



### Treasury bill auctions

On 13 December, six-month Treasury bills were auctioned in series RIKV 18 0615. The auction was structured in the conventional manner, with the lowest accepted price (highest flat yield) determining the sale price. A total of 11 valid bids were submitted in the nominal amount of 4,310 m.kr., and five bids totalling 1,910 m.kr. were accepted. The accepted price in the auction was 97.921, which is equivalent to a flat rate of 4.20%. According to information from primary dealers, mutual funds bought 36% of the securities sold in the auction, and a diversified group of domestic investors bought the remainder.

### Treasury bond auction

An auction of the nominal Treasury bond series RIKB 28 1115 was held on 8 December. 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 with a combined nominal value of 2,225 m.kr. were submitted, and 11 bids were accepted in the amount of 1,475 m.kr. The accepted price in the auction was 101.653, which is equivalent to a yield of 4.80%.

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 28 1115. According to information from primary dealers, mutual funds bought roughly 54% of the securities sold in the auction, and a diversified group of domestic investors bought the remainder.

The auction scheduled for 22 December was cancelled. Instead, it was decided to hold a buyback with an auction format for RIKH 18 1009, which matures on 9 October 2018. The buyback was structured so that all accepted offers were accepted at the prices submitted. A total of four valid bids were submitted in the nominal amount of 45,165 m.kr., and three bids totalling 17,000 m.kr. were accepted. The accepted price was 99.990.

### Medium-Term Debt Management Strategy 2018-2022

The Medium-Term Debt Management Strategy laying down the objectives and criteria for Government debt management during the period from 2018-2022 was published on 1 December 2017. The Medium-Term Debt Management Strategy is presented over a horizon of five years and is based on the previous Strategy, issued in autumn 2016. The Strategy sets forth the authorities' plans for credit financing during the specified period. The aim is to map out a clear debt management policy with quantitative targets.

### Treasury issues new Eurobond

The Republic of Iceland has issued bonds in the amount of 500 million euros, which is roughly equal to about 61.5 b.kr. The bonds bear 0.5% fixed interest and are issued for five years at a yield of 0.56%.

Alongside the new issue, the Treasury made a buyback offer for a 2014 bond in the original amount of 750 million euros. Owners holding bonds with a nominal value of 397.6 million euros (49 b.kr.) accepted the offer, and interested parties were granted priority allocations in the new bond. Total Treasury debt increases by 12.5 b.kr. as a result of these transactions.

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### Treasury bond issuance in Q4/2017

Bond series	Maximum	Actual
RIKB 22 1026	8	2.7
RIKB 28 1115	8	5.6

### Treasury bond issuance as of 31 December 2017

#### Regular auctions

Bond series	Sales
Amounts in b.kr.	Actual
RIKB 20 0205	12.2
RIKB 22 1026	2.7
RIKB 28 1115	30.0
RIKS 30 0701	0.0
Total	44.9

### 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.



## Government Debt Management Prospect 2018

Government Debt Management's annual *Prospect* for 2018 was published in late December, together with the quarterly *Prospect* for Q1/2018. According to the *Prospect*, the domestic borrowing needed to offset redemption and repayments is estimated at 79 b.kr. during the year. The long-term borrowing need will be met with the issuance of a Treasury bond with a market value of approximately 40 b.kr. The difference will be met partly with Treasury revenues from stability contributions from the failed banks and operating surpluses, and partly by reducing the Treasury's cash position.

Treasury bill issuance will be structured differently than it has been in recent years. Issuance will be focused more on achieving declared liquidity management objectives; i.e., maintaining the average balance on the Treasury's current account with the Central Bank at 40 b.kr.

## GDM calendar

The Government Debt Management calendar was sent out at the end of the year. On the reverse side of each page, the focus is on saving for children and on the piggy bank as a tool to teach the youngest generation to save. The first piggy bank was introduced in 1903 by Landsbankinn, which had it made in cooperation with the Oddfellow Lodge in Iceland. Other banks followed suit, and in time a variety of piggy banks were made available to children. The photos in the GDM calendar are of a number of piggy banks, selected at random from the Central Bank and National Museum of Iceland's numismatic collection.

The calendar is available in print-friendly format and in electronic form (for import into e-mail systems) on GDM's website: [www.lanamal.is](http://www.lanamal.is), under News/GDM calendar.

## Balance of Treasury guarantees

At the end of November 2017, the balance of Treasury guarantees was 981 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 18 0115	IS0000028991	15.7.2017	15.1.2018	0.00	Bullet	0.19	0.18
RIKV 18 0215	IS0000029106	15.8.2017	15.2.2018	0.00	Bullet	0.27	0.27
RIKV 18 0315	IS0000029189	15.9.2017	15.3.2018	0.00	Bullet	0.35	0.35
RIKV 18 0416	IS0000029312	15.10.2017	16.4.2018	0.00	Bullet	0.44	0.43
RIKV 18 0515	IS0000029395	15.11.2017	15.5.2018	0.00	Bullet	0.38	0.38
RIKV 18 0615	IS0000029486	15.12.2017	15.6.2018	0.00	Bullet	0.47	0.46
<i>Nominal T-bonds</i>							
RIKB 19 0226	IS0000017077	26.2.2008	26.2.2019	8.75	Bullet	1.08	1.16
RIKB 20 0205	IS0000024453	5.2.2014	5.2.2020	6.25	Bullet	1.94	2.10
RIKB 22 1026	IS0000020717	26.10.2011	26.10.2022	7.25	Bullet	4.25	4.83
RIKB 25 0612	IS0000019321	12.6.2009	12.6.2025	8.00	Bullet	5.79	7.45
RIKB 28 1115	IS0000028249	15.11.2016	15.11.2028	5.00	Bullet	8.60	10.88
RIKB 31 0124	IS0000020386	24.1.2011	24.1.2031	6.50	Bullet	8.67	13.07
RIKH 18 1009	IS0000019453	2.9.2009	9.10.2018	Fl. rate	Bullet	0.08**	0.78
<i>Inflation-linked T-bonds</i>							
RIKS 21 0414	IS0000020014	14.4.2010	14.4.2021	3.80	BULLET	3.08	3.29
RIKS 30 0701	IS0000020576	1.7.2011	1.7.2030	3.25	BULLET	10.51	12.50
RIKS 33 0321	IS0000021251	21.3.2012	21.3.2033	3.00	BULLET	12.40	15.23
Average of benchmark series						6.1	7.8

\* Macaulay.

\*\* If coupon for this bond were fixed at current rates until maturity duration would be: 0.78.

### Foreign marketable debt

Issues	ISIN	Date of issue	Maturity date	Interest, %	Type of bond	Duration*	Years to maturity
	US451029AE22						
USD 5.875% 11 May 2022	USX34650AA31	11.5.2012	11.5.2022	5.875	Bullet	3.89	4.37
EUR 2.5% 15 Jul 2020	XS1086879167	15.7.2014	15.7.2020	2.500	Bullet	2.47	2.54
EUR 0.5% 20 Dec 2022	XS1738511978	13.12.2017	20.12.2022	0.500	Bullet	4.93	4.98
Average of benchmark series						3.9	4.0

\* 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 December 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 1215	1,000		-1,000	0	0.00	0	0.0
RIKV 18 0115	3,605			3,605	0.05	3,598	0.5
RIKV 18 0215	1,300			1,300	0.13	1,293	0.2
RIKV 18 0315	2,700			2,700	0.21	2,676	0.3
RIKV 18 0416	3,900			3,900	0.30	3,850	0.5
RIKV 18 0515	2,390			2,390	0.38	2,351	0.3
RIKV 18 0615	0		1,910	1,910	0.46	1,873	0.2
<b>Total</b>	<b>14,895</b>			<b>15,805</b>	<b>0.24</b>	<b>15,641</b>	<b>2.0</b>
<i>Nominal T-bonds</i>							
RIKB 19 0226	83,175			83,175	1.16	87,209	10.5
RIKB 20 0205	74,724			74,724	2.10	76,854	9.4
RIKB 22 1026	68,223			68,223	4.83	75,079	8.6
RIKB 25 0612	96,703			96,703	7.45	114,990	12.2
RIKB 28 1115	41,125		1,475	42,600	10.88	42,579	5.4
RIKB 31 0124	95,420			95,420	13.07	108,693	12.0
RIKH 18 1009 *	86,985		-17,000	69,985	0.78	69,821	8.8
<b>Total</b>	<b>546,356</b>			<b>530,831</b>	<b>5.78</b>	<b>575,225</b>	<b>66.8</b>
<i>Inflation-linked T-bonds</i>							
RIKS 21 0414	60,934	14,196		75,130	3.29	79,450	9.5
RIKS 30 0701	73,727	13,364		87,091	12.50	100,678	11.0
RIKS 33 0321	34,172	4,949		39,122	15.23	44,703	4.9
<b>Total</b>	<b>168,833</b>	<b>32,509</b>		<b>201,343</b>	<b>9.60</b>	<b>224,830</b>	<b>25.3</b>
Other central government debt**				46,547	6.35		5.9
<b>Total domestic debt</b>				<b>794,526</b>	<b>6.67</b>		<b>100.0</b>

\* 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	9,633	4.37
EUR 2,5% 15 Jul 2020	750	352	44,194	2.54
EUR 0,5% 20 Dec 2022	500	500	62,700	4.98
<b>Total</b>			<b>116,527</b>	<b>4.00</b>
<b>Total foreign debt</b>			<b>116,527</b>	<b>4.00</b>

### Central government debt, total in m.kr.

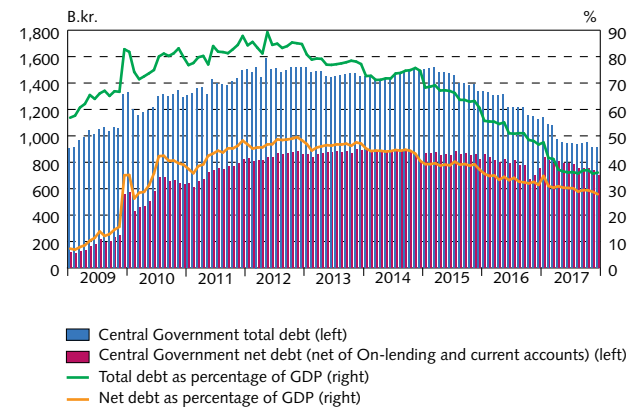
	Nominal incl./ inflation compensation	Weighted time to maturity
Nominal debt	546,636	5.62
Inflation-linked debt	247,890	8.99
Foreign currency debt	116,527	4.00
<b>Total</b>	<b>911,053</b>	<b>6.33</b>
<b>Total debt as percentage of GDP*</b>		<b>36.1</b>

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

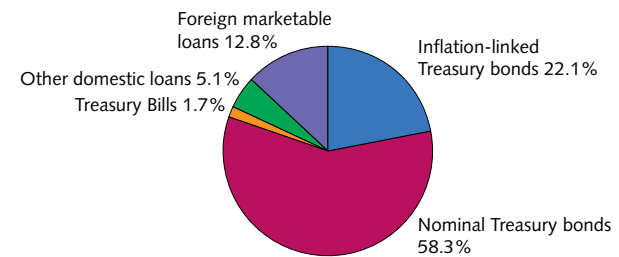
### Net debt in m.kr.

<i>On-lending and cash at the Central bank</i>	Nominal incl./ inflation compensation end of month
Nominal on - lending	10,585
Inflation-linked on - lending	38,924
Foreign currency on - lending	-
Cash ISK	76,281
Cash FX	81,148
<b>Total</b>	<b>206,939</b>
<i>Net debt</i>	
Nominal debt	459,770
Inflation-linked debt	208,966
Foreign currency debt	35,379
<b>Net central government debt</b>	<b>704,115</b>
<b>Total net debt as percentage of GDP</b>	<b>27.9</b>

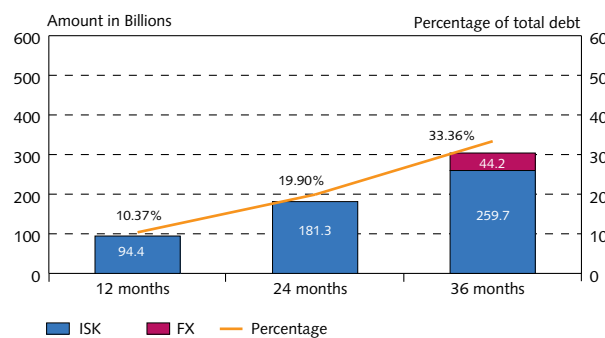
### Changes in central government debt



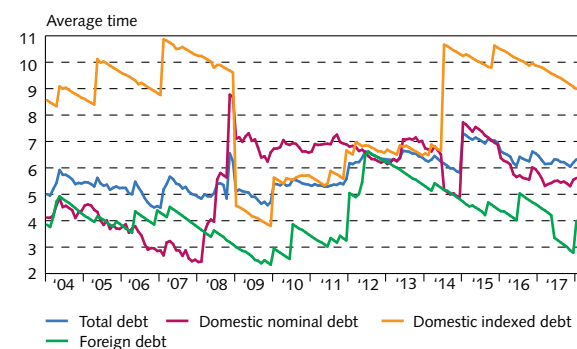
### Total market value of benchmark issues



### Percentage of debt maturing after;



### Average Time to Maturity



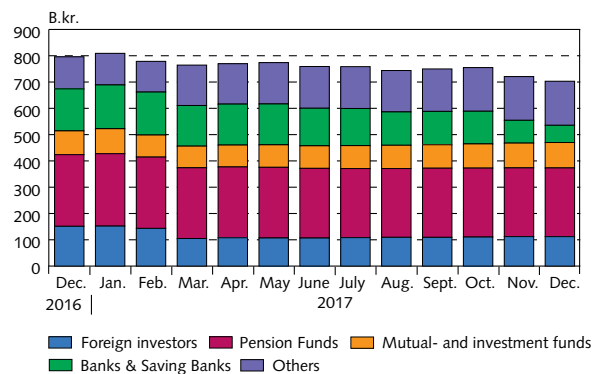
### Investors

#### Owners of T-bonds and bills 31 December 2017\*

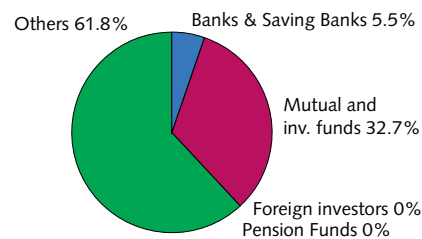
Nominal value in m.kr.	RIKB 19	RIKB 20	RIKB 22	RIKB 25	RIKB 28	RIKB 31	RIKH 18	RIKS 21	RIKS 30	RIKS 33	Total	Total bills
<b>Domestic investors</b>												
Banks & Saving Banks	1,853	3,286	822	2,103	2,212	1,072	52,514	1,011	549	0	65,424	870
Miscellaneous credit undertakings	3,571	1,500	0	0	0	0	167	11,482	11,650	12,590	40,960	8,597
Mutual and inv. funds	12,179	18,353	11,648	7,400	10,481	5,128	460	14,540	15,031	1,449	96,669	5,163
Pension Funds	10,225	24,598	25,384	48,490	16,872	51,215	12,065	23,055	44,539	4,864	261,307	0
Firms	2,398	8,895	6,702	5,097	5,250	6,020	0	3,975	449	1,421	40,207	500
Households	3,352	1,433	1,284	803	315	214	0	4,440	373	2,058	14,273	442
Others	24,081	11,309	10,407	11,540	1,961	2,643	4,705	2,411	856	2,298	72,211	228
<b>Foreign investors</b>												
	26,221	5,285	12,828	21,506	5,566	29,786	75	373	869	9,491	111,999	5
<b>Total:</b>	<b>83,880</b>	<b>74,659</b>	<b>69,075</b>	<b>96,939</b>	<b>42,657</b>	<b>96,078</b>	<b>69,985</b>	<b>61,287</b>	<b>74,316</b>	<b>34,172</b>	<b>703,050</b>	<b>15,805</b>

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

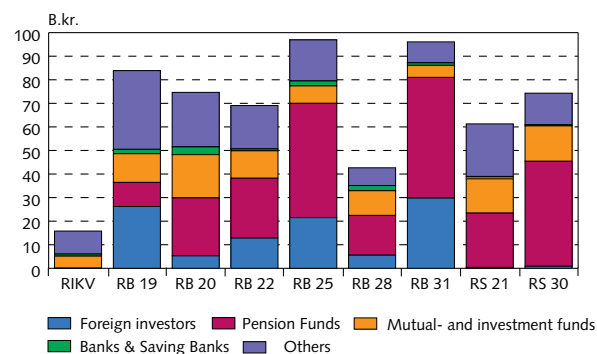
#### Owners of T-bonds 31 December 2017\*



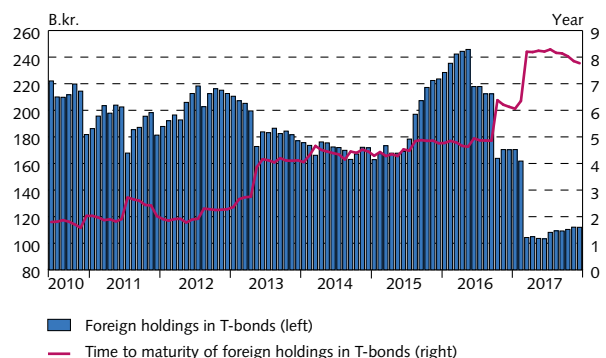
#### Owners of T-bills 31 December 2017\*



#### Owners of marketable T-bonds and bills 31 December 2017\*



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



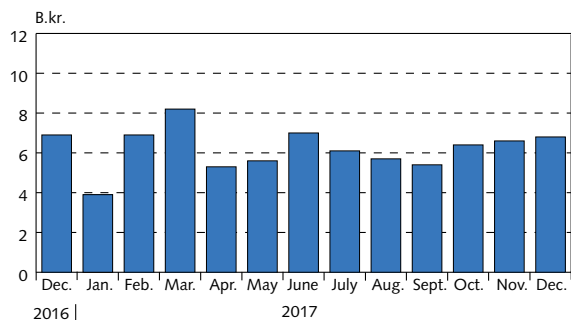
\* Information on this page is based on the most recent data from the Icelandic Securities Depository and banks.



# Market Information

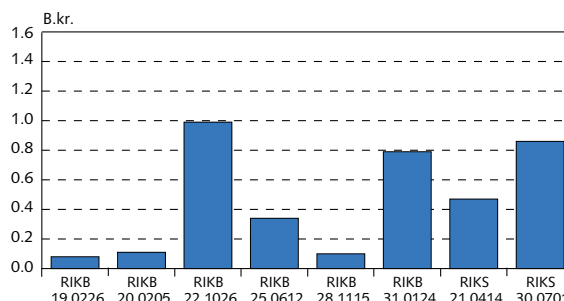
## Securities lending facility, redemption profile and turnover

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

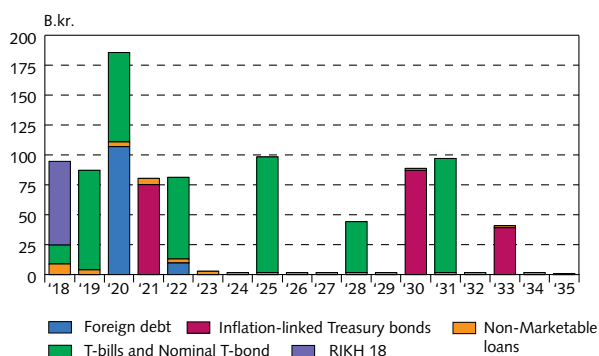


\* Calculated at market price.

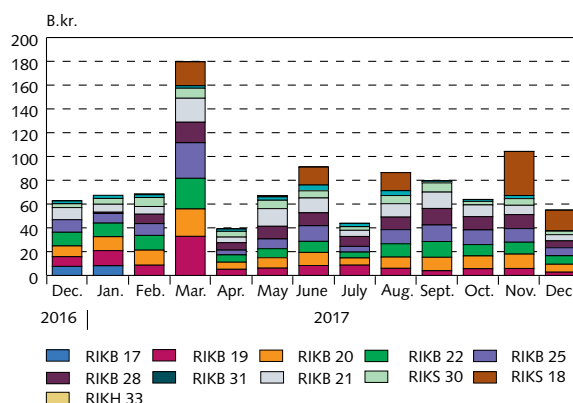
Outstanding amount in the securities lending facility\* by series at the end of last month



Redemption profile of government debt

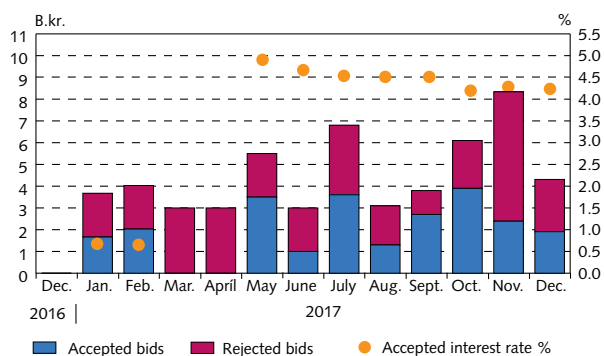


Monthly trading volume in T-Bonds on NASDAQ Iceland Exchange



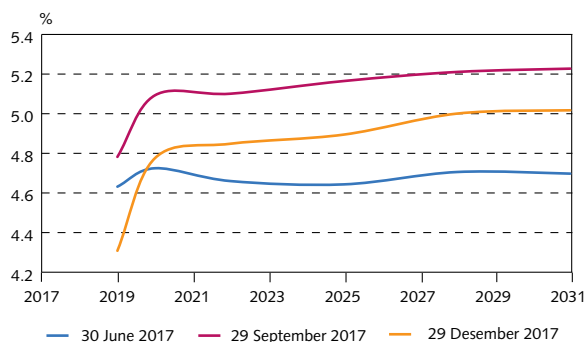
## Auction of Treasury bills

Auction of 6 months T-bills



## Yield curves

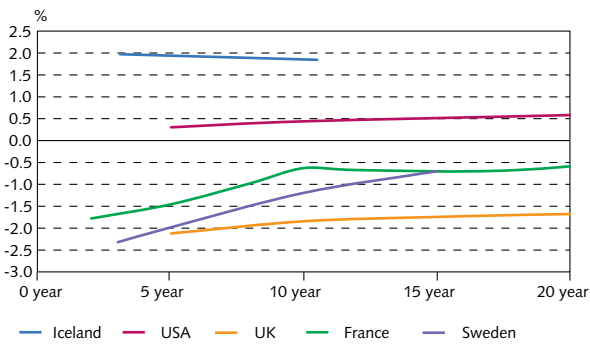
Nominal yield curves



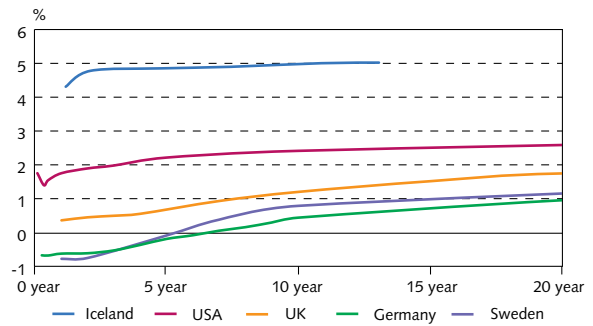


# Market Information

## Yield curve inflation-linked T-bonds

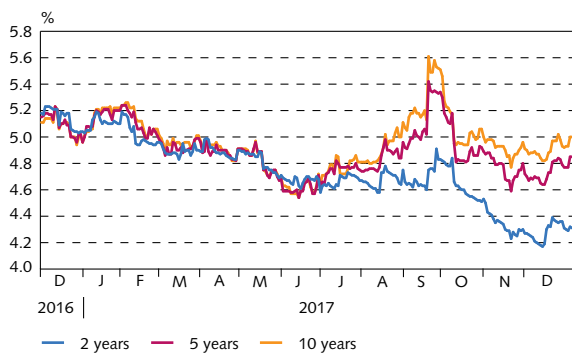


## Yield curve Treasury bills and nominal T-bonds

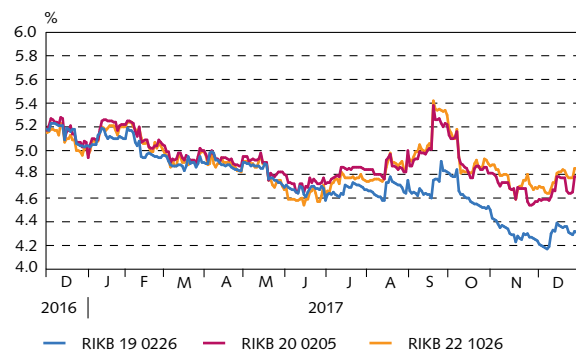


# Yield for Treasury bonds

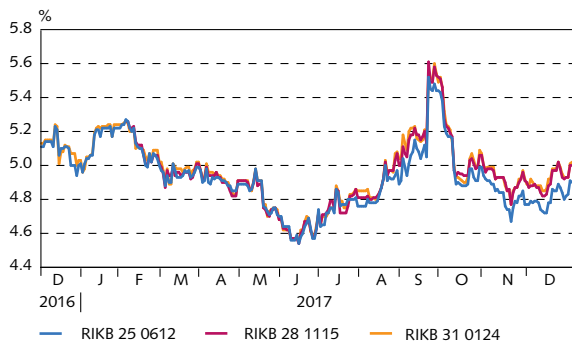
## Generic Yield



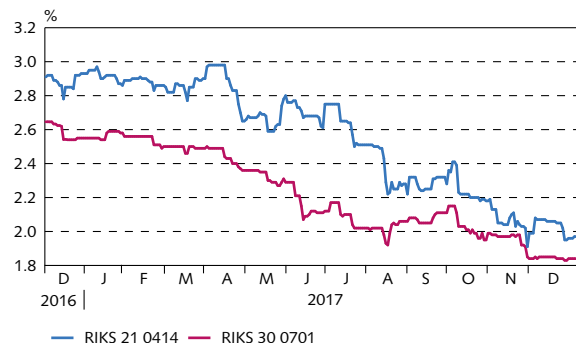
## Yield for short and medium term nominal T-bonds



## Yield for long term nominal T-bonds



## Yield for inflation linked T-bonds







## Auctions of Treasury bonds and bills

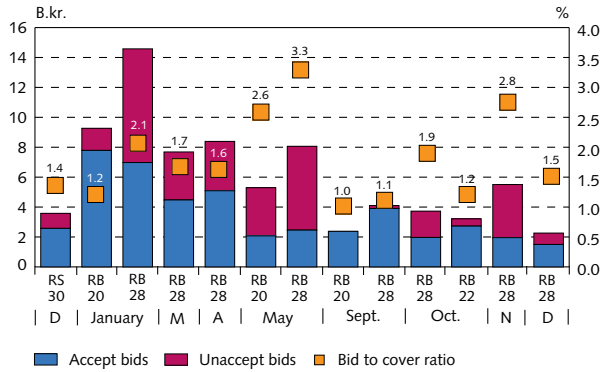
Auction in 2017, in m.kr.

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		
<b>Nominal T-Bonds</b>										
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
10.11.17	RIKB 28 1115	5,506	5,430	36	7	4.83	1,957	1,930	105	2,063
08.12.17	RIKB 28 1115	2,262	2,225	18	11	4.80	1,499	1,475	0	1,499
<b>Total</b>		<b>74,463</b>	<b>73,580</b>				<b>43,295</b>	<b>42,703</b>	<b>1,642</b>	<b>44,926</b>
									<b>Total value</b>	<b>44,926</b>
<b>Switch auction</b>										
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
<b>Total</b>		<b>4,861</b>	<b>4,725</b>				<b>4,846</b>	<b>4,710</b>	<b>0</b>	<b>4,846</b>
<b>T-Bills</b>										
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		
13.11.17	RIKV 18 0515	8,167	8,340	19	10	4.21	2,340	2,390		
13.12.17	RIKV 18 0615	4,220	4,310	11	5	4.20	1,870	1,910		
<b>Total</b>		<b>40,623</b>	<b>42,151</b>				<b>23,538</b>	<b>24,000</b>		



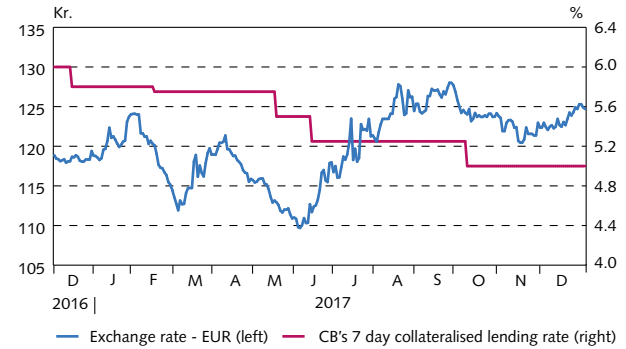
## Auctions of Treasury bonds

Latest auction results of Treasury bonds at market value



## Exchange rate developement

Euro exchange rate versus 7 days collateralised lending rate



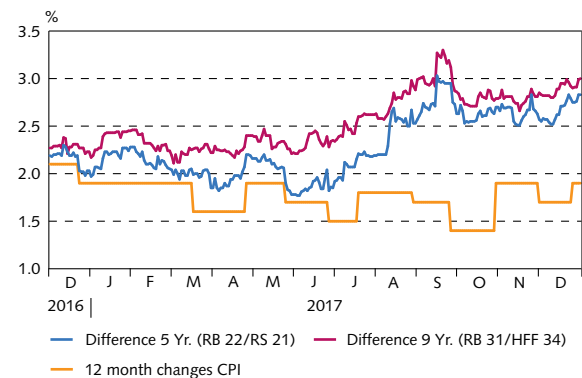
### Next planned auction date:

- 12 January 2018 - Auction of Treasury bonds
- 25 January 2018 - Auction of Treasury bills
- 26 January 2018 - 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

### Inflation premium nominal T-bonds



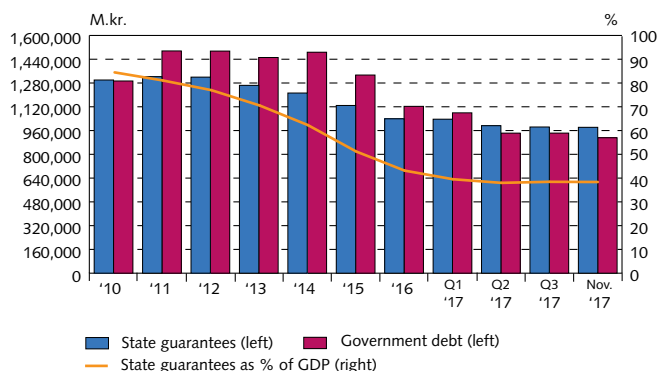


### State guarantees

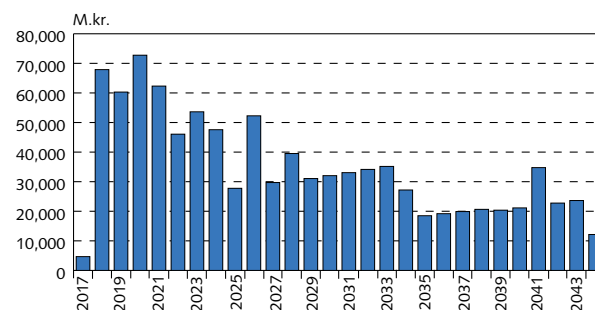
#### State guarantees 2012–2017

M.kr.	November	Outstanding end of year				
	2017	2016	2015	2014	2013	2012
Lending agencies	817,364	830,231	855,054	892,205	935,645	956,735
Housing Financing Fund	807,289	821,180	844,130	881,045	923,492	942,169
Regional Development Fund	10,075	9,051	10,923	11,160	12,153	14,565
Co-operative and Limited Partnerships	161,999	207,073	271,548	317,940	324,844	358,920
National Power Company sf.	150,827	195,048	257,155	302,586	309,531	342,231
RARIK ohf. (Iceland State Electricity)	1,238	1,483	1,786	2,075	2,343	2,638
Farice ehf.	5,537	5,652	7,214	7,588	6,446	6,828
Isavia ohf.	1,210	1,401	1,749	2,130	2,507	2,917
RUV ohf. (National Broadcasting Service)	2,567	2,886	3,011	2,760	3,224	3,479
Other	622	603	633	801	793	828
Industries/Municipalities	2,398	1,872	2,229	2,440	3,760	3,964
NIB - Nordic Investment Bank	2,398	1,862	2,209	2,411	2,956	3,110
Other	0	10	20	29	804	854
<b>State Guarantees total</b>	<b>981,761</b>	<b>1,039,177</b>	<b>1,128,831</b>	<b>1,212,585</b>	<b>1,264,249</b>	<b>1,319,619</b>

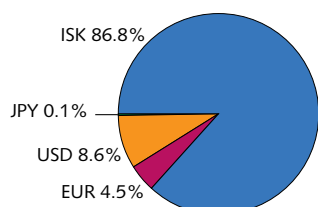
#### State guarantees - government debt and GDP 2010-2017



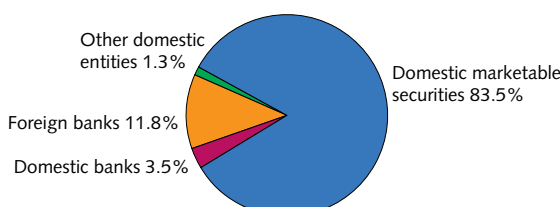
#### State guarantees - Maturity profile



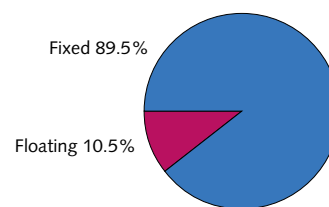
#### Currency ratio



#### 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.