Iceland

This report does not constitute a new rating action for this issuer. It provides more detailed credit analysis than the previously published Rating Action Commentary, which can be found on www.fitchratings.com.

Key Rating Drivers

High Income, Strong Policy Buffers: Iceland's 'A' rating is underpinned by very high income per capita and governance indicators akin to 'AAA' and 'AA' category sovereigns. Strong fundamentals include sizeable pension fund assets, a sound banking sector, and resilient private-sector balance sheets. Ample foreign reserves help mitigate Iceland's external vulnerabilities. However, the rating remains constrained by Iceland's small economy with limited export diversification.

Cooling Economy: Iceland's economy cooled considerably in 2024, and Fitch Ratings estimates a mild economic contraction of 0.5%. As inflation declines and monetary policy eases, we forecast real GDP growth to recover to 1.6% in 2025 and 2.8% in 2026.

Global Trade War: Increasing concerns about global trade protectionism are a key risk to our macroeconomic baseline. Although Iceland's direct trade with the US is relatively small (11.5% of Iceland's total goods exports), contagion risks through indirect channels remain significant. Iceland's import dependency is high, evidenced by its structural goods trade deficit (6.7% of GDP at end-2023). The risk of higher imported inflation from an escalated global trade war could pose challenges for both fiscal and monetary policy.

CBI Policy Rate Cut: The Central Bank of Iceland (CBI) delivered its first policy rate cut since late 2020 in October 2024. Since then, it has delivered two additional 50bp cuts, bringing the key policy rate to 8.0% in February's Monetary Policy Committee (5 February). With the economy cooling and lower imported inflation, we expect further disinflation towards the upper bound of the CBI's inflation target (2.5% +/- 1.5pp) and scope for additional rate cuts this year. Our forecast is for inflation to average 3.5% in 2025 and 2.9% in 2026, down from 5.8% in 2024.

Fiscal Consolidation Commitment: We expect Iceland's new governing coalition, led by Prime Minister Kristrún Frostadóttir from the Social Democratic Alliance, to present an updated plan this spring, broadly in line with fiscal targets already outlined in the current Fiscal Plan (2025-2029), targeting a balanced budget at the general government level by 2029.

We forecast Iceland's general government deficit to reach 1.8% of GDP this year, after a temporary widening to 3.7% of GDP in 2024, from 2.0% in 2023. A lower fiscal deficit this year reflects the falling out of one-off costs related to the seismic activity on the Reykjanes peninsula, as well as lower interest costs and indexed expenditures.

Declining Debt Ratio: At 61.8% of GDP (Fitch's estimate, 2024), Iceland's general government debt ratio is above the current median of 'A' category peers (57.4%) but projected by Fitch to fall towards 55.8% of GDP by 2027. Modest primary fiscal surpluses and use of accumulated cash deposits will underpin debt reduction.The planned sale of the state's remaining stake of Íslandsbanki could also result in a lower debt ratio than Fitch forecasts.

Strong External Buffers: A large pool of international FX reserves worth 19% of GDP (2024) and close to five months of imports coverage provide headroom against FX volatility risks. Iceland's positive net international investment position (40.2% of GDP in 3Q24) stands out against the 'A' category peer group (current median negative 0.8% of GDP), a reflection of its significant pension fund sector (with assets of 171% of GDP as of end-2023).

Sound Banking Sector: The banking sector is well capitalised with ample liquidity buffers. As of 3Q24, the sector's domestic systemically important banks (D-SIB) held an average capital ratio 24.0% of risk-weighted assets, with a liquidity coverage ratio (LCR: 215%) more than double the CBI's minimum requirement. Banks' issuance of bonds in foreign credit markets has also been strong, supporting substantial FX liquidity (FX LCR: 395% as of end 1H24).

Ratings

Foreign Currency	
Long-Term IDR	A
Short-Term IDR	F1+
Local Currency	
Long-Term IDR	A
Short-Term IDR	F1+
Country Ceiling	A+
Outlooks	
Long-Term Foreign-Currency IDR	Stable
Long-Term Local-Currency IDR	Stable

Highest ESG Relevance Scores

Environmental	3
Social	4
Governance	5

Rating Derivation

Sovereign Rating Model (SRM)	A
Qualitative Overlay (QO)	0
Structural features	0
Macroeconomic	0
Public finances	0
External finances	0
Long-Term Foreign-Currency IDR	A

Source: Fitch Ratings

Data

	2024E
GDP (USDbn)	33
Population (m)	0.4

Source: Fitch Ratings

Applicable Criteria

Country Ceiling Criteria (July 2023)

Sovereign Rating Criteria (October 2024)

Related Research

Fitch Affirms Iceland at 'A'; Outlook Stable (February 2025)

Global Economic Outlook (December 2024)

Interactive Sovereign Rating Model

Fitch Fiscal Index - Analytical Tool

Click here for more Fitch Ratings content on Iceland

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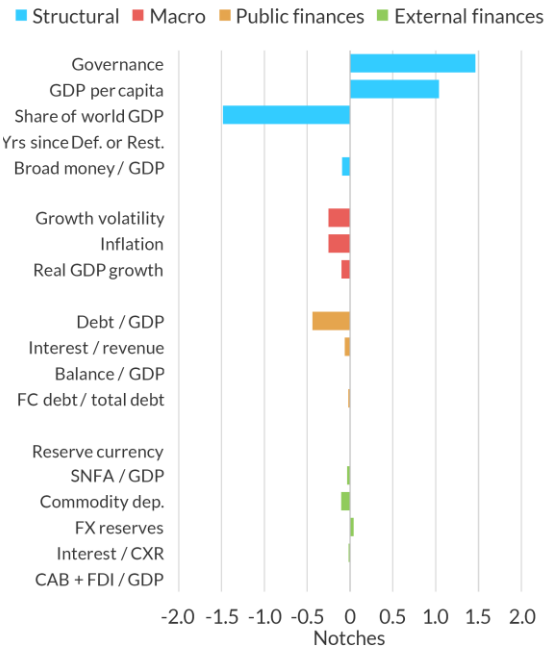
Rating Summary

Long-Term Foreign-Currency Issuer Default Rating: A

Sovereign Rating Model: A

Contribution of variables, relative to A median



Qualitative Overlay: 0

Adjustments relative to SRM data and output

Structural features: No adjustment.

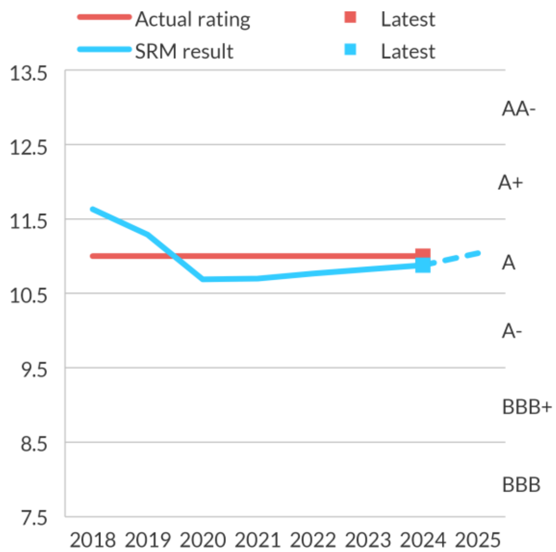
Macroeconomic outlook, policies and prospects: No adjustment.

Public finances: No adjustment.

External finances: No adjustment.

Note: See *Peer Analysis table* for summary data, including rating category medians; see the *Full Rating Derivation table* for detailed SRM data.
Source: Fitch Ratings

Sovereign Rating Model Trend



Recent Rating Derivation History

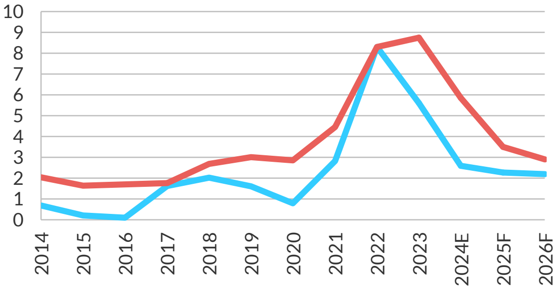
Review Date	LT FC IDR	SRM Resul[ab]	QO S	M	PF	EF
Latest	A	A	0	0	0	0
30 Aug 24	A	A	0	0	0	0
1 Mar 24	A	A	0	0	0	0
1 Sep 23	A	A	0	0	0	0
10 Mar 23	A	A	0	0	0	0
16 Sep 22	A	A	0	0	0	0
18 Mar 22	A	A	0	0	0	0
24 Sep 21	A	A	0	0	0	0
26 Mar 21	A	A	0	0	0	0
23 Oct 20	A	A	0	0	0	0

[a] The latest rating uses the SRM result for 2024 from the chart. This will roll forward to 2025 in July 2025.
[b] Historical SRM results in this table may differ from the chart, which is based on our latest data, due to data revisions.
Abbreviations: LT FC IDR = Long-Term Foreign-Currency Issuer Default Rating; SRM = Sovereign Rating Model; QO = Qualitative Overlay
Source: Fitch Ratings

Peer Analysis

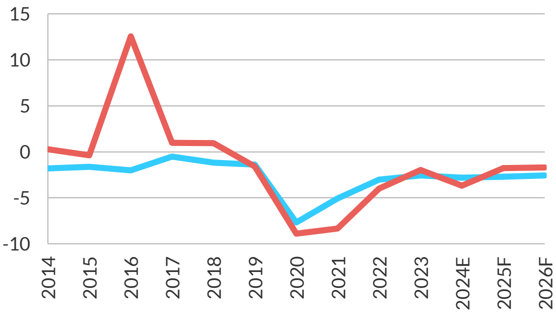
Iceland — A Median

Consumer Price Inflation
(annual avg, %)

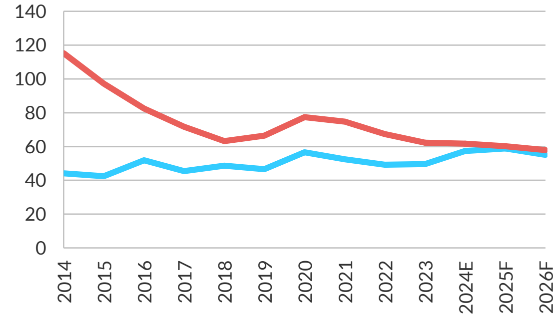


Real GDP Growth
(%)

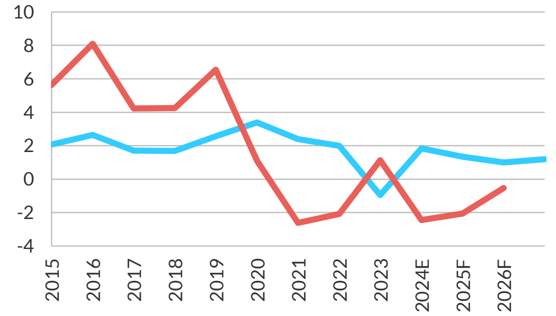
General Government Balance
(% GDP)



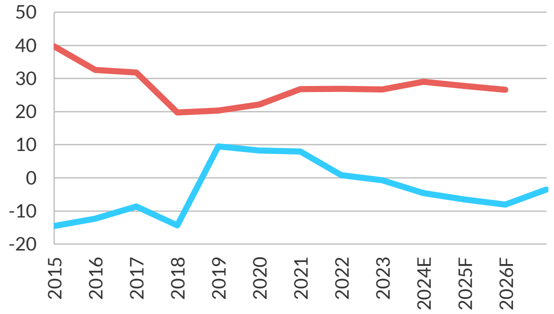
Gross General Government Debt
(% GDP)



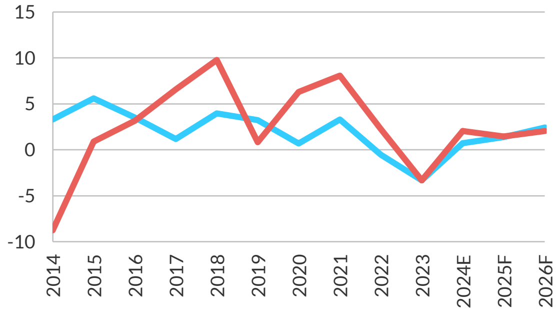
Current Account Balance
(% GDP)



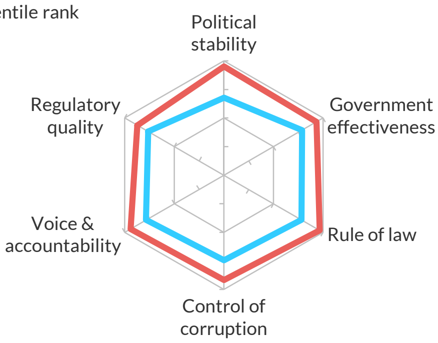
Net External Debt
(% GDP)



Real Private-Sector Credit Growth
(%)



Governance Indicators
Percentile rank



Source: Fitch Ratings, Statistical Office, Ministry of Finance, IMF, World Bank

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Peer Analysis

2024E[a]	Iceland	A median	AA median	AAA median
Structural features				
GDP per capita (USD) [SRM]	86,065	31,738	53,248	71,269
Share in world GDP (%) [SRM]	0.0	0.3	0.4	0.9
Composite governance indicator (percentile, latest) [SRM][b]	93.1	74.6	84.3	93.8
Human development index (percentile, latest)	98.9	82.2	89.7	94.7
Broad money (% GDP) [SRM]	47.3	89.0	100.4	94.3
Private credit (% GDP, 3-year average)	90.7	73.0	103.1	123.3
Dollarisation ratio (% bank deposits, latest)	9.6	10.3	12.5	14.9
Bank system capital ratio (% assets, latest)	23.5	16.0	16.8	15.0
Macroeconomic performance and policies				
Real GDP growth (%, 3-year average) [SRM]	2.1	3.8	2.2	2.1
Real GDP growth volatility (complex standard deviation) [SRM]	4.3	3.0	2.5	2.0
Consumer price inflation (%, 3-year average) [SRM]	6.0	2.4	2.2	1.8
Unemployment rate (%)	3.5	6.3	5.1	5.3
Public finances (general government)[c]				
Balance (% GDP, 3-year average) [SRM]	-2.5	-2.5	-0.9	-0.2
Primary balance (% GDP, 3-year average)	0.0	-0.7	0.4	1.1
Interest payments (% revenue, 3-year average) [SRM]	5.7	4.4	3.3	3.6
Gross debt (% revenue, 3-year average)	140.3	135.5	142.3	113.6
Gross debt (% GDP, 3-year average) [SRM]	61.4	42.3	41.3	44.4
Net debt (% GDP, 3-year average)	53.7	37.1	33.7	37.5
FC debt (% gross debt, 3-year average) [SRM]	11.0	8.2	0.5	0.0
External finances[c]				
Current account balance (% GDP, 3-year average)	-1.1	1.3	1.5	5.4
Current account balance + net FDI (% GDP, 3-year avg.) [SRM]	2.1	2.6	0.8	2.0
Commodity dependence (% CXR) [SRM]	39.4	11.7	15.6	14.4
Gross external debt (% GDP, 3-year average)	76.1	66.0	120.1	179.9
Net external debt (% GDP, 3-year average)	27.8	-7.7	-10.1	11.4
Gross sovereign external debt (% GXD, 3-year average)	13.6	21.4	17.7	12.2
Sovereign net foreign assets (% GDP, 3-year average) [SRM]	8.5	11.8	8.7	-4.3
External interest service (% CXR, 3-year average) [SRM]	5.9	2.3	3.9	7.3
Foreign-exchange reserves (months of CXP) [SRM]	4.9	4.4	2.7	1.5
Liquidity ratio	136.5	98.2	54.5	51.4

[a] Three-year averages are centred on this year. Fitch does not forecast indicators labelled 'latest', meaning data may be lagging.
[b] Composite of all six World Bank Worldwide Governance Indicators (see chart on the previous page).
[c] See Appendix 2: Data Notes and Conventions for details of data treatment for public finances and external finances.
Source: Fitch Ratings, Statistical Office, Ministry of Finance, IMF, World Bank, United Nations

Supplementary Information

BSI/MPI = -/1. About the BSI and MPI: Fitch's bank systemic indicator (BSI) equates to a weighted average Viability Rating. The macro-prudential risk indicator (MPI) focuses on one potential source of financial stress, ranging from '3' – high potential vulnerability to financial stress over the medium term based on trends in credit expansion, equity and property prices and real exchange rates – to '1' – low likelihood. For more information, refer to Fitch's most recent Macro-Prudential Risk Monitor report.

Year cured from the most recent default or restructuring event, since 1980 = No event.

The de facto exchange-rate regime, based on the latest IMF Annual Report on Exchange Arrangements and Exchange Restrictions report, is 'Floating'.

Rating Factors

Strengths

- World Bank Worldwide Governance Indicators (WBGI) rank much higher than the 'A' and 'AA' rated medians and are in line with 'AAA' rated peers.
- GDP and income per capita are far higher than the 'A' and 'AA' medians.
- Pension funds' assets were 171% of GDP at end-2023, providing support to the sovereign's fiscal financing flexibility.
- FX reserves were 4.7 months of external payments at end-2024, above the 'A' peer current median (1.9 months).

Weaknesses

- Volatility of real GDP growth and inflation are higher than the 'A' peer median.
- At 61.8% of GDP (projected end-2024), Iceland's general government debt ratio is above the current median debt ratio of 'A' (57.4%) and 'AA' (47.6%) category peers.

Rating	Sovereign
A+	China
	Estonia
	Malta
	Ras Al Khaimah
	Saudi Arabia
A	**Iceland**
	Israel
	Japan
	Lithuania
	Slovenia
A-	Andorra
	Chile
	Croatia
	Cyprus
	Latvia
	Poland
	Portugal
	Slovakia
	Spain

Source: Fitch Ratings

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- **Public Finances:** A marked deterioration in the debt/GDP ratio, for example, from a sustained period of fiscal loosening.
- **Macro:** A severe economic shock, for example, due to a sharp correction in the real estate market.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- **Public Finances:** Increased confidence in a sharp and sustained decline in the government debt/GDP ratio.
- **Macro/External:** Higher trend growth and/or evidence of economic diversification that reduces Iceland's vulnerability to external shocks.

FitchRatings

Forecast Summary

	2021	2022	2023	2024E	2025F	2026F
Macroeconomic indicators and policy						
Real GDP growth (%)	5.3	9.0	5.0	-0.5	1.6	2.8
Unemployment (%)	6.0	3.8	3.4	3.5	4.2	4.2
Consumer price inflation (annual average % change)	4.5	8.3	8.7	5.9	3.5	2.9
Policy interest rate (annual average, %)	1.1	4.2	8.2	9.1	7.8	6.8
General government balance (% GDP)	-8.3	-4.0	-2.0	-3.7	-1.8	-1.7
Gross general government debt (% GDP)	74.8	67.4	62.2	61.8	60.2	57.9
ISK per USD (annual average)	127.0	135.3	137.9	138.0	139.1	140.0
Real private credit growth (%)	8.1	2.3	-3.3	2.0	1.4	2.0
External finance						
Merchandise trade balance (USDbn)	-1.0	-1.5	-2.1	-2.3	-2.5	-2.1
Current account balance (% GDP)	-2.6	-2.1	1.1	-2.4	-2.1	-0.5
Gross external debt (% GDP)	85.1	76.5	76.7	77.0	74.4	71.9
Net external debt (% GDP)	26.8	26.9	26.7	29.0	27.7	26.6
External debt service (principal + interest, USDbn)	1.2	3.0	2.7	4.3	3.4	3.4
Official international reserves including gold (USDbn)	7.1	5.9	5.8	6.4	6.5	6.3
Gross external financing requirement (% int. reserves)	24.6	45.6	27.9	66.7	52.8	44.3
Real GDP growth (%)						
US	6.1	2.5	2.9	2.7	2.1	1.7
China	8.4	3.0	5.2	4.8	4.3	4.0
Eurozone	5.4	3.5	0.4	0.8	1.2	1.3
World	6.3	2.7	3.0	2.8	2.6	2.3
Oil (USD/barrel)	70.6	98.6	82.1	80.0	70.0	65.0

Source: Fitch Ratings

Sources and Uses

Public Finances (General Government)

(ISKbn)	2024	2025
Uses	**304.1**	**185.1**
Budget deficit	168.4	84.2
MLT amortisation	135.6	100.9
Domestic	99.3	94.2
External	36.3	6.7
Sources	**304.1**	**185.1**
Gross borrowing	267.3	186.7
Domestic	150.0	180.0
External	117.3	6.7
Privatisation	0.0	0.0
Other	-9.3	-11.6
Change in deposits (- = increase)	46.1	10.0

Source: Fitch Ratings

External Finances

(USDbn)	2024	2025
Uses	**3.9**	**3.4**
Current account deficit	0.8	0.7
MLT amortisation	3.1	2.7
Sovereign	0.8	0.3
Non-sovereign	2.2	2.4
Sources	**3.9**	**3.4**
Gross MLT borrowing	4.4	3.0
Sovereign	1.9	0.4
Non-sovereign	2.5	2.6
FDI	0.5	1.4
Other	-0.4	-0.9
Change in FX reserves (- = increase)	-0.6	-0.1

Source: Fitch Ratings

Credit Developments

Cooling Economy; Uncertain Global Trade Environment Creates Challenges

The Icelandic economy cooled considerably in 2024 after a robust post-Covid-19 pandemic recovery. GDP activity contracted 1.0% in the first three quarters of 2024 (Statistics Iceland). Though domestic demand proved resilient to the high interest rates and inflation, the contributions to GDP growth from net exports and inventories turned negative. A slowdown in tourism in 1H24 and strong import of services, particularly of financial services, weighed on net export growth, while lower inventories attributed to the low stock of marine products.

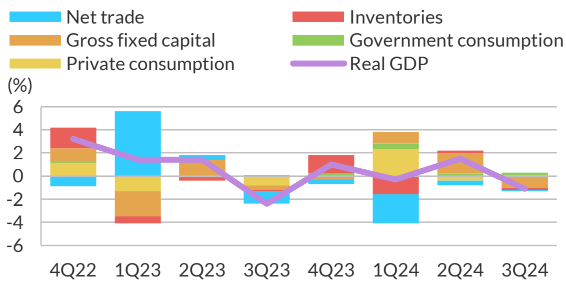
We estimate Iceland's economy contracted by 0.5% in 2024[1]. Despite a weak 1H24, some high-frequency indicators suggest a more positive 4Q24. Preliminary data on payment card turnover point to a pick-up in household consumption. Also, there was a sharp increase in consumer sentiment[2] and tourism activity in 4Q24 – the upturn in tourism was partly boosted by base effects from a weaker 4Q23 due to seismic events in the Reykjanes peninsula. We also expect investment activity, which rose 3.8% in 9M24, to perform strongly in 4Q24, due to a significant increase in the imports of investment goods[3].

As monetary policy eases, we forecast real GDP growth to recover to 1.6% in 2025 and 2.8% in 2026. Collective wage negotiations in the private sector, which concluded in March 2024 resulting in average annual wage increases of 4.0% for 2024-2028, will support real incomes and thus domestic demand. A gradual recovery towards higher general business and residential investment is also expected, offsetting lower public investment growth. Activity in net new lending to households and non-financial corporates stagnated in 2024. As real interest rates move towards lower levels, both credit and investment activity should improve.

Increasing concerns about global trade protectionism are a sizeable risk to our macroeconomic baseline. Iceland's relatively small direct trade with the US[4] means we consider the uncertainty through indirect channels as a larger risk variable. Iceland's import dependency is high, evident by its structural goods trade deficit. The risk of higher imported inflation from an escalated global trade war could pose challenges for both fiscal and monetary policy implementation.

Contributions to Real GDP

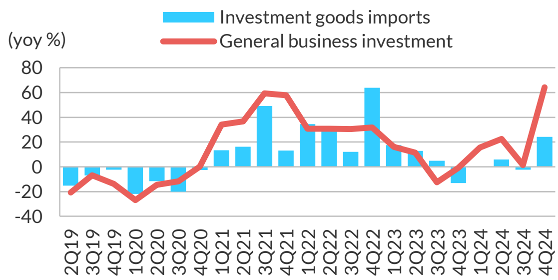
Quarter-on-quarter % change seasonally adjusted



Source: Fitch Ratings, Central Bank of Iceland, Statistics Iceland

Business Investment Activity

Excluding energy-intensive industry, ships and aircraft



Source: Fitch Ratings, Statistics Iceland, CBI

[1] Since Fitch's sovereign rating review (14 February 2025), Statistics Iceland released updated national account figures. Along with the publication of the GDP for the year 2024, the previously published figures for the years 2021-2023 have been revised. In real terms, economic growth in 2024 is estimated to have increased by 0.5%. In 2023, real GDP growth has been revised up to 5.6% (5.0% previously). In 2022, GDP growth was unchanged at 9.0% and in 2021 it is now estimated that GDP increased by 5.0% (previously 5.3%).
Source: https://www.statice.is/publications/news-archive/national-accounts/national-accounts-2024-provisional-estimates/

[2] Source: Central Bank of Iceland. Gallup Consumer Confidence Index. In December 2024, the consumer sentiment index increased to 115.7, from 61.20 in September 2024, its highest since 1Q22.

[3] Source: Statistics Iceland. The value of investment goods (excluding transport-related goods) in 4Q24 increased 68% year on year. The surge attributes mainly to a large import of computer equipment by companies operating data centers in Iceland.

[4] Sources: Iceland Statistics and The Observatory of Economic Complexity (OEC). The US accounts for about 1.5% of Iceland's total goods exports (2024). The majority of Iceland's exports to the US (55%) are marine products. The second-largest share (14%) is medical appliances. Of Iceland's total world exports of marine products, the US accounts for 10%-14% of the market.

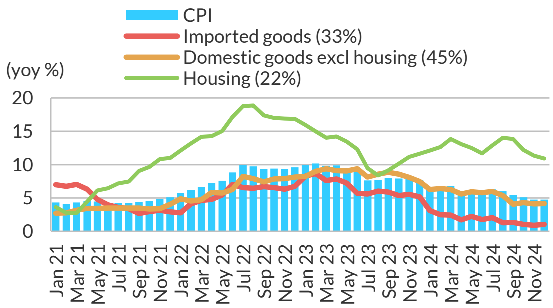
Disinflation Set to Continue

Inflation and inflation expectations remain above the upper bound of the CBI's inflation target (2.5% +/- 1.5pp). Inflationary pressures have declined however, still elevated costs in housing (imputed rent) have slowed the decline. Annual inflation in January reached 4.6%, after an average of 5.9% in 2024. Excluding the component of housing, January's inflation was 3.0%.

In October 2024, the CBI delivered its first policy rate cut since late 2020, in line with Fitch's expectations, cutting its 9.25% key policy rate by 25bp. Since then, the CBI has cut twice by a total 100bp to 8.0% in this month's Monetary Policy Committee (February 5).

We expect inflation to average 3.5% this year and 2.9% in 2026. Lower imported inflation, limited wage drift from concluded collective agreements, as well as a cooling economy should give the CBI scope for additional rate cuts this year. We project a key policy rate of 7.25% by end-2025.

Domestic and Imported Prices



Source: Fich Ratings, Central Bank of Iceland, Statistics Iceland

Inflation Expectations

Annual change

Source: Fitch Ratings, Central Bank of Iceland, Statistics Iceland

Positive Medium-Term Growth Prospects

Medium-term growth prospects remain favourable, with potential growth at about 2.25%, according to the IMF. Through various R&D tax incentives, the government has made steady progress diversifying the economy into higher-value and less cyclically sensitive sectors, such as pharmaceuticals, biotechnology, and ICT. These incentives have also supported growth of traditional sectors, particularly aquaculture, in which Iceland is well placed to increase its global competitive advantage. Iceland's abundance in renewable energy sources, cool climate, and competitive energy prices has also attracted investment into energy-intensive data centers.

With the gradual progress in economic diversification, the share of high value-added services to total services exports increased to 20% at end-2023 from 14% at end-2018. These services relate to R&D, information and technology, intellectual property and financial services. As a share of total exports (goods and services), the contribution remains small close to 10%.

Traditional sectors (processed aluminium, tourism and marine products) still represent the bulk of Iceland's exports (on average 67%). This limited diversification leaves Iceland exposed to specific trade shocks. Additionally, structural challenges to growth potential persist. Iceland's economy and population are both small. Capacity constraints challenges will eventually lead to moderating population growth.

Commitment to Fiscal Consolidation

One-off costs related to the seismic activity on the Reykjanes peninsula will temporarily widen Iceland's general government fiscal deficit, which Fitch estimates at 3.7% of GDP in 2024, following a deficit of 2.0% in 2023. Fiscal support measures to affected residents of Grindavík, and the government's purchase of residential housing in the area is estimated to have cost ISK70 billion (1.5% of 2024 GDP). Additionally, 2024's weaker fiscal performance also resulted from higher-than-budgeted interest costs and indexed expenditures (i.e. pensions).

We forecast a lower fiscal deficit this year of 1.8% of GDP. In addition to the expiration of support measures for Grindavík residents (due in March), discretionary measures adopted include increases to the carbon tax, excise duties on fuel and alcohol, and a temporary increase in the corporate income tax rate. We also expect expenditure cuts amounting to ISK28 billion, with the bulk of cost reduction from the delayed operation of the new disability pension system (ISK10 billion).

Iceland's 2025 budget was passed under a caretaker government before the November 2024 snap elections. Despite disagreements over issues of migration, energy and housing, there remains a broad political consensus for medium-term fiscal sustainability. We expect Iceland's new governing coalition under PM Frostadóttir to present an updated plan this spring broadly in line with medium-term fiscal targets already outlined in the Fiscal Plan (2025-2029) from April 2024.

There is a medium-term fiscal target to achieve a balanced budget at the general government level by 2029 (previously 2027). The authorities aim to keep expenditure growth below nominal GDP growth and raise tax revenue by improving tax collection and reducing exemptions. Potential revenue growth may also come from the phasing-in of the government's progressive transport tax reform. If fully implemented, the authorities estimate this will help to yield a permanent intake of transport-related taxes of 1.7% of GDP by 2029[5].

A new fiscal stability (expenditure) rule may be adopted before the presentation of next Fiscal Plan (2026-2030) this spring. Under the current framework, a degree of pro-cyclicality in the fiscal balance rule may create incentives to use cyclically high revenues to finance new expenditure. The new stability rule aims to limit growth in public spending to potential GDP growth, and any excess spending would need to be financed by a corresponding increase in revenues.

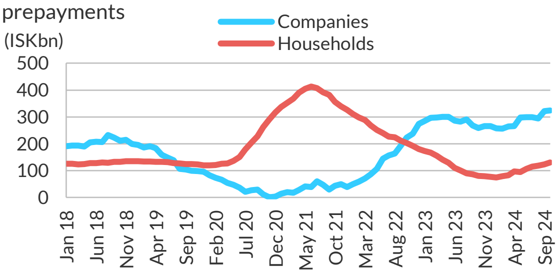
Declining Public Debt Ratio

Iceland's general government debt ratio (Fitch estimates 61.8% of GDP end 2024) is projected to continue declining. Despite slowing nominal GDP growth, a combination of modest primary fiscal surpluses and use of accumulated cash deposits will underpin medium-term debt reduction. For this year, further debt reduction could also come from the planned sale of the government's remaining stake (42.5%) in Íslandsbanki.

Fitch continues to include liabilities of the HF Fund in its general government debt figures, a nominal amount close to 14% of GDP. The government continues to make progress in its long-standing plans to wind down its state-owned housing fund. Since February 2024, the government and key investors have been negotiating how the state guarantee on the outstanding HF Fund debt securities can be met.

Net New Lending Activity

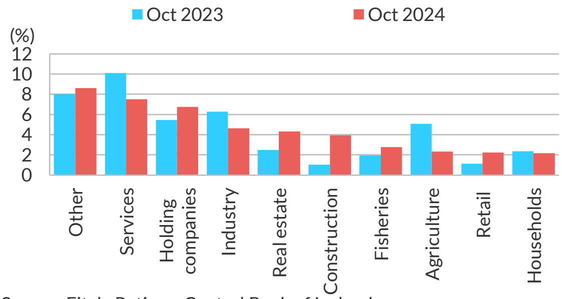
12-month moving total. New loans less loan retirement and prepayments



Source: Fitch Ratings, Central Bank of Iceland

Non-Performing Loan Ratios

By sector across domestic banks; non-performing more than 90 days in arrears



Source: Fitch Ratings, Central Bank of Iceland

Sound Banking Sector; Rising Debt Service

The Icelandic banking sector is well capitalised with ample liquidity buffers. As of 3Q24, the sector's domestic systemically important banks (D-SIB) held an average capital ratio 24.0% of risk-weighted assets, with a liquidity coverage ratio (LCR: 215%) more than double the CBI's minimum requirement. Banks' issuance of bonds in foreign credit markets has also been strong, supporting substantial FX liquidity (FX LCR: 395% as of end 1H24).

High interest rates have supported banks' profitability. We expect net interest margins have already peaked, but that banks will likely continue to generate strong net interest income to offset challenges from a slowing economy.

With the outlook of higher interest rates for longer, there is risk of some further increase in total private-sector loan impairments. As of October 2024, NPLs in the household and corporate sector were 2.17% and 3.1%, respectively. We also expect there to be risks to households' debt-servicing burdens. The CBI estimates 12% of the outstanding mortgage stock will be up for an interest rate review in 2025[6].

Public Debt Dynamics

General government debt will decline gradually in the medium term. Stock-flow adjustments largely assume the use of government deposits to meet financing needs where borrowing is not planned, and to a lesser extent the repayment

[5] The Transport Tax Reform introduces a road-pricing levy for all vehicles. The fee is already implemented on electric, and hybrid cars (Phase I). Next steps (Phase II) will introduce the tax on all other vehicles in 2025 and 2026. The fee is intended to accommodate the reduction in tax revenue from vehicles and fuel due to the increase in the number of electric and fuel-efficient cars.

[6] References non-indexed fixed-rate loans. For these loans, once the fixed interest period ends, they convert to variable rate.

of loans from the HF Fund. The potential sale of the government's stake in Islandbanki is not accounted for in the stock-flow adjustment.

Debt Dynamics - Fitch's Baseline Assumptions

	2023	2024	2025	2026	2027	2028	2029
Gross general government debt (% of GDP)	62.2	61.8	60.2	57.9	55.8	54.7	53.5
Primary balance (% of GDP)	0.5	-1.1	0.7	0.3	0.3	-0.2	-0.4
Real GDP growth (%)	5.0	-0.5	1.6	2.8	2.5	2.5	2.5
Average nominal effective interest rate (%)	8.9	8.0	7.8	7.5	7.2	6.7	6.2
ISK/USD (annual average)	137.9	138.0	139.1	140.0	140.0	140.0	140.0
GDP deflator (%)	5.7	6.0	3.7	3.2	3.0	2.5	2.5
Stock-flow adjustments (% of GDP)	0.0	0.0	-0.3	-0.6	-0.5	0.0	0.0

Source: Fitch Ratings

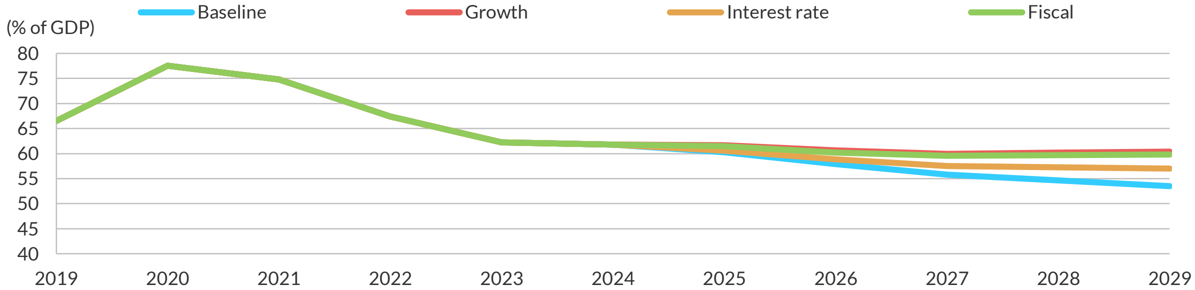
Debt Sensitivity Analysis: Fitch's Scenario Assumptions

Growth	GDP growth 2.2% lower (half standard deviation lower)
Interest rate	Marginal interest rate 250bp higher
Fiscal	Persistent headline fiscal deficits at 3.0% of GDP

Source: Fitch Ratings

Sensitivity Analysis

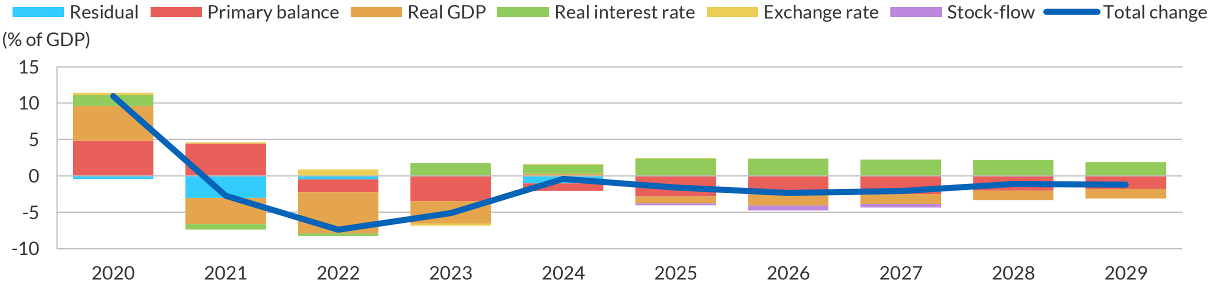
Gross general government debt



Source: Fitch Ratings, Fitch Debt Dynamics Model

Baseline Scenario: Debt Creating Flows

Change in gross general government debt



Source: Fitch Ratings, Fitch Debt Dynamics Model

About the Public Debt Dynamics

Fitch uses stylised projections for a sovereign's gross general government debt/GDP ratio to illustrate the sustainability of its debt burden and its sensitivity to economic growth, the cost of borrowing, fiscal policy and the exchange rate.

Data Tables

General Government Summary

FitchRatings

(% GDP)	2018	2019	2020	2021	2022	2023	2024E	2025F	2026F
Revenue	44.8	42.0	42.2	41.0	42.6	43.5	43.8	44.0	44.0
Expenditure	43.8	43.6	51.1	49.4	46.6	45.5	47.5	45.7	45.7
o/w interest payments	1.7	1.6	1.6	1.6	2.7	2.5	2.6	2.5	2.5
Interest payments (% revenue)	3.7	3.8	3.9	4.0	6.3	5.7	5.9	5.6	5.6
Primary balance	2.6	0.0	-7.3	-6.7	-1.3	0.5	-1.1	0.7	0.3
Overall balance	1.0	-1.6	-8.9	-8.3	-4.0	-2.0	-3.7	-1.8	-1.7
Gross government debt	63.2	66.5	77.5	74.8	67.4	62.2	61.8	60.2	57.9
% of government revenue	141.2	158.5	183.6	182.2	158.2	143.0	141.0	137.0	131.6
Issued in domestic market	58.9	60.4	69.1	64.3	59.3	56.1	54.6	53.4	51.5
Issued in foreign markets	4.4	6.2	8.4	10.5	8.1	6.1	7.2	6.9	6.5
Local currency	58.9	60.4	69.1	64.3	59.3	56.1	54.6	53.4	51.5
Foreign currency	4.4	6.2	8.4	10.5	8.1	6.1	7.2	6.9	6.5
Central government deposits	7.9	8.4	16.7	14.5	11.1	8.8	7.4	7.0	6.6
Net government debt	55.4	58.1	60.8	60.2	56.2	53.4	54.5	53.2	51.4
Financing		1.6	8.9	8.3	4.0	2.0	3.7	1.8	1.7
Domestic borrowing		5.0	6.8	2.5	5.1	2.7	1.1	1.8	1.7
External borrowing		2.0	2.0	3.0	-0.8	-1.1	1.8	0.0	0.0
Other financing		-5.5	0.1	2.8	-0.4	0.4	0.8	0.0	0.0
Change in deposits (- = increase)		-5.5	0.1	1.1	1.1	1.2	1.0	0.2	0.2
Privatisation		0.0	0.0	1.7	1.9	0.0	0.0	0.0	0.0
Other		0.0	0.0	0.0	-3.4	-0.8	-0.2	-0.2	-0.2

Source: Fitch Ratings, Ministry of Finance

Balance of Payments

(USDbn)	2018	2019	2020	2021	2022	2023	2024E	2025F	2026F
Current account	1.1	1.6	0.2	-0.7	-0.6	0.4	-0.8	-0.7	-0.2
(% GDP)	4.3	6.5	1.1	-2.6	-2.1	1.1	-2.4	-2.1	-0.5
Goods	-1.5	-0.8	-0.6	-1.0	-1.5	-2.1	-2.3	-2.5	-2.1
Services	2.4	2.0	0.3	0.6	1.5	2.2	1.8	1.9	2.0
Primary income	0.4	0.7	0.7	0.0	-0.2	0.6	0.0	0.3	0.3
Secondary income	-0.2	-0.2	-0.2	-0.3	-0.3	-0.4	-0.3	-0.3	-0.3
Capital account	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	1.5	1.0	1.3	-1.5	-0.2	-0.2	-1.4	-0.8	-0.1
Direct investment	0.5	0.7	0.5	-0.5	-1.1	-1.3	-0.5	-1.4	-0.9
Portfolio investment	1.1	0.7	1.0	0.0	1.1	2.2	-0.2	0.6	0.4
Derivatives	0.0	0.0	0.0	0.1	0.1	-0.1	-0.1	0.1	0.1
Other investments	-0.1	-0.5	-0.2	-1.1	-0.3	-1.0	-0.6	0.0	0.4
Net errors and omissions	0.5	-0.1	0.9	0.4	0.0	-0.9	0.0	0.0	0.0
Change in reserves (+ = increase)	0.0	0.6	-0.2	1.1	-0.5	-0.4	0.6	0.1	-0.1
International reserves, incl. gold	6.3	6.8	6.4	7.1	5.9	5.8	6.4	6.5	6.3
Liquidity ratio (%)	184.4	213.1	259.3	314.1	197.2	162.0	136.5	146.1	149.1
Memo									
Current external receipts (CXR)	13.2	12.0	8.2	10.6	14.1	15.1	14.9	15.1	15.5
Current external payments (CXP)	12.1	10.3	7.9	11.3	14.7	14.8	15.8	15.8	15.7
CXR growth (%)	7.4	-9.7	-31.6	30.0	32.9	7.0	-1.2	0.9	2.8
CXP growth (%)	7.5	-14.7	-23.2	42.3	30.3	0.3	6.7	0.3	-0.6
Gross external financing requirement	1.0	0.0	1.1	1.6	3.2	1.6	3.9	3.4	2.9
% International reserves	15.3	0.7	15.6	24.6	45.6	27.9	66.7	52.8	44.3
Net external borrowing	-1.2	-0.9	-0.8	2.6	1.3	1.8	1.4	0.3	0.5

Source: Fitch Ratings, IMF

External Debt and Assets

(USDbn)	2018	2019	2020	2021	2022	2023	2024E	2025F	2026F
Gross external debt	20.1	19.5	19.7	22.0	22.0	24.0	25.4	25.7	26.2
(% GDP)	76.7	79.1	91.1	85.1	76.5	76.7	77.0	74.4	71.9
(% CXR)	152.1	163.2	240.9	206.7	155.8	158.9	170.1	170.3	168.7
Short-term debt (% GXD)	7.9	6.9	8.2	9.3	12.3	11.5	11.5	11.5	11.5
By debtor									
Sovereign	2.6	3.0	2.8	3.7	2.8	2.7	3.7	3.8	4.5
Monetary authorities	0.4	0.5	0.4	0.7	0.6	0.6	0.8	0.8	0.8
General government	2.2	2.5	2.4	3.0	2.2	2.1	3.0	3.0	3.7
Banks	5.9	5.5	5.9	6.4	6.9	7.2	7.3	7.4	7.3
Other sectors	11.7	10.9	11.1	11.9	12.3	14.1	14.4	14.5	14.4
Gross external assets (non-equity)	15.0	14.5	14.9	15.1	14.3	15.7	15.8	16.1	16.5
Sovereign	6.3	6.8	6.4	7.1	5.9	5.8	6.4	6.5	6.3
International reserves, incl. gold	6.3	6.8	6.4	7.1	5.9	5.8	6.4	6.5	6.3
Other sovereign assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Banks	3.6	3.1	3.4	3.3	3.5	4.5	3.8	4.0	4.2
Other sectors	5.1	4.7	5.2	4.7	5.0	5.6	5.5	5.7	6.0
Net external debt	5.2	5.0	4.8	6.9	7.7	8.4	9.6	9.6	9.7
(% GDP)	19.7	20.3	22.1	26.8	26.9	26.7	29.0	27.7	26.6
Sovereign	-3.7	-3.8	-3.7	-3.4	-3.1	-3.1	-2.6	-2.6	-1.8
Banks	2.3	2.5	2.6	3.1	3.5	2.9	3.3	3.4	3.1
Other sectors	6.6	6.2	5.9	7.1	7.3	8.6	8.9	8.8	8.4
International investment position									
Assets	29.2	32.1	35.4	42.7	36.6	42.8	-	-	-
Liabilities	26.9	27.1	27.6	31.8	30.2	32.2	-	-	-
Net	2.3	5.0	7.9	10.9	6.3	10.6	-	-	-
Net sovereign	3.7	3.8	3.7	3.4	3.1	3.1	2.6	2.6	1.8
(% GDP)	14.2	15.2	17.0	13.1	10.8	9.9	7.9	7.7	5.0
External debt service (principal + interest)	2.6	2.1	1.7	1.2	3.0	2.7	4.3	3.4	3.4
Interest (% CXR)	3.5	3.8	5.1	2.6	2.5	4.9	8.1	4.6	4.5

Source: Fitch Ratings, central bank, IMF, World Bank

Full Rating Derivation

Long-Term Foreign-Currency Issuer Default Rating (SRM + QO)	A

Sovereign Rating Model							Applied Rating[d]	A
						Model Result and Predicted Rating		10.88 = A
Input Indicator	**Weight (%)**	**2023**	**2024**	**2025**	**Adjustment to Final Data**	**Final Data**	**Coefficient**	**Output (notches)**
Structural features								**9.14**
Governance indicators (percentile)	22.0	n.a.	93.1	n.a.	-	93.1	0.079	7.35
GDP per capita (USD)	11.8	n.a.	86,065	n.a.	Percentile	94.1	0.037	3.45
Nominal GDP (% world GDP)	14.3	n.a.	0.03	n.a.	Natural log	-3.5	0.640	-2.22
Most recent default or restructuring	4.5	n.a.	None	n.a.	Inverse 0-1[a]	0.0	-1.791	0
Broad money (% GDP)	1.1	n.a.	47.3	n.a.	Natural log	3.9	0.145	0.56
Macroeconomic performance, policies and prospects								**-1.33**
Real GDP growth volatility	4.5	n.a.	4.3	n.a.	Natural log	1.5	-0.710	-1.03
Consumer price inflation	3.6	8.7	5.9	3.5	3-yr average[b]	6.0	-0.069	-0.42
Real GDP growth	1.8	5.0	-0.5	1.6	3-yr average	2.1	0.057	0.12
Public finances								**-1.85**
Gross general govt debt (% GDP)	9.0	62.2	61.8	60.2	3-yr average	61.4	-0.023	-1.41
General govt interest (% revenue)	4.6	5.7	5.9	5.6	3-yr average	5.7	-0.044	-0.25
General govt fiscal balance (% GDP)	2.1	-2.0	-3.7	-1.8	3-yr average	-2.5	0.039	-0.10
FC debt (% of total general govt debt)	3.0	10.0	11.7	11.3	3-yr average	11.0	-0.008	-0.09
External finances								**0.05**
Reserve currency (RC) flexibility	7.2	n.a.	0.0	n.a.	RC score 0 - 4.5[c]	0.0	0.494	0
SNFA (% of GDP)	7.5	9.9	7.9	7.7	3-yr average	8.5	0.011	0.09
Commodity dependence	1.1	n.a.	39.4	n.a.	Latest	39.4	-0.004	-0.15
FX reserves (months of CXP)	1.3	n.a.	4.9	n.a.	n.a. if RC score> 0	4.9	0.024	0.12
External interest service (% CXR)	0.2	4.9	8.1	4.6	3-yr average	5.9	-0.004	-0.03
CAB + net FDI (% GDP)	0.3	5.3	-0.9	2.0	3-yr average	2.1	0.003	0.01
Intercept Term (constant across all sovereigns)								**4.87**

[a] Inverse 0-1 scale, declining weight; [b] of truncated value (2%-50%); [c] Declining weight; [d] Sovereign rating committee can override SRM Predicted Rating if a marginal change in the Model Result leads to a notch change which is judged to be temporary or caused by a re-estimation of the SRM, a process that Fitch undertakes on at least an annual basis. Please refer to the Rating Action Commentary for further information when the Applied Rating differs from the Predicted Rating.
Note: This table contains data as at the date of the most recent rating action. There may be minor differences to data presented elsewhere in this report, which may have been updated where appropriate, for example in the event of subsequent data releases.
Source: Fitch Ratings

Qualitative Overlay (Notch Adjustment, Range +/-3)	**0**
Structural features	0
Macroeconomic outlook, policies and prospects	0
Public finances	0
External finances	0

Source: Fitch Ratings

About the SRM and QO

Fitch's SRM is the agency's proprietary multiple regression rating model that employs 18 variables based on three-year centred averages, including one year of forecasts, to produce a score equivalent to a LT FC IDR. Fitch's QO is a forward-looking qualitative framework designed to allow for adjustment to the SRM output to assign the final rating, reflecting factors within our criteria that are not fully quantifiable and/or not fully reflected in the SRM.

Supplementary Ratings

Local-Currency Rating

Iceland's credit profile does not support an uplift of the Long-Term (LT) Local-Currency (LC) IDR above the LT FC IDR. In Fitch's view, neither of the two main factors supporting the upward notching of the LT LC IDR cited in the criteria is present, namely: strong public finance fundamentals relative to external finance fundamentals; and previous preferential treatment of LC creditors relative to FC creditors.

Country Ceiling

The Country Ceiling for Iceland is 'A+', 1 notch above the LT FC IDR. This reflects moderate constraints and incentives, relative to the IDR, against capital or exchange controls being imposed that would prevent or significantly impede the private sector from converting local currency into foreign currency and transferring the proceeds to non-resident creditors to service debt payments.

Fitch's Country Ceiling Model produced a starting point uplift of +2 notches above the IDR. Fitch's rating committee applied an offsetting -1 notch qualitative adjustment to this, under the Balance of Payments Restriction pillar, reflecting Iceland's short track record of full liberalisation from capital controls that were in place during 2008-2021.

Overall Country Ceiling Uplift (CCM + QA, notches)			**+1**
Country Ceiling Model (CCM, notches)			**+2**
Pillar I = Balance of payments restrictions			**+3**
Current account restrictions (% of 40)	Latest	10.0	+3
Capital account restrictions (% of 69)	Latest	15.9	+3
Combined pillar II & III incentives score			**+1**
Pillar II = Long-term institutional characteristics			**+2**
Governance (WB WGI)	Latest	93.1	+3
International trade			+1
Trade openness	2020-24 average	44.8	+2
Volatility of change in CXR (across 10 years)	2024	18.6	0
Export share to FTA partners	2020-24 average	85.7	+3
International financial integration[a]	2020-24 average	50.9	+2
Pillar III = Near-term risks			**+1**
Macro-financial stability risks			+1
Composite inflation risk score			+1
Volatility of CPI (across 10 years)	2024	2.7	+2
Recent CPI peak	2020-24 max	8.7	+3
Cumulative broad money growth	2019-24 change %	84.4	+1
Volatility of change in REER (across 10 years)	2024	6.9	+1
Dollarisation	Most recent	9.6	+3
Exchange rate risks			+2
Net external debt (% of CXR)	2022-24 average	58.0	+1
Exchange rate regime	Latest	Floating	+3
Qualitative Adjustment (QA, notches)			**-1**
Pillar I = Balance of payments restrictions			-1
Pillar II = Long-term institutional characteristics			0
Pillar III = Near-term macro-financial stability risks			0

[a] Data for international financial integration is the average of private external assets (% of GDP) & private external debt (% GDP).
Source: Fitch Ratings

FitchRatings

Full Rating History

	Foreign-Currency Rating			Local-Currency Rating			
Date	Long-Term	Short-Term	Outlook/Watch	Long-Term	Short-Term	Outlook/Watch	Country Ceiling
18 Mar 22	A	F1+	Stable	A	F1+	Stable	A+
22 May 20	A	F1+	Negative	A	F1+	Negative	A+
24 May 19	A	F1+	Stable	A	F1+	Stable	A+
08 Dec 17	A	F1	Stable	A	F1	Stable	A
07 Jul 17	A-	F2	Positive	A-	F1	Positive	A-
13 Jan 17	BBB+	F2	Positive	BBB+	F2	Positive	BBB+
22 Jul 16	BBB+	F2	Stable	BBB+	F2	Stable	BBB+
24 Jul 15	BBB+	F2	Stable	A-	-	Stable	BBB+
30 Jan 15	BBB	F3	Positive	BBB+	-	Positive	BBB
14 Feb 13	BBB	F3	Stable	BBB+	-	Stable	BBB
17 Feb 12	BBB-	F3	Stable	BBB+	-	Stable	BBB-
16 May 11	BB+	B	Stable	BBB+	-	Stable	BB+
05 Jan 10	BB+	B	Negative	BBB+	-	Negative	BB+
23 Dec 09	BBB-	F3	Negative	A-	-	Negative	BBB-
08 Oct 08	BBB-	F3	Watch Negative	A-	-	Watch Negative	BBB-
30 Sep 08	A-	F2	Watch Negative	AA	-	Watch Negative	A
01 Apr 08	A+	F1	Negative	AA+	-	Negative	AA-
15 Mar 07	A+	F1	Stable	AA+	-	Stable	AA-
21 Feb 06	AA-	F1+	Negative	AAA	-	Negative	AA
17 Jun 04	AA-	F1+	Stable	AAA	-	Stable	AA
31 Mar 03	AA-	F1+	Stable	AAA	-	Stable	-
15 Feb 02	AA-	F1+	Negative	AAA	-	Negative	-
26 Feb 01	AA-	F1+	Stable	AAA	-	-	-
21 Sep 00	AA-	F1+	Stable	AAA	-	Stable	-
03 Feb 00	AA-	F1+	-	AAA	-	-	-

Source: Fitch Ratings

Appendix 1: Environmental, Social and Governance (ESG)

Credit Relevance Scores

General Issues	Key Sovereign Issues	SRM	QO	Score[a]
Environmental (E)				
GHG Emissions and Air Quality	Emissions and air pollution as a constraint on GDP growth	2	2	2
Energy Management	Energy resource management, including potential for 'stranded assets', affecting exports, government revenues and GDP	3	2	3
Water Resources and Management	Water resource availability and management as a constraint on GDP growth	2	2	2
Biodiversity and Natural Resource Management	Natural resource management, including potential for 'stranded assets', affecting exports, government revenues and GDP	3	3	3
Natural Disasters and Climate Change	Impact of adverse climate trends, and likelihood of and resilience to shocks	3	3	3
Social (S)				
Human Rights and Political Freedoms	Social stability, voice and accountability, regime legitimacy	4	2	4 +
Human Development, Health and Education	Impact of human development, health and education on GDP per capita and GDP growth	3	2	3
Employment and Income Equality	Impact of unemployment and income equality on GDP per capita, GDP growth and political and social stability	3	2	3
Public Safety and Security	Impact of public safety and security on business environment and/or economic performance	3	2	3
Demographic Trends	Population decline or aging, rapidly rising youth population; pensions sustainability	3	2	3
Governance (G)				
Political Stability and Rights	Political divisions and vested interests; geo-political risks including conflict, security threats and violence; policy capacity: unpredictable policy shifts or stasis	5	2	5 +
Rule of Law, Institutional & Regulatory Quality, Control of Corruption	Government effectiveness, control of corruption, rule of law, regulatory quality	5	2	5 +
International Relations and Trade	Trade agreements, membership of international organizations, bilateral relations; sanctions or other costly international actions	3	2	3
Creditor Rights	Willingness to service and repay debt	4	2	4 +
Data Quality and Transparency	Availability, limitations and reliability of economic and financial data, including transparency of public debt and contingent liabilities	3	2	3

Source: Fitch Ratings

About ESG Credit Relevance Scores

The scores signify the credit relevance of the respective E, S and G issues to the sovereign entity's credit rating, according to the following scale:

- 5 – Highly relevant to the rating, a key rating driver with a high weight.
- 4 – Relevant to the rating, a rating driver.
- 3 – Relevant, but only has an impact on the entity rating in combination with other factors.
- 2 – Irrelevant to the entity rating but relevant to the sector (sovereigns).
- 1 – Irrelevant to the entity rating and irrelevant to the sector (sovereigns).

The score for each 'General Issue' is comprised of a component SRM and QO score, and is simply the higher of the two. SRM scores are fixed across all sovereigns as the weights in the SRM are the same for all sovereigns; QO component scores vary across all sovereigns.

All scores of '4' or '5' result in a negative impact on the rating, unless indicated otherwise. Where a positive impact is occurring, the score of '4' or '5' is appended with a '+' symbol. Scores of '3', '2' and '1' do not have a direction of impact assigned.

Please refer to ESG Relevance Scores for Sovereigns for further information on the framework, including 'Sovereign Rating Criteria References' (which identify specific potentially related SRM variables and QO factors for each 'General Issue').

Credit-Relevant ESG Derivation

Iceland has an ESG Relevance Score of '5[+]' for Political Stability and Rights as World Bank Governance Indicators have the highest weight in Fitch's SRM and are therefore highly relevant to the rating and a key rating driver with a high weight. As Iceland has a percentile rank above 50 for the respective Governance Indicator, this has a positive impact on the credit profile.

Iceland has an ESG Relevance Score of '5[+]' for Rule of Law, Institutional & Regulatory Quality and Control of Corruption as World Bank Governance Indicators have the highest weight in Fitch's SRM and are therefore highly relevant to the rating and are a key rating driver with a high weight. As Iceland has a percentile rank above 50 for the respective Governance Indicators, this has a positive impact on the credit profile.

Iceland has an ESG Relevance Score of '4[+]'for Human Rights and Political Freedoms as the Voice and Accountability pillar of the World Bank Governance Indicators is relevant to the rating and a rating driver. As Iceland has a percentile rank above 50 for the respective Governance Indicator, this has a positive impact on the credit profile.

Iceland has an ESG Relevance Score of '4[+]' for Creditor Rights as willingness to service and repay debt is relevant to the rating and is a rating driver for Iceland, as for all sovereigns. As Iceland has a track record of 20+ years without a restructuring of public debt and captured in our SRM variable, this has a positive impact on the credit profile.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

Appendix 2: Data Notes and Conventions

Acronyms

Acronyms used in the above table and elsewhere in report are: Gross Domestic Product (GDP), Current External Receipts (CXR), Current External Payments (CXP), Current Account Balance (CAB), Foreign Direct Investment (FDI), World Bank Worldwide Governance Indicators (WBGI), Sovereign Rating Model (SRM), Qualitative Overlay (QO). For a full list of indicator definitions, please refer to the most recent Sovereign Data Comparator.

Medians

Medians underlying the SRM relative to rating category chart on the Rating Summary page and as reported in the Peer Analysis table on page 4 are long-term historical medians. These are based on actual data since 2000 for all sovereign-year observations when the sovereign was in the respective rating category at year-end. Current year ratings and data are excluded.

Chart medians on page 3 are based on data for sovereigns in the respective rating category at the end of each year. Latest ratings are used for the current year and forecast period.

Notes for Iceland

All data are on a calendar-year basis, which aligns with the domestic fiscal year for this sovereign.

Public finances data referenced in this report relate to the consolidated general government, as per our principal approach, unless specifically noted otherwise where cited.

The external balance sheet data referenced in this report are derived from the international investment position dataset, as per our principal approach.

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

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