

Research Update:

Nordic Investment Bank 'AAA/A-1+' Ratings Affirmed; Outlook Stable

March 28, 2025

Overview

- Nordic Investment Bank (NIB) continues to play an important role in providing financing to the private sector, mainly in its member countries.
- NIB enjoys strong support from its shareholders and its financial risk profile remains robust.
- We therefore affirmed our 'AAA/A-1+' ratings on NIB. The outlook remains stable.

Rating Action

On March 28, 2025, S&P Global Ratings affirmed its 'AAA' long-term and 'A-1+' short-term issuer credit ratings on Nordic Investment Bank (NIB). The outlook remains stable.

Outlook

The stable outlook reflects S&P Global Ratings' view that NIB will fulfil its mandate through the credit cycle, and that its robust risk management policies will ensure high credit quality in its lending book. We also expect the bank will retain its shareholders' support, endorsing its mandate and enabling strong internal capital generation.

Downside scenario

We could lower the rating if, contrary to our expectations, NIB's relevance diminished following a meaningful reduction in the loan book, or weakening shareholder support, or loosening governance that substantially eroded the bank's capital base through higher dividend distributions. A material deterioration in asset quality and/or a less robust funding and liquidity profile could pressure NIB's financial standing and lead to a lower rating.

PRIMARY CREDIT ANALYST

Ekaterina Ermolenko
Stockholm
46 708 770 286
ekaterina.ermolenko
@spglobal.com

SECONDARY CONTACT

Abril A Canizares
London
+ 44 20 7176 0161
abril.canizares
@spglobal.com

ADDITIONAL CONTACT

Sovereign and IPF EMEA
SOVIPF
@spglobal.com

Rationale

Our ratings affirmation reflects our view that NIB will continue to address key policy areas and improve productivity in the Nordic and Baltic regions.

NIB's focus is on lending to the private sector, mainly in the Nordic and Baltic countries, and this focus remains relevant to its operations, in our view. As of December 2024, NIB's loan portfolio was €22.9 billion, a 7% increase from December 2023, which we think supports the bank's enterprise risk profile. New lending increased to €4.4 billion from €3.4 billion in 2023 mainly to the Nordics: Sweden (28% of new disbursements), Finland (24%), Norway (21%), and Denmark (14%).

We expect NIB's role will expand over the next two years as the Nordic and Baltic regions speed up climate finance and energy transition efforts. We also anticipate NIB broadening its lending reach to new sectors. In June 2024, NIB's response to escalating geopolitical tensions included updating its sustainability policy and exclusions list, thereby facilitating the financing of projects designed to enhance the region's resilience, security, and defence capabilities. This means NIB can now provide financing for defence purposes, albeit it excludes weapons and ammunition. We understand the scope of such activities will be limited for now. The core aim of the bank--to improve productivity and benefit the environments of the Nordic and Baltic countries--remains unchanged.

High governance standards and robust risk management policies continue to support the bank's enterprise risk profile. We think NIB has sound governance and risk management frameworks. Our assessment reflects the bank's diversified shareholder base, transparent governance, and experienced senior staff, who have considerable expertise. Its strategic planning is strong and when implementing such plans it actively addresses underlying market conditions so that its strategy matches its capabilities.

NIB has eight shareholders. Sweden is the largest (34.6%) followed by Norway (21.5%) and Denmark (21.1%). The bank does not have any private-sector shareholding. Its ownership spans the Nordic countries with their very strong governance indicators, uncontested underlying transparency, and well-established governance standards.

The bank consistently maintains a strong profitability. NIB reported a net profit of €256 million in 2024 (up from €251 million in 2023) and recorded its highest ever net interest income from its solid loan portfolio and treasury activities.

We do not view a dividend payment as representing any weakness in the shareholders' commitment to NIB, especially as shareholders can waive payments when necessary. NIB is a dividend-paying institution and proposed a dividend of €76 million for 2024, up from €63 million in 2023, after having forgone such payments to member countries in 2020 to maximize NIB's response to the pandemic. The dividend payments underscore the shareholders' high expectation of the bank's financial management and long-term sustainability via generating surpluses and efficiencies.

The bank's sovereign-related exposures were about 7.4% of the total as of end-2024. We note that the preferred creditor treatment (PCT) awarded to sovereign exposures does not substantially improve an entity's enterprise risk profile. Instead, we reflect PCT in the lower risk weights in our capital framework.

NIB's financial risk profile is underpinned by its extremely strong capital position. The bank's risk-adjusted capital (RAC) ratio was 24.5% as of fiscal 2024 (ended Dec. 31) compared with 24.8% in 2023. We expect it to stay above 23.0% in the next two years because of sound retained earnings and projected moderate loan portfolio growth. Asset quality remains high with a nonperforming loan ratio of 0.5% as of fiscal 2024, representing €108 million in impaired loans. In 2024, two loans were moved from a model-based expected credit losses impairment provision to having their impairment provision individually assessed because the exposures, totaling €99 million, have been classified as stage 3.

NIB has a solid funding and liquidity profile, providing flexibility to increase disbursements, even during stressed market conditions. Our six-month liquidity ratio is 2.49x and our 12-month liquidity ratio is 1.53x, indicating that the bank could cover all committed lending and debt repayments for at least one year, even under extremely stressed market conditions, without access to the capital markets. At year-end 2024 NIB held a comprehensive liquidity buffer of €17.2 billion, equivalent to about 40% of its balance sheet.

In 2024, the bank issued €9.1 billion through 95 transactions in 12 currencies. Most of the funding is plain vanilla but about 10% of transactions were structured in 2024, primarily callable, approximately the same share as in 2023.

NIB's explicit environmental mandate places the bank in a solid position to issue green bonds and allocate green funds to projects supporting the mandate. In 2024, it raised €1.7 billion under its environmental bond program, including a five-year €750 million NIB Environmental Bond--the largest to date. As of March 2024, NIB had issued a cumulative €9.3 billion in environmental bonds since 2011, positioning the bank as the second-largest Nordic issuer of green bonds after Kommuninvest.

Extraordinary Shareholder Support

Our 'AAA' rating on NIB is supported by €5.8 billion (1.5x of total adjusted capital) in subscribed callable capital from members rated 'AAA': Denmark (unsolicited ratings), Sweden (unsolicited ratings), and Norway. In our opinion, the callable capital mechanism for the bank is one of the strongest among rated MLIs, and funds have already been approved by national parliaments or governments. Because of NIB's extremely strong stand-alone financial risk profile, we do not incorporate uplift for extraordinary support; however, its risk profile would provide strong resilience to any unexpected deterioration of its capital adequacy.

Ratings Score Snapshot

Issuer credit rating	AAA/Stable/A-1+
Stand-alone credit profile	aaa
Enterprise risk profile:	Very strong
Policy importance	Strong
Governance and management expertise	Strong
Financial risk profile:	Extremely strong
Capital adequacy	Extremely strong
Funding and liquidity	Very strong

Research Update: Nordic Investment Bank 'AAA/A-1+' Ratings Affirmed; Outlook Stable

Extraordinary support	0
Callable capital:	0
Group support:	0
Holistic approach	0

Related Criteria

- Criteria | Governments | General: Multilateral Lending Institutions And Other Supranational Institutions Ratings Methodology, July 26, 2024
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, April 30, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Abridged Supranationals Interim Edition 2024: Comparative Data For Multilateral Lending Institutions, July 12, 2024
- Abridged Supranationals Interim Edition 2024: Multilateral Lending Institutions Sector Updates, July 12, 2024
- Nordic Investment Bank, April 29, 2024
- Supranationals Special Edition 2023, Oct. 12, 2023

Ratings List

Ratings Affirmed

Nordic Investment Bank

Issuer Credit Rating

Foreign Currency AAA/Stable/A-1+

Nordic Investment Bank

Senior Unsecured AAA

Commercial Paper A-1+

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourcelid/504352>. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced

Research Update: Nordic Investment Bank 'AAA/A-1+' Ratings Affirmed; Outlook Stable

herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

Copyright © 2025 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.spglobal.com/ratings (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.spglobal.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.