

## PROSPECTUS<sup>1</sup>

### ELECTRONIC ISSUE OF DEBT INSTRUMENTS REGISTERED AT NASDAQ CSD ICELAND HF.

#### Chapter 1

##### General information on the issuer

**1.1** *Name of issuer, national ID number, authorisation for issue, date of establishment, registered address, and head office address if different from registered address*

The issuer is the Central Bank of Iceland, national ID no. 560269-4129, Kalkofnsvegur 1, 150 Reykjavík. The issue is authorised by Article 9 of the Act on the Central Bank of Iceland, no. 36/2001.

**1.2** *Names and national ID numbers of responsible parties on behalf of the issuer*

Sigurður Sturla Pálsson, national ID no. 310166-4569

**1.3** *Legislative framework according to which the issuer operates, if special legislation governs its activities*

The Act on the Central Bank of Iceland, no. 36/2001

#### Chapter 2

##### Information on the issue

**2.1** *Recipient of payments and other information provided by the issuer about the issue: name(s), national ID number(s), and e-mail address(es)*

Gerdur Ísberg, national ID no. 270567-5179, [gi@cb.is](mailto:gi@cb.is)  
Salome Birgisdóttir, national ID no. 041065-5919, [srb@cb.is](mailto:srb@cb.is)

**2.2** *Main identifying characteristics of the issue, nominal value and other conditions that concern the issue and oblige the issuer; see the Appendix entitled “Terms of the series”*

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<sup>1</sup>This Prospectus has been translated into English; however, the Icelandic original shall be considered the authoritative text.

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**Identity code:** CBI2016

**Type of securities:** Debt instruments, so-called certificates of deposit, in accordance with Article 7, Item 3(b) of the Central Bank of Iceland Rules on Facilities for Financial Undertakings, no. 553/2009; cf. Article 9 of the Act on the Central Bank of Iceland, no. 36/2001.

**ISIN:** IS0000027068

**Total contractual authorisation:** It is uncertain what the total volume issued in the series will be.

**Current issue:** Securities will be sold in the series as needed. The current issue is 100,000,000,000 kr., one hundred billion Icelandic krónur.

**Nominal value units:** 1 kr.

**Date of issuance:** 3 June 2016

**Maturity date:** None. See call provisions.

**Indexation:** No

**Nominal interest rate:** 0.5% annual interest, paid once a year at the end of the interest period, to be reviewed by the Central Bank of Iceland on interest payment dates; cf. Article 10, Paragraph 2 of the Act on the Treatment of Króna-Denominated Assets Subject to Special Restrictions no. 37/2016. Interest on the certificates of deposit shall be transferred to accounts subject to special restrictions; cf. Article 10, Paragraph 4 of Act no. 37/2016.

**First interest date:** 2 June 2016

In the event that the interest payment date falls on a public holiday or a work holiday, the date of payment will be moved to the workday immediately following; however, the interest period will remain unchanged.

**First interest payment date:** 2 June 2017

**Number of interest payment dates per year:** 1

**Daily calculation formula:** The day count rule for the price and accrued interest calculation is on actual/actual basis. The ICMA method will be used for the calculation. According to instructions from NASDAQ Iceland hf., six decimal places will be used to calculate the dirty price from the clean price.

**Currency:** Icelandic krónur (ISK)

**Transfer:** The certificates of deposit are transferable between credit institutions eligible to hold deposits with the Central Bank; cf. Article 9 of the Act on the Central Bank of Iceland, no. 36/2001. Credit institutions are authorised to transfer the certificates of deposit to owners of deposits held in accounts subject to special restrictions or accounts with the Central Bank of Iceland that are subject to the same restrictions; cf. Article 10, Paragraph 1 of the Act on the Treatment of Króna-Denominated Assets Subject to Special Restrictions no. 37/2016. The certificates of deposit shall be held in custody in the deposit institution's administrative account with the Central Bank; cf. Article 8, Paragraph 4 and Article 10, Paragraph 3 of Act no. 37/2016. It is prohibited to hypothecate the certificates of deposit; cf. Article 8, Paragraph 5 of Act no. 37/2016. Sales proceeds, redemption value, and interest

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on the certificates of deposit shall be transferred to accounts subject to special restrictions; cf. Article 10, Paragraph 4 of Act no. 37/2016.

**Stamp fees:** The certificates of deposit are exempt from stamp fees pursuant to Article 36, Paragraph 2 of the Act on the Central Bank of Iceland, no. 36/2001.

**Matters of dispute:** Any dispute arising as a result of this prospectus or of the certificates of deposit shall be referred to the District Court of Reykjavík in accordance with the provisions of Chapter 17 of the Act on Civil Procedure, no. 91/1991.

**Source:** The issue is authorised by Article 9 of the Act on the Central Bank of Iceland, no. 36/2001.

**Amendments to terms and conditions:** The issuer is required to notify Nasdaq CSD Iceland hf. of any amendments made to the terms and conditions of the series.

**Call provisions:** The Central Bank may call in the certificates of deposit, in whole or in part, from the issuance date onwards. The Central Bank shall announce such a call-in in advance. The Central Bank shall remit payments resulting from calling in the certificates of deposit.

**Delisting:** The series will be delisted seven days after it has been called in in its entirety.

**Other:**

*2.3 Benefits related to the bonds, their calculation, and their use*

The bonds are not accompanied by any benefits.

*2.4 Tax on income from the bonds that is withheld for payment in the country of origin and/or the country of registration. Account shall be given of whether the issuer guarantees that withholding tax will be deducted*

Tax treatment of the certificates of deposit shall be handled in accordance with current tax law at any given time.

*2.5 Nasdaq CSD Iceland hf. shall deposit issued securities to the issuer's securities deposit account , no. 912156, with a bank/securities undertaking.*

*2.6 Other information on the proposed issue or issuer that the Icelandic Securities Depository considers necessary*

According to Article 9 of the Act on the Central Bank of Iceland, no. 36/2001, the Central Bank is authorised to issue transferable securities in domestic or foreign currency for sale to credit institutions authorised to own deposits in the Bank. Interactions between the parties are provided for in the Rules on Facilities for Financial Undertakings, no. 553/2009, and reference is also made to the terms and conditions of such Central Bank facilities; cf. Article 20 of the same Rules.

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The issue is undertaken with reference to Articles 8 and 10 of the Act on the Treatment of Króna-Denominated Assets Subject to Special Restrictions no. 37/2016.

According to Article 1, Paragraph 2 of the Act on the Central Bank of Iceland, no. 36/2001, the Treasury is liable for all of the Central Bank of Iceland's obligations.

## Chapter 3

### Information on the parties responsible for preparing the prospectus and auditing the annual accounts

*3.1 Names, e-mail addresses, and telephone numbers of the parties responsible for preparing the prospectus*

Gerdur Ísberg, national ID no. 270567-5179, gi@cb.is, 569-9973

Ragnar Árni Sigurdarson, national ID no. 300480-5789, ras@cb.is, 569-9625

Salome Birgisdóttir, national ID no. 041065-5919, srb@cb.is

*3.2 Names, national ID numbers, e-mail addresses, and telephone numbers of the issuer's chartered auditors for the past three years*

The chartered auditors of the issuer, the Central Bank of Iceland, are Deloitte hf., Smáratorg 3, 201 Kópavogur, national ID no 521098-2449, e-mail address: [deloitte@deloitte.is](mailto:deloitte@deloitte.is), tel: +354 580-3000.

*3.3 Names, e-mail addresses, and telephone numbers of employees of the account operator preparing the prospectus*

Not applicable

## Chapter 4

### Documents accompanying the prospectus

*4.1 Public registry certification of the establishment of the issuer*

Not applicable

*4.2 Confirmation that the issuer has formally decided on the proposed electronic issue or other pertinent documents, such as a ratified copy of meeting minutes or a reference to regulatory instruments applying to the issue*

Not applicable

*4.3 Name of original seller(s) if the issue is new or supplementary, and a copy of the issuer's contractual agreement with the seller(s)*

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Not applicable

- 4.4 *Upon request by the Nasdaq CSD Iceland hf., a ratified declaration by a District Court Judge confirming that the issuer has not been subjected to bankruptcy proceedings*

Not applicable

- 4.5 *Other accompanying documents that pertain to the proposed issue and that the Nasdaq CSD Iceland hf. considers necessary*

Reykjavík, 3 June 2016

For the issuer, by authorisation

For the bank/securities undertaking

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Sigurdur Sturla Pálsson

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Sigríður Logadóttir

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## Terms and conditions of the series

Issuer	Central Bank of Iceland
National ID no.	560269-4129
Address	Kalkofnsvegur 1, 150 Reykjavík
Bonds/Bills	
Identity code (Ticker)	CBI2016
ISIN number	
CFI number	
Electronically registered	Yes
Type of instalments	
Country of issuance	Iceland
Currency	ISK
Date admitted for trading on NASDAQ Iceland Exchange	N/A
Orderbook ID	N/A
Sub-series	N/A
Market	N/A
Trading list	N/A
Nominal value units in securities listing	ISK 1
Total authorisation per prospectus	
Total issuance	
Amount currently admitted for trading	
Date of issue	Wednesday, 3 June 2016
First payment date for principal	N/A
Total number of payment dates for principal	N/A
Number per year	N/A
Maturity date of principal	N/A
Interest rate	Variable

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Interest rate if variable	
Premium on interest rate	
Formula for interest calculation	Simple
Day count rule	Actual/Actual ICMA
First interest date	Wednesday, 2 June 2016
First interest payment date	Thursday 2 June 2017
Number of interest payment dates per year	1
Total number of interest payment dates	N/A
Indexation	No
Index type	N/A
Daily or monthly index	N/A
Base index value	N/A
Date of base index value	N/A
Dirty price/Clean price	
Callable	Yes
Redeemable	
Variable	
Other information	
Market making	
Credit rating (rating agency, date)	
Securities depository	Nasdaq CSD Iceland hf.
<b>Arranger – admittance to trading</b>	
If payment flows are irregular, how?	
If payments fall on a weekend/holiday, is interest to be added for period corresponding to the delay in payment?	No

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