Moody's Global
Sovereign

Credit Analysis

April 2009

Nordic Investment Bank

Supranational

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The Nordic Investment Bank's (NIB or the Bank) Aaa/Prime-1 ratings are the highest possible on Moody's rating scale. The Bank's creditworthiness is exceptionally strong, based on a track record of nearly unblemished asset quality, prudent financial management, healthy capital adequacy, strong liquidity, and the dedicated backing of Aaa-rated shareholders, which own almost 96% of Bank capital. As is the case with many of its multilateral peers, NIB's Aaa rating is also materially supported by direct and indirect guarantees extended by its member states, which underwrite the subscribed capital and pledge additional callable capital as a full faith and credit obligation of their governments. In addition to the original five Nordic countries, the three Baltic nations became NIB shareholders in 2005.

Rating Rationale and Outlook

The outlook for NIB's Aaa/P-1 ratings is stable. Pressures from the financial market crisis, and in particular, the financial meltdown in one of its founding members, Iceland, do not threaten the Bank's credit standing thanks to its excellent fundamentals. The willingness and ability of its members to provide support to the Bank and its preferred credit status are important underpinnings of Moody's ratings for international financial institutions (IFIs).

NIB posted a loss in 2008 mainly as a result of the substantial fall in valuations of financial assets because of mark-to-market accounting, plus provisioning expenses and writeoffs, primarily against Icelandic assets.

The economic outlook is weak to very weak for all of NIB's member countries and many of the non-member countries in which it lends, with many economies around the world contracting at record rates. These conditions will create a difficult environment for the Bank's borrowers, so prudential portfolio, risk and liquidity management will remain crucial to maintain asset quality and regain profitability. At the same time, an environment where private sector sources of credit are scarce means that IFIs like NIB have an even more important role to play within their areas of operation.

This Credit Analysis provides an in-depth discussion of credit rating(s) for Nordic Investment Bank and should be read in conjunction with Moody's most recent Credit Opinion and rating information available on Moody's website. Click here to link.

Moody's Investors Service

The Icelandic financial crisis has tested the concept of shareholder support for NIB, even though the government of Iceland has been paying and plans to continue to pay all of its own debt obligations, including those to NIB. Some private sector exposures from Icelandic borrowers are in default, however, in particular NIB's exposures to the three big failed banks and one private firm that is in non-performing status. Iceland's government decided not to pay the banks' debts to NIB following their nationalization in an attempt to ringfence themselves and secure their own credit standing. However, Moody's expects that the Icelandic debts will ultimately be settled with little or no haircut in view of the government's responsibility as a shareholder.[1] In the meantime, the debts were all written off last year, so any value recovery will be positive for NIB's books going forward. In total, the share of defaults relative to total exposures at the end of the year was 1.1%.

The Bank continues to be an important source of long-term financing for borrowers from member countries because of its regional focus and its responsiveness to its members' specific needs. Its relevance within the member region has increased given the greater integration of the Nordic and Baltic economies, the expansion of member-based companies outside of the region, and the opportunities created by the accession of the Baltic and Central and Eastern European economies to the EU. In addition, the Bank's generous dividend policy – unique to NIB among the IFIs – and strong and stable core earnings has until this year provided productive returns for its owners, which further strengthens shareholder support for the institution. The dearth of long-term financing as a consequence of the global financial crisis creates more opportunities for NIB, as well as other multilaterals, to expand their operations.

Organizational Structure and Strategy

NIB was founded in the mid-1970s by the five Nordic nations: Sweden, Finland, Denmark, Norway and Iceland. NIB's expansion to include Estonia, Latvia, and Lithuania in 2005 is a reflection of the longstanding economic and political ties with the Nordic region that, if anything, have deepened in the years since their 1991 independence from the Soviet Union. Lending to these new members continues to rise but the relatively smaller scale of these economies means exposures will remain modest.

NIB's capital is about 96% owned by Aaa-rated governments. Lower-rated Iceland and the Baltic countries hold just 4% of the Bank's capital. These lower-rated governments are experiencing downward pressure on their own ratings because of their high levels of external leverage. Still, NIB's credit standing is not influenced much by its lower-rated members because of the small amount of capital they hold in the Bank and also the Bank's modest exposure to these countries in terms of either loans or investments.

The Bank's capital and loan exposures are proportional to the size of the member economies, with Sweden, the largest economy in the neighborhood, holding the most capital (36.7%) and also having the greatest share of loans (23%). It should be noted however that the disaggregation of loan exposure data by country has become a bit complicated because of M&A activity and the classification of lending according to headquarters rather than use.

NIB continues to re-evaluate its strategy to ensure that the Bank is adequately fulfilling its mandate and to determine which areas of activity should be pursued in the member regions and elsewhere going forward. Emphasis is being placed on how the Bank can assist in projects to improve competitiveness and to address environmental concerns. Without taking undue risks, the Bank is exploring ways in which its longer-term financing can support this agenda, along with enhancing integration of the Nordic and Baltic economies. Indeed, some 60% of the loans disbursed in 2008 were related to environmental and/or competitiveness-related activities.

NIB is the only IFI with an explicit environmental mandate. Its new Climate Change, Energy Efficiency and Renewable Energy Facility (EUR 1 billion) and the new Baltic Sea Environment Financing Facility (EUR 500 million) will help the Bank execute this more focused initiative. NIB continues to work closely with other multilaterals, such as the European Bank for Reconstruction and Development (EBRD) on the Northern Dimension initiative. It is also participating in a carbon fund with IFIs and multilateral development banks. The Bank continues to operate very efficiently, as measured by loan values per individual staff.

[1] One additional problem exposure – to failed investment house Lehman Brothers – amounted to EUR 57 million.

Nordic Investment Bank

Overview of Operations

NIB is a for-profit institution that charges market interest rates on loans that it extends mostly from its lending window to borrowers within the member countries. At about 80% of total loans outstanding, the membership portfolio comprises by far the largest proportion of NIB's balance sheet assets. The main purpose of the Bank is to foster social and economic cooperation in the region, and NIB has also raised the profile of its environmentally-focused lending in recent years.

About 25 years ago, the NIB started lending to borrowers outside of the member region for long-term projects determined to be of mutual interest to companies or financial institutions based within member countries and the borrowing country. Non-membership lending is channeled through three windows, the largest being the EUR 4,000 million Project Investment Loan (PIL) facility, and the other two being the EUR 300 million Environmental Investment Loan (MIL) and the now-expired EUR 60 million Baltic Investment Loan (BIL) facility.

Unlike in the member states, the majority of non-membership lending is made to the sovereign government itself or carries a sovereign guarantee. These connections have been shown to improve the likelihood that the Bank will be repaid. Non-membership lending is relatively well diversified geographically, although Asia, Europe, and Eurasia have seen the fastest expansion in recent years. In 2008 the Bank reviewed its non-member lending policy and starting in 2009 has decreased the number of countries targeted for new lending from 39 to 12, including Brazil, China, India, South Africa, and the public sectors in Bulgaria and Romania. Having a smaller set of countries will allow it to increase its presence in each country, with priority placed on projects that fall within NIB's focus sectors. In addition, it enables the Bank to maintain a long-term, continuous presence in each country, a key value-added feature of the loan relationship between the Bank and its clients.

NIB's particular advantage as a lender is its ability to extend longer-maturity credit. The average term of its disbursed loans last year was around 10 years. With global interest rates having bottomed out and the yield curve flattening, the appeal of longer-term tenors is likely to increase. NIB continues to draw in new clients as medium-sized companies with less ready access to the capital markets take advantage of the long-term financing opportunities afforded by the NIB. As with loans to former clients, they are mainly used to finance infrastructure development projects.

In 2008 the Bank introduced a new lending product called the A/B loan which involves co-financing with a group of commercial banks. The structure is quite commonly used by other IFIs such as the World Bank. NIB's first use of this lending innovation was for a telecommunications project in Brazil. The basic structure is such that NIB extends a loan from its own resources – the A loan – and at the same time acts as the lender of record for a loan fully funded by the commercial banks – the B loan. The benefit of this structure is that it takes advantage of NIB's status as an IFI which leads to better terms on which the B loan segment is extended. These reduced borrowing costs for the loan taker would not have been obtainable otherwise. The Bank will continue to arrange similar transactions for other projects in the future based on the success of this first-time transaction.

Profitability

NIB has been one of the more profitable IFIs historically, and the return on equity has outperformed the benchmark five-year euro swap rate of interest for several years now. This is partly because of the excellent performance of its loans, but also because of earnings on its Treasury assets. Treasury – including a trading portfolio and the larger buy and hold portfolio – has contributed more than 50% of net income in some years. In 2008, however, mark-to-market losses on Treasury accounts and increased provisioning charges negatively impacted profits and the NIB recorded a net loss amounting to EUR 281 million. This compares to a EUR 69 million gain in 2007 and an average net profit of EUR 136 million during the 2004-2007 period.

Treasury losses totaled EUR 387 million in 2008, of which EUR 36 million was realized. Some EUR 47 million corresponds to a reclassification of assets from the trading portfolio to the held-to-maturity portfolio, which have the potential to be recouped through net interest income and a reversal of provisioning if no credit losses

materialize. NIB will not need to realize the EUR 137 million of mark-to-market losses through assets sales due to its greater market access relative to other conventional financial institutions.

With these potential mitigating factors, the Bank expects to recover as much as EUR 280 million of what was recorded as losses in 2008, over the next few years. In addition, net interest income and core earnings (profit before adjustments to hedge accounting, fair value adjustments made to the trading portfolio, and impairment of loans and reversals of these) continued a steady upward trend in 2008. As such, Moody's does not view the EUR 281 million net loss as an indication of a serious deterioration in NIB's business model. Other IFIs, such as the Inter-American Development Bank, incurred significant mark-to-market losses which similarly led to a net loss for the year.

Risk Management and Liquidity

Risk Management

NIB's normal financial practices include conservative policies with regards to lending, asset/liability management, risk management, and liquidity. NIB hedges its foreign exchange risks to the greatest extent possible, has formulated strict guidelines to minimize counterparty risk, and maintains an active risk management system governing both lending and treasury operations as part of its asset/liability management practices.

The methods by which these controls are implemented are continually refined. NIB increasingly uses model-based approaches to simulate portfolio risk and to conduct stress tests alongside more traditional strategies. One of the latest innovations in NIB's credit risk procedures is the development of a sophisticated Merton-type model that is used to identify capital at risk for each loan transaction. For internal purposes, NIB uses a 20-grade risk classification system, assessing not only the risk of default but the projected loss given default.

NIB's risk management team takes into account the correlations among the different types of risk in the NIB's portfolio – credit risk, market risk, and operational risk – in its regular internal calculations of economic capital. At the end of 2008, the assessment showed that the Bank's headroom of available capital resources had shrunk significantly. This decline in headroom happened because of a steep increase in credit risk capital and a reduction of the Bank's equity. Indeed, credit risk accounted for the vast majority (85%) of the calculated economic capital requirement in 2008.

An extensive review of risk limits took place last year to take account of the impact of the difficult credit conditions and advocate changes that would regain a wider margin of maneuver vis-à-vis assessed risks. Among the changes implemented because of the review were tighter restrictions on net interest rate risks and spread widening, lower counterparty risk limits, and increased refinancing and reinvestment risk limits, as well as new liquidity risk limits (described below). By implementing such changes, the Bank's management expects that the headroom of available capital resources will again expand during the upcoming year.

Liquidity

Given the current dislocations and uncertainties, the Bank has increased its staff that handles liquidity management. A part of its broader risk limit review was a formal review of its liquidity policy with a focus on the composition of its stock of liquid assets. As a result of the review, the Bank has increased the amount of cash held in the Treasury portfolios and reduced the amount of longer-dated securities held as liquidity.

With respect to its own capital, NIB is increasing the amount of fixed-rate government bonds and will phase out asset-backed securities. The objective is to focus on only core European government fixed-rate bonds, with the aim of achieving stable long-term earnings using JP Morgan's Euro Government index as a benchmark and raising the share of hold-to-maturity investments from 65% to 96% (eventually 100%).

NIB's policy previously was to maintain enough liquid assets to cover the coming 12 months' net liquidity requirements. At the end of 2008, net liquidity amounted to EUR 3,638 million while the calculated requirement was EUR 4,051 million, a 10% shortfall. This contrasts with the average coverage of 1.16x during

the 2004-2007 period. Still, Moody's does not view this as problematic since the 12-month requirement is itself quite large and also because any such gaps – when they have happened – have been short-lived given the Bank's active portfolio management. Furthermore, after the liquidity review mentioned above, the Bank's management has decided to increase the amount of coverage on hand from the previous 12 months to 12 to 18 months.

Funding

NIB follows a flexible funding strategy, adapting its borrowing operations according to investor preferences with regards to currency, maturities, liquidity, and structures, and then uses swaps to adapt more closely to its own needs. The Bank usually borrows in medium-term maturities of about 4 years and with the largest share in US dollars, since central banks tend to be the Bank's biggest investors. The Bank borrows in many different currencies and then swaps them to mirror lending needs, with an eye to minimizing interest rate, currency, and other risks. The Bank has U.S. and European commercial paper programs as well.

2008 was a record year for NIB's borrowings both in terms of amount and currency composition. New borrowings amounted to EUR 4,681 million raised in the international capital markets in 59 transactions and 13 currencies. This compares with EUR 4,288 million in 69 transactions and 10 currencies in 2007. The Bank issued three US dollar global benchmarks in 2008, while it had previously never exceeded two in a year. In addition, NIB carried out a few small exotic issuances during the year, such as synthetic Argentinean peso notes and a Russian ruble note, and they returned to the South African market with a rand-denominated bond issue.

NIB's stepped-up debt issuance reflects unusual market conditions, in particular a flight to quality during the global financial turmoil that led to strong demand for NIB and other top-quality bond issues, especially in the first half of the year. During the second half of 2008, however, the Bank (and the supranational issuing community as a whole) faced increasing competition with the introduction of government-guaranteed bank issues from major European banks and special purpose funding vehicles for Aaa governments like France's SFEF, as well as a significant increase in Aaa governments' own tapping of the capital markets.

Another result of the financial turmoil was the impact on average maturity and currency diversification. In 2008 investors preferred bonds with shorter maturities and denominated in US dollars. This decreased the average maturity of NIB's new borrowings to 3.6 years and did not allow for as much currency diversification (70% of new borrowings in US dollars compared with 45% in 2007); Moody's expects these changes to return to the trend seen in the years prior to 2008 once the global financial turmoil subsides.

Capital Adequacy

NIB's capital adequacy continues to be very solid, especially compared to the norms for "regular" financial institutions. Equity relative to the balance sheet averaged nearly 10% from 2000-2003 and then came closer to 11% ever since. However, in 2008 the ratio fell to 8%. When callable capital is included, the ratio to the balance sheet had been consistently above 30% until 2007 and 2008 when it dropped to 28% and 25%, respectively. Another important measure of capital adequacy, the loan-coverage ratio (paid-in capital plus reserves plus callable capital of Aaa-Aa member countries as a percent of outstanding loans), has also remained high (41% at the end of 2008, which includes the impact of Iceland's steep downgrade last year). This ratio reflects the strong credit quality of the largest 4 members (which is important in terms of both sides of the balance sheet – capital and lending) and also the abundant reserves of the institution.

NIB restricts lending (excluding lending from the PIL and MIL facilities) at a level equivalent to 2½ times subscribed capital plus tangible equity. Aside from the European Investment Bank and the Council of Europe Development Bank, which maintain the same gearing limit, NIB's lending policy is much more lenient than the 100% of capital followed by most other IFIs. It should be noted, however, that NIB only includes general and credit risk reserves in its calculation of tangible equity, and excludes its other large reserves, whereas several other IFIs include all such reserves in their gearing calculations.

In Moody's opinion, NIB's higher gearing relative to other IFIs does not impair its fundamental credit quality because of the low intrinsic risk of its lending, the generally stable operating environments in which it lends, and its prudent risk management procedures. About 70% of NIB's total loans are to entities domiciled in countries rated Aaa (Sweden, Finland, Norway and Denmark) and another 22% is extended either to investment-grade sovereigns or borrowers in investment grade-rated countries.

Based on the gearing limit, the Bank's ordinary lending ceiling is EUR 12,928 million. Loans outstanding (excluding loans made from the PIL and MIL facilities) came to EUR 10,505 million at the end of 2008, so lending headroom is shrinking fast. Furthermore, tighter global liquidity than seen in the early- to mid-2000s is likely to drive higher demand for NIB lending and cause these limits to be squeezed earlier than would have seemed possible just a year or so ago.

Asset Quality

NIB's annual loan growth has averaged about 10% (in US dollar terms) since 1994, a pace that few rated IFIs can match on a consistent basis. In spite of this rather fast pace, asset quality has been consistently strong through the Bank's 30-year history thanks to preferred creditor status plus careful project selection and monitoring.

Loan impairments recognized during 2008, which led to a provisioning charge of an equal amount, were valued at EUR 79 million. Of this amount, EUR 64 million was related to Icelandic customers, however, NIB expects actual final losses to be minimal.[2] Its exposure to the Baltic countries is very limited at 5% of total loans outstanding. Credit conditions in the Baltics in the years leading up to the global financial crisis did not allow for a larger NIB presence as borrowers in the countries had access to competitive borrowing options at interest rates that NIB considered too low given the risks. NIB expects this to change in light of the frozen credit markets in the region and its Baltics presence will increase in the years to come, as permitted by risk assessments.

Membership Loan Profile

During 2008 the Bank signed 40 new loan agreements in the member countries amounting to EUR 2,027 million, bringing the total of loans outstanding to EUR 10,142 million (a 3% increase from 2007). Sweden accounted for the largest part (34%) of new lending to member countries in 2008 and Finland came in second at 29%. Even though lending increased again from an already high level, it was still far short of borrower demand in light of exceptionally tight credit conditions. In addition to carefully selecting among loan applicants in such an environment, NIB management scaled back disbursements on agreed loans, rescheduling them into 2009. As a result, loans agreed but not yet disbursed were a record size, amounting to EUR 574 million at end-December.

The maintenance of NIB's strong asset quality in its membership loan book is largely attributable to the institution's concentration on well-established companies, its careful due diligence, and its vigilant project monitoring. Historically, a large proportion of NIB's membership loans were extended directly to governments, municipalities, or parastatals with central government guarantees, but such loans now represent only about 14% of the membership loan book. As governments have proceeded to privatize state companies and deregulate utilities and services, NIB has increased lending directly to companies or to their financial intermediaries with bank guarantees.

The Bank maintains a reasonably well-diversified portfolio, at least within the limitations of its predominantly regional orientation. NIB's largest ten borrowers account for 21% of the lending exposures and the fifty biggest, 57% of the total. Internal guidelines limit the Bank to lending no more than 20% of its paid-in capital plus general reserves to any one private sector borrower (although mergers of NIB's clients at times have caused this limit to be breached temporarily). The biggest single exposure is a non-member country sovereign

[2] Total exposure to Icelandic borrowers was 5% of NIB's total loan book, equivalent to 38% of equity, at the end of 2008. As stated earlier, however, most of these loans are to the Icelandic government or government-guaranteed projects.

and corresponds to EUR 591 million (34% of equity). The largest ten lending exposures account for 175% of equity. Each borrower is evaluated on a consolidated basis including contingent liabilities.

As a rule, the Bank does not finance more than 50% of any project. Concentrations are defined and entered into the limits system according to effective risk, and monitored by the independent risk management unit. NIB has no formal policies dictating the distribution of lending within and among member countries.

The manufacturing sector continues to be an important focus of lending in the member-country portfolio, accounting for 40% of loans and guarantees outstanding at the end of 2008. Energy sector loans also continue to predominate although not to the extent of earlier years when Iceland's massive power capacity expansion absorbed large sums of NIB financing. The energy sector makes up 29% of the total member-country loan portfolio, followed distantly by transport and communications at 9%. All loans, both membership and non-membership, are assessed for the environmental impact of the projects involved unless NIB management is satisfied that sufficient analysis has been undertaken already in connection with a project's formulation.

Non-Membership Loan Profile

Lending to countries, banks, and companies outside of the Nordic-Baltic region has grown rapidly from a small base over the last decade. The emphasis is on investment, mainly infrastructure-related projects in the energy, transport, and telecommunications sectors, rather than in manufacturing, and with the additional special focus on environmental enhancement. Lending activity was brisk outside of the member states of the Nordic-Baltic region again last year, when the Bank signed 13 new loan agreements totaling EUR 680 million in 8 non-member countries. This was a 68% increase from the amount of loans agreed in 2007. A significant amount of loans agreed but not disbursed – EUR 845 million – remained in the pipeline at the end of the year.

Non-membership loan disbursements fell by 3% to EUR 611 million compared to EUR 630 million in 2007. Loans outstanding to non-member countries stood at EUR 2,910 million at the end of 2008, up from EUR 2,428 million in 2007. The latter result is partly skewed downward by the depreciation of the US dollar last year, which is the main currency denomination in the non-member portfolio. Lending activity was particularly brisk in Poland, Russia, and China.

The share of non-membership loans increased from 20% of total loans outstanding at the end of 2007 to 22% at the end of 2008. The geographic distribution of lending to non-member countries is becoming more diversified over time. Asia's share in 2008 was 33%, whereas lending to Latin America amounted to 20%, Central and Eastern Europe (excluding the Baltic member states) 18%, and Africa/Middle East 13%. Loans outstanding to Asia overall had amounted to 51% of non-membership loans just 9 years earlier.

The repayment profile of the Bank's non-membership loans is excellent. The Bank has rarely experienced payment delays with borrowers from non-member countries, even those that have been in serious financial difficulty, with the main exception being Argentina in the earlier part of this decade.

New guidelines for the main non-member lending facility, PIL, were put into effect as of July 1, 2004 in conjunction with the increase of the facility from EUR 3.3 billion to EUR 4 billion. Under these rule changes, NIB itself takes responsibility for 100% of any losses on any individual PIL loan – without recourse to members' capital – up to an amount equal to the funds available in the Special Credit Risk Fund (SCRF). At year-end 2008, the SCRF's value was EUR 282 million. Beyond this, member states are directly responsible for 90% of the losses up to a maximum of EUR 1.8 billion under the PIL facility before the bank would have to tap into additional capital. Members guarantee in full the loans extended via MIL, the other non-membership lending window.

NIB's non-membership lending is provided mainly with sovereign guarantees from the country in which the borrower is domiciled. NIB is directly involved with 39 transitional and developing countries through its non-member loan windows, mostly via the larger PIL facility, with loans outstanding in 35 countries currently.

All of the non-member governments to which NIB extends new loans have signed formal cooperation agreements, usually with these countries' respective Ministries of Finance, which explicitly acknowledge NIB's

preferred creditor status equivalent to that of other IFIs. This strategy has been proven successful in helping to avoid payments problems in these areas. The Bank's policy is not to engage in new business outside the Nordic area unless such an agreement is in place, although in some instances, money lent by NIB is on-lent by its financial intermediaries into countries with which no agreement has been signed.

Rating History

Nordic Investment Bank

	Issuer Rating		Senior Unsecured	Outlook	Date
	Long-term	Short-term			
Outlook Assigned	--	--	--	Stable	March-97
Rating Assigned	Aaa	--	--	--	December-94
Rating Assigned	--	--	Aaa	--	April-82
Rating Assigned	--	P-1	--	--	August-80

Nordic Investment Bank

Annual Statistics

Nordic Investment Bank

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Balance Sheet Summary (euro mil.)									
Assets:									
Total Cash and Investments	3,921	3,725	4,304	4,384	4,546	4,984	5,268	6,177	7,375
Cash and Bank Accounts	2,498	1,111	3,227	2,997	3,198	3,569	3,753	4,493	4,777
Investments	1,424	2,614	1,077	1,387	1,348	1,416	1,515	1,683	2,599
Loans	9,288	10,067	10,110	10,522	10,279	11,717	11,534	12,291	13,063
Other Assets	640	1,231	1,534	1,760	1,537	1,478	1,186	1,506	2,183
Total Assets	13,850	15,024	15,948	16,666	16,363	18,178	17,988	19,973	22,620
(Earning Assets)	13,209	13,801	14,414	14,906	14,825	16,701	16,803	18,467	20,438
Liabilities:									
Total Debt	11,554	12,552	13,531	13,453	12,771	15,024	14,242	15,569	18,767
Short-term Debt	228	254	281	252	322	468	530	454	1,139
Long-term Debt	11,326	12,298	13,250	13,201	12,449	14,556	13,712	15,115	17,628
Other Liabilities	970	1,031	877	1,563	1,811	1,209	1,726	2,367	2,123
Total Liabilities	12,524	13,583	14,408	15,017	14,582	16,233	15,967	17,936	20,890
Capital And Reserves									
Subscribed Capital	4,000	4,000	4,000	4,000	4,000	4,142	4,142	4,142	4,142
Less: Callable Capital (CC)	3,606	3,596	3,596	3,596	3,596	3,723	3,723	3,723	3,723
(CC of Aaa/Aa Countries)	3,606	3,596	3,596	3,596	3,596	3,596	3,596	3,596	3,561
Equals: Paid-in Capital	394	404	404	404	404	419	419	419	419
Plus Statutory Reserve	531	554	554	645	645	645	645	646	657
Plus Credit Risk Reserves	276	327	327	337	357	424	535	622	622
Plus PIL Loan Loss Reserves	84	98	98	98	188	238	238	238	282
Plus Income Approp. to Dividend Distribution [1]	39	39	142	151	172	165	137	69	-281
Plus HIPC initiative reserve	2	4	4	4	4	4	1	0	0
Other	--	14	11	10	9	7	4	1	0
Equals Usable Equity	1,326	1,441	1,540	1,650	1,781	1,946	2,021	2,037	1,730
Total Liabilities and Capital	13,850	15,024	15,948	16,666	16,363	18,178	17,988	19,973	22,620

[1] Starting in 2002, profit in equity is shown as unappropriated.

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	2000	2001	2002	2003	2004	2005	2006	2007	2008
Financial Ratios continued"									
Income Statement Summary (euro mil.)									
Net Interest Income	143	147	150	155	163	169	179	187	212
Interest Income	798	714	528	469	448	529	673	856	979
Interest on Loans	551	510	394	331	309	364	471	589	677
Other Interest Received	247	204	134	138	138	165	202	267	302
Interest Expenses	655	567	379	314	284	360	494	669	767
Loan Loss Provision	2	0	3	0	-4	0	0	0	79
Net Interest Income After Provision	141	147	146	156	167	169	179	187	133
Other Income	10	8	19	19	31	26	-8	-84	-377
Net Revenue [1]	153	155	168	175	194	195	171	104	-165
Total Other Expenses	21	24	23	24	26	29	34	34	37
Administrative Expenses	16	18	20	20	21	24	28	28	30
Depreciation and Other	5	5	4	4	4	5	6	7	7
Foreign Exchange Profits/Losses[2]	0	0	0	0	0	0	0	0	0
Net Income	130	131	142	151	172	166	137	69	-281
[1] Net Interest Income + Other Income. [2] Losses appear with a positive sign; profits with a negative sign.									
Financial Ratios									
Profitability (%)									
Return on Average Assets	0.96	0.91	0.91	0.93	1.04	0.96	0.76	0.37	-1.32
Return on Average Earning Assets	1.01	0.97	1.00	1.03	1.16	1.05	0.82	0.39	-1.44
Return on Average Usable Equity [1]	10.25	9.45	9.50	9.48	10.04	8.88	6.92	3.42	-14.92
Net Income/Net Revenue	85.23	84.43	84.13	86.42	88.78	85.03	80.13	67.07	170.33
Net Income before Provisions/Net Revenue	86.31	84.68	86.19	86.25	86.84	84.97	80.13	67.07	122.35
Operating Expenses/Net Revenue	10.60	11.88	11.70	11.30	11.03	12.35	16.30	26.57	-18.40
Operating Expenses/Net Income	12.44	14.07	13.90	13.07	12.42	14.52	20.34	39.61	-10.80
Operating Expenses/Average Assets	0.12	0.13	0.13	0.12	0.13	0.14	0.15	0.14	0.14
Net Interest Margin	1.11	1.09	1.06	1.06	1.10	1.07	1.07	1.06	1.09
Interest Coverage Ratio	1.20	1.23	1.37	1.48	1.61	1.46	1.28	1.10	0.63

Nordic Investment Bank

Nordic Investment Bank

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Capital Adequacy (%)									
[1] Usable Equity/Total Assets	9.6	9.6	9.7	9.9	10.9	10.7	11.2	10.2	7.6
[1] Usable Equity/Total Loans	14.3	14.3	15.2	15.7	17.3	16.6	17.5	16.6	13.2
[1] Usable Equity/Total Debt	11.5	11.5	11.4	12.3	13.9	12.9	14.2	13.1	9.2
Subscribed Capital + Reserves/Total Assets	35.3	33.1	31.2	30.5	31.7	30.0	30.9	28.3	25.2
Subscribed Capital + Reserves/Total Loans	45.7	39.3	44.5	42.7	44.6	41.5	42.6	40.4	36.4
Subscribed Capital + Reserves/Total Debt	42.3	39.7	36.8	37.8	40.6	36.3	39.0	36.3	30.4
[1][2] Usable Equity + CC of Aaa and Aa rated countries/Total Assets									
	35.6	33.5	32.2	31.5	32.9	30.5	31.2	28.2	23.4
[1][2] Usable Equity + CC of Aaa and Aa rated countries/Total Assets Loans									
	53.1	50.0	50.8	49.8	52.3	47.3	48.7	45.8	40.5
[1][2] Usable Equity + CC of Aaa and Aa rated countries/Debt									
	42.7	40.1	38.0	39.0	42.1	36.9	39.4	36.2	28.2
Liquidity (%)									
Liquid Assets as % Assets	28.3	24.8	27.0	26.3	27.8	27.4	29.3	30.9	32.6
Liquid Assets as % Borrowings	33.9	29.7	31.8	32.6	35.6	33.2	37.0	39.7	39.3
Liquid Assets as % Long-term Debt	34.6	30.3	32.5	33.2	36.5	34.2	38.4	40.9	41.8
Liquid Assets as % Short-term Debt	1,719.9	1,464.6	1,533.0	1,736.9	1,410.2	1,065.0	994.0	1,360.5	647.7
Liquid Assets as % Total Liabilities	31.3	27.4	29.9	29.2	31.2	30.7	33.0	34.4	35.3
Asset Quality (%)									
[3] NPA/Loans	0.0	0.0	0.3	0.2	0.0	0.0	0.0	0.0	0.0
[3] Reserves/NPA	21,205.0	22,250.0	3,870.2	6,068.4	27,049.6	--	--	--	--
Loan Reserves/Loans	3.9	4.2	4.2	4.1	5.3	5.7	6.7	7.0	6.9

[1] Usable Equity equals Total Paid-in Capital + Reserves + Unallocated Income
[2] CC of Aaa and Aa is Callable Capital of Aaa- and Aa-rated countries
[3] NPA stands for non-performing assets.

Moody's Related Research

Rating Methodology:

- Sovereign Bond Ratings, September 2008 (109490)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Related Websites

- Nordic Investment Bank www.nib.int

Nordic Investment Bank

Report Number: 116527

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