

Research Update:

Iceland 'A/A-1' Ratings Affirmed; Outlook Stable

May 14, 2021

Overview

- Resilient domestic demand helped limit Iceland's economic contraction in 2020, which amounted to almost 7% in real terms; the recovery will largely depend on how well tourism rebounds, in our view.
- Authorities offered significant fiscal and monetary policy support, although we expect most measures will be rolled back toward year-end 2021.
- Contrary to previous crises, external pressures have been manageable; the current account remained in a narrow surplus, external leverage is comparatively low, and central bank reserves ample.
- We affirmed our 'A/A-1' ratings on Iceland. The outlook is stable.

Rating Action

On May 14, 2020, S&P Global Ratings affirmed its 'A/A-1' long- and short-term sovereign credit ratings on Iceland. The outlook is stable.

Outlook

The stable outlook indicates that Iceland's economy is likely to continue recovering in the second half of 2021. This should allow authorities to gradually roll back much of the fiscal and monetary policy support that limited the economic contraction and exchange rate volatility during the pandemic. This will limit the increase in public debt over the next few years.

Downside scenario

We could lower the ratings on Iceland if the economic recovery proved shallower or took longer than we expect and the tourism sector remained depressed. This could occur if the pandemic resurges or there is a prolonged shift in travel patterns. In such a scenario, we consider that monetary and fiscal support could become a more permanent feature of Iceland's policy mix and erode policy space, and net general government debt levels would rise materially beyond our expectations.

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Upside scenario

We could raise the ratings if the recovery from the pandemic exceeds our expectations and the Icelandic economy and export categories become more diverse, reducing the volatility in Iceland's terms of trade. This scenario could enable quicker fiscal consolidation, lowering the government's debt burden to close to pre-pandemic levels.

Rationale

Iceland is a small and open economy, which has been heavily affected by the pandemic. Tourism directly represented 8% of GDP and more than a third of exports, as of 2019. However, strong domestic demand has limited the economic contraction in 2020 to a still-significant 6.6% in real terms. We expect the economy will continue to recover from the pandemic through the second half of 2021. Although we do not anticipate that tourism figures will reach pre-pandemic levels before 2023, the rebound of external demand, starting in the second half of 2021, could cause GDP to expand by almost 3% this year and almost 5% in 2022.

Stronger growth should, in turn, allow authorities to roll back extensive fiscal and monetary policy support measures, which have been effective in containing the economic damage and reducing exchange rate volatility over the past year. We therefore expect fiscal deficits to fall significantly after 2021, which will limit the increase in the country's debt burden over the next years.

Furthermore, the current account remained narrowly in surplus last year, despite the significant hit to Iceland's most important export sector. We expect the surplus to widen gradually over the next few years, as tourism figures recover. The resilient balance of payments, low net external leverage, and strong central bank foreign currency reserves provide further economic buffers and represent a significant difference compared with the financial crisis of 2008-2009.

Iceland's stable institutional framework and effective policymaking also support the ratings. The ratings are constrained by the volatile nature of Iceland's small and open economy and limited effectiveness of monetary policy, given the strong influence of external developments on domestic inflation trends.

Institutional and economic profile: The rebound of Iceland's tourism sector will be critical to its economic recovery

- The recession in 2020 was less severe than expected, but we see several risks that could hinder the recovery of tourist arrivals.
- Domestic demand has remained resilient so far, supported by significant fiscal measures over the past months.
- Authorities effectively curbed several domestic outbreaks of the pandemic; vaccination efforts will allow most remaining containment restrictions to be lifted soon.

The economic contraction in 2020 was less severe than we initially expected, but the speed and timing of recovery will depend heavily on a rebound in external demand. Iceland's economy is small and open, and it has a population of almost 370,000. Its GDP was about \$22 billion in 2020. In our view, it has been, and remains, susceptible to external shocks and shifts in terms of trade.

The country's export base is fairly concentrated and at the pandemic's onset, its main export

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sectors comprised tourism, marine, and metals (aluminum). Although the latter two sectors hardly contracted during 2020, tourism receipts, which previously accounted for a third of Icelandic exports, decreased over 75% compared with 2019. Travel restrictions, at home and abroad, decreased foreign arrivals by over 90% since April last year. We expect the sector's recovery to gain momentum only in the second half of 2021, after vaccination efforts in Iceland and its most important trading partners advance, and most containment measures and travel restrictions are lifted. However, we expect tourist arrivals to recover only gradually--they will not reach 2019 levels before 2023.

Even so, there are significant risks to these forecasts. For example, if vaccines prove ineffective against new strains of the virus, or if there is a protracted shift in global travel preferences, tourism could suffer. The shock to the tourism industry follows a decade of rapid growth; the number of visitors to Iceland increased about fivefold from 2010-2019. A slower recovery in Iceland's tourism sector, if it materializes, would also be felt in the labor market, given the relatively high labor-intensity of the sector. Employment in tourism has fallen significantly and caused much of the overall rise in unemployment last year. Even in our baseline scenario, we still expect unemployment to remain over 7% through 2021, despite generous labor-market support schemes.

On a more positive note, the government support measures boosted domestic consumption, which proved resilient. It contracted by only 1.4% last year, contributing to a milder-than-anticipated recession. The measures included one of the most comprehensive testing regimes globally, as well as several episodes of travel restrictions and lockdowns. This effectively helped limit outbreaks. Fiscal policy support included tax cuts, labor market and business support, as well as additional investment, health care, and social outlays. We expect a further pickup of public investments.

In our view, Iceland's institutional arrangements remain a key rating strength, with functioning checks and balances between various state bodies. The swift and effective policy responses to the pandemic from several Icelandic institutions underpin our view of generally effective and stable policymaking. Currently, The country's coalition government comprises three parties that span the political spectrum. The government had a broadly consensus-oriented approach to rolling out its policy response to the pandemic. Political cohesion within the coalition increased in that time. Although the outcome of the next general elections, scheduled for September, is uncertain, there has been increasing political fragmentation over the past few years. This development is similar to many other European countries and could make coalition-forming and political decision-making more challenging over the next few years.

Flexibility and performance profile: Fiscal and monetary policy support has been effective and will be gradually rolled back as the economy recovers

- The significant fiscal deficits in 2020 and 2021 will be mostly financed domestically, and subsequent consolidation will stabilize the debt burden over the medium term.
- Despite a significant hit to the country's most important export sector, external balances remained strong and external leverage comparatively low.
- Monetary policy support has been effective in reducing exchange rate volatility, and the central bank's reserves remain high.

The 2020 general government deficit turned out narrower than we previously expected, but was still significant at 7.1% of GDP. Fiscal support is still ongoing, implying that the 2021 deficit will likely remain over 6% of GDP. About half of the fiscal deterioration in 2020 and 2021 represents

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the effects of automatic stabilizers kicking in to provide economic relief, as the tax burden decreases and social transfers increase. For 2021, the government's planned fiscal measures include specific tax waiving and reimbursements, continuous labor market and wage support, additional social and health care spending, and an uptick in public investments. As in many other European countries, little use has been made of the public guarantee schemes during the pandemic so far. The amount outstanding of pandemic-related guarantees extended totals by less than 1% of GDP.

Although current levels of fiscal support remain elevated, we expect most measures will expire by year-end 2021 or will be rolled back in line with the expected economic recovery. We therefore expect that deficits will narrow from 2022 onward as the government starts to revert to its previous, prudent fiscal stance. That said, the government has suspended its own fiscal rules until 2025 to allow for a gradual consolidation path. It does not wish to withdraw policy support too quickly. We consider that the authorities would be willing to extend more fiscal support to the economy if the recovery was delayed or shallower than expected over the next years.

In our view, Iceland entered the recession with ample fiscal flexibility to support the economy. The country's net general government debt declined to 35% of GDP in 2019 from a peak of close to 80% of GDP in 2011. Although debt will remain higher in the next few years than in 2019, we do not think that net government debt will rise significantly above 50% of GDP.

Iceland's debt profile has also improved significantly since 2011. For example, around 75% of government debt is now held domestically and only about 25% of gross government debt is denominated in foreign currency. Authorities have placed most of the foreign currency debt issuance proceeds as deposits at the central bank, to bolster foreign exchange reserves. Meanwhile, the government has covered its budget deficits on the domestic market since the pandemic's start. Much of this funding has come in the form of short-term treasury bills, but authorities have started to refinance these with an evenly spread maturity profile.

In addition, the government has drawn on the liquid assets of one of the 100% state-owned enterprises--the Housing Financing Fund (HFF). HFF was previously used to provide affordable housing loans in Iceland, but had been put in a wind-down mode following changes to the government's housing policy. Authorities are effectively managing the HFF and Treasury liquidity positions jointly. The total funding from HFF extended to the government last year amounted to almost half of the 2020 general government budget deficit, and we expect a slightly lower amount in 2021. These additional domestic financing options, as well as the very low interest costs for foreign issuances helped the government to reduce its already low financing costs further. We expect these to stabilize at slightly above 6% of revenue in the medium term.

For now, we continue to exclude HFF's liabilities and annual net income from our general government data, despite their recent inclusion in the data reported by the national statistical office. HFF has a balance sheet size of close to 24% of GDP, and we consider it as a contingent liability for the government, given the government's ultimate collection guarantee on HFF's outstanding debt. Despite being liquid, HFF bears long-term interest risk on its balance sheet, resulting in negative equity and the necessity for the government to contribute additional equity to the institution to honor its liabilities. This will not be needed for several years. The estimated shortfall is already incorporated into our general government debt calculations, even though the full amount of HFF's liabilities is not.

Overall, the total stock of government guarantees remains high, but decreasing, as HFF's balance sheet continues to shrink over time. At year-end 2020, it amounted to almost 29% GDP, with the lion's share pertaining to HFF.

Parallel with the government's fiscal support, the Central Bank of Iceland (CBI) mobilized

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monetary policy support at the start of the pandemic. The most important measures included:

- A significant cut to the policy rate, by a cumulative 200 basis points;
- Foreign exchange interventions that in total amounted to over €1 billion;
- An adjustment of several macroprudential measures related to bank regulation; and
- An open market purchasing program for the treasury's bonds on the secondary market. This has, however, barely been used--the total amount used was about 0.5% of GDP.

These policy measures have helped support the economy, complementing the government's fiscal efforts and reducing exchange rate volatility. Similar to fiscal support, the timing of the withdrawal of most of these measures will depend on the pace of economic recovery, but also on the inflation outlook. Iceland had accumulated net foreign currency reserves in recent years, on the back of previously strong tourism sector performance, which helped give CBI additional policy room. For example, it made significant foreign exchange sales over the past several months.

Fundamentally, we view Iceland's monetary policy effectiveness as generally constrained. The underlying economy represents one of the smallest currency areas globally and domestic inflation levels are largely determined by foreign developments. The country's real effective exchange rate also tends to fluctuate over the economic cycle and could be subject to large valuation swings, exacerbating the cyclical nature inherent in the economy.

Iceland's current account remained in a small surplus in 2020, despite the significant contraction of the country's most important export sector. However, the export of goods and services in other sectors held up, partially helped by the depreciation of the Icelandic krona (ISK). Net primary income was stronger than expected, due to higher net investment returns. Appreciation of the krona and an increase in domestic demand, for example, through increased public investments, could exert some downside pressures on the current account in the near term. However, we anticipate that external balances will generally improve over the next years, in line with the expected recovery in Iceland's tourism sector. Iceland's pre-pandemic current account surpluses averaged over 6% of GDP from 2013-2019, which supported external deleveraging following the global financial crisis. This has contributed to a significant rise in Iceland's net external asset position, which stood at about 30% of GDP in 2020.

Inflation levels have remained above the CBI's target of 2.5% since the pandemic's onset, mostly due to an initially sharp depreciation of the krona, which pushed up the prices of imported goods. Although the exchange rate has since stabilized, certain price increases, such as food or fuel, have recently caused inflation to rise, even above the CBI's tolerance band of 4%. Prolonged supply-side disruptions or an uptick in housing prices could represent further near-term risks. However, in the absence of further depreciation, we do not expect price increases to remain permanently above the CBI target. Pass-through effects from the previous depreciation will fade out in the coming months.

We also expect the pandemic's effects to weigh on the business prospects and earnings of Icelandic banks, given the challenging competitive environment, rapidly declining interest rates, and constant personnel cost pressure. At the same time, credit charges will remain sustained in 2021. We expect credit quality to remain fragile as the total amount of nonperforming assets (NPAs) to loans exceeds 5% in the next two years (from about 3% in 2019).

Specifically, the banks' concentration in tourism and the commercial real estate market increases overall banking system risks compared with peers. Still, banks entered the pandemic on a much stronger footing than when the 2008 financial crisis started. They have relatively solid balance sheets and private sector debt has stabilized. Therefore, we believe the financial sector poses a

limited contingent liability for the government.

Key Statistics

Table 1

Iceland Selected Indicators

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Economic indicators (%)										
Nominal GDP (bil. ISK)	2,311	2,512	2,642	2,840	3,045	2,941	3,120	3,351	3,555	3,744
Nominal GDP (bil. \$)	18	21	25	26	25	22	25	27	29	31
GDP per capita (000s \$)	53.2	62.5	73.1	75.3	69.6	59.6	66.9	72.6	76.9	79.8
Real GDP growth	4.4	6.3	4.2	4.7	2.6	(6.6)	2.9	4.9	3.5	2.7
Real GDP per capita growth	3.3	5.2	2.4	1.7	0.1	(8.5)	0.9	3.3	2.0	1.2
Real investment growth	21.5	18.0	10.6	1.2	(3.7)	(6.8)	3.0	4.0	3.0	2.5
Investment/GDP	19.4	21.1	21.7	22.0	20.6	21.7	21.7	21.5	21.4	21.4
Savings/GDP	25.9	29.2	26.0	25.7	27.0	22.7	22.7	23.9	24.6	24.8
Exports/GDP	51.7	47.5	45.7	46.7	44.4	34.1	37.4	40.3	42.5	43.7
Real exports growth	8.9	11.0	5.1	1.7	(4.6)	(30.5)	13.0	12.0	9.0	5.3
Unemployment rate	4.5	3.3	3.3	3.1	3.9	6.4	7.3	6.5	6.0	5.7
External indicators (%)										
Current account balance/GDP	6.5	8.1	4.2	3.8	6.4	1.0	1.0	2.4	3.2	3.4
Current account balance/CARs	11.5	15.1	8.5	7.4	13.2	2.8	2.5	5.3	6.8	7.1
CARs/GDP	56.3	53.6	49.8	50.4	48.2	37.6	41.1	44.4	46.5	47.6
Trade balance/GDP	(1.4)	(3.9)	(6.1)	(5.5)	(3.5)	(3.1)	(2.9)	(2.4)	(1.9)	(1.9)
Net FDI/GDP	4.0	3.5	0.7	(1.7)	(3.1)	(2.5)	(2.5)	(2.0)	(2.0)	(2.0)
Net portfolio equity inflow/GDP	(2.2)	(5.9)	(1.6)	(1.4)	(0.9)	(1.7)	(1.5)	(1.5)	(1.5)	(1.5)
Gross external financing needs/CARs plus usable reserves	92.8	89.9	80.0	84.5	80.7	80.2	84.6	84.6	85.5	85.8
Narrow net external debt/CARs	143.3	57.2	53.2	43.2	40.1	63.1	57.7	53.1	49.7	48.5
Narrow net external debt/CAPs	161.9	67.3	58.1	46.6	46.2	64.9	59.2	56.1	53.3	52.2
Net external liabilities/CARs	10.7	(3.8)	(4.1)	(17.4)	(44.7)	(100.1)	(79.3)	(69.5)	(65.6)	(64.4)
Net external liabilities/CAPs	12.1	(4.5)	(4.4)	(18.8)	(51.5)	(103.0)	(81.3)	(73.4)	(70.4)	(69.4)
Short-term external debt by remaining maturity/CARs	41.8	44.4	35.4	34.0	36.6	49.7	40.1	35.9	32.9	31.3

Table 1

Iceland Selected Indicators (cont.)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Usable reserves/CAPs (months)	5.5	6.2	7.7	6.5	7.3	10.3	7.7	6.9	6.1	5.8
Usable reserves (mil. \$)	4,895	7,231	6,575	6,328	6,787	6,420	6,600	6,500	6,600	6,700
Fiscal indicators (general government; %)										
Balance/GDP	(1.0)	(3.3)	0.6	0.8	(1.5)	(7.1)	(6.4)	(4.8)	(3.4)	(2.7)
Change in net debt/GDP	(2.5)	(3.5)	(1.8)	(4.3)	8.2	5.5	6.0	4.7	3.4	2.7
Primary balance/GDP	3.4	0.6	4.4	3.6	1.0	(4.8)	(4.0)	(2.3)	(0.9)	(0.2)
Revenue/GDP	40.3	41.2	43.1	42.3	39.8	40.7	40.5	40.0	39.0	39.0
Expenditures/GDP	41.3	44.4	42.5	41.5	41.2	47.8	46.9	44.8	42.4	41.7
Interest/revenues	10.9	9.5	8.9	6.7	6.3	5.8	5.9	6.2	6.4	6.4
Debt/GDP	64.9	51.2	43.1	37.2	44.1	55.8	58.9	57.7	56.0	55.8
Debt/revenues	161.2	124.4	100.1	88.0	110.9	137.1	145.6	144.3	143.5	143.1
Net debt/GDP	46.4	39.2	35.4	28.7	34.9	41.7	45.3	46.8	47.5	47.8
Liquid assets/GDP	18.6	12.1	7.7	8.5	9.2	14.1	13.6	10.9	8.4	8.0
Monetary indicators (%)										
CPI growth	1.6	1.7	1.8	2.7	3.0	2.8	3.2	2.2	2.4	2.4
GDP deflator growth	6.1	2.3	0.9	2.7	4.5	3.4	3.1	2.4	2.5	2.5
Exchange rate, year-end (ISK/\$)	129.59	112.82	104.42	116.33	121.10	127.21	123.95	120.83	120.83	120.83
Banks' claims on resident non-gov't sector growth	(0.3)	1.7	6.8	9.0	4.1	4.7	3.0	4.0	4.0	4.0
Banks' claims on resident non-gov't sector/GDP	136.6	127.7	129.6	131.5	127.7	138.5	134.4	130.2	127.6	126.0
Foreign currency share of claims by banks on residents	9.4	8.9	9.7	10.4	12.8	13.3	N/A	N/A	N/A	N/A
Foreign currency share of residents' bank deposits	16.5	8.6	9.7	12.2	12.3	10.8	N/A	N/A	N/A	N/A

Table 1

Iceland Selected Indicators (cont.)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Real effective exchange rate growth	2.5	12.5	12.0	(2.6)	(6.7)	(7.6)	0.0	0.0	0.0	0.0

Sources: Statistics Iceland (Economic Indicators), Central Bank of Iceland, The Government of Iceland External Indicators), Statistics Iceland, Central Bank of Iceland (Fiscal Indicators), and Central Bank of Iceland, IMF (Monetary Indicators).

Adjustments: Government debt adjusted by including loans from Norges Bank and the IMF. Government fiscal metrics exclude the Icelandic Housing Financing Fund. External metrics exclude debt from previous DMBs in settlement proceedings.

Definitions: Savings is defined as investment plus the current account surplus (deficit). Investment is defined as expenditure on capital goods, including plant, equipment, and housing, plus the change in inventories. Banks are other depository corporations other than the central bank, whose liabilities are included in the national definition of broad money. Gross external financing needs are defined as current account payments plus short-term external debt at the end of the prior year plus nonresident deposits at the end of the prior year plus long-term external debt maturing within the year. Narrow net external debt is defined as the stock of foreign and local currency public- and private-sector borrowings from nonresidents minus official reserves minus public-sector liquid claims on nonresidents minus financial-sector loans to, deposits with, or investments in nonresident entities. A negative number indicates net external lending. N/A--Not applicable. ISK--Icelandic krona. CARs--Current account receipts. FDI--Foreign direct investment. CAPs--Current account payments. The data and ratios above result from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information.

Ratings Score Snapshot

Table 2

Iceland Ratings Score Snapshot

Key rating factors	Score	Explanation
Institutional assessment	2	Generally strong, but relatively shorter track record of policies that deliver sustainable public finances and consistently balanced economic growth over the long term. Generally effective checks and balances and free flow of information through society. Statistical information is generally timely and reliable.
Economic assessment	2	Based on GDP per capita (\$) as per the Selected Indicators table above. The economy is concentrated in fishing, aluminum, and tourism. The metals and fishing sectors together account for over 20% of GDP and are subject to volatility due to changing aluminum prices and varying fishing catch levels. Before the pandemic, the tourism industry also accounted for well over 20% of GDP, including direct and indirect effects.
External assessment	3	Based on narrow net external debt and gross external financing needs as per Selected Indicators in Table 1. Iceland's net international investment position is more favorable than the narrow net external debt position by over 100% of CARs, as per Selected Indicators in Table 1. The country is exposed to significant volatility in terms of trade, due to its dependence on tourism exports and changes in metal prices.
Fiscal assessment: flexibility and performance	4	Based on the general government balance (% of GDP) as per Selected Indicators in Table 1.
Fiscal assessment: debt burden	4	Based on net general government debt (% of GDP) and general government interest expenditure (% of general government revenue) as per Selected Indicators in Table 1. Contingent liabilities are moderate. We assess the amount of guarantees provided by Iceland (implicitly and explicitly) to various non-deposit-taking institutions at slightly less than 30% of GDP. We believe there is a significant likelihood of extraordinary government support.

Table 2

Iceland Ratings Score Snapshot (cont.)

Key rating factors	Score	Explanation
Monetary assessment	4	The krona is largely floating following the removal of capital controls, albeit with a shorter track record. The central bank has broad operational independence and uses market-based monetary instruments. Given the removal of capital controls and accumulation of extra net foreign exchange reserves, the central bank can act as lender of last resort for the financial system. However, Iceland exhibits a very volatile real effective exchange rate over the economic cycle.
Indicative rating	a+	As per Table 1 of "Sovereign Rating Methodology."
Notches of supplemental adjustments and flexibility	-1	Iceland's economy and its currency area are narrower than rating peers', which makes the country inherently more susceptible to external shocks. This is not fully captured in the indicative rating.
Final rating		
Foreign currency	A	
Notches of uplift	0	Default risks do not apply differently to foreign- and local-currency debt.
Local currency	A	

S&P Global Ratings' analysis of sovereign creditworthiness rests on its assessment and scoring of five key rating factors: (i) institutional assessment; (ii) economic assessment; (iii) external assessment; (iv) the average of fiscal flexibility and performance, and debt burden; and (v) monetary assessment. Each of the factors is assessed on a continuum spanning from 1 (strongest) to 6 (weakest). S&P Global Ratings' "Sovereign Rating Methodology," published on Dec. 18, 2017, details how we derive and combine the scores and then derive the sovereign foreign currency rating. In accordance with S&P Global Ratings' sovereign ratings methodology, a change in score does not in all cases lead to a change in the rating, nor is a change in the rating necessarily predicated on changes in one or more of the scores. In determining the final rating the committee can make use of the flexibility afforded by §15 and §§126-128 of the rating methodology.

Related Criteria

- Criteria | Governments | Sovereigns: Sovereign Rating Methodology, Dec. 18, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- General Criteria: Methodology: Criteria For Determining Transfer And Convertibility Assessments, May 18, 2009

Related Research

- Sovereign Ratings Score Snapshot, May 5, 2021
- Sovereign Ratings List, April 21, 2021
- Sovereign Ratings History, April 21, 2021
- Sovereign Risk Indicators, April 12, 2021; a free interactive version is available at <http://www.spratings.com/sri>
- Default, Transition, and Recovery: 2020 Annual Sovereign Default And Rating Transition Study, April 12, 2021
- Global Sovereign Rating Trends: First-Quarter 2021, April 9, 2021
- Economic Outlook Europe Q2 2021: The Path To A Strong Restart, March 25, 2021

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- This Time, Europe Is Set To Stage A Jobs-Rich Recovery, March 16, 2021
- Sovereign Debt 2021: Global Borrowing Will Stay High To Spur Economic Recovery, March 1, 2021
- Banking Industry Country Risk Assessment: Iceland, Dec. 18, 2020
- Banking Industry Country Risk Assessment: Czech Republic, March 10, 2020

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see 'Related Criteria And Research'). At the onset of the committee, the chair confirmed that the information provided to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision.

After the primary analyst gave opening remarks and explained the recommendation, the Committee discussed key rating factors and critical issues in accordance with the relevant criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts.

The committee's assessment of the key rating factors is reflected in the Ratings Score Snapshot above.

The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decision. The views and the decision of the rating committee are summarized in the above rationale and outlook. The weighting of all rating factors is described in the methodology used in this rating action (see 'Related Criteria and Research').

Ratings List

Ratings Affirmed

Iceland	
Sovereign Credit Rating	A/Stable/A-1
Transfer & Convertibility Assessment	A
Senior Unsecured	A
Short-Term Debt	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 www.standardandpoors.com for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceId/504352 Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

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