

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

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London, 22 August 2019 -- This publication is for information only, and does not announce a rating action.

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 A3) is supported by the country's "Moderate (+)" economic strength, reflecting its very high competitiveness and wealth levels above most sovereigns in Moody's rated universe balanced against the country's small size and limited diversification which results in large swings in economic growth; Iceland's "Very High" institutional strength, demonstrated by its effective macroeconomic management in restoring financial stability and strengthening regulations following its banking crisis; its "High (+)" fiscal strength taking 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 companies; and its "Moderate (-)" susceptibility to event risk, reflecting risks posed by the banking sector, which, despite demonstrating strong capitalisation and liquidity, is very 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 Bond Ratings published in November 2018. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

This publication does not announce a credit rating action. 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.

Evan Wohlmann
VP - Senior Credit Officer
Sovereign Risk Group
Moody's Investors Service Ltd.
One Canada Square
Canary Wharf
London E14 5FA
United Kingdom
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Yves Lemay

MD - Sovereign Risk
Sovereign Risk Group
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Releasing Office:
Moody's Investors Service Ltd.
One Canada Square
Canary Wharf
London E14 5FA
United Kingdom
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454



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