



The Icesave Issue – Key Figures

The Icesave loans from the UK and the Netherlands to the Icelandic Depositors' and Investors' Fund amount to £2.35 billion and €1.33 billion, respectively.

from 30% in 2007. The net present value of the Icesave debt, assuming 88% recovery rate, is included in this figure and is expected to amount to approximately 15% of GDP in 2010.

- The Icesave law authorizes the issuing a state guarantee for the repayments of the Icelandic Depositors' and Investors' Fund. The terms of the state guarantee are based on loans spread over 15 years until 5 June 2024, with a 7 year grace period and fixed interest rate of 5.55%.
- It is estimated that 88% of the Icesave loans will be covered by the assets of Landsbanki, the bank that operated the Icesave internet accounts. These estimates are, however, uncertain. The remaining amount and accrued interests will eventually be paid by Iceland.
- Interest will be paid on the total amount as of 1 January 2009.
- Since the payout from the Landsbanki estate is expected to take up to seven years, the annual interest for the first two to three years is expected to be around €200 million. This equals around 10% of the estimated annual Icelandic central government revenue in 2010.
- Other general government debt is mainly due to the strengthening of the reserve fund of the Central Bank (35% of GDP), the recapitalization of the Central Bank (15% of GDP), recapitalization of the commercial and savings banks (10% of GDP) and the budget deficit for 2009-2010 (a total of 25% of GDP).
- Although a substantial increase in general government debt in only two years, Iceland's total government debt level is now similar to that of several European countries. An additional challenge for Iceland, however, is that this debt is to a large extent in foreign currency but following the banking crisis the Icelandic Krona suffered a devaluation of 80%.
- According to the government's medium-term fiscal programme, the public deficit in 2009, which was more than 14% of GDP, will be brought down to 6% in 2010 and is ex return back to surplus in 2013.
- Iceland's overall external debt level, i.e. the Icelandic state, local authorities, companies and households, is expected to be around 320% of GDP at the end of 2010.
- This is a high debt level in international comparison, especially in light of Iceland's recent decreased access to international financial markets, but not out of line with what many other small and open developed economies experience.

Iceland's Debt Level

- Iceland's GDP in 2010 is expected to be €8.9 billion (ISK 1,600 billion) and Iceland's budget for 2010 amounts to €3.0 billion (ISK 560 billion).
- The general government's debt level, i.e. debts by the Icelandic state and local authorities, is expected to be around 130% of GDP at the end of 2010, up

Number of Icesave depositors in the UK

- There were around 229,000 individual Icesave accounts (retail depositors) in the UK and 114 wholesale depositors. Total deposits in Icesave in the UK were £4.52 billion. Around 140,000 individual accounts had less deposits than £16,500 (equal to the minimum guarantee of €20,887, according to EU Directive 94/19/EC).
- The total amount covered by the minimum guarantees was £2.35 billion.
- All individual Icesave depositors in the UK were paid out their deposits in full by UK authorities.

Number of Icesave depositors in the Netherlands

- In the Netherlands, there were 114,000 individual Icesave accounts (retail depositors) and 28 wholesale depositors, amounting to a total of €1.67 billion. Around 90,000 of the accounts had less than €20,887. The amount covered by minimum guarantees was €1.33 billion. Dutch authorities decided to pay up

to €100,000 for each Icesave retail depositor. There were 469 retail depositors that had more than €100,000 in their Icesave accounts and the total amount not covered was around €40 million.

Iceland and the IMF

- On 19 November 2008, the IMF approved Iceland's request for a Stand-by Arrangement.
- Loans related to the IMF programme:
 - IMF: \$2.1 billion.
 - Nordic countries: \$2.5 billion.
 - Poland: \$200 million.
 - The Faeroe Islands: \$50 million.
 - Total funding: approximately \$4.75 billion.
- The Icelandic government and the IMF reached a staff-level agreement on the programme's second review on 14 December 2009.

Iceland, with a population of around 317,000, is a constitutional republic with a parliamentary government. Iceland joined the United Nations in 1946, became a founding member of the OECD in 1948, of NATO in 1949 and joined EFTA in 1970. With Iceland's accession to the European Economic Area in 1994, Iceland gained access to EU's internal market. The foundations of the Icelandic economy, with a GDP of \$11.4 billion (IMF 2009 est.) are fisheries, industry, tourism, pharmaceuticals and services.