



TERMS OF INVITATION TO TENDER FOR TREASURY NOTES

Auction Date September 19th 2007

1. The Minister of Finance, acting on behalf of the Treasury, has decided to tender Treasury Notes in conformity with provisions for authority contained in the Budget for the year 2007 and with regard to the provisions of Act No. 43/1990 on The National Debt Management Agency. The aim of the issue is to acquire funds for the Treasury and to improve the interest rate structure in the domestic bond market. *The auction date is Wednesday, September 19th 2007. Date of payment and settlement is Friday, September 21st 2007.*
2. On offer is the following series of Treasury Notes:

| Series | ISIN | Date of maturity |
|---------------------|---------------------|----------------------|
| RIKB 09 0612 | IS0000014900 | June 12, 2009 |

The maximum amount of this auction is estimated to be ISK 4,300 million nominal value.
3. The Treasury Note Series will be issued in an electronic format at the Icelandic Securities Depository Ltd. and the nominal value unit is one krona, i.e. nominal value and the number of units is the same. Treasury Notes are without indexation.
4. Only Primary Dealers are authorised to submit bids. The minimum amount of each bid is ISK 1 million nominal value. Bids shall be made in millions nominal value.
5. After the results of a competitive auction are available, the NDMA will offer the equivalent of 10% of the amount sold in a non-competitive auction until 14:00 on settlement date of the auction. Only Primary Dealers will have the option to purchase an amount equal to their market share in the competitive auction at the weighted average yield of the current competitive auction. Settlement date is one day after business day, that is T+1.
6. Bids may only be sent to the National Debt Management Agency through the Bloomberg Auction System between 13:00 and 14:00 on the auction date (Icelandic local time). Bids shall be expressed on a price basis, with three decimals and the last one being 0 or 5.
7. If bids do not reach the National Debt Management Agency due to system error or any other reason, the National Debt Management Agency disclaims all liability. Parties can obtain a confirmation of acceptance of their bids by calling the Chief Executive of the National Debt Management Agency or his representative on telephone +354 540 7500. Bids reaching the National Debt Management Agency registered to individual terminals in the Bloomberg Auction System are binding and the responsibility of the person who is registered for that terminal. It is permissible to amend or withdraw bids by sending an appropriate message through the Bloomberg Auction System to the National Debt Management Agency before 14:00 on bidding day. If problems arise because of the use of the Bloomberg Auction System then the terms in "Form of Auction Process & BAS Back Up Memorandum", which has been sent to all the Primary Dealers who are authorised to make bids, come into effect.
8. The Treasury reserves the right to reject bids as a whole or accept bids partially.
9. The result of the auction will be published on OMX Nordic Exchange in Iceland and sent to the Primary Dealers by e-mail.
10. Payments for the Treasury Notes in accordance with the bids in the auction which will be accepted must be received by the National Debt Management Agency before 14:00 on the date of payment and the Notes will be issued in electronic format on the same day. In case payment is not received at the correct time the Treasury reserves the right to claim from the bidder the maximum lawful deferred interest for the time payment is delayed.
11. The Treasury will pay the debt according to the aforementioned Treasury Notes on the day of maturity. In case lawsuits arise on account of these Treasury Notes or disagreement concerning interpretation of terms these may be proceeded with before the Reykjavík District Court in accordance with the provisions of Section 17 of Act No. 91/1991. The expiry of claims in accordance with these Treasury Notes are subject to the provisions of the Act on the Expiration of Debt and other Obligations No. 14/1905
12. Treasury Notes are free from stamp duty in accordance with Act No. 79/1983. The tax liability or tax exemption of Treasury Notes, as well as interest are subject to the provisions of the Act respecting Income and Property Tax as these are at any given time. Treasury Notes must be declared on tax returns.
13. Treasury Notes are listed on OMX Nordic Exchange in Iceland. Market makers are: Glitnir Bank, Icebank, Kaupthing Bank, Landsbanki, MP Investment Bank, Saga Capital Investment Bank and Straumur-Burdaras Investment Bank.