

DESCRIPTION OF TREASURY BONDS

RIKB 22 1026



GOVERNMENT DEBT MANAGEMENT

Kalkofnsvegi 1 150 Reykjavik Iceland

phone: 569 9600 fax: 569 9604

email: lanamal@lanamal.is

internet: <http://www.lanamal.is>



Description of Treasury bonds: RIKB 22 1026

Issuer	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. Tel: +354 569 9600, fax: +354 569 9604, website: www.sedlabanki.is
Responsibility	The Central Bank of Iceland is responsible for this Description.
Authorisation	The Minister of Finance, on behalf of the Treasury, has decided to issue Treasury bonds in Series RIKB 22 1026, based on the authority contained in Article 5 of the National Budget for 2011. The series is open, and bonds in it will be sold on the basis of the authorisation contained in the annual fiscal budget for each year.
Terms of auction	The terms of the auction will be disclosed through the news service of the NASDAQ OMX Exchange Iceland (OMX ICE) at least two days before each auction. The terms of the auction will describe the starting and the closing time of the auction, the method of payment, and who may participate in the auction, among other things. The first auction will be held on 21 October 2011, and payment and settlement will take place on 26 October 2011. The bonds will be delivered in electronic form upon payment.
Identification	The series will be issued electronically by a central securities depository in units of one Icelandic króna. The bonds are issued in Icelandic krónur. The minimum trading unit on the OMX ICE exchange is one króna nominal value. The identification number for the bonds is RIKB 22 1026. The ISIN number of the bonds is IS0000020717.
Term, interest, and payment dates	The bonds are interest-bearing and pay interest annually at the end of each interest period. The annual interest rate will be 7.25%. The bonds are non-indexed, with a eleven-year maturity. The date of issue is 26 October 2011, and the maturity date is 26 October 2022. The first interest accrual date is 26 October 2011. The interest period is one year, from 26 October through 25 October of the following year. The annual date for the payment of interest due is 26 October, with the first interest payment due on 26 October 2012. 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; however, the interest period will remain unchanged. On the final maturity date, 26 October 2022, the last payment of interest due shall be remitted, together with the principal amount of the bonds. The bonds are not callable.
Record date	The record date is determined by the ownership register of the securities depository at the end of the banking day, one day prior to the payment date for interest and principal.



Special privileges	There are no special benefits or privileges attached to the bonds.
Taxes	Tax treatment of the bonds 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 bonds 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 bonds 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 and selling price	The yield and selling price are determined by market conditions at any given time. Information on the rate of exchange of the bonds in the secondary market will appear on OMX ICE. This information can also be obtained from banks, saving banks, and securities undertakings.
Day count rule	The day count rule for the price and accrued interest calculation is on actual/actual basis. The ICMA method will be used for the calculation. According to instructions from OMX ICE, six decimal places will be used to calculate the dirty price from the clean price.
Resolution of disputes	The bonds are subject to Icelandic law. In the event of legal action in connection with the bonds, 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 bonds. 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 bonds.



Pre-emptive purchase rights

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

Listing

Bonds sold in the auction on 21 October 2011 will be registered with OMX ICE on 27 October 2011. The outcome of subsequent auctions will be disclosed on the OMX news service; thereafter, the bonds 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 bonds RIKB 22 1026, as well as other information and documents in connection with the issue, can be obtained from the website www.lanamal.is. Further information can be obtained from the International and Market Operations Department of the Central Bank of Iceland.