



With reference to the press release published yesterday, 21 June 2016, on the Central Bank of Iceland website, stating that following the results of the foreign currency auction advertised on 25 May 2016, the Bank offered to buy offshore króna assets not sold in the auction at the auction exchange rate of 190 kr. per euro, the Terms of Tender for such transactions are specified below:

1. Commercial banks and securities depositories that have deposit accounts with the Central Bank of Iceland are invited to act as intermediaries for the sale in their own names. The transactions are carried out with reference to the auction advertised on 25 May 2016, with a transaction date of 16 June 2016, hereinafter referred to as the *auction*, and are carried out on the basis of Article 18, Paragraph 1 and Temporary Provision III of the Act on the Central Bank of Iceland, no. 36/2001. Movement of capital in domestic currency for collateral and/or settlement of transactions and disposal of foreign currency acquired by participants upon settlement of transactions are exempt from the restrictions set forth in the Foreign Exchange Act, no. 87/1992, cf. Article 13(o) of that Act, and the restrictions set forth in the Act on the Treatment of Króna-Denominated Assets Subject to Special Restrictions, no. 37/2016.
2. The total amount in Icelandic krónur that the Central Bank offers to purchase is the total amount of the offshore króna assets, cf. the Act on the Treatment of Króna-Denominated Assets Subject to Special Restrictions, no. 37/2016, that were not sold in the auction. The Central Bank reserves full right to determine the final amount.
3. Intermediaries send offers to the Central Bank through Bloomberg before 10:00 hrs. on Monday 27 June 2016 (Iceland time), the deadline for submittal. The results of the transactions will be published on the Central Bank website following the settlement of the auction on 29 June 2016.
4. The transactions will be carried out at a price of 190 kr. per euro.
5. The Central Bank reserves the right to accept some or all of the offers submitted, or to reject all of them.
6. Those intermediaries that have concluded an agreement with the Central Bank and are listed on the Central Bank website shall collect offers for the sale of offshore króna assets, cf. Article 7 and Article 12 of these Terms of Tender. Offers made between them shall be binding, with the limitations deriving from the transactions. Intermediaries shall submit the same type of offers to the Central Bank in their own names. Intermediaries are authorised to combine those offers from their customers that provide for the same type of payment.
7. Intermediaries shall only collect offers where the funds offered are offshore króna assets as these are defined in Article 2, Item 1 of the Act on the Treatment of Króna-Denominated Assets Subject to Special Restrictions, no. 37/2016, and not sold in the auction, and only those in the form of cash, bonds, and bills issued by the Icelandic Treasury or bearing an Icelandic State guarantee. Offers based on funds other than these shall be excluded; cf., however, Article 12 of these Terms of Tender.
8. For all offers that they submit to the Central Bank, intermediaries shall acquire and collect information on the beneficial owner and the origins of the funds on which each offer is made, in accordance with Article 9 of the Terms of Auction for the auction itself.
9. Offers shall contain, at a minimum, information on the volume and type of offshore króna assets offered for sale. In other respects, the provisions of Article 10 of the Terms of Auction shall apply to information accompanying offers, repurchase prices, and minimum amounts of offers.
10. Delivery of offshore króna assets and foreign currency shall take place in the manner provided for in Article 11 of the Terms of Auction. If an intermediary does not honour its offer, the Central Bank reserves the right to demand full performance and charge the highest legally permitted penalty interest for the period corresponding to the delay in payment, all without further notice, and without liability vis-à-vis the intermediary's customers.
11. Fulfilment by intermediaries vis-à-vis their customers and distribution of the funds shall take place in the manner provided for in Article 12 of the Terms of Auction.

12. Intermediaries are also authorised to collect offers in which the funds offered are based on offshore króna assets other than those in the form of cash, Treasury bonds and bills, and bonds and bills bearing a State guarantee. Such offers may not be combined. Settlement and assessments of the market value of such offshore króna assets, as well as exemptions concerning the disposal of such assets, shall take place in the manner provided for in Article 13 of the Terms of Auction and the related Guidelines issued by the Central Bank in connection. Documentation providing information on the value of such assets shall be received by the Central Bank no later than no later than by the end of the day on 24 June 2016.
13. The Central Bank declares itself free of all liability for offers that do not reach the Central Bank due to system error or for any other reason. The Central Bank is authorised to cancel transactions in their entirety due to technical difficulties. Intermediaries may request confirmation of receipt of offers from the Market Operations and Financial Management Department of the Central Bank of Iceland, but such requests will not affect the deadline for submittal of offers. Offers that reach the Central Bank and are registered to individual terminals in the Bloomberg Auction System are binding and are the responsibility of the person who is registered for that terminal. It is permissible to amend or withdraw offers by sending an appropriate message through the Bloomberg system; such messages must be received by the Central Bank before the deadline for submittal of offers, which is 10:00 hrs. on the transaction date.
14. These Terms of Tender apply between the Central Bank and the intermediary, as counterparty to the Central Bank. The Central Bank is not liable for any obligations between the intermediary and its customers concerning foreign exchange transactions between them as a result of the intermediary's participation in the transactions.
15. Notwithstanding the provisions of these Terms of Tender, intermediaries may submit bids by other means than through the Bloomberg system, subject to explicit agreement with the Central Bank.
16. In all respects other than is provided for in these Terms of Tender, the provisions of the Terms of Auction shall apply, *mutatis mutandis*, to the transactions.
17. These Terms of Tender have been translated into English; however, the Icelandic original shall be considered the authoritative text.