S&P Global Ratings

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Research Update:

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

May 13, 2022

Overview

- Iceland's economy has continued to recover, growing by more than 4% in 2021 backed by strong domestic demand.
- We expect the Russia-Ukraine conflict will have a limited impact on Iceland's economy given its minimal direct trade links with those countries and overall limited need for energy commodity imports.
- We also expect fiscal consolidation to accelerate this year, with government debt net of liquid assets settling at about 42% of GDP over the medium term.
- We affirmed our 'A/A-1' ratings on Iceland. The outlook is stable.

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Rating Action

On May 13, 2022, 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 our expectation that Iceland's economy will continue to recover and remain relatively unaffected by the war in Ukraine. Rising inflation rates have prompted the Central Bank of Iceland (CBI) to tighten monetary policy, and we believe fiscal deficits will continue to decrease over the next few years, stabilizing the debt to GDP ratio net of liquid assets. At the same time, we expect ample foreign reserves will enable the CBI to deal with external pressures or exchange-rate volatility, should they occur.

Downside scenario

We could lower the ratings on Iceland if the effects of the war in Ukraine became more pronounced, for example through second-round effects due to lower economic activity in Iceland's main trading partners in Europe or a shift in global travel preferences. The latter could also occur if the pandemic re-emerged, particularly in the form of new and more malignant variants. In such a scenario, we believe it could be more challenging for Iceland's monetary and fiscal authorities to provide further policy support given currently elevated inflation and previously large deficits. Net general government debt would rise materially beyond our expectations.

Upside scenario

We could raise the ratings if economic growth exceeds our expectations, which would likely coincide with stronger export growth and export categories becoming more diverse, reducing external debt or the volatility in Iceland's terms of trade. This scenario could enable even quicker fiscal consolidation than we expect, putting the government's debt burden on a firm downward trend to close to prepandemic levels, as a share of GDP.

Rationale

The war in Ukraine is not likely to have a material effect on Iceland's small and open economy. The country has limited direct trade links with Russia and Ukraine and a generally low need to import energy commodities. For now we believe its growth outlook will remain largely unimpeded, including in the tourism sector. Tourism directly represented 8% of GDP and more than one-third of exports before the pandemic. Given the elevated inflation outlook, Iceland's monetary authorities have continued policy tightening over the past few months. The fiscal authorities have also rolled back support measures, which we expect will reduce deficits over the next few years and stabilize public debt, net of liquid government assets, at slightly above 40% of GDP. We also note that external pressures have been manageable in recent years. The resilient balance of payments, low net external leverage, and strong central bank foreign currency reserves provide further economic buffers. 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 the limited effectiveness of its monetary policy given the strong influence external developments can have on domestic inflation trends.

Institutional and economic profile: The impact of the war in Ukraine on Iceland's economy will be limited

- Effects of the Russia-Ukraine conflict on Iceland's economy will be indirect, through reduced economic activity in its main trading partners and higher transportation costs.
- Despite risks to the recovery in tourism, we believe the medium-term growth trajectory will be strong and supported by a public investment program.
- We expect the government to pursue continuity of economic and social policies as well as environmental protection.

We expect the war in Ukraine will have a limited impact on the Icelandic economy. First, Iceland's direct trade exposure to Russia and Ukraine is limited at below 1% each of goods exports. Second, the Icelandic economy has limited need for energy imports, making it less vulnerable to the current price increases. In fact, rising commodity prices outside of the energy sector currently benefit Iceland as a net commodity exporter. Risks are mostly indirect and limited and arise as second-round effects via lower economic activity in its most important trading partners in Europe, as well as higher transportation costs and confidence effects.

Despite risks remaining--mostly to Iceland's large tourism sector--the economic recovery from the pandemic remains on track. Iceland's economy saw a recovery of over 4% in 2021, backed by strong domestic demand. The current growth trajectory means it will likely reach prepandemic real GDP growth in second-half 2022, about six months earlier than we initially estimated. The labor market has fully recovered and unemployment is already below prepandemic levels. Overall, Iceland's economic base is fairly concentrated with its main export sectors comprising tourism, marine, and metals (aluminum). We expect further positive developments from all three sectors. Aluminum currently benefits from high prices; the fishing sector could potentially see one of its best seasons of the last decade, indicated by strong catches at the beginning of the year and relatively high fishing quotas for the full year; and tourism receipts have already recovered beyond 2019 levels despite lower numbers of arrivals as tourists are spending more time in Iceland.

However, Iceland's economy is small and open, and it has a population of just 370,000. Its GDP was about $25 billion in 2021. In our view, the country has been, and remains, susceptible to external shocks and shifts in terms of trade. For example, if vaccines prove ineffective against new strains of COVID-19, or if the war in Ukraine causes a protracted shift in global or European travel preferences, tourism could suffer. The shock to the tourism industry during the pandemic followed a decade of rapid growth; the number of visitors to Iceland increased about fivefold from 2010 to 2019.

In our view, Iceland's institutional arrangements remain a 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. The government coalition, consisting of three parties that span the political spectrum, retained its parliamentary majority in last year's election. The coalition agreement indicates policy continuity and we also expect it to pursue its broadly consensus-oriented approach to policymaking.

Flexibility and performance profile: Inflation has recently increased to over 5% and we expect it to rise further in the coming months

- Monetary policy support has been largely rolled back against the current inflationary outlook.
- Fiscal tightening will be similarly strong over the next few years, with deficits reducing to below 3% of GDP and net debt stabilizing at 42% by 2025.
- External pressures should be manageable given Iceland's net external asset position and large foreign currency reserves.

As elsewhere, inflation rates have risen in Iceland over the past few months, reflecting the release of pent-up demand coinciding with global supply-side disruptions. Inflation remains below many peers because, among other factors, the contribution of energy prices to headline inflation is lower than elsewhere. This reflects Iceland's lower energy commodity imports--stemming from the marginal role of gas in the country's energy mix. The Icelandic krona's appreciation of over 8% during the past 12 months against the euro (effectively reversing a similar depreciation during the first few months of the pandemic) is also having a counteracting effect on pass-through inflation. However, housing prices have risen by more than 20% over the past year and, by themselves, represent over a third of the above 7% inflation (CPI, consumer price inflation) recorded in April (the contribution of imputed rents to inflation is usually high in Iceland). Although we currently expect inflation of close to 7% for 2022, wage increases, some of which will be decided this year through universal wage agreements, could have an amplifying effect on domestic inflation.

These inflation levels exceed the CBI's target rate of 2.5%, which has been the case for almost two years. The CBI has therefore tightened monetary policy over the past few months in an effort to decrease inflation, mostly in the form of several rate hikes. The key policy rate is now 3.75%, up 3 percentage points from its historical low of 0.75% in April 2021 and also above prepandemic rates. Further hikes are still possible if expected inflation continues to exceed the target rate. The tightening stance follows several months of substantial monetary policy support that the CBI mobilized at the start of the pandemic. This primarily included a significant reduction of the policy rate; foreign exchange interventions of well over €1 billion; and adjustments to several macroprudential measures related to bank regulation. These policy measures helped support the economy, complementing the government's fiscal efforts and reducing exchange rate volatility. Iceland has accumulated net foreign currency reserves in recent years on the back of a previously strong tourism sector performance. This provided the CBI additional policy room, especially regarding the significant foreign exchange sales in 2020 and 2021.

Fundamentally, however, we still view Iceland's monetary policy effectiveness as constrained. The underlying economy represents one of the smallest currency areas globally and domestic inflation is generally 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 cyclicality inherent in the economy.

In step with the monetary authorities, the government has also rolled back the fiscal stimulus it had extended over the past two years. This led to deficits of close to 9% in 2020 and 2021. High inflation will help the government consolidate its deficits via increasing revenues despite a significant stock of inflation-linked debt. The government is also actively consolidating its finances by limiting expenditure increases. However, we note that it has extended the suspension of its fiscal rules by one more year to 2026, currently, at which point deficits may not exceed -2.5% of GDP. We believe the government will be able to achieve this goal earlier, by 2025, and despite a significant investment program focusing on health infrastructure, road construction, and the promotion of research and development investments in the private sector. Although outside the government budget, public finances have recently benefitted from the sale of significant stakes in publicly owned Islandsbanki in 2021 and early 2022 and further sales are still possible.

The steep reduction of public debt before the pandemic provided the authorities with ample fiscal flexibility to support the economy, and kept debt levels manageable. The country's net general government debt had declined to slightly above 35% of GDP in 2019 from a peak of close to 80% in 2011. Although we forecast debt will remain higher over the next few years than before the pandemic, we think that net government debt (net of liquid assets) will stabilize at about 42% of GDP until 2025. In gross terms, debt will decrease from about 56% of GDP in 2021 to 49% in 2025 as the government will likely reduce its currently still-ample liquid assets, which it quickly accumulated at the beginning of the pandemic, to pay down debt over the next few years.

Iceland's debt profile has also improved significantly in recent years. In a departure from the past, about 75% of government debt is now held domestically and less than a quarter of gross government debt is denominated in foreign currency. Over the past two years, the authorities have placed foreign currency debt issuance proceeds as deposits at the central bank to bolster foreign exchange reserves. The government covered its budget deficits during 2020 and 2021 predominantly with issuances on the domestic market under favorable conditions. Further bond placements in international markets remain an option, in our view.

Furthermore, over the past two years the government has drawn on the liquid assets of 100% state-owned enterprise, the Housing Financing Fund (HFF). The HFF previously provided affordable housing loans in Iceland but is being wound down following changes to government policy. The authorities are effectively managing the HFF and treasury liquidity positions jointly. Total funding from the HFF extended to the government in 2020 and 2021 covered more than one-third of the combined budget deficits, but we expect this funding practice will not be used as extensively in future years. These additional domestic financing options, as well as very low interest costs for foreign issuance, have helped the government further reduce its financing costs. We expect the government interest bill to stabilize at 5%-6% of revenue in the medium term after a temporary increase above 6% in 2022 due to high inflation (about one-fifth of public debt is inflation-linked).

We continue to exclude the HFF's liabilities and net income from our general government data, despite their recent inclusion in the data reported by the national statistical office. The HFF's balance sheet size is about 20% of GDP and we consider it a contingent liability for the government given the latter's ultimate collection guarantee on the HFF's outstanding debt. Although the HFF has sufficient liquid assets to meet its liabilities in the next few years, losses related to an interest-rate mismatch between the institution's assets and liabilities could require an additional equity contribution from the government in the long term. However, we do not think this will be needed for several years yet. The estimated capital shortfall is already incorporated into our general government debt calculations, even though the HFF's full liabilities are not. Overall, the total stock of government guarantees remains high albeit decreasing because the HFF's balance sheet is shrinking over time. We expect guarantees will amount to slightly above 20% of GDP over the next few years with the lion's share pertaining to the HFF.

Iceland's current account has generally remained strong throughout the pandemic and only moved into a slight deficit in 2021, despite the significant contraction of tourism as the country's most important export sector. We expect import expenditure will rise over the next few years due to strong domestic demand and price increases, but the strong performance of the three most important export sectors as well as higher net primary income, based on strong net investment returns, will keep the current account narrow over the next years. We note that Iceland's prepandemic current account surpluses averaged over 6% of GDP from 2013-2019, which supported external deleveraging. Since 2016, Iceland has been in a net external asset position, which increased significantly during 2020 and 2021, and we expect it will remain roughly stable at about 40% of GDP over the next few years. This includes significant foreign exchange reserves at the central bank of over $7 billion, or close to 30% of GDP.

Icelandic bank earnings have recovered after the hit from the pandemic, and sector profitability should remain robust. We project credit losses will remain close to prepandemic levels in the coming two years, at nearly 30 basis points of gross loans. While tourism continues to drive the economic recovery, housing market strength amid elevated household debt may present a risk. That said, countercyclical macroprudential controls and policy rate hikes should mitigate the risk of large and disorderly correction. Banks' capitalization remains very strong and earnings provide a large buffer to absorb higher credit losses. Therefore, we believe the financial sector poses a limited contingent liability for the government.

Key Statistics

Table 1

Iceland Selected Indicators

ISK mil.	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Economic indicators (%)										
Nominal GDP (bil. LC)	2,512	2,642	2,844	3,043	2,928	3,233	3,598	3,877	4,085	4,281
Nominal GDP (bil. $)	21	25	26	25	22	25	29	33	37	40
GDP per capita (000s $)	62.5	73.1	75.4	69.5	59.4	69.0	76.3	86.9	94.9	100.8

Table 1

Iceland Selected Indicators (cont.)

ISK mil.	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Real GDP growth	6.3	4.2	4.9	2.4	(7.1)	4.3	4.5	3.1	2.5	2.3
Real GDP per capita growth	5.2	2.4	1.8	(0.0)	(8.9)	3.0	2.4	1.6	1.0	0.7
Real investment growth	18.0	10.6	3.1	(2.4)	(9.5)	13.6	4.0	4.0	2.5	0.5
Investment/GDP	21.1	21.7	22.3	21.1	21.4	23.0	22.6	22.9	22.8	22.5
Savings/GDP	29.2	26.0	25.8	26.9	22.2	20.2	23.1	22.6	22.4	22.1
Exports/GDP	47.5	45.7	46.6	44.4	34.4	38.1	45.1	39.7	38.4	39.1
Real exports growth	11.0	5.1	1.7	(4.7)	(30.2)	12.3	13.0	5.5	4.5	4.0
Unemployment rate	3.3	3.3	3.1	3.9	6.4	6.0	4.9	4.3	4.0	4.0
External indicators (%)										
Current account balance/GDP	8.1	4.2	3.5	5.8	0.8	(2.8)	0.5	(0.3)	(0.4)	(0.5)
Current account balance/CARs	15.1	8.5	7.0	12.0	2.2	(6.8)	1.1	(0.7)	(1.0)	(1.1)
CARs/GDP	53.6	49.8	50.3	48.3	37.9	40.9	49.0	43.6	42.0	42.5
Trade balance/GDP	(3.9)	(6.1)	(5.7)	(4.1)	(3.1)	(5.1)	(4.8)	(4.9)	(4.8)	(4.8)
Net FDI/GDP	3.5	0.7	(1.7)	(2.8)	(2.5)	0.6	(1.5)	(1.5)	(1.5)	(1.5)
Net portfolio equity inflow/GDP	(6.0)	(1.1)	(1.6)	(0.4)	(3.3)	(5.1)	(3.3)	(2.5)	(2.5)	(2.5)
Gross external financing needs/CARs plus usable reserves	89.3	79.5	84.3	81.1	80.6	91.6	89.0	91.5	92.3	93.5
Narrow net external debt/CARs	54.8	51.2	41.8	39.3	66.9	59.8	51.6	53.9	54.6	54.0
Narrow net external debt/CAPs	64.6	56.0	44.9	44.7	68.4	56.0	52.1	53.5	54.1	53.4
Net external liabilities/CARs	(6.1)	(6.0)	(18.8)	(42.5)	(96.7)	(101.5)	(83.8)	(92.6)	(97.7)	(100.9)
Net external liabilities/CAPs	(7.2)	(6.6)	(20.2)	(48.3)	(98.8)	(95.1)	(84.7)	(92.0)	(96.8)	(99.8)
Short-term external debt by remaining maturity/CARs	43.6	34.7	33.3	35.9	49.4	41.2	34.9	33.8	33.1	31.8
Usable reserves/CAPs (months)	6.2	7.7	6.4	7.2	10.1	6.9	6.1	5.6	5.4	5.0
Usable reserves (mil. $)	7,231	6,575	6,328	6,787	6,421	7,080	6,800	7,000	7,100	7,200
Fiscal indicators (general government; %)										
Balance/GDP	12.2	0.5	0.7	(1.8)	(8.5)	(8.7)	(5.3)	(4.1)	(3.1)	(2.4)
Change in net debt/GDP	(1.0)	(1.9)	(4.3)	8.1	3.2	3.8	2.8	3.9	3.0	2.2
Primary balance/GDP	16.1	4.4	3.4	0.6	(6.2)	(6.5)	(2.9)	(1.8)	(0.9)	(0.2)
Revenue/GDP	56.3	43.0	42.2	39.7	40.4	38.7	39.5	40.5	41.0	41.0

Table 1

Iceland Selected Indicators (cont.)

ISK mil.	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Expenditures/GDP	44.1	42.4	41.6	41.5	48.9	47.4	44.8	44.6	44.1	43.4
Interest/revenues	6.9	8.9	6.6	6.2	5.9	5.8	6.2	5.6	5.4	5.4
Debt/GDP	53.7	45.4	39.2	46.0	56.6	56.0	51.0	48.7	49.2	49.1
Debt/revenues	95.4	105.7	92.9	115.8	140.3	144.7	129.2	120.2	119.9	119.8
Net debt/GDP	41.6	37.7	30.7	36.8	41.5	41.4	39.9	41.0	41.8	42.1
Liquid assets/GDP	12.1	7.7	8.5	9.2	15.2	14.6	11.1	7.7	7.3	7.0
Monetary indicators (%)										
CPI growth	1.7	1.8	2.7	3.0	2.8	4.4	6.7	4.7	2.9	2.4
GDP deflator growth	2.3	0.9	2.6	4.5	3.6	5.8	6.5	4.5	2.8	2.5
Exchange rate, year-end (LC/$)	112.82	104.42	116.33	121.10	127.21	130.38	120.45	113.04	108.97	106.84
Banks' claims on resident non-gov't sector growth	1.7	6.8	9.0	4.1	4.7	(7.6)	5.0	4.0	4.0	4.0
Banks' claims on resident non-gov't sector/GDP	127.7	129.6	131.3	127.8	139.0	116.4	109.8	106.0	104.6	103.8
Foreign currency share of claims by banks on residents	8.9	9.7	10.4	10.9	13.3	14.1	N/A	N/A	N/A	N/A
Foreign currency share of residents' bank deposits	8.6	9.7	12.2	12.3	10.8	11.5	N/A	N/A	N/A	N/A
Real effective exchange rate growth	12.5	12.0	(2.6)	(6.7)	(7.6)	4.2	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. LC--Local currency. 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 current accounts receipts (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	3	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 nondeposit-taking institutions at slightly less than 25% of GDP. We believe there is a significant likelihood of extraordinary government support.
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. However, Iceland exhibits a very volatile real effective exchange rate over the economic cycle as the ISK represents one of the smallest currency areas globally. Given the removal of capital controls and accumulation of extra netforeign exchange reserves, the central bank can act as lender of last resort for the financial system.
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

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- 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

- Global Sovereign Rating Trends: First-Quarter 2022, April 13, 2022
- Sovereign Risk Indicators, April 11, 2022; a free interactive version is available at http://www.spratings.com/sri
- Sovereign Ratings Score Snapshot, May 9, 2022
- Sovereign Ratings List, May 6, 2022
- Sovereign Ratings History, May 6, 2022
- Sovereign Debt 2022: Borrowing Will Stay High On Pandemic And Geopolitical Tensions, April 5, 2022
- Sovereign Debt 2022: Ukraine Conflict Could Push Developed EMEA's Commercial Borrowing Higher Than $1.6 Trillion, April 5, 2022
- Banking Industry Country Risk Assessment: Iceland, Feb 22, 2022
- Default, Transition, and Recovery: 2021 Annual Global Sovereign Default And Rating Transition Study, May 4, 2022

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
Iceland	
Senior Unsecured	A
Short-Term Debt	A-1