



To newspapers, newsrooms, and
financial institutions

Press release
31 August 2009

New Treasury bond series issued

Recent press releases have described the capitalisation of Íslandsbanki and New Kaupthing and the progress of negotiations with Landsbanki. Íslandsbanki's own funds are estimated at 65 b.kr. and New Kaupthing's at 72 b.kr., which will be contributed in the form of Treasury bonds, with the actual amount of the capital injection subject to final approval by the Financial Supervisory Authority. As regards New Landsbanki (NBI), the Government and the resolution committee have requested that the Financial Supervisory Authority grant an extension of time to reach a final conclusion on recapitalisation and on payments for the assets transferred from old Landsbanki to NBI.

In order to fund the capital contributions to the banks, the Treasury is issuing a new series of Treasury bonds. The maximum amount of the issue is 300 b.kr. The series will bear monthly interest that will be based on the interest on financial institutions' current accounts with the Central Bank. The series will mature on October 9, 2018. In other respects, reference is made to the accompanying prospectus. The series is to be listed on the stock exchange, but there will be no market making for the bonds.

Glitnir and Kaupthing will be offered the option of purchasing the majority of the State's share in Íslandsbanki and New Kaupthing. If they exercise that option, the Government has agreed to contribute capital to the two new banks in the form of subordinated loans in partial satisfaction of their capital requirement. The loans in question will constitute 4% of their risk-weighted asset base.

It has been agreed that, if the old banks should purchase the new ones, a portion of the Treasury bonds will be returned to the State. Glitnir has until September 30, 2009, to conclude the purchase, and Kaupthing has until October 31, 2009.