NORDIC INVESTMENT BANK

Press release
Helsinki, 12 March 2009
Published in English, Swedish
www.nib.int/news_publications

NIB lending reaches all-time highs in 2008, financial crisis affects results

The year 2008 was challenging for the financial sector globally as well as for the member countries of the Nordic Investment Bank (NIB). Towards the end of the year, the financial distress escalated further. It started to increasingly affect the real economy globally and was also felt in the Nordic-Baltic region.

As a result, demand for NIB loans continued to be strong and the Bank experienced the fastest expansion of its lending activities ever. Loans agreed increased to EUR 2,707 million, compared to EUR 2,214 million during the previous year. Of the total amount of new loan agreements during the year, 57% were in the Bank's focus sectors: energy; the environment; transport, logistics and communications; and innovation.

"NIB increased its lending activities significantly last year. The crisis highlighted the important role IFIs play in providing financing during difficult times in accordance with their mandates when other sources become restricted," says Johnny Åkerholm, NIB President and CEO.

The Bank's debt issuance amounted to EUR 4,681 million. Developments in the financial markets increased funding costs in general, also for NIB and other supranationals towards end of the year, but NIB maintained its good access to the funding markets.

Reflecting market developments, the lending margins increased during the year, and net interest income for 2008 was therefore well above the outcome of 2007. Core earnings* amounted to EUR 189 million, which was also significantly higher than in the previous year.

Despite high core earnings, NIB encountered a loss of EUR 281 million. For the first time in many years, NIB made impairments towards the loan book, which amounted to EUR 79 million. Many of these impairments were related to the economic crisis in Iceland.

However, the majority of the loss stems from unrealised valuation losses in financial operations. NIB has a large liquidity buffer which is invested in sovereigns, supranationals, financial institutions and asset-backed securities. Of these, the financial institutions should be of good investment grade and the asset-backed instruments should have an AAA-rating.

The widening of credit spreads across the board negatively affected the fair value of these instruments. Some of the instruments were downgraded and fell outside the Bank's policies and were hence disposed of. This gave rise to realised valuation losses of EUR 36 million.

The Bank had some treasury exposures to the failed Lehman Brothers Holdings Inc. and Icelandic banks. As the recovery rates are uncertain, these have been heavily written off, and EUR 132 million of the fair value adjustments are related to these assets.

The unrealised valuation losses in 2008 totalled EUR 223 million. As NIB has unrealised valuation losses also from 2007, the Bank expects to recover some EUR 280 million in the next few years as the instruments reach maturity.

“NIB has a long-term target to, in addition to the own capital, retain an amount of liquidity which covers at least the expected net cash requirements for one year. When the financial crisis escalated at the end of last year, the market value of the Bank’s marked-to-market assets suffered. In the first two months of 2009, however, the valuations had a positive effect on NIB’s results,” Mr Åkerholm notes.

Key figures
in EUR million unless otherwise noted

Net interest income	**212**	**187**
Core earnings*	**189**	**161**
Profit	**-281**	**69**
Loans disbursed	**2,486**	**2,390**
Loan agreements	**2,707**	**2,214**
Member countries	**2,027**	**1,810**
Non-member countries	**680**	**404**
Loans outstanding	**13,081**	**12,316**
Member countries	**10,160**	**9,898**
Non-member countries	**2,920**	**2,417**
Guarantee commitments	**17**	**25**
New debt issues	**4,681**	**4,288**
Debts evidenced by certificates	**17,549**	**15,023**
Net liquidity	**3,638**	**4,039**
Total assets	**22,260**	**19,973**
Equity/total assets	**7.6%**	**10.2%**
Number of employees	**170**	**158**

* Core earnings consist of the profit before adjustments to hedge accounting, fair value adjustments made to the trading portfolio and credit losses and reversals of these.

NIB is a multilateral financial institution owned by eight member countries: Denmark (21.3% of the Bank’s authorised capital), Estonia (0.7%), Finland (18.5%), Iceland (0.9%), Latvia (1.1%), Lithuania (1.6%), Norway (19.1%) and Sweden (36.7%). The Bank finances private and public projects in and outside the member countries. NIB has the highest possible credit rating, AAA/Aaa, with the leading rating agencies Standard & Poor’s and Moody’s.

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