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Islandsbanki hf

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Islandsbanki hf

SACP	bbb-

\+

Support	0

\+

Additional Factors	0

Anchor	bb+	
Business Position	Adequate	0
Capital and Earnings	Strong	+1
Risk Position	Adequate	0
Funding	Average	0
Liquidity	Strong	

GRE Support	0
Group Support	0
Sovereign Support	0

Issuer Credit Rating
BBB-/Stable/A-3

Major Rating Factors

Strengths:	Weaknesses:
• High leverage ratios and strong capital. • Ample liquidity buffers in preparation for deposit outflows and capital control relaxation.	• Domestic economy offers few further diversification opportunities. • Uncertainty associated with capital controls in Iceland.

Outlook: Stable

The stable outlook on Icelandic bank Islandsbanki hf reflects Standard & Poor's Ratings Services' projection that the risk-adjusted capital (RAC) ratio will likely be at about 12.5%-13.0% by the end of 2017, given the government's likely attempts to complete a sale of the bank while extracting some of the capital currently above regulatory limits. We do not see the government's ownership as strategic and believe that Islandsbanki will be up for sale from the Icelandic government within two years, at which time we believe that capital levels will be reduced to make the bank more attractive to a potential buyer.

Our stable outlook also reflects our assumption that Islandsbanki will retain strong capital and liquidity buffers, even after expected deposit outflows owing to the relaxation of Iceland's capital controls over the coming months. We do not expect the uncertainty of the bank's future ownership to weaken its stand-alone credit profile (SACP), but it could affect the ratings over time.

We could take a positive rating action if we anticipated that Islandsbanki's RAC ratio would remain above 15%, trends in the Icelandic banking sector improve further, or if the bank were acquired by a higher-rated entity with expectations of strong strategic interest and integration.

We could take a negative rating action if loan asset quality deteriorated materially, requiring significant unexpected additional provisioning. In addition, we could lower our rating on Islandsbanki if the potential new owner is of lower credit quality than the bank.

Rationale

The rating on Islandsbanki reflects our 'bb+' anchor for banks operating in Iceland and our view of the bank's "adequate" business position, "strong" capital and earnings, "adequate" risk position, "average" funding, and "strong" liquidity, as our criteria define these terms. The SACP is 'bbb-'.

Anchor: 'bb+' for banks with Icelandic focus, though the trend is positive

Under our bank criteria, we use our Banking Industry Country Risk Assessment's economic risk and industry risk scores to determine a bank's anchor, the starting point in assigning an issuer credit rating. The anchor for a commercial bank operating only in Iceland is 'bb+', based on an economic risk score of '6' and an industry risk score of '6'.

Economic risk for Icelandic banks has, in our view, continued to decline. Imbalances have further reduced, and we expect that the future impact of the ongoing correction will be limited. We expect the country's prosperous but concentrated economy will achieve annual real GDP growth of about 3% for the next two years, and we have recently raised our sovereign ratings on Iceland, because partial liberalization of capital controls is likely in the near term. The banks have all undergone significant restructuring efforts and most corporations have been restructured. The Icelandic economy is steadily reducing its debt burden and the banks their stock of nonperforming loans. The banks have recovered with the protection of capital controls. In our view, the largest risk for the banking sector is a shock to the economy as a result of a non-controlled removal of capital controls, which could derail the growth trend and lead to deteriorating economic conditions. However, given recent announcements on how to reduce the non-resident currency overhang, we think that the risk has decreased meaningfully and the authorities will continue prudently, without marked weakening of the Icelandic krona and the economy.

We think industry risk has subsided following a move to a stronger regulatory system and a funding model based on domestic deposits and significant equity levels, in contrast to the external wholesale and deposit funding model used prior to the 2008 banking crisis. That said, we expect the banks will gradually increase the share of foreign wholesale funding and domestic covered bonds as market access improves. Potential outflows of deposits linked to the partial lifting of capital controls are, in our view, covered by liquid assets or will be replaced by long-term bonds and should not have any pronounced impact on the banking sector. There will be some changes in the industry as the state mortgage lender Hff will be put in run-off mode and the trend of commercial banks gaining significant market share of new mortgage lending will continue. We expect returns will be based on what we believe to be sound commercial practices, although continuing to be inflated by significant onetime items in 2015 and less so in 2016.

Table 1

Islandsbanki hf Key Figures					
		--Year-ended Dec. 31--			
(Mil. ISK)	**2015***	**2014**	**2013**	**2012**	**2011**
Adjusted assets	975,199	910,709	865,710	823,114	795,371
Customer loans (gross)	672,387	654,558	582,657	604,786	605,997
Adjusted common equity	180,951	175,868	162,956	144,352	122,842
Operating revenues	22,272	42,668	42,597	47,649	41,710
Noninterest expenses	12,466	23,812	26,441	25,525	20,759
Core earnings	5,879	12,344	5,820	1,700	20,165

*Data as of June 30. ISK--Icelandic krona.

Business position: Acquisitions have aligned the bank's market position with its primary peers

We view Islandsbanki's business position as adequate, balancing its broad presence in most business lines in Iceland and the concentrated nature of the economy. The bank was created in October 2008 when it acquired more than Icelandic krona (ISK) 900 billion (about €5.8 billion) in loans (originally valued at a 47% discount) from the estate of Glitnir. Despite being the smallest of its domestic peers, with total assets of ISK878 billion (€6.2 billion as at June 2015), Islandsbanki maintains a comparable market position in most business lines, with a growing market share in the corporate and small and midsize enterprise (SME) segment. It has a strong domestic market share (30%-40%) in most business lines, due in part to two key acquisitions, that of Byr, previously the fourth-largest bank, in 2011 and a private pension portfolio in 2012. Islandsbanki's ability to integrate the entities and the focus on improving their cost efficiency supports our view of the bank's management and strategy

Like its two main domestic peers, Arion and Landsbankinn, Islandsbanki has seen a rise in retail mortgage lending, which has historically been dominated by state-owned Housing Financing Fund (Ibudalanasjodur).

We expect a lower share of extraordinary revenues from Islandsbanki going forward, with revenues stabilizing at ISK40 billion-ISK42 billion over the next two years. In our forecast, we expect Islandsbanki will continue to improve its fee income while net interest income will remain above 60% of revenues over the next two years. The bank has diverse revenues from retail banking, including asset financing (via the ERGO brand) and credit cards; large corporate, wealth management, and trading activities; and corporate finance. However, the small domestic economy limits diversification prospects, in our view.

Table 2

Islandsbanki hf Business Position					
		--Year-ended Dec. 31--			
(%)	**2015***	**2014**	**2013**	**2012**	**2011**
Loan market share in country of domicile	N/A	22.4	20.0	19.9	20.0
Deposit market share in country of domicile	N/A	32.8	31.5	31.6	30.1
Total revenues from business line (mil. ISK)	29,116	57,469	61,763	57,374	42,551
Commercial banking/total revenues from business line	8.8	8.6	7.1	11.8	25.2
Retail banking/total revenues from business line	37.5	37.9	39.2	42.4	49.4
Commercial & retail banking/total revenues from business line	46.3	46.4	46.2	54.3	74.6
Trading and sales income/total revenues from business line	1.5	1.1	1.4	1.5	(0.2)
Corporate finance/total revenues from business line	N/A	N/A	N/A	N/A	0.7
Brokerage/total revenues from business line	3.8	3.0	3.0	3.3	2.4
Asset management/total revenues from business line	5.1	4.8	4.4	4.7	6.0
Investment banking/total revenues from business line	1.5	1.1	1.4	1.5	0.4
Return on equity	11.4	12.4	14.7	17.4	1.6

*Data as of June 30. N/A--Not applicable. ISK--Icelandic krona.

Capital and earnings: Capital strong and earnings stabilizing at lower levels

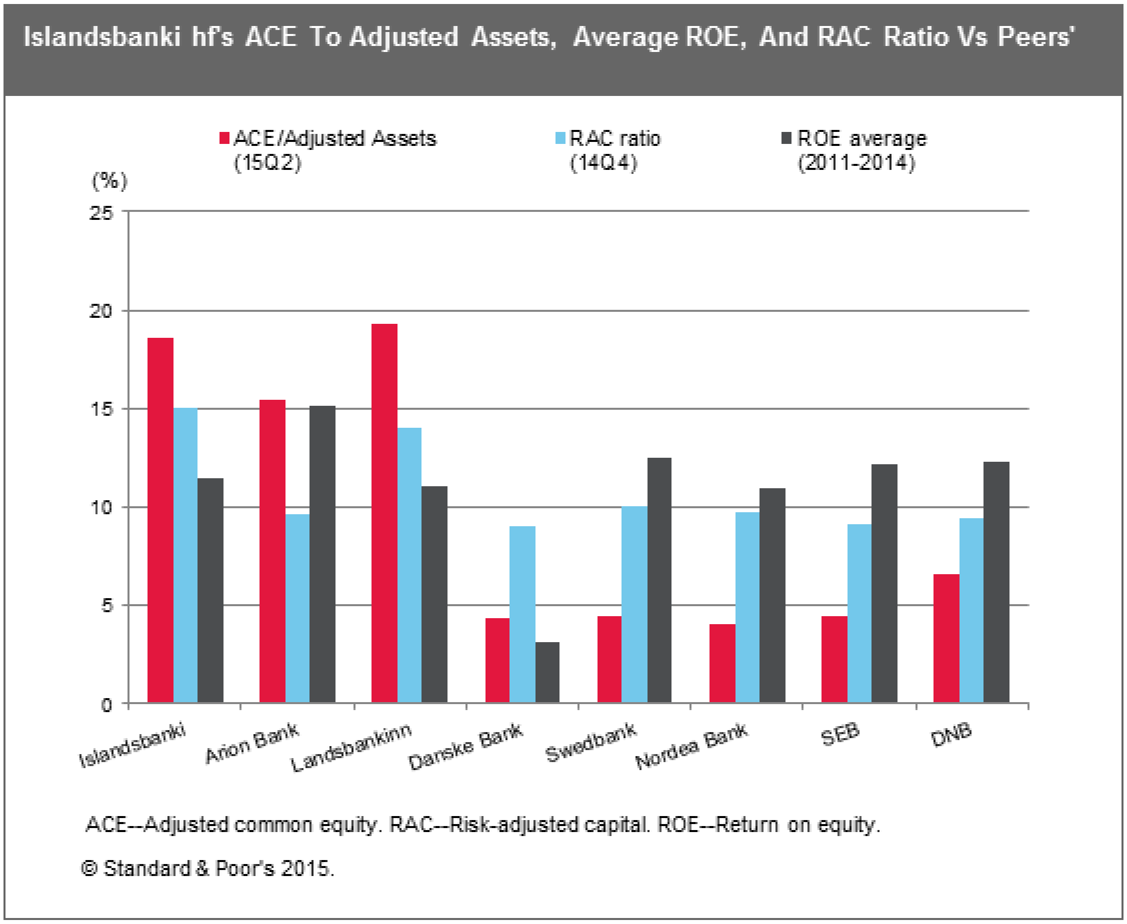
We assess capital and earnings are strong. The RAC ratio before diversification was 15.0% as of June 2015; however, our July 2015 upgrade of Iceland and improved economic risk assessment for the Icelandic banking sector results in a pro forma midyear RAC ratio of 17.3%.

The central bank's May 2015 agreement with Glitnir was changed in October, under which, Glitnir will relinquish to the Icelandic government all of its shares in ISB Holding hf., which owns 95% of shares in Islandsbanki. With this change, Islandsbanki will no longer pay extraordinary dividends to Glitnir as was originally planned. However, we see the government ownership as accommodating Glitnir's owners' desire to extract capital from Iceland by the end of the year. As such, we do not see ISB as a strategic investment for the government and believe that the government will put the bank up for sale within two years. We believe that it is rather likely that capital levels will be reduced in preparation for a sale and, as such, we project the RAC ratio will fall to 12%-13% by year-end 2017.

At June 30, 2015, the core Tier 1 capital ratio was 25.8% and the capital ratio was 28.3%. The original agreement with Glitnir would have reduced the total regulatory ratio to 23%, including the additional capital instruments. We anticipate the government will consider similar capital reductions as it attempts to sell the bank. In our view, any further capital reductions will be restricted by the high capital requirements and buffers prescribed by the Icelandic regulator, which will have fully phased in capital buffers of 12% by January 2017, in addition to the regulatory minimum capital level of 8%.

We note that the bank's strong leverage ratio, measured as adjusted common equity as a share of adjusted assets, was 18.6% at June 2015 and is considerably higher than Nordic peers' and most global commercial banks' (Chart 1).

Chart 1



We expect Islandsbanki's profits will decrease slightly over our two-year forecast horizon, with long-term returns on equity at about 7% with the new capital structure, excluding onetime items and revaluations. As with peers, the bank's bottom line has been supported by revaluations of legacy assets acquired at a 47% discount when it was created. In addition, sales and revaluations of legacy private equity and real estate assets acquired during the portfolio restructuring process have boosted revenues. Looking ahead, we expect increased competition will somewhat reduce the overall net interest margin. Improvements in fee and commission income should help offset margin pressure, as will continued focus on cost efficiency. Islandsbanki and peers are still subject to the bank tax levy used to fund debt relief for Icelandic residential borrowers, which we expect will reduce profits by ISK2.5 billion per year through 2016. The future of the bank levy is uncertain given the need for a parliamentary decision to remove it.

Islandsbanki's earnings buffer, which measures the bank's ability to meet our normalized losses, will likely remain about 60 basis points (bps) in our forecast. However, this figure underestimates our expectations for actual returns given that the earnings buffer calculation assumes annual normalized losses of ISK8 billion-ISK9 billion, a level we expect the bank will outperform in 2015 and 2016 as the asset quality in Iceland improves.

Table 3

Islandsbanki hf Capital And Earnings

		--Year-ended Dec. 31--			
(%)	**2015***	**2014**	**2013**	**2012**	**2011**
Tier 1 capital ratio	25.8	26.5	25.1	22.0	19.1
S&P RAC ratio before diversification	15.0	15.0	13.7	N.M.	N.M.
S&P RAC ratio after diversification	11.6	11.7	11.0	N.M.	N.M.
Adjusted common equity/total adjusted capital	100.0	100.0	100.0	100.0	100.0
Net interest income/operating revenues	60.8	63.5	66.7	69.1	74.9
Fee income/operating revenues	28.8	26.9	24.5	19.9	14.3
Market-sensitive income/operating revenues	9.2	3.8	10.6	2.7	8.7
Noninterest expenses/operating revenues	56.0	55.8	62.1	53.6	49.8
Preprovision operating income/average assets	2.1	2.1	1.9	2.7	2.8
Core earnings/average managed assets	1.2	1.4	0.7	0.2	2.7

*Data as of June 30. RAC--Risk-adjusted ratio. N.M.--Not meaningful.

Table 4

Islandsbanki hf Risk-Adjusted Capital Framework Data

(ISK 000s)	Exposure*	Basel II RWA	Average Basel II RW (%)	Standard & Poor's RWA	Average Standard & Poor's RW (%)
Credit risk					
Government and central banks	175,398,178	3,730,330	2.1	82,974,863	47.3
Institutions	62,753,042	12,939,290	20.6	28,089,364	44.8
Corporate	349,320,185	348,357,668	99.7	483,047,094	138.3
Retail	318,141,850	191,453,571	60.2	316,573,356	99.5
Of which mortgage	178,282,275	88,976,502	49.9	114,100,656	64.0
Securitization§	0	0	0.0	0	0.0
Other assets	48,765,175	48,118,645	98.7	98,480,573	201.9
Total credit risk	954,378,430	604,599,503	63.4	1,009,165,251	105.7
Market risk					
Equity in the banking book†	6,613,059	9,872,868	149.3	65,363,749	988.4
Trading book market risk	--	27,679,038	--	41,518,556	--
Total market risk	--	37,551,905	--	106,882,306	--
Insurance risk					
Total insurance risk	--	--	--	0	--
Operational risk					
Total operational risk	--	78,400,500	--	92,178,909	--
		Basel II RWA		**Standard & Poor's RWA**	**% of Standard & Poor's RWA**
Diversification adjustments					
RWA before diversification		720,551,909		1,208,226,465	100.0
Total Diversification/Concentration Adjustments		--		357,737,571	29.6

Table 4

Islandsbanki hf Risk-Adjusted Capital Framework Data (cont.)				
RWA after diversification	720,551,909		1,565,964,036	129.6
	Tier 1 capital	**Tier 1 ratio (%)**	**Total adjusted capital**	**Standard & Poor's RAC ratio (%)**
Capital ratio				
Capital ratio before adjustments	185,905,364	25.8	180,951,000	15.0
Capital ratio after adjustments‡	185,905,364	25.8	180,951,000	11.6

*Exposure at default. §Securitization exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and Standard & Poor's risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡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 June 30, 2015, Standard & Poor's.

Risk position: Improving asset quality, but highly correlated to systemic risks in Iceland

In our view, Islandsbanki's adequate risk position reflects our expectation that the bank's risk position will remain highly correlated to the economic risk we assess for the country. In our view, Islandsbanki has broad exposure to the retail and commercial banking market and a high share of real estate and fishing-vessel quota collateral.

The bank continues to reduce its nonperforming loans (NPLs) as the Icelandic economy improves and long-term legacy issues are resolved. By our measures, Islandsbanki's gross non-performing assets amount to 7.2% of customer loans and repossessed assets at June 2015 (including nonaccrual loans, performing loans over 90 days past due and repossessed assets). This figure is far below the 17.9% at year-end 2013, because restructured loans have returned to performing loans, a signal of the pace of restructuring of the portfolio. Net of loss reserves, NPLs stood at 4.6% at end-June 2015, indicating loss reserve coverage of 36%. This places Islandsbanki between its closest peers, Arion with 3.0%) and Landsbankinn with 5.0%. But Islandsbanki has a larger share of repossessed assets (ISK15.7 billion, or 32% of gross NPLs), explaining the relatively lower share of NPL coverage at 36% compared with 47%-56% for peers.

New loan loss provisions remain relatively volatile, and we note that there are some counterparties' restructurings or defaults in the Icelandic court systems and we expect provisions will be somewhat volatile through 2016. The bank recorded 49 bps of additional loss provisions during the first half of 2015, somewhat higher than the 30 bps in 2014, however, we expect losses will fall toward 20 bps by 2017.

Lifting the capital controls will likely have limited impact on the bank's asset quality. We expect the authorities will duly manage the process and that it will not result in significant depreciation of the krona that could affect corporate and individual borrowers' creditworthiness. Furthermore, the bank's new lending in foreign currency is restricted to corporations with earnings abroad.

Chart 2

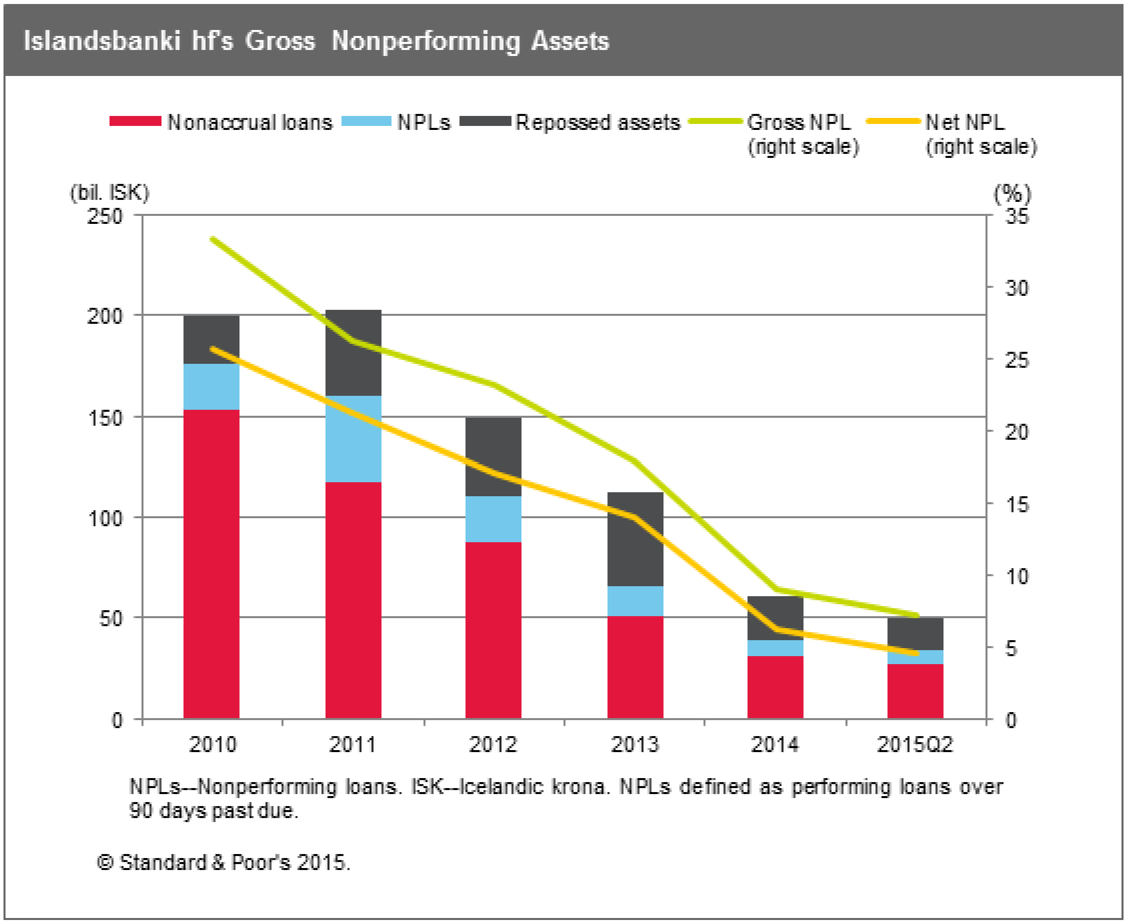


Table 5

Islandsbanki hf Risk Position

	--Year-ended Dec. 31--				
(%)	**2015***	**2014**	**2013**	**2012**	**2011**
Growth in customer loans	5.4	12.3	(3.7)	(0.2)	5.0
Total diversification adjustment/S&P RWA before diversification	29.6	27.9	24.3	N.M.	N.M.
Total managed assets/adjusted common equity (x)	5.4	5.2	5.3	5.7	6.5
New loan loss provisions/average customer loans	0.5	0.3	1.3	3.3	(0.0)
Net charge-offs/average customer loans	0.7	1.4	3.0	1.7	5.2
Gross nonperforming assets/customer loans + other real estate owned	7.2	9.0	17.9	23.2	26.3
Loan loss reserves/gross nonperforming assets	37.6	32.4	24.8	31.5	24.4

*Data as of June 30. RWA--Risk-weighted assets. N.M.--Not meaningful.

Funding and liquidity: Strong liquidity, even considering potential outflows of foreign currency deposits

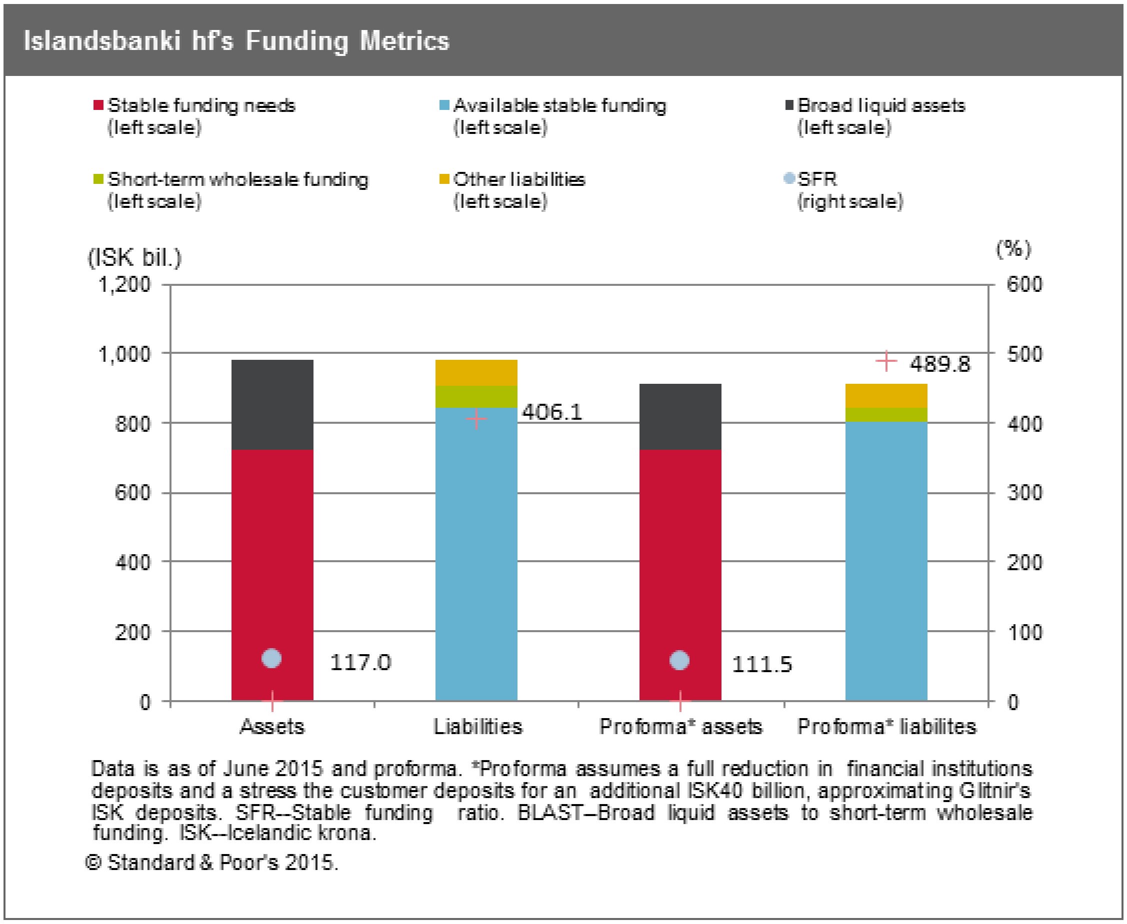
In our view, Islandsbanki is diligently preparing its balance sheet for the prospective relaxation of capital controls by building an exceptional funding and liquidity buffer. Although Islandsbanki and its peers have strong liquidity positions and demonstrate relatively strong funding metrics, we expect this will remain a neutral factor for the ratings as long as there is uncertainty on potential deposit outflows associated with the relaxation of capital controls. Furthermore, banks' access to wholesale markets and international financing remains limited at this stage, although it is improving. These factors weigh on our assessment of Islandsbanki's funding profile, constraining ratings upside from funding and liquidity.

As part of the original agreement with Glitnir, the estate's deposits in foreign currency were to be replaced by a minimum seven-year bond issued under Islandsbanki's euro medium-term note (EMTN) program. The new agreement only refers to a "special agreement" between Glitnir and Islandsbanki for a bond issue to replace the foreign currency deposits. We still expect the foreign currency deposits will be replaced by a longer-term bond. While not mentioned in the new agreement, we now believe that it is likely that the majority of the estate's ISK deposits (estimated at ISK30 billion) will be withdrawn, reducing liquid assets, rather than replaced by a 10-year bond as in previous communication from the bank. In addition, we anticipate that the bank could lose a large share of its ISK23 billion financial institutions deposits (as of June 2015) as part of the central bank's offshore ISK auction in the last quarter of 2015 or early 2016.

We consider Islandsbanki's funding to be average, given its relatively strong funding metrics and lower loan-to-deposit ratio than domestic peers'. The bank's illiquid assets are more than covered by deposits, equity, and long-term debt, as shown by a stable funding ratio of 117% as of June 2015. The reduction in financial institutions deposits has no impact on stable funding ratios given that we consider this funding to be short term in nature. If we also stress the funding profile for a withdrawal of Glitnir's ISK deposits, the stable funding ratio would remain solid at 113%, indicating the strength of the existing funding structure. We expect this relative strength to continue, given the relatively low amount of debt maturing in each of the next few years, although uncertainty on deposit withdrawals could affect the metrics.

We assess the bank's liquidity as strong, noting its considerable coverage of short-term liabilities. As of end-June 2015, Islandsbanki's ratio of broad liquid assets to short-term wholesale funding was 4.1x. Under the liquidity stress described above, we believe the metric would improve to 5.2x, due to the reduction in short-term financial institution deposits.

Chart 3



Islandsbanki's October 2015 Norwegian krone 500 million (ISK7.7 billion) three-year senior unsecured issuance at 260 bps over the Norwegian InterBank Offered Rate (NIBOR) further demonstrates its ability to find investors in Scandinavia and abroad. The 260 bps spread can be compared to Norwegian savings banks' senior unsecured spreads for similar maturities which have been in the 100 bps-120 bps range in recent weeks. In the longer term, we expect the bank will increase its activity in the bond market, potentially increasing the pressure on liquidity from more sizable funding maturities.

Given the prospects of a relaxation of capital controls in Iceland, it is important to have exceptional funding and liquidity buffers, particularly in foreign currency. As such, we see the implementation of regulatory net stable funding ratio limits in foreign currency and liquidity coverage ratio requirements (total and foreign currency) as a positive step in monitoring these risks. As of end-June 2015, the bank had liquid foreign exchange assets of ISK89 billion for this purpose, compared with ISK100 billion in foreign exchange deposits.

Table 6

Islandsbanki hf Funding And Liquidity

		--Year-ended Dec. 31--			
(%)	2015*	2014	2013	2012	2011
Core deposits/funding base	78.6	78.5	76.5	77.1	74.6
Customer loans (net)/customer deposits	115.4	119.9	113.4	118.4	121.9
Long term funding ratio	92.9	94.1	92.2	92.0	89.0
Stable funding ratio	117.0	116.6	114.7	110.4	102.2
Short-term wholesale funding/funding base	8.9	7.5	9.8	9.9	13.2
Broad liquid assets/short-term wholesale funding (x)	4.1	4.4	3.5	3.2	1.8
Net broad liquid assets/short-term customer deposits	36.7	34.4	35.4	31.4	15.9
Short-term wholesale funding/total wholesale funding	41.5	34.9	41.8	43.3	52.1
Narrow liquid assets/3-month wholesale funding (x)	8.6	7.3	4.8	3.7	2.0

*Data as of June 30.

External support: Government support for Icelandic banks is uncertain

We consider Islandsbanki to have "high" systemic importance in Iceland. However, we do not add any notches of uplift to the SACP because future extraordinary government support is uncertain. This reflects our view of the Icelandic government's track record of not supporting senior creditors and still-limited but improved capacity to support the new smaller banking system in a severe stress scenario.

At present, we do not regard the bank resolution framework as effective and, as such, for our ratings on Icelandic banks we do not consider additional loss-absorbing capacity (see "Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity," published April 27, 2015). We believe the current framework to be 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. We expect Iceland to implement a framework similar to the EU's Banking Recovery And Resolution Directive and, with it, bail-in powers that could cause us to change our view. This is, however, contingent on whether the authorities establish measures and indicate willingness to protect senior bondholders and provide banks with the necessary funding and liquidity during a resolution, typically a period with restricted market access.

Additional rating factors:None

No additional factors affect the ratings.

Related Criteria And Research

Related Criteria

- Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology And Assumptions, Jan. 29, 2015
- Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Revised Market Risk Charges For Banks In Our Risk-Adjusted Capital Framework, June 22, 2012
- Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Bank Capital Methodology And Assumptions, Dec. 6, 2010

- Methodology For Mapping Short- And Long-Term Issuer Credit Ratings For Banks, May 4, 2010
- Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- Iceland's Commercial Banks Upgraded To 'BBB-/A-3' On Receding Economic Risks; Two Outlooks Stable, One Positive, July 21, 2015
- Banking Industry Country Risk Assessment: Iceland, Dec. 10, 2014
- Outlooks For Iceland's Top 3 Banks Revised To Positive On Our More Favorable View Of The Economy, Oct. 14, 2014
- Iceland-Based Landsbankinn Assigned 'BB+/B' Ratings; Outlook Stable, Jan. 20, 2014

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 November 6, 2015)

Islandsbanki hf	
Counterparty Credit Rating	BBB-/Stable/A-3
Senior Unsecured	BBB-
Short-Term Debt	A-3
Counterparty Credit Ratings History	
21-Jul-2015	BBB-/Stable/A-3
14-Oct-2014	BB+/Positive/B
30-Apr-2014	BB+/Stable/B
Sovereign Rating	
Iceland (Republic of)	BBB/Stable/A-2

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's 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.

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