



The Republic of Iceland

The Road to Recovery

October 2010

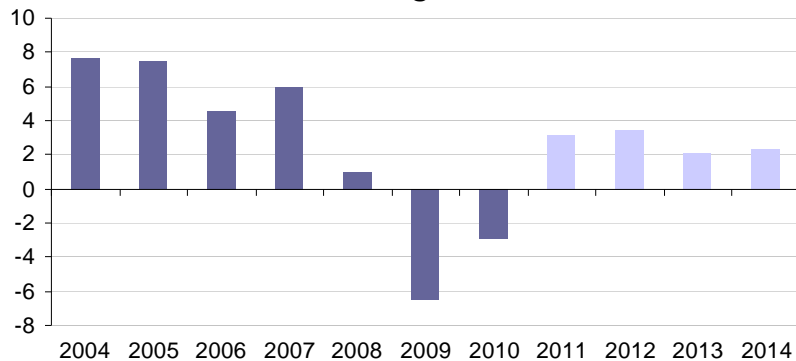
Economic program advancing

- The economic program is on track
 - 3rd review confirmed by IMF
 - IMF program will continue until August 2011
 - Focus on improvements 2009 - 2013
- The program's main policy areas are:
 - Fiscal sustainability
 - Monetary policy focused on currency stability
 - Financial sector reform
 - Private sector debt restructuring

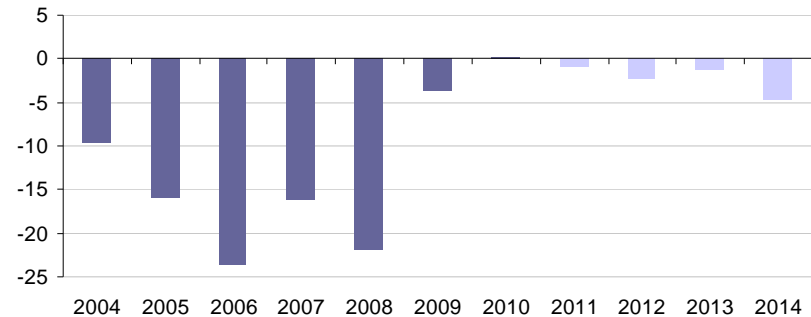
Improvements over the coming years

All charts show % GDP

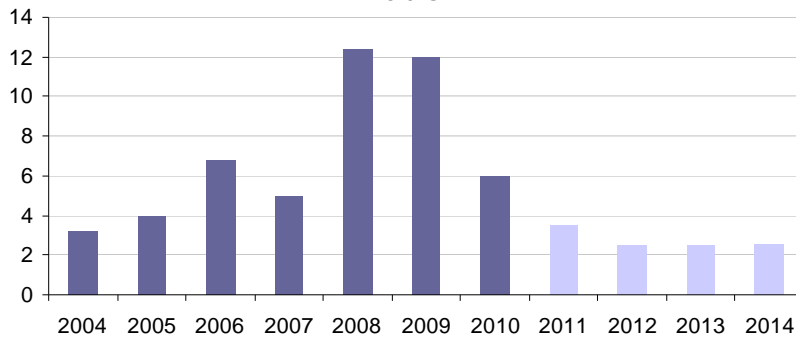
GDP growth



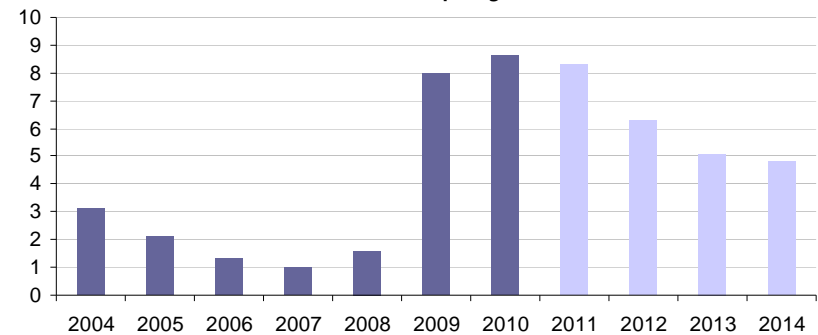
Current account



Inflation



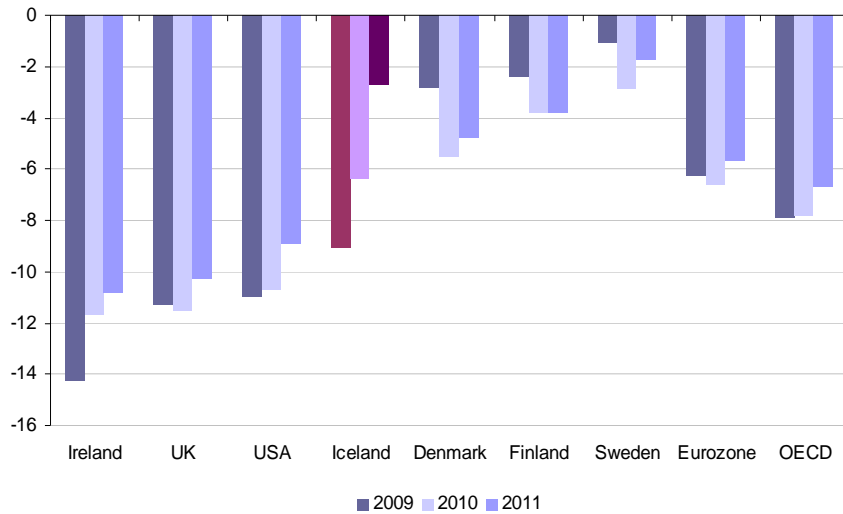
Unemployment



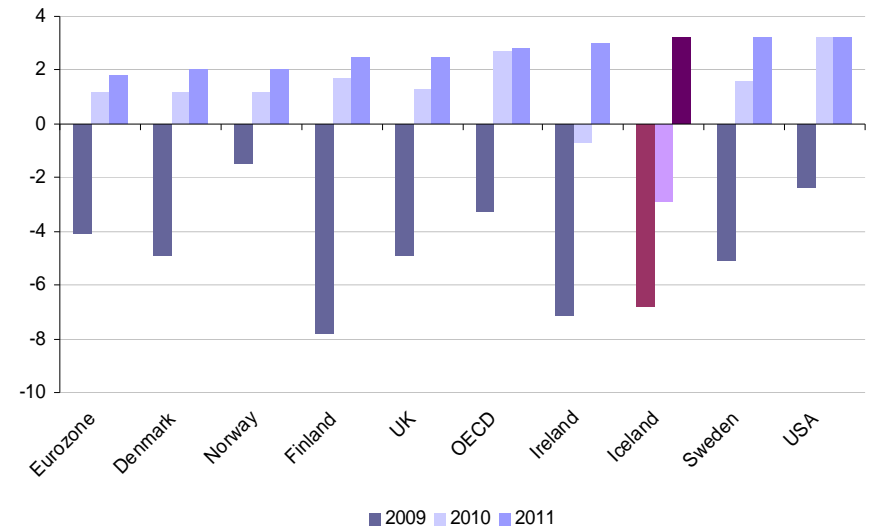
Iceland is not an outlier in international comparison

All charts show % GDP

Financial Balance General Government



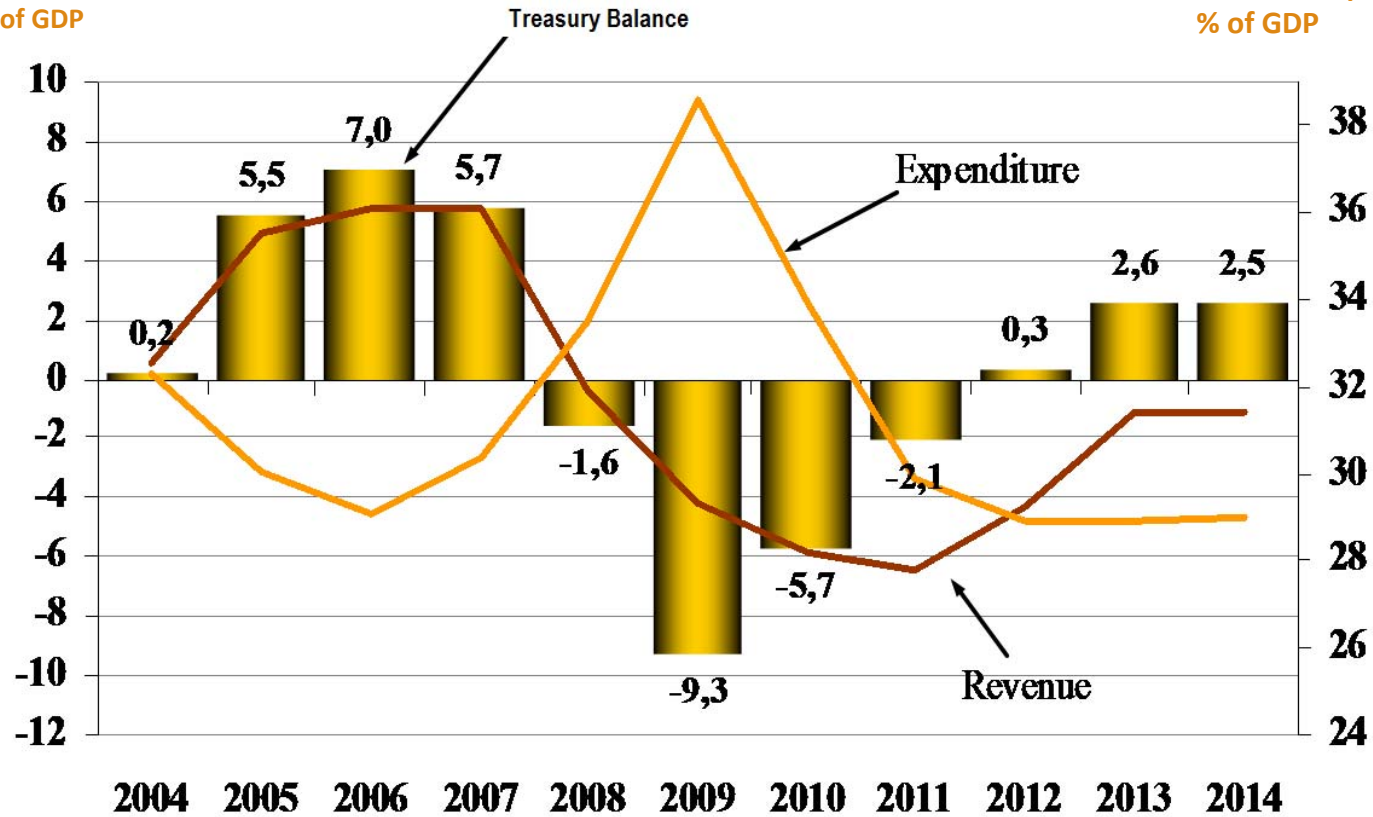
GDP Development



Treasury budget 2011

Treasury balance,
% of GDP

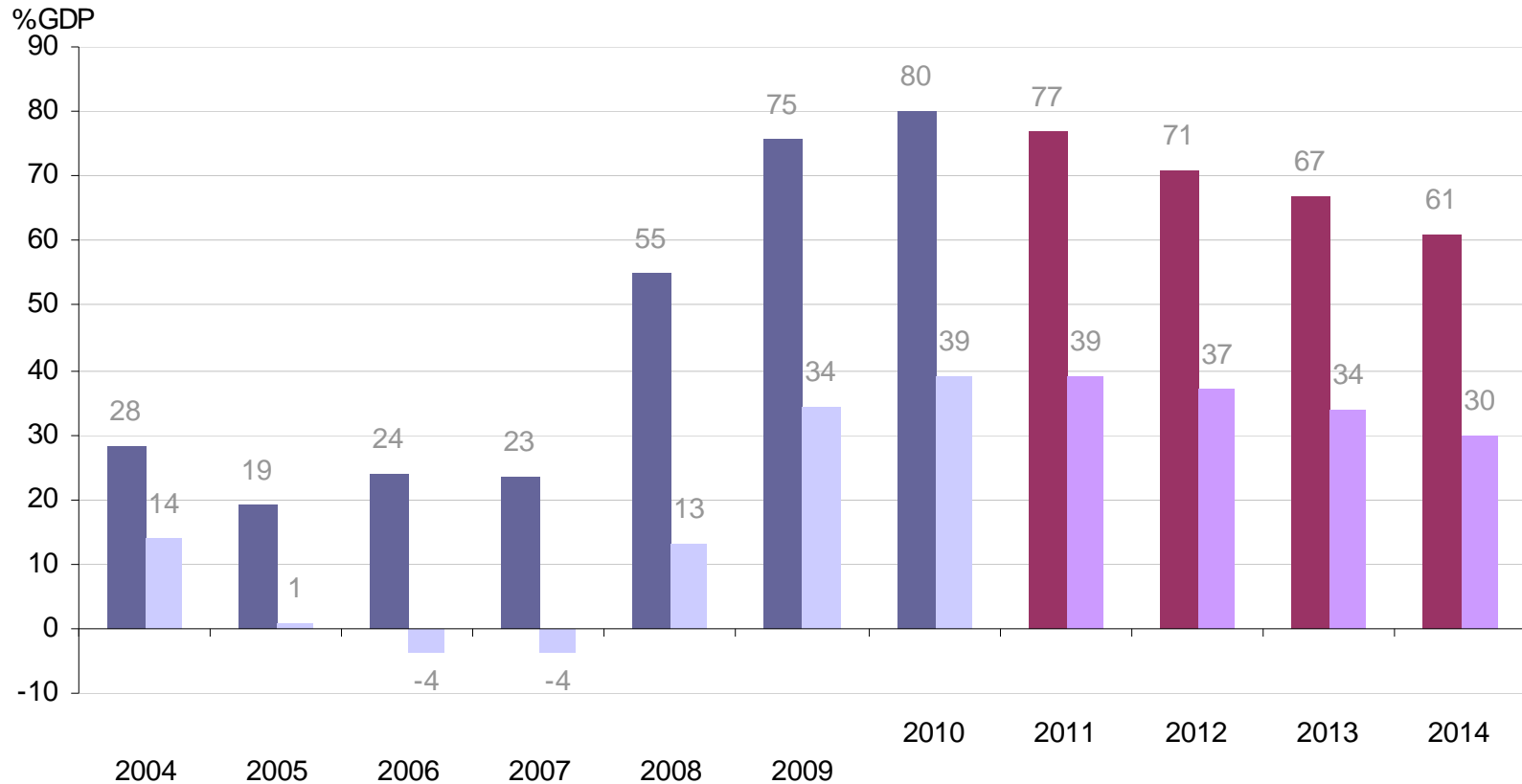
Rev. and exp.,
% of GDP



* 17,5 ma.kr. Avens revenues not included in 2010

* ISK 192 billion in write-offs of outstanding claims excl. in 2008 exp.

Central government debt ratios will decline

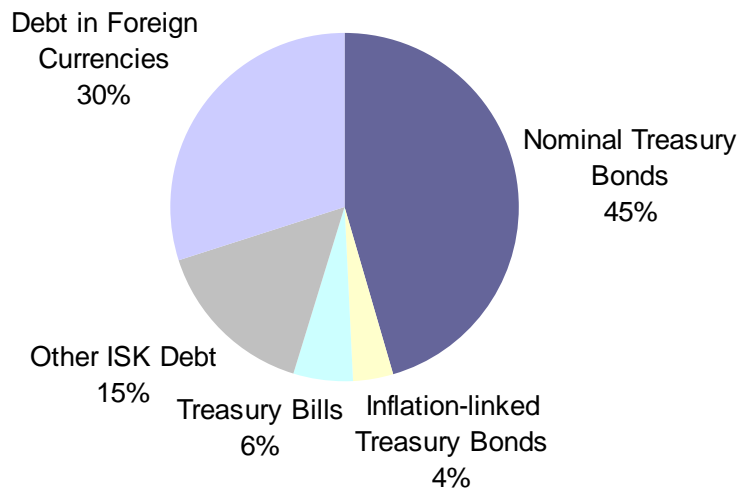


Figures do not include:

- Debt commitments arising from Icesave
- Loans from IMF and Norway (Central Bank is the borrower)
- Pension liabilities
- Shares owned by the Government (not included in net debt)

■ Gross debt ■ Net debt

Debt composition reflects importance of the domestic market



- Funding in ISK to meet fiscal operations, recapitalisation of the financial sector and refinancing need
- ISK debt represents 70% of the debt portfolio
- Debt in foreign currencies to strengthen foreign currency reserves

Key strengths still valid

- Favourable demographics
 - Young population
 - Only 10% in the retirement age > 67 years
- Funded pension system
 - Pension fund assets approximately 120% GDP
 - Pension funds net investors in the economy
- Renewable natural resources
- Efficient infrastructure

