

Primary dealer agreements signed

On 15 March, primary dealer agreements concerning secondary market issuance and market making in Government securities were renewed between Government Debt Management, on behalf of the Treasury, and primary dealers. Five financial institutions – Arion Bank, Íslandsbanki, Landsbankinn, MP Bank, and Straumur Investment Bank – signed the agreements and are therefore authorised to call themselves primary dealers in Treasury securities. The agreements took effect on 1 April.

Medium-Term Debt Management Strategy 2013–2016

On 27 March, the Ministry of Finance and Economic Affairs published its Medium-Term Debt Management Strategy (MTDS) for 2013-2016. The MTDS includes a description of the composition of the debt portfolio, inherent risk factors, and contingent liabilities. The institutional structure for debt management is also outlined in the MTDS. This is the third time the Ministry has issued such a strategy.

Quarterly Government Debt Management Prospect, Q2/2013

The Quarterly Government Debt Management Prospect for Q2/2013 was published on 27 March. According to the Prospect, primary emphasis will be placed on the following during the quarter:

- Benchmark Treasury bonds will be sold in the amount of 15-30 b.kr.;
- Three series of Treasury bonds will be offered by auction: RIKB 15 0408, RIKB 22 1026, and RIKB 31 0124;
- Owners of RIKB 13 0517 will be offered to exchange them for other benchmark bonds in exchange auctions.
- Sales of Treasury bonds and bills will take into account sales of RIKS 33 0321 in connection with Central Bank of Iceland foreign currency auctions. The minimum issuance amount will be 10 b.kr., however.

Treasury bond auctions

Two Treasury bond auctions were planned for March, according to the GDM issuance calendar; however, the auction scheduled for 8 March was cancelled. A new two-year Treasury bond series, RIKB 15 0408, was auctioned on 22 March. At that time, an exchange auction was held, in which primary dealers were offered to pay for purchases of RIKB 15 0408 with sales of RIKB 13 0517, which matures on 17 May. 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 were submitted for RIKB 15 0408, with a total nominal value of 9,190 m.kr., and it was decided to accept nine bids for 6,690 m.kr. nominal value at a price of 99,813 (4.60% yield). In keeping with the established practice, primary dealers were offered the opportunity to purchase 10% of the nominal value sold in the auction at the sale price for accepted offers. Primary dealers exercised that option for a total of 630 m.kr., bringing total sales in the series to 7,320 m.kr. In the exchange auction, bidders exercised their selling option for RIKB 13 0517 in the amount of 5.6 b.kr. According to information from primary dealers, non-residents bought the new two-year bonds for 6,000 m.kr., or 82% of the sold volume. Banks bought for just over 900 m.kr., mutual funds for 350 m.kr., and pension funds for 40 m.kr.

Treasury bill auctions

On 13 March, three- and six-month Treasury bills were auctioned in series RIKV 13 0618 and RIKV 13 0916. The auction was structured in the conventional manner, with the lowest

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Treasury bond issuance in Q1/2013

Bond series	Amounts in b.kr.	Maximum	Actual
RIKB 14 0314		10	3
RIKB 15 - new issue		15	7
RIKB 22 1026		10	10
RIKB 31 0124		10	10

Treasury bond issuance as of 31 March 2013

Regular auctions

Bond series	Amounts in b.kr.	Actual
RIKB 14 0314		3
RIKB 15 0408		7
RIKB 22 1026		10
RIKB 31 0124		10
Total		30

Foreign exchange auctions

Bond series	Amounts in b.kr.	Actual
RIKS 30 0701		0
RIKS 33 0321		1
Total		1

Total issued this year		32
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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.



accepted price (highest flat yield) determining the sale price. For the three-month bills, a total of 10 valid bids were submitted for 9,480 m.kr. nominal value, and bids were accepted for 9,330 m.kr. nominal value. The accepted price in the auction was 99.164, which is equivalent to a flat rate of 3.20%. For the six-month bills, a total of 11 valid bids were submitted for 5,920 m.kr. nominal value, and bids were accepted for 5,080 m.kr. nominal value at a price of 98.283, which is equivalent to a flat rate of 3.40%. According to information from primary dealers, non-residents bought no Treasury bills in this auction.

Foreign currency auctions

On 19 March, 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 662.5 m.kr. nominal value. The EURISK exchange rate for the auction was set at 225, and the price of the Treasury bonds was 108.331702 (yield 2.77%) with accrued interest and indexation. The next auction is scheduled for 30 April 2013.

Balance of Treasury guarantees

At the end of February 2013, the balance of Treasury guarantees was 1,303 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

Issues	ISIN	Date of issue (d.m.y)	Maturity date	Interest, %	Type of bond	Duration*	Years to maturity
<i>T - bills</i>							
RIKV 13 0415	IS0000022218	15.10.2012	15.4.2013	0.00	Bullet	0.05	0.05
RIKV 13 0515	IS0000022325	15.11.2012	15.5.2013	0.00	Bullet	0.14	0.13
RIKV 13 0618	IS0000022507	17.12.2012	18.6.2013	0.00	Bullet	0.23	0.23
RIKV 13 0715	IS0000022697	15.1.2013	15.7.2013	0.00	Bullet	0.31	0.30
RIKV 13 0815	IS0000022804	15.2.2013	15.8.2013	0.00	Bullet	0.39	0.39
RIKV 13 0916	IS0000022911	15.3.2013	16.9.2013	0.00	Bullet	0.48	0.47
<i>Nominal T-bonds</i>							
RIKB 13 0517	IS0000006989	17.5.2002	17.5.2013	7.25	Bullet	0.14	0.14
RIKB 14 0314	IS0000021244	14.3.2012	14.3.2014	4.75	Bullet	0.96	0.96
RIKB 15 0408	IS0000022952	27.3.2013	8.4.2015	4.50	Bullet	1.99	2.03
RIKB 16 1013	IS0000020253	22.10.2010	13.10.2016	6.00	Bullet	3.23	3.55
RIKB 19 0226	IS0000017077	26.2.2008	26.2.2019	8.75	Bullet	4.92	5.92
RIKB 22 1026	IS0000020717	26.10.2011	26.10.2022	7.25	Bullet	7.13	9.58
RIKB 25 0612	IS0000019321	12.6.2009	12.6.2025	8.00	Bullet	8.04	12.21
RIKB 31 0124	IS0000020386	24.1.2011	24.1.2031	6.50	Bullet	10.92	17.83
RIKH 18 1009	IS0000019453	2.9.2009	9.10.2018	Fl. rate	Bullet	0.08	5.54
<i>Inflation-linked T-bonds</i>							
RIKS 15 1001	IS0000000081	29.9.1995	1.10.2015	Zero coupon	Bullet	2.51	2.52
RIKS 21 0414	IS0000020014	14.4.2010	14.4.2021	3.80	Bullet	6.94	8.05
RIKS 30 0701	IS0000020576	1.7.2011	1.7.2030	3.25	Bullet	13.50	17.26
RIKS 33 0321	IS0000021251	21.3.2012	21.3.2033	3.00	Bullet	15.40	19.98
Average of benchmark series						4.6	7.4

* 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	0.95	0.95
GBP 14,5% 31 Jan 2016	GB0004556113	15.1.1981	31.1.2016	14.500	Bullet	2.51	2.85
USD 4,875% 16 Jun 2016	USX3446PDH48	16.5.2011	16.6.2016	4.875	Bullet	2.96	3.22
USD 5,875% 11 May 2022	USX34650AA31	11.5.2012	11.5.2022	5.875	Bullet	7.13	9.12
EUR Euribor+2,75% 15 Mar 2025	XS0515310943	1.6.2010	15.3.2025	Euribor+275bp	Amort.	0.03	5.79
Average of benchmark series						4.1	5.7

* Macaulay.



Government debt

Domestic central government debt in March 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 0315	5,239		-5,239	0	0	0	0
RIKV 13 0415	7,130			7,130	0.05	7,121	0.7
RIKV 13 0515	5,500			5,500	0.13	5,478	0.5
RIKV 13 0618	3,901		9,330	13,231	0.23	13,135	1.2
RIKV 13 0715	1,300			1,300	0.30	1,287	0.1
RIKV 13 0815	1,385			1,385	0.39	1,368	0.1
RIKV 13 0916	0		5,080	5,080	0.47	5,001	0.5
Total	24,455			33,626	0.22	33,391	3.1
<i>Nominal T-bonds</i>							
RIKB 13 0517	83,020		-5,623	77,397	0.14	77,536	7.2
RIKB 14 0314	24,508			24,508	0.96	24,574	2.3
RIKB 15 0408	0		7,320	7,320	2.03	7,306	0.7
RIKB 16 1013	58,683			58,683	3.55	61,382	5.4
RIKB 19 0226	87,723			87,723	5.92	101,011	8.1
RIKB 22 1026	41,217			41,217	9.58	44,162	3.8
RIKB 25 0612	87,263			87,263	12.21	98,895	8.1
RIKB 31 0124	42,821			42,821	17.83	42,693	4.0
RIKH 18 1009*	212,911			212,911	5.54	214,181	19.8
Total	638,147			639,844	6.53	671,741	59.4
<i>Inflation-linked T-bonds</i>							
RIKS 15 1001	11,873	16,021		27,894	2.52	27,145	2.6
RIKS 21 0414	60,934	7,959		68,893	8.05	69,900	6.4
RIKS 30 0701	62,348	5,188		67,536	17.26	71,658	6.3
RIKS 33 0321	10,191	541	663	11,394	19.98	10,854	1.1
Total	145,346	29,708		175,717	11.49	179,558	16.3
Bond issued to Central Bank of Iceland				173,096	0.75		16.1
Other central government debt **				54,846	8.80		5.1
Total domestic debt				1,077,129	6.33		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	24,990	0.95
GBP 14,5% 31 Jan 2016	30	28	5,348	2.85
USD 4,875% 16 Jun 2016	1,000	1,000	124,950	3.22
USD 5,875% 11 May 2022	1,000	1,000	124,950	9.12
EUR Euribor+2,75% 15 Mar 2025	402	252	40,280	5.79
Total			320,518	5.7
<i>Foreign bilateral loans</i>				
PLN Wibor+2,75% 30 Sept 2022	630	204	7,786	5.84
EUR Euribor+2,75% 30 Dec 2021	480	199	31,808	7.37
EUR Euribor+2,75% 30 Dec 2021	320	132	21,099	7.38
EUR Euribor+2,75% 30 Dec 2021	495	205	32,767	7.37
Total			93,461	7.2
Total foreign debt			413,978	6.02



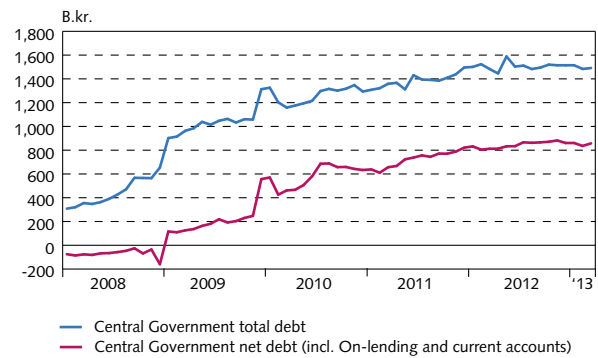
Central government debt, total

	<i>Nominal inc./ inflation compensation</i>	<i>Weighted time to maturity</i>
Nominal debt	673,470	6.22
Inflation-linked debt	403,660	6.52
Foreign currency debt	413,978	6.02
Total	1,491,107	6.24
Total debt as percentage of GDP		81.4

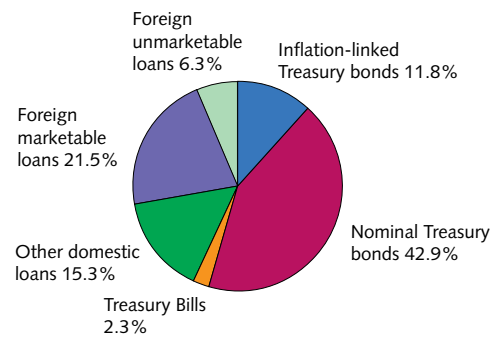
Net debt

	<i>Nominal inc./ inflation compensation</i>
<i>On-lending and cash at the Central bank</i>	
Nominal on-lending	766
Inflation-linked on-lending	96,539
Foreign currency on-lending	63,430
Deposits ISK	144,017
Deposits FX	329,164
Total on-lending	633,915
<i>Net debt</i>	
Nominal debt	432,914
Inflation-linked debt	307,121
Foreign currency debt	21,385
Net central government debt	761,420
Total net debt as percentage of GDP	41.7

Changes in central government debt



Total market value of benchmark issues





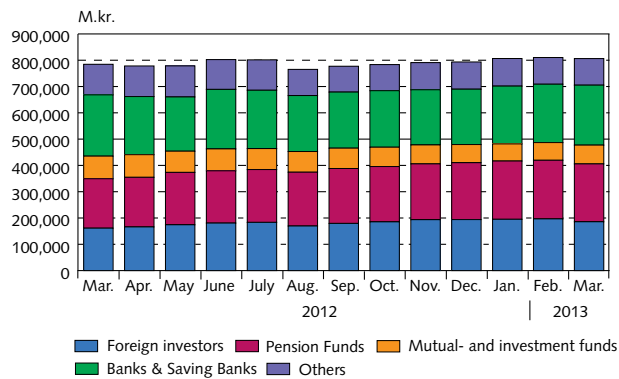
Investors

Owners of T-bonds and bills 27 March 2013*

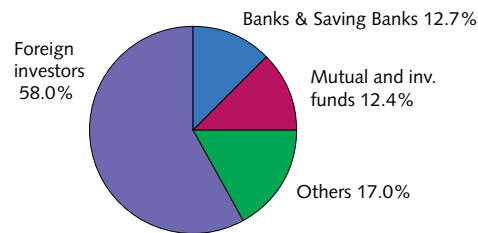
Nominal value in m.kr.	RIKB 13	RIKB 14	RIKB 15	RIKB 16	RIKB 19	RIKB 22	RIKB 25	RIKB 31	RIKH 18	RIKS 21	RIKS 30	RIKS 33	Total	Total bills
Domestic investors														
Banks & Saving														
Banks	10,169	3,297	830	1,710	3,042	1,100	1,132	1,141	202,738	2,379	0	485	228,023	4,265
Miscellaneous credit undertakings	0	0	100	0	672	11	0	0	4,036	2,120	21,160	104	28,203	0
Mutual and inv. funds	2,158	2,851	350	1,801	12,468	8,786	4,259	4,514	1,725	28,567	3,792	143	71,413	4,160
Pension Funds	968	189	40	1,360	25,751	22,887	71,666	39,742	0	17,350	35,429	4,672	220,055	0
Firms	3,295	5,004	0	2,167	7,399	609	1,729	107	3,000	3,272	286	663	27,531	5,171
Households	1,767	237	0	920	3,330	1,464	1,102	52	0	4,121	385	2,157	15,534	0
Others	6,697	1,565	0	3,031	4,749	1,703	5,512	250	500	3,370	258	2,160	29,794	530
Foreign investors														
	66,143	17,006	6,000	52,565	30,461	5,923	3,062	871	912	1,278	1,037	472	185,731	19,500
Total	91,197	30,148	7,320	63,553	87,873	42,482	88,463	46,676	212,911	62,458	62,348	10,854	806,283	33,626

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

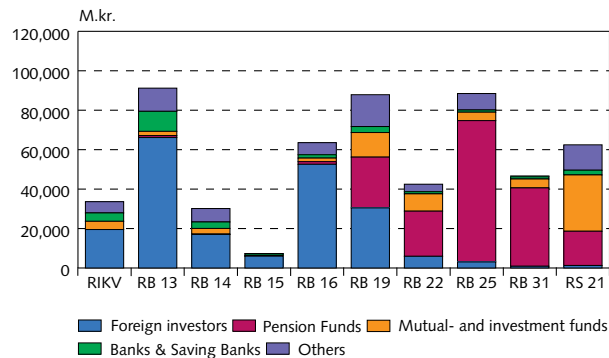
Owners of T-bonds*



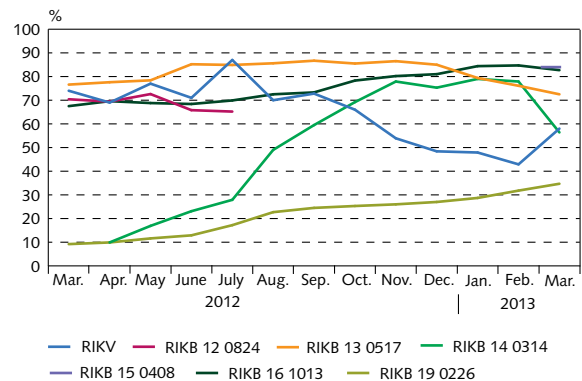
Owners of T-bills 27 March 2013*



Owners of marketable T-bonds and bills 27 March 2013*



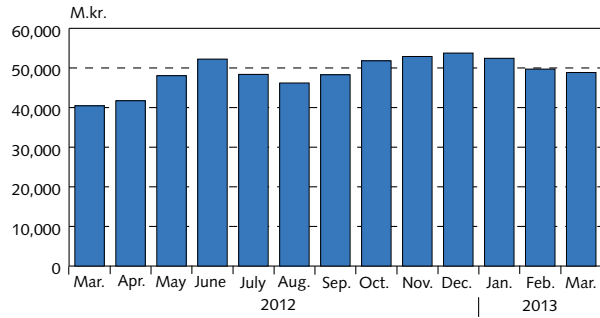
Percentage of foreign ownership of T-bonds and bills 27 March 2013*



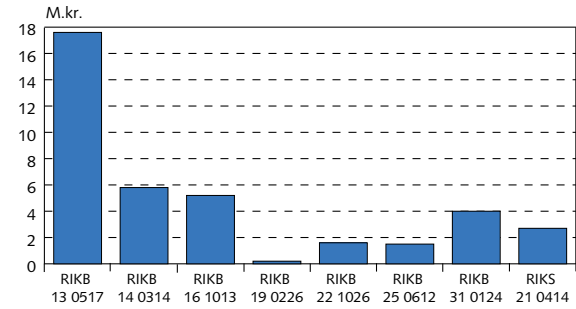
* Information is based on the most recent data from the Icelandic Securities Depository and banks.

Securities lending facility, redemption profile and turnover

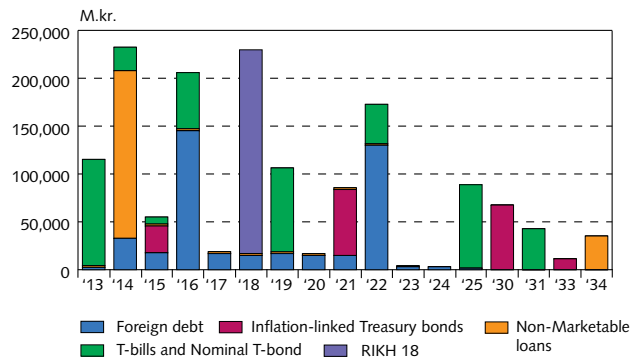
Average amount in the security lending facility of GDM at market value



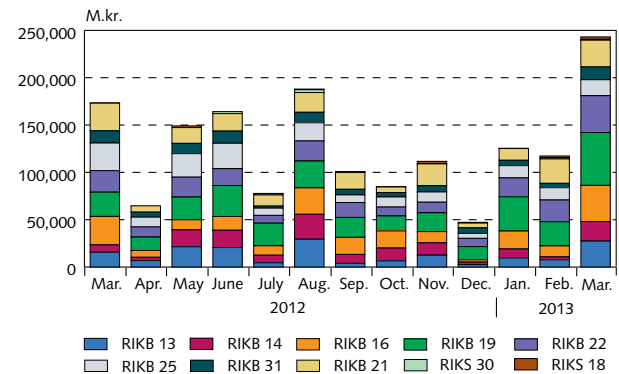
Outstanding amount in the securities lending facility by series at the end of last month



Redemption profile of government debt

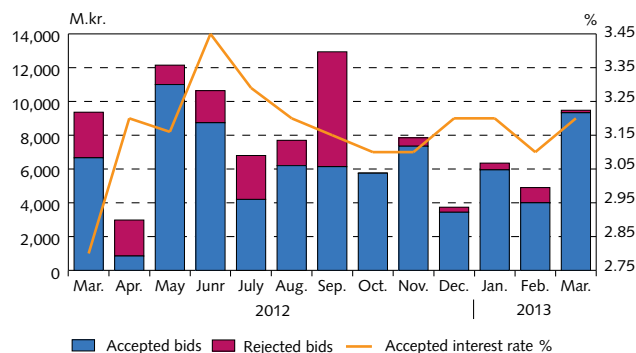


Monthly trading volume in T-Bonds on NASDAQ OMX Iceland Exchange

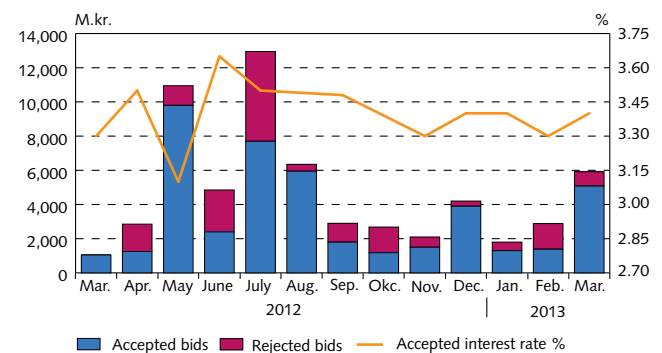


Auction of Treasury bills

Auction of 3 months T-bills



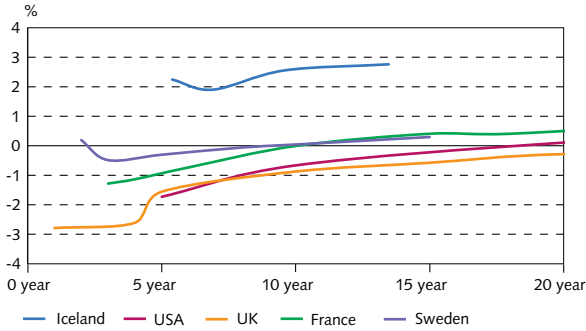
Auction of 6 months T-bills



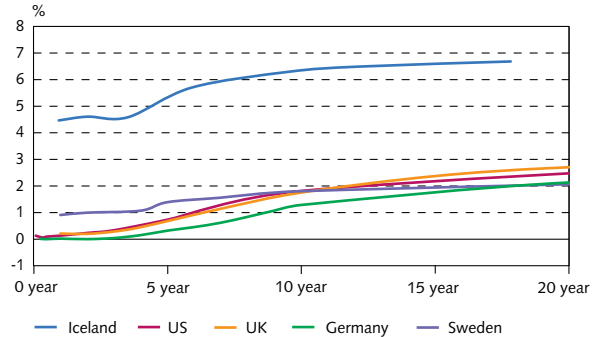


Yield curves

Yield curve inflation-linked T-bonds



Yield curve Treasury bills and nominal T-bonds



Yield for Treasury bonds

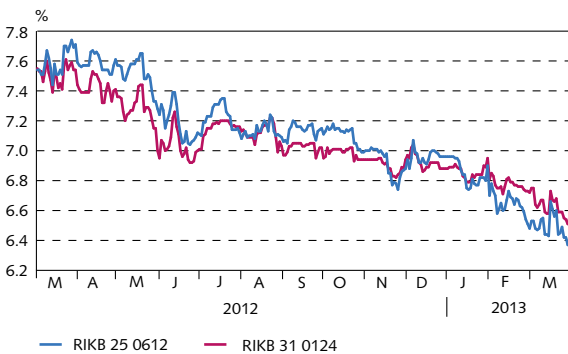
Yield for short term nominal T-bonds



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

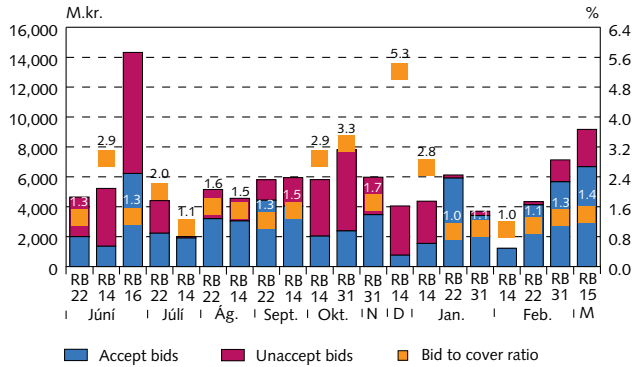
Auction in 2013, in m.kr.

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
22.03.13	RIKB 15 0408	9,173	9,190	18	9	4.60	6,677	6,690	630	7,306
Total		36,066	35,838				28,572	28,353	1,623	30,176
<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
Total		1,404	1,278				1,404	1,278		1,387
Total price										31,564
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		
Total		30,989	31,335				26,758	27,045		



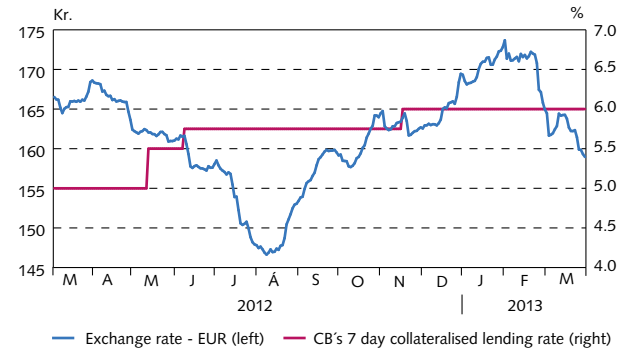
Auctions of Treasury bonds

Latest auction results of Treasury bonds at market value



Exchange rate development

Euro exchange rate versus 7 days collateralised lending rate



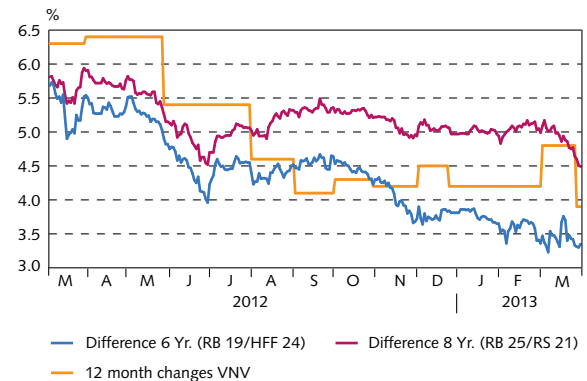
Next planned auction dates:

- 11 April 2013 Auction of Treasury bills
- 19 April 2013 Auction of Treasury bonds

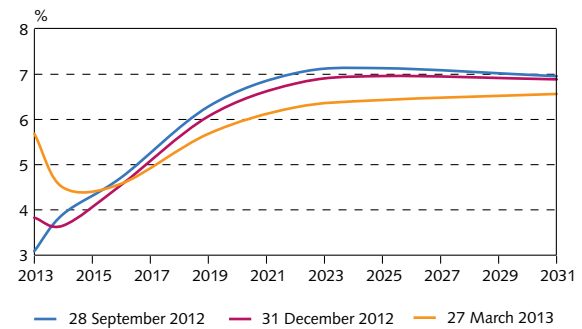
Primary dealers

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



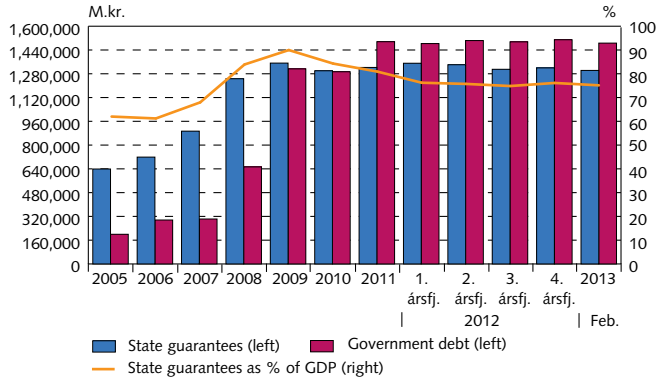


State guarantees

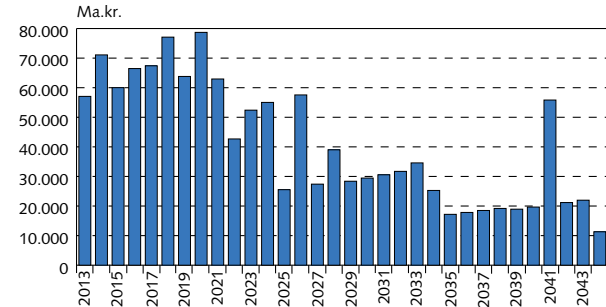
State guarantees 2008–2013

M.kr.	February	Outstanding end of year				
	2013	2012	2011	2010	2009	2008
Lending agencies	952,669	956,735	961,148	927,947	901,382	836,144
Housing Financing Fund	938,591	942,169	943,880	910,657	878,552	814,247
Regional Development Fund	14,077	14,565	16,993	17,038	22,586	21,670
Other	0	0	275	253	243	227
Co-operative and Limited Partnerships	345,997	358,920	250,744	251,455	271,714	250,031
National Power Company	329,604	342,231	233,417	232,854	251,128	234,097
RARIK Ltd. (Iceland State Electricity)	2,581	2,638	2,794	3,063	5,220	5,450
Farice	6,861	6,828	7,025	7,357	7,056	1,657
Isavia Ltd.	2,707	2,917	3,106	3,639	3,483	3,368
RUV Ltd. (National Broadcasting Service)	3,512	3,479	3,553	3,685	3,944	4,607
Other	731	828	849	857	882	853
Industries/Municipalities	3,882	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	3,030	3,110	2,855	2,709	2,813	2,706
Other	852	854	894	840	7,490	7,256
State Guarantees total	1,302,547	1,319,619	1,217,250	1,184,644	1,211,618	1,119,796

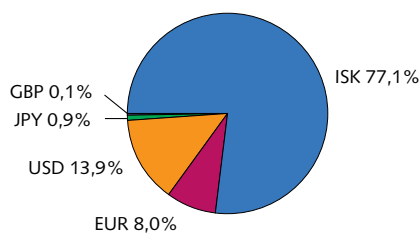
State guarantees - government debt and GDP



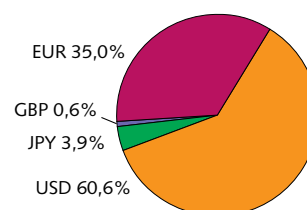
State guarantees - Maturity profile



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.