

General terms and conditions for Icelandic Government bonds

5 June 2025



The Ministry of Finance and Economic Affairs handles Treasury borrowing, issuance and sale of Government securities in the domestic market, and other debt management for the Treasury. As is authorised by law, the Ministry has entrusted the Central Bank of Iceland with executing the said tasks pursuant to a contractual agreement on Government debt management between the Ministry and the Central Bank of Iceland. Government debt management shall be carried out on the basis of the Ministry's issued debt management strategy in accordance with each National Budget. The Central Bank of Iceland's Government Debt Management Department issues Government securities on behalf of the Ministry of Finance and Economic Affairs in the name of Government Debt Management, on the Treasury's account and at the Treasury's risk.

These *general terms and conditions* (hereinafter *general terms*) apply to Government bonds issued in Icelandic krónur by the Icelandic Treasury. In addition to and as a supplement to the general terms, a set of *specific terms* is issued for each Government bond series.

1. General

- 1.1. Icelandic Government bonds ("Government bonds") are issued in specified bond series. All Government bonds in the same series are subject to the same terms and conditions.
- 1.2. Government bonds are issued in Icelandic krónur, and the nominal value unit is one króna.
- 1.3. The issuer pledges to pay the principal (also referred to as "nominal value") of Government bonds on the maturity date, to pay interest on interest payment dates, and to pay indexation amounts on inflation-linked Government bonds in accordance with the terms and conditions for the bond series in question.
- 1.4. Neither the issuer nor the registered owner of Government bonds may demand redemption prior to the maturity date, and there are no pre-emptive purchase rights to Government bonds.
- 1.5. Upon issuance of a new bond series, the issuer publishes specific terms in addition to and as a supplement to the general terms. If there are any discrepancies between the provisions of the specific terms and the general terms, or if the specific terms set forth provisions that differ on certain points from the provisions of these general terms, the specific terms shall prevail.
- 1.6. Government bonds have an identity code, RIKB, or RIKS if they are inflation-linked, and a number representing the maturity date of the bond series concerned, in the format RIKB yy mmdd or RIKS yy mmdd.

2. Issuer and authorisation for issue

- 2.1. The issuer, on behalf of the Icelandic Treasury, is Government Debt Management, national ID no. 471283-0459.
- 2.2. As a department within the Central Bank of Iceland, Government Debt Management undertakes the sale, registration, and market listing of Government bonds pursuant to an agreement between the Central Bank of Iceland and the Ministry of Finance and Economic Affairs.
- 2.3. Authorisation for issuance of Government bonds can be found in the National Budget approved by Parliament. It is permissible to increase the volume of Government bonds in a bond series, and the increased volume shall be in accordance with the authorisation in the National Budget for each year.

3. Sale of Government bonds

- 3.1. In general, Government bonds are issued by auction. Government bond auctions are subject to the general terms and conditions for Government bond auctions, which are posted on the Government Debt Management website.
- 3.2. The yield and selling price of Government bonds are determined by market conditions at any given time.
- 3.3. When Government bonds are issued, the purchaser pays for accrued interest and, if applicable, accrued indexation.
- 3.4. Government bonds are delivered electronically, in return for cash payment, unless otherwise stated explicitly in each instance in the issuer's announcement at the time in question.

4. Registration

- 4.1. Government bonds are registered electronically at Nasdaq CSD Iceland. No physical Government bond certificates are issued. Each bond series is assigned an ISIN number in accordance with International Securities Identification Numbering criteria.
- 4.2. There are no restrictions on trading in Government bonds apart from the reservations set forth in Articles 9.1 and 12.2.

5. Listing on a regulated securities market

- 5.1. It will be requested that each bond series be listed on the Nasdaq Iceland hf. securities exchange.

- 5.2. The price of Government bonds on a regulated securities market shall be quoted in terms of the clean price, i.e. without accrued interest and, if applicable, accrued indexation.

6. Interest

- 6.1. A coupon rate is calculated on Government bonds and paid retroactively, once a year, on "interest payment dates". Interest for the entire interest period is paid on the interest payment date. Interest begins to accrue on Government bonds on the interest commencement date and the last interest payment date is on the maturity date of each bond series.
- 6.2. The annual interest payment on Government bonds is the amount determined by multiplying the coupon rate by the principal amount of the Government bond.
- 6.3. In the case of inflation-linked Government bonds, the annual interest payment is calculated as follows:

$$\text{Interest payment} = \text{Coupon rate (\%)} \times \text{Principal} \times \text{Indexation coefficient}_{\text{Interest payment date}}$$

- 6.4. If an interest payment date does not fall on a banking day, payment will be shifted to the banking day immediately following, but interest periods remain unchanged. A banking day shall mean a day when banks and securities depositories are generally open in Iceland.
- 6.5. The day count rule for Government bonds is on an actual/actual basis. The ICMA method is used for the calculation.

7. Price indexation

- 7.1. Inflation-linked Government bonds are indexed to the consumer price index ("CPI"), which is published by Statistics Iceland.
- 7.2. The daily index for inflation-linked Government bonds is calculated linearly for settlement date d , in settlement month m , using the following formula:

$$\text{Daily index} = CPI_{m-2} + \left[\frac{d - 1}{D} \times (CPI_{m-1} - CPI_{m-2}) \right]$$

Where: CPI_{m-1} is the consumer price index one month before month m ,
 CPI_{m-2} is the consumer price index two months before month m ,
 d is the day of the month on which settlement takes place, and D is the total number of days in month m .

Example: In calculating the daily index for 15 May; $d=15$, m =month of May, $D=31$, CPI_{m-2} =consumer price index in the month of March and CPI_{m-1} = consumer price index in the month of April.

- 7.3. The base index is defined in the specific terms for each inflation-linked bond series.
- 7.4. The indexation coefficient is calculated as follows:

$$\text{Indexation coefficient} = \frac{\text{Daily index}_{\text{Settlement date}}}{\text{Base index}}$$

- 7.5. The indexation coefficient, the daily index, and the base index shall be rounded to five decimal places.

8. Maturity date

- 8.1. The principal amount of Government bonds is paid on its maturity date. On the maturity date, Government bonds are redeemed at nominal value.
- 8.2. When inflation-linked Government bonds mature, the redemption amount is calculated as follows:

$$\text{Redemption amount} = \text{Principal} \times \text{Indexation coefficient}_{\text{Maturity date}}$$

- 8.3. If the daily index on the maturity date of an inflation-linked bond series is lower than the base index, redemption at nominal value is guaranteed. If a maturity date does not fall on a banking day,

payment will be shifted to the banking day immediately following, but calculations will be based on the defined maturity date.

- 8.4. When the issuer remits payments to registered owners at the securities depository on the maturity date, the issuer is considered to have fulfilled its payment obligations on Government bonds in the series concerned.

9. Transfer and ownership authorisation

- 9.1. Government bonds may only be transferred to a named party. Account operators as defined in the current Act on Central Securities Depositories and Settlement and Electronic Registration of Financial Instruments are the only entities authorised to act as intermediaries in the transfer of Government bonds. Registration to an electronic security certificate in a central securities depository confers upon its registered owner the legal authorisation to hold the rights of which the owner is the registered holder and shall be equivalent to a document attesting right of ownership to the electronic security certificate vis-à-vis the issuer.
- 9.2. Entitlement to payment on Government bonds is determined by the registration on the date of record at a central securities depository. The date of record is one banking day before the payment date and is determined by the registration at the central securities depository following the depository's last regularly scheduled settlement on that day.

10. Amendments to terms and conditions

- 10.1. The issuer is authorised to decide that sales, registration, and listing of Government bonds will be handled in a manner other than that presented in these general terms. The issuer is also authorised to change the definition of the banking day and the date of record to accord with current market practices.

11. Force majeure

- 11.1. Neither the issuer nor the Central Bank of Iceland shall be held liable for any damage or loss that may stem from delayed payment of principal or interest due to war or similar conditions, uprisings, civil unrest, acts of terrorism, acts of vandalism, electricity or telecommunications outages, or other comparable incidents. Similarly, neither the issuer nor the Central Bank of Iceland shall be held liable for damage or loss that may stem from delayed payment of principal or interest due to strikes, closures, boycotts, or harbour restrictions, irrespective of whether the issuer itself is a party to the dispute or whether the dispute affects only a part of the issuer's activities.
- 11.2. If the issuer, the Central Bank, or the securities depository is unable to take measures in accordance with these general terms because of the circumstances specified in Article 11.1, such measures shall be postponed until the barrier has been removed or no longer exists.

12. Exemption from statutory provisions on preparation of prospectuses and limitations on sales

- 12.1. Because the issuer is the Icelandic Treasury, it is exempt from the requirement to issue a prospectus in accordance with the provisions of the Act on Prospectuses for Public Offerings or Admission to Trading on a Regulated Market, no. 14/2020.
- 12.2. Government bonds will not be listed according to the US Securities Act of 1933, with subsequent amendments, and they may not be offered, sold, or delivered in the United States, to US entities, or for the benefit of US entities, without an exemption from the listing requirement.

13. Resolution of disputes

- 13.1. The Government bonds are subject to Icelandic law. The expiry, due to lapse of time, of claims deriving from the Government bonds is governed by the Act on the Expiration of Obligations, no. 150/2007.
- 13.2. All disputes that may arise due to or in connection with the Government bonds shall be resolved before the District Court of Reykjavik, in accordance with the provisions of Chapter 17 of the Code of Civil Procedure, no. 91/1991.
- 13.3. The general terms and the specific terms are translated into English. In case of any discrepancy between the English and Icelandic versions, the Icelandic shall apply.

14. Other information

The following is presented solely for informational purposes and does not entail rights or obligations:

- 14.1. Tax treatment of the purchase, ownership, or sale of Government bonds is the sole responsibility of the purchaser, holder or seller. The Central Bank encourages the relevant parties to seek advice from tax advisors on tax treatment, in Iceland or other countries, of the purchase, ownership, or sale of Government bonds.