

Iceland's Program with the IMF 2008-2011

**Fridrik Mar Baldursson
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“Iceland's Recovery – Lessons and
Challenges”

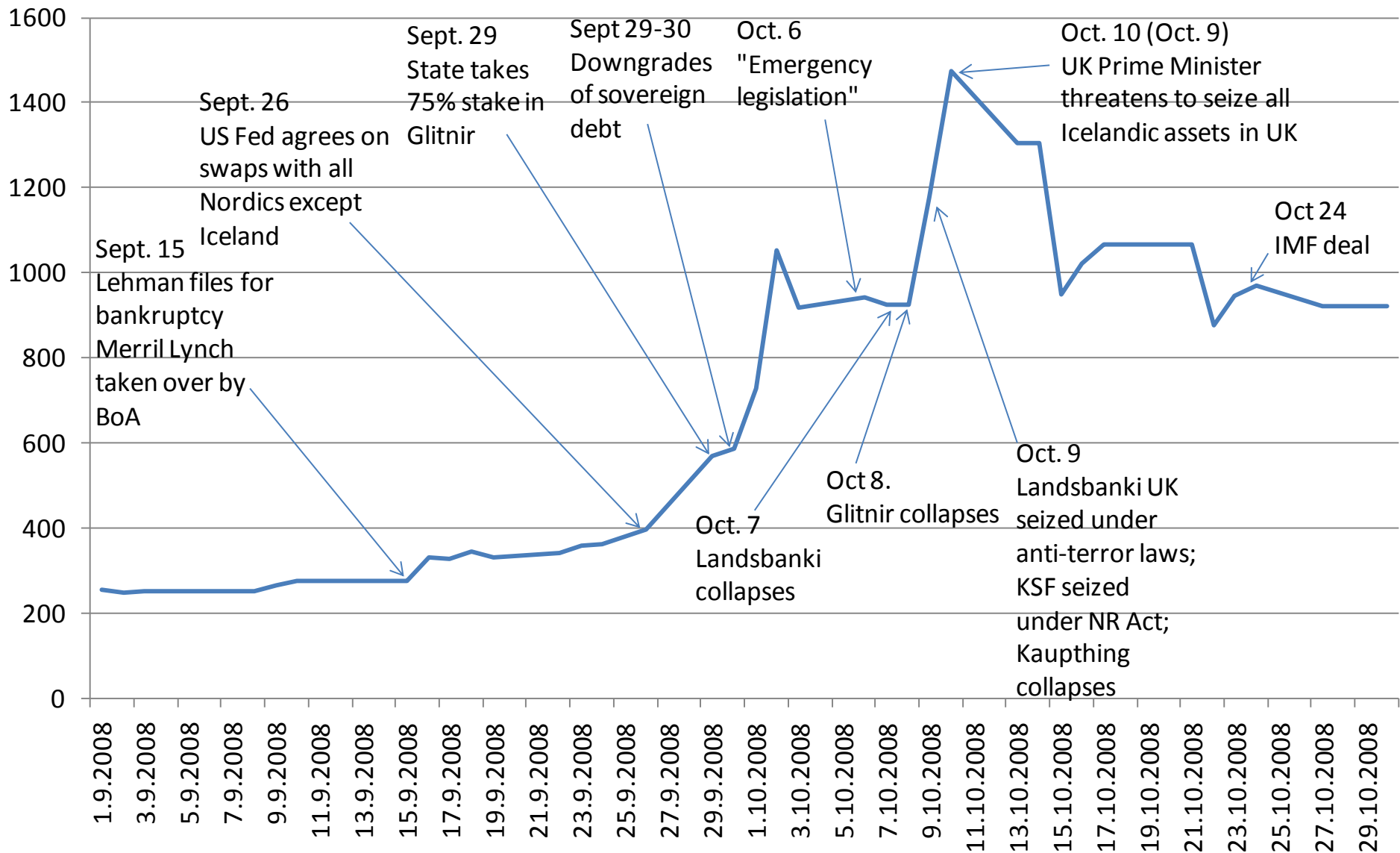
Conference hosted by Icelandic Authorities
and the IMF

Harpa, Reykjavik October 27 2011

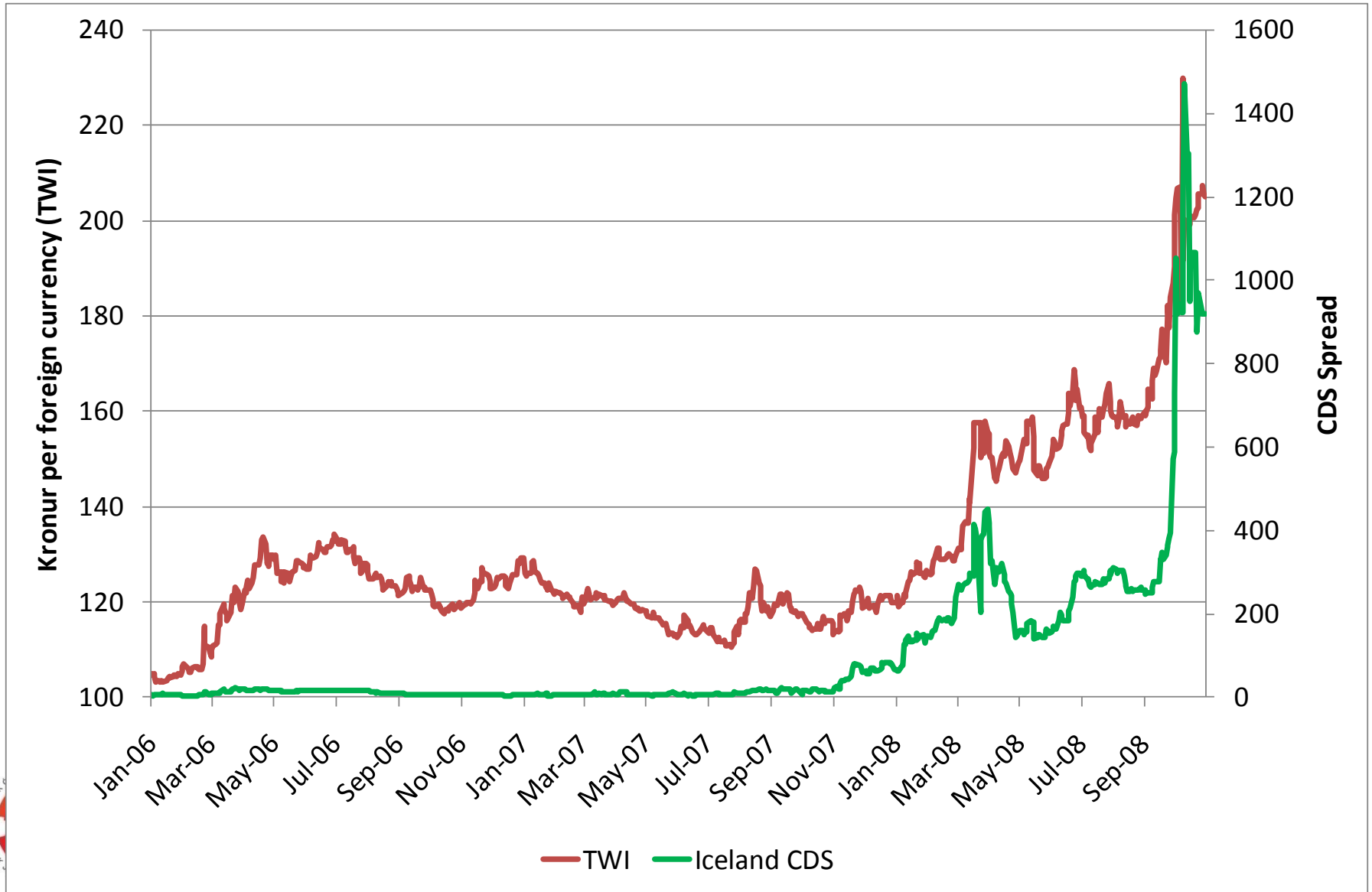


“The Perfect Storm”

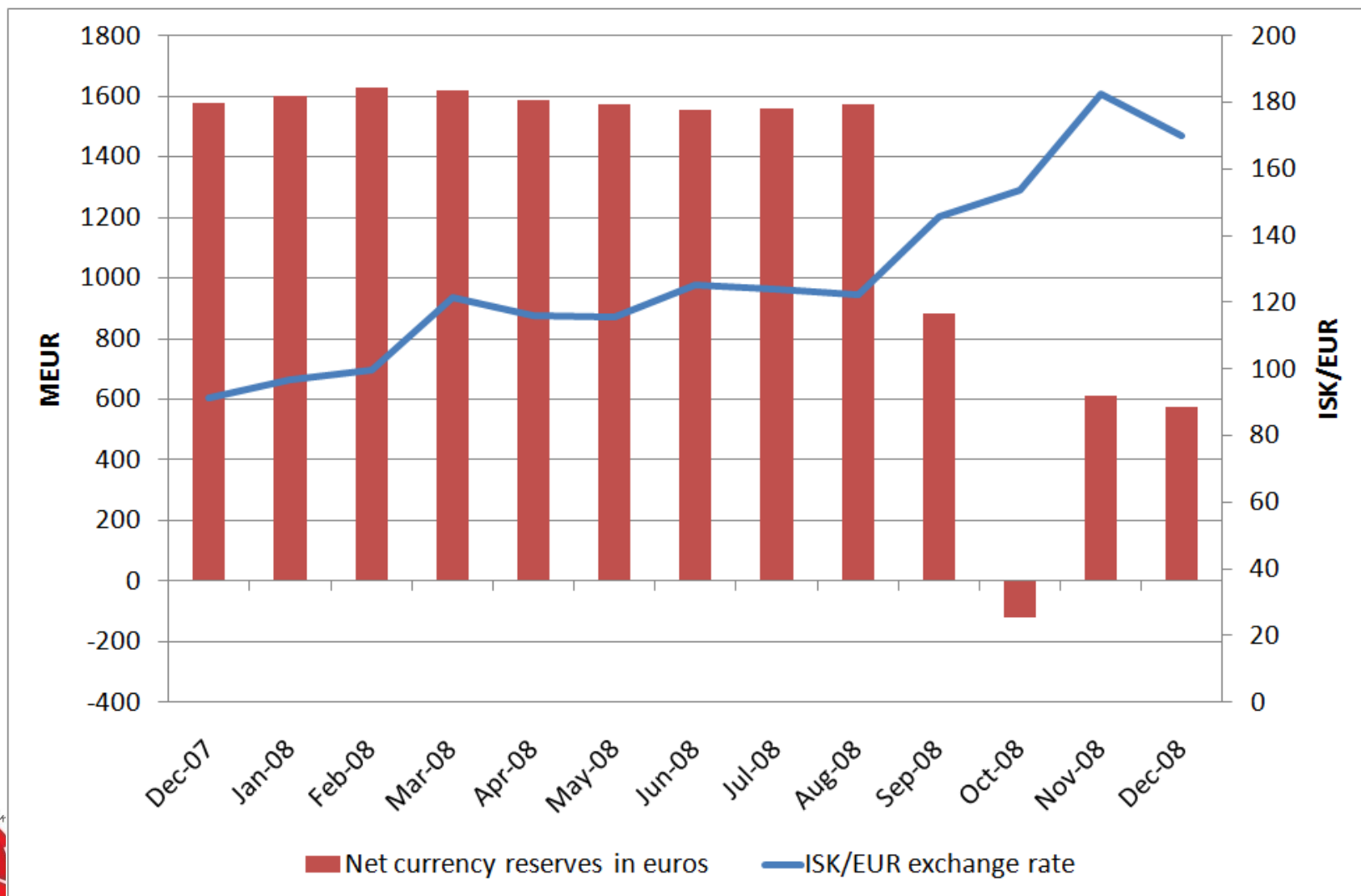
Cost of insuring Iceland’s debt (CDS spread)



Iceland: Exchange Rate and CDS Spread

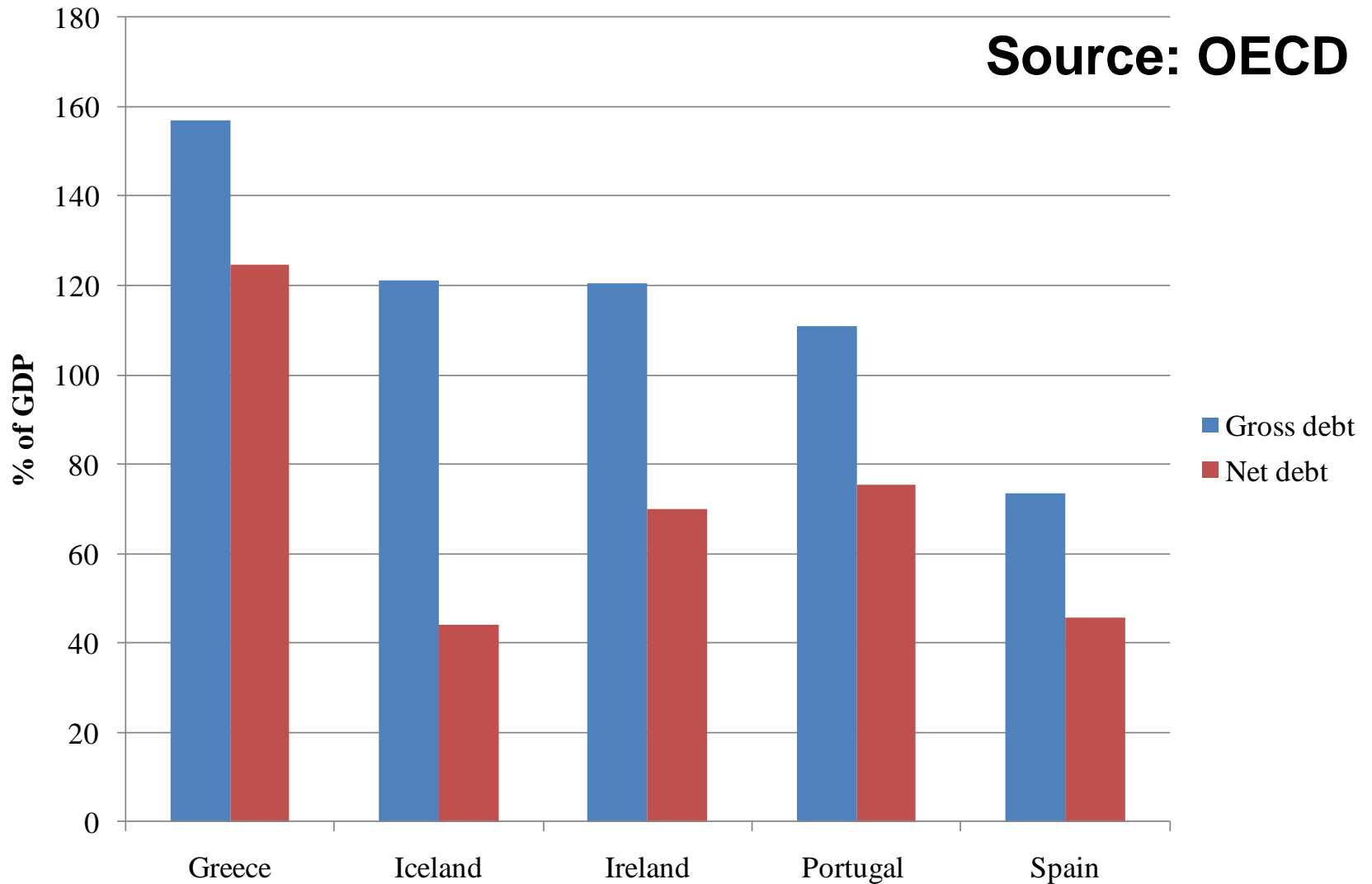


Why capital controls? Combine carry trade overhang with this situation:



General Government Debt 2011, % of GDP

Source: OECD





Icesave: President's residence, January 2, 2010

Photo: Ragnar Axelsson

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Q

By Omar R. Valdimarsson - Sep 2, 2011 7:11 AM GMT+0000

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Landsbanki Islands hf
headquarters in Reykjavik.

Iceland declared a three-year dispute with the U.K. and the Netherlands to be history after it promised to pay out \$11.4 billion from the estate of failed Landsbanki Islands hf to cover all foreign depositor losses.

The most recent valuation of Landsbanki's assets shows the lender, which failed in October 2008 together with the rest of Iceland's financial system, will have enough funds to pay back more than double the \$5.3 billion backed by depositor guarantees, according to a report published by the bank's resolution committee yesterday.

The so-called Icesave dispute, named after the high-yielding Internet accounts Landsbanki offered abroad, had soured Iceland's relations with the U.K. and the Netherlands after the bank's collapse left about 350,000 foreign depositors in the lurch. Since then, the island has

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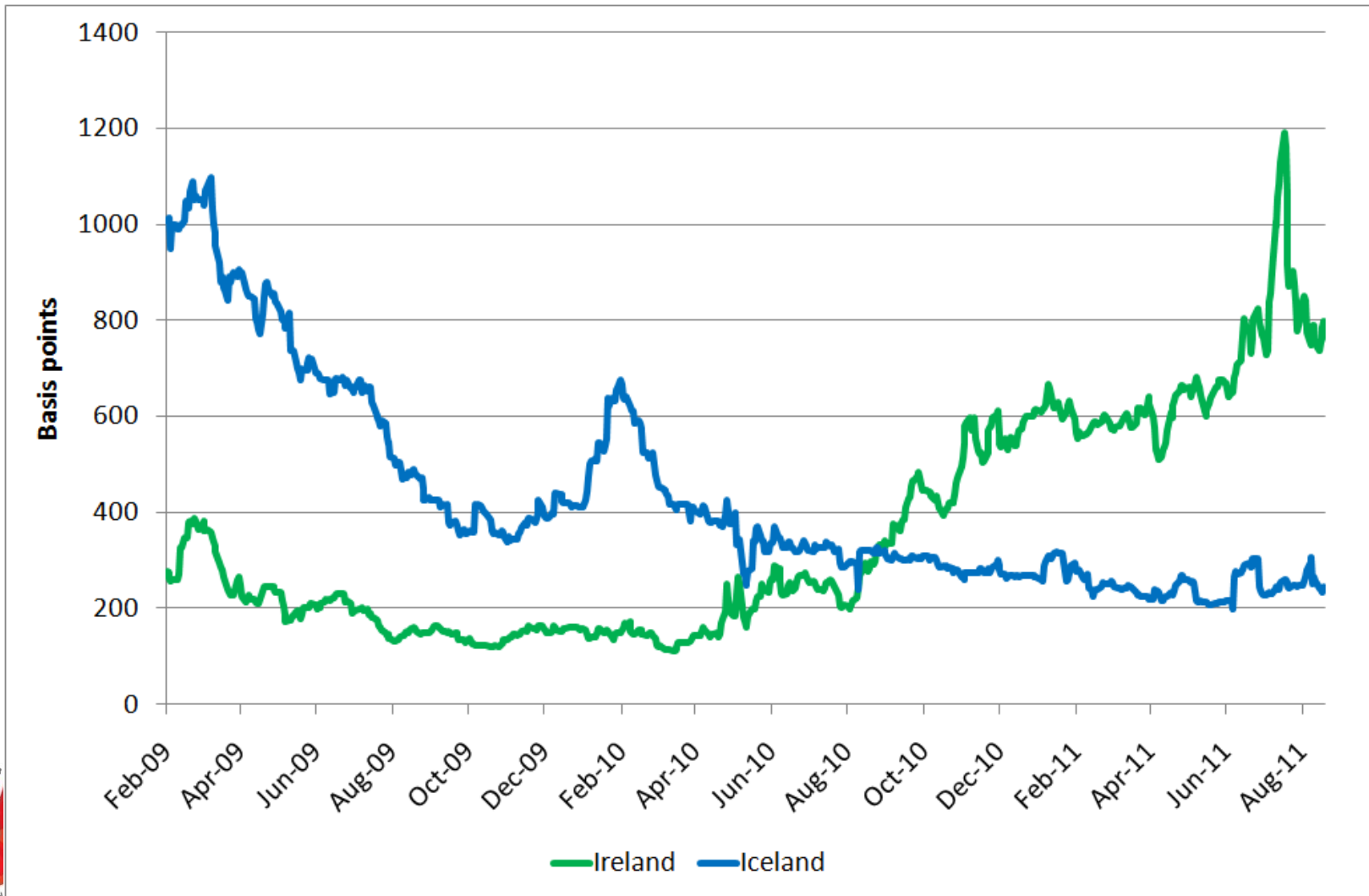


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Iceland vs. Ireland

Cost of insuring against default on public debt (CDS spread)



2008 vs 2011

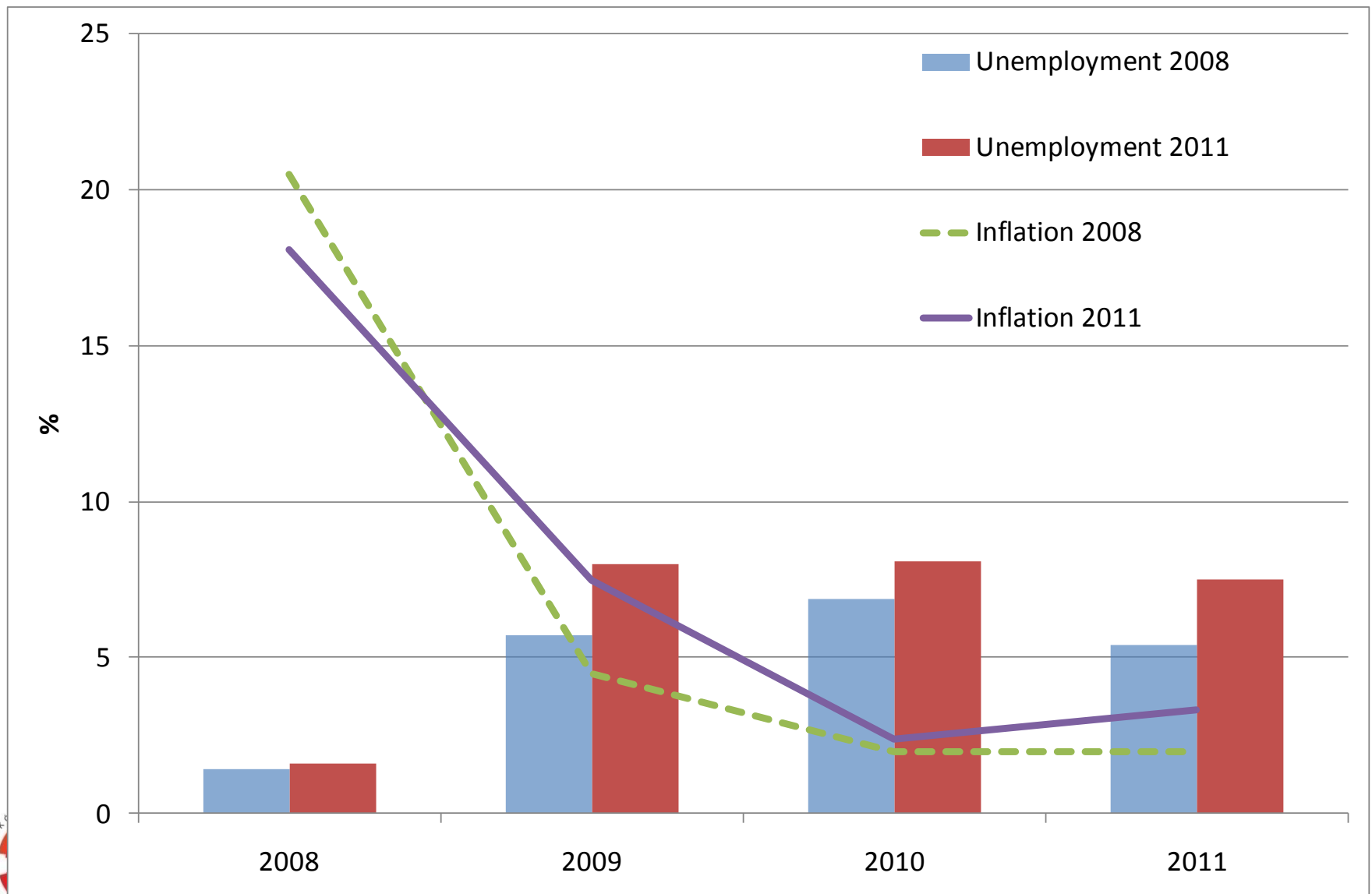


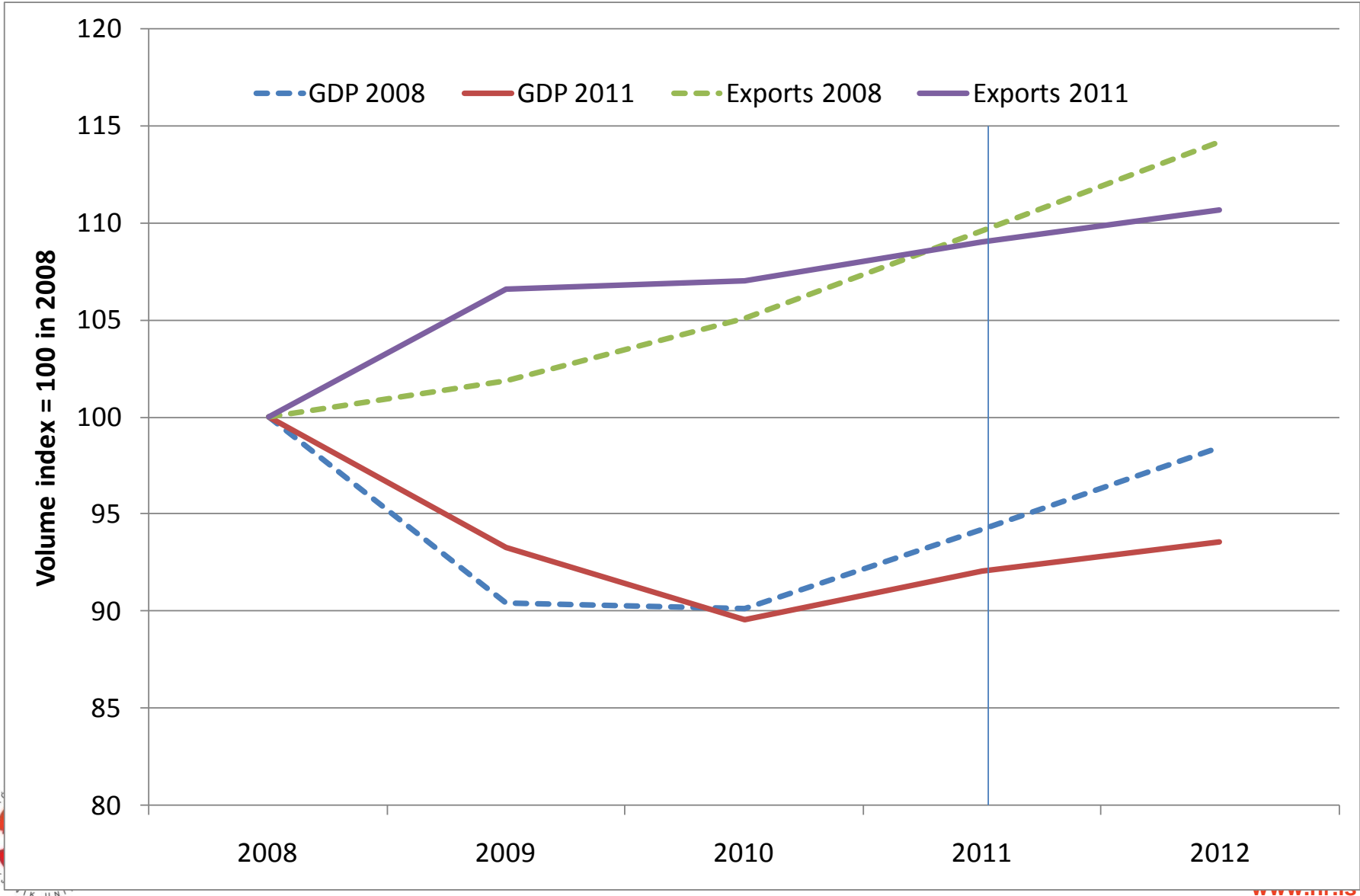


Photo: <http://www.bundeskanzlerin.de>



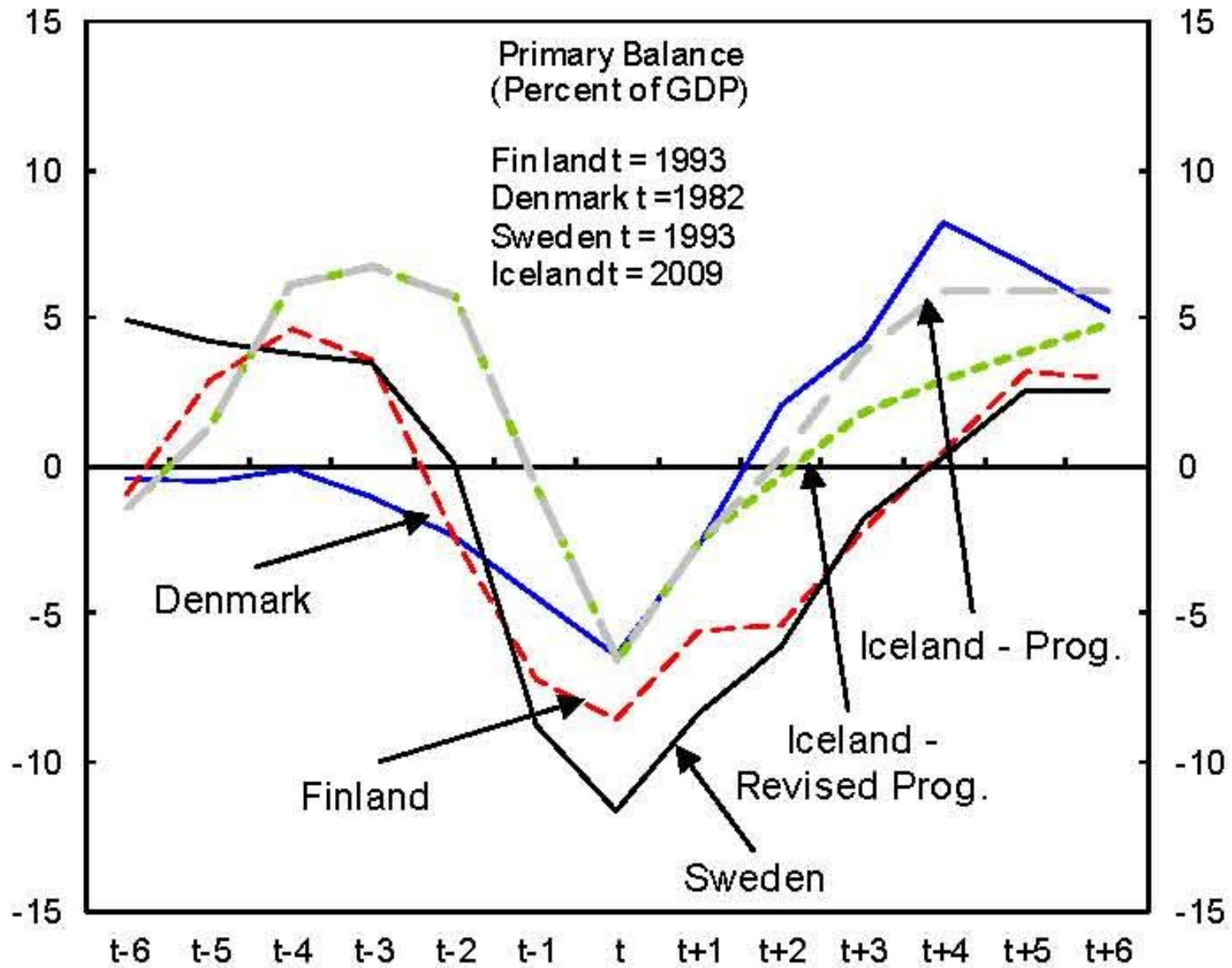
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2008 vs 2011



REKURSI

Primary Fiscal Balance in Nordic Crises



Sources: WEO; Icelandic authorities; and Fund staff