



The Federation of Icelandic Industries

To whom it may concern

Update: November 24th 2008

Subject: The Economic situation in Iceland – Industry perspective

Iceland is currently going through a tough economic- and financial crisis affecting all normal businesses and transactions. This crisis originated in the global credit crunch which led to the bankruptcy of three Icelandic banks: Glitnir, Landsbanki and Kaupthing. The Icelandic State has established three new banks and transferred the domestic part of the operations of the old ones to them. They are now up and running. Because of this bank failure money transfers to and from Iceland have been difficult. The situation has improved significantly in recent weeks; however, it is important that all necessary information accompany payment instructions so as to prevent delays in payment intermediation.

Payments sent to Iceland through the Central Bank of Iceland are deposited to the Central Bank's bank accounts abroad. In some instances, no further information has accompanied such deposits; that is, the amount appears on a statement from the foreign bank, without any identification of the ultimate recipient. When this happens, it is necessary to request the missing information. The Central Bank transfers funds to commercial banks in Iceland on the day it receives them, provided that the payments are accompanied by the information necessary to complete the transfer.

In order to enhance the likelihood that this information will be received in a timely manner, payors should request that their banks send any such payments as an "international customer transfer."

Because of all these difficulties recipients are experiencing difficulties in making timely payment on their obligations. There have been problems with payments to and from all countries; however, the situation is by far most difficult vis-à-vis British counterparties, which is directly attributable to the extremely harmful actions taken by the British authorities. **It is to be noted that on October 18th HM Treasury issued a notice where it is stressed that the Landsbanki freezing order only applies to transaction involving Landsbanki. It does not affect Icelandic companies with no links to Landsbanki.**

The Central Bank of Iceland has adopted a temporary method for international payment intermediation. This method involves routing banking institutions' payments to and from Iceland through the Central Bank's own accounts with foreign counterparts, which generally have no involvement with the operations of Icelandic banks.

If any foreign parties are uncertain whether their payments are being routed to the proper parties, or if they fear that they will be held liable for non-delivery of such payments, the Central Bank of Iceland has declared to foreign credit institutions that it will guarantee that all payments routed through the Central Bank's accounts to the accounts of Icelandic credit institutions will be delivered to the credit institutions concerned, for the benefit of the relevant account holders in those institutions.

The SI would like to assure its member companies and their business partners throughout the world that the Icelandic authorities are working hard to restore normal currency trade and the economy of Iceland. An important step in that process is a technical and financial assistance from IMF as well from the Nordic countries, Poland and the Faroe Islands. The SI is in close cooperation with all relevant parties in order to resolve current problems. Despite these difficulties the basic fundamentals of the Icelandic economy are strong with a blooming export industry.

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About SAMTÖK IÐNAÐARINS - SI (Federation of Icelandic Industries)

The SI is the largest employer's organization in Iceland with approximately 1.200 member companies. The industry generates roughly 25% of value added and employs 20% of the labor force. The SI looks after the interests of industry in every way and in close co-operation with the individual enterprise.