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Islandsbanki hf

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Islandsbanki hf

SACP	bbb
Anchor	bbb-	
Business Position	Adequate	0
Capital and Earnings	Very Strong	+2
Risk Position	Moderate	-1
Funding	Average	0
Liquidity	Adequate	

\+

Support	0
ALAC Support	0
GRE Support	0
Group Support	0
Sovereign Support	0

\+

Additional Factors	0

Issuer Credit Rating
BBB/Stable/A-2

Major Rating Factors

Strengths	Weaknesses
• High leverage ratios and very strong capital. • Stable franchise and market position across all domestic business lines. • Limited wholesale financing needs.	• Concentrated in Iceland with limited risk diversification opportunities. • Material exposure to tourism and commercial real estate. • Weak profitability prospects.

Outlook: Stable

The stable outlook indicates that we expect a sharp economic contraction in Iceland associated with COVID-19 to impair the bank's profitability, causing return on equity to remain at 2%-4% over the next two years and asset quality to deteriorate so that Islandsbanki's nonperforming asset (NPA) ratio is likely to rise above 5%, from 3% as of December 2019.

During the next two years, we anticipate that Islandsbanki's risk-adjusted capital (RAC) ratio will remain above 15%, on the back of moderate loan growth and contained dividend payments. Moreover, we do not expect the sale of the subsidiary Borgun to weigh on the bank's financials.

We could lower the ratings on Islandsbanki if the economic environment in Iceland becomes even more difficult, causing profitability prospects for banks to weaken for a prolonged period and the RAC ratio to decline below 15%.

Although unlikely in the current environment, we could raise our ratings on Islandsbanki if it proves able to strengthen significantly the performance of its returns, efficiency, and risk profile above domestic peers, with no further widening of the gap it has with foreign peers.

Rationale

Our rating on Islandsbanki reflects our view of its capitalization and solid market position as Iceland's universal bank. At the same time, we factor in the bank's material exposure to sectors heavily exposed to the COVID-19 pandemic and concentration in a small and volatile country.

We expect that Islandsbanki will maintain its RAC ratio above the 15% threshold in the next 12-24 months, despite the sharp economic recession due to the COVID-19 pandemic and subsequent impact on its financial profile. In our view, the bank's high capital level more than offsets the concentration by geography and sector.

We expect its asset quality indicators to deteriorate as a result of the sharp GDP decline in 2020 (-7.5%). The bank's exposure to tourism and commercial real estate will weigh on its asset quality metrics. Still, Islandsbanki maintains a solid business position in the country, but remains closely comparable to the other two domestic commercial banks, with similar revenues and market share.

We consider that the bank's long-term assets are largely supported by appropriate long-term funding. We note that the bank's wholesale funding needs are limited in the next 12 months. This, coupled with dividend payment cancellation, supports Islandsbanki's comfortable liquidity buffers.

Islandsbanki is wholly owned by the Icelandic government. However, we do not incorporate any support in our ratings because we consider this ownership as temporary and not a strategic investment.

Anchor: 'bbb-' for banks operating primarily in Iceland

We use our Banking Industry Country Risk Assessment (BICRA) economic risk and industry risk scores to determine a bank's anchor, the starting point in assigning an issuer credit rating. We have recently lowered our BICRA for Iceland's banking sector to '5' from '4', based on an economic risk score of '4' and an industry risk score of '6'. The anchor for a commercial bank operating only in Iceland is 'bbb-'.

Our view of the economic risk trend that Icelandic banks face is now negative. The banks face an economic recession in 2020, with GDP declining by more than 7%. The longer and deeper the economic contraction, the more it could impair Icelandic banks' asset quality, increase credit losses, reduce business and revenue generation, and potentially erode its capital. The banks' structural exposures to local small and midsize enterprises (SMEs)--including tourism and commercial real estate, which we view as a more vulnerable sectors in the current context—as well as exposures to commercial real estate and construction (about 20% loan book) increase the risks. We generally consider that small-to-midsize banks with loan concentrations to SMEs in regions that are strongly affected by the COVID-19 pandemic are most susceptible, in the near term, to the deteriorating environment.

We have a more conservative view of overall banking industry risk in Iceland. The sharp reduction in economic activity in 2020 will exacerbate the structural weaknesses of the domestic banking industry, such as generally low profitability. We view Icelandic banks' short-to-medium term business prospects and earnings as bleak given the fiercely competitive environment, distorted by the role of pension funds in lending, as well as declining interest rates and increasing provisions. At the same time, credit provisions will increase materially as the effects of the COVID-19 pandemic increase. We expect the total amount of NPAs on average loans to exceed 5% in the next two years (from about 3% in 2019).

However, Icelandic banks enter the recession with a stronger balance sheet compared to the last financial crisis and a solid domestic franchise. Moreover, the banks are well advanced in preparation for a more pronounced tech disruption in the sector, owing to substantial investments in digitalization.

We consider Icelandic banks' funding and liquidity metrics to be in line with those of their international peers and adequate for their risk profiles. Specifically, their wholesale funding needs are limited in 2020, which, coupled with the recently announced additional central bank liquidity facilities and dividend payment cancellations, eases pressure on liquidity needs.

We understand that Iceland has made progress in multiple areas to strengthen its anti-money laundering and financial crime framework and the government initiatives should allow the country to come off the Financial Action Task Force (FATF) "grey list", to which it was added in 2019.

We now see the trend for industry risk in Iceland as stable over our 24-month horizon.

Table 1

Islandsbanki hf Key Figures

		--Year-ended Dec. 31--			
(Mil. ISK)	**2020***	**2019**	**2018**	**2017**	**2016**
Adjusted assets	1,251,955	1,195,160	1,125,401	1,031,591	1,044,882
Customer loans (gross)	937,210	909,930	854,644	765,566	701,361
Adjusted common equity	175,336	169,232	165,421	163,810	166,249
Operating revenues	9,407	47,408	43,460	44,189	46,167
Noninterest expenses	5,920	29,043	28,823	27,638	28,184

Table 1

Islandsbanki hf Key Figures (cont.)					
		--Year-ended Dec. 31--			
(Mil. ISK)	2020*	2019	2018	2017	2016
Core earnings	N/A	7,935	9,254	8,909	12,294

ISK--Icelandic krona. *Data refers to March 31, 2020.

Business position: Diverse business model within the limits of the Icelandic economy

Our assessment of Islandsbanki's business position balances the bank's solid domestic franchise across most business lines in Iceland, and advanced digital offering.

With total assets of Icelandic krona (ISK) 1.26 trillion (about €8 billion) as of first-quarter 2020, Islandsbanki is similar in size as its domestic peers Arion and Landsbankinn. In terms of total lending, Islandsbanki has a strong market share at about 22% and maintains a comparable market position in most business lines, such as 16% in residential mortgage. It also has a rising market share in the corporate and small and midsize enterprise segment. The bank has diverse revenues from retail banking, including asset financing and credit cards; wealth management; trading activities; and corporate finance. However, the small domestic economy limits diversification prospects, in our view. On March 11, 2020, the bank announced the sale of the payment services company Borgun. According to the bank, the sale should have limited impact on its bank operations. In our view, the sale should reduce earnings volatility, but will also limit business diversification and increase reliance on net interest income going forward.

Islandsbanki is a government-owned entity, resulting from the banking sector restructuring after the 2008 collapse. We do not see the bank as a strategic investment for the government. As such, we view this ownership as temporary and believe that the government will put Islandsbanki up for sale. We note, however, that the impact of COVID-19 may delay a potential sale process and expect it to progress in the medium term.

In 2019, the bank produced an updated strategy focused on efficiency through further process automation, workforce reduction, and asset repricing in the corporate segment while further accommodating the use of its digital customer platforms.

In our view, the bank is well ahead of many other European banks in its preparation for technological disruption. While the bank operates under a slimmer branch footprint than domestic peers (12 branches), consumers' use of its digital channels have risen sharply. In our view, Islandsbanki has established a relatively advanced digitalized banking environment, with almost all credit scoring run digitally. It is also progressing toward fully automated lending processes for both consumer loans and mortgages.

Table 2

Islandsbanki hf Business Position					
		--Year-ended Dec. 31--			
(%)	2020*	2019	2018	2017	2016
Loan market share in country of domicile	N/A	22.4	21.5	20.9	19.3
Deposit market share in country of domicile	N/A	30.8	30.6	32.0	34.7
Total revenues from business line (mil. ISK)	9,407	48,585	45,899	51,218	57,170
Commercial & retail banking/total revenues from business line	N.M.	51.5	49.4	68.9	53.8

Table 2

Islandsbanki hf Business Position (cont.)					
		--Year-ended Dec. 31--			
(%)	2020*	2019	2018	2017	2016
Brokerage/total revenues from business line	5.51	4.3	4.4	4.2	3.3
Other revenues/total revenues from business line	3.54	13.0	19.0	26.9	43.0
Return on equity	-2.82	5.0	6.3	7.7	9.1

N.M.--Not meaningful. ISK--Icelandic krona. *Data refers to March 31, 2020.

Capital and earnings: Capitalization will likely remain robust even though COVID-19 will weigh on future profitability

Islandsbanki's level of capital remains a rating strength, and it has capacity to absorb material losses, despite recent optimization between equity and subordinated capital instruments. We anticipate that capital optimization and IPO discussions will be put on hold until there is greater certainty around the impact of COVID-19. Islandsbanki cancelled its dividend payment for year-end 2019. We expect the RAC ratio to decline to about 16% by 2022, from 17% as of year-end 2019, on the back of risk-weighted asset inflation and limited retained earnings capacity. This assumes no dividend payment in 2020 and about 30% dividend payout in 2021.

Compared with its domestic peers, Islandsbanki's RAC benefits from the smaller equity positions on its balance sheet. As of March 31, 2020, the bank's common equity Tier 1 ratio was 19.2% and the total capital ratio 21.9%. We compare this with the current regulatory total capital requirement of 17% and the bank's target of an additional 50-200 basis point (bp) management buffer. Islandsbanki's Pillar 2 capital requirements are lower than its two domestic competitors, which in our view reflects their lower CPI imbalances and contained equity portfolio.

We expect Islandsbanki to maintain its capital optimization by issuing additional Tier 1 instruments as soon as the impact of COVID-19 becomes clearer and the market allows it. Islandsbanki has already met its Tier 2 layer with 2.6% of regulatory risk-weighted assets.

We note that the bank's leverage ratio, measured as adjusted common equity as a share of adjusted assets, was 14% at March 31, 2020, and is considerably higher than Nordic peers' and most global commercial banks'. We do not anticipate the leverage ratio to fall below 12% given the bank's capital targets.

Due to the impact of COVID-19, we expect that Islandsbanki will find it hard to reach high single-digit ROE in the medium term. We also note that structural factors such as lowering interest rates and stiff competition within the corporate and household segments--both by banks and non-bank players—could constrain the bank's profitability.

Specifically, the central bank reduced the key reference rate to 1.0% in May 2020 from 4.5% in May 2019, which, together with intense competition in the loan market, should compress loan margins. Furthermore, we expect modest loan growth for 2020 and net interest income to decline about 10% in 2020. Although there is great uncertainty relating to credit loss levels for the coming two years, we expect the cost of risk to increase to around 70-90bps in 2020 and 2021, from 42bps at year-end 2019. Overall, the material increase of provisions will lead to weak results in 2020 (for example, a low single-digit ROE) and a moderate recovery in 2021. On a positive note, although the cost efficiency ratio remains higher than peers' at around 60%, management initiatives on this front (for example, FTE reduction and process automation) and the Borgun disposal should help improve the bank's cost efficiency. Islandsbanki (and peers) are still subject to the bank tax levy that, with the contribution to the guarantee fund, represented about 9% of operating expenses as of March 31, 2020. However, this is a reduction from the 16% as of year-end 2019 as the government reduced the tax levy to 14.5 bps from 37.6 bps in first-quarter 2020.

We project Islandsbanki's earnings buffer, which measures the bank's ability to generate capital given normalized loss levels (112 bps as of Dec. 31, 2019), to be around 40-50 bps in 2020 and 2021.

Table 3

Islandsbanki hf Capital And Earnings

		--Year-ended Dec. 31--			
(%)	**2020***	**2019**	**2018**	**2017**	**2016**
Tier 1 capital ratio	19.2	19.9	20.3	22.6	24.9
S&P RAC ratio before diversification	N/A	17.0	18.6	20.5	19.6
S&P RAC ratio after diversification	N/A	12.1	13.0	14.2	13.5
Adjusted common equity/total adjusted capital	100	100	100	100	100
Net interest income/operating revenues	91.21	71.0	73.5	67.9	68.9
Fee income/operating revenues	26.48	28.2	28.1	31.1	29.7
Market-sensitive income/operating revenues	-17.89	(1.4)	(2.3)	(1.7)	(0.4)
Noninterest expenses/operating revenues	62.93	61.3	66.3	62.5	61.0
Preprovision operating income/average assets	1.14	1.6	1.4	1.6	1.7
Core earnings/average managed assets	N/A	0.7	0.9	0.9	1.2

N/A--Not applicable. RAC--Risk-adjusted capital. *Data refers to March 31, 2020.

Table 4

Islandsbanki hf Risk-Adjusted Capital Framework Data

(ISK 000s)	**Exposure***	**Basel III RWA**	**Average Basel III RW (%)**	**S&P Global RWA**	**Average S&P Global RW (%)**
Credit risk					
Government and central banks	158,534,054	2,357,829	1	1,332,897	1
Institutions and CCPs	59,837,407	15,940,253	27	12,999,071	22
Corporate	499,170,065	497,002,318	100	476,091,198	95
Retail	411,148,673	215,402,880	52	229,563,154	56
Of which mortgage	274,894,019	115,671,949	42	100,418,785	37
Securitization§	0	0	0	0	0
Other assets†	38,248,842	44,032,284	115	49,434,960	129
Total credit risk	1,166,939,040	774,735,563	66	769,421,280	66
Credit valuation adjustment					
Total credit valuation adjustment	--	2,027,176	--	0	--
Market risk					
Equity in the banking book	8,796,661	15,556,936	177	67,802,881	771
Trading book market risk	--	11,500,000	--	17,250,000	--
Total market risk	--	27,056,936	--	85,052,881	--

Table 4

Islandsbanki hf Risk-Adjusted Capital Framework Data (cont.)

Operational risk					
Total operational risk	--	85,424,266	--	140,930,479	--
(ISK 000s)		**Basel III RWA**		**S&P Global RWA**	**% of S&P Global RWA**
Diversification adjustments					
RWA before diversification	--	889,243,941	--	995,404,640	100
Total Diversification/Concentration Adjustments	--	--	--	397,510,468	40
RWA after diversification	--	889,243,941	--	1,392,915,108	140
(ISK 000s)		**Tier 1 capital**	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global RAC ratio (%)**
Capital ratio					
Capital ratio before adjustments		175,647,188	19.8	169,232,000	17.0
Capital ratio after adjustments‡		175,647,188	19.9	169,232,000	12.1

*Exposure at default. §Securitization exposure includes the securitization tranches deducted from capital in the regulatory framework. †Other assets includes Deferred Tax Assets not deducted from adjusted common equity. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. ISK--Icelandic krona. Sources: Company data as of December 31, 2019, S&P Global Ratings.

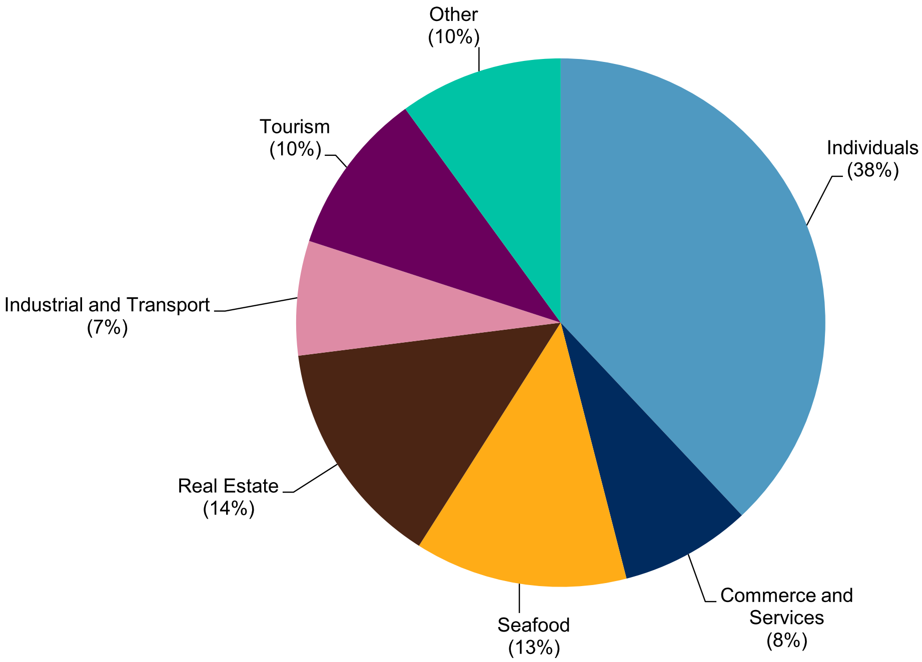
Risk position: Highly correlated to systemic risks in Iceland

Our assessment of Islandsbanki's risk position reflects the bank's lack of geographic diversification and presence in a concentrated market and is inherently exposed to the domestic volatile economy. This risk is not fully captured by our standardized capital calculation, which we believe the COVID-19 pandemic will make more apparent.

In our view, Islandsbanki has broad exposure within Iceland to the retail and commercial banking market. Islandsbanki's loan book is primarily focused on retail loans (38% of total loans), real estate (16%), and fishing/seafood (13%). Islandsbanki's exposure to the tourism segment is around 10% of total loans, including hotels, transportation, and other services. This sector is prone to volatility and is especially vulnerable now amid ongoing global travel restrictions. The sector has experienced strong wage inflation and investments in recent years, while there are still a number of small players. Hence, the bank's vulnerability, even before COVID-19, should trigger additional asset quality concerns.

Chart 2

Loan Breakdown By Sector: Concentrations In Real Estate And Tourism

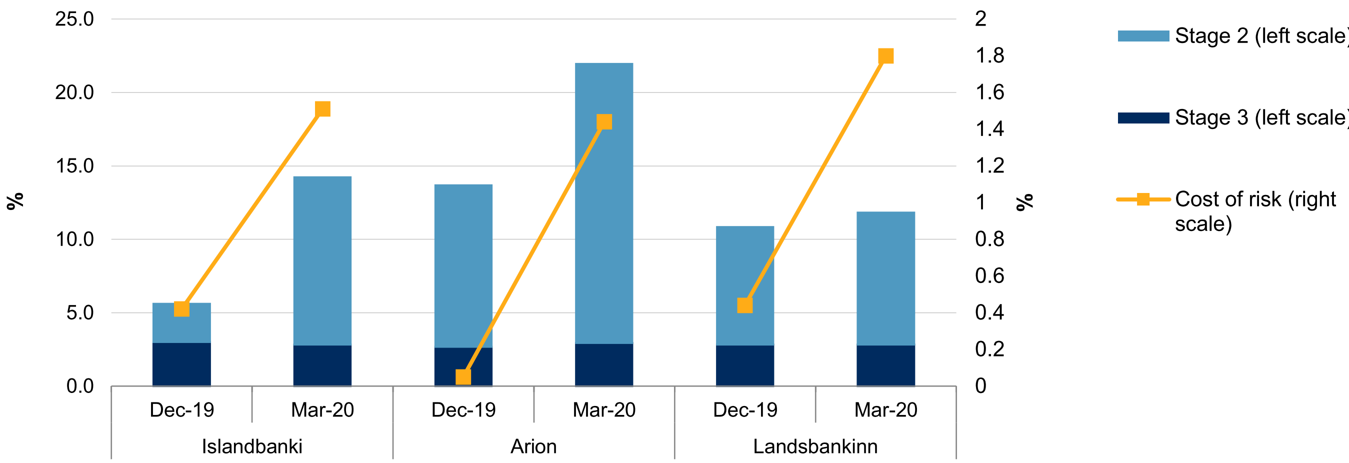


Source: Islandsbanki hf Q1 Report.

Islandsbanki has entered the economic recession with a relatively clean balance sheet--its gross NPAs stood at 2.9% as of first-quarter 2020 (under new IFRS disclosures we include all "stage 3" exposures) from 23.2% at fourth-quarter 2012. However, we expect NPAs to increase above 5% in the next 18-24 months with coverage of about 35%, which is broadly in line our expectation for domestic peers. However, we also note that stage 2 loans (i.e. loans that experience increased credit risk but are not impaired) increased materially in first-quarter 2020 to 11.4% (of total loans) from 2.6% as of fourth-quarter 2019, as the bank reclassified most of its exposure to tourism to stage 2. We expect loan loss provisions to customer loans to reach about 70-90 bps in the coming 24 months, from about 40bps in 2019.

Chart 2

Impaired Loans Breakdown Shows Sharp Increase In Watchlist
NPLs (Stage 3) and Watchlist (Stage 2)



NPLS--Nonperforming loans. Source: S&P Global Ratings.

Foreign currency lending represents 19% of the total loan book. However, the bank mitigates this risk by granting credit to customers with income in (or correlated to) foreign currency, which mainly includes the fishing and transportation industry and modest exposure to Norwegian offshore companies.

Like other domestic peers, a substantial part (about 32%) of Islandsbanki's loan book is inflation-linked (CPI). However, the CPI imbalances represent a manageable 5% of core equity, much lower than the bank's two domestic competitors.

Table 5

Islandsbanki hf Risk Position

		--Year-ended Dec. 31--			
(%)	**2020***	**2019**	**2018**	**2017**	**2016**
Growth in customer loans	11.99	6.5	11.6	9.2	2.9
Total diversification adjustment / S&P RWA before diversification	N/A	39.9	42.8	43.9	44.8
Total managed assets/adjusted common equity (x)	7.16	7.1	6.8	6.3	6.3
New loan loss provisions/average customer loans	1.51	0.4	(0.2)	0.4	0.1
Net charge-offs/average customer loans	0.07	0.2	0.6	0.7	0.4
Gross nonperforming assets/customer loans + other real estate owned	2.91	3.1	2.1	2.5	4.3
Loan loss reserves/gross nonperforming assets	48.96	36.7	43.9	54.9	44.4

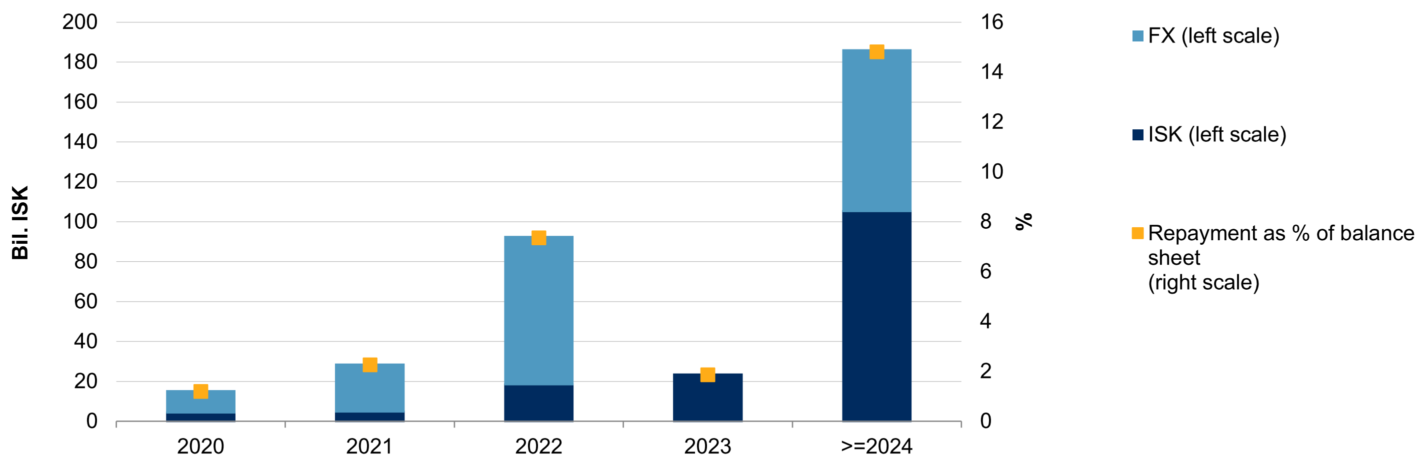
N/A--Not applicable. *Data refers to March 31, 2020.

Funding and liquidity: Limited wholesale debt maturities and stable liquidity position

Islandsbanki is predominantly funded by customer deposits as it constitutes the majority of total funding (63% as of December 2019). The granularity of Islandsbanki's deposit base has reduced (the 10 largest depositors made up 17% of total deposits in 2019 compared with 24% in 2015) and 60% of total deposits come from retail customers. The remaining part of the bank's funding consists primarily of senior unsecured bonds and covered bonds in the domestic market. Islandsbanki is one of the largest covered bond issuers in Iceland. In the next 24 months, we expect Islandsbanki to maintain its stable funding ratio around the same level as the 114% reached in December 2019. We view potential pressure on funding arising from the pandemic to be limited, partly as the bank has no material wholesale funding maturities in 2020 or 2021 and has had proven access to the wholesale market in recent years.

Chart 3

Islandsbanki hf Maturity Profile Of Long-Term Debt



ISK--Icelandic krona. FX--Foreign currency. Source: Islandsbanki as of March 31, 2020.

Islandsbanki's liquidity position is set to remain comfortable given the skipped and reduced dividend payments in the coming years, low upcoming maturities, and moderate loan growth. The ratio of broad liquid assets to short-term wholesale funding was 4x in December 2019, which has been stable over the past two years and is slightly above international peers.

As a precautionary measure, the central bank of Iceland has reduced the counter-cyclical buffer to 0% (from 2%), the average reserve requirement to 0% (from 1%). It has also widened the collateral definition for repo transactions, which should ease the liquidity profile further.

Table 6

Islandsbanki hf Funding And Liquidity

	--Year-ended Dec. 31--				
(%)	**2020***	**2019**	**2018**	**2017**	**2016**
Core deposits/funding base	62.7	62.9	63.5	70.4	73.2
Customer loans (net)/customer deposits	142.6	145.5	146.2	133.2	115.8
Long term funding ratio	94.5	94.9	94.6	94.7	96.2
Stable funding ratio	115.3	114.5	113.8	116.1	130.1

Table 6

Islandsbanki hf Funding And Liquidity (cont.)					
		--Year-ended Dec. 31--			
(%)	2020*	2019	2018	2017	2016
Short-term wholesale funding/funding base	6.5	6.0	6.5	6.4	4.7
Broad liquid assets/short-term wholesale funding (x)	4.0	4.0	3.9	4.5	8.4
Net broad liquid assets/short-term customer deposits	31.9	30.2	31.4	34.4	50.0
Short-term wholesale funding/total wholesale funding	17.3	16.3	17.7	21.7	17.5
Narrow liquid assets/3-month wholesale funding (x). *Data refers to March 31, 2020.	16.1	9.3	7.0	15.5	27.5

External support: Government support for Icelandic banks is uncertain

We do not consider Islandsbanki to be a strategic government-related entity for Iceland and see the government's ownership as temporary. Nevertheless, we view Islandsbanki as having high systemic importance in Iceland. We do not apply any notches of uplift to the stand-alone credit profile (SACP) to arrive at the issuer credit rating, as we view future extraordinary government support as uncertain. This reflects our view of the Icelandic government's track record of not supporting senior creditors and its still-limited--but improved--capacity to support the country's new, smaller banking system in the event of severe financial stress.

At present, we do not regard the bank resolution framework as effective. As such, we do not incorporate additional loss-absorbing capacity in our ratings on Icelandic banks. We regard the current framework as open-ended but, in our view, the authorities' method of dealing with failing banks so far indicates a tendency to safeguard depositors rather than senior unsecured creditors. In June 2018, the Icelandic parliament passed a bill that incorporates into the local legislation part of the EU's Banking Recovery And Resolution Directive (BRRD) provisions, including recovery plans, early interventions, and intra-group support. The remaining part of BRRD (i.e. resolution and bail-in powers) are currently under discussion at parliament with final approval expected by year-end.

Hybrid ratings

We rate Islandsbanki's subordinated debt at 'BB+', two notches below the bank's 'bbb' SACP. We deduct one notch due to the instruments' subordination to senior creditors' claims, and another notch because the instruments are available to absorb losses at the point of non-viability of the bank via statutory loss absorption. Given the lack of going-concern loss absorption, we are not including the instruments in our calculation of total adjusted capital.

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Financial Institutions | Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Criteria | Financial Institutions | Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011

- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- Research Update: Iceland 'A/A-1' Ratings Affirmed; Outlook Remains Stable, May 15, 2020
- Three Icelandic Banks Downgraded On Weaker Business Prospects And Effect Of COVID-19; Outlooks Stable, April 24, 2020
- Tech Disruption In Retail Banking: Nordic Techies Make Mobile Banking Easy, Feb. 4, 2020
- Nordic Banks' Capital And Earnings Can Weather The Weakening Credit Cycle, Nov. 14, 2019
- Banking Industry Country Risk Assessment For Iceland Unaffected By The Country's FATF Grey Listing, Oct. 23, 2019
- Banking Industry Country Risk Assessment: Iceland, Sept. 17, 2019

Anchor Matrix

Industry Risk	Economic Risk									
	1	2	3	**4**	5	6	7	8	9	10
1	a	a	a-	bbb+	bbb+	bbb	-	-	-	-
2	a	a-	a-	bbb+	bbb	bbb	bbb-	-	-	-
3	a-	a-	bbb+	bbb+	bbb	bbb-	bbb-	bb+	-	-
4	bbb+	bbb+	bbb+	bbb	bbb	bbb-	bb+	bb	bb	-
5	bbb+	bbb	bbb	bbb	bbb-	bbb-	bb+	bb	bb-	b+
6	bbb	bbb	bbb-	**bbb-**	bbb-	bb+	bb	bb	bb-	b+
7	-	bbb-	bbb-	bb+	bb+	bb	bb	bb-	b+	b+
8	-	-	bb+	bb	bb	bb	bb-	bb-	b+	b
9	-	-	-	bb	bb-	bb-	b+	b+	b+	b
10	-	-	-	-	b+	b+	b+	b	b	b-

Ratings Detail (As Of May 26, 2020)*	
Islandsbanki hf	
Issuer Credit Rating	BBB/Stable/A-2
Senior Unsecured	BBB
Short-Term Debt	A-2
Subordinated	BB+
Issuer Credit Ratings History	
24-Apr-2020	BBB/Stable/A-2
23-Jul-2019	BBB+/Negative/A-2
25-Oct-2017	BBB+/Stable/A-2

Ratings Detail (As Of May 26, 2020)*(cont.)	
25-Oct-2016	BBB/Positive/A-2
19-Jan-2016	BBB-/Positive/A-3
21-Jul-2015	BBB-/Stable/A-3
Sovereign Rating	
Iceland	A/Stable/A-1

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.