

RatingsDirect®

Landsbankinn hf.

Primary Credit Analyst:

Sean Cotten, Stockholm (46) 8-440-5928; sean.cotten@standardandpoors.com

Secondary Contact:

Alexander Ekbohm, Stockholm (46) 8-440-5911; alexander.ekbohm@standardandpoors.com

Table Of Contents

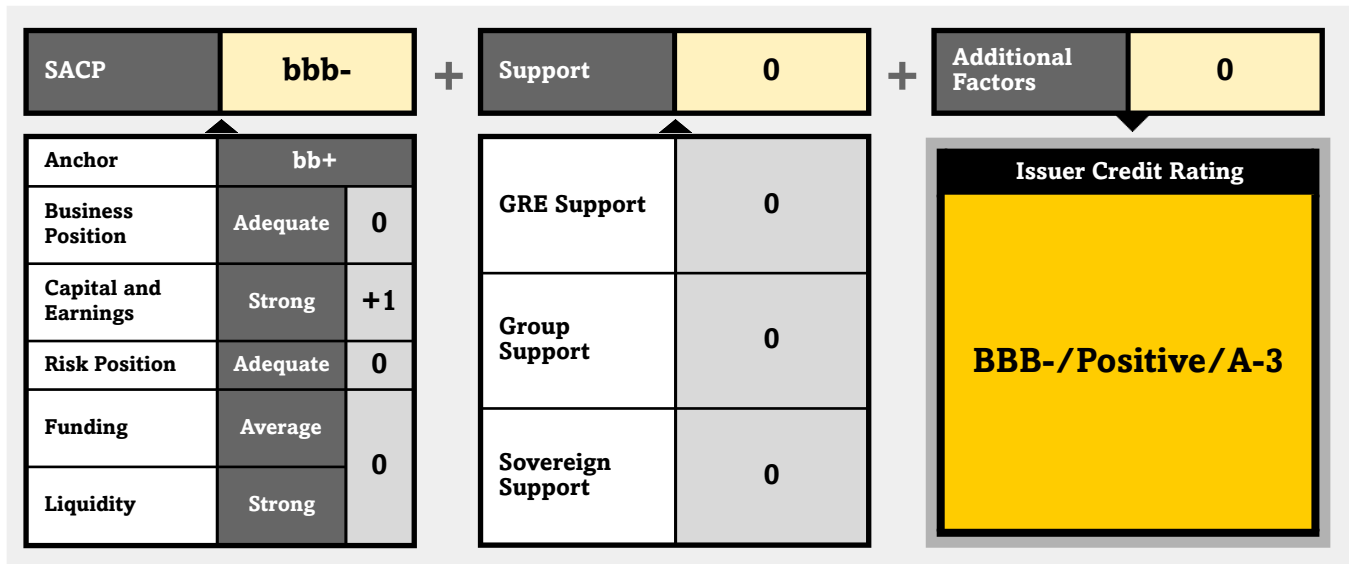
Major Rating Factors

Outlook

Rationale

Related Criteria And Research

Landsbankinn hf.



Major Rating Factors

Strengths:	Weaknesses:
<ul style="list-style-type: none"> • Very high leverage ratios and strong capital. • Significant liquidity buffers in relation to wholesale funding. 	<ul style="list-style-type: none"> • Few diversification opportunities in Iceland's economy. • Uncertainty associated with Icelandic capital controls and related deposit outflows.

Outlook: Positive

Standard & Poor's Ratings Services' positive outlook on Iceland-based bank Landsbankinn hf. reflects that we could raise our long-term rating on Landsbankinn if we are certain that the bank's own capital targets will align with a risk-adjusted capital (RAC) firmly above 15% and we continue to view the bank's asset quality as in line with the risks in the Icelandic market and with domestic peers'. In this respect, we anticipate that Landsbankinn will narrow the gap in asset-quality metrics to its domestic peers over the next two years and not take excessive risks as it grows the loan book. The positive outlook also reflects our assumption that the bank's strong liquidity buffers will remain after expected deposit outflows due to the relaxation of Iceland's capital controls over the coming months.

We could revise the outlook to stable if Landsbankinn were to pay out an extraordinary dividend in order to align its leverage and capital base to domestic peers', which resulted in capital remaining below our 15% threshold. Even if capital is not materially reduced, we could still revise the outlook to stable if we consider that the existing one-notch of rating uplift from capital and risk adequately reflected the bank's credit quality.

While currently unlikely, we could take a negative rating action if asset quality deteriorated unexpectedly, requiring significant additional provisions.

Rationale

Our rating on Landsbankinn 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 stand-alone credit profile (SACP) is 'bbb-'.

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

Our bank criteria use our Banking Industry Country Risk Assessment (BICRA) 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 to 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 as partial capital controls liberalization is likely in the near-term. The banks have all undergone significant restructuring efforts and the vast majority of corporates have been restructured. The Icelandic economy is steadily reducing its debt burden and the banks are shrinking their stock of nonperforming loans. The banks have recovered with the protection of capital controls and, 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 expect the risk will have decreased meaningfully and believe that the authorities will continue forward in a prudent way, without meaningful 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 based model used prior to the 2008 banking crisis. That said, we expect banks will gradually increase their 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 meaningful impact on the banking sector. There are going to be some changes to the industry, since we expect that the state mortgage lender Hff will be put in run-off mode and the trend of the commercial banks gaining significant market share of new mortgage lending will continue. We expect returns to 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

Landsbankinn hf. Key Figures					
	--Year-ended Dec. 31--				
(Mil. ISK)	2015*	2014	2013	2012	2011
Adjusted assets	1,173,715	1,097,145	1,150,931	1,084,246	1,134,801
Customer loans (gross)	842,643	759,802	731,412	710,117	667,550
Adjusted common equity	234,395	225,891	220,877	214,545	197,244
Operating revenues	38,847	43,486	55,240	55,981	55,748

Table 1

Landsbankinn hf. Key Figures (cont.)					
Noninterest expenses	17,651	24,088	27,251	24,105	22,056
Core earnings	19,728	14,683	12,775	17,792	24,886

*Data as of Sept. 30. ISK--Iceland krona.

Business position: Largest Icelandic bank and relatively strong SME

We believe Landsbankinn's business position will remain adequate, reflecting its domestic market share (30%-40%) in primary business lines (corporate and retail banking, asset management, and corporate finance) and growing presence in domestic retail mortgage lending. However, the bank is relatively small in an international context, with total assets of Icelandic krona (ISK) 1.2 trillion (about €7.8 billion) in September 2015, and a domestic focus that limits its diversification prospects given the nature of the Icelandic market.

Landsbankinn was created in October 2008 from the domestic operations of the now defunct Landsbanki Islands hf. (LBI). As part of the transfer of LBI's domestic assets and liabilities to Landsbankinn, Landsbankinn issued a large bond to the resolution estate in 2010. In 2013, Landsbankinn issued an additional bond to compensate LBI for the increased valuation of assets Landsbankinn had received at a significant discount. The repayment schedule of these bonds was restructured in December 2014, representing a key milestone in the resolution of Iceland's capital controls and a significant development for the future stability of the bank. On Oct. 12, 2015, Landsbankinn issued a €300 million (ISK43 billion) bond and subsequently used the proceeds and its own liquidity to reduce the outstanding amount of the LBI bonds to approximately ISK126 billion.

In our view, Landsbankinn has been well managed since its creation in 2008. The bank continues to operate with significant liquidity and capital buffers and low leverage and we take a positive view of management's proactive efforts to prepay the LBI bonds and to achieve normalcy in the bank's funding profile. The bank has participated in the consolidation of savings banks, adding two relatively small savings banks (about ISK10 billion-ISK11 billion in assets in each bank) thus far in 2015.

The small and concentrated domestic economy limits revenue diversification prospects, in our view. However, Landsbankinn has earned revenues from diverse sources in recent years and has made an active effort to increase its market share in residential mortgage lending and asset finance segments. Landsbankinn has seen a rise in retail mortgage lending, which historically has been dominated by state-owned Housing Financing Fund (Ibudalanasjodur), which we expect will continue to reduce its balance sheet. This helps to diversify the bank's revenues and increase the granularity of its lending book, though we note that some of the lending is at 85% loan-to-value levels, higher than peers' usual 80% limits.

Table 2

Landsbankinn hf. Business Position					
	--Year-ended Dec. 31--				
(%)	2015*	2014	2013	2012	2011
Loan market share in country of domicile	N/A	25.3	24.6	23.8	22.7
Deposit market share in country of domicile	N/A	34.2	29.4	28.2	28.9
Total revenues from business line (mil. ISK)	46,111	63,496	75,999	95,435	120,492

Table 2

Landsbankinn hf. Business Position (cont.)					
Commercial banking/total revenues from business line	22.1	25.3	18.2	19.0	8.0
Retail banking/total revenues from business line	26.8	28.4	24.9	20.6	10.8
Commercial & retail banking/total revenues from business line	48.9	53.8	43.2	39.6	N/A
Trading and sales income/total revenues from business line	9.3	6.6	11.2	13.0	14.7
Corporate finance/total revenues from business line	N/A	N/A	N/A	N/A	0.9
Asset management/total revenues from business line	N/A	N/A	N/A	N/A	0.8
Other revenues/total revenues from business line	41.9	39.6	45.6	47.4	63.2
Investment banking/total revenues from business line	9.3	6.6	11.2	13.0	15.6
Return on equity	12.9	12.1	12.3	12.0	8.9

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

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

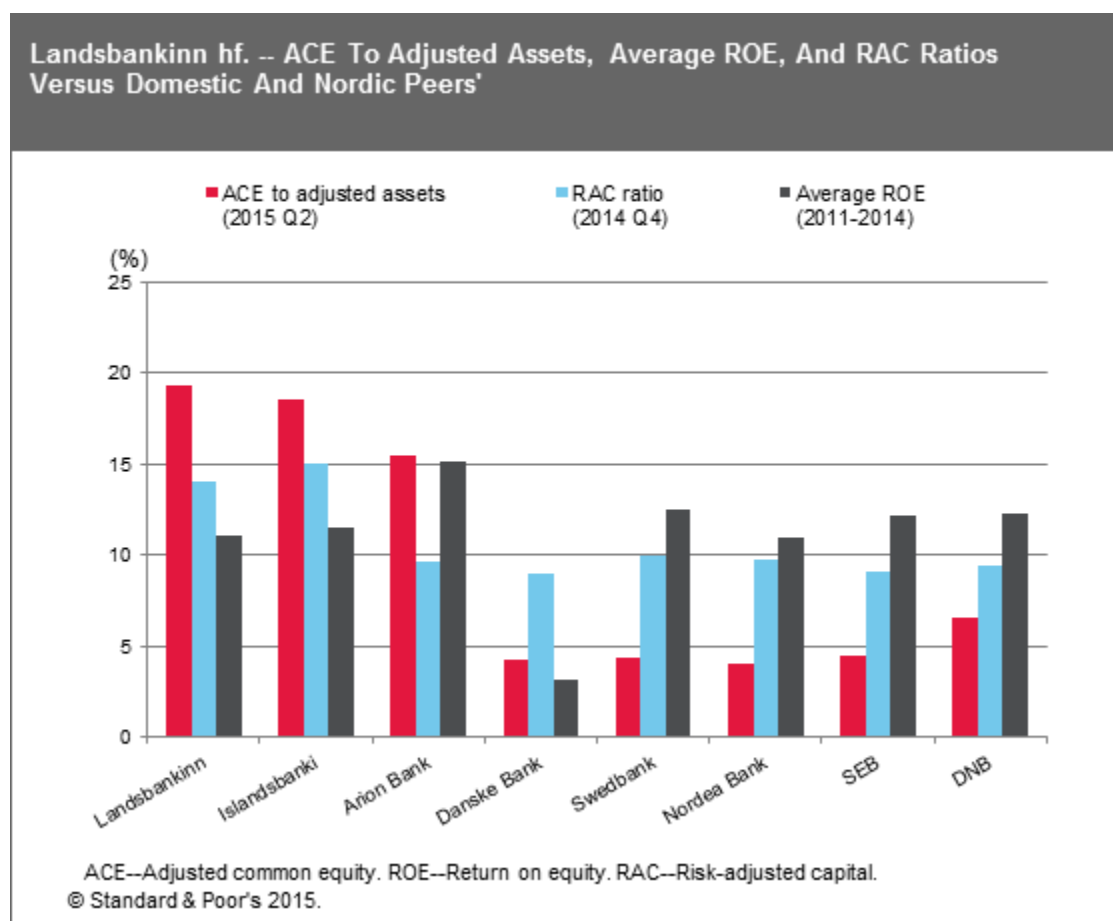
Despite pro forma capital levels above our 15% threshold, we continue to assess Landsbankinn's capital and earnings as strong. The RAC ratio as of June 2015 was 14.6%, however, the July 2015 upgrade of the Icelandic sovereign and improvement in the economic risk assessment for the Icelandic banking sector results in a pro forma mid-year RAC ratio of 16.5%.

We expect the bank will continue to pay out most of its net profits as dividends, though we believe there is a strong chance that it will pay an extraordinary dividend over the course of the next year. This belief stems from our expectation that the capital levels of Islandsbanki will be reduced as it is prepared for sale, which would leave Landsbankinn as a significant outlier in terms of capital and leverage among its primary peers. As such, while we project the bank's RAC ratio would stay above 15% over the next 18-24 months without an extraordinary dividend, we maintain a strong assessment of capital and earnings and reflect the potential for capital to remain above 15% over the longer term in our positive outlook on the bank. We also note that Landsbankinn's 29.2% capital ratio as of Sept. 30, 2015, comprised entirely of common equity, remains well above the 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%. As of Sept. 30, 2015, the bank reported a total regulatory capital requirement of 21.8%, including pillar 2 buffers.

In the absence of onetime adjustments associated with existing provisions for cases in the legal system or extraordinary dividends, we anticipate return on equity of about 5%-6% over the next two years. We expect Landsbankinn's profits to stabilize at these levels over our two-year forecast horizon as the balance sheet is reduced due to large deposit outflows (see details in funding and liquidity section below) and the reduction of large onetime gains from sales of legacy equity assets. In addition, increased competition and a relative increase in mortgage lending should lower average net interest margins.

We anticipate that Landsbankinn and its domestic peers will increase fee and commission income as they search for opportunities to improve revenues to offset declining valuation gains. The improvements will be temporarily absorbed by a bank tax levy used to fund debt relief for Icelandic residential borrowers, which we expect will reduce the bank's profits by ISK3 billion annually through 2016.

Chart 1



We expect the bank's earnings buffer, which measures its ability to meet normalized losses, to fall toward 65 basis points (bps) to 70 bps from over 100 bps, signifying a reduction in onetime valuations and equity gains. However, we note that figure underestimates our expectations for actual returns given that the earnings buffer calculation assumes annual normalized losses of ISK9 billion-ISK10 billion, a level we do not expect the bank will experience over our two-year forecast period as asset quality in Iceland improves.

Table 3

Landsbankinn hf. Capital And Earnings

	--Year-ended Dec. 31--				
(%)	2015*	2014	2013	2012	2011
Tier 1 capital ratio	29.1	29.5	27.1	25.5	21.9
S&P RAC ratio before diversification	N.M.	14.1	13.7	12.5	N.M.
S&P RAC ratio after diversification	N.M.	11.1	11.1	10.2	N.M.
Adjusted common equity/total adjusted capital	100.0	100.0	100.0	100.0	100.0
Net interest income/operating revenues	64.4	64.6	62.1	63.6	58.6
Fee income/operating revenues	13.2	13.4	9.6	7.9	7.9
Market-sensitive income/operating revenues	21.1	12.6	20.4	21.2	31.8
Noninterest expenses/operating revenues	45.4	55.4	49.3	43.1	39.6

Table 3

Landsbankinn hf. Capital And Earnings (cont.)					
Preprovision operating income/average assets	2.5	1.7	2.5	2.9	3.0
Core earnings/average managed assets	2.3	1.3	1.1	1.6	2.2

*Data as of Sept. 30. RAC--Risk-adjusted capital. N.M.--Not meaningful.

Table 4

Landsbankinn hf. Risk-Adjusted Capital Framework Data					
(Mil. ISK)	Exposure at default	Basel II RWA	Average Basel II RW (%)	Standard & Poor's RWA	Average Standard & Poor's RW (%)
Credit risk					
Government and central banks	228,230	9,138	4	71,213	31
Institutions	68,937	18,625	27	20,227	29
Corporate	507,179	452,875	89	731,218	144
Retail	303,794	172,438	57	291,436	96
Of which mortgage	170,692	77,438	45	107,679	63
Securitization*	0	0	0	0	0
Other assets	49,109	60,688	124	103,767	211
Total credit risk	1,157,249	713,763	62	1,217,861	105
Market risk					
Equity in the banking book§	16,174	0	0	170,146	1,052
Trading book market risk	--	37,775	--	56,663	--
Total market risk	--	37,775	--	226,809	--
Insurance risk					
Total insurance risk	--	--	--	0	--
Operational risk					
Total operational risk	--	96,838	--	104,966	--
		Basel II RWA		Standard & Poor's RWA	% of Standard & Poor's RWA
Diversification adjustments					
RWA before diversification		848,375		1,549,636	100
Total Diversification/Concentration Adjustments		--		411,125	27
RWA after diversification		848,375		1,960,760	127
		Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	Standard & Poor's RAC ratio (%)
Capital ratio					
Capital ratio before adjustments		237,580	28.0	225,733	14.6
Capital ratio after adjustments†		237,580	28.0	225,733	11.5

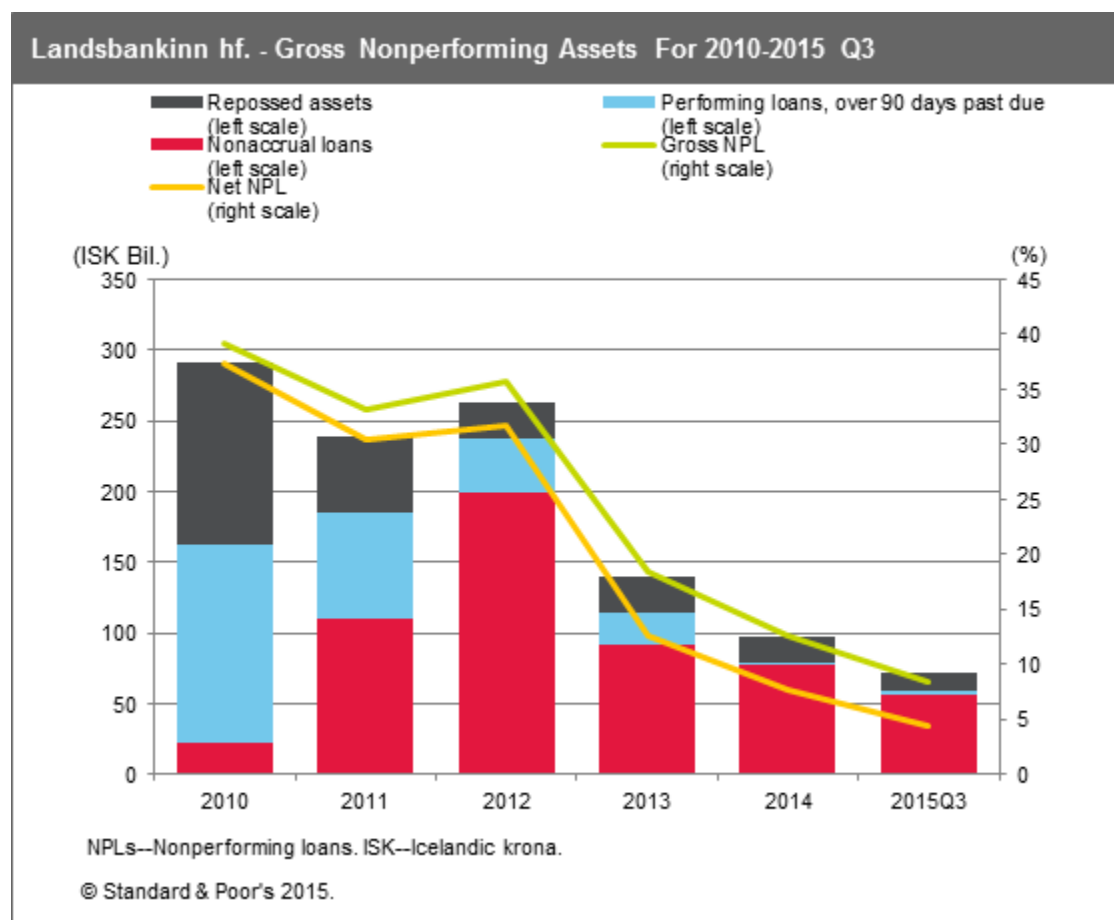
*Securitization exposure includes the securitization tranches deducted from capital in the regulatory framework. §Exposure and Standard & Poor's risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. †Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. ISK--Iceland Krona. Sources: Company data as of June 30, 2015, Standard & Poor's.

Risk position: Improving asset quality and economic environment

In our view, Landsbankinn's adequate risk position reflects its large retail and small and medium-sized enterprise (SME) market share. Given Landsbankinn's exposure profile, which covers a broad spectrum of the domestic exposures and industries, we expect the bank's risk position will remain highly correlated to our assessment of domestic economic risk.

In 2015, Landsbankinn's gross nonperforming assets (including nonaccrual loans, performing loans over 90 days past due, and repossessed assets) has fallen below 9% (8.4% as of Sept. 30, 2015) of customer loans and repossessed assets for the first time since the 2009 restructuring. While the bank continues to reduce past due and repossessed assets, we anticipate that the nonaccrual loans could take time to fall to normalized levels (see chart 2). Net of loss reserves, nonperforming loans (NPLs) stood at 4.4% as of Sept. 30, 2015, indicating loss reserve coverage of 48% compared to just 12% in 2011 when many restructured loans were classified as nonperforming. While the bank's NPLs remain somewhat higher than domestic peers', in part due to the higher share of SME lending, we anticipate that it will close the gap further in 2015 and 2016 as legal disputes over larger NPLs are resolved.

Chart 2



In the first three quarters of 2015, Landsbankinn reported net reversals totaling ISK5.7 billion, compared with new impairments of ISK7.7 billion during 2013. In addition, the bank had a major reversal of ISK7.3 billion related to foreign

currency lending related to two specific court cases. We note that more counterparties' restructurings or defaults are currently subject to legal proceedings and expect provisions will continue to be volatile through 2016. We do not foresee any additional positive revaluations of the loan book.

The bank continues to reduce its major equity holdings, which we see as a significant positive factor for the capitalization, but has also resulted in positive impacts to the bottom line as valuations have increased. In some instances, the bank has sold a large share of assets only to have the revaluation of the newly listed equity result in similar booked exposure. We continue to believe that these positions retain a relatively high risk of downward fair-value adjustments and apply punitive risk weights in our RAC framework.

Table 5

Landsbankinn hf. Risk Position					
	--Year-ended Dec. 31--				
(%)	2015*	2014	2013	2012	2011
Growth in customer loans	14.5	3.9	3.0	6.4	8.7
Total diversification adjustment/S&P RWA before diversification	N.M.	26.9	22.6	22.1	N.M.
Total managed assets/adjusted common equity (x)	5.0	4.9	5.2	5.1	5.8
New loan loss provisions/average customer loans	(0.9)	(0.0)	1.1	1.8	1.1
Net charge-offs/average customer loans	0.6	1.6	0.1	0.1	0.3
Gross nonperforming assets/customer loans + other real estate owned	8.4	12.5	18.5	35.8	33.2
Loan loss reserves/gross nonperforming assets	49.5	42.5	36.4	16.7	11.9

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

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

We consider Landsbankinn's funding to be average, balancing the bank's relatively strong funding metrics against its relatively high share of wholesale funding and the uncertainty about the long-term funding structure of Icelandic banks. While Landsbankinn 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 regarding potential deposit outflows associated with the eventual removal of capital controls. Furthermore, Icelandic banks' access to wholesale markets and international financing remains limited at this stage, although it is improving, and we anticipate that Landsbankinn will be able to replace a large portion of its LBI bonds with market funding by 2020. These factors weigh on our assessment of Landsbankinn's funding profile, constraining ratings upside from funding and liquidity.

On Oct. 12, 2015, Landsbankinn issued a €300 million (ISK43 billion) three-year senior unsecured issuance at 295 bps over euro mid-swaps in its first international issuance since the bank was established in 2008. The bank announced that it would use the proceeds to repay the 2016 tranche on the LBI bonds and part of the 2018 tranche. In addition, the bank will repay the remaining ISK22 billion of the 2018 tranche from its own liquidity reserves, with LBI agreeing to place the funds in a three-year term deposit with the bank. In total, these actions reduce the outstanding amount of the LBI bonds to approximately ISK126 billion. We anticipate that the bank will continue steady issuance over the next few years in order to repay the LBI bonds by 2020, noting that the bank is likely to reduce its funding cost as the markets become more accessible to Landsbankinn and its Icelandic peers.

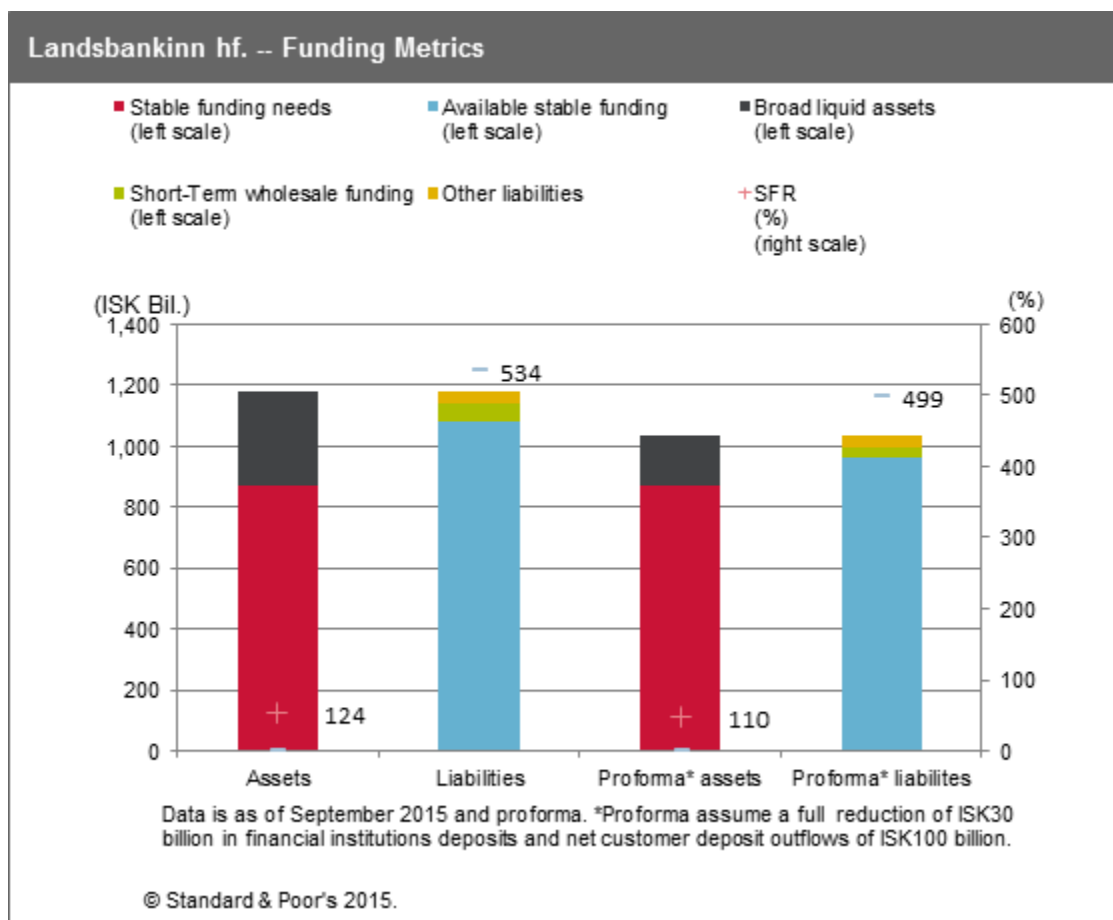
The bank has made significant gains in customer deposits in the last six quarters, with core customer deposits

representing 70.5% of the funding base as of Sept. 30, 2015, up from 52% at year-end 2013. We note, however, that nearly 25% of these deposits are in foreign currency, and, as such are seen as more volatile as capital controls are relaxed and the estates in particular are allowed to withdraw funds from Iceland. In addition, some ISK deposits from the old banks and foreign bank ISK deposits could leave Landsbankinn and its peers as a result of a onetime ISK auction by the central bank to be completed by the spring of 2016.

In addition to the net impact of the new issuance and repayment of the LBI bonds, we believe that the bank could lose approximately ISK120 billion in customer deposits from the old estates, as well as another ISK25 billion in financial institutions deposits. We believe that the bank's broad liquid assets, totaling ISK309 billion as of Sept. 30, 2015, are adequate to manage these outflows. Our estimates indicate that Landsbankinn's pro forma stable funding ratio would fall to a solid 115% from 124% at end-September 2015.

Furthermore, even with these outflows we still consider Landsbankinn's liquidity as strong. Landsbankinn's ratio of broad liquid assets to short-term wholesale funding was 5.3x at end-September 2015 and our pro rata estimate would reduce the liquidity position to 4.9x, which we still deem to be strong.

Chart 3



Given the prospects of an eventual relaxation of capital controls in Iceland, it is important to have exceptional funding

and liquidity buffers, particularly in foreign currency. In this sense, 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. We note that at end-September 2015, Landsbankinn's liquid foreign currency assets (ISK107 billion) were somewhat less than its foreign currency deposits (ISK130 billion), however this does not include the additional ISK43 billion in foreign currency liquidity resulting from the October €300 million debt issuance.

Table 6

Landsbankinn hf. Funding And Liquidity					
	--Year-ended Dec. 31--				
(%)	2015*	2014	2013	2012	2011
Core deposits/funding base	70.5	67.5	52.5	50.2	49.1
Customer loans (net)/customer deposits	129.1	130.3	149.0	158.2	144.1
Long-term funding ratio	94.9	93.9	82.4	89.4	88.3
Stable funding ratio	123.7	121.9	115.1	119.9	117.7
Short-term wholesale funding/funding base	6.5	7.9	22.4	13.4	14.3
Broad liquid assets/short-term wholesale funding (x)	5.3	4.4	1.8	2.6	2.4
Net broad liquid assets/short-term customer deposits	40.3	40.8	38.1	46.6	43.6
Short-term wholesale funding/total wholesale funding	22.1	24.3	47.2	26.9	28.1
Narrow liquid assets/3-month wholesale funding (x)	5.8	4.7	1.9	2.5	2.5

*Data as of Sept. 30.

External support: Government support for Icelandic banks is uncertain

Landsbankinn is 98% owned by the Icelandic government. Although we regard the bank as having "high" systemic importance, we add no uplift to the SACP because future extraordinary government support is uncertain, in our view. This view reflects the Icelandic government's historical lack of support for senior creditors and improved, but still limited, capacity to support the country's new, smaller banking system in the event of severe stress.

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, on RatingsDirect). 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 19, 2015)

Landsbankinn hf.

Counterparty Credit Rating	BBB-/Positive/A-3
Senior Unsecured	BBB-
Short-Term Debt	A-3

Counterparty Credit Ratings History

21-Jul-2015	BBB-/Positive/A-3
14-Oct-2014	BB+/Positive/B
20-Jan-2014	BB+/Stable/B

Ratings Detail (As Of November 19, 2015) (cont.)

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.

Additional Contact:

Financial Institutions Ratings Europe; FIG_Europe@standardandpoors.com

Copyright © 2015 Standard & Poor's Financial Services LLC, a part of McGraw Hill Financial. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgement as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription) and www.spcapitaliq.com (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.