

Economic and monetary chronicle

March 2005

On March 7, Moody's Investors Service upgraded the long-term deposit and senior debt ratings of Landsbanki Íslands hf. to A2 from A3. The outlook on these ratings is stable. At the same time, Moody's affirmed with a stable outlook its financial strength rating of C (outlook changed to stable from positive) and the P-1 short-term deposit and debt ratings.

On March 15, Íslandsbanki hf. increased its share capital by a nominal value of just over 134 m.kr. Shareholders were given the option of receiving part of their dividends in the form of these new shares at the price of 10.65 kr. per share. After the increase, Íslandsbanki's listed nominal share capital amounts to 13,134 m.kr.

On March 16, Landsbanki Íslands hf. announced its completion of a €350m (28 b.kr.) subordinated bond issue under its EMTN programme. It consisted of two tranches: €150m of Tier I capital and €200m of Tier II capital.

On March 18, Straumur Fjárfestingarbanki hf. investment bank announced an issue of subordinated bonds in the amount of 5 b.kr. This was Straumur's first subordinated debt issue and was classified as Tier II capital.

On March 22, the Governors of the Central Bank of Iceland announced that the Bank would raise its policy interest rate (i.e. its repo rate in transactions with credit institutions) by 0.25 percentage points to 9% as of March 29. Other interest rates were also raised as of April 1: on credit institutions' current accounts in the Bank by 0.5 percentage points and on their reserve accounts by 0.25 percentage points.

On March 31, Straumur Fjárfestingarbanki hf. investment bank increased its share capital by a nominal value of 700 m.kr. After the increase, Straumur's listed nominal share capital on Iceland Stock Exchange (ICEX) was 6.1 b.kr. Sale price of the new shares was 7 b.kr.

April 2005

On April 1, Bolig- og Næringsbanken ASA (BNbank) of Norway became part of the Íslandsbanki hf. consolidated accounts after all conditions for Íslandsbanki's acquisition of it had been fulfilled. Íslandsbanki originally bid for all the shares in BNbank on November 15, 2004. The offering price was NOK 3.3 b. (35 b.kr.) and the final condition for the acquisition was fulfilled on March 15.

On April 13, Íslandsbanki hf. announced that its subsidiary ISB Luxembourg S.A. had formally started operations and lending activities of Íslandsbanki's branch in Luxembourg would be transferred to it.

On April 18, Landsbanki Íslands hf. increased its share capital by a nominal value of 800 m.kr. After the increase, Landsbanki's listed

nominal share capital on ICEX was 8.9 b.kr. Sale price of the new shares was 11.4 b.kr.

On April 19, Íslandsbanki hf. sold 66.6% of shares in its insurance subsidiary Sjóvá to Þáttur eignarhaldsfélag ehf. holding company for 17.5 b.kr. Sjóvá thereby ceased to be part of the Íslandsbanki consolidated accounts. After the sale, Íslandsbanki holds 33.4% of shares in Sjóvá.

May 2005

On May 2, it was announced that the Central Bank would purchase foreign currency in the domestic interbank market on behalf of the Treasury, in connection with a discretionary prepayment of Treasury foreign debt. The purchase was made in tranches of 20 m. US dollars each, on May 12, 17, 19, 23 and 25.

On May 10, Moody's Investors Service affirmed Kaupthing Bank's A1 long-term and P-1 short-term debt and deposit ratings, and its C+ financial strength rating.

On May 10, Moody's Investors Service downgraded the financial strength rating of Íslandsbanki hf. to C+. Moody's affirmed Íslandsbanki's A1 long-term and P-1 short-term debt and deposit ratings, with a stable outlook.