



Special report included with *Market Information*

This issue of Market Information includes a special report on developments in non-resident investors' Treasury bond holdings. The special report examines how non-resident demand for Treasury bonds has changed and developed since the crisis struck. It also describes how the maturity profile of non-residents' Treasury bond holdings has developed and explores the possibility that non-residents' confidence in Treasury bonds is greater than previously thought.

Credit rating unchanged; outlook changed from stable to negative

On 26 July, rating agency Standard & Poor's affirmed Iceland's sovereign credit rating. The rating for foreign and domestic obligations is BBB-/A-3. The outlook was changed from stable to negative because of the risk related to the financing of household debt correction measures.

Facilities for primary dealers

On 10 July, Government Debt Management increased securities lending of RIKB 15 0408 from 1 b.kr. to 2 b.kr., as the total size of the series exceeded 20 b.kr.

Treasury bill auctions

On 11 July, three- and six-month Treasury bills were auctioned in series RIKV 13 1015 and RIKV 14 0115. The auction was structured in the conventional manner, with the lowest accepted price (highest flat yield) determining the sale price. A total of nine valid bids with a combined nominal value of 2,250 m.kr. were submitted for the three-month series, and bids were accepted in the amount of 2,050 m.kr. The accepted price in the auction was 99.126, which is equivalent to a flat rate of 3.45%. For the six-month bills, a total of seven valid bids were submitted for 1,770 m.kr. nominal value, and bids were accepted for 1,570 m.kr. nominal value at a price of 98.243, which is equivalent to a flat rate of 3.50%.

According to information from primary dealers, non-residents did not buy any Treasury bills in this auction. A diversified group of domestic investors bought all of the bills sold.

Treasury bond auctions

Two Treasury bond auctions were held in July, according to the GDM issuance calendar.

On 5 July, RIKB 15 0408 and RIKB 31 0124 were auctioned. The terms were conventional, with the lowest accepted price (highest accepted yield) determining the sale price for the auction. A total of 11 valid bids in the nominal amount of 3,300 m.kr. were submitted for RIKB 15 0408, and 10 bids totalling 3,200 m.kr. were accepted at a price of 100.980 (3.90% yield). A total of 27 valid bids in the nominal amount of 6,520 m.kr. were submitted for RIKB 31 0124, and 26 bids totalling 6,420 m.kr. were accepted at a price of 99.000 (6.59% yield). As usual, primary dealers were offered the opportunity to purchase 10% of the nominal value sold in the auction at the sale price for accepted offers, but they did not exercise that option this time.

Bonds in the RIKB 22 1026 series were auctioned on 19 July. The terms were conventional, with the lowest accepted price (highest accepted yield) determining the sale price for the auction. A total of 18 valid bids in the nominal amount of 3,860 m.kr. were submitted, and 17 bids totalling 3,760 m.kr. were accepted at a price of 106.170 (6.34% yield). Primary dealers were offered the opportunity to purchase 10% of the

Contents

Benchmark issues, attributes
Central government debt
Investors
Securities lending facility, redemption profile and turnover
Auction of Treasury bills
Yield curves
Yield for Treasury bonds
Auctions of Nominal T-Bonds and T-Bills
Auctions of Treasury Bonds
Exchange rate development
State Guarantees

Treasury bond issuance in Q3/2013

Bond series	Maximum	Actual
RIKB 15 0408	15	3
RIKB 22 1026	15	4
RIKB 31 0124	15	6
Total		14

Treasury bond issuance as of 31 July 2013

Regular auctions

Bond series	Actual
RIKB 14 0314	3
RIKB 15 0408	22
RIKB 22 1026	21
RIKB 31 0124	23
Total	69

Foreign exchange auctions

Bond series	Actual
RIKS 33 0321	6
Total	6
Total issued this year	75

Information presented in this publication is from the Central Bank of Iceland and from other sources considered reliable.

Cut-off date for information was the end of last month unless stated otherwise.



nominal value sold in the auction at the sale price for accepted offers, and they bought bonds for an additional 361 b.kr.

According to information from primary dealers, non-residents bought RIKB 31 0124 bonds for 100 m.kr., or 1.6% of the sold volume, but did not invest in other bonds. A diversified group of domestic investors bought the remainder of the bonds sold.

Foreign currency auctions

On 23 July, Government Debt Management announced that RIKS 33 0321 would be offered in a Central Bank of Iceland foreign currency auction scheduled for 3 September.

Balance of Treasury guarantees

At end-June 2013, the balance of Treasury guarantees was 1,290,7 b.kr. Further information on Treasury guarantees can be found on page 11.

Contributors

Audur Gustafsdottir
audurg@cb.is

Bjorgvin Sighvatsson
bs@cb.is

David Sigurjonsson
david.sigurjonsson@sedlabanki.is

Hafsteinn Hafsteinsson
haha@cb.is

Hallgrimur Olafsson
ho@cb.is

Kjartan Hauksson
kha@cb.is

Oddgeir Gunnarsson
og@cb.is

Editor

Sturla Pálsson
sp@cb.is



Benchmark issues, attributes

Domestic marketable debt

<i>Issues</i>	<i>ISIN</i>	<i>Date of issue (d.m.y)</i>	<i>Maturity date</i>	<i>Interest, %</i>	<i>Type of bond</i>	<i>Duration*</i>	<i>Years to maturity</i>
<i>T - bills</i>							
RIKV 13 0815	IS0000022804	15.2.2013	15.8.2013	0.00	Bullet	0.04	0.04
RIKV 13 0916	IS0000022911	15.3.2013	16.9.2013	0.00	Bullet	0.13	0.13
RIKV 13 1015	IS0000023109	15.4.2013	15.10.2013	0.00	Bullet	0.21	0.21
RIKV 13 1115	IS0000023216	15.5.2013	15.11.2013	0.00	Bullet	0.30	0.29
RIKV 13 1216	IS0000023455	15.6.2013	16.12.2013	0.00	Bullet	0.38	0.38
RIKV 14 0115	IS0000023653	15.7.2013	15.1.2014	0.00	Bullet	0.47	0.46
<i>Nominal T-bonds</i>							
RIKB 14 0314	IS0000021244	14.3.2012	14.3.2014	4.75	Bullet	0.62	0.62
RIKB 15 0408	IS0000022952	27.3.2013	8.4.2015	4.50	Bullet	1.64	1.69
RIKB 16 1013	IS0000020253	22.10.2010	13.10.2016	6.00	Bullet	2.89	3.20
RIKB 19 0226	IS0000017077	26.2.2008	26.2.2019	8.75	Bullet	4.57	5.58
RIKB 22 1026	IS0000020717	26.10.2011	26.10.2022	7.25	Bullet	6.77	9.24
RIKB 25 0612	IS0000019321	12.6.2009	12.6.2025	8.00	Bullet	8.24	11.87
RIKB 31 0124	IS0000020386	24.1.2011	24.1.2031	6.50	Bullet	10.57	17.49
RIKH 18 1009	IS0000019453	2.9.2009	9.10.2018	Fl. rate	Bullet	0.08	5.19
<i>Inflation-linked T-bonds</i>							
RIKS 15 1001	IS0000000081	29.9.1995	1.10.2015	Zero coupon	Bullet	2.17	2.17
RIKS 21 0414	IS0000020014	14.4.2010	14.4.2021	3.80	Bullet	6.83	7.70
RIKS 30 0701	IS0000020576	1.7.2011	1.7.2030	3.25	Bullet	13.47	16.92
RIKS 33 0321	IS0000021251	21.3.2012	21.3.2033	3.00	Bullet	15.04	19.64
Average of benchmark series						5.1	8.1

* Macaulay.

Foreign marketable debt

<i>Issues</i>	<i>ISIN</i>	<i>Date of issue</i>	<i>Maturity date</i>	<i>Interest, %</i>	<i>Type of bond</i>	<i>Duration*</i>	<i>Years to maturity</i>
USD 4,375% 10 Mar 2014	XS0187753362	10.3.2004	10.3.2014	4.375	Bullet	0.61	0.61
GBP 14,5% 31 Jan 2016	GB0004556113	15.1.1981	31.1.2016	14.500	Bullet	2.17	2.50
USD 4,875% 16 Jun 2016	USX3446PDH48	16.5.2011	16.6.2016	4.875	Bullet	2.74	2.88
USD 5,875% 11 May 2022	USX34650AA31	11.5.2012	11.5.2022	5.875	Bullet	7.05	8.78
EUR Euribor+2,75% 15 Mar 2025	XS0515310943	1.6.2010	15.3.2025	Euribor+275bp	Amort.	0.13	5.45
Average of benchmark series						3.9	5.3

* Macaulay.



Government debt

Domestic central government debt in July 2013

Issues	Nominal amount, beg. of month	Inflation compensation	Issue/buybacks nominal	Inc. inflation compensation, end of month	Years to maturity	Market value (m.ISK)	% of domestic debt
<i>T-bills</i>							
RIKV 13 0715	2,050		-2,050	0	0.00	0	0.0
RIKV 13 0815	8,077			8,077	0.04	8,068	0.8
RIKV 13 0916	9,480			9,480	0.13	9,443	0.9
RIKV 13 1015	1,920		2,050	3,970	0.21	3,942	0.4
RIKV 13 1115	700			700	0.29	694	0.1
RIKV 13 1216	2,370			2,370	0.38	2,342	0.2
RIKV 14 0115	0		1,570	1,570	0.46	1,546	0.1
Total	24,597			26,167	0.16	26,034	2.5
<i>Nominal T-bonds</i>							
RIKB 14 0314	24,508			24,508	0.62	24,704	2.3
RIKB 15 0408	18,395		3,200	21,595	1.69	21,555	2.1
RIKB 16 1013	58,683			58,683	3.20	62,233	5.6
RIKB 19 0226	87,723			87,723	5.58	100,645	8.4
RIKB 22 1026	47,557		4,121	51,678	9.24	55,036	4.9
RIKB 25 0612	87,263			87,263	11.87	98,760	8.3
RIKB 31 0124	49,926		6,420	56,346	17.49	56,087	5.4
RIKH 18 1009*	212,911			212,911	5.19	216,309	20.3
Total	586,967			600,708	7.21	635,328	57.2
<i>Inflation-linked T-bonds</i>							
RIKS 15 1001	11,673	16,142		27,815	2.17	26,932	2.6
RIKS 21 0414	60,934	8,701		69,635	7.70	70,379	6.6
RIKS 30 0701	62,348	5,916		68,264	16.92	69,640	6.5
RIKS 33 0321	27,817	1,700		29,517	19.64	27,814	2.8
Total	162,772	32,459		195,231	11.94	194,765	18.6
Bond issued to Central Bank of Iceland				174,616	0.42		16.6
Other central government debt **				53,355	8.78		5.1
Total domestic debt				1,050,077	6.87		100.0

*Capital contribution from the state to financial institutions.

**Mostly government debt due to the National Power Company, (Landsvirkjun) and assumed gov. Guarantees.

Foreign central government debt

Issues		Issued nominal amount	Remaining nominal amount	Nominal amount ISK	Years to maturity
<i>Foreign bonds</i>					
USD 4,375% 10 Mar 2014	(MTN)	200	200	23,910	0.61
GBP 14,5% 31 Jan 2016		30	28	5,144	2.50
USD 4,875% 16 Jun 2016	(MTN)	1,000	1,000	119,550	2.88
USD 5,875% 11 May 2022		1,000	1,000	119,550	8.78
EUR Euribor+2,75% 15 Mar 2025	(MTN)	402	252	39,947	5.45
Total				308,101	5.32
<i>Foreign bilateral loans</i>					
PLN Wibor+2,75% 30 Sept 2022		630	204	7,618	5.50
EUR Euribor+2,75% 30 Dec 2021	(DK)	480	199	31,545	7.04
EUR Euribor+2,75% 30 Dec 2021	(FIN)	320	132	20,925	7.04
EUR Euribor+2,75% 30 Dec 2021	(SWE)	495	205	32,497	7.04
Total				92,585	6.91
Total foreign debt				400,685	5.69

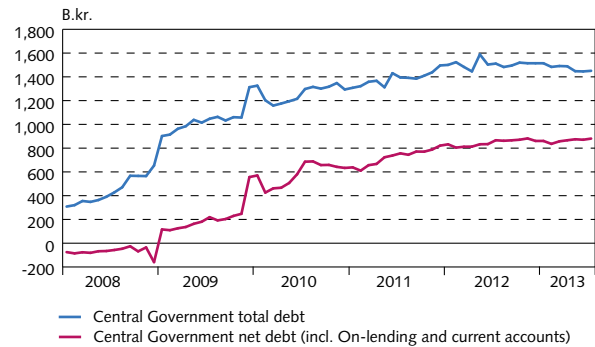


Central government debt, total

	<i>Nominal inc./ inflation compensation</i>	<i>Weighted time to maturity</i>
Nominal debt	626,875	6.92
Inflation-linked debt	423,202	6.79
Foreign currency debt	400,685	5.69
Total	1,450,762	6.54
Total debt as percentage of GDP*		84.9

* GDP is from the latest edition of Monetary Bulletin published by Central bank of Iceland.

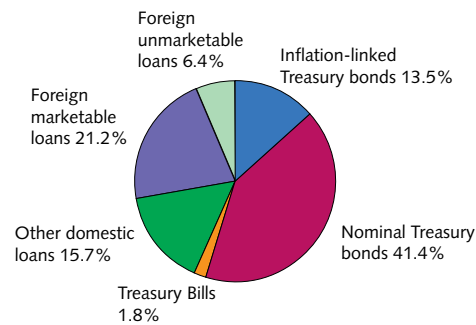
Changes in central government debt



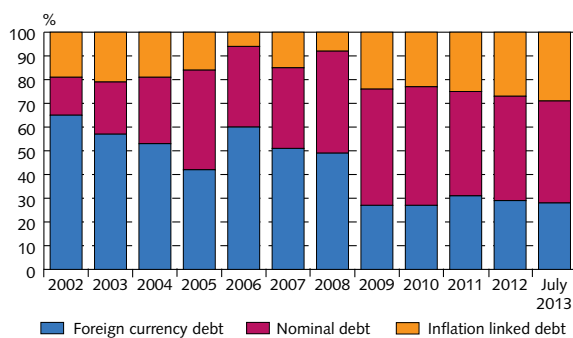
Net debt

	<i>Nominal inc./ inflation compensation</i>
<i>On-lending and cash at the Central bank</i>	
Nominal on - lending	2,626
Inflation-linked on - lending	100,818
Foreign currency on - lending	62,563
Cash ISK	85,072
Cash FX	319,351
Total	570,431
<i>Net debt</i>	
Nominal debt	539,177
Inflation-linked debt	322,384
Foreign currency debt	18,771
Net central government debt	880,331
Total net debt as percentage of GDP	51.5

Total market value of benchmark issues



Government debt from 2002-2013





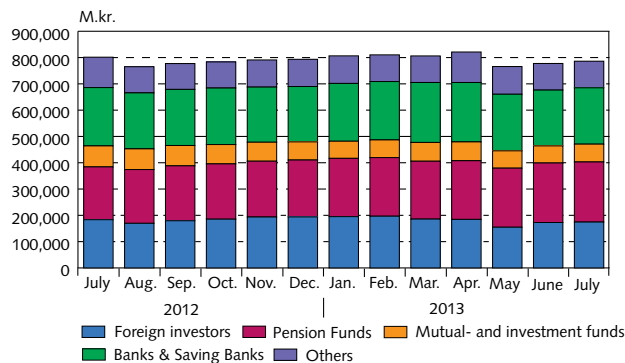
Investors

Owners of T-bonds and bills 31 July 2013*

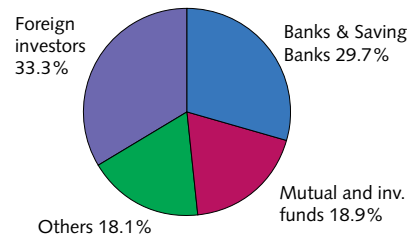
Nominal value in m.kr.	RIKB 14	RIKB 15	RIKB 16	RIKB 19	RIKB 22	RIKB 25	RIKB 31	RIKH 18	RIKS 21	RIKS 30	RIKS 33	Total	Total bills
Domestic investors													
Banks & Saving													
Banks	4,571	6,546	273	1,322	1,186	805	682	197,462	1,185	0	228	214,259	7,770
Miscellaneous													
credit undertakings	0	0	0	1,151	1,095	0	0	3,240	2,000	17,750	12,590	37,826	0
Mutual and inv. funds	604	1,667	1,288	11,972	11,509	3,729	5,252	1,225	24,479	5,854	143	67,721	4,940
Pension Funds	189	490	960	18,667	26,761	73,108	48,353	0	18,083	36,769	5,187	228,566	0
Firms	6,551	1,301	2,496	8,453	1,199	1,823	1,185	3,000	3,393	286	1,020	30,707	4,125
Households	237	0	943	3,140	1,277	1,491	263	0	4,984	393	2,672	15,399	37
Others	1,515	975	2,996	3,673	2,111	5,462	698	500	3,514	258	2,160	23,862	570
Foreign investors													
	30,272	17,096	57,485	40,161	6,737	3,516	1,029	7,484	5,803	1,037	3,818	174,439	8,725
Total	43,938	28,075	66,440	88,539	51,875	89,933	57,461	212,911	63,441	62,348	27,817	792,779	26,167

* Included securities lending from the issuer to the primary dealers.

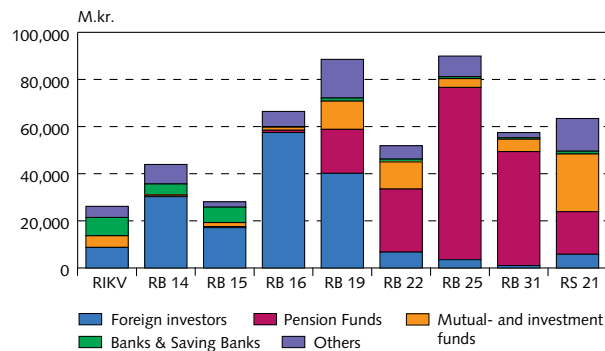
Owners of T-bonds*



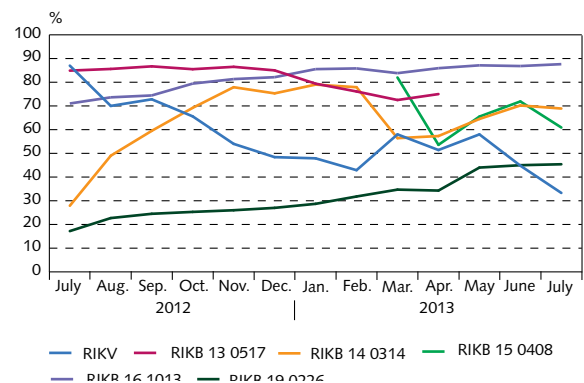
Owners of T-bills 31 July 2013*



Owners of marketable T-bonds and bills 31 July 2013*



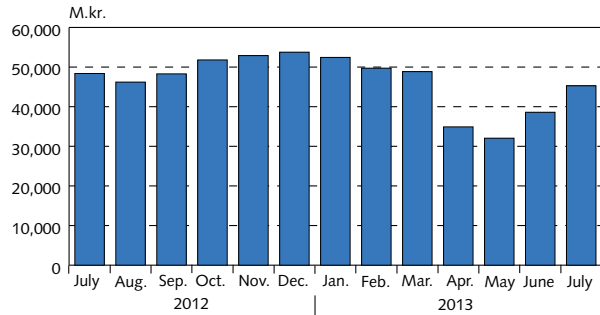
Percentage of foreign ownership of T-bonds and bills 31 July 2013*



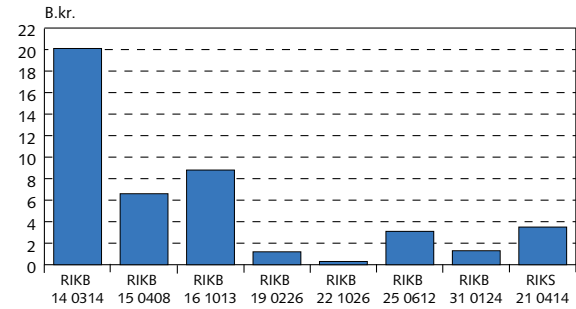
* Information is based on the most recent data from the Icelandic Securities Depository and banks.

Securities lending facility, redemption profile and turnover

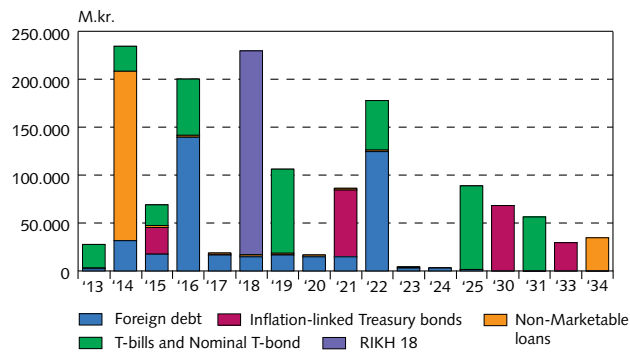
Average amount in the security lending facility of GDM at market value



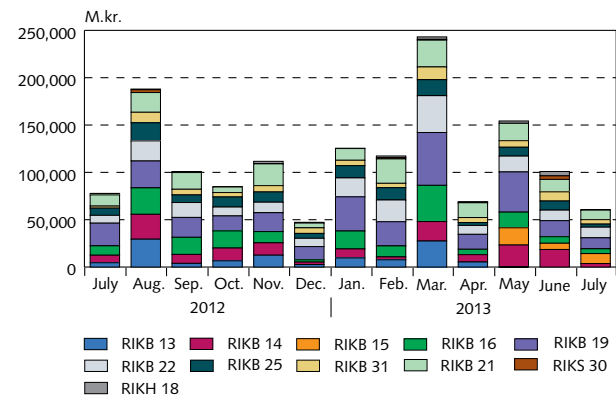
Outstanding amount in the securities lending facility by series at the end of last month



Redemption profile of government debt

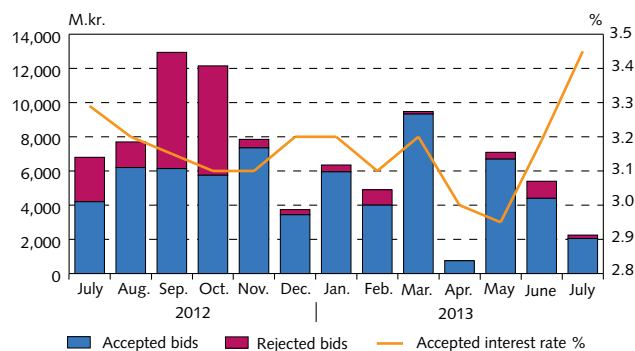


Monthly trading volume in T-Bonds on NASDAQ OMX Iceland Exchange

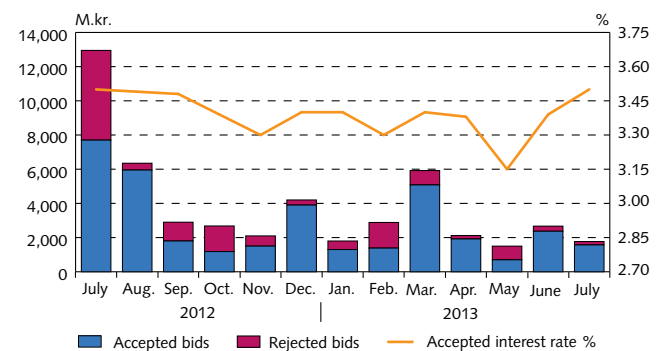


Auction of Treasury bills

Auction of 3 months T-bills



Auction of 6 months T-bills

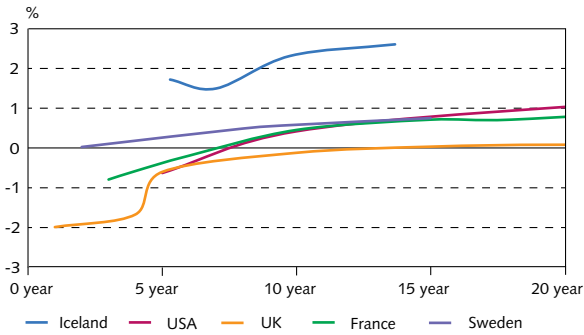




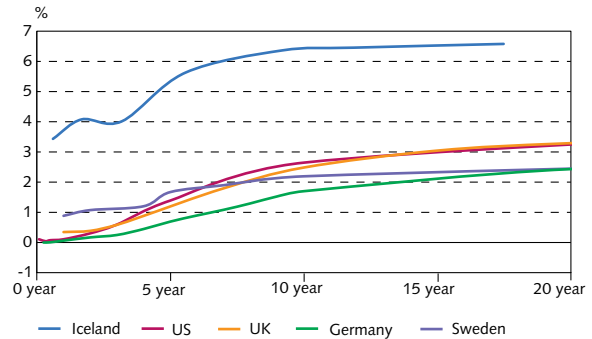
Market Information

Yield curves

Yield curve inflation-linked T-bonds

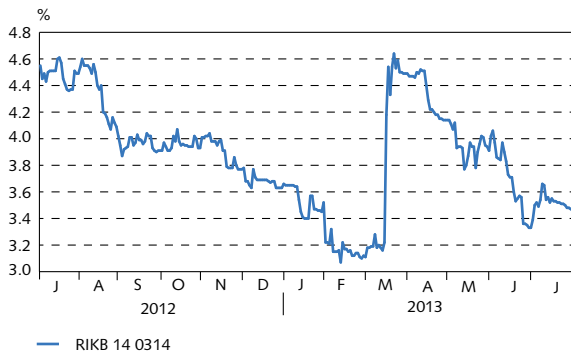


Yield curve Treasury bills and nominal T-bonds

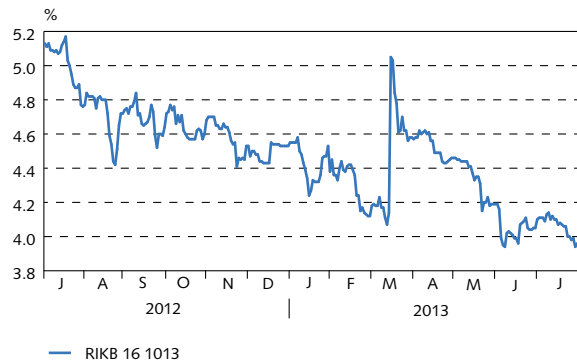


Yield for Treasury bonds

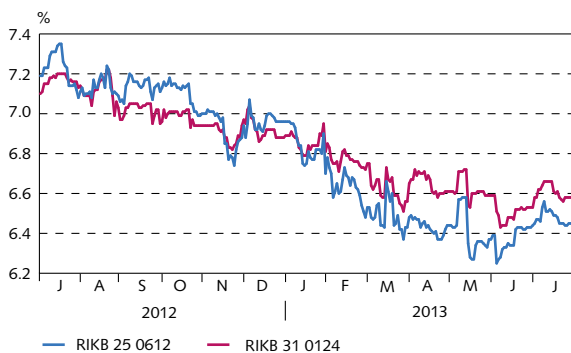
Yield for short term nominal T-bonds



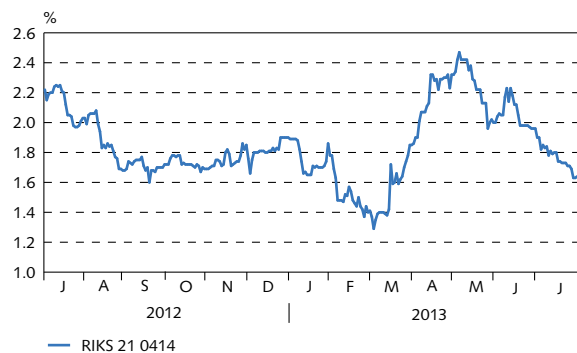
Yield for medium term nominal T-bonds



Yield for long term nominal T-bonds



Yield for inflation linked T-bonds



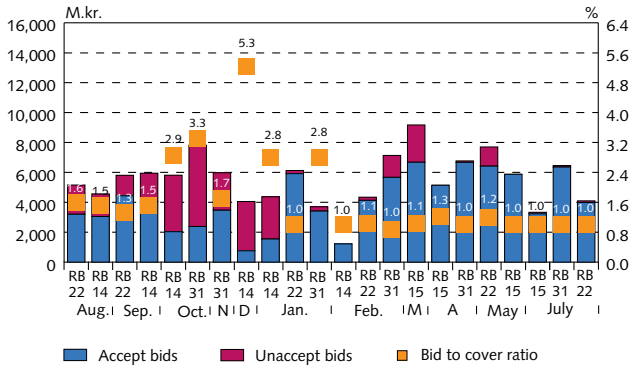
Auctions of Treasury bonds and bills

Auction in 2013, in m.kr.

Date		Offers		No. of bids	No. of acc. bids	Yield %	Acc. bids		Non comp. auction nominal v.	Total value
		Market value	Nominal value				Market value	Nominal value		
Nominal T-Bonds										
18.01.13	RIKB 14 0314	4,372	4,310	8	2	3.42	1,547	1,525	0	1,547
18.01.13	RIKB 22 1026	6,125	5,860	33	31	6.60	5,916	5,660	147	6,070
25.01.13	RIKB 31 0124	3,702	3,858	15	12	6.90	3,414	3,558	301	3,703
08.02.13	RIKB 14 0314	1,221	1,200	5	5	3.05	1,221	1,200	0	1,221
08.02.13	RIKB 22 1026	4,340	4,120	18	16	6.48	4,130	3,920	0	4,130
22.02.13	RIKB 31 0124	7,132	7,300	23	14	6.72	5,667	5,800	545	6,199
22.03.13	RIKB 15 0408	9,173	9,190	18	9	4.60	6,677	6,690	630	7,306
05.04.13	RIKB 15 0408	5,140	5,150	9	9	4.61	5,140	5,150	100	5,240
05.04.13	RIKB 31 0124	6,769	6,890	25	24	6.67	6,671	6,790	315	6,981
03.05.13	RIKB 22 1026	7,700	7,200	24	21	6.25	6,417	6,000	340	6,781
15.05.13	RIKB 15 0408	5,873	5,825	9	9	4.03	5,873	5,825	0	5,873
05.07.13	RIKB 15 0408	3,332	3,300	11	10	3.90	3,231	3,200	0	3,231
05.07.13	RIKB 31 0124	6,455	6,520	27	26	6.59	6,356	6,420	0	6,356
19.07.13	RIKB 22 1026	4,098	3,860	18	17	6.34	3,992	3,760	361	4,375
Total		75,434	74,583				66,252	65,498	2,739	69,013
<i>Indexed value</i>										
Indexed T-Bonds										
05.02.13	RIKS 33 0321	658	615	Foreign exchange auction		2.65	687	615		670
19.03.13	RIKS 33 0321	718	663	Foreign exchange auction		2.77	718	663		718
30.04.13	RIKS 33 0321	1,052	966	Foreign exchange auction		2.80	1,052	966		1,048
11.06.13	RIKS 33 0321	3,702	3,407	Foreign exchange auction		2.85	3,702	3,407		3,677
Total		6,159	5,651				6,159	5,651		6,113
Total price										75,126
T-Bills										
11.01.13	RIKV 13 0415	6,300	6,350	7	5	3.20	5,903	5,950		
11.01.13	RIKV 13 0715	1,770	1,800	6	3	3.40	1,278	1,300		
13.02.13	RIKV 13 0515	4,863	4,900	6	1	3.10	3,970	4,000		
13.02.13	RIKV 13 0815	2,838	2,885	10	4	3.30	1,362	1,385		
13.03.13	RIKV 13 0618	9,401	9,480	10	7	3.20	9,252	9,330		
13.03.13	RIKV 13 0916	5,818	5,920	11	6	3.40	4,993	5,080		
11.04.13	RIKV 13 0715	744	750	3	3	3.00	744	750		
11.04.13	RIKV 13 1015	2,084	2,120	5	4	3.38	1,888	1,920		
13.05.13	RIKV 13 0815	7,039	7,092	9	7	2.95	6,642	6,692		
13.05.13	RIKV 13 1115	1,476	1,500	8	4	3.15	689	700		
13.06.13	RIKV 13 0916	5,357	5,400	10	6	3.19	4,365	4,400		
13.06.13	RIKV 13 1216	2,625	2,670	8	5	3.39	2,330	2,370		
11.07.13	RIKV 13 1015	2,230	2,250	9	7	3.45	2,032	2,050		
11.07.13	RIKV 14 0115	1,739	1,770	7	5	3.50	1,542	1,570		
Total		54,285	54,887				46,990	47,497		

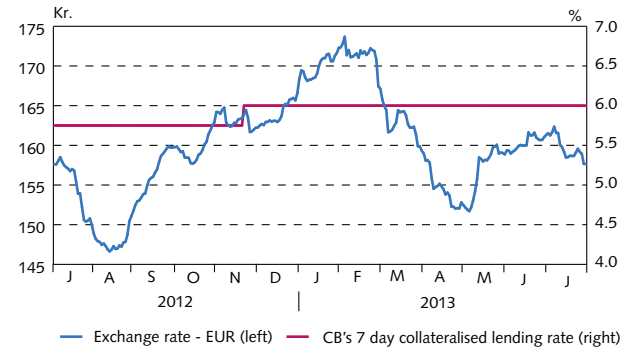
Auctions of Treasury bonds

Latest auction results of Treasury bonds at market value



Exchange rate development

Euro exchange rate versus 7 days collateralised lending rate



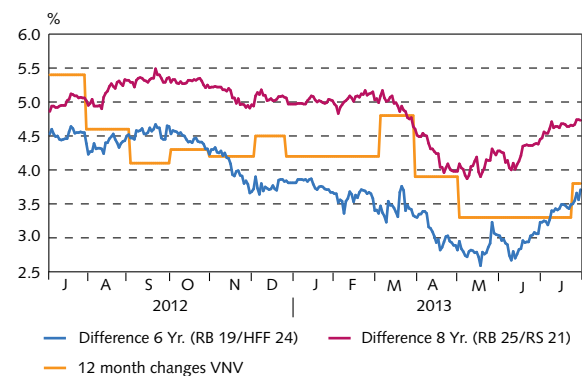
Next planned auction dates:

13 August 2013 Auction of Treasury bills
23 August 2013 Auction of Treasury bonds

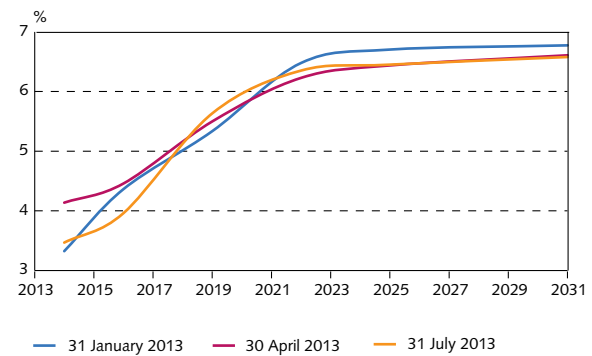
Primary dealers

Primary dealers in government securities	Telephone	Bloomberg
Islandsbanki	+354 440 4000	ISLA
Arion banki	+354 444 6000	KAUP
MP banki	+354 540 3200	MPIB
Landsbankinn	+354 410 4000	LAIS
Straumur	+354 585 6600	

Nominal yield curves



Inflation premium nominal T-bonds

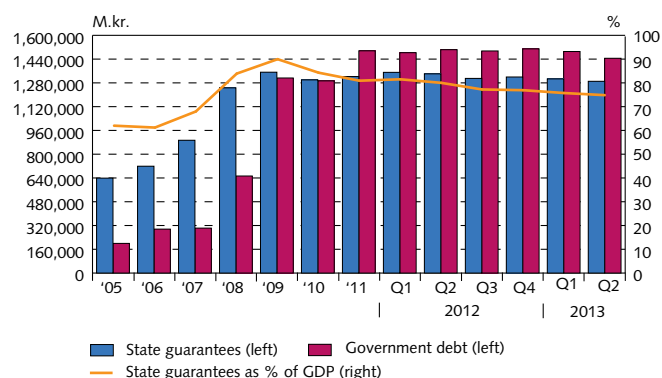


State guarantees

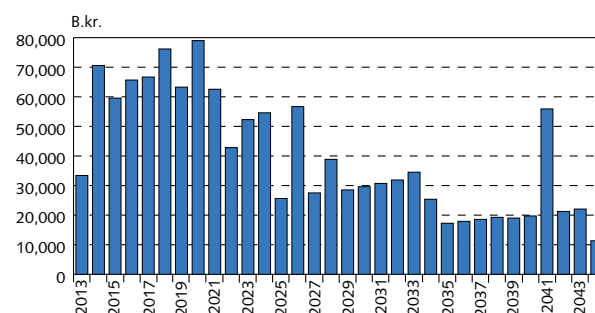
State guarantees 2008–2013

M.kr.	June	Outstanding end of year				
	2013	2012	2011	2010	2009	2008
Lending agencies	951,983	956,735	961,148	927,947	901,382	836,144
Housing Financing Fund	938,834	942,169	943,880	910,657	878,552	814,247
Regional Development Fund	13,149	14,565	16,993	17,038	22,586	21,670
Other	0	0	275	253	243	227
Co-operative and Limited Partnerships	334,858	358,920	250,744	251,455	271,714	250,031
National Power Company	318,900	342,231	233,417	232,854	251,128	234,097
RARIK Ltd. (Iceland State Electricity)	2,492	2,638	2,794	3,063	5,220	5,450
Farice	6,645	6,828	7,025	7,357	7,056	1,657
Isavia Ltd.	2,693	2,917	3,106	3,639	3,483	3,368
RUV Ltd. (National Broadcasting Service)	3,367	3,479	3,553	3,685	3,944	4,607
Other	761	828	849	857	882	853
Industries/Municipalities	3,812	3,964	5,357	5,242	38,523	33,621
Commercial Banks	0	0	1,608	1,693	28,220	23,659
NIB - Nordic Investment Bank	2,978	3,110	2,855	2,709	2,813	2,706
Other	834	854	894	840	7,490	7,256
State Guarantees total	1,290,653	1,319,619	1,217,250	1,184,644	1,211,618	1,119,796

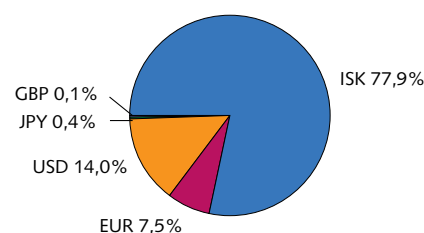
State guarantees - government debt and GDP



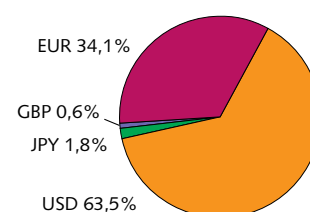
State guarantees - Maturity profile



State guarantees - Currency ratio



State guarantees - Currency ratio FX



Notes:

- Guarantees shown include accrued interest and indexation at the end of each period. Guarantees in foreign currency are valued at ask exchange rate. Numbers for 2012 and 2013 are preliminary.
- Numbers for the Housing Financing Fund are at nominal value and include accrued interest and indexation on securities issued, except for Housing Bonds, which are at market value. Included in the position of HFF-bonds are bonds reserved for security lending contracts with Primary Dealers.
- The Treasury redeemed the contingent liabilities of the Agricultural Lending Fund, Landsbanki hf and Glitnir hf as of the end of 2010, amounting to 22.53 bISK.
- The Treasury redeemed the contingent liabilities of Kaupthing bank hf as of the end of 2012, amounting to 1.5 bISK.
- The Statement of the Icelandic Government guaranteeing domestic deposits of Icelandic banks are not included here in government guarantees.
- The Treasury has guaranteed the indemnity of Arion banki hf regarding takeover of deposits from SPRON Savings bank, amounting to 70.8 b ISK with accrued interest at 30 June 2013.