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and financial institutions

Press Release
August 18, 2009

AUCTION OF TREASURY NOTES RIKB 11 0722, RIKB 13 0517 & RIKB 25 0612

On **Friday, 21 August at 14:00** the Central Bank of Iceland will conduct an auction of three series of Treasury notes.

The series that will be offered are a new two-year notes **RIKB 11 0722** as well as **RIKB 13 0517** and **RIKB 25 0612**. The total amount of accepted bids will be announced after the auction.

The Central Bank reserves the right to accept all of the submitted bids, accept part of them, or reject all of them. Only primary dealers in Treasury securities are authorised to submit bids in this auction. They also submit bids on behalf of investors. The minimum amount of each bid is 1 m.kr. nominal value.

The auction will be structured as a single-price auction, which means that all accepted bids will be sold to primary dealers at the same price. The lowest accepted price (highest yield) will determine the selling price. In other respects, reference is made to the Terms of Invitation to Tender, which accompany this press release.

The payment and settlement date is Wednesday, August 26, 2009.

For this auction, the Central Bank requests bids for the following series:

<u>Series</u>	<u>Maturity date</u>	<u>Outstanding amount*</u>	<u>Time to maturity</u>
RIKB 11 0722	July 22, 2011	0	1.9 years
RIKB 13 0517	May 17, 2013	66,583 m.kr.	3.8 years
RIKB 25 0612	June 12, 2025	10,060 m.kr.	15.8 years

*Nominal value

After the results of the auction are available, the Central Bank will offer primary dealers the equivalent of 10% of the nominal value sold in the auction, at the price of accepted bids, until 14:00 on Tuesday, August 25. Each primary dealer that has submitted an accepted bid in the auction has the right to purchase an amount proportional to its total purchase. *The payment and settlement date for these transactions is August 26, 2009.*

Further information can be obtained from Oddgeir Gunnarsson, International and Market Department, Central Bank of Iceland, at +354 569 9633.

Sincerely,