Research Update:

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

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Vendor headline: S&PGR Affirms Iceland 'A+/A-1' Ratings; Outlook Stable

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Overview

- Volcanic eruptions between November 2023 and March 2024 forced around 3,700 residents to evacuate the southwestern town of Grindavík, located close to Iceland's main international airport. Seismic activity has since calmed and the airport remains fully operational.
- After a strong 4.1% in 2023, we expect real GDP growth will ease to 2.3% in 2024 and average 2.4% in 2025-2027, and we forecast Iceland's net general government debt will steadily reduce to 41% of GDP by 2027 in line with the government's commitment to fiscal consolidation.
- We affirmed our 'A+/A-1' sovereign credit ratings on Iceland and maintained a stable outlook.

Rating Action

On May 10, 2024, S&P Global Ratings affirmed its 'A+/A-1' long- and short-term foreign and local currency sovereign credit ratings on Iceland. The outlook is stable.

Outlook

The stable outlook reflects our view that Iceland's economy will continue to expand over the next two years, while recording only modest fiscal and external deficits. It also reflects our assumption that volcanic activity will remain contained and not have a significant adverse effect on the country's economic, fiscal, and balance-of-payments performance.

Downside scenario

We could lower the ratings if Iceland's fiscal or balance-of-payments performance worsened significantly compared to our forecasts. This could happen, for example, if persistently disruptive volcanic activity hampered the country's tourism sector, with repercussions affecting growth and fiscal prospects.

Upside scenario

We could raise the ratings if Iceland's public finances strengthened significantly more than we currently anticipate, either from narrower deficits and lower net public debt, or a decrease in the government's contingent liabilities. We could also raise the ratings if we took the view that increasing economic diversification made the economy more resilient to external shocks.

Rationale

The rating reflects Iceland's more robust GDP growth than in most other sovereigns we rate in Western Europe. The key tourism sector, which represents about 30% of exports, has been performing well and most indicators, including arrivals, have surpassed pre-pandemic levels. Alongside tourism, we also expect domestic demand to drive growth from 2024 onward, supported by Iceland's strong population growth rate and the continued expansion of new economic sectors. These include biotechnology, onshore and offshore fish farming, IT, and business services, which complement traditional sectors such as marine products and aluminum smelting.

We also note that Iceland remains largely self-sufficient in meeting its domestic energy needs, mainly through local hydropower and geothermal sources. This means the country was not significantly affected by the global spike in energy prices following the start of the Russia-Ukraine war in 2022. Nevertheless, new hydropower projects face environmental-related hurdles, while electricity shortages--due to low water levels in reservoirs that feed hydro plants--alongside volcanic activity have forced some geothermal plants and aluminum smelters to reduce output.

The government continues to make progress on its fiscal consolidation plans, which should also support monetary policy in efforts to bring down inflation. Inflation averaged a high 8.7% in 2023, but is forecast to fall to 4.8% in 2024 and average 2.8% in 2025-2027. We project the general government deficit to continue to narrow to 1.6% of GDP this year, after averaging 7.9% of GDP in 2020-2021. Net general government debt is also falling, and we forecast it will reach 42% of GDP by 2027, down from 48% of GDP at the end of 2023.

Iceland's low net external leverage and relatively strong central bank international reserves relative to the size of the economy provide further economic buffers. Iceland's stable institutional framework and effective policymaking also support the ratings.

Nevertheless, the ratings remain constrained by the volatile nature of Iceland's small, open economy, which is vulnerable to natural events, including volcanic activity, as well as limitations to monetary policy effectiveness due to external influences on domestic inflation trends.

Volcanic eruptions between November 2023 and March 2024 forced 3,700 residents to evacuate the town of Grindavík. The government created a special purpose financial vehicle (SPV) that allows residents to sell their houses for 95% of the insured value. Support for residents will add about 0.5% to general government debt. The housing stock in Grindavík amounts to about 1% of the country's total housing and the demand for alternative accommodation has led to an estimated 1%-3% rise in house prices across the country.

The eruption's affect on tourism has been minimal in the short term. However, if a larger eruption were to ensue, this could pose significant risks, especially if Keflavik Airport--the country's main international airport--were affected. The eruption site is about 19 kilometers from Keflavik Airport, but so far there has been no flight disruption. Seismologists note that if the lava flow were to come into contact with a significant body of water--such as the sea--associated ash clouds could begin to disrupt flights. This happened after the 2010 eruption of Eyjafjallajökull, which interrupted European airspace for several weeks.

Institutional and economic profile: Iceland's medium-term growth prospects remain strong, assuming there is no lasting disruption from volcanic activity

- We forecast that, despite the recent volcanic activity, a strong tourism season will continue to support GDP growth of 2.3% in 2024.
- Alongside tourism, domestic demand will be key to growth from 2024 onward, partly due to a growing population, a comprehensive union-led wage agreement, and the expansion of knowledge-based and new economic sectors, such as biotechnology and sea- and land-based fish farming.
- We anticipate that the government will pursue broad continuity of existing economic and social policies, as well as environmental protection.

Iceland's economy expanded by 4.1% in 2023. This was buoyed by the tourism sector, which benefited from strong post-pandemic recovery. Real GDP increased by 8.9% in 2022 and 5.1% in 2021 (recently upwardly revised), following a pandemic-related contraction of 6.9% in 2020. Iceland's economy has not been significantly affected by the Russia-Ukraine war due to limited trade exposure, with Russia and Ukraine each representing less than 1% of total trade before the conflict. In addition, Iceland's near self-sufficiency in energy production shields it from supply-side disruptions that have plagued several European energy markets. Iceland produces virtually all its electricity from renewable sources (70% from hydropower and 30% from geothermal plants), while heating is almost totally provided by geothermal energy. Imported refined petroleum products, largely for transport and vessels, only constitutes about 10%-15% of the energy mix, and the country is making strides toward transitioning to electric vehicles.

The strong recovery of tourism from 2021 onward has resulted in several main indicators surpassing 2019 figures. This included foreign passenger arrivals, which exceeded 2.2 million in 2023, marking a more than 30% increase over 2022, and more than 10 times higher than two decades ago. Tourism growth in 2024-2027 will continue, albeit at a slower pace, partly reflecting capacity and cost constraints. We expect domestic demand will be important for GDP growth from 2024. Agreed collective wage increases covering 2024-2028, starting with a 3.25% increase in 2024 and a 3.5% increase every year from 2025, will support domestic demand. Iceland has one of the highest union member rates globally and two-thirds of private sector workers were party to the collective wage agreement. The unemployment rate is expected to increase slightly to 4% this year after recording 3.4% in 2023--the lowest level since 2018--while economic growth moderates.

Another factor that should continue to support Iceland's economic development over the next few years is a favorable demographic growth profile compared to those of European peers. Iceland is one of the few European countries with positive population growth. This, coupled with net inward migration, has increased the population by almost 20% over the past decade. Even with slightly lower population growth rates projected, we still expect this will contribute to economic growth, including in emerging sectors such as pharmaceuticals, biotech, aquafarming, IT, and business services.

Nevertheless, Iceland fundamentally remains a small and open economy, with a population of only about 384,000, and an estimated GDP of about $34 billion in 2024. Despite growth in new economic sectors, Iceland's export base remains concentrated in marine products, processed aluminum, and tourism. These three sectors represent close to 70% of total goods and services exports. In our view, the country therefore remains susceptible to external shocks and shifts in trade.

Iceland's institutional arrangements are a rating strength, with functioning checks and balances between various government bodies. The country's swift and effective response to the pandemic underpins our view of generally effective and stable policymaking. The current government coalition, comprising three political parties that span the center-left and center-right, has progressed with a broad consensus-oriented approach to policymaking. It is focused on economic and social reforms, in particular shielding vulnerable people from recent high inflation, as well as on tackling environmental threats. Iceland's glaciers have been significantly affected by climate change, with glacier sizes shrinking rapidly in recent years.

In early April this year, the prime minister Katrín Jakobsdóttir stepped down, and is planning to stand for the presidential elections scheduled for June 2024. She was replaced by the former foreign minister and leader of the Independence Party within the coalition, Bjarni Benediktsson. We expect broad policy continuity, with the next general election scheduled for September 2025.

Flexibility and performance profile: Monetary policy remains tight amid elevated, albeit falling, inflation, while the government maintains its focus on fiscal consolidation

- Iceland's inflation averaged 8.7% in 2023 and the central bank maintained the policy rate at 9.25% in early 2024, having raised it by a cumulative 8.5 percentage points since May 2021. We expect some mild easing in the second half of 2024, as inflation begins to fall.
- Fiscal consolidation measures will help reduce the general government deficit to 1.6% in 2024, and to an average of 1.1% in 2024-2027, compared with a high average of about 7.9% of GDP in 2020-2021. This is despite currently high interest costs and exceptional costs tied to the volcanic eruption.
- We forecast modest current account deficits and expect Iceland will remain in a net external creditor position through 2027.

Iceland's strong economic growth has supported its fiscal outlook in recent years, and the government has tightened its fiscal stance, thereby also supporting efforts to control inflation. The economic recovery has been particularly visible in revenue, which rose by about 16% year on year in 2022 and 12% in 2023. These increases outpaced spending pressures from inflation, including through high interest costs originating from Iceland's large amount of inflation-linked debt.

The government has achieved a high degree of fiscal consolidation within a relatively short period, given that deficits in 2020 and 2021 averaged about 8% of GDP. Iceland's public finances have also benefited from the partial sale of the government's stake in Íslandsbanki. Further sales of the current 42.5% share should provide the government about Icelandic krona (ISK) 85 billion, with half of the shares sold in 2024 and the rest in 2025. We estimate the sale will have a combined positive effect of about 1.8% of GDP on total debt, at its current market capitalization.

The improved fiscal outlook will help reduce Iceland's general government debt as a share of GDP. The country had already deleveraged extensively until 2019, when net general government debt had declined to 37% of GDP from a peak of nearly 80% in 2011. Following the pandemic-led increase in debt in 2020 and 2021, we now expect net general government debt will reach a moderate 41% of GDP by 2027.

Iceland's debt profile has also improved materially over the past decade. More than 80% of gross government debt is now held domestically and only about 15% is denominated in foreign currency. In line with previous policies, the authorities have placed most of the proceeds of foreign currency debt issuance as deposits at the central bank, thereby bolstering foreign exchange reserves. The government successfully covered its large budget deficits in 2020 and 2021 predominantly by issuing debt on the domestic market under then-favorable conditions. In March 2024, the government issued its first €750 million green bond on the international markets, and further international bond placements remain an option.

We continue to exclude the HF Fund's liabilities, as well as gross and net income, from our general government data. This is because we continue to classify HF Fund as a contingent liability, despite its relatively recent inclusion in government debt data, as reported by Iceland's national statistical office. The HF Fund's predecessor, the HFF, previously provided affordable housing loans in Iceland. The government plans to wind down the HF Fund following changes to government policy. To do this, it would have to reach an agreement with the holders of HF Fund bonds, which largely consist of Icelandic pension funds. The HF Fund's balance sheet represented about 13.5% of GDP at year-end 2023 and the government provides a guarantee for the HF Fund's debt.

As in other countries, inflation has remained elevated in Iceland over the past two years and stood at 8.7% in 2023. The contribution of imputed rents--primarily reflecting rising house prices--to headline inflation has been volatile. It was initially the main driver of inflation, but then price increases became broad based, with food, transportation, imported goods, and wage increases becoming more important factors. More recently, the contribution of imputed rents to overall inflation has reemerged, while wider inflationary pressures are easing. Energy prices have not affected headline inflation in Iceland as much as in other parts of Europe, reflecting the country's lower energy commodity imports.

Iceland's inflation rate has now significantly exceeded the central bank's target of 2.5% for more than three years, but this has begun to ease. In the first four months of 2024 it averaged 6.5%. The key policy rate is now 9.25%, up 8.5 percentage points from a low 0.75% in May 2021, and the central bank left it unchanged at its March 2024 monetary policy meeting. We expect some easing in the second half of 2024, but inflation will likely only fall toward the central bank's 2.5% target by 2025.

Iceland has accumulated net foreign exchange reserves in recent years on the back of the tourism sector's strong performance, as well as government bond placements. The Central Bank of Iceland's international reserves amount to about $5.7 billion, currently equivalent to 17% of GDP. In our view, this continues to provide the central bank with some policy headroom. Fundamentally, however, we still view Iceland's monetary policy effectiveness as constrained. The underlying economy represents one of the smallest currency areas globally and, historically, domestic inflation has been heavily influenced by developments abroad. 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.

Iceland's current account moved into a surplus position in 2023, following two years of small deficits, partly as a result of robust tourism. We forecast current account deficits averaging 0.8% of GDP throughout 2024-2027. We project that Iceland's net external asset position will remain roughly stable, at about 39% of GDP over the next few years. Iceland has been in a net external asset position since 2016, with a marked increase in 2020-2021 and some contraction in 2022 due to asset revaluations. In 2023, the net external position improved to 40% of GDP, as a result of favorable asset revaluations.

We anticipate Icelandic banks will continue to post strong profitability aided by accommodative operating conditions and high internal efficiency. Although we expect that net interest margins have already peaked, banks will continue to generate net interest income sufficient to offset lingering inflationary cost pressures and rising cost of risk in tandem with slowing economic activity. We expect banks' capitalization will remain robust over the next two years, notwithstanding potential excess capital distribution, given their ample margins to regulatory capital requirements.

Key Statistics

Table 1

Iceland--Selected indicators

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Economic indicators (%)										
Nominal GDP (bil. LC)	2,844	3,026	2,929	3,276	3,883	4,279	4,555	4,832	5,068	5,316
Nominal GDP (bil. $)	26	25	22	26	29	31	34	36	38	40
GDP per capita (000s $)	75.1	69.7	60.4	70.7	76.5	80.8	85.7	90.6	94.6	96.9
Real GDP growth	4.9	1.9	(6.9)	5.1	8.9	4.1	2.3	2.5	2.3	2.3
Real GDP per capita growth	2.7	0.5	(8.0)	3.2	5.9	1.8	0.2	1.0	0.8	0.8
Real investment growth	2.3	(4.1)	(7.4)	14.1	15.1	(0.6)	3.5	3.3	3.3	3.2
Investment/GDP	22.1	20.7	21.3	22.9	24.3	24.4	24.4	24.6	24.8	25.0
Savings/GDP	26.4	27.2	22.2	20.2	22.6	25.4	23.6	23.8	24.0	24.2
Exports/GDP	46.0	43.7	33.3	37.3	45.8	43.4	43.2	43.0	43.1	43.2
Real exports growth	0.4	(5.3)	(30.7)	14.6	22.3	4.8	3.5	3.0	2.5	2.5
Unemployment rate	3.1	3.9	6.4	6.0	3.7	3.4	4.2	4.1	4.0	4.0
External indicators (%)										
Current account balance/GDP	4.3	6.5	0.9	(2.7)	(1.7)	1.0	(0.8)	(0.8)	(0.8)	(0.8)
Current account balance/CARs	8.4	13.5	2.4	(6.5)	(3.4)	2.0	(1.8)	(1.6)	(1.6)	(1.7)
CARs/GDP	50.4	48.5	37.7	41.1	49.3	48.0	46.7	46.4	46.3	46.2
Trade balance/GDP	(5.5)	(3.4)	(2.9)	(4.1)	(5.2)	(6.8)	(6.9)	(6.9)	(6.9)	(6.9)
Net FDI/GDP	(1.7)	(2.8)	(2.3)	2.0	3.4	1.0	0.5	0.5	0.5	0.5
Net portfolio equity inflow/GDP	(2.0)	(1.0)	(4.0)	(4.6)	(3.1)	(4.2)	(2.5)	(2.5)	(2.5)	(2.5)
Gross external financing needs/CARs plus usable reserves	83.4	80.1	80.4	90.1	91.5	95.6	100.2	95.9	98.6	96.5
Narrow net external debt/CARs	41.7	39.4	67.2	60.6	49.6	46.7	57.8	56.5	54.3	52.3
Narrow net external debt/CAPs	45.6	45.6	68.8	56.8	48.0	47.7	56.7	55.5	53.4	51.4
Net external liabilities/CARs	(18.7)	(43.6)	(99.2)	(108.6)	(50.6)	(83.5)	(83.4)	(83.1)	(84.3)	(87.6)
Net external liabilities/CAPs	(20.5)	(50.4)	(101.6)	(101.9)	(48.9)	(85.2)	(81.9)	(81.8)	(82.9)	(86.1)

Table 1

Iceland--Selected indicators (cont.)

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Short-term external debt by remaining maturity/CARs	33.2	36.0	49.8	38.1	33.9	35.5	35.5	27.0	29.5	25.9
Usable reserves/CAPs (months)	6.5	7.3	10.2	6.8	5.8	4.8	4.4	4.0	3.9	3.8
Usable reserves (mil. $)	6,328	6,787	6,421	7,080	5,893	5,814	5,688	5,815	5,910	6,009
Fiscal indicators (general government; %)										
Balance/GDP	1.1	(1.4)	(8.2)	(7.7)	(3.1)	(1.4)	(1.6)	(1.3)	(0.9)	(0.7)
Change in net debt/GDP	(4.3)	8.1	6.8	7.3	7.8	4.3	0.6	0.6	1.0	0.8
Primary balance/GDP	3.5	0.7	(6.2)	(5.7)	0.3	1.7	1.4	1.3	1.5	1.7
Revenue/GDP	42.9	40.5	41.4	40.4	41.6	42.3	41.5	41.0	41.0	41.0
Expenditures/GDP	41.9	41.9	49.7	48.0	44.7	43.7	43.1	42.3	41.9	41.7
Interest/revenues	5.8	5.3	5.0	4.9	8.4	7.4	7.1	6.3	5.9	5.8
Debt/GDP	39.3	46.3	60.3	62.0	58.7	57.1	53.9	50.9	49.5	48.1
Debt/revenues	91.6	114.4	145.5	153.7	141.3	135.0	129.8	124.2	120.8	117.2
Net debt/GDP	30.8	37.0	45.1	47.6	48.0	47.9	45.6	43.7	42.6	41.5
Liquid assets/GDP	8.5	9.3	15.2	14.4	10.7	9.2	8.2	7.2	6.9	6.6
Monetary indicators (%)										
CPI growth	2.7	3.0	2.8	4.4	8.3	8.7	4.8	3.5	2.5	2.5
GDP deflator growth	2.6	4.5	4.0	6.4	8.9	5.9	4.1	3.5	2.5	2.5
Exchange rate, year-end (LC/$)	116.33	121.10	127.21	130.38	142.04	136.20	135.28	133.30	132.56	135.56
Banks' claims on resident non-gov't sector growth	9.0	4.1	4.7	(7.4)	11.5	6.6	5.0	5.0	5.0	5.0
Banks' claims on resident non-gov't sector/GDP	131.3	128.5	139.0	115.1	108.3	104.8	103.3	102.3	102.4	102.5
Foreign currency share of claims by banks on residents	12.3	12.8	13.3	14.1	13.7	11.5	N/A	N/A	N/A	N/A
Foreign currency share of residents' bank deposits	12.2	12.3	10.8	11.2	11.4	11.0	N/A	N/A	N/A	N/A

Table 1

Iceland--Selected indicators (cont.)

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Real effective exchange rate growth	(2.6)	(7.0)	(8.1)	4.0	2.8	2.3	N/A	N/A	N/A	N/A

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 a 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 ($). The economy is concentrated in fishing, aluminum, and tourism. Metal and fishing sectors each represent 20% and tourism generally over one-third of the export base. We estimate revenues from tourism at close to 20% from GDP; these could be volatile in case of adverse economic developments in Iceland's main trading partners, a more pronounced shift in global travel preferences, or in case of natural disaster.
External assessment	3	Based on narrow net external debt and gross external financing needs. Iceland's net international investment position is more favorable than the narrow net external debt position by more than 100% of current accounts receipts (CARs), as per the Selected Indicators table. 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	2	Based on a change in net general government debt (% of GDP).
Fiscal assessment: debt burden	4	Based on net general government debt (% of GDP) and general government interest expenditure (% of general government revenue). Contingent liabilities are moderate. We assess the amount of guarantees provided by Iceland (implicitly and explicitly) to various non deposit-taking institutions at close to 20% of GDP. We believe there is a significant likelihood of extraordinary government support.
Monetary assessment	4	The Icelandic 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 volatile real effective exchange rate over the economic cycle.
Indicative rating	a+	See Sovereign Rating Methodology in table 1.

Table 2

Iceland--Ratings score snapshot (cont.)

Key rating factors	Score	Explanation
Notches of supplemental adjustments and flexibility	0	
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

- Sovereign Ratings Score Snapshot, May 07, 2024
- Global Sovereign Rating Trends First-Quarter 2024, April 16, 2024
- Sovereign Ratings List, April 10, 2024
- Sovereign Ratings History, April 10, 2024
- Sovereign Risk Indicators, April 08, 2024. Interactive version available at http://www.spratings.com/sri
- Default, Transition, and Recovery: 2023 Annual Global Sovereign Default And Rating Transition Study, March 27, 2024
- Iceland Ratings Raised To 'A+ ' On Strong Growth and Fiscal Consolidation; Outlook Stable, Nov. 10, 2023
- Banking Industry Country Risk Assessment: Iceland, March 24, 2023

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	AA-
Iceland	
Senior Unsecured	A+
Short-Term Debt	A-1