S&P Global
Ratings

RatingsDirect®

Islandsbanki hf

Primary Credit Analyst:
Sean Cotten, Stockholm (46) 8-440-5928; sean.cotten@spglobal.com

Secondary Contact:
Antonio Rizzo, Madrid (34) 91-788-7205; Antonio.Rizzo@spglobal.com

Table Of Contents

Islandsbanki hf

SACP	bbb+	+	Support	0	+	Additional Factors	0

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

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

Issuer Credit Rating
BBB+/Stable/A-2

Major Rating Factors

Strengths	Weaknesses
• High leverage ratios and very strong capital, despite planned capital optimization. • Stable franchise and market position across all domestic business lines. • Ample liquidity buffers despite recent deposit outflows.	• Limited risk diversification opportunities in Iceland. • Uncertainty related to eventual sale and change from 100% government ownership in the next few years.

Outlook: Stable

The stable outlook on Islandsbanki hf reflects S&P Global Ratings' expectation that the bank's risk-adjusted capital (RAC) ratio will remain sustainably above 16%, even while the bank prepares for an eventual sale over the next two years, and optimizes its capital base by paying extraordinary dividends and issuing capital instruments. We view the bank's asset quality as in line with the risks in the Icelandic market and commensurate with domestic peers'. The stable outlook further balances our view of strong economic development in Iceland with the relatively concentrated and volatile nature of the Icelandic economy and increasing economic imbalances.

We could take a negative rating action if Islandsbanki's RAC ratio declined more than expected, if there are unforeseen developments in connection with an eventual change in ownership, or if loan asset quality deteriorated materially, requiring significant, unexpected additional provisioning. In addition, we could lower our ratings if we saw signs of weakening economic and regulatory stability in Iceland.

We currently consider a positive rating action as unlikely because we see limited room for improvements in the Icelandic banking market and expect the bank's currently outstanding capital strength will reduce materially in the next few years.

Rationale

Our rating on Islandsbanki reflects our improved view on economic risk in the Icelandic banking sector, supported by strong GDP growth and a flourishing tourism sector, as well as the bank's stable franchise and market position. Despite the bank's capital optimization program, we expect the RAC ratio will remain above 16%, and that the bank will maintain a considerable liquidity buffer. In our view, these factors counterbalance Islandsbanki's limited diversification opportunities and uncertainties related to its sale by the government in the next years. As such, we assess the bank's stand-alone credit profile at 'bbb+'.

Anchor: 'bbb' for banks operating primarily in Iceland

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 'bbb', based on an economic risk score of '4' and an industry risk score of '5'.

Economic risk for Icelandic banks has, in our view, declined gradually, and we believe the 2008 financial crisis has largely worked its way through the banking system, as reflected by declines in the banks' nonperforming assets, low new loan losses, private-sector credit below 140% of GDP in 2016 and the successful release of capital controls in 2017. In addition, we believe that economic resilience in Iceland is strengthening, as reflected by strong economic growth, vastly improved sovereign finances, and low unemployment. We anticipate that the country's prosperous but concentrated economy will achieve annual real GDP growth of about 4% over the next two years, supported by a continued increase in tourism. While this is positive for overall economic growth, we see a risk for general overheating, decreased competitiveness in other export sectors, and widening imbalances, underscored by the over 20% annual house price increase as of midyear 2017.

Several factors contribute to our view of industry risk. Since the financial crisis, Iceland has moved to a stronger regulatory system and an improved funding model, based on domestic deposits and covered bonds, high shares of equity capital, and complemented by foreign wholesale funding for Icelandic banks. We expect returns will continue to be based on sound commercial practices. Substantial one-time items have inflated banks' profits over the past few years, but we expect the future impact will be contained to sales of equity positions as they reduce further.

Table 1

Islandsbanki hf Key Figures					
		--Year-ended Dec. 31--			
(Mil. ISK)	**2017***	**2016**	**2015**	**2014**	**2013**
Adjusted assets	1,073,546.0	1,044,882.0	1,044,438.0	910,709.0	865,710.0
Customer loans (gross)	749,738.0	701,361.0	681,583.0	654,558.0	582,657.0
Adjusted common equity	168,541.5	166,249.0	190,896.0	175,868.0	162,956.0
Operating revenues	32,756.0	46,167.0	44,673.0	42,668.0	42,597.0
Noninterest expenses	20,108.0	28,184.0	24,827.0	23,812.0	26,441.0
Core earnings	8,366.7	12,294.5	11,699.3	12,344.5	5,820.4

*Data as of Sept. 30.

ISK--Icelandic krona.

Business position: Diverse business revenues across all domestic segments

Our assessment of Islandsbanki's business position as adequate balances the bank's 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, the bank's former owner. In 2016, Glitnir transferred its ownership of Islandsbanki to the Icelandic government, so Islandsbanki is therefore fully owned by the government. We do not see Islandsbanki as a strategic investment for the government. As such, we view this ownership as temporary and believe that the government will put the bank up for sale within the next few years.

With total assets of ISK1.08 trillion (€8.7 billion) at end-September 2017, Islandsbanki is almost the same size as its domestic peers Arion and Landsbankinn. Islandsbanki maintains a comparable market position in most business lines, with a rising market share in the corporate and small and midsize enterprise segment. The loan book has increased by 7%-8% since year-end 2016 and we expect this trend will continue over the next few years. The bank has a strong domestic market share (30%-35%) in most business lines and operates with a slimmer branch network than its domestic peers. The bank has diverse revenues from retail banking, including asset financing and credit cards; large corporate, wealth management, and trading activities; and corporate finance. However, the small domestic economy limits diversification prospects, in our view. Since 2016, Islandsbanki has owned payment services company Borgun, but we do not view the holdings as strategic and believe that the bank could look to divest the company over the coming years.

Islandsbanki's strategic focus is on earning returns of 9%-11% on its core business by improving cost efficiency, optimizing its capital structure, expanding its business across most business lines and maintaining costs despite upward wage pressures in Iceland. In this effort, the bank has incurred some one-time costs to relocate its headquarters, which we believe will improve efficiency in the long term. These charges partly explain the lower return on equity of 7.7% as of Sept. 30, 2017, compared with 10.2% at the end of 2016. However, Islandsbanki is also benefitting from the growth in Iceland, in particular within the tourism segment, and has seen an increase in its real estate and car financing businesses as a result, with loans in the tourism sector forming 14% of customer loans and expected to remain stable.

Table 2

Islandsbanki hf Business Position					
		--Year-ended Dec. 31--			
(%)	**2017***	**2016**	**2015**	**2014**	**2013**
Loan market share in country of domicile	24.9	24.1	22.2	21.7	19.5
Deposit market share in country of domicile	31.8	35.5	35.9	33.9	33.7
Total revenues from business line (mil. ISK)	35,473.0	57,170.0	57,318.0	57,469.0	68,201.0
Commercial banking/total revenues from business line	19.7	13.4	9.3	8.6	6.4
Retail banking/total revenues from business line	54.4	40.3	39.0	37.9	35.5
Commercial & retail banking/total revenues from business line	74.1	53.8	48.3	46.4	41.9
Trading and sales income/total revenues from business line	2.4	1.3	1.7	1.1	1.3
Brokerage/total revenues from business line	4.4	3.3	3.5	3.0	2.8
Asset management/total revenues from business line	N/A	4.6	5.5	4.8	4.0
Other revenues/total revenues from business line	19.2	37.1	41.0	44.7	50.2
Investment banking/total revenues from business line	2.4	1.3	1.7	1.1	1.3
Return on equity	7.9	9.1	10.5	12.4	14.7

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

Capital and earnings: Capitalization will likely remain robust even as the capital base is optimized

We project Islandsbanki's capital will remain very strong. We forecast the RAC ratio will exceed 16% in the coming years, despite expectations of a material recalibration of equity and hybrid capital levels. We estimate the RAC ratio at 22.1% as of June 30, 2017, pro forma our improved view of the Icelandic banking sector.

The bank is in the process of optimizing its capital levels in preparation for an eventual sale, and paid an extraordinary dividend of ISK27 billion in 2016, along with the regular dividend of ISK10 billion. Dividends of ISK10 billion were paid on March 31, 2017. During the Annual General Meeting, it was also approved that a special shareholders' meeting may be convened later in the year where an extraordinary dividend payout could be suggested. As such, we expect further extraordinary dividends by the end of 2017 and 2018, in addition to the 50% of net profits dividend policy, which is included in our RAC ratio forecast. The long-term dividend payout target is expected to be 40%-50% of net profit, depending on the future level of the bank tax.

Following the annual Supervisory Review and Evaluation Process report from the Financial Supervisory Authority at the end of September 2017, Islandsbanki increased its long-term capital target to 20.3%-21.3%, including a 0.5%-1.5% management buffer, due to the increase in the capital requirement to 19.8% from 19.2%. The change is due to the increased combined capital buffer requirement to 8.6% from 8.0% of risk exposure amount. Islandsbanki continues to have the highest capitalization among its peers, by our measures, despite lower regulatory common equity tier 1 (CET1) ratios (22.5% compared of over 27% for peers as of Sept. 30, 2017), in large part due to smaller equity positions on the balance sheet. Also on that date, the core tier 1 capital ratio and the total capital ratio were 22.5% and 22.7%, respectively. As such, we expect the common equity levels will decline and note that Islandsbanki was the first

Icelandic bank to issuer a Tier 2 capital instrument in November 2017. We anticipate that its future capital levels will remain high, given domestic capital requirements and buffers prescribed by the Icelandic regulator. We do not expect that the implementation of International Financial Reporting Standard No. 9 will have a significant impact on the bank's capital.

We note that the bank's leverage ratio (adjusted common equity as a share of adjusted assets) was 15.3% on Sept. 30, 2017, and is considerably higher than Nordic peers' and most global commercial banks' (see chart 1). We do not anticipate this ratio will fall below 12%, given the high regulatory capital requirements and associated targets.

Over the first nine months of 2017, net interest income decreased 4% compared with that for the previous year, mostly due to lower market interest rates. Moreover, Islandsbanki experienced a net financial loss due to current swap positions and a trading loss from shares and bond, and faced one-time items resulting from operational changes. However, we expect Islandsbanki's profits to stabilize over our two-year forecast horizon. Like that of its domestic peers, the bank's bottom line has been supported by revaluations of legacy assets acquired at a 47% discount. In addition, sales and revaluations of legacy private equity and real estate assets acquired during the portfolio restructuring process have boosted revenues.

We expect a lower share of extraordinary revenues from Islandsbanki in the future, with revenues steadily improving to ISK48 billion-ISK50 billion over the next two years. Improvements in fee and commission income should help offset margin pressure, as should the bank's continued focus on cost efficiency. Islandsbanki and its 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 ISK3 billion-ISK3.2 billion in 2017 and 2018, which will likely reduce Islandsbanki's return on equity by about 1.5 percentage points.

Islandsbanki's earnings buffer is projected at about 170 basis points (bps), which indicates sound ability to generate capital despite normalized losses (52 bps). This figure is in line with the strong earnings demonstrated by the bank's Nordic peers, even though it underestimates our expectation of actual returns, given that the earnings buffer calculation assumes annual normalized losses higher than the 30 bps we anticipate for the bank in the coming two years, based on the solid performance of the Icelandic economy.

Table 3

Islandsbanki hf Capital And Earnings

		--Year-ended Dec. 31--			
(%)	**2017***	**2016**	**2015**	**2014**	**2013**
Tier 1 capital ratio	22.5	24.9	28.3	26.5	25.1
S&P RAC ratio before diversification	N/A	19.6	18.4	15.0	13.7
S&P RAC ratio after diversification	N/A	13.5	14.1	11.7	11.0
Adjusted common equity/total adjusted capital	100	100	100	100	100
Net interest income/operating revenues	69.2	68.9	62.7	63.5	66.7
Fee income/operating revenues	30.9	29.7	29.5	26.9	24.5
Market-sensitive income/operating revenues	(3.0)	(0.4)	8.5	3.8	10.6
Noninterest expenses/operating revenues	61.4	61.0	55.6	55.8	62.1
Preprovision operating income/average assets	1.6	1.7	2.0	2.1	1.9

Table 3

Islandsbanki hf Capital And Earnings (cont.)

	--Year-ended Dec. 31--				
(%)	2017*	2016	2015	2014	2013
Core earnings/average managed assets	1.0	1.2	1.2	1.4	0.7

*Data as of Sept. 30.

Table 4

Islandsbanki hf RACF [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	239,448,208	2,374,071	1	1,356,350	1
Institutions and CCPs	27,022,914	6,546,565	24	5,797,204	21
Corporate	390,310,315	389,600,652	100	371,711,366	95
Retail	344,123,949	204,561,536	59	193,104,944	56
Of which mortgage	215,938,242	102,316,068	47	78,882,240	37
Securitization§	0	0	0	0	0
Other assets†	32,553,836	33,703,068	104	41,650,996	128
Total credit risk	1,033,459,221	636,785,891	62	613,620,860	59
Credit valuation adjustment					
Total credit valuation adjustment	--	1,773,590	--	0	--
Market risk					
Equity in the banking book	4,739,398	7,109,097	150	50,693,224	1,070
Trading book market risk	--	7,879,893	--	11,819,840	--
Total market risk	--	14,988,990	--	62,513,064	--
Operational risk					
Total operational risk	--	81,468,979	--	85,480,126	--

(ISK 000s)		Basel III RWA		S&P Global RWA	% of S&P Global RWA
Diversification adjustments					
RWA before diversification		735,017,450		761,614,050	100
Total Diversification/Concentration Adjustments		--		346,351,443	45
RWA after diversification		735,017,450		1,107,965,492	145

(ISK 000s)		Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global RAC ratio (%)
Capital ratio					
Capital ratio before adjustments		171,266,000	23.3	168,088,000	22.1
Capital ratio after adjustments‡		171,266,000	23.3	168,088,000	15.2

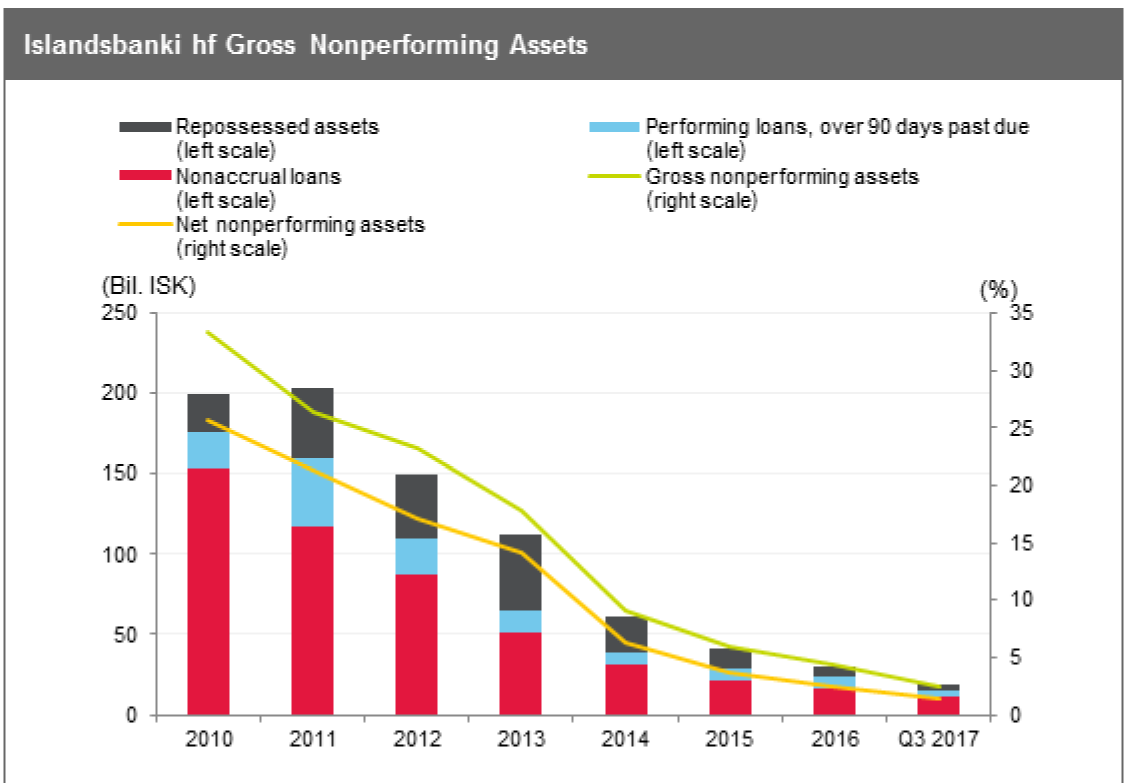
*Exposure at default. §Securitisation Exposure includes the securitisation tranches deducted from capital in the regulatory framework. †Other assets includes Deferred Tax Assets not deducted from adjusted common equity. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional 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 June. 30, 2017, S&P Global Ratings.

Risk position: Highly correlated to systemic risks in Iceland

In our view, Islandsbanki's moderate risk position reflects the bank's lack of geographic diversification and its presence in a concentrated market, which is a weakness compared with banks with similar economic risk and anchor. We also expect that the bank's risk position will remain highly correlated to the Iceland economy. In our view, Islandsbanki has broad exposure within Iceland to the retail and commercial banking market and a high share of real estate and fishing-vessel quota collateral, through its exposures to mortgage loans (39% of total loans), real estate (13%), and seafood (12%), as of Sept. 30, 2017.

The bank continues to reduce its nonperforming assets (NPAs) alongside improvements in the Icelandic economy and the resolution of long-term legacy issues. By our measures, Islandsbanki's gross NPAs (including nonaccrual loans, performing loans over 90 days past due, and repossessed assets) amounted to 2.4% of customer loans and repossessed assets at end-September 2017 (versus 17.9% at end-2013). Net of loss reserves, NPAs stood at 1.5% at end-September 2017, in line with those of its closest peers, Arion (1.2%) and Landsbankinn (2.3%). Islandsbanki's progress in reducing its repossessed assets has improved its NPA coverage to 48%, which is in line with peers' 47%-65%. Loan loss provisions have been volatile, but we project they will remain at about 30 bps of total loans, indicating Iceland's strong economic performance versus normalized losses of over 50bps.

Chart 1



ISK--Icelandic krona. Source: Company data, S&P Global Ratings.

Islandsbanki's loan book comprises primarily lending for Icelandic retail mortgages, as well as in the real estate, seafood, commerce, services, industrials, and transportation sectors. We expect Islandsbanki to seek opportunities to expand its loan book in tourism-related segments and household mortgages. The bank lends outside Iceland (3% of total loans), including to the seafood industry in the North Atlantic region and to Norwegian offshore companies. In our view, the bank's new lending in foreign currency is restricted to corporations with earnings in foreign currency and well aligned with its external funding.

Regarding legal risk, this year the Supreme Court of Iceland ruled against Islandsbanki regarding the interest reset terms on certain consumer price index-linked mortgage loans. As of Sept. 30, 2017, the bank had recognized a provision of ISK800 million against litigation losses. It is also analyzing what impact, if any, this will have on its interest rate risk profile and how much capital it will need to hold against that risk.

Table 5

Islandsbanki hf Risk Position

		--Year-ended Dec. 31--			
(%)	**2017***	**2016**	**2015**	**2014**	**2013**
Growth in customer loans	9.2	2.9	4.1	12.3	(3.7)
Total diversification adjustment / S&P RWA before diversification	N/A	44.8	30.7	27.9	24.3
Total managed assets/adjusted common equity (x)	6.4	6.3	5.5	5.2	5.3
New loan loss provisions/average customer loans	(0.1)	0.1	0.5	0.3	1.3
Net charge-offs/average customer loans	0.7	0.4	0.9	1.4	3.0
Gross nonperforming assets/customer loans + other real estate owned	2.4	4.3	5.9	9.0	17.9
Loan loss reserves/gross nonperforming assets	45.7	44.4	38.6	32.4	24.8

*Data as of Sept. 30. N/A--Not applicable.

Funding and liquidity: Strong liquidity, despite recent deposit outflows and lifting of capital controls

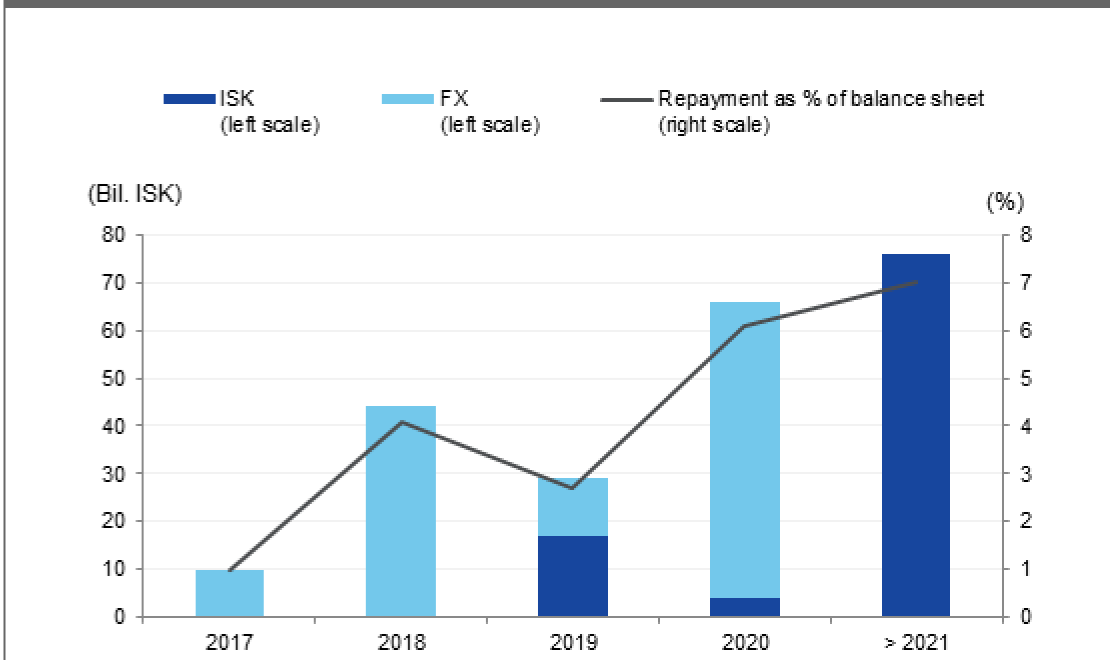
We consider Islandsbanki's funding to be average despite its strong liquidity position. The complete lifting of capital controls in Iceland in March 2017 has not affected the bank's exceptional funding and liquidity, since the balance sheet was well prepared, with a strong liquidity buffer in Icelandic krona and foreign currencies. We anticipate that the liquidity ratios will reduce as the bank's debt profile normalizes, and could see further pressure if liquidity reduces significantly after potential extraordinary dividends.

After capital controls were lifted, there was a withdrawal of deposits from the bank, mainly from foreign institutions and domestic mutual funds, and deposits declined by 1.6% in the first nine months of 2017. However, they still form the majority of funding, at 71% of the funding base. The rest of funding consists mainly of senior unsecured bonds in foreign currencies and local currency covered bonds. We see that the bank has increased its covered bond issuances, which formed 12% of total liabilities on Sept. 30, 2017, up from 6% at year-end 2015. Islandsbanki's recent issuances demonstrate its ability to find investors in Scandinavia and abroad. The bank raised €500 million in September 2016, partly to fund the early repayment of a Glitnir-owned €138 million tier 2 instrument, which further reduced ties with its former owner.

We consider the bank's funding to be average and liquidity strong, given its relatively superior funding and liquidity metrics and lower loan-to-deposit ratio than domestic peers'. By our measures, the stable funding ratio was at 118.7%

at end-September 2017, and the ratio of broad liquid assets to short-term wholesale funding was 3.8x, a considerable decrease from 8.4x at year-end 2016. This was mostly due to the considerable amount of debt maturing during the first nine months of the year. Further debt maturities are expected by the end of the year and in 2018. Islandsbanki is in the process of replacing a SEK800 million instrument maturing in December with a similar sized Tier 2 issue denominated in Swedish krona.

Chart 2



ISK--Icelandic krona. FX--Foreign currency. f--Estimate. Source: Islandsbanki as of Sept. 30, 2017, and S&P Global Ratings.

Table 6

Islandsbanki hf Funding And Liquidity

		--Year-ended Dec. 31--			
(%)	**2017***	**2016**	**2015**	**2014**	**2013**
Core deposits/funding base	69.9	73.2	74.8	78.5	76.5
Customer loans (net)/customer deposits	126.3	115.8	112.2	119.9	113.4
Long term funding ratio	92.6	96.1	93.2	94.1	92.2
Stable funding ratio	118.7	130.1	128.5	116.6	114.7
Short-term wholesale funding/funding base	8.9	4.7	8.5	7.5	9.8
Broad liquid assets/short-term wholesale funding (x)	3.8	8.4	4.8	4.4	3.5
Net broad liquid assets/short-term customer deposits	38.2	50.0	49.6	34.4	35.4
Short-term wholesale funding/total wholesale funding	29.6	17.5	33.9	34.9	41.8

Table 6

Islandsbanki hf Funding And Liquidity (cont.)					
		--Year-ended Dec. 31--			
(%)	2017*	2016	2015	2014	2013
Narrow liquid assets/3-month wholesale funding (x)	10.1	0.6	9.4	7.3	4.8

*Data as of Sept. 30.

External support: Government support for Icelandic banks is uncertain

We do not consider Islandsbanki to be a strategic entity for Iceland and see the government's ownership as temporary. Nevertheless, we consider Islandsbanki to have high systemic importance in Iceland. We do not add any notches of uplift to the SACP, however, because future extraordinary government support is 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, 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 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. Over the next one to two years, we expect Iceland will implement a framework similar to the EU's Banking Recovery And Resolution Directive and, with it, bail-in powers that could lead us to change our view.

Related Criteria

- 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: Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology And Assumptions, Jan. 29, 2015
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- 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

- Iceland-Based Islandsbanki's Proposed Tier-2 Subordinated Notes Rated 'BBB-', Nov. 17, 2017
- Positive Rating Actions Taken On Four Icelandic Lenders On Improving Economic Conditions, Oct. 25, 2017
- Iceland-Based Islandsbanki Upgraded To 'BBB+' On Improved Economy And Capital; Outlook Stable, Oct. 25, 2017

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 December 15, 2017)

Islandsbanki hf	
Counterparty Credit Rating	BBB+/Stable/A-2
Senior Unsecured	BBB+
Short-Term Debt	A-2
Subordinated	BBB-
Counterparty Credit Ratings History	
25-Oct-2017	BBB+/Stable/A-2
25-Oct-2016	BBB/Positive/A-2
19-Jan-2016	BBB-/Positive/A-3
21-Jul-2015	BBB-/Stable/A-3
14-Oct-2014	BB+/Positive/B
30-Apr-2014	BB+/Stable/B
Sovereign Rating	
Iceland (Republic of)	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.

Additional Contact:
Financial Institutions Ratings Europe; FIG_Europe@spglobal.com