

# **DESCRIPTION OF TREASURY NOTES**

## **RIKB 25 0612**



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## Description of Government securities: Treasury Note series RIKB 25 0612

<b>Issuer</b>	The Issuer, on behalf of the Treasury of the Republic of Iceland, is the Central Bank of Iceland, national identification no. 560269-4129, Kalkofnsvegur 1, 150 Reykjavík. Telephone: +354 569 9600, fax: +354 569 9604, website: www.sedlabanki.is
<b>Responsibility</b>	The Central Bank of Iceland is responsible for this Description.
<b>Authorisation</b>	The Minister of Finance, on behalf of the Treasury, has decided to issue Treasury Notes in Series RIKB 25 0612, based on the authority contained in Article 5 of the National Budget for 2009. The series is open, and Notes in it will be sold on the basis of the authorisation contained in the annual fiscal budget for each year.
<b>Terms of auction</b>	The terms of the auction will be disclosed through the news service of the OMX Nordic Exchange Iceland (OMX ICE) at least two days before each auction. The terms of the auction will describe the estimated amount on offer, the starting and the closing time of the auction, the method of payment, and who may participate in the auction. The first auction will be held on June 9, 2009, and payment and settlement will take place on June 12, 2009. The Notes will be delivered in electronic form upon payment.
<b>Identification</b>	The series will be issued electronically by a central securities depository in units of one Icelandic króna. The Notes are issued in Icelandic krónur. The minimum unit of trade on OMX ICE is one thousand (1,000) krónur nominal value. The identifying symbol of the series is RIKB 25 0612, and the ISIN code is IS0000019321.
<b>Maturity, interest, and payment dates</b>	The Notes are interest-bearing and pay interest annually at the end of each interest period. The annual interest rate will be determined after bids have been submitted and accepted for the first auction of the series. The Notes are non-indexed, with a sixteen-year maturity. The date of issue is June 12, 2009, and the maturity date is June 12, 2025. The first interest accrual date is June 12, 2009. The interest period is one year, from June 12 through June 11 of the following year. The annual date for the payment of interest due is June 12, with the first interest payment due on June 12, 2010. In the event that the interest payment date falls on a public holiday or a work holiday, the date of payment will be moved to the workday immediately following. Payment is remitted in accordance with the Icelandic Securities Depository register of owners as of the morning of the last business day prior to interest payment dates and maturity date. On the final maturity date, June 12, 2025, the last payment of



interest due shall be remitted, together with the principal amount of the Notes. The Notes are not callable.

**Special privileges**

There are no special benefits or privileges attached to the Notes.

**Taxes**

Tax treatment of the Notes shall be handled in accordance with current tax law at any given time. According to Article 3 of the Act on Withholding Tax on Financial Income, no. 94/1996, all domestic financial institutions, securities undertakings, and any other professional custody service providers, intermediaries or collectors for securities transactions are required to deduct withholding tax from interest income and bond discounts and remit the tax thus withheld to the Treasury. The same applies to the Treasury and to Government institutions that pay interest by law. Treasury Notes are exempt from stamp duties in accordance with Act no. 79/1983.

**Payment**

Payments are transmitted electronically.

**Expiry of claims**

The expiry, due to lapse of time, of claims deriving from the Notes is governed by the Act on the Expiration of Obligations, no. 150/2007. Claims for interest will expire four (4) years after the interest payment date, and claims for principal will expire ten (10) years after the maturity date.

**Yield to maturity and selling rate**

The yield and selling price are determined by market conditions at any given time. Information on the rate of exchange of the Notes in the secondary market will appear on OMX ICE. This information can also be obtained from banks, saving banks, and securities undertakings.

**Daily calculation formula**

The day count rule for the price and accrued interest calculation is on actual/actual basis. The ISMA method will be used for the calculation.

**Resolution of disputes**

The Notes are subject to Icelandic law. In the event of legal action in connection with the Notes, such action may be brought before the District Court of Reykjavík, in accordance with the provisions of Chapter 17 of the Act on Civil Procedure, no. 91/1991.

**Title and transfer**

Ownership of the bonds may only be transferred to a party specified by name. A personal identification number must be provided with the name of the beneficiary. Account operators as defined in the Act on Electronic Registration of Title to Securities, no. 131/1997, are the only entities authorised to act as intermediaries in the transfer of the Notes. Registration of title to an electronic security certificate in a central securities depository, following final entry by the central securities depository, grants the registered owner legal authority to the rights of which he is



the registered owner. There are no other restrictions on the transfer of title to these Notes.

**Pre-emptive purchase rights**

There are no pre-emptive rights in connection with the issue.

**Listing**

Notes sold through the auction on June 9, 2009, will be listed on OMX ICE on June 16, 2009. The outcome of subsequent auctions will be disclosed on the OMX news service; thereafter, the Notes will be listed on OMX ICE.

**Manager**

The Central Bank of Iceland, Kalkofnsvegur 1, 150 Reykjavik, is the manager of this issue and will be responsible for its listing on OMX ICE.

**Purpose of the issue**

The aim of the issue is to acquire funds for the Treasury and to improve price formation in the domestic bond market.

**Market making**

The series is subject to the provisions of an agreement with primary dealers regarding Government securities issues and market making in the secondary market. Market making with the issue in the secondary market is to begin at the time the series is listed on OMX ICE.

**Information and documents**

The description of Treasury Notes RIKB 25 0612, as well as other information and documents in connection with the issue, can be obtained from the website [www.lanamal.is](http://www.lanamal.is). Further information can be obtained from the International and Market Operations Department of the Central Bank of Iceland.