

Treasury bill auctions

On 13 August, three- and six-month Treasury bills were auctioned in series RIKV 14 1117 and RIKV 15 0216. 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 10 valid bids were submitted, in the nominal amount of 3,380 m.kr., and bids totalling 3,160 m.kr. were accepted at a price of 98.941 (4.10% flat interest). For the six-month bills, a total of eight valid bids with a combined nominal value of 7,060 m.kr. were submitted, and bids were accepted in the amount of 6,730 m.kr. The accepted price in the auction was 97.877, which is equivalent to a flat rate of 4.20%.

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 Treasury bond auction scheduled for 15 August was cancelled.

Annual credit rating agency reports

On 1 August, Fitch Ratings affirmed Iceland's sovereign rating for long-term obligations in foreign currency at BBB and affirmed the rating for local currency rating at BBB+. The ratings for bonds issued in foreign and local currency were affirmed at BBB and BBB+, respectively. The outlook for the long-term ratings is stable. The country ceiling was affirmed at BBB, and the rating for short-term foreign currency obligations was affirmed at F3.

EFTA Court advisory opinion published

On 28 August, the EFTA Court published an advisory opinion on Case no. E-25/13, a lawsuit filed against Íslandsbanki hf. before the District Court of Reykjavík. The issue under consideration by the Court is whether a price indexation clause in a bond issued in connection with a real estate purchase can be considered unfair contractual terms and can therefore be set aside in the sense of Article 36, Items (a)-(c) of the Act on Contracts, Agency and Void Legal Instruments, no. 7/1936, with subsequent amendments. The cited provisions were incorporated into the Act in 1995 with the implementation of Council Directive 93/13/EEC on unfair terms in consumer contracts.

The Icelandic Court addressed five specific questions to the EFTA Court, concerning the interpretation of the Directive and the compatibility of Icelandic law with the Directive. The EFTA Court concluded that the Directive does not prohibit contractual terms providing for price indexation of consumer loans. The EFTA Court stated that it is for the Icelandic courts to take a position on whether price indexation falls within the scope of the Directive and to assess whether indexation of consumer loan agreements can be considered unfair contractual terms.

The opinion of the EFTA Court is an advisory opinion only, and the final ruling in the case is in the hands of the Icelandic courts, which hand down decisions in accordance with Icelandic law. It is not clear when a final decision will be forthcoming from the Icelandic courts. The case pertains solely to indexed consumer loans.

Because of the resulting uncertainty in the bond market, primary dealers were temporarily exempted from their obligation to submit buy and sell quotes to the NASDAQ OMX trading system with a specified maximum spread, but the exemption was revoked at 11:25 hrs. that same day.

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Treasury bond issuance in Q3/2014

Bond series	Amounts in b.kr.	Maximum	Actual
RIKB 16 1013		10	
RIKB 20 0205		10	
RIKB 31 0124		10	

Treasury bond issuance as of 31 August 2014

Regular auctions

Bond series	Amounts in b.kr.	Actual
RIKB 16 1013		11
RIKB 20 0205		15
RIKB 31 0124		0
Total		26

Foreign exchange auctions

Bond series	Amounts in b.kr.	Actual
RIKS 33 0321		5
Total		5
Total issued for the year		31

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.



Balance of Treasury guarantees

At the end of July 2014, the balance of Treasury guarantees was 1,235 b.kr. Further information on Treasury guarantees can be found on page 11.

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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 0915	IS0000024644	15.3.2014	15.9.2014	0.00	Bullet	0.05	0.05
RIKV 14 1015	IS0000024743	15.4.2014	15.10.2014	0.00	Bullet	0.13	0.13
RIKV 14 1117	IS0000024800	15.5.2014	17.11.2014	0.00	Bullet	0.22	0.22
RIKV 14 1215	IS0000024909	15.6.2014	15.12.2014	0.00	Bullet	0.30	0.30
RIKV 15 0115	IS0000025005	15.7.2014	15.1.2015	0.00	Bullet	0.39	0.38
RIKV 15 0216	IS0000025047	15.8.2014	16.2.2015	0.00	Bullet	0.48	0.47
<i>Nominal T-bonds</i>							
RIKB 15 0408	IS0000022952	27.3.2013	8.4.2015	4.50	Bullet	0.61	0.61
RIKB 16 1013	IS0000020253	22.10.2010	13.10.2016	6.00	Bullet	1.96	2.12
RIKB 19 0226	IS0000017077	26.2.2008	26.2.2019	8.75	Bullet	3.79	4.50
RIKB 20 0205	IS0000024453	5.2.2014	5.2.2020	6.25	Bullet	4.62	5.44
RIKB 22 1026	IS0000020717	26.10.2011	26.10.2022	7.25	Bullet	6.11	8.16
RIKB 25 0612	IS0000019321	12.6.2009	12.6.2025	8.00	Bullet	7.62	10.79
RIKB 31 0124	IS0000020386	24.1.2011	24.1.2031	6.50	Bullet	9.95	16.41
RIKH 18 1009	IS0000019453	2.9.2009	9.10.2018	Fl. rate	Bullet	0.08	4.11
<i>Inflation-linked T-bonds</i>							
RIKS 15 1001	IS0000000081	29.9.1995	1.10.2015	Zero coupon	Bullet	1.09	1.09
RIKS 21 0414	IS0000020014	14.4.2010	14.4.2021	3.80	Bullet	5.92	6.63
RIKS 30 0701	IS0000020576	1.7.2011	1.7.2030	3.25	Bullet	12.67	15.84
RIKS 33 0321	IS0000021251	21.3.2012	21.3.2033	3.00	Bullet	14.29	18.56
Average of benchmark series						4.7	7.2

* 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>
GBP 14,5% 31 Jan 2016	GB0004556113	15.1.1981	31.1.2016	14.500	Bullet	1.29	1.42
USD 4,875% 16 Jun 2016	USX3446PDH48	16.5.2011	16.6.2016	4.875	Bullet	1.75	1.80
USD 5,875% 11 May 2022	USX34650AA31	11.5.2012	11.5.2022	5.875	Bullet	6.41	7.70
EUR Euribor+2,75% 15 Mar 2025	XS0515310943	1.6.2010	15.3.2025	Euribor+275bp	Amort.	0.05	5.05
EUR 2,5% 15 Jul 2020	XS1086879167	15.7.2014	15.7.2020	2.50	Bullet	5.53	5.88
Average of benchmark series						4.1	5.1

* Macaulay.

Government debt

Domestic central government debt in 31 August 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 0815	7,670		-7,670	0	0.00	0	0.0
RIKV 14 0915	6,989			6,989	0.05	6,977	0.7
RIKV 14 1015	1,330			1,330	0.13	1,323	0.1
RIKV 14 1117	3,750		3,160	6,910	0.22	6,849	0.6
RIKV 14 1215	385			385	0.30	380	0.0
RIKV 15 0115	3,280			3,280	0.38	3,230	0.3
RIKV 15 0216	0		6,730	6,730	0.47	6,601	0.6
Total	23,404			25,624	0.25	25,360	2.4
<i>Nominal T-bonds</i>							
RIKB 15 0408	22,945			22,945	0.61	22,900	2.1
RIKB 16 1013	69,023			69,023	2.12	69,920	6.4
RIKB 19 0226	87,723			87,723	4.50	95,618	8.2
RIKB 20 0205	15,293			15,293	5.44	15,118	1.4
RIKB 22 1026	58,613			58,613	8.16	60,459	5.5
RIKB 25 0612	87,263			87,263	10.79	94,104	8.1
RIKB 31 0124	66,326			66,326	16.41	62,380	6.2
RIKH 18 1009 *	212,911			212,911	4.11	213,763	19.8
Total	620,098			620,098	6.49	634,263	57.7
<i>Inflation-linked T-bonds</i>							
RIKS 15 1001	10,685	15,313		25,998	1.09	25,232	2.4
RIKS 21 0414	60,934	10,170		71,104	6.63	63,798	6.6
RIKS 30 0701	62,348	7,355		69,703	15.84	65,772	6.5
RIKS 33 0321	33,698	2,814		36,511	18.56	33,694	3.4
Total	167,665	35,652		203,317	11.22	188,496	18.9
Bond issued to Central Bank of Iceland **				170,950	0.33		15.9
Other central government debt ***				55,101	7.99		5.1
Total domestic debt				1,075,089	6.33		100.0

* Capital contribution from the state to financial institutions.

** Change in terms from Indexed linked to nominal bond.

*** Mostly government 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>					
GBP 14,5% 31 Jan 2016		30	28	5.489	1.42
USD 4,875% 16 Jun 2016	(MTN)	1.000	1.000	116.870	1.80
USD 5,875% 11 May 2022		1.000	1.000	116.870	7.70
EUR Euribor+2,75% 15 Mar 2025	(MTN)	402	222	34.232	5.05
EUR 2,5% 15 Jul 2020	(MTN)	750	750	115.650	5.88
Total				389.111	5.06
<i>Foreign bilateral loans</i>					
PLN Wibor+2,0% 30 Sept 2022		630	204	7.439	4.42
Total				7.439	4.42
Total foreign debt				396.550	5.05

Central government debt, total

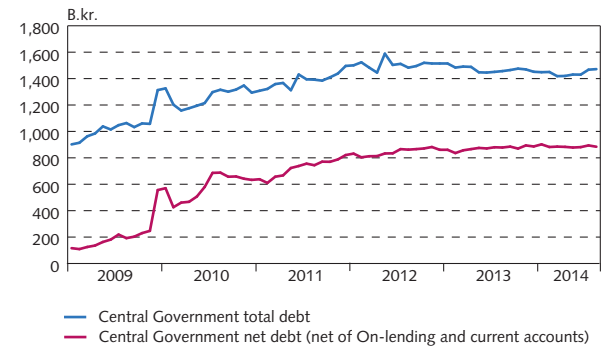
	Nominal incl./ inflation compensation	Weighted time to maturity
Nominal debt	816,671	5.00
Inflation-linked debt	258,418	10.53
Foreign currency debt	396,550	5.05
Total	1,471,639	5.99
Total debt as percentage of GDP*		78.5

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

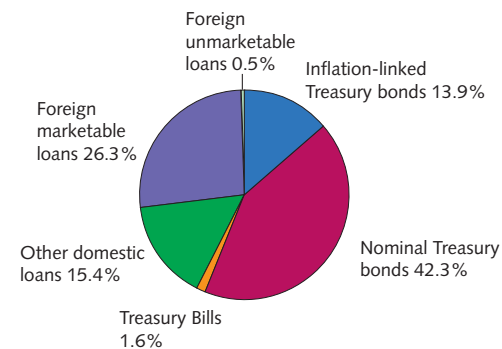
Net debt

	Nominal incl./ inflation compensation
<i>On-lending and cash at the Central bank</i>	
Nominal on - lending	3,901
Inflation-linked on - lending	104,567
Foreign currency on - lending	60,074
Cash ISK	70,397
Cash FX	348,164
Total	587,103
<i>Net debt</i>	
Nominal debt	742,374
Inflation-linked debt	153,850
Foreign currency debt	-11,687
Net central government debt	884,537
Total net debt as percentage of GDP	47,1

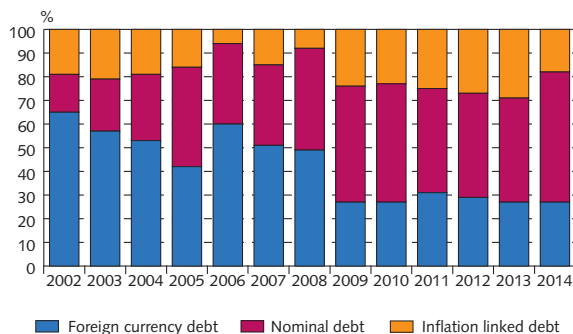
Changes in central government debt



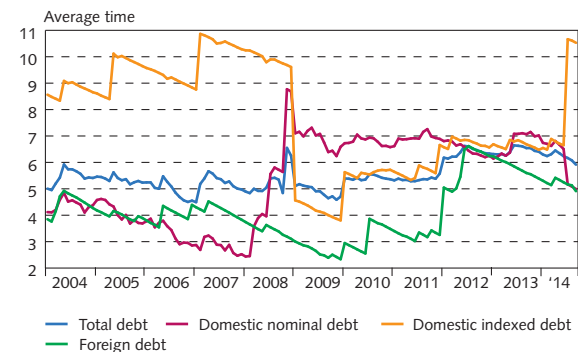
Total market value of benchmark issues



Government debt from 2002-2014



Average Time to Maturity



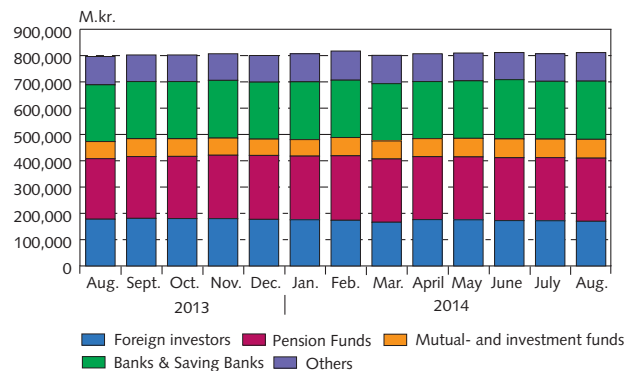
Investors

Owners of T-bonds and bills 29 August 2014*

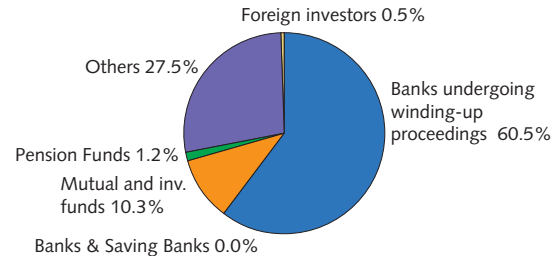
Nominal value in m.kr.	RIKB 15	RIKB 16	RIKB 19	RIKB 20	RIKB 22	RIKB 25	RIKB 31	RIKH 18	RIKS 21	RIKS 30	RIKS 33	Total	Total bills
Domestic investors													
Banks & Saving Banks	1,015	1,379	2,404	1,235	1,265	1,188	1,197	199,683	1,875	200	102	211,543	0
Banks undergoing winding-up proceedings	6,569	2,886	404	0	0	0	0	0	0	0	0	9,859	15,500
Miscellaneous credit undertakings	0	0	650	100	100	650	0	3,302	2,600	11,550	12,590	31,543	0
Mutual and inv. funds	1,318	994	12,164	7,738	7,549	6,096	4,463	1,450	20,058	9,235	413	71,478	2,649
Pension Funds	174	860	15,698	2,600	31,551	69,066	58,382	300	17,048	39,357	5,187	240,223	300
Firms	4,824	2,408	8,218	2,165	2,277	1,503	1,692	3,722	4,531	290	1,427	33,057	6,900
Households	0	282	3,917	706	1,828	1,446	150	0	3,742	393	3,841	16,305	29
Other	2,425	3,993	3,957	774	3,273	5,523	672	0	4,527	286	2,160	27,590	130
Foreign investors	24,909	62,691	41,154	2,538	12,636	2,746	1,127	4,454	8,515	1,037	7,978	169,784	117
Total	41,234	75,493	88,565	17,857	60,479	88,220	67,681	212,911	62,896	62,348	33,698	811,382	25,624

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

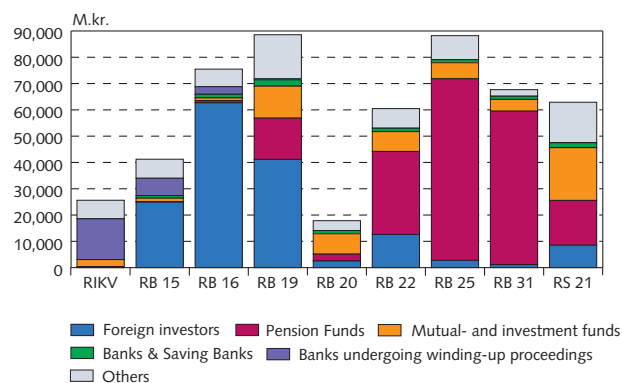
Owners of T-bonds 29 August 2014*



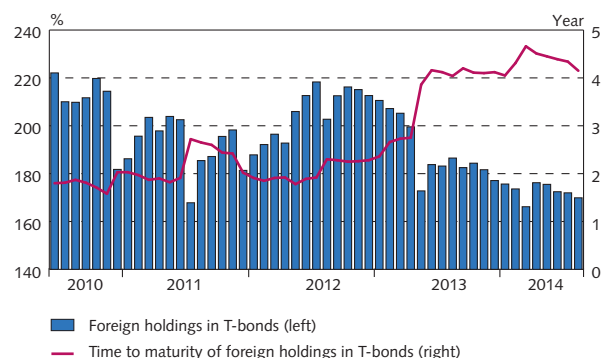
Owners of T-bills 29 August 2014*



Owners of marketable T-bonds and bills 29 August 2014*



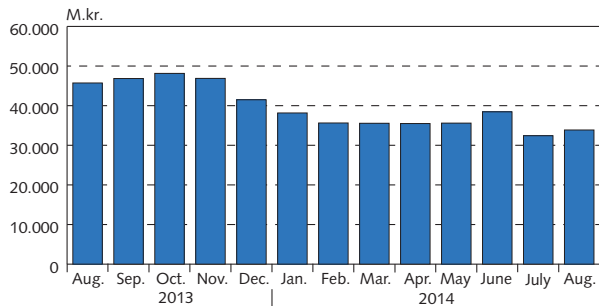
Time to maturity of non-residents' holdings in T-bond and -bills 29 August 2014*



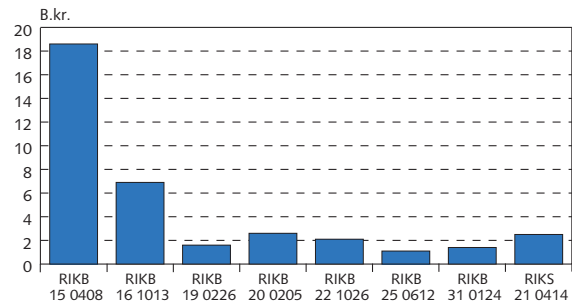
* Information is based on the most recent data from the Icelandic Securities Depository and banks.

Securities lending facility, redemption profile and turnover

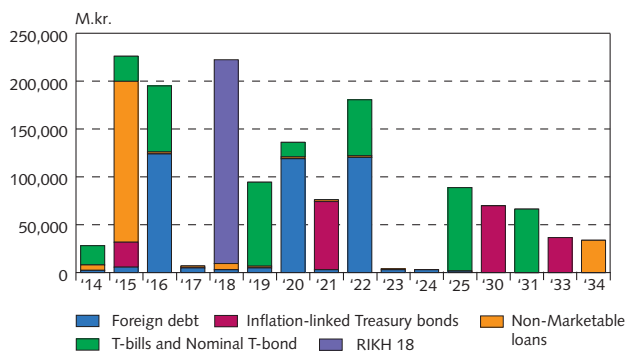
Average amount in the security lending facility of GDM at market value



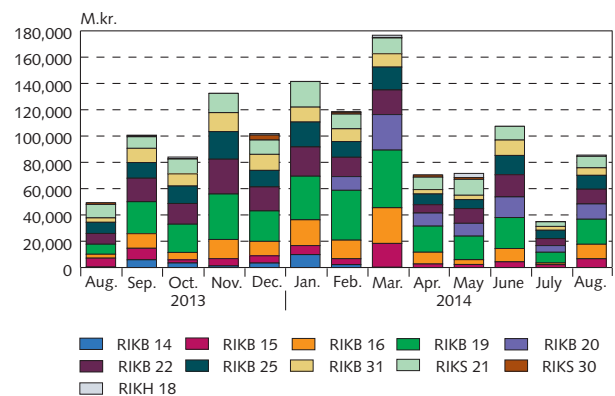
Outstanding amount in the securities lending facility by series at the end of last month



Redemption profile of government debt

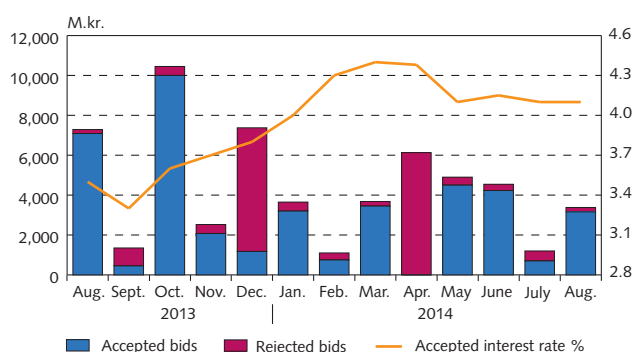


Monthly trading volume in T-Bonds on NASDAQ OMX Iceland Exchange

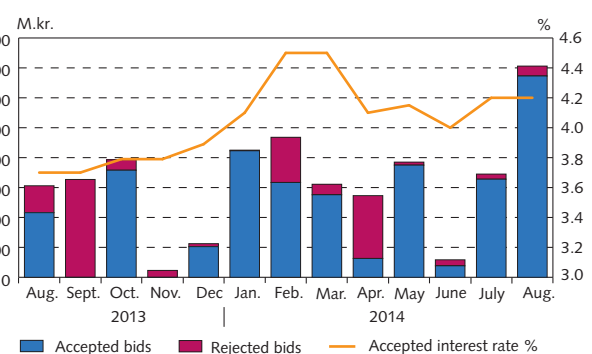


Auction of Treasury bills

Auction of 3 months T-bills

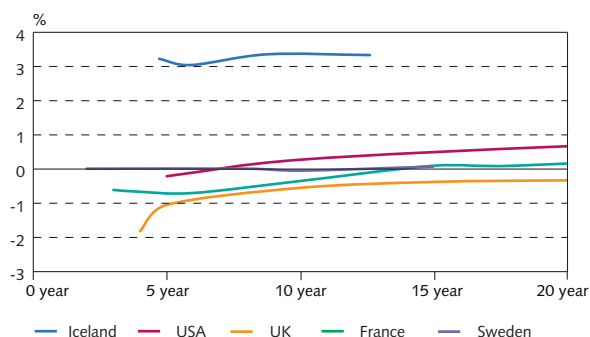


Auction of 6 months T-bills

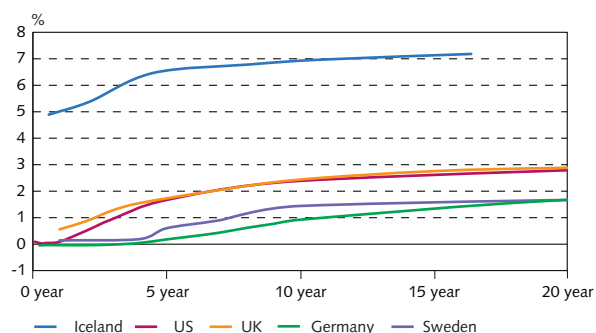


Yield curves

Yield curve inflation-linked T-bonds

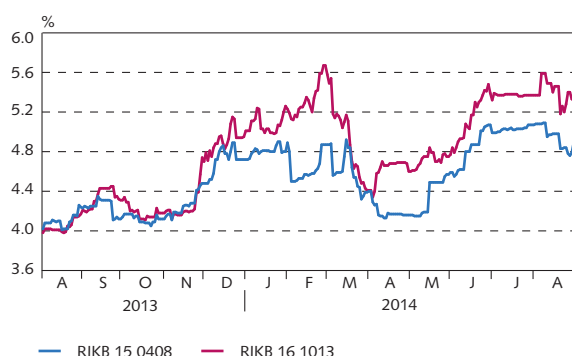


Yield curve Treasury bills and nominal T-bonds



Yield for Treasury bonds

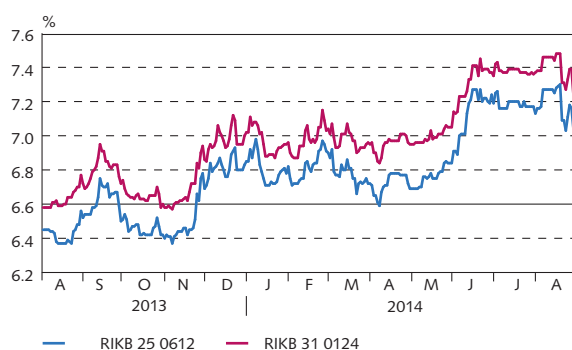
Yield for short term nominal T-bonds



Yield for medium term nominal T-bonds



Yield for long term nominal T-bonds



Yield for inflation linked T-bonds



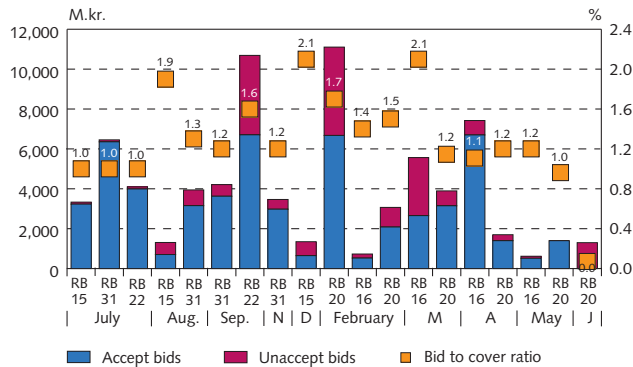
Auctions of Treasury bonds and bills

Auction in 2014, in m.kr.

		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										
07.02.14	RIKB 20 0205	10,744	10,825	53	30	6.40	6,675	6,725	363	7,035
21.02.14	RIKB 16 1013	730	720	5	3	5.42	527	520	0	527
21.02.14	RIKB 20 0205	3,067	3,120	19	12	6.60	2,084	2,120	0	2,084
11.03.14	RIKB 16 1013	5,565	5,450	9	4	5.09	2,655	2,600	220	2,880
11.03.14	RIKB 20 0205	3,895	3,915	20	14	6.35	3,149	3,165	0	3,149
11.04.14	RIKB 16 1013	7,422	7,200	7	4	4.64	6,701	6,500	0	6,701
11.04.14	RIKB 20 0205	1,699	1,700	7	5	6.25	1,399	1,400	120	1,519
09.05.14	RIKB 16 1013	618	600	4	3	4.68	515	500	0	515
09.05.14	RIKB 20 0205	1,399	1,400	7	7	6.26	1,399	1,400	0	1,399
06.06.14	RIKB 20 0205	0	1,300	8	0	0.00	0	0	0	0
Total		35,139	36,230				25,103	24,930	703	25,808
										Indexed value
Indexed T-Bonds										
04.02.14	RIKS 33 0321	4,666	4,117	Foreign exchange auction		2.80	4,666	4,117		4,549
14.05.14	RIKS 33 0321	284	255	Foreign exchange auction		2.81	284	255		283
24.06.14	RIKS 33 0321	246	232	Foreign exchange auction		3.20	246	232		244
Total		5,195	4,603				5,195	4,603		5,075
									Total price	30,883
T-Bills										
13.01.14	RIKV 14 0415	3,614	3,650	5	2	3.99	3,168	3,200		
13.01.14	RIKV 14 0715	4,164	4,250	7	6	4.10	4,145	4,230		
13.02.14	RIKV 14 0515	1,089	1,100	7	5	4.35	742	750		
13.02.14	RIKV 14 0815	4,578	4,680	8	5	4.50	3,101	3,170		
13.03.14	RIKV 14 0616	3,640	3,680	10	7	4.38	3,412	3,450		
13.03.14	RIKV 14 0915	3,041	3,110	13	10	4.50	2,699	2,760		
11.04.14	RIKV 14 0715	0	6,130	6	0	0.00	0	0		
11.04.14	RIKV 14 1015	2,674	2,730	10	4	4.10	617	630		
13.05.14	RIKV 14 0815	4,849	4,900	5	3	4.10	4,453	4,500		
13.05.14	RIKV 14 1117	3,769	3,850	4	3	4.15	3,671	3,750		
12.06.14	RIKV 14 0915	4,497	4,544	10	6	4.15	4,185	4,229		
12.06.14	RIKV 14 1215	573	585	6	4	4.00	377	385		
11.07.14	RIKV 14 1015	1,188	1,200	5	2	4.10	693	700		
11.07.14	RIKV 15 0115	3,377	3,450	8	5	4.20	3,211	3,280		
13.08.14	RIKV 14 1117	3,344	3,380	10	7	4.10	3,127	3,160		
13.08.14	RIKV 15 0216	6,911	7,060	8	4	4.20	6,588	6,730		
Total		51,308	58,299				44,189	44,924		

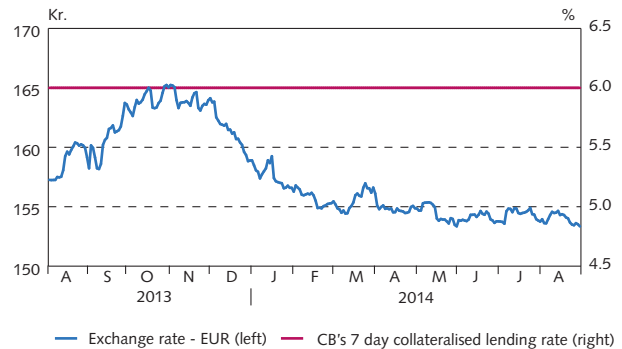
Auctions of Treasury bonds

Latest auction results of Treasury bonds at market value



Exchange rate development

Euro exchange rate versus 7 days collateralised lending rate



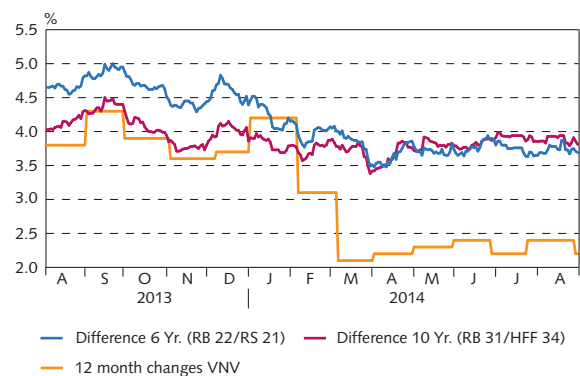
Next planned auction dates:

11 September, 2014 - Auction of Treasury bills
19 September, 2014 - Auction of Treasury bonds

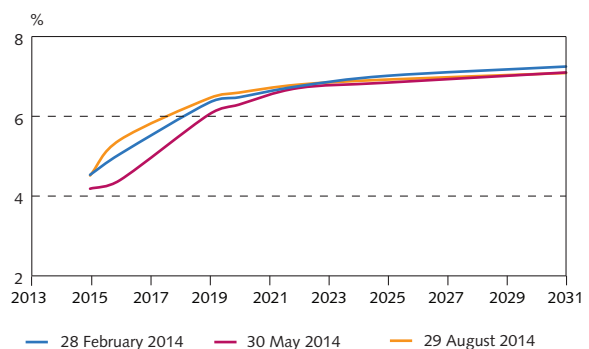
Primary dealers

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

Inflation premium nominal T-bonds



Nominal yield curves

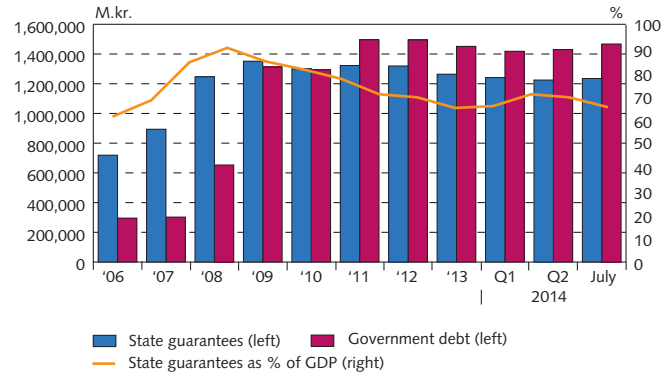


State guarantees

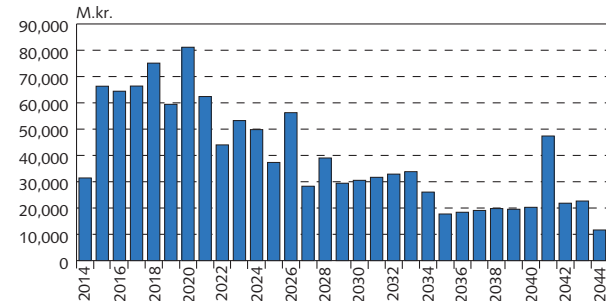
State guarantees 2009–2014

M.kr.	July	Outstanding end of year				
	2014	2013	2012	2011	2010	2009
Lending agencies	923,829	935,645	956,735	961,148	927,947	901,382
Housing Financing Fund	911,771	923,492	942,169	943,880	910,657	878,552
Regional Development Fund	12,058	12,153	14,565	16,993	17,038	22,586
Other	0	0	0	275	253	243
Co-operative and Limited Partnerships	307,745	324,844	358,920	250,744	251,455	271,714
National Power Company	293,293	309,531	342,231	233,417	232,854	251,128
RARIK Ltd. (Iceland State Electricity)	2,218	2,343	2,638	2,794	3,063	5,220
Farice	6,275	6,446	6,828	7,025	7,357	7,056
Isavia Ltd.	2,287	2,507	2,917	3,106	3,639	3,483
RUV Ltd. (National Broadcasting Service)	2,955	3,224	3,479	3,553	3,685	3,944
Other	717	793	828	849	857	882
Industries/Municipalities	3,679	3,760	3,964	5,357	5,242	38,523
Commercial Banks	0	0	0	1,608	1,693	28,220
NIB - Nordic Investment Bank	2,905	2,956	3,110	2,855	2,709	2,813
Other	774	804	854	894	840	7,490
State Guarantees total	1,235,253	1,264,249	1,319,619	1,217,250	1,184,644	1,211,618

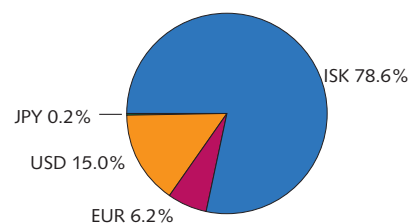
State guarantees - government debt and GDP



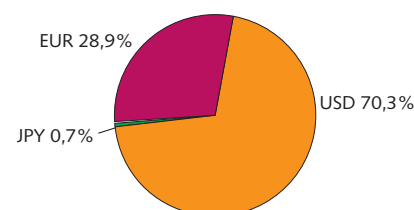
State guarantees - Maturity profile



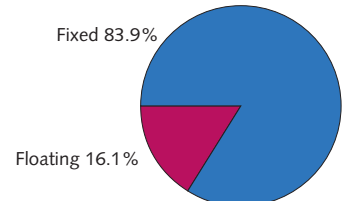
Currency ratio



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 shown at ask exchange rate. Numbers for 2014 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 b. ISK.
- The Treasury redeemed the contingent liabilities of Kaupthing bank hf as of the end of 2012, amounting to 1.5 b. ISK.
- The Statement of the Icelandic Government guaranteeing domestic deposits of Icelandic banks are not included here in government guarantees.