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Fréttatilkynning

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Efni: **The Government committed to the Economic Program**

The President of Iceland has declined to sign a law authorising a state guarantee for repayment of loans provided by the UK and the Netherlands to the Depositors' and Investors' Guarantee Fund, intended to cover payment of the minimum deposit guarantees to depositors in the UK and Netherlands branches of the failed Landsbanki Íslands hf. The law was approved by Althingi, the Icelandic Parliament, on 30 December 2009. According to the constitution, the President's decision not to sign the law requires it to be put to general referendum as soon as possible where it needs to be supported by a simple majority of voters in order to remain in force. In the interim, the law enters into force as passed by the Althingi. The Government will now reflect on the decision of the President and review the situation.

Despite the President's decision, the government of Iceland remains fully committed to implementing the bilateral loan agreements and thus the state guarantee provided for by the law.

The government views the loan agreements with the UK and the Netherlands as an integral part of Iceland's economic programme, as a solution to the uncertainty regarding repayment of deposit insurance required under Icelandic law. It constitutes an important step towards normalizing the external financing of the country. The government's economic plan, developed in cooperation with the International Monetary Fund and with financing from the IMF and governments of the Nordic countries and Poland, remains in effect.

Economic data indicates that the economy is performing better than previously projected and is already showing signs of recovery from the financial crash of late 2008. "The government is committed to ensuring that Iceland honours its international obligations and continues the important work of regaining forward momentum thus ensuring significant new job creation and renewed economic growth," Prime Minister Johanna Sigurdardottir said in a statement today.

Reykjavík 5th January 2010