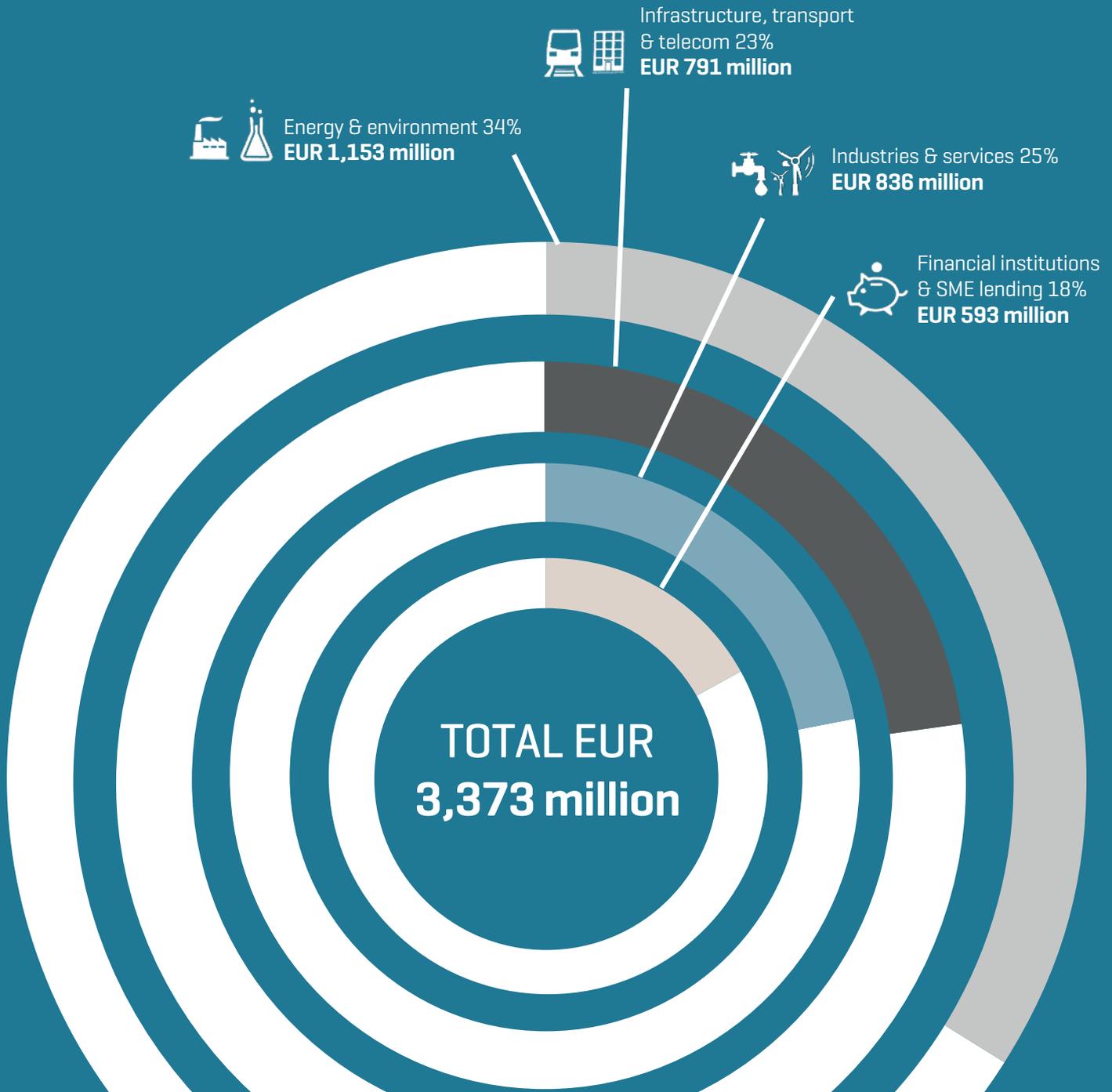
LOANS AGREED 2016

Borrower	Project	Sector
Käppalaförbundet [Sweden]	Upgrade of the Käppala wastewater treatment facility in northern Stockholm, Sweden	Energy and environment
Copenhagen Airports A/S [Denmark]	Expansion of a passenger terminal at Copenhagen Airport	Infrastructure, transportation and telecom
Stockholm County Council [Sweden]	Acquisition of 48 metro trains and a new traffic operation system for Stockholm's metro system	Infrastructure, transportation and telecom
RARIK ohf [Iceland]	Replacing overhead electrical power lines with underground cables in Iceland	Energy and environment
Sparebanken Hedmark [Norway]	Loan programme for onlending to SMEs and environmental projects in eastern Norway	Financial institutions and SMEs
Orkla ASA [Norway]	Acquisition of the NP Foods Group of Baltic confectionary brands	Industries and services
A/S Arbejdernes Landsbank [Denmark]	Loan programme for financing SMEs and environmental projects in Denmark	Financial institutions and SMEs
Kilpilahti Power Plant Ltd. [Finland]	Refurbishment of the Kilpilahti combined heat and power plant near Porvoo, Finland	Energy and environment
Electrolux AB [publ.] [Sweden]	R&D investment programme for 2016–2019	Industries and services
City of Kajaani [Finland]	Construction of a multipurpose school	Infrastructure, transportation and telecom
Helgeland Kraft AS [Norway]	Construction of six hydropower plants in Norway	Energy and environment
Södra skogsägarna ekonomisk förening [Sweden]	Expansion of a pulp mill in south-western Sweden	Industries and services
Sunnfjord Energi AS [Norway]	Installation of automatic electricity meters, construction of distribution networks and upgrade of a hydropower plant	Energy and environment
Sparebank 1 Nord-Norge [Norway]	Loan programme for onlending to SMEs and environmental projects	Financial institutions and SMEs
Novozymes A/S [Denmark]	R&D investments in 2016–2018	Industries and services
Volvofinans Bank AB [publ.] [Sweden]	Loan programme for onlending to SMEs and small mid-caps in Sweden	Financial institutions and SMEs
Municipality of Ängelholm [Sweden]	Upgrade of wastewater treatment in south-western Sweden	Energy and environment
Vasakronan AB [Sweden]	Construction of two LEED Platinum-certified office buildings in Sweden	Industries and services

Borrower	Project	Sector
Suomen Yliopistokiinteistöt Oy [Finland]	Construction of new university premises in Turku and Oulu, Finland	Infrastructure, transportation and telecom
Eidsiva Energi AS [Norway]	Roll-out of smart electricity meters in Oppland and Hedmark, Norway	Energy and environment
Tele2 AB [Sweden]	Investments in 4G mobile network in Sweden and the Netherlands	Infrastructure, transportation and telecom
City of Bergen [Norway]	Improving wastewater and possibly drinking water infrastructure in Bergen, Norway	Energy and environment
City of Stockholm [Sweden]	Expansion of a wastewater treatment plant and construction of a sewer tunnel in Stockholm, Sweden	Energy and environment
Statnett SF [Norway]	Construction of a transmission line in northern Norway	Energy and environment
Svenska Cellulosa Aktiebolaget SCA [Sweden]	R&D investments in personal care products in 2016–2019	Industries and services
Norgesgruppen ASA [Norway]	Construction of a semi-centralised cooling hub in southern Norway	Industries and services
Kiinteistö Oy Tripla Mall and Kiinteistö Oy Triplaparkki [Finland]	Construction of a business and residential centre in Helsinki	Infrastructure, transportation and telecom
Landsvirkjun [Iceland]	Construction of a geothermal power plant in north-eastern Iceland	Energy and environment
City of Tampere [Finland]	Municipal investments in a freshwater pumping station and two schools	Infrastructure, transportation and telecom
Ekerövatten AB [Sweden]	Improvement of water and wastewater treatment in southern Stockholm	Energy and environment
Vegfinans Rv23 Dagslett-Linnes AS [Norway]	Construction of a new road section and a tunnel in southern Norway	Infrastructure, transportation and telecom
Finnvera Oyj [Finland]	Construction of a eucalyptus pulp production line in Brazil	Financial institutions and SMEs
Volvo Car Corporation [Sweden]	R&D investments for engine development in 2016–2019	Industries and services
BKK AS [Norway]	Installation of automatic electricity meters and construction of distribution, regional and transmission networks in Norway	Energy and environment
AB Fortum Värme Holding, co-owned with City of Stockholm [Sweden]	Construction of a biofuel-fired combined heat and power plant in Stockholm, Sweden	Energy and environment
Agder Energi AS [Norway]	Roll-out of smart electricity meters in Aust-Agder and Vest-Agder, Norway	Energy and environment
Helgeland Sparebank [Norway]	Onlending to SMEs and environmental projects in northern Norway	Financial institutions and SMEs
AB Transitio [Sweden]	Acquisition of 33 new trains for regional traffic in central Sweden	Infrastructure, transportation and telecom

Borrower	Project	Sector
Deutsche Leasing Sverige AB [Sweden]	Loan programme for financing SMEs and small mid-caps in NIB's member countries	Financial institutions and SMEs
Länsimetro Oy [Finland]	Construction of a metro line in Espoo, Finland's capital region	Infrastructure, transportation and telecom
Helsinki City Transport HKL [Finland]	Purchase of energy-efficient trams	Infrastructure, transportation and telecom
Sydvatten AB [Sweden]	Construction of a freshwater pipe in southern Sweden	Infrastructure, transportation and telecom
AstaZero AB [Sweden]	Construction of a vehicle-safety testing site in Borås, Sweden	Infrastructure, transportation and telecom
City of Oslo [Norway]	Expansion of the wastewater treatment plant and network in Oslo, Norway	Energy and environment
Aalto University Foundation [Finland]	Construction of new premises for Aalto University in Finland's capital region	Infrastructure, transportation and telecom
Municipality of Kungälv [Sweden]	Water and sewage sector investments by Kungälv Municipality in Sweden	Infrastructure, transportation and telecom
Helen Oy [Finland]	Construction of a wood pellet heating plant and an underground cooling centre in Helsinki, Finland	Energy and environment
SG Finans AS [Norway]	Loan programme for onlending to SMEs in Norway	Financial institutions and SMEs
City of Turku [Finland]	Construction of multipurpose education centres, day care facilities, and renovation of five schools in Turku, western Finland	Infrastructure, transportation and telecom
European Spallation Source ERIC [Sweden]	Construction of the European Spallation Source facility in Lund, Sweden	Infrastructure, transportation and telecom
Lahti Energia Oy [Finland]	Constructing a biomass-fired power plant in Lahti, Finland	Energy and environment
Össur Finance AG [Iceland]	Acquisition of Touch Bionics [UK] and R&D costs in 2016–2019	Industries and services
AS Tallinna Lennujaam [Estonia]	Upgrade of infrastructure at Tallinn International Airport	Infrastructure, transportation and telecom
Sparebanken Møre [Norway]	Loan programme for financing SMEs and small mid-caps as well as environmental projects in central Norway	Financial institutions and SMEs
City of Luleå [Sweden]	Municipal investment in upgrading biofuel production, a sewage pipeline, and expanding a drinking water plant in Luleå, Sweden	Energy and environment
Nord-Trøndelag Elektrisitetsverk [Norway]	Roll-out of an advanced metering system and upgrades to electricity networks in Nord-Trøndelag county, Norway	Energy and environment
Sparbanken Skåne [Sweden]	Loan programme for onlending to SMEs and small mid-caps in south-eastern Sweden	Financial institutions and SMEs

Loans disbursed in 2016 (including Lending Green Bond purchases)





NORDIC
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FINANCING
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