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Nordic Investment Bank

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Nordic Investment Bank

*(**Editor's Note:** This article, published earlier today, has been republished to update table 1. An updated version follows.)*

Major Rating Factors

Counterparty Credit Rating
Foreign Currency
AAA/Stable/A-1+

Strengths:

- Robust support of NIB member countries.
- Strong asset quality.
- Ample liquidity.
- Sound financial and risk management.

Weaknesses:

- Relatively high leverage and debt ratios.
- Comparatively high regional concentration of loan portfolio.

Rationale

The ratings on Finland-based Nordic Investment Bank (NIB) reflect the strong membership support granted by the eight member countries and the bank's high asset quality, which has led to historically stable and predictable profitability, although some deterioration was evident in 2008. These strengths are offset by the bank's regionally concentrated loan portfolio and high leverage and debt ratios.

NIB was founded in 1975, with the aim of strengthening and developing Nordic cooperation and promoting growth in member countries by means of financing long-term projects in both the private and public sectors. It is nowadays focusing on supporting competitiveness and the environment. Of the disbursements, 76% were in 2009 destined to four focused sectors: energy; environmental; transport; logistic, communications, and innovation.

The bank also finances projects in some emerging markets that are of mutual interest to the member countries and the borrowing countries. The bank has framework agreements with almost 40 countries but is focusing its operations in nonmember countries to around 10 countries.

Since its establishment, NIB has enjoyed the unwavering support of member governments. At year-end 2009, paid-in capital amounted to €419 million. Of callable capital, 95.6% is pledged by 'AAA' rated member states, well above the ratio of any other rated multilateral peer. Member support also manifests itself through explicit guarantees of NIB's international project investment loan (PIL) and environmental investment loan (MIL) facilities, which lend to borrowers outside the member countries.

In January 2005, NIB integrated new members for the first time since its inception. The republics of Lithuania (BBB/Stable/A-3; all ratings referred to hereafter are foreign currency credit ratings), Latvia (BB/Stable/B), and Estonia (A/Stable/A-1) do not have the same credit standing as the original members, but their capital share is only 3.4% in total.

At year-end 2009, loan losses were moderate, and asset quality remained high. Loans in the default category accounted for 1.1% of total lending (compared with 0.9% in 2008). Losses due to the bankruptcy of Iceland and Lehman Brothers totaled €79.7 million and €56.6 million, respectively. In the nonmember states, the default loans remained unchanged at 0.4%. Lending to nonmember countries accounted for 21% of NIB lending in 2009. Loans to nonmember countries remain supported by members' guarantees or by NIB's preferred-creditor status. Ordinary loans and guarantees--about 82% of NIB's lending portfolio--are limited by prudent statutory and policy controls (250% of authorized capital plus accumulated reserves, which equal €13.5 billion). Although regional concentration is substantial, the loan portfolio is diversified within the region. We believe that despite a deterioration in the economic fundamentals of the lower-rated members and nonmembers, which will put some pressure on the bank's asset quality, the situation is generally improving.

In our opinion, sophisticated risk management sufficiently addresses credit and counterparty risk within the loan portfolio, as well as market, foreign exchange, and interest rate risk of NIB's assets and liabilities. Liquidity policies remain focused on maintaining net liquidity equal to the bank's expected financing needs for the coming 12 months.

NIB does not pursue a profit-maximizing strategy, but has generally remained profitable throughout its history. Net interest income dominates NIB's financial performance and has been steadily rising for more than a decade. In 2009, profits on financial operations were €178 million, compared with the €387 million loss in 2008, in the context of the global financial crisis.

Outlook

The stable outlook reflects our expectation that despite the temporary negative impact of the current international financial crisis, the bank's very strong asset quality and financial profile will continue over the medium term, safeguarded by solid membership support and cautious credit policies, all of which are key factors underpinning the bank's extremely strong financial capacity to honor obligations as they fall due. However, were leverage to increase significantly above our current expectations, or in the unlikely event of a weakening of support from the NIB's highly credit-worthy shareholders, or should impaired loans increase significantly above historically low levels, the rating could come under downward pressure.

Ownership

NIB was established as the Nordic countries' joint international financial institution in 1975. Its primary purpose is to promote economic growth in member countries by financing medium- and long-term projects in the private and public sectors that strengthen competitiveness and enhance the environment. The five original member countries--the Kingdom of Denmark, the Kingdom of Sweden, the Kingdom of Norway, the Republic of Finland (all rated AAA/Stable/A-1+), and the Republic of Iceland (BBB-/Negative/A-3)--provide high-quality callable capital. In January 2005, NIB enlarged its membership for the first time in its history, inviting Estonia, Latvia, and Lithuania to reflect their economic integration and geographical proximity with the incumbent Nordic members. The combined shareholding of the new members amounts to 3.4% of total capital. Subscription of new members' capital took place through a corresponding capital increase of €142 million in January 2005. Following the membership expansion, about 96% of callable capital comes from shareholders rated 'AAA', which is the highest proportion among all rated multilateral lending institutions.

Table 1

Nordic Investment Bank Shareholder Support

(Mil. €)	Sovereign ratings*	Total authorized capital	Shareholding (% of total)	Paid in portion as of December 2009	PIL guarantee coverage ceilings	MIL guarantee coverage ceilings
2009						
Denmark (Kingdom of)	AAA/Stable/A-1+	881.1	21.3	89.2	377.8	70.1
Estonia (Republic of)	A/Stable/A-1	30.2	0.7	3.1	13.1	2.2
Finland (Republic of)	AAA/Stable/A-1+	765.8	18.5	74.4	344.9	51.4
Iceland (Republic of)	BBB-/Negative/A-3	38.6	0.9	3.9	15.6	3.2
Latvia (Republic of)	BB/Stable/B	43.9	1.1	4.4	19.1	3.2
Lithuania (Republic of)	BBB/Stable/A-3	67.8	1.6	6.9	29.5	4.9
Norway (Kingdom of)	AAA/Stable/A-1+	793.1	19.1	77.1	329.3	61.3
Sweden (Kingdom of)	AAA/Stable/A-1+	1,521.40	36.7	159.6	670.8	103.7
Total		4,141.90	100	418.6	1800.0	300.0

*As of Nov. 29, 2010. PIL--Project investment loan. MIL--environmental investment loan

Government Support

The original member countries enjoy some of the highest per capita incomes of all rated sovereigns and generally have a long track record of political stability and macroeconomic prudence.

The willingness of members to authorize significant increases in the bank's capital base (paid in plus callable) over time is indicative of the depth of membership support. In 2005, authorized capital was increased to €4.1 billion. The bank itself is responsible for any initial losses under the PIL facility, up to the amount of a special credit risk fund for PILs. In addition, members guarantee 90% of each PIL up to €1.8 billion and 100% of each MIL, underpinning support for the bank's activities outside the member countries.

If the bank's board of directors deems it necessary to call capital to fulfill the bank's debt obligations, each member country is obliged to pay the balance of its subscribed capital. The failure of one member to honor a capital call does not relieve any other member from its obligation. Should a member country withdraw from the bank agreement, it remains responsible with its subscribed capital for bank commitments at the time of withdrawal. Although it is not explicitly stated in the bank's statutes, it is expected that if less than the remaining capital balance is called by the directors, each member is liable for a pro-rata share of the call. NIB has never made a call on capital.

According to the agreement and statutes, the board of governors is the supreme decision-making body and consists of a cabinet minister from each member country. According to the statutes, the board of governors has the power to:

- Amend the statutes;
- Decide on increases of the authorized capital stock;
- Approve the annual report of the board of directors and the audited financial statements of the bank;

- Appoint the chairman and deputy chairman of the control committee;
- Decide on the interpretation and application of the provisions of the agreement and the statutes; and
- Decide on procedures for withdrawals of membership and the liquidation of the bank.

Except for the powers vested in the board of governors, the remaining powers lie with the board of directors. The board consists of eight directors who are appointed by the respective member countries. The powers of the board of directors include:

- Adopting policy decisions concerning the operations of the bank;
- Appointing the president;
- Approving financing and guarantee transactions proposed by the president;
- Issuing to the president annual general authorizations to carry out borrowing and associated treasury activities; and
- Approving the annual financial plan.

The board of directors can delegate its powers to the president to the extent it considers appropriate. The control committee is responsible for the audit of the bank and for the supervision of its operations. The control committee consists of 10 members: eight appointed by the Nordic council and the parliaments of Estonia, Latvia, and Lithuania (one from each country); and two appointed by the board of governors to serve as chairman and deputy chairman.

NIB is headquartered in Helsinki, where it employs about 178 staff. Given the wholesale nature of its business model, NIB does not have branches in other member or borrowing countries.

Operations

Lending growth

In 2009, despite the global recession, the demand for NIB financing remained strong, notably because funding resources were still scarce. Nevertheless, in 2009, lending volumes were reduced with a total amount of new loans totaling €1.4 billion (compared with €2.7 billion in 2008) to keep the growth in asset lending in line with the bank's longer-term targets. For the same purpose, the bank has also decided to restrict its disbursement volume to €2 billion. The amount of loans outstanding reached €13.8 billion, more than the bank expected, mainly due to lower volumes of early redemption. Of the lending, 85% was carried out within the member countries. Finland accounted for 35% of the new lending, followed by Denmark and Sweden (16% each).

The global recession severely affected all NIB's members, especially Iceland and the Baltic States. Furthermore, the risk rating of many NIB costumers deteriorated. Nevertheless, loan losses were moderate and impaired loans only experienced a slight increase. The level of nonperforming loans in 2009 soared to €14.1 million in member countries and €10 million in nonmember countries; however, this represents less than 0.2% of the total loan portfolio.

NIB focuses on transactions that fulfill its environmental and competitiveness mandate. The bank established the climate change, energy efficiency, and renewable energy (CLEERE) lending facility in 2008 to support its actions within these main targeting sectors. NIB's mandate involves financing in the form of loans and guarantees, particularly within the following sectors:

- Environmental (accounting for 48% of loans agreed in 2009, for a total amount of €684 million);
- Transport, logistics, and communications (18%, for a total amount of €252 million);

- Energy (6%, for a total amount of €89 million); and
- Innovation (5%, for a total amount of €72 million).

NIB also runs an A/B loan program (created in 2008 and involving co-financing projects alongside commercial banks), with two new projects in the Brazilian and Russian telecommunication sectors.

Ordinary loans remain NIB's most important lending activity, equivalent to 82% of loans outstanding at year-end 2009. Borrowers in Sweden and Finland each accounted for about 22%, with the remainder disbursed among other member and nonmember countries.

Lending to nonmembers

Total loan agreements signed amounted to €1,417 million, of which 15% were with customers in nonmember countries (€216 million). In 2009, 21% of new lending was to nonmember countries. The new loans agreed in 2009 to nonmember countries were distributed between Europe and Eurasia (46%), Latin America (37%), and Asia (18%). Lending to nonmember countries is based on cooperation agreements with governments in borrower countries and is dominated by loans under the PIL facility. The facility is designed to support the internationalization of member countries and finance their projects in developing countries and emerging markets, including both sovereign and private sector lending.

By sector, one-third of the loans at year-end 2009 were used to fund electricity, gas, and water supply projects, and almost one-third more went to transport and communications related projects. The bank's risk on these loans is modest; member countries guarantee 90% of each loan, up to a total of €1.8 billion under the program. These guarantees can be called by the board of directors at its discretion in the event of payment failure. If the bank calls a guarantee, payment would have to be made within two months. When the PIL lending limit was increased, the guidelines for calling the guarantees were adjusted, making the bank responsible for any initial losses up to the amount of the special credit risk fund for PILs. In 2009, the special credit risk fund supporting PILs amounted to €281.9 million.

Table 2

Nordic Investment Bank Summary Balance Sheet

(Mil. €)	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Assets										
Cash and cash equivalents, placements, and debt securities	6,738	7,375	6,177	5,268	4,984	4,546	4,384	4,304	3,735	3,922
Loans outstanding	13,763	13,063	12,291	11,534	11,717	10,279	10,522	10,110	10,067	9,288
of which ordinary loans	11,326	10,505	10,161	9,397	9,613	8,583	8,481	7,918	7,723	7,360
of which project investment loan (PIL)	2,333	2,440	2,034	2,028	2,017	1,640	2,006	2,040	2,285	1,885
of which environmental investment loan (MIL)	104	118	95	106	83	44	17	1	0	15
of which Baltic investment loan (BIL)	0	0	0	4	4	12	18	21	28	28
Loans in nonaccrual status	24	0	0	0	0	4	18	25	4	4
of which ordinary loans	14	0	0	0	0	0	0	4	4	4
of which international loans	10	0	0	0	0	4	18	22	0	0
Intangible and tangible assets	40	42	44	43	42	42	37	36	36	40
Accrued interests and other assets	1,883	2,140	1,461	1,143	1,436	1,496	1,723	1,498	1,187	600
Total assets	22,423	22,620	19,973	17,988	18,178	16,363	16,666	15,948	15,025	13,850
Liabilities										
Amounts owed to credit institutions	653	1,172	546	620	568	417	367	381	254	228

Table 2

Nordic Investment Bank Summary Balance Sheet (cont.)										
Debts evidenced by certificates	17,998	17,549	15,023	13,622	14,456	12,355	13,086	13,150	12,298	11,326
Accrued interests and other liabilities	1,722	2,169	2,367	1,726	1,209	1,811	1,563	877	1,031	970
Capital										
Paid-in capital	419	419	419	419	419	404	404	404	404	394
Statutory reserve	671	657	646	645	645	645	645	554	529	469
Credit risk funds	623	904	860	773	710	550	440	429	362	332
Other value adjustments	(3)	0	1	4	7	10	10	11	14	0
Profit for the year	324	(281)	69	138	165	172	151	142	131	130
Total liabilites and equity	22,423	22,620	19,973	17,988	18,178	16,363	16,666	15,948	15,023	13,849
Memo item										
Guarantees issued	0	0	0	0	0	0	0	0	25	3
New borrowing	4,137	4,681	4,288	2,689	2,059	1,808	3,258	3,320	2,099	1,865
'AAA' callable capital	3,561	3,561	3,561	3,561	3,561	3,561	2,199	2,199	1,508	716

Policies governing risk management

We believe that NIB has a sophisticated risk management system which comprehensively addresses the bank's credit risk within the loan portfolio, as well as the market, foreign exchange, and interest rate risk of its assets and liabilities.

Credit risk. In our view, credit risk remains NIB's main financial risk. The risk management system is based on internal credit risk rankings, a limit system based on credit risk ratings and on a portfolio risk model. Lending policies aim at ensuring that the loan portfolio is well diversified. The bank has limits on lending by economic sector or industry, concerning both credit exposure and the use of economic capital; concentration risks are evaluated when granting loans. The bank applies strict rules regarding exposure to individual borrowers and composition of its portfolio. The portfolio risk model takes into account both lending and treasury activities, and helps the bank control portfolio risk as a whole.

Like other multilateral institutions, NIB controls risk to shareholders and creditors by restraining leverage and limiting the scope of its financial operations. NIB's statutes constrain its debt ratio. Ordinary loans and guarantees are limited to 2.5x of the bank's subscribed capital and accumulated general reserves. Leverage (defined as disbursed loans as a share of total subscribed capital plus reserves) has oscillated at around 200% for the past decade. In addition, the bank has separate ceilings of €4 billion for the PIL facility and €300 million for the MIL facility. NIB does not have an explicit debt leverage policy. Nevertheless, the bank's leverage limits effectively constrain net debt to 250% of subscribed capital and reserves. In addition, NIB's statutes call for adequate collateral for loans granted. Moreover, exceptionally high asset quality continues to sustain NIB's less conservative leverage and debt ratios, compared with other multilateral lenders.

Interest rate and exchange rate risk. In 2009, the net limit on interest rate risk was set at 1% of NIB's equity capital, but in practice total interest rate risk exposure has usually been well below this limit (at 40% of the limit at year-end 2009). It should be noted that NIB's invested funds corresponding to the invested equity are managed as a separate portfolio and are not included in the calculation of its interest rate risk limits and exposure.

As laid out in the bank's statutes, all foreign currency risk is hedged to the extent practicable. The bank has no open foreign exchange positions on its balance sheet that could materially affect its financial position or net income.

The currency distribution of the new borrowings in 2009 is well diversified, with 34% of U.S. dollars and 25% of euros, followed by Australian dollars (9%), Swiss francs (9%), Norwegian krone (7%), Japanese yen (6%), and others (10%).

Refinancing and reinvestment risks. Refinancing and reinvestment risks are undertaken to accommodate a more flexible management of the funding and lending business. We believe that these risks are carefully managed and controlled within the bank's prudent limit system. Commitment fees encourage early use of loan facilities and further reduce the bank's funding exposure, which is reflected in NIB's low ratio of undisbursed-to-disbursed loans. In 2009, the limits for refinancing and reinvestment risks are set at €26 million, approximately 1.5% of NIB's equity.

Liquidity risk. In our view, NIB's liquidity policy remains cautious as the bank aims to maintain net liquidity equal to its needs for the coming 12 months. At the same time, the bank's investment guidelines for liquid assets remain prudent. Liquid investments are placed in highly rated marketable securities and bank deposits.

Profitability suffers during crisis

After years of stable but moderate profitability, NIB made a loss in 2008 due to losses on financial operations and impairments on the loan book. In 2009, however, the bank returned a profit of €323.9 million. This significant increase is mainly the result of the substantial gains on the treasury portfolios and the positive adjustments to NIB's hedge accounting.

Measured as a ratio of return on average assets, profitability since 2000 has remained remarkably stable at a relatively low 0.7% (although this figure increased to 1.4% in 2009 after NIB posted a loss in 2008). The onset of the global credit squeeze led to sizable value adjustments in 2007 (€90 million) and 2008 (€387 million) to fair value in the trading portfolio, which in turn caused a sharp reduction in the bank's return on average assets to -1.3% in 2008 (see table 4). This was caused by the negative effect of widening credit spreads on the mark-to-market valuations of the treasury portfolio (around €132 million of the 2008 fair value adjustments are related to the exposure NIB had to Lehman Brothers Holdings Inc. and to Icelandic banks). In 2009, net operating income on average assets stands at 1.4% comparing to -1.3% in 2008.

The majority of NIB's operational profit continues to be derived from its net interest income, which rose by 3% in 2009 to €219 million. Net interest income has risen every single year over the past decade.

Administrative expenses, meanwhile, represent 14% of net interest income, which is comparable to those of the EIB and the CEB, but well below those of other multilateral institutions; this is a testament to NIB's lean structure and efficient operational model. Most of the large supranational institutions are authorized by their charters to pay dividends; NIB was the first of the rated multilateral lending institutions to pay a dividend to its shareholders (in 1985).

Table 3

Nordic Investment Bank Summary Income Statement

(Mil. €)	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Net interest income	219.0	212.0	187.0	178.8	168.7	163.2	155.4	149.7	146.9	143.0
Commission income and expenses etc.	9.0	11.0	6.0	6.8	8.6	8.0	6.0	7.0	7.0	6.0
General administrative expenses, depreciation, and write-down	(35.7)	(34.7)	(32.0)	(32.2)	(27.8)	(24.3)	(22.4)	(22.0)	(22.7)	(20.0)
Core earnings	192.0	189.0	161.0	154.0	150.0	147.0	139.0	135.0	130.0	128.0
Adjustments to fair value in trading portfolio	137.0	(352.0)	(82.0)	(10.0)	11.0	20.0	3.0	10.0	3.0	4.0

Table 3

Nordic Investment Bank Summary Income Statement (cont.)										
Impairment of loans	42.5	79.2	0.0	0.0	0.1	4.0	0.0	3.0	0.0	2.0
Adjustment to hedge accounting	(37.7)	(38.8)	(10.0)	(7.0)	5.0	2.0	8.0	0.0	3.0	0.0
Profit for the year	323.9	(281.0)	69.0	137.5	165.3	172.4	151.3	141.6	130.7	130.0

Asset quality

Cautious lending policies aim to ensure a strong portfolio and minimal risk to the bank's capital. Historically, NIB's asset quality has remained excellent, although some weakening has been evident in 2008. Over the past five years, the ratio of nonaccrual loans to disbursed loans consistently remained close to zero, before rising to 0.18% in 2009 (€24.1 million).

Liquidity

At year-end 2009, NIB held one-third of the balance sheet in the form of liquid assets. This enabled the bank to meet its policy target, which stipulates that net disbursements of loans plus debt amortization during the coming 12 months should normally be fully covered by liquid assets. NIB's liquidity ratio compares favorably with 'AAA'-rated multilateral lending institutions with similarly strong loan portfolios. By year-end 2009, the bank's net operational liquidity totaled €3.5 billion, of which liquid securities accounted for €2.9 billion. NIB's liquidity policy was revised in 2009 to increase liquidity to define and secure sufficient liquidity. However, thanks to the capital market's normalization in the second half of the year, the portfolio benefited from a strong valuation gain, mostly caused by matured securities and the regaining of the 2008 valuation losses.

Capital

In our view, NIB's capitalization remains comfortable. Its capital-asset ratio has hovered around 10%-11% since the late 1990s, and despite a decline to 7.6% in 2008, it almost reached previous levels at 9.1% in 2009. Adding 'AAA' rated callable capital to the equity base (paid-in capital plus total reserves), the ratio was 25% in 2009.

NIB's board of governors decided to increase the bank's authorized capital by €2 billion in June 2010, up to €6.1 million. The capital increase will be allocated to the unpaid portion of the authorized capital stock. NIB's member countries will subscribe to the authorized capital in proportion to their gross national income, with Sweden participating 34.6%, Norway 21.5%, Denmark 21.1%, and Finland 17.7%. Paid-in capital still equals €419 million (6.82% of the authorized capital). The capital increase will enter into force once the necessary procedures in the member countries have been completed.

NIB's capital portfolio is invested in highly rated fixed-income securities denominated in euros. The return on the capital portfolio equaled 6.13% in 2009. Allocation to the share of government bonds (including supranational bonds, local government bonds, and agency papers) increased to 58% in 2009, and stays in line with the bank's liquidity policy.

Funding

NIB's total outstanding capital market debt at year-end 2009 amounted to €18 billion, an increase by 2% from the previous year. The funding needs for 2009 were €4.1 billion. Nevertheless, while the year was challenging for capital markets, NIB bonds met a strong demand.

In 2009, NIB borrowed €4.1 billion. This included 71 transactions in 10 different currencies. The majority was issued in the form of one global U.S. dollar benchmark issues (34%) and the bank's inaugural euro benchmark issue

(25%). Over 2009, the average maturity of funding returned back to the 2007 level of 4.8 years, coming back from an average of 3.6 years in 2008.

NIB also maintains a global US$10 billion program, an Australian dollar medium-term note program with a A$5 billion ceiling, a euro-denominated medium-term note program of up to €15 billion, and a Swedish krona (SEK) medium-term note program with a SEK8 billion ceiling.

Table 4

Nordic Investment Bank Financial Ratios

(%)	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Gearing										
Disbursed loans/equity	671.3	755.2	603.4	570.7	602.2	577.3	637.9	656.6	699.0	700.5
Disbursed loans/subscribed capital + reserves	286.0	239.6	213.4	200.8	206.7	191.2	200.6	196.9	199.9	188.3
Asset quality										
Nonaccrual loans outstanding/disbursed loans	0.2	0.0	0.0	0.0	0.0	0.0	0.2	0.3	0.0	0.0
Nonaccrual loans net of provisions/'AAA' callable capital + equity	22.3	(1.5)	0.0	0.0	0.0	0.1	0.3	0.5	0.0	0.1
Profitability										
ROAA (Net operating income/average assets)	1.4	(1.3)	0.4	0.8	1.0	1.0	0.9	0.9	0.9	1.0
ROE (Net operating income/average equity)	17.1	(14.9)	3.4	6.9	8.9	10.1	9.5	9.5	9.5	10.2
Administrative expenses/net interest income	14.0	14.3	14.7	15.6	14.2	13.1	14.4	14.7	15.5	14.0
Net operating income per employee (mil. €)	1.8	(1.7)	0.4	0.9	1.1	1.2	1.0	1.0	1.0	1.0
Leverage										
Debt/equity	877.8	1014.6	737.5	674.4	743.0	694.0	793.3	853.8	852.6	854.1
Debt/'AAA' callable capital + equity	320.7	331.7	268.4	244.0	262.5	231.3	340.0	351.7	417.1	554.7
Debt net of liquid assets/'AAA' callable capital + equity	200.7	192.3	158.0	149.7	172.0	146.2	226.1	236.6	290.3	362.6
Liquidity										
Liquid assets/undisbursed loans + one-year debt service	1.2	1.0	1.2	1.2	0.3	1.7	1.2	0.7	1.0	1.1
Liquid assets/total assets	0.30	0.33	0.31	0.29	0.27	0.28	0.26	0.27	0.25	0.28
Capital adequacy										
Equity/assets	9.1	7.6	10.2	11.2	10.7	10.9	9.9	9.7	9.6	9.6
(Equity + 'AAA' callable capital)/assets	25.0	23.4	28.0	31.0	30.3	32.6	23.1	23.4	19.6	14.7

Ratings Detail (As Of December 1, 2010)*

Nordic Investment Bank		
Counterparty Credit Rating		
Foreign Currency		AAA/Stable/A-1+
Commercial Paper		
Foreign Currency		A-1+
Senior Unsecured (1 Issue)		A-1+
Senior Unsecured (330 Issues)		AAA
Counterparty Credit Ratings History		
18-Sep-1989	*Foreign Currency*	AAA/Stable/A-1+
30-Nov-1982		AAA/--/A-1+
23-Nov-1981		--/--/A-1+

Ratings Detail (As Of December 1, 2010)***(cont.)**

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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