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International Monetary Fund
Resident Representative Office in Iceland

In view of reports in the media this morning we feel it is necessary to make a some factual clarifications on developments with respect to Iceland's external debt and its public sector debt.

First, our current assessment is that Iceland's public sector debt is slightly *lower* than was estimated at the time of the first review of the program. This is because of the decisions by the Glitnir and Kaupthing resolution committees to buy Islandsbanki and Arion bank, which means that the government will no longer need to inject capital into the new banks.

Second, with respect to external debt, the figures are still being reviewed with the Icelandic authorities. This process has revealed new information, some of which increases the estimate of external debt and some of which reduces it. At this stage the work has not been finalized.

It should be recognized that owing to the complex financial linkages between Icelandic and foreign corporations and financial institutions it is difficult to arrive at a final number and, as we noted in the Staff Report for the First Program Review, it is always possible that new information will lead to further revisions—in both directions. At this stage we do not see anything that leads us to change our assessment that Iceland's external debt is sustainable.

Finally, we would like to remind the media that we are always available for fact checking which, in this instance, could have avoided the release of misleading information.

IMF Mission in Reykjavik
4 December 2009