

Treasury Issues EUR-denominated Bonds

8 July 2014

Press Release

The National Treasury has today concluded agreements on issuance of bonds totalling EUR 750 million, or the equivalent of ISK 116 billion, the Treasury's first public EUR issuance since 2006.

The bonds bear fixed interest of 2.5% and have a 6-year maturity, with a yield of 2.56%. Investors showed strong interest in the issue, with total subscriptions around EUR 2 billion. The broad-based investor group is comprised primarily of institutional investors in Europe and the US.

Citibank, Barclays, Deutsche Bank and JP Morgan were joint co-ordinators for the issue.

"This bond issue marks a turning point, and is a very positive step in the reconstruction of the Icelandic economy. The Treasury is demonstrating its capacity to refinance debt on the European capital market, the market which is most significant for sovereign funding. In recent months terms available to the Treasury on foreign markets have improved significantly, providing us with an opportunity to reduce the Treasury's interest expense. We are availing ourselves of the opportunity now when circumstances are favourable for borrowing. This issue paves the way for improved access for domestic parties seeking foreign funding," said Bjarni Benediktsson, Ministry of Finance and Economic Affairs.

Investor response was extremely positive and the issue was subscribed almost three times over. "Market actors' interest in the bonds shows their confidence in the Icelandic economy and the success which has been achieved in fiscal policy," Bjarni Benediktsson added.

The funds obtained through the issue will be used to prepay outstanding balances on bilateral loans provided to Iceland from Nordic countries in connection with the economic recovery programme agreed by the Icelandic government and IMF in 2008. "The fact that we can now obtain an interest rate on the open market approximately 1 percentage point lower than was offered to us to fund the recovery programme shows the greatly increased confidence in Iceland," the Ministry of Finance and Economic Affairs concluded.

The bond issue is in line with the state's debt management strategy, which among other things aims at ensuring longer-term access to foreign credit markets and to a broad investor base.

Reykjavík, 8 July 2014

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