

Treasury bill auctions

On 12 October, six-month Treasury bills were auctioned in series RIKV 18 0416. The auction was structured in the conventional manner, with the lowest accepted price (highest flat yield) determining the sale price. A total of 15 valid bids were submitted in the nominal amount of 6,100 m.kr., and seven bids totalling 3,900 m.kr. were accepted. The accepted price in the auction was 97.902, which is equivalent to a flat rate of 4.24%. According to information from primary dealers, mutual funds bought 23% of the securities sold in the auction, and a diversified group of domestic investors bought the remainder.

Treasury bond auctions

An auction of the nominal Treasury bond series RIKB 28 1115 was held on 6 October. The terms were conventional, with the lowest accepted price (highest accepted yield) determining the sale price for the auction. A total of 33 valid bids with a combined nominal value of 3,700 m.kr. were submitted, and 18 bids were accepted in the amount of 1,950 m.kr. The accepted price in the auction was 100.55, which is equivalent to a yield of 4.93%.

As usual, primary dealers were offered the opportunity to purchase up to 10% of the sold volume at the accepted auction price, and on this occasion they exercised that option and bought RIKB 28 1115 for an additional 47 m.kr. According to information from primary dealers, mutual funds bought roughly 63% of the securities sold in the auction, and a diversified group of foreign and domestic investors bought the remainder.

An auction of the nominal Treasury bond series RIKB 22 1026 was held on 20 October. The terms were conventional, with the lowest accepted price (highest accepted yield) determining the sale price for the auction. A total of 24 valid bids with a combined nominal value of 2,910 m.kr. were submitted, and 19 bids were accepted in the amount of 2,470 m.kr. The accepted price in the auction was 110.43, which is equivalent to a yield of 4.85%.

As before, primary dealers were offered the opportunity to purchase up to 10% of the sold volume at the accepted auction price, but on this occasion they did not exercise that option in connection with RIKB 22 1026. According to information from primary dealers, mutual funds bought roughly 59% of the securities sold in the auction, and a diversified group of foreign and domestic investors bought the remainder.

Treasury buys back its own bonds for USD 31 million nominal value

The Treasury has bought back its own bonds in the series ICELAND 5.875%, in the nominal amount of 31 million US dollars, from the Central Bank at a price of 113.29. The bond matures in 2022. The total nominal value of the issue was 1,000 million US dollars. The buybacks are an element of Treasury debt and liquidity management.

Balance of Treasury guarantees

At the end of September 2017, the balance of Treasury guarantees was 984 b.kr. Further information on Treasury guarantees can be found on page 11.

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Treasury bond issuance in Q4/2017

Bond series	Amounts in b.kr.	Maximum	Actual
RIKB 22 1026	8	2.7	
RIKB 28 1115	8	2.0	

Treasury bond issuance as of 31 Oktober 2017

Regular auctions

Bond series	Amounts in b.kr.	Sales Actual
RIKB 20 0205		12.2
RIKB 22 1026		2.7
RIKB 28 1115		26.4
RIKS 30 0701		0.0
Total		41.4

Switch auction this year

Amounts in b.kr.	Sold*	Bought*
RIKB 20 0205	3.0	
RIKB 28 1115	1.7	
RIKB 19 0226		4.5

* Nominal amount

The information in this publication is from the Central Bank of Iceland and from data vendors that are considered reliable.

The information is as of the last month-end unless otherwise specified.

Government Debt Management cannot be held liable for possible errors, typographical or otherwise, that may appear in Market Information. Comments on the contents of this publication may be submitted to lanamal@sedlabanki.is.



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Benchmark issues, attributes

Domestic marketable debt

Issues	ISIN	Date of issue (d.m.y)	Maturity date	Interest, %	Type of bond	Duration*	Years to maturity
<i>T - bills</i>							
RIKV 17 1115	IS0000028769	15.5.2017	15.11.2017	0.00	Bullet	0.04	0.04
RIKV 17 1215	IS0000028900	15.6.2017	15.12.2017	0.00	Bullet	0.13	0.12
RIKV 18 0115	IS0000028991	15.7.2017	15.1.2018	0.00	Bullet	0.21	0.21
RIKV 18 0215	IS0000029106	15.8.2017	15.2.2018	0.00	Bullet	0.30	0.29
RIKV 18 0315	IS0000029189	15.9.2017	15.3.2018	0.00	Bullet	0.38	0.37
RIKV 18 0416	IS0000029312	15.10.2017	16.4.2018	0.00	Bullet	0.46	0.46
<i>Nominal T-bonds</i>							
RIKB 19 0226	IS0000017077	26.2.2008	26.2.2019	8.75	Bullet	1.24	1.32
RIKB 20 0205	IS0000024453	5.2.2014	5.2.2020	6.25	Bullet	2.10	2.26
RIKB 22 1026	IS0000020717	26.10.2011	26.10.2022	7.25	Bullet	4.41	4.99
RIKB 25 0612	IS0000019321	12.6.2009	12.6.2025	8.00	Bullet	5.95	7.61
RIKB 28 1115	IS0000028249	15.11.2016	15.11.2028	5.00	Bullet	8.34	11.04
RIKB 31 0124	IS0000020386	24.1.2011	24.1.2031	6.50	Bullet	8.83	13.23
RIKH 18 1009	IS0000019453	2.9.2009	9.10.2018	fl. rate	Bullet	0.08**	0.94
<i>Inflation-linked T-bonds</i>							
RIKS 21 0414	IS0000020014	14.4.2010	14.4.2021	3.80	Bullet	3.25	3.45
RIKS 30 0701	IS0000020576	1.7.2011	1.7.2030	3.25	Bullet	10.65	12.67
RIKS 33 0321	IS0000021251	21.3.2012	21.3.2033	3.00	Bullet	12.54	15.39
Average of benchmark series						5.8	7.5

* Macaulay.

** If coupon for this bond were fixed at current rates until maturity duration would be: 0.93

Foreign marketable debt

Issues	ISIN	Date of issue	Maturity date	Interest, %	Type of bond	Duration*	Years to maturity
USD 5,875% 11 May 2022	US451029AE22	11.5.2012	11.5.2022	5.875	Bullet	4.05	4.53
EUR 2,5% 15 Jul 2020	XS1086879167	15.7.2014	15.7.2020	2.50	Bullet	2.64	2.70
Average of benchmark series						2.8	2.9

* Macaulay.

Interest rate swaps

Maturity	Treasury pays	Treasury receives, %	Nominal amount (m. EUR)
15.7.2020	6M Euribor	0,791 p.a,	250

Government debt

Domestic central government debt 31 October 2017 in m.kr.

Issues	Nominal amount, beg. of month	Inflation compensation	Issue/ buybacks nominal	Inc. inflation compensation, end of month	Years to maturity	Market value	% of domestic debt
<i>T-bills</i>							
RIKV 17 1115	3,500			3,500	0.04	3,494	0.4
RIKV 17 1215	1,000			1,000	0.12	995	0.1
RIKV 18 0115	3,605			3,605	0.21	3,600	0.4
RIKV 18 0215	1,300			1,300	0.29	1,284	0.2
RIKV 18 0315	2,700			2,700	0.37	2,656	0.3
RIKV 18 0416	0		3,900	3,900	0.46	3,821	0.5
Total	12,105			16,005	0.26	15,851	1.9
<i>Nominal T-bonds</i>							
RIKB 19 0226	83,175			83,175	1.32	87,714	9.8
RIKB 20 0205	74,724			74,724	2.26	77,153	8.8
RIKB 22 1026	65,753		2,470	68,223	4.99	75,434	8.1
RIKB 25 0612	96,703			96,703	7.61	115,628	11.4
RIKB 28 1115	37,093		1,997	39,090	11.04	39,276	4.6
RIKB 31 0124	95,420			95,420	13.23	109,629	11.3
RIKH 18 1009 *	123,985			123,985	0.94	123,695	14.7
Total	576,854			581,321	5.45	628,529	68.8
<i>Inflation-linked T-bonds</i>							
RIKS 21 0414	60,934	13,949		74,883	3.45	79,001	8.9
RIKS 30 0701	73,727	13,078		86,805	12.67	99,470	10.3
RIKS 33 0321	34,172	4,821		38,993	15.39	43,835	4.6
Total	168,833	31,847		200,681	9.76	222,305	23.8
Other central government debt**				46,878	6.50		5.5
Total domestic debt				844,885	6.43		100.0

* Capital contribution from the state to financial institutions.

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

Foreign central government debt

Issues	Issued nominal amount (millions)	Remaining nominal amount	Nominal amount ISK (m.kr.)	Years to maturity
<i>Foreign bonds</i>				
USD 5,875% 11 May 2022	1,000	92	9,698	4.53
EUR 2,5% 15 Jul 2020	750	750	91,943	2.70
Total			101,640	2.88
Total foreign debt			101,640	2.88

Central government debt, total in m.kr.

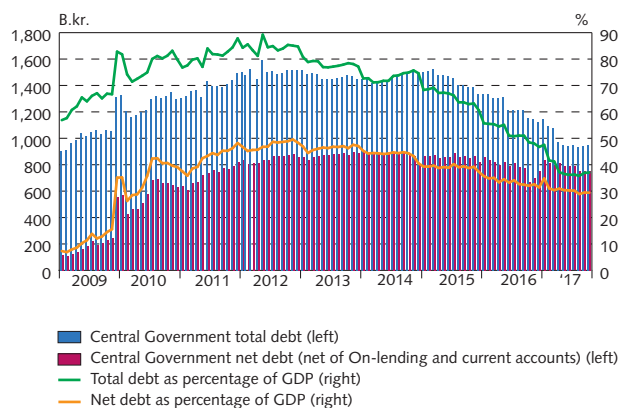
	Nominal incl./ inflation compensation	Weighted time to maturity
Nominal debt	597,326	5.31
Inflation-linked debt	247,559	9.14
Foreign currency debt	101,640	2.88
Total	946,525	6.05
Total debt as percentage of GDP*		37.0

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

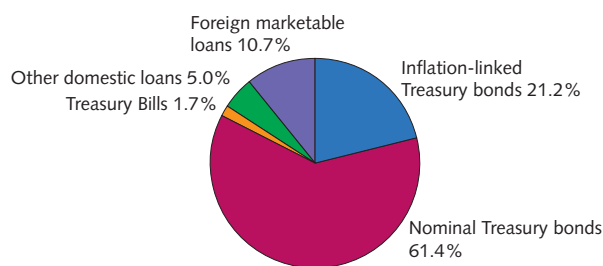
Net debt in m.kr.

On-lending and cash at the Central bank	Nominal incl./ inflation compensation end of month
Nominal on - lending	10,524
Inflation-linked on - lending	38,706
Foreign currency on - lending	-
Cash ISK	74,826
Cash FX	71,006
Total	195,061
Net debt	
Nominal debt	511,977
Inflation-linked debt	208,852
Foreign currency debt	30,635
Net central government debt	751,464
Total net debt as percentage of GDP	29.4

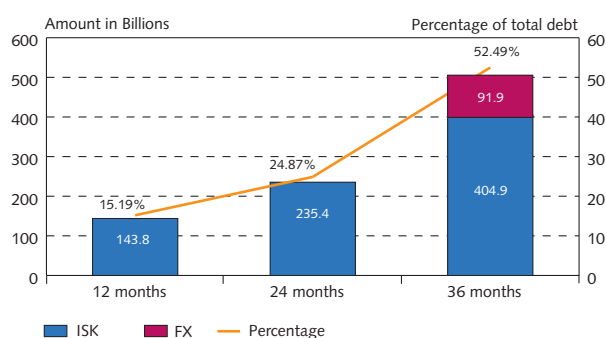
Changes in central government debt



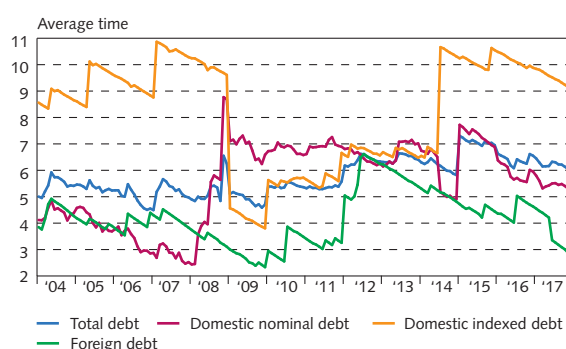
Total market value of benchmark issues



Percentage of debt maturing after;



Average Time to Maturity



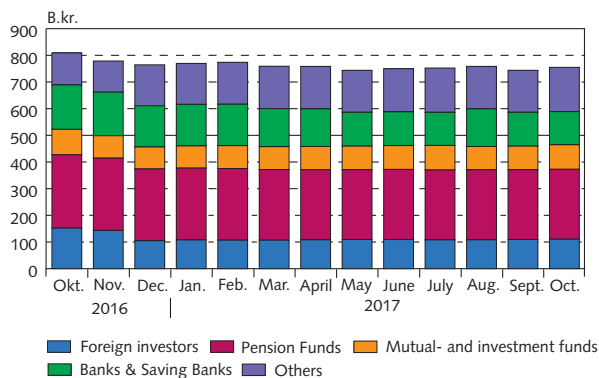
Investors

Owners of T-bonds and bills 31 October 2017*

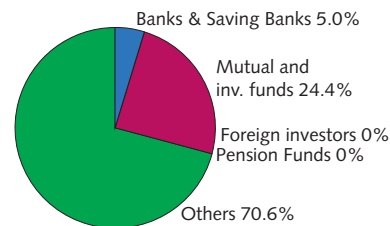
Nominal value in m.kr.	RIKB 19	RIKB 20	RIKB 22	RIKB 25	RIKB 28	RIKB 31	RIKH 18	RIKS 21	RIKS 30	RIKS 33	Total	Total bills
Domestic investors												
Banks & Saving Banks	1,912	5,108	1,931	1,600	3,706	1,936	105,895	1,171	910	0	124,168	800
Miscellaneous credit undertakings	3,271	1,500	0	0	0	0	621	11,482	11,650	12,590	41,115	11,167
Mutual and inv. funds	10,729	18,270	11,660	7,725	8,712	4,953	460	13,372	14,791	1,389	92,062	3,903
Pension Funds	11,746	24,958	25,664	48,630	15,717	50,910	12,090	23,205	44,481	4,789	262,190	0
Firms	3,199	7,492	5,900	5,593	3,369	5,849	0	5,166	492	1,421	38,480	75
Households	3,362	1,406	1,294	811	421	302	0	4,588	371	2,235	14,791	15
Others	24,486	11,674	9,914	11,130	1,817	2,208	4,845	2,601	846	2,160	71,680	40
Foreign investors	25,498	4,276	12,839	21,524	5,529	29,802	75	388	918	9,588	110,438	5
Total:	84,203	74,684	69,201	97,012	39,271	95,960	123,985	61,974	74,460	34,172	754,923	16,005

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

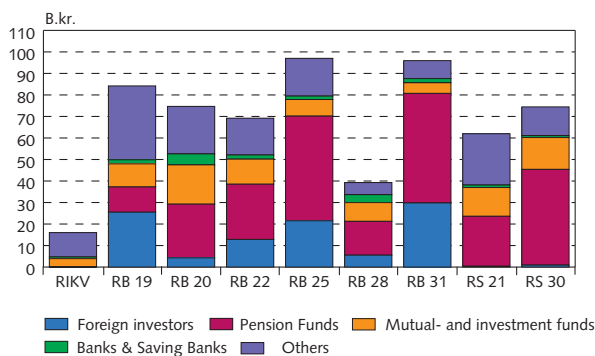
Owners of T-bonds 31 October 2017*



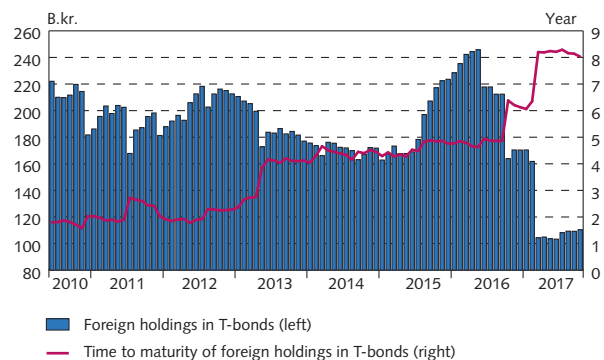
Owners of T-bills 31 October 2017*



Owners of marketable T-bonds and bills 31 October 2017*



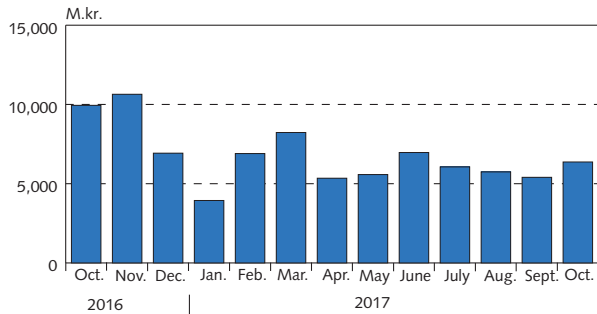
Time to maturity of non-residents' holdings in T-bond and -bills 31 October 2017*



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

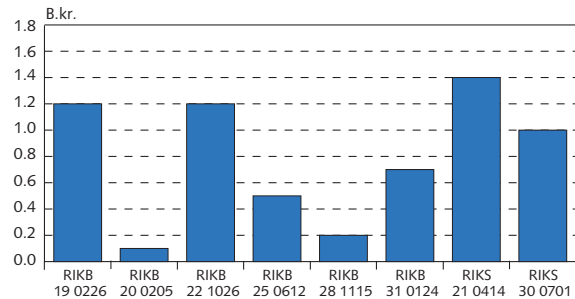
Securities lending facility, redemption profile and turnover

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

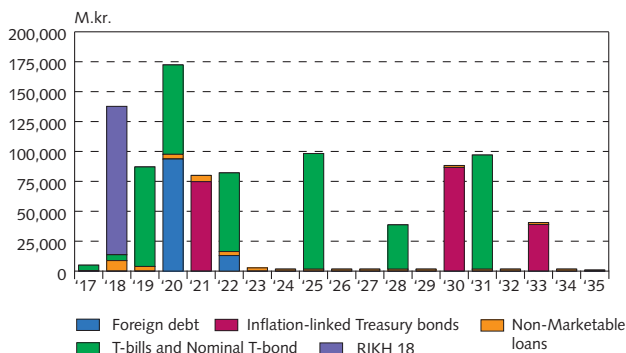


* Calculated at market price.

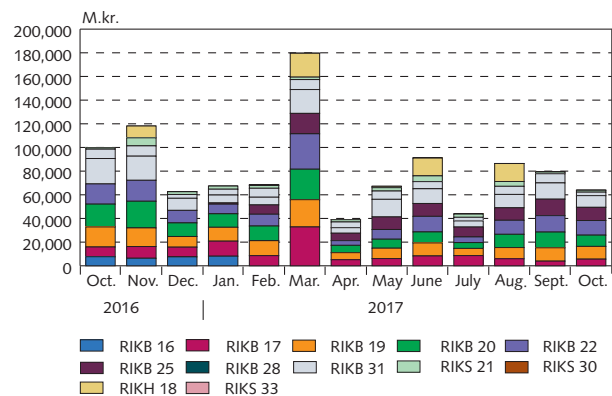
Outstanding amount in the securities lending facility* by series at the end of last month



Redemption profile of government debt

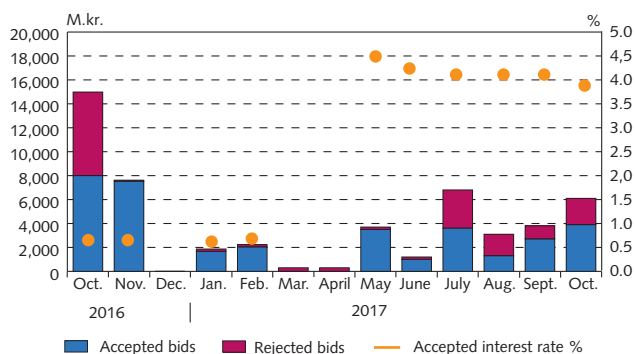


Monthly trading volume in T-Bonds on NASDAQ Iceland Exchange



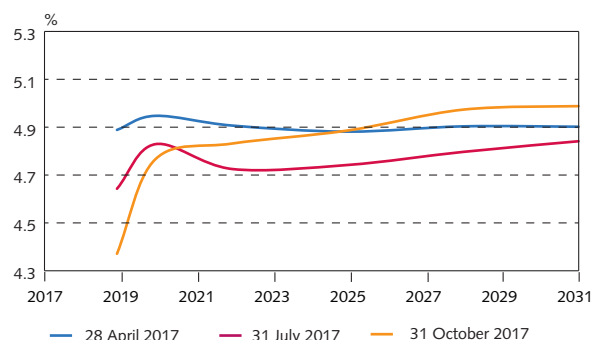
Auction of Treasury bills

Auction of 6 months T-bills

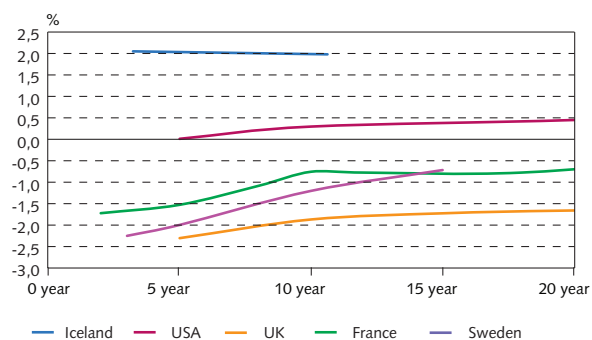


Yield curves

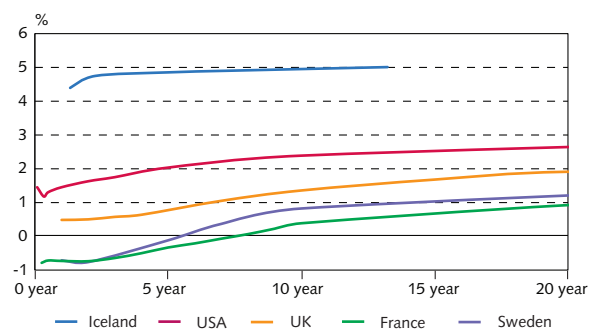
Nominal yield curves



Yield curve inflation-linked T-bonds



Yield curve Treasury bills and nominal T-bonds



Yield for Treasury bonds

Generic Yield



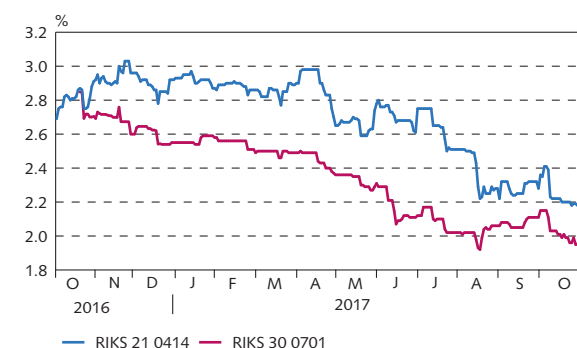
Yield for short and medium term nominal T-bonds



Yield for long term nominal T-bonds



Yield for inflation linked T-bonds



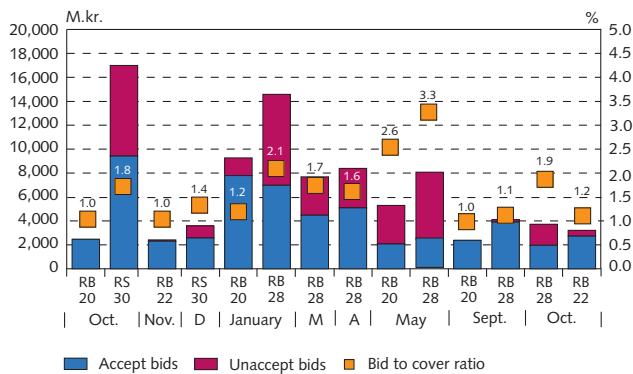
Auctions of Treasury bonds and bills

Auction in 2017, in m.kr.

		Offers		No. of bids	No. of acc. bids	Yield %	Acc. bids		Non comp. auction nominal v.	Total value
Date		Market value	Nominal value				Market value	Nominal value		
Nominal T-Bonds										
13.01.17	RIKB 20 0205	9,268	9,019	49	37	5.24	7,788	7,579	0	7,788
20.01.17	RIKB 28 1115	14,578	14,864	70	34	5.22	6,977	7,114	614	7,579
03.03.17	RIKB 28 1115	7,685	7,640	49	26	4.93	4,476	4,450	88	4,565
07.04.17	RIKB 28 1115	8,391	8,341	48	21	4.93	5,091	5,061	472	5,566
19.05.17	RIKB 20 0205	5,296	5,112	16	10	4.79	2,074	2,002	0	2,074
19.05.17	RIKB 28 1115	8,064	7,867	44	19	4.71	2,460	2,400	0	2,460
08.09.17	RIKB 20 0205	2,377	2,312	12	12	4.97	2,377	2,312	0	2,377
08.09.17	RIKB 28 1115	4,104	4,160	21	20	5.16	3,906	3,960	316	4,218
06.10.17	RIKB 28 1115	3,720	3,700	33	18	4.93	1,961	1,950	47	2,008
20.10.17	RIKB 22 1026	3,214	2,910	24	19	4.85	2,728	2,470	0	2,728
Total		66,696	65,925				39,838	39,298	1,537	41,363
									Total value	41,363
Switch auction										
07.07.17	RIKB 20 0205	3,114	3,010	0	0	0	3,114	3,010	0	3,114
07.07.17	RIKB 28 1115	1,747	1,715	0	0	0	1,732	1,700	0	1,732
Total		4,861	4,725				4,846	4,710	0	4,846
T-Bills										
12.01.17	RIKV 17 0717	1,860	1,866	4	2	0.68	1,659	1,665		
13.02.17	RIKV 17 0815	2,222	2,230	5	3	0.68	2,023	2,030		
13.03.17	RIKV 17 0915	0	300	3	0	0.00	0	0		
11.04.17	RIKV 17 1016	0	400	4	0	0.00	0	0		
11.05.17	RIKV 17 1115	3,609	3,700	6	4	4.95	3,414	3,500		
13.06.17	RIKV 17 1215	1,172	1,200	5	3	4.70	977	1,000		
13.07.17	RIKV 18 0115	6,654	6,805	17	7	4.50	3,525	3,605		
11.08.17	RIKV 18 0215	3,031	3,100	10	4	4.48	1,271	1,300		
13.09.17	RIKV 18 0315	3,716	3,800	6	4	4.49	2,640	2,700		
12.10.17	RIKV 18 0416	5,972	6,100	15	7	4.24	3,818	3,900		
Total		28,235	29,501				19,327	19,700		

Auctions of Treasury bonds

Latest auction results of Treasury bonds at market value



Next planned auction date:

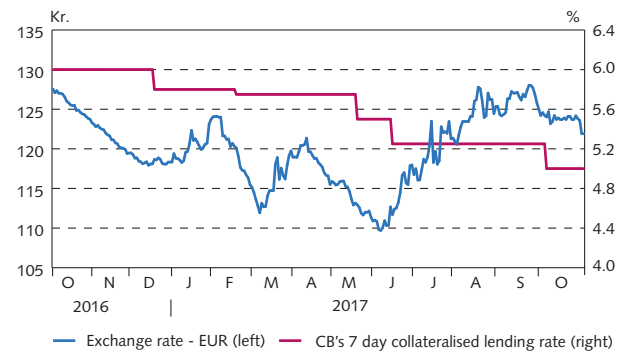
10 November, 2017 - Auction of Treasury bonds
13 November, 2017 - Auction of Treasury bills
24 November, 2017 - Auction of Treasury bonds

Primary dealers

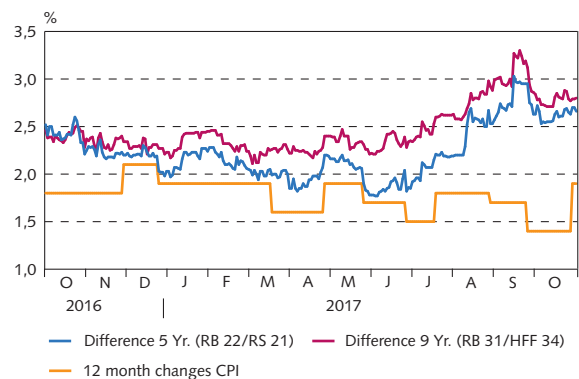
Primary dealers in government securities	Telephone	Bloomberg
Íslandsbanki	+354 440 4000	ISLA
Arion banki	+354 444 6000	ARIO
Kvika banki hf.	+354 540 3200	KVIK
Landsbankinn	+354 410 4000	LAIS

Exchange rate development

Euro exchange rate versus 7 days collateralised lending rate



Inflation premium nominal T-bonds

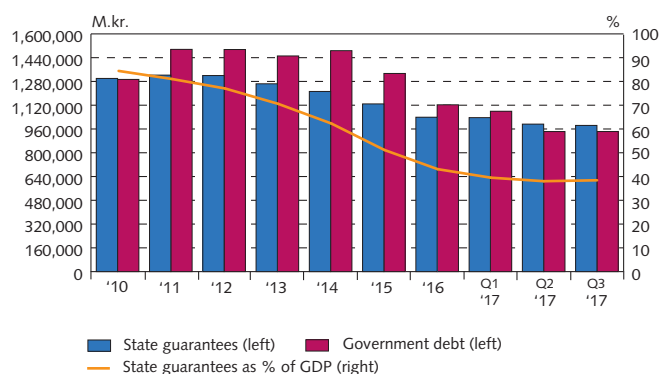


State guarantees

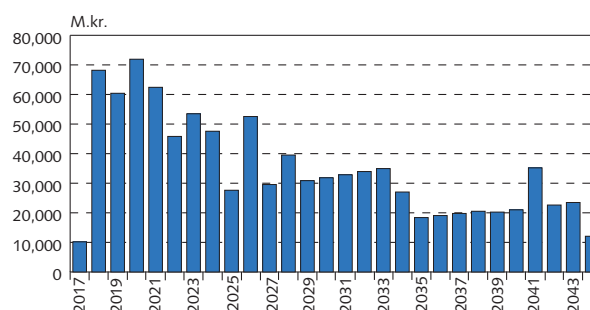
State guarantees 2012–2017

M.kr.	September	Outstanding end of year				
	2017	2016	2015	2014	2013	2012
Lending agencies	817,711	830,231	855,054	892,205	935,645	956,735
Housing Financing Fund	807,251	821,180	844,130	881,045	923,492	942,169
Regional Development Fund	10,460	9,051	10,923	11,160	12,153	14,565
Co-operative and Limited Partnerships	164,336	207,073	271,548	317,940	324,844	358,920
National Power Company sf.	152,646	195,048	257,155	302,586	309,531	342,231
RARIK ohf. (Iceland State Electricity)	1,363	1,483	1,786	2,075	2,343	2,638
Farice ehf.	5,682	5,652	7,214	7,588	6,446	6,828
Isavia ohf.	1,236	1,401	1,749	2,130	2,507	2,917
RUV ohf. (National Broadcasting Service)	2,796	2,886	3,011	2,760	3,224	3,479
Other	612	603	633	801	793	828
Industries/Municipalities	1,947	1,872	2,229	2,440	3,760	3,964
NIB - Nordic Investment Bank	1,947	1,862	2,209	2,411	2,956	3,110
Other	0	10	20	29	804	854
State Guarantees total	983,994	1,039,177	1,128,831	1,212,585	1,264,249	1,319,619

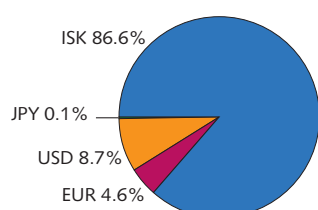
State guarantees - government debt and GDP 2010-2017



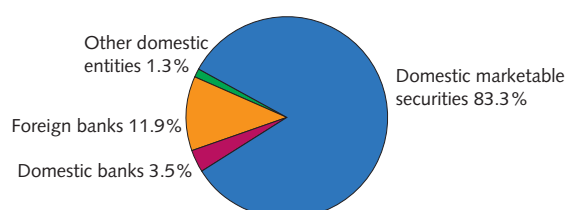
State guarantees - Maturity profile



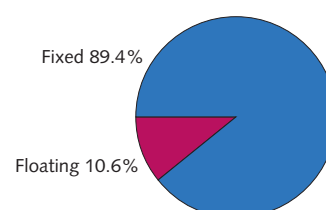
Currency ratio



Type of lenders



Interest rate type



Notes:

- Guarantees shown include accrued interest and indexation at the end of each period. Guarantees in foreign currency are shown at ask exchange rate. Numbers for 2017 are preliminary.
- Numbers for the Housing Financing Fund are at nominal value and include accrued interest and indexation on securities issued. Included in the position of HFF-bonds are bonds reserved for security lending contracts with Primary Dealers.
- The Treasury redeemed the contingent liabilities of Kaupthing bank hf as of the end of 2012, amounting to 1.5 b. ISK.