

New data included in Market Information

In this issue of *Market Information*, information on the Treasury securities holdings of the financial institutions undergoing winding-up proceedings is included for the first time. It can be found on page 6 in the table entitled Owners of Treasury securities. The companies in question are LBI hf., Kaupthing hf., Glitnir hf., and SPB hf. Their holdings were previously included with those of banks and savings banks.

Treasury bill auctions

On 13 January, three- and six-month Treasury bills were auctioned in series RIKV 14 0415 and RIKV 14 0715. The auction was structured in the conventional manner, with the lowest accepted price (highest flat yield) determining the sale price. For the three-month bills, a total of five valid bids were submitted, in the nominal amount of 3,650 m.kr., and bids totalling 3,200 m.kr. were accepted at a price of 99.012 (3.99% flat interest). For the six-month bills, a total of seven valid bids were submitted, in the nominal amount of 4,250 m.kr., and bids totalling 4,230 m.kr. were accepted at a price of 97.980 (4.10% flat interest).

According to information from primary dealers, a diversified group of domestic investors bought all of the securities sold in the auction.

Treasury bond auctions

The Government Debt Management issuance calendar provided for auctions on 10 and 24 January, but both were cancelled.

Foreign currency auctions

No foreign currency auctions were held during the month.

Standard & Poor's changes outlook on sovereign credit rating

On 24 January, rating agency Standard & Poor's announced that it had changed the outlook on the Republic of Iceland's credit ratings from negative to stable because of reduced risk related to public sector finances. The ratings themselves, BBB- and A-3, were affirmed.

Balance of Treasury guarantees

At end-December 2013, the balance of Treasury guarantees was 1,264 b.kr. Further information on Treasury guarantees can be found on page 11.

Payment intermediation and financial infrastructure

Market agents who have been around for a while doubtless remember when taxis travelled from one financial company to another to deliver Housing Bonds or Treasury savings bonds after hordes of owners had endorsed them away in large amounts. But the times have changed, and all transactions are carried out electronically. In the rush of day-to-day business, it is not a given that bond market participants consider what it is that makes the market function: why does the buyer always receive the bonds purchased, and why does the seller always receive payment?

The most recent issue of *Fjármálainnviðir* [Financial Infrastructure], published by the Central Bank of Iceland in September, contains a detailed description of payment intermediation and financial infrastructure and the significance of both for the market. To put it simply, payment intermediation is a blanket term covering the transactions

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Treasury bond issuance in Q1/2014

Bond series	Amounts in b.kr.	Maximum	Actual
RIKB 16 1013		15	
New series - RIKB 20		15	
RIKB 31 0124		10	

Treasury bond issuance as of 31 January 2014

Regular auctions

Bond series	Amounts in b.kr.	Actual
RIKB 16 1013		0
New series - RIKB 20		0
RIKB 31 0124		0
Total		0

Foreign exchange auctions

Bond series	Amounts in b.kr.	Actual
RIKS 33 0321		0
Total		0
Total issued for the year		0

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.



involved in the transfer and delivery of assets from seller to buyer (or from payer to recipient), whether the delivery is physical or electronic; and financial infrastructure is a blanket term describing the specialised processes adopted to ensure that payment intermediation, no matter what form it takes, results in the successful transfer of payment to the recipient (seller) and the purchased asset to the counterparty (buyer).

Iceland's financial infrastructure consists of three systems: the Central Bank of Iceland's Real-Time Gross Settlement (RTGS) system and the Greiðsluveitan ehf. netting system, which operate based on the authorisation contained in the Act on the Security of Transfer Orders in Payment Systems and Securities Settlement Systems, no. 90/1999, and the Icelandic Securities Depository's (ISD) securities settlement system, which the Central Bank considers part of the core infrastructure because of its systemic importance.

The RTGS system transmits payments of 10 m.kr. or more between financial institutions, as well as carrying out final settlement of transactions from the netting system and securities settlement system.

The netting system transmits payments in amounts below 10 m.kr. in real time.

The securities settlement system carries out the settlement of transactions with stocks and bonds listed on the NASDAQ OMX Iceland exchange and transfers the securities from sellers to buyers. This process, which is explained in detail on page 32 of Financial Infrastructure, is described below. An attempt is made to explain the role of various parties and systems in the entire process, from execution to settlement.

- Market agents carry out securities transactions on their own account or on behalf of their clients. When they have confirmed transactions between them, the exchange confirms the terms of the transactions.
- The ISD processes the trades and records the rights and responsibilities of the market participants in connection with the exchange of securities and funds (clearing).
- The ISD sends the Central Bank of Iceland an estimated netting balance for settlement scheduled for execution the following day. Bond trades are settled on the banking day following the trade (T+1), while stock transactions are settled on the third banking day after the trade (T+3).
- Matched transactions wait in so-called allocation accounts until the account operator has recorded the name of the end purchaser and seller. Matching for the first settlement of the day takes place from 09:00 hrs. to 11:15 hrs., and matching for the second settlement of the day takes place from 11:46 hrs. to 14:30 hrs. Actual settlement is executed at 11:45 hrs. and 15:00 hrs. on banking days.
- The ISD sends final payment lists at 11:20 hrs. for the first settlement and 14:35 hrs. for the second.
- The Central Bank takes funds from participants' RTGS accounts and deposits them to suspense accounts for settlement, in accordance with payment orders from the ISD.
- If the account operator does not have the securities needed for delivery, the ISD is authorised to correct the settlement and calculate new net balances.
- At 11:45 hrs. and 15:00 hrs., the ISD notifies the Central Bank that settlement is complete and that the dematerialised securities have been delivered to the purchaser.
- The Central Bank transfers funds from the purchasers' settlement accounts to the sellers' settlement accounts at 11:45 hrs. and 15:00 hrs. Payment is made thereafter, with monetary balances in the sellers' settlement accounts transferred to their RTGS accounts.

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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 14 0217	IS0000023752	15.8.2013	15.1.2014	0.00	Bullet	0.05	0.04
RIKV 14 0317	IS0000023851	15.9.2013	17.2.2014	0.00	Bullet	0.13	0.05
RIKV 14 0415	IS0000023943	15.10.2013	17.3.2014	0.00	Bullet	0.21	0.12
RIKV 14 0616	IS0000024248	15.12.2013	15.4.2014	0.00	Bullet	0.38	0.20
RIKV 14 0715	IS0000024370	15.1.2014	15.7.2014	0.00	Bullet	0.46	0.45
<i>Nominal T-bonds</i>							
RIKB 14 0314	IS0000021244	14.3.2012	14.3.2014	4.75	Bullet	0.12	0.12
RIKB 15 0408	IS0000022952	27.3.2013	8.4.2015	4.50	Bullet	1.14	1.18
RIKB 16 1013	IS0000020253	22.10.2010	13.10.2016	6.00	Bullet	2.53	2.70
RIKB 19 0226	IS0000017077	26.2.2008	26.2.2019	8.75	Bullet	4.06	5.07
RIKB 22 1026	IS0000020717	26.10.2011	26.10.2022	7.25	Bullet	6.70	8.73
RIKB 25 0612	IS0000019321	12.6.2009	12.6.2025	8.00	Bullet	7.69	11.36
RIKB 31 0124	IS0000020386	24.1.2011	24.1.2031	6.50	Bullet	10.62	16.98
RIKH 18 1009	IS0000019453	2.9.2009	9.10.2018	Fl. rate	Bullet	0.08	4.69
<i>Inflation-linked T-bonds</i>							
RRIKS 15 1001	IS0000000081	29.9.1995	1.10.2015	Zero coupon	Bullet	1.67	1.67
RIKS 21 0414	IS0000020014	14.4.2010	14.4.2021	3.80	Bullet	6.29	7.20
RIKS 30 0701	IS0000020576	1.7.2011	1.7.2030	3.25	Bullet	12.91	16.41
RIKS 33 0321	IS0000021251	21.3.2012	21.3.2033	3.00	Bullet	14.54	19.13
Average of benchmark series						4.9	7.8

* 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	0.11	0.10
GBP 14,5% 31 Jan 2016	GB0004556113	15.1.1981	31.1.2016	14.500	Bullet	1.88	2.00
USD 4,875% 16 Jun 2016	USX3446PDH48	16.5.2011	16.6.2016	4.875	Bullet	2.24	2.37
USD 5,875% 11 May 2022	USX34650AA31	11.5.2012	11.5.2022	5.875	Bullet	6.57	8.27
EUR Euribor+2,75% 15 Mar 2025	XS0515310943	1.6.2010	15.3.2025	Euribor+275bp	Amort.	0.12	5.29
Average of benchmark series						3.5	4.9

* Macaulay.

Government debt

Domestic central government debt in January 2014

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 14 0115	11,570		-11,570	0	0.00	0	0.0
RIKV 14 0217	4,236			4,236	0.05	4,229	0.4
RIKV 14 0317	1,175			1,175	0.12	1,170	0.1
RIKV 14 0415	3,580		3,200	6,780	0.20	6,730	0.6
RIKV 14 0616	1,025			1,025	0.37	1,010	0.1
RIKV 14 0715	0		4,230	4,230	0.45	4,153	0.4
Total	21,586			17,446	0.23	17,293	1.6
<i>Nominal T-bonds</i>							
RIKB 14 0314	24,508			24,508	0.12	24,496	2.3
RIKB 15 0408	22,945			22,945	1.18	22,902	2.2
RIKB 16 1013	58,683			58,683	2.70	59,915	5.5
RIKB 19 0226	87,723			87,723	5.07	97,548	8.3
RIKB 22 1026	58,613			58,613	8.73	61,086	5.5
RIKB 25 0612	87,263			87,263	11.36	95,858	8.2
RIKB 31 0124	66,326			66,326	16.98	63,872	6.3
RIKH 18 1009*	212,911			212,911	4.69	217,790	20.1
Total	618,973			618,973	6.88	643,469	58.5%
<i>Inflation-linked T-bonds</i>							
RIKS 15 1001	11,328	16,018	-479	26,867	1.67	25,872	2.5
RIKS 21 0414	60,934	9,611		70,545	7.20	65,900	6.7
RIKS 30 0701	62,348	6,807		69,155	16.41	67,527	6.5
RIKS 33 0321	29,094	2,181		31,276	19.13	29,093	3.0
Total	163,705	34,617		197,843	11.56	188,392	18.7
Bond issued to Central Bank of Iceland				170,950	0.13		16.1
Other central government debt **				52,459	8.46		5.0
Total domestic debt				1,057,670	6.62		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	23,228	0.10
GBP 14,5% 31 Jan 2016		30	28	5,407	2.00
USD 4,875% 16 Jun 2016	(MTN)	1,000	1,000	116,140	2.37
USD 5,875% 11 May 2022		1,000	1,000	116,140	8.27
EUR Euribor+2,75% 15 Mar 2025	(MTN)	402	237	37,290	5.29
Total				298,205	4.85
<i>Foreign bilateral loans</i>					
PLN Wibor+2,75% 30 Sept 2022		630	204	7,559	5.00
EUR Euribor+2,75% 30 Dec 2021	(DK)	480	199	31,311	6.54
EUR Euribor+2,75% 30 Dec 2021	(FIN)	320	132	20,769	6.54
EUR Euribor+2,75% 30 Dec 2021	(SWE)	495	205	32,255	6.54
Total				91,893	6.41
Total foreign debt				390,098	5.22



Central government debt, total

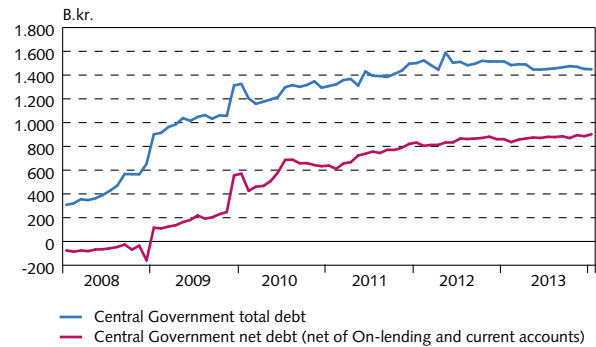
	Nominal incl./ inflation compensation	Weighted time to maturity
Nominal debt	636,419	6.70
Inflation-linked debt	421,252	6.51
Foreign currency debt	390,098	5.22
Total	1,447,768	6.25
Total debt as percentage of GDP*		81.7

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

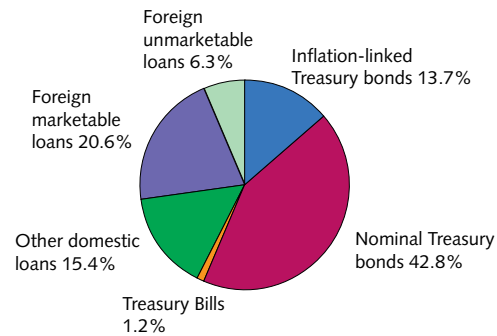
Net debt

	Nominal incl./ inflation compensation
<i>On-lending and cash at the Central bank</i>	
Nominal on - lending	2,951
Inflation-linked on - lending	99,194
Foreign currency on - lending	61,174
Cash ISK	68,654
Cash FX	314,598
Total	546,571
<i>Net debt</i>	
Nominal debt	564,814
Inflation-linked debt	322,058
Foreign currency debt	14,326
Net central government debt	901,197
Total net debt as percentage of GDP	50.9

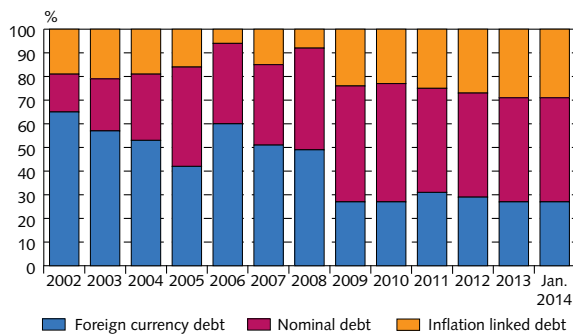
Changes in central government debt



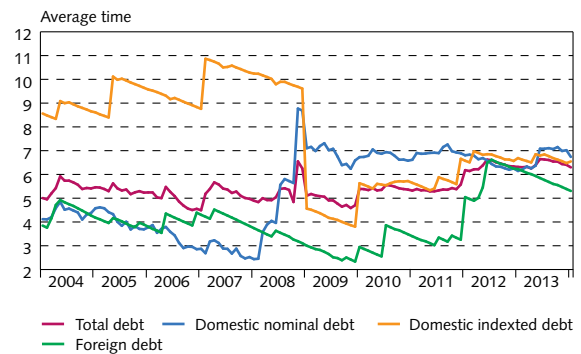
Total market value of benchmark issues



Government debt from 2002-2013



Average Time to Maturity





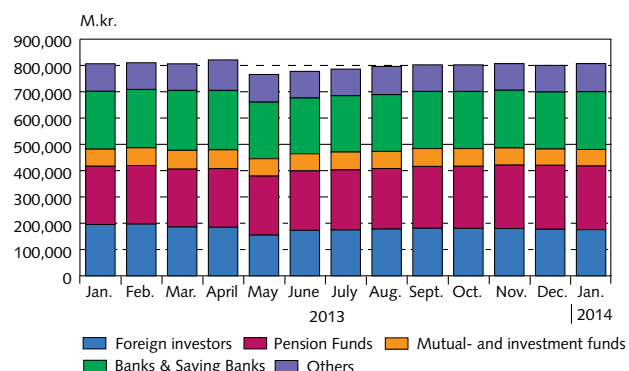
Investors

Owners of T-bonds and bills 31 January 2014 2013*

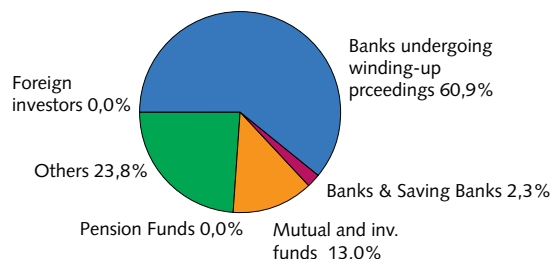
Nominal value in m.kr.	RIKB 14	RIKB 15	RIKB 16	RIKB 19	RIKB 22	RIKB 25	RIKB 31	RIKH 18	RIKS 21	RIKS 30	RIKS 33	Total	Total bills
Domestic investors													
Banks & Saving													
Banks	1,070	611	1,357	3,362	1,900	1,728	1,582	196,845	834	400	206	209,895	400
Banks undergoing winding-up proceedings	3,777	5,774	0	404	0	0	0	0	0	0	0	9,955	10,616
Miscellaneous credit undertakings	0	100	0	1,650	220	190	0	3,067	1,890	14,550	12,590	34,256	0
Mutual and inv. funds	2,139	613	1,362	10,680	7,774	4,699	5,383	1,150	21,317	7,226	413	62,758	2,270
Pension Funds	70	50	960	16,996	33,112	70,505	57,962	0	18,990	38,197	5,187	242,030	0
Firms	3,623	1,490	2,277	9,169	1,818	1,641	1,490	3,200	4,564	286	1,316	30,875	3,924
Households	211	0	320	2,759	1,735	914	373	0	4,664	393	3,109	14,478	36
Others	934	1,675	3,196	4,040	3,262	6,027	781	500	4,303	258	2,160	27,137	200
Foreign investors	23,930	20,632	55,980	40,402	10,370	3,164	1,105	8,149	6,768	1,037	4,114	175,652	0
Total	35,754	30,945	65,453	89,463	60,192	88,868	68,676	212,911	63,330	62,348	29,094	807,036	17,446

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

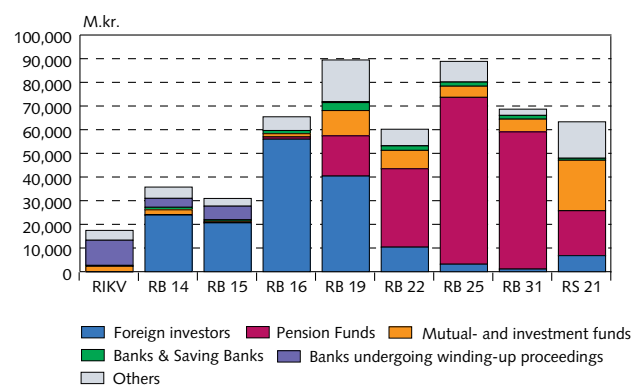
Owners of T-bonds*



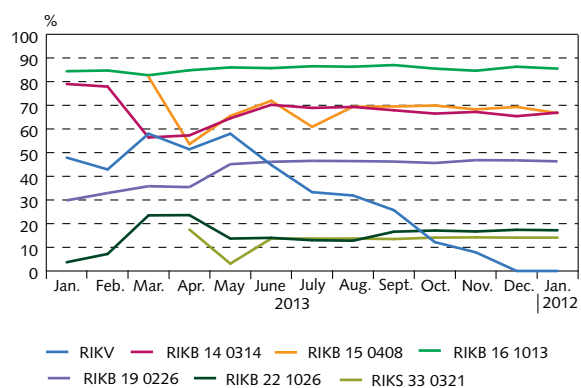
Owners of T-bills 31 January 2014*



Owners of marketable T-bonds and bills 31 January 2014*



Percentage of foreign ownership of T-bonds and bills 31 January 2014*

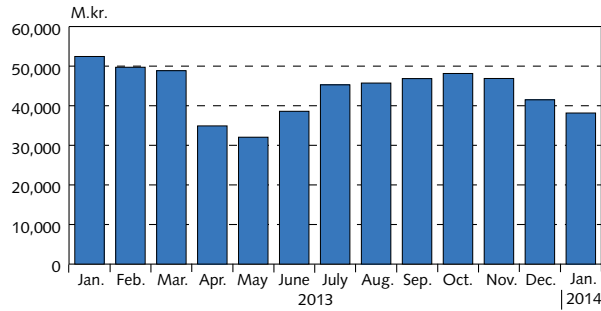


* Information is based on the most recent data from the Icelandic Securities Depository and banks.

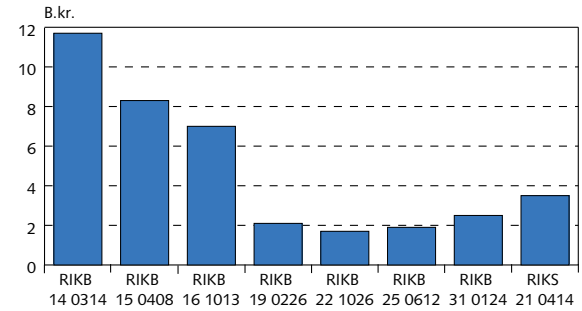


Securities lending facility, redemption profile and turnover

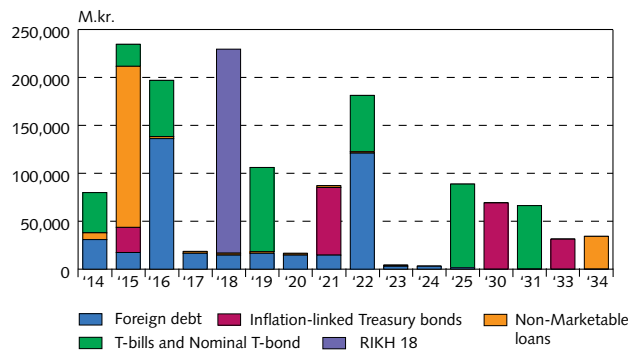
Average amount in the security lending facility of GDM at market value



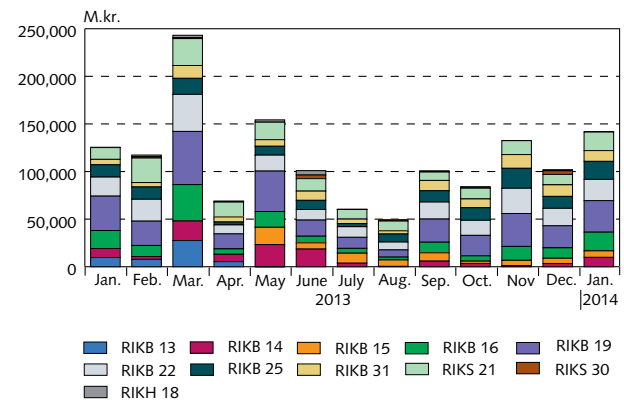
Outstanding amount in the securities lending facility by series at the end of last month



Redemption profile of government debt

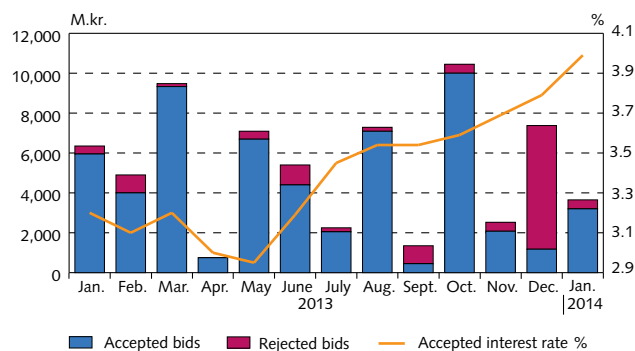


Monthly trading volume in T-Bonds on NASDAQ OMX Iceland Exchange

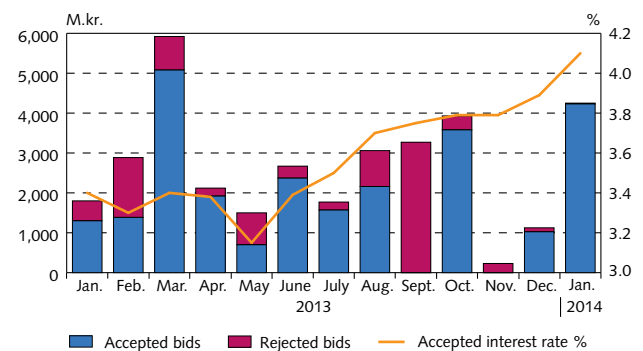


Auction of Treasury bills

Auction of 3 months T-bills



Auction of 6 months T-bills

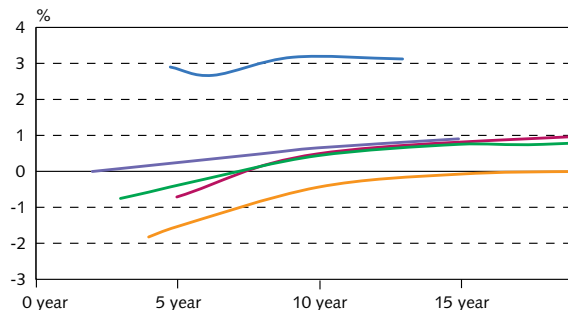




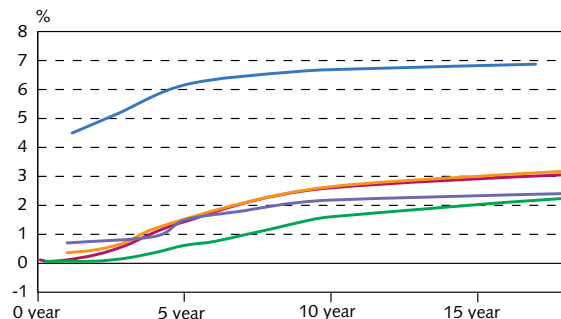
Market Information

Yield curves

Yield curve inflation-linked T-bonds



Yield curve Treasury bills and nominal T-bonds



Yield for Treasury bonds

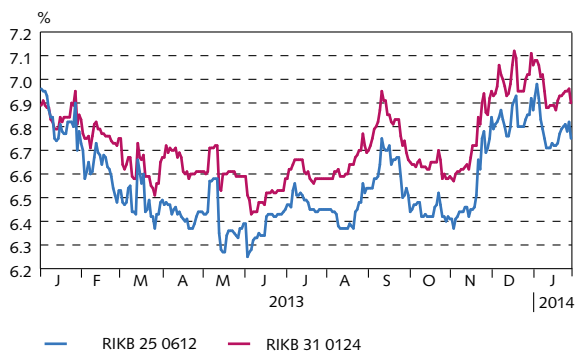
Yield for short term nominal T-bonds



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 2014, 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									
	0	0				0	0	0	0
Total	0	0				0	0	0	0
Indexed T-Bonds									
	0	0	Foreign exchange auction			0	0		Indexed value 0
Total	0	0				0	0		0
T-Bills									
13.01.14	RIKV 14 0415	3,580	3,650	5	2	3.99	3,138	3,200	
13.01.14	RIKV 14 0715	4,168	4,250	7	6	4.10	4,148	4,230	
Total		7,748	7,900				7,287	7,430	Total price 0



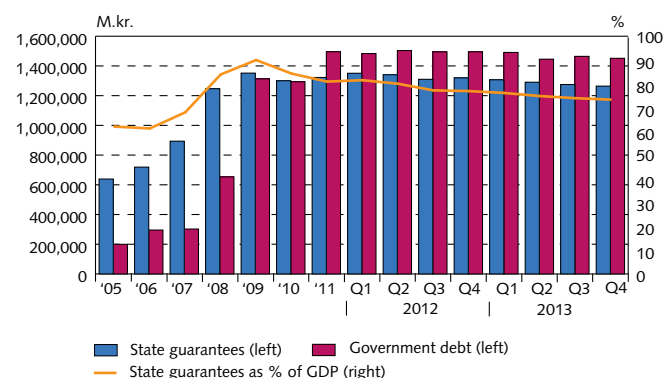
Market Information

State guarantees

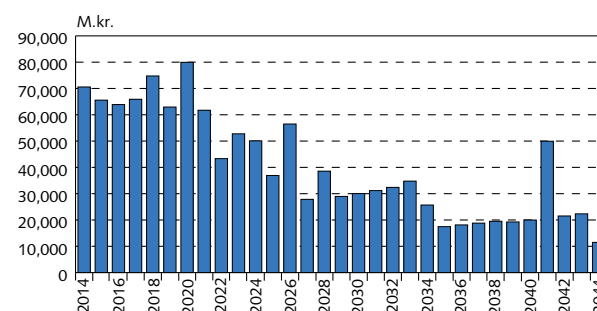
State guarantees 2008–2013

M.kr.	End of year	Outstanding end of year				
	2013	2012	2011	2010	2009	2008
Lending agencies	935,645	956,735	961,148	927,947	901,382	836,144
Housing Financing Fund	923,492	942,169	943,880	910,657	878,552	814,247
Regional Development Fund	12,153	14,565	16,993	17,038	22,586	21,670
Other	0	0	275	253	243	227
Co-operative and Limited Partnerships	324,844	358,920	250,744	251,455	271,714	250,031
National Power Company	309,531	342,231	233,417	232,854	251,128	234,097
RARIK Ltd, (Iceland State Electricity)	2,343	2,638	2,794	3,063	5,220	5,450
Farice	6,446	6,828	7,025	7,357	7,056	1,657
Isavia Ltd.	2,507	2,917	3,106	3,639	3,483	3,368
RUV Ltd. (National Broadcasting Service)	3,224	3,479	3,553	3,685	3,944	4,607
Other	793	828	849	857	882	853
Industries/Municipalities	3,760	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	2,956	3,110	2,855	2,709	2,813	2,706
Other	804	854	894	840	7,490	7,256
State Guarantees total	1,264,249	1,319,619	1,217,250	1,184,644	1,211,618	1,119,796

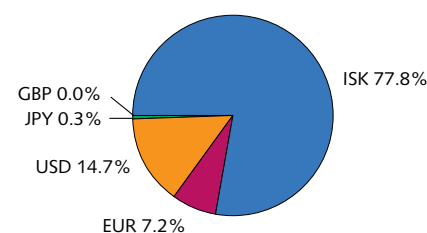
State guarantees - government debt and GDP



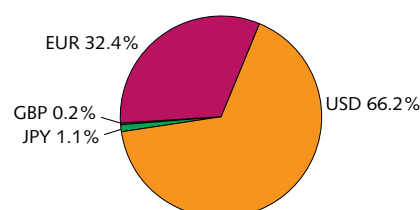
State guarantees - Maturity profile



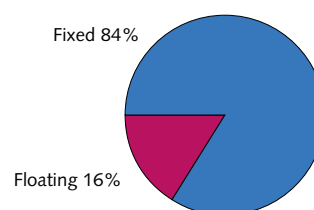
Currency ratio



Currency ratio FX



Interest rate type



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 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.