

Change in sovereign credit ratings

On 8 February, Moody's Investor Service changed the outlook on Iceland's sovereign credit rating from negative to stable. The credit ratings of Baa3/P-3 for long- and short-term obligations remain unchanged. Moody's decision to change the outlook back to stable is based on the reduction of risk following the EFTA Court ruling in January. In Moody's opinion, that ruling fell into line with other positive developments in Iceland over the past 12 months. Then, on 14 February, Fitch Ratings followed suit, upgrading the sovereign rating for long-term obligations in foreign currency from BBB- to BBB and affirming the rating for long-term obligations in local currency at BBB+. Fitch affirmed the F3 rating for short-term obligations and raised the Country Ceiling from BBB- to BBB. The outlook for the long-term ratings is stable.

Treasury bond auctions

Two Treasury bond auctions were held in February. The two-year RIKB 14 0314 bond and the 10-year RIKB 22 1026 were offered on 8 February. The terms were conventional, with the lowest accepted price (highest accepted yield) determining the sale price for the auction. For RIKB 14 0314, a total of five valid bids were submitted, with a total nominal value of 1,200 m.kr., and it was decided to accept them all at a price of 101.775 (3.05% yield). For RIKB 22 1026, a total of 18 valid bids were submitted, with a total nominal value of 4,120 m.kr., and it was decided to accept 16 bids for 3,920 m.kr. nominal value at a price of 105.350 (6.48% yield). As before, primary dealers were offered the opportunity to purchase 10% of the nominal value sold in the auction at the sale price for accepted offers. No primary dealers availed themselves of that option at this time. According to information from primary dealers, non-residents bought no two-year bonds but bought 10-year bonds for 300 m.kr., or 8% of the sold volume. Mutual funds bought bonds for 1,225 m.kr. in the 10-year series, and other domestic investors purchased the remainder.

The 18-year RIKB 31 0124 series was offered on 22 February. The terms were conventional, with the lowest accepted price (highest accepted yield) determining the sale price for the auction. A total of 23 valid bids were submitted for 7,300 m.kr. nominal value, and it was decided to accept 14 bids for 5,800 m.kr. nominal value at a price of 97.700 (6.72% yield). As before, primary dealers were offered the opportunity to purchase 10% of the nominal value sold in the auction at the sale price for accepted offers. They exercised this option in the amount of 545 m.kr., bringing the sold volume in RIKB 31 0124 to a total of 6,345 m.kr. nominal value. According to information from primary dealers, non-residents bought none of the bonds in this series. Pension funds were the most active buyers in the auction, purchasing 70% of the sold volume, or 4,400 m.kr.

Treasury bill auctions

On 13 February, three- and six-month Treasury bills were auctioned in series RIKV 13 0515 and RIKV 13 0815. 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 six valid bids were submitted for 4,900 m.kr. nominal value, and bids were accepted for 4,000 m.kr. nominal value. The accepted price in the auction was 99.24, which is equivalent to a flat rate of 3.10%. For the six-month bills, a total of 10 valid bids were submitted for 2,885 m.kr. nominal value, and bids were accepted for 1,385 m.kr. nominal value at a price of 98.368, which is equivalent to a flat rate of 3.30%. According to information from pri-

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Treasury bond issuance in Q1/2013

Bond series	Maximum	Actual
RIKB 14 0314	10	3
RIKB 15 - new issue	15	
RIKB 22 1026	10	10
RIKB 31 0124	10	10

Treasury bond issuance as of 28 February 2013

Regular auctions

Bond series	Actual
RIKB 14 0314	3
RIKB 22 1026	10
RIKB 31 0124	10
Total	23

Foreign exchange auctions

Bond series	Actual
RIKS 30 0701	0
RIKS 33 0321	1
Total	1

Total issued this year	24
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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.



many dealers, non-residents purchased all of the shorter bills and 1,000 m.kr. in the longer series, or 72% of the sold volume.

Foreign currency auctions

On 5 February, the Central Bank of Iceland held a foreign currency auction in which it offered to purchase euros versus payment in bonds from the indexed Treasury series RIKS 33 0321. Bonds sold in the series amounted to 615 m.kr. nominal value. The EURISK exchange rate for the auction was set at 230, and the price of the Treasury bonds was 111.629093 (yield 2.65%) with accrued interest and indexation. The next auction is scheduled for 19 March 2013.

Balance of Treasury guarantees

At end-January 2013, the balance of Treasury guarantees was 1,313 b.kr. Further information on Treasury guarantees can be found on page 11.

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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 13 0315	IS0000022085	15.9.2012	15.3.2013	0.00	Bullet	0.04	0.04
RIKV 13 0415	IS0000022218	15.10.2012	15.4.2013	0.00	Bullet	0.13	0.13
RIKV 13 0515	IS0000022325	15.11.2012	15.5.2013	0.00	Bullet	0.21	0.21
RIKV 13 0618	IS0000022507	17.12.2012	18.6.2013	0.00	Bullet	0.31	0.30
RIKV 13 0715	IS0000022697	15.1.2013	15.7.2013	0.00	Bullet	0.38	0.38
RIKV 13 0815	IS0000022804	15.2.2013	15.8.2013	0.00	Bullet	0.47	0.46
<i>Nominal T-bonds</i>							
RIKB 13 0517	IS0000006989	17.5.2002	17.5.2013	7.25	Bullet	0.21	0.21
RIKB 14 0314	IS0000021244	14.3.2012	14.3.2014	4.75	Bullet	0.99	1.04
RIKB 16 1013	IS0000020253	22.10.2010	13.10.2016	6.00	Bullet	3.31	3.62
RIKB 19 0226	IS0000017077	26.2.2008	26.2.2019	8.75	Bullet	5.00	5.99
RIKB 22 1026	IS0000020717	26.10.2011	26.10.2022	7.25	Bullet	7.19	9.66
RIKB 25 0612	IS0000019321	12.6.2009	12.6.2025	8.00	Bullet	8.09	12.29
RIKB 31 0124	IS0000020386	24.1.2011	24.1.2031	6.50	Bullet	10.92	17.90
RIKH 18 1009	IS0000019453	2.9.2009	9.10.2018	Fl. rate	Bullet	0.08	5.61
<i>Inflation-linked T-bonds</i>							
RIKS 15 1001	IS0000000081	29.9.1995	1.10.2015	Zero coupon	Bullet	2.59	2.59
RIKS 21 0414	IS0000020014	14.4.2010	14.4.2021	3.80	Bullet	7.04	8.12
RIKS 30 0701	IS0000020576	1.7.2011	1.7.2030	3.25	Bullet	13.51	17.34
RIKS 33 0321	IS0000021251	21.3.2012	21.3.2033	3.00	Bullet	15.09	20.06
Average of benchmark series						4.6	7.5

* Macaulay.

Foreign marketable debt

Issues	ISIN	Date of issue	Maturity date	Interest, %	Type of bond	Duration*	Years to maturity
USD 4,375% 10 Mar 2014	XS0187753362	10.3.2004	10.3.2014	4,375	Bullet	0.99	1.03
GBP 14,5% 31 Jan 2016	GB0004556113	15.1.1981	31.1.2016	14,500	Bullet	2.60	2.92
USD 4,875% 16 Jun 2016	USX3446PDH48	16.5.2011	16.6.2016	4,875	Bullet	3.04	3.30
USD 5,875% 11 May 2022	USX34650AA31	11.5.2012	11.5.2022	5,875	Bullet	7.21	9.20
EUR Euribor+2,75% 15 Mar 2025	XS0515310943	1.6.2010	15.3.2025	Euribor+275bp	Amort.	0.04	5.54
Average of benchmark series						4.1	5.7

* Macaulay.

Government debt

Domestic central government debt in February 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 0215	13,300		-13,300	0	-	-	-
RIKV 13 0315	5,239			5,239	0.04	5,232	0.5
RIKV 13 0415	7,130			7,130	0.13	7,098	0.7
RIKV 13 0515	1,500		4,000	5,500	0.21	5,462	0.5
RIKV 13 0618	3,901			3,901	0.30	3,861	0.4
RIKV 13 0715	1,300			1,300	0.38	1,284	0.1
RIKV 13 0815	0		1,385	1,385	0.46	1,364	0.1
Total	32,370			24,455	0.19	24,301	2.3
<i>Nominal T-bonds</i>							
RIKB 13 0517	83,020			83,020	0.21	83,423	7.8
RIKB 14 0314	23,308		1200	24,508	1.04	24,905	2.3
RIKB 16 1013	58,683			58,683	3.62	62,175	5.5
RIKB 19 0226	87,723			87,723	5.99	102,592	8.3
RIKB 22 1026	37,297		3,920	41,217	9.66	43,917	3.9
RIKB 25 0612	87,263			87,263	12.29	97,822	8.2
RIKB 31 0124	36,476		6,345	42,821	17.90	41,949	4.0
RIKH 18 1009*	212,911			212,911	5.61	213,547	20.1
Total	626,682			638,147	6.60	670,329	60.2
<i>Inflation-linked T-bonds</i>							
RIKS 15 1001	11,873	15,628		27,501	2.59	26,872	2.6
RIKS 21 0414	60,934	6,989		67,923	8.12	72,639	6.4
RIKS 30 0701	62,348	4,237		66,585	17.34	69,787	6.3
RIKS 33 0321	9,576	357	615	10,548	20.06	10,191	1.0
Total	144,731	27,212		172,559	11.53	179,490	16.3
Bond issued to Central Bank of Iceland				170,309	0.84		16.1
Other central government debt **				54,122	8.85		5.1
Total domestic debt				1,059,592	6.44		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	200	200	25,228	1.03
GBP 14,5% 31 Jan 2016	30	28	5,414	2.92
USD 4,875% 16 Jun 2016	1,000	1,000	126,140	3.30
USD 5,875% 11 May 2022	1,000	1,000	126,140	9.20
EUR Euribor+2,75% 15 Mar 2025	402	267	44,159	5.54
Total			327,081	5.7
<i>Foreign bilateral loans</i>				
PLN Wibor+2,75% 30 Sept 2022	630	204	8,097	5.92
EUR Euribor+2,75% 30 Dec 2021	480	199	32,913	7.46
EUR Euribor+2,75% 30 Dec 2021	320	132	21,831	7.46
EUR Euribor+2,75% 30 Dec 2021	495	205	33,905	7.46
Total			96,746	7.3
Total foreign debt			423,827	6.07

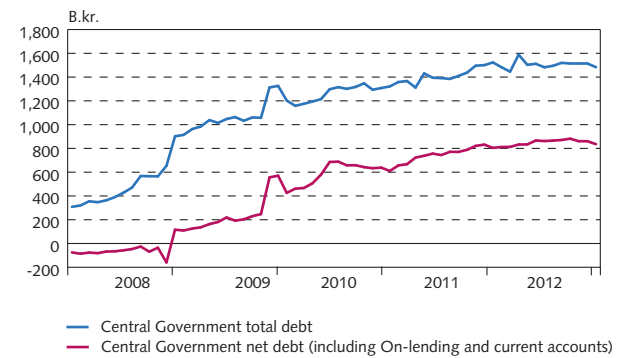
Central government debt, total

	<i>Nominal inc./ inflation compensation</i>	<i>Weighted time to maturity</i>
Nominal debt	662,602	6.37
Inflation-linked debt	396,990	6.58
Foreign currency debt	423,827	6.07
Total	1,483,419	6.34
Total debt as percentage of GDP		81.4

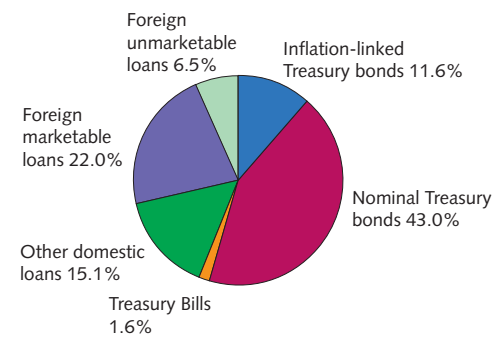
Net debt

	<i>Nominal inc./ inflation compensation</i>
<i>On - lending and cash at the central bank</i>	
Nominal on - lending	766
Inflation-linked on - lending	95,187
Foreign currency on - lending	65,497
Cash ISK	147,956
Cash FX	338,201
Total on-lending	647,606
<i>Net debt</i>	
Nominal debt	419,459
Inflation-linked debt	301,803
Foreign currency debt	20,129
Net central government debt	741,391
Total net debt as percentage of GDP	40.6

Changes in central government debt



Total market value of benchmark issues





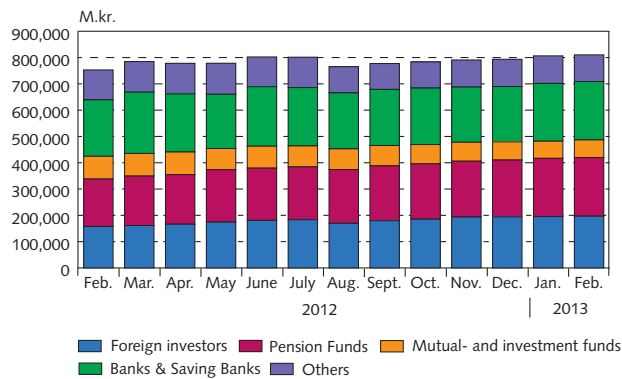
Investors

Owners of T-bonds and bills 28 February 2013*

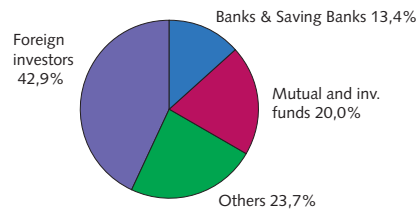
Nominal value in m.kr.	RIKB							RIKH	RIKS			Total	Total bills
	13 0517	14 0314	16 1013	19 0226	22 1026	25 0612	31 0124	18 1009	21 0414	30 0701	33 0321		
Domestic investors													
Banks &													
Saving Banks	8,489	2,296	1,726	2,574	1,628	1,230	1,210	201,782	968	0	83	221,986	3,265
Miscellaneous													
credit undertakings	150	0	0	500	136	0	0	7,104	2,820	21,160	0	31,870	
Mutual and													
inv. funds	2,297	1,426	1,488	12,337	9,697	3,840	4,144	1,725	26,031	4,147	143	67,274	4,900
Pension Funds	968	189	1,506	28,128	23,570	71,851	39,227	0	17,651	35,074	4,672	222,836	0
Firms	3,295	1,704	1,208	7,313	620	1,959	108	1,500	4,125	286	604	22,721	5,171
Households	1,735	237	982	3,705	1,631	1,322	117	0	4,427	385	2,059	16,600	39
Others	6,697	1,365	3,183	5,459	1,411	5,573	70	500	3,674	258	2,160	30,349	580
Foreign investors													
	75,267	25,492	55,912	28,002	3,003	2,497	826	300	3,888	1,037	472	196,697	10,500
Total:	98,900	32,708	66,003	88,018	41,697	88,272	45,701	212,911	63,585	62,348	10,192	810,334	24,455

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

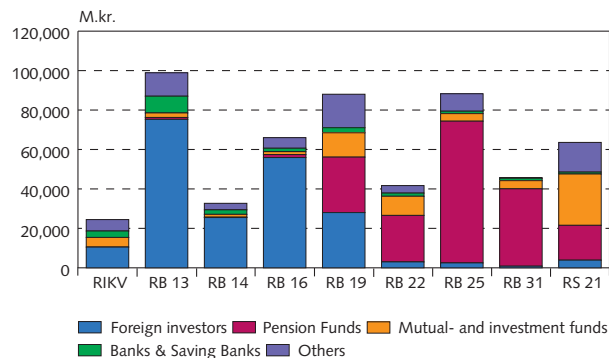
Owners of T-bonds*



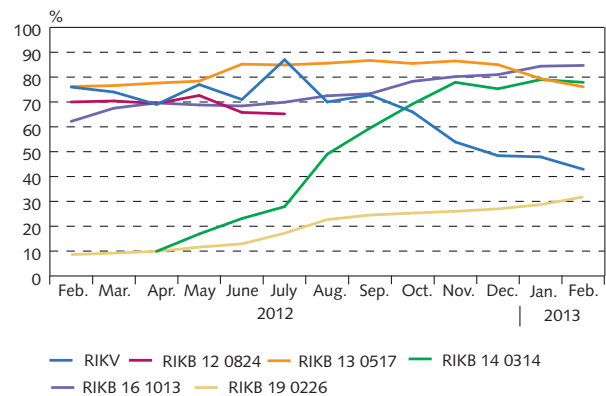
Owners of T-bills 28 February 2013*



Owners of specified T-bonds and bills 28 February 2013*



Percentage of foreign ownership of T-bonds and bills 28 February 2013*



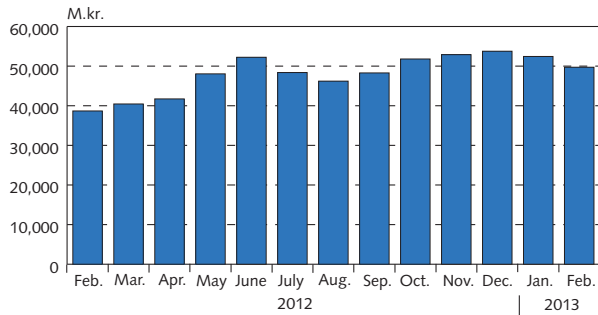
* Information is based on the most recent data from the Icelandic Securities Depository and banks.



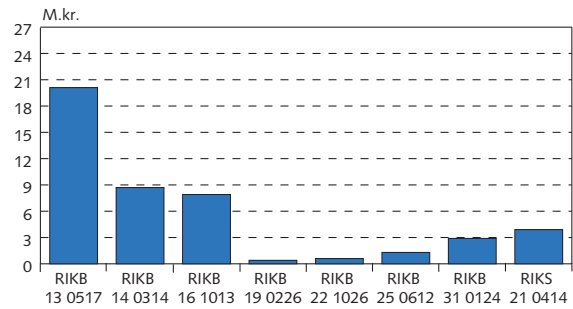
Market Information

Securities lending facility, redemption profile and turnover

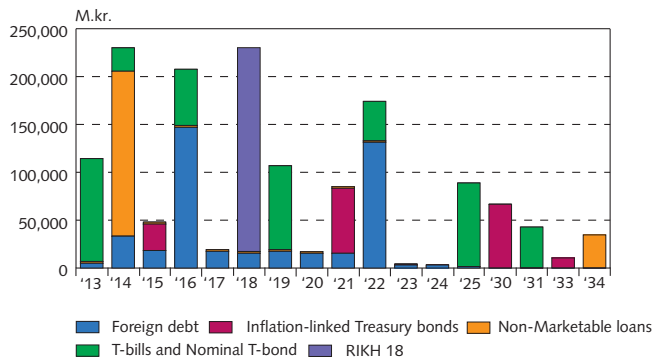
Average amount in the security lending facility of GDM at market value



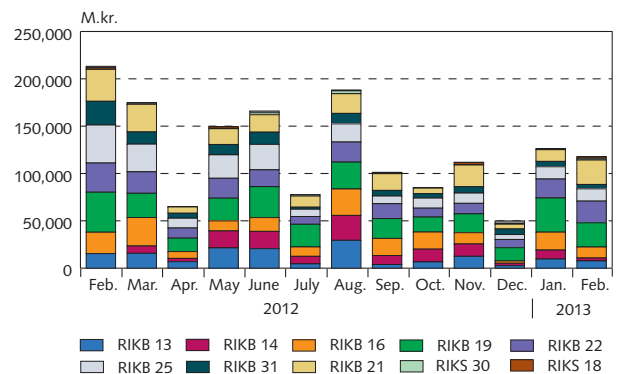
Outstanding amount in the securities lending facility by series at the end of last month



Redemption profile of government debt

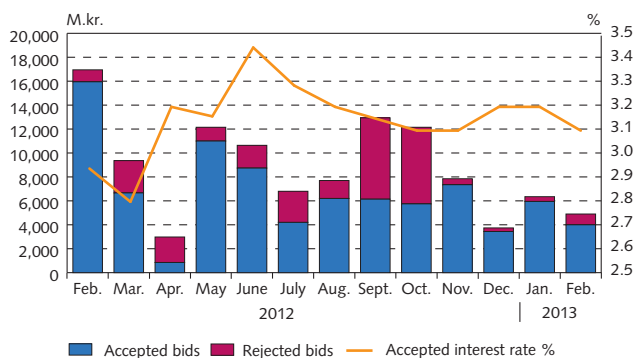


Monthly trading volume in T-Bonds on NASDAQ OMX Iceland Exchange

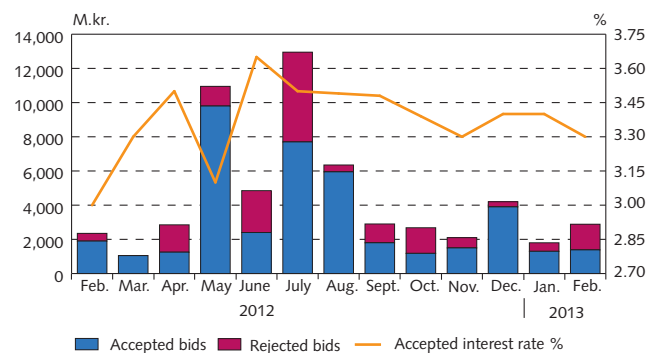


Auction of Treasury bills

Auction of 3 months T-bills



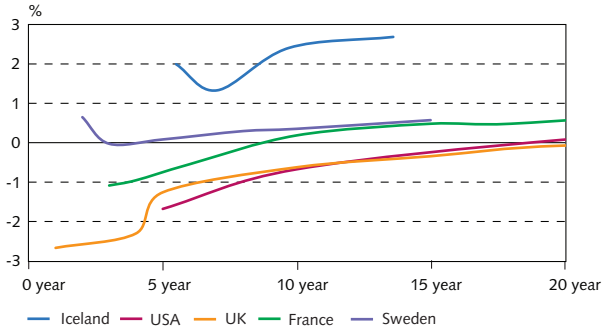
Auction of 6 months T-bills



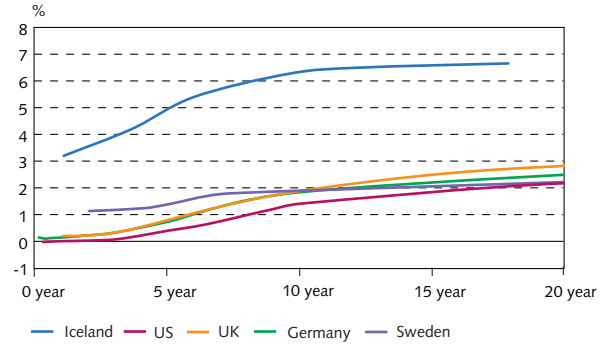


Yield curves

Yield curve inflation-linked T-bonds



Yield curve Treasury bills and nominal T-bonds



Yield for Treasury bonds

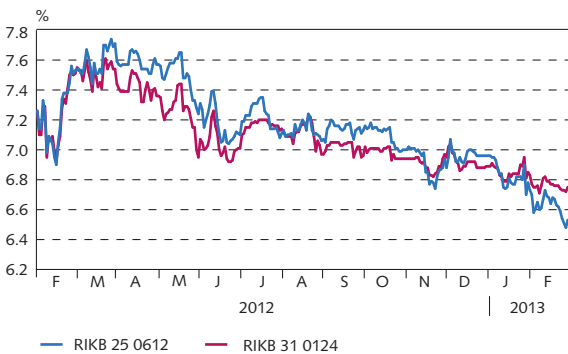
Yield for short term nominal T-bonds



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

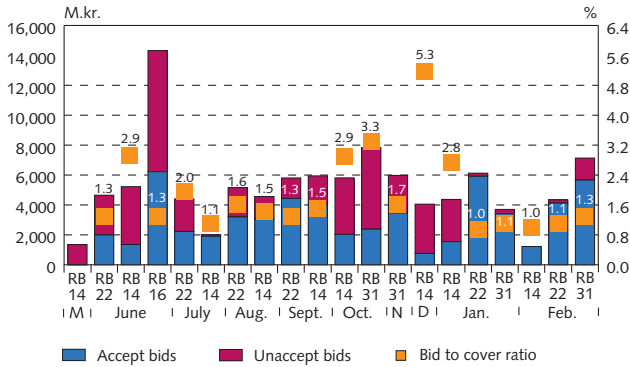
Auction in 2013, in m.kr.

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		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
Total		26,893	26,648				21,895	21,663	993	22,870
<i>Indexed value</i>										
Indexed T-Bonds										
05.02.13	RIKS 33 0321	658	615	Foreign exch. auction			687	615		670
Total		658	615				687	615		670
									Total price	23.540
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		
Total		15,770	15,935				12,513	12,635		



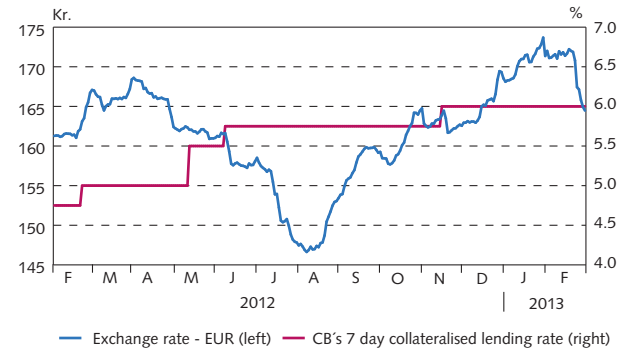
Auctions of Treasury bonds

Latest auction results of Treasury bonds at market value



Exchange rate developement

Euro exchange rate versus 7 days collateralised lending rate



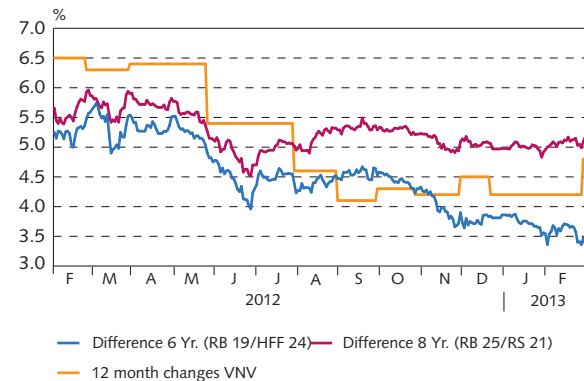
Next planned auction dates:

- March 13 2013 Auction of Treasury bills
- March 22 2013 Auction of Treasury bonds

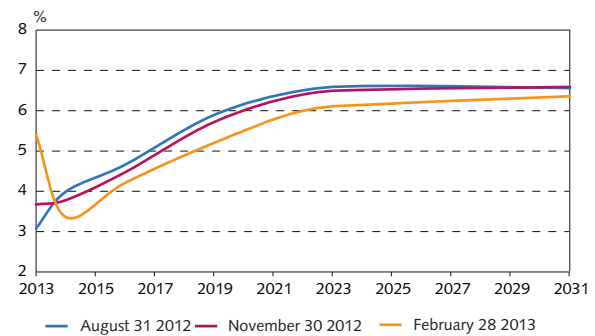
Primary dealers

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

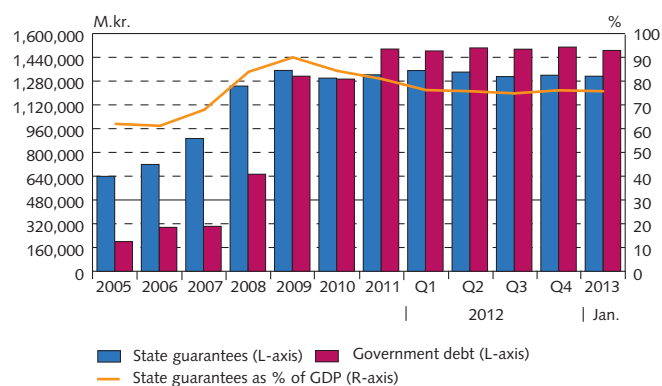


State guarantees

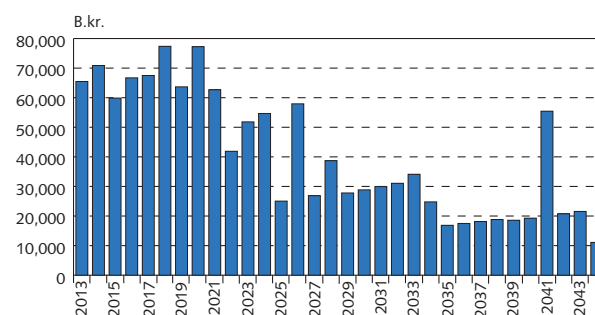
State guarantees 2008–2013

M.kr.	January	Outstanding end of year				
	2013	2012	2011	2010	2009	2008
Lending agencies	957,813	956,735	961,148	927,947	901,382	836,144
Housing Financing Fund	943,403	942,169	943,880	910,657	878,552	814,247
Regional Development Fund	14,410	14,565	16,993	17,038	22,586	21,670
Other	0	0	275	253	243	227
Co-operative and Limited Partnerships	351,219	358,920	250,744	251,455	271,714	250,031
National Power Company	334,579	342,231	233,417	232,854	251,128	234,097
RARIK Ltd. (Iceland State Electricity)	2,647	2,638	2,794	3,063	5,220	5,450
Farice	6,865	6,828	7,025	7,357	7,056	1,657
Isavia Ltd.	2,907	2,917	3,106	3,639	3,483	3,368
RUV Ltd. (National Broadcasting Service)	3,494	3,479	3,553	3,685	3,944	4,607
Other	726	828	849	857	882	853
Industries/ Municipalities	4,009	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	3,153	3,110	2,855	2,709	2,813	2,706
Other	857	854	894	840	7,490	7,256
State Guarantees total	1,313,041	1,319,619	1,217,250	1,184,644	1,211,618	1,119,796

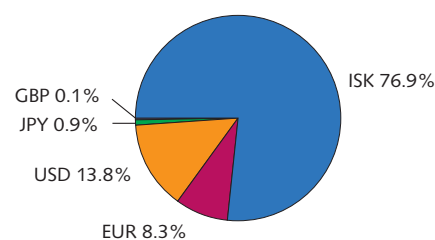
State guarantees - government debt and GDP



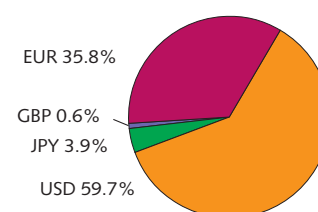
State guarantees - Maturity profile



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 71 bISK with accrued interest at 31 December 2012.