

Economic and monetary chronicle

June 2007

On June 26, Kaupthing Bank announced the issue of subordinated bonds in the amount of EUR 250 million or approximately 21 b.kr. The bonds are classified as Tier 1 capital.

July 2007

On July 5, the Board of Governors of the Central Bank of Iceland announced its decision to leave the Bank's policy interest rate unchanged.

On July 5, the Financial Supervisory Authority (FME) approved the merger of VBS Investment Bank Inc. and Fjárfestingarfélag sparisjóðanna (FSP) under the name VBS Investment Bank Inc.

On July 6, the government announced a one-third cut in the cod quota allocation for the coming fishing year and plans for offsetting policy actions. The actions are primarily designed to moderate the initial impact of the income reduction associated with a cut in the cod catch, to support the fishing communities and to bolster marine research. The government's offsetting policy actions call for approximately 6.5 b.kr. to be spent over the next three years on new projects designed to support economic activity in the country, strengthen education, and provide alternative options for individuals who will suffer loss of income. In addition, expenditure of more than 4 b.kr. will be disbursed on an expedited basis for previously planned projects in the transportation and communications sector. Work on the projects involved is scheduled to be undertaken in 2008-2010.

On July 30, the National Debt Management Agency solicited tenders for Treasury Bills RIKV 07 1101. Bids were requested for the issue and the total amount was estimated to be in the 2,500-5,000 m.kr. range. The nominal value of all bids received was 8,500 m.kr. Bids were accepted for a nominal amount of 5,000 m.kr. at an average yield of 13.82%. The highest yield of bids accepted was 13.90% and the lowest was 13.58%.

On July 31, the Board of Directors of Landsbanki Íslands exercised its authorization to raise the share capital of Landsbanki Íslands by a nominal amount of 172,076,284 kr. in accordance with a resolution approved by its Annual General Meeting, held on February 9, 2007. The new shares will be used as payment for 90% of the total price payable for the takeover of the UK broker and investment bank Bridgewater Group plc. New shares in Landsbanki were issued on August 8 and registered in the OMX Nordic Stock Exchange Iceland on August 9. Bridgewater became part of the consolidated accounts of Landsbanki as of August 10, 2007. The operations of Bridgewater and Teather & Greenwood will be merged under the name of Landsbanki Securities UK.

August 2007

On August 15, Kaupthing Bank announced the signing of a purchase agreement for all the shares of the Dutch bank NIBC Holding BV for

approximately EUR 3 billion or 270 b.kr. Kaupthing will pay the seller part of the purchase price with an issue of 110 million new shares, worth a total of EUR 1,360 million. EUR 1,625 million is to be paid in cash from disposable funds from a subordinated bond issue and the proceeds of 40 million new shares to be offered to pre-emptive right shareholders.

On August 29, the FME granted Straumur-Burdaras Investment Bank an operating licence as a commercial bank.

On August 30, the National Debt Management Agency solicited tenders for Treasury Bills RIKV 07 1203. Bids were requested for the issue and the total amount was estimated to be in the 2,500-5,000 m.kr. range. The nominal value of all bids received was 7,900 m.kr. Bids were accepted for a nominal amount of 4,450 m.kr. at an average yield of 14.13%. The highest yield of bids accepted was 14.31% and the lowest was 13.95%.

September 2007

On September 3, the Board of Directors of Straumur-Burdaras Investment Bank, acting under the company's resolution and the decision of a meeting of shareholders held on March 8, 2007, decided to record the Bank's share capital in euros instead of Icelandic krónas. Straumur's share capital will be EUR 109,493,129 instead of ISK 10,359,144,971. The conversion will not change shareholders' ownership proportions within the company and, as such, will not affect the value of each individual's holdings.

On September 4, it was announced that the Minister of Finance had decided to entrust the Central Bank of Iceland with the issue of government's domestic market securities, which had previously been handled by the National Debt Management Agency. This places the supervision of all Treasury's loan operations within a single agency.

On September 6, the Board of Governors of the Central Bank of Iceland announced its decision to leave the Bank's policy interest rate unchanged.

On September 19, tenders were solicited for the issue of 2-year Treasury Bills RIKB 09 0612. The nominal value of all bids received was 8,000 m.kr. and bids were accepted in the amount of 4,300 m.kr. The average required rate of return was 13.46%. In the non-competitive average price part of the tender conducted over the next two days, 430 m.kr. were on offer, all of which was taken up by Primary Dealers. At the end of September the outstanding amount under the issue was 15,505 m.kr. Under the program for the year 2007, it was planned to issue Treasury Bills in the nominal amount of 25 b.kr., and that target was achieved with this tender.

On September 20, the FME authorized the conversion of Sparisjóður Reykjavíkur og nágrennis (SPRON) to a limited liability company. SPRON is considered a limited liability company as of April 1, 2007. Shares of SPRON were accepted for trading on the main market of the OMX Nordic Stock Exchange Iceland on Tuesday, October 23. The number of SPRON shares issued is 5,004,000,000 and the nominal value of each share is one króna.

On September 27, the National Debt Management Agency solicited tenders for Treasury Bills RIKV 08 0103. Bids were requested for the issue and the total amount was estimated to be in the 2,500-5,000 m.kr. range. The nominal value of all bids received was 8,250 m.kr. Bids were accepted for a nominal amount of 3,550 m.kr. at an average yield of 14.06%. The highest yield of bids accepted was 14.12% and the lowest was 13.95%.

October 2007

On October 1, the operations of the National Debt Management Agency were transferred to the Central Bank of Iceland. The unit's name is "Lánamál ríkisins" in Icelandic and Government Debt Management in English.

On October 11, Kaupthing Bank announced the issue of subordinated bonds in the amount of 400 million US dollars or approximately 24 b.kr. The bonds are classified as Tier 1 capital.

On October 12, Landsbanki Íslands issued subordinated bonds in the amount of 400 million US dollars or approximately 24 b.kr. The bonds are classified as Tier 1 capital.

