

Announcement of Periodic Review: Moody's announces completion of a periodic review of ratings of Iceland, Government of

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London, 07 February 2020 -- Moody's Investors Service ("Moody's") reviews all of its ratings periodically in accordance with regulations -- either annually or, in the case of governments and certain EU-based supranational organisations, semi-annually. This periodic review is unrelated to the requirement to specify calendar dates on which EU and certain other sovereign and sub-sovereign rating actions may take place.

Moody's conducts these periodic reviews through portfolio reviews in which Moody's reassesses the appropriateness of each outstanding rating in the context of the relevant principal methodology(ies), recent developments, and a comparison of the financial and operating profile to similarly rated peers. Since 1st January 2019, Moody's issues a press release following each periodic review announcing its completion.

Moody's has now completed the periodic review of a group of issuers that includes Iceland and may include related ratings. The review did not involve a rating committee, and this publication does not announce a credit rating action and is not an indication of whether or not a credit rating action is likely in the near future; credit ratings and/or outlook status cannot be changed in a portfolio review and hence are not impacted by this announcement. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

The credit profile of Iceland (issuer rating A2) is supported by the country's "baa2" economic strength, reflecting its very high competitiveness and wealth levels, balanced against the country's small size and limited diversification which results in large swings in economic growth. Iceland's "aa3" institutions and governance strength reflects its effective macroeconomic management in restoring financial stability and strengthening the regulatory framework following its banking crisis. Iceland's "a2" fiscal strength takes account of the sharp decline in the government's debt burden which is also now markedly less exposed to exchange rate risks, albeit still facing large contingent liability risks from state owned entities. Finally, its "baa" susceptibility to event risk reflects risks posed by the banking sector, which, despite demonstrating strong capitalisation and liquidity, remains highly concentrated and its interconnection with the three main economic sectors limits the degree to which banks are able to diversify.

This document summarizes Moody's view as of the publication date and will not be updated until the next periodic review announcement, which will incorporate material changes in credit circumstances (if any) during the intervening period.

The principal methodology used for this review was Sovereign Ratings Methodology published in November 2019. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

This announcement applies only to EU rated and EU endorsed ratings. Non EU rated and non EU endorsed ratings may be referenced above to the extent necessary, if they are part of the same analytical unit.

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