



TERMS OF INVITATION TO TENDER FOR TREASURY BILLS

Auction Date July 30th 2007

1. The Minister of Finance, acting on behalf of the Treasury, has decided to tender Treasury Bills 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 Monday July 30th 2007. Date of payment is Wednesday August 1st 2007.*
2. On offer are the following Series of Treasury Bills:

Series	ISIN	Date of maturity
RIKV 07 1101	IS0000015170	November 1, 2007

The minimum amount of this auction is estimated to be ISK 2,500 million nominal value. The maximum amount of this auction is estimated to be ISK 5,000 million nominal value.
3. The Treasury Bill Series will be issued in 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 Bills are nominal discount instruments without indexation.
4. Only Primary Dealers are authorized to submit bids. The minimum amount of each bid is ISK 1 million nominal value. Bids shall be made in millions nominal value.
5. Bids may only be sent to the National Debt Management Agency through the Bloomberg Auction System between 10:00 and 11:00 on Monday July 30th, 2007. (Icelandic local time). Bids shall be expressed on a price basis, with three decimals and the last one being 0 or 5.
6. 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 11:00 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.
7. The Treasury reserves the right to reject bids as a whole or accept bids partially.
8. The result of the Tender will be published on Iceland Stock Exchange and sent to Primary Dealers by e-mail.
9. Payments for the Treasury Bills in accordance with the bids which will be accepted must be received by the National Debt Management Agency before 14:00 on the date of payment and the Bills 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.
10. The Treasury will pay the debt according to the aforementioned Treasury Bills on the day of maturity. In case lawsuits arise on account of these Treasury Bills 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 Bills are subject to the provisions of the Act on Bills No. 93/1933.
11. Treasury Bills are free from Stamp Duty in accordance with Act No. 79/1983. The tax liability or tax exemption of Treasury Bills, 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 Bills must be declared in tax returns.
12. Treasury Bills are listed on Iceland Stock Exchange. Market makers are: Glitnir Bank, Icebank, Kaupthing Bank, Landsbanki Islands, MP Investment Bank, Saga Capital and Straumur-Burdaras Investment Bank.