



GOVERNMENT DEBT MANAGEMENT

Kalkofnsvegi 1 150 Reykjavík Iceland

phone: 569 9600 fax: 569 9604

email: lanamal@lanamal.is

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

March 15, 2012

Repayment of Treasury and Central Bank debt

In March, the Treasury of Iceland and the Central Bank of Iceland will prepay loans from the International Monetary Fund (IMF) and the Nordic countries in the amount of 116 b.kr.

The transaction represents the prepayment of SDR 289 million (the equivalent of 55.6 b.kr.) to the IMF, and 366 million euros (the equivalent of 60.5 b.kr.) to the Nordic countries.

The prepayment amounts to just over 20% of the funding from the IMF and the Nordic countries in connection with the IMF-led Stand-By Arrangement.

Today's transaction is an element in paying down short-term debt, thus reducing the expense associated with the holding of the Central Bank's foreign exchange reserves without increasing refinancing risk or depleting the reserves.

The decision to make the payment was made in view of the Treasury and the Central Bank's relatively strong foreign currency liquidity position in the near term. The repayment to the IMF covers maturities in 2013, and the payments to the Nordic countries cover maturities coming due in 2014 and 2015, as well as a portion of 2016 maturities.

The original loans from the IMF and the Nordic countries amounted to 3.4 billion euros, or 564 b.kr. at the current exchange rate. The prepayment does not affect the Treasury's net debt, but it reduces Treasury's gross debt by approximately 3.4% of GDP. Iceland's external liabilities decline overall by about 6.6% of GDP as a result of these changes, but the net debt position is unchanged.

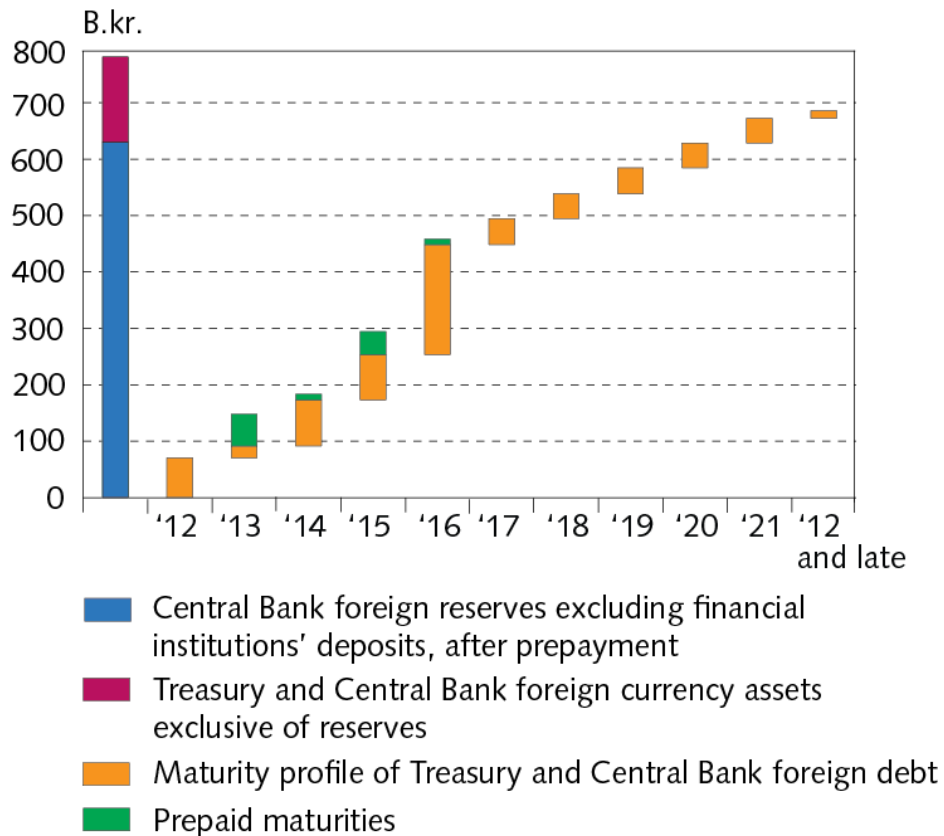
The maturity profile of Treasury and Central Bank foreign debt, which can be seen below, shows clearly that the prepayment significantly reduces the burden of foreign debt service over the next four years, or until 2016.

Further information can be obtained from Már Guðmundsson, Governor of the Central Bank of Iceland, at tel: +354 569-9600.



GOVERNMENT DEBT MANAGEMENT

Maturity profile: Treasury and Central Bank foreign debt



Source: Central Bank of Iceland, estimated as of end-March 2012.