



GOVERNMENT DEBT MANAGEMENT

Market Information

10. Vol. - No. 8. August 2009

Treasury note auctions

Three Treasury note series were auctioned on July 17: RIKB 25 0612, RIKB 13 0517, and a new two-year series, RIKB 11 0722. Participation in the auction was unusually small, most likely because of the Treasury bill auction a few days earlier and because summer vacation has now begun in earnest. Bids submitted in all T-note series totalled 7 b.kr., at terms that were rejected in all cases.

Treasury bill auctions

On July 13, an auction was held for Treasury bill series RIKV 09 1116, which matures on November 16, 2009. Participation was very lively, with bids submitted for 66.5 b.kr. Bids for 40.0 b.kr. were accepted, with a weighted average yield of 6.9% (flat rate). The settlement date was July 15, which was also the maturity date for a 20 b.kr. T-bill. The T-bill balance therefore rose by 20 b.kr. during the month and now stands at 74 b.kr. Foreign parties were by far the largest purchasers of Treasury bills, according to information from primary dealers, who are the only parties entitled to submit bids on behalf of other investors. Foreign parties purchased bills for 32.4 b.kr. in the auction, or roughly 81% of sold bills, while domestic investors purchased for 7.6 b.kr. The largest domestic purchasers were banks and investment funds.

Sale of Housing Financing Fund (HFF) bonds

In June, the Central Bank of Iceland, on behalf of the Treasury, announced that it intended to sell HFF bonds and previously issued Treasury notes that were submitted as collateral for securities loans acquired by the Treasury following the collapse of the banks. It was decided to sell the securities in several lots. The first auction was held on July 15, when HFF bonds in series HFF15014 were sold for 2,156 b.kr. A further 18.5 b.kr. have yet to be sold. The aim is to sell these bonds by the end of 2009.

Bond market activity

Total bond trading on the OMX-Nasdaq exchange amounted to 322 b.kr. in July, including Treasury note volume of 195 b.kr. and HFF bond trading amounting to 120 b.kr. July was the busiest bond-trading month since the collapse of the banks last fall. Trading volume for the first seven months of 2009 totalled 1,437 b.kr., up from 1,085 b.kr. for the same period a year ago. It is difficult to compare figures with 2008, as bond market conditions were extremely unusual during that year. Trading was very heavy until the banks collapsed. In the last two months of the year, volumes collapsed when, due to severe uncertainty on the bond market, it was decided on October 9 to relieve all seven primary dealers in Government securities from their market making duties in the secondary market. Market making duties were relaxed significantly when new agreements were concluded with five primary dealers in early December. Actually, it can be said that turnover of bonds bearing Government guarantees has now returned to pre-crisis levels.

Balance of State guarantees

At the end of June, the balance of Treasury guarantees was 8,631 b.kr. Further information on Treasury guarantees can be found on page 7.

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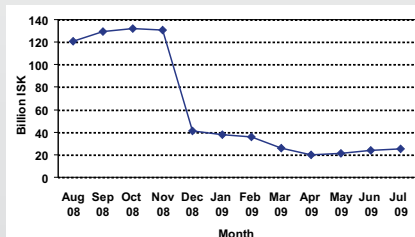
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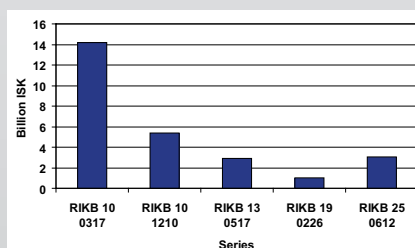
Editor

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Average outstanding amount in the security lending facility



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



Information presented in this publication is from the Central Bank of Iceland and from other sources considered reliable. Cut-off date for information was July 31, unless stated otherwise.



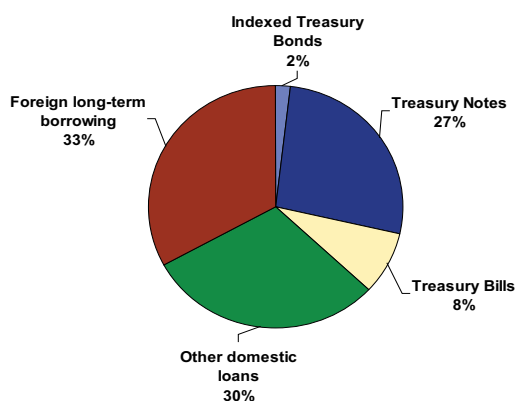
Government debt

Benchmark issues, properties and market value

Domestic debt							
Issues	Date of issue	Maturity date	Interest	Type of bond	Duration	Indexed value (ISK m)	Market value (ISK m)
RIKS 15 1001	29/09/1995	01/10/2015	0.00%	Bullet	6.17	Yes	18,611
Total Treasury bonds							18,611
RIKV 09 0915	15/05/2009	15/09/2009	0.00%	Bullet	0.12	No	19,781
RIKV 09 1015	15/06/2009	15/10/2009	0.00%	Bullet	0.21	No	27,492
RIKV 09 1116	15/07/2009	16/11/2009	0.00%	Bullet	0.29	No	39,180
Total Treasury bills							86,453
RIKB 10 0317	17/03/2004	17/03/2010	7.00%	Annual int.	0.63	No	70,653
RIKB 10 1210	10/12/2008	10/12/2010	13.75%	Annual int.	1.24	No	64,368
RIKB 13 0517	17/05/2002	17/05/2013	7.25%	Annual int.	3.40	No	64,066
RIKB 19 0226	26/02/2008	26/02/2019	8.75%	Annual int.	6.62	No	72,238
RIKB 25 0612	12/06/2009	12/06/2025	8.75%	Annual int.	9.20	No	9,402
Total Treasury notes							280,727
Maturity of benchmark bonds					2.70		

Total value of marketable issues 385,791

Total market value of benchmark issues



Gross Treasury debt, issues and outstanding amount

Domestic debt - Nominal Amount - millions ISK

Issues	month	Issues	Redempt./ buybacks	month	Market value (ISK m)	Percent of dom.
RIKS 10 0115	164			164	1,091	0.2%
RIKS 15 1001	12,203	0		12,203	18,611	2.7%
Total Treasury bonds		12,379		12,367	19,702	2.8%
RIKV 09 0715	20,000	20,000		0	0	0.0%
RIKV 09 0915	20,000			20,000	19,781	2.8%
RIKV 09 1015	14,000			28,000	27,492	3.9%
RIKV 09 1116	0	40,000		40,000	39,180	5.6%
Total Treasury bill.		60,000		88,000	86,453	12.3%
RIKB 10 0317	70,583			70,583	70,653	10.1%
RIKB 10 1210	59,744			59,744	64,368	9.2%
RIKB 13 0517	66,583			66,583	64,066	9.1%
RIKB 19 0226	72,382			72,382	72,238	10.3%
RIKB 25 0612	10,060			10,060	9,402	1.3%
Total Treasury noi		279,352		279,352	280,727	40.0%
Issue of a debt note to the Central Bank			1		279,804	39.9%
Other domestic Treasury debt, (estimate)			*1		34,944	5.0%
Total domestic debt					701,630	100.0%

Foreign debt - m.kr.		Percent of foreign	
CHF	11,254	11,836	3.4%
DKK	6,842	7,306	2.1%
EUR	270,024	288,226	83.4%
GBP	5,356	6,012	1.7%
JPY	6,503	6,716	1.9%
USD	25,510	25,670	7.4%
Long term debt, total		345,766	100.0%

EUR	0	0	0.0%
USD	0	0	0.0%
Short term debt, total		0	0%

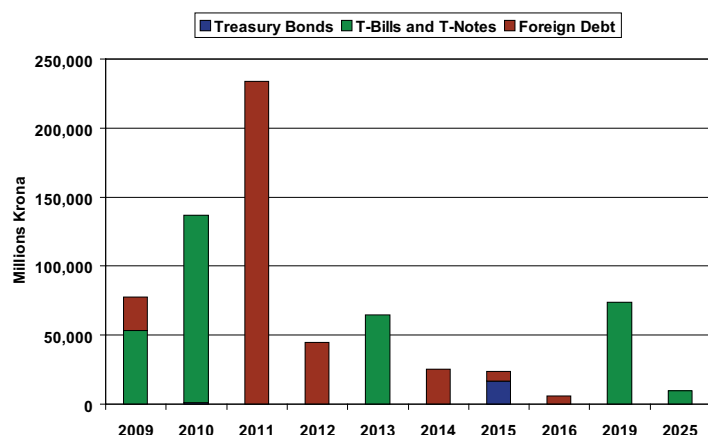
Total Foreign debt 345,766 100.0%

Treasury debt, total 1,047,396

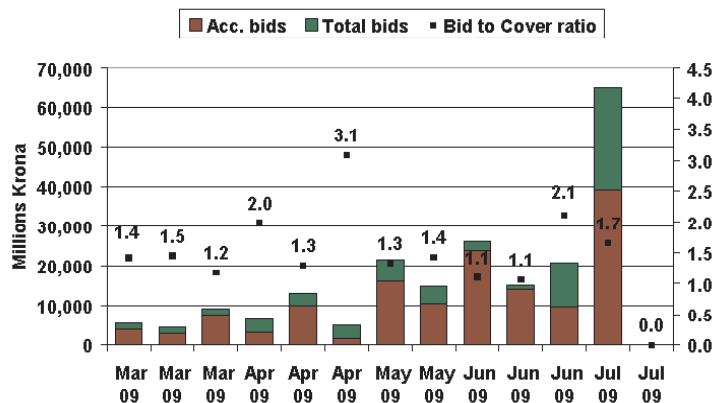
Domestic debt, percent of total debt 67.0%

* Mostly gov. Debt due to the state owned power plant, Landsvirkjun
1 Only for June

Redemption profile of Government debt



Latest auction results of T- Notes at market value





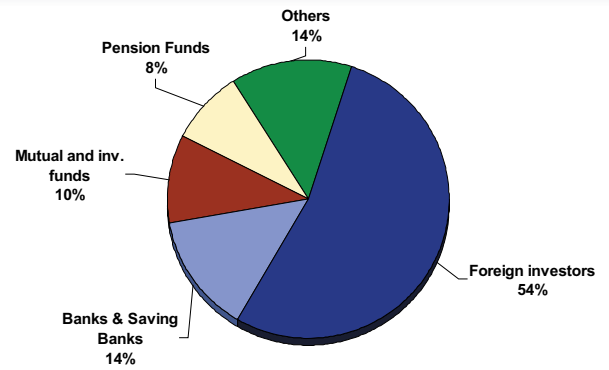
Investors

Owners of T- Notes and Bills June 30, 2009

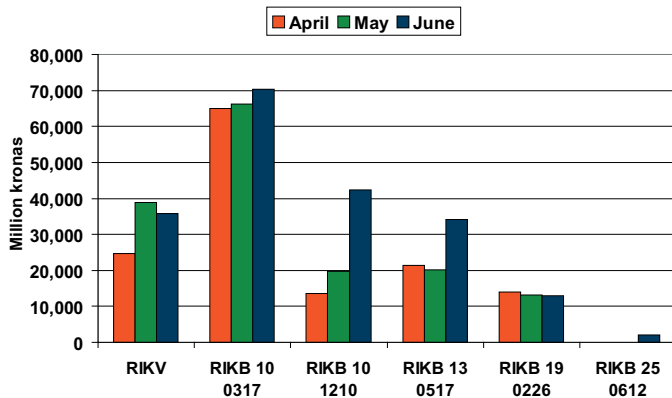
Nominal value in m.kr.	RIKB 10 0317	RIKB 10 1210	RIKB 13 0517	RIKB 19 0226	RIKB 25 0612	Total	Total Bills
Domestic investors							
Banks & Saving Banks	8,159	3,690	12,513	14,844	2,627	41,832	4,469
Miscellaneous credit un	627	2,808	2,084	3,959	303	9,781	5,353
Mutual and inv. funds	3,328	5,350	6,258	15,051	1,614	31,600	7,692
Pension Funds	137	2,120	6,910	13,112	3,351	25,631	0
Firms	1,817	3,483	3,506	5,031	792	14,629	500
Households	488	2,936	2,017	5,082	401	10,924	95
Others	227	1,946	1,692	2,518	72	6,455	100
Foreign investors	70,350	42,342	34,121	13,017	2,000	161,829	35,791
Total	85,133	64,674	69,101	72,612	11,160	302,679	54,000

*Included securities lending from the issuer to the primary dealers
Excluded collaterals due to securities lending to the primary dealers

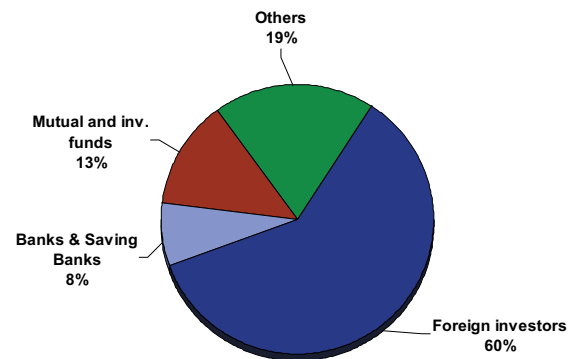
Owners of T- Notes June 30, 2009



Foreign ownership of T- Notes and Bills June 30, 2009



Owners of T- Bills June 30, 2009

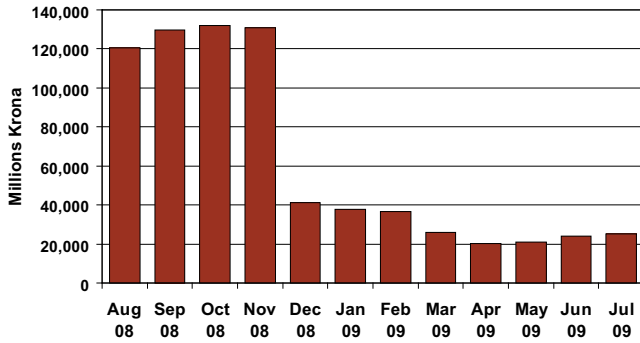


Information is based on the most recent data from the Icelandic Securities Depository and banks

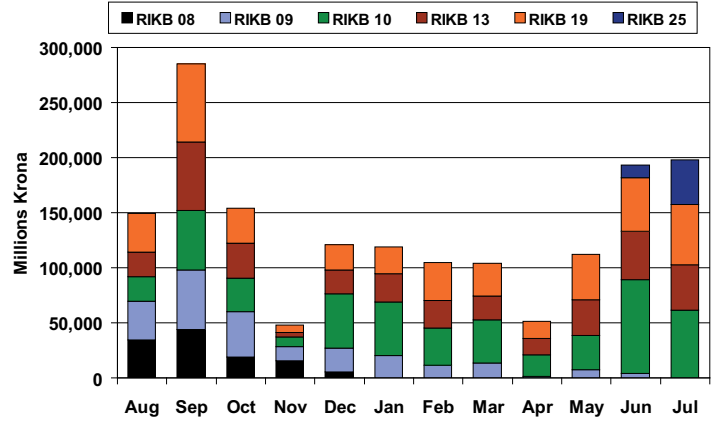


Securities lending facility and turnover

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



Monthly trading volume in Treasury Notes on OMX Iceland Exchange

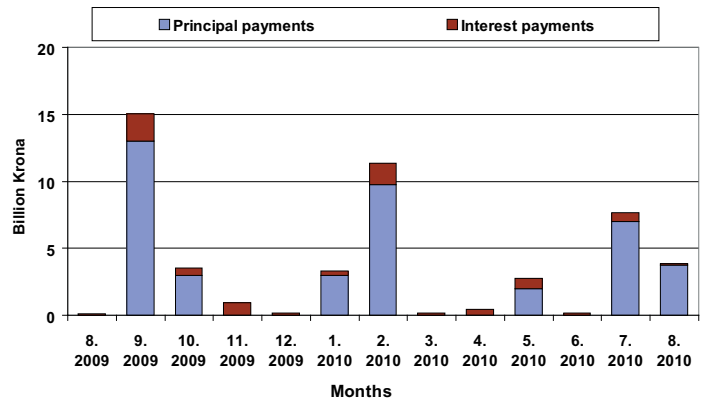


Foreign issuance of Icelandic Krona Eurobonds

Icelandic Krona Eurobonds

Issuer	Amount b.kr.	Share %
KFW Bankengruppe	24.0	30%
European Investment Bank	17.0	21%
Rabobank Nederland	13.0	16%
Eurofirma	5.0	6%
International Bank for R&D	4.0	5%
Others	16.8	21%
Total	79.8	100%

Maturity profile from the beginning of July



Icelandic Krona Eurobonds - new issues in June 2009

Announced	Issuer	Amount b.kr.	Maturity
No issues			
Total		0.0	

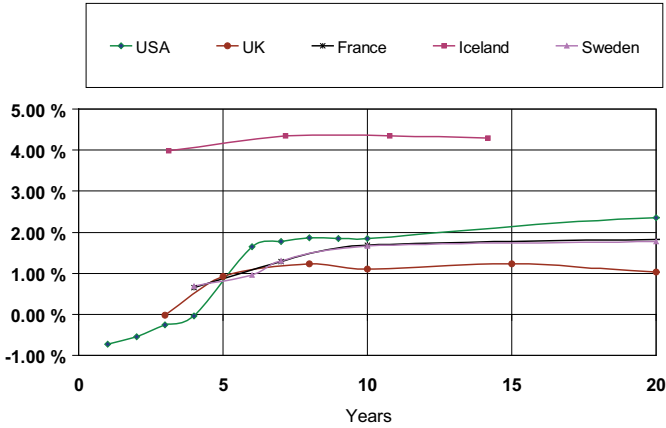
ISK Eurobonds - Maturing in July 2009 - August 2009

Maturity	Issuer	Amount b.kr.
10.sep.09	Rabobank	13,00
Total		13,00

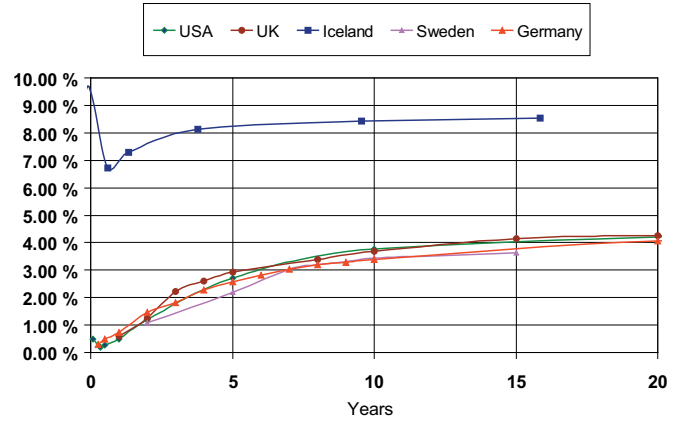


Yield curves

Yield curve Treasury indexed Bonds

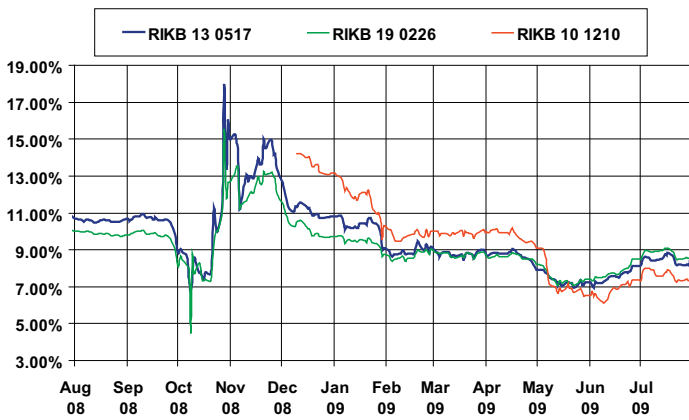


Yield curve Treasury Bills and Treasury Notes

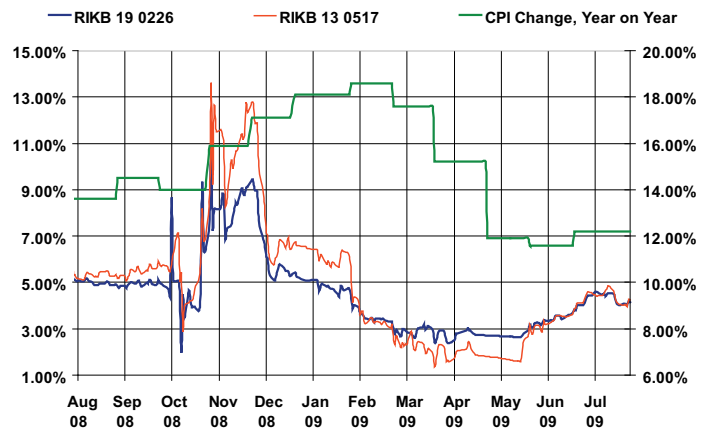


Interest rates, Borrowing requirement and more

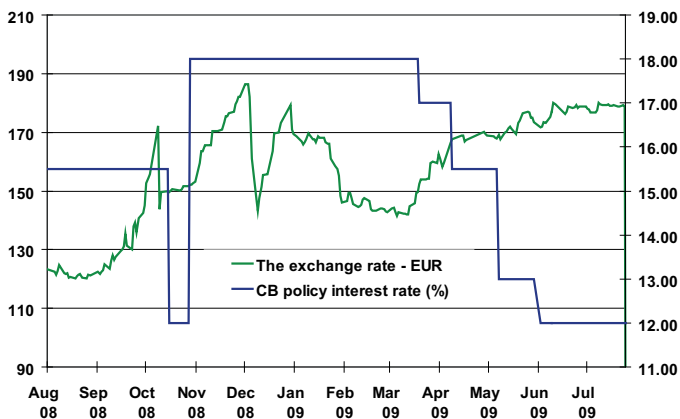
Interest rate developments- Treasury Notes



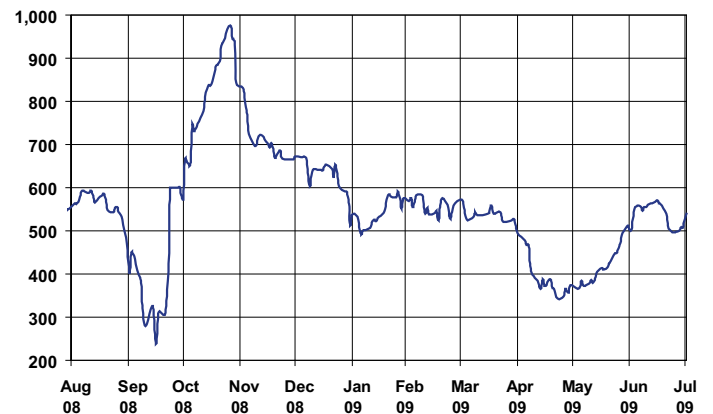
Inflation premium - Treasury Notes



Exchange rate development



Interest rate spread RIKB 19 0226 vs 10 year German Bond





Auctions of T-Notes and T-Bills

Auctions in m.kr. from year beginning 2009

Date	Series	Offers market v.	Offers nominal v.	No. of bids	No. of acc.bids	Avg. yield %	Min yield %	Max yield %	Acc. bids market v.	Acc. bids nominal v.	Non comp. auction nominal v.
T-Notes											
23/01/09	RIKB 10 1210	9,562	9,240	24	5	11.45	11.45	11.45	6,573	6,340	634
23/01/09	RIKB 13 0517	5,625	6,355	19	3	10.70	10.70	10.70	3,198	3,605	361
23/01/09	RIKB 19 0226	10,112	10,810	26	5	9.59	9.59	9.59	5,959	6,260	626
20/02/09	RIKB 13 0517	5,989	6,455	21	5	9.38	9.38	9.38	1,299	1,400	85
20/02/09	RIKB 19 0226	14,821	15,015	42	27	8.95	8.95	8.95	8,489	8,600	323
20/03/09	RIKB 10 1210	5,043	4,786	23	14	10.01	10.01	10.01	3,467	3,286	329
20/03/09	RIKB 13 0517	3,746	3,958	15	5	8.80	8.80	8.80	2,661	2,808	281
20/03/09	RIKB 19 0226	8,439	8,495	33	23	8.84	8.84	8.84	7,013	7,055	706
17/04/09	RIKB 10 1210	5,003	4,758	23	6	9.98	9.98	9.98	1,623	1,541	154
17/04/09	RIKB 13 0517	6,328	6,725	26	11	9.03	9.03	9.03	3,178	3,375	337
17/04/09	RIKB 19 0226	13,016	13,084	35	26	8.82	8.82	8.82	10,034	10,084	945
22/05/09	RIKB 10 1210	20,912	19,033	24	14	6.63	6.63	6.63	15,656	14,233	500
22/05/09	RIKB 13 0517	14,854	14,720	42	27	6.92	6.92	6.92	10,423	10,310	0
09/06/09	RIKB 10 1210	26,174	22,313	24	21	6.20	6.20	6.20	23,711	20,213	0
09/06/09	RIKB 13 0517	15,048	14,971	21	16	7.25	7.25	7.25	14,093	14,021	0
09/06/09	RIKB 25 0612	20,666	20,666	59	26	8.00	8.00	8.00	9,780	9,780	281
17/07/09	RIKB 11 0722	0	2,850	20	0	0.00	0.00	0.00	0	0	
17/07/09	RIKB 13 0517	0	2,070	13	0	0.00	0.00	0.00	0	0	
17/07/09	RIKB 25 0612	0	2,250	15	0	0.00	0.00	0.00	0	0	
Total		185,338	188,554						127,156	122,911	5,280

T-Bills

23/01/09	RIKV 09 0415	54,126	56,025	55	38	15.43	14.52	16.52	29,030	30,000	
16/02/09	RIKV 09 0515	21,848	22,690	46	28	15.65	14.44	15.99	9,040	10,000	
18/03/09	RIKV 09 0615	53,369	55,273	54	14	14.25	13.77	14.50	19,335	20,000	
08/04/09	RIKV 09 0715	52,771	54,429	49	8	11.86	10.71	11.98	19,418	20,000	
13/05/09	RIKV 09 0915	52,152	53,396	55	3	5.74	5.46	5.97	19,616	20,000	
11/06/09	RIKV 09 1015	16,711	17,100	43	38	6.45	3.99	7.50	13,700	14,000	
13/07/09	RIKV 09 1116	64,752	66,467	53	30	6.93	6.24	7.51	39,069	40,000	
		315,728	325,380						149,207	154,000	

Next planned auction dates:

August 2009

August 13, 2009 - Auction Treasury Bills

August 21, 2009 - Auction Treasury Notes

Primary Dealers

Primary Dealers in Government Securities

Islandsbanki
 New Kaupthing Bank
 MP Bank
 NBI
 Saga Capital Investment Bank

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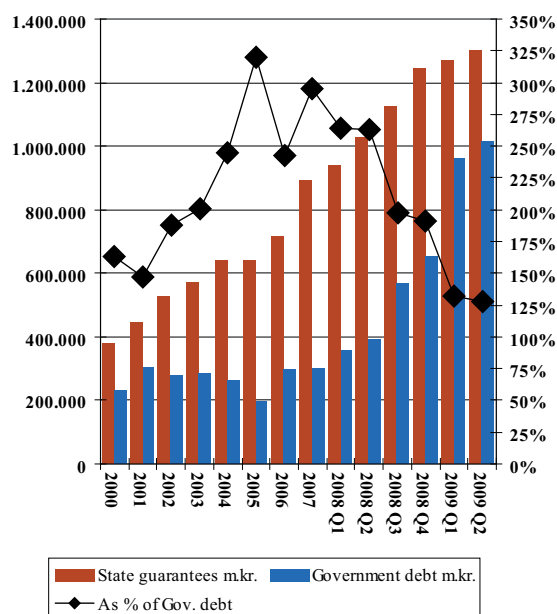
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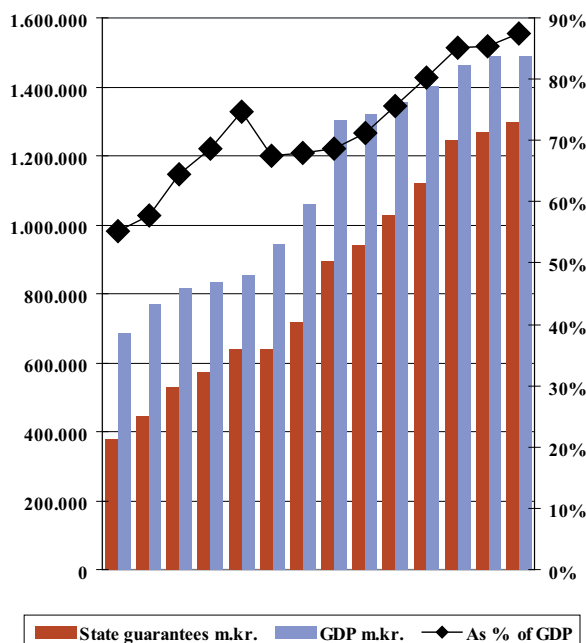
State Guarantees

State guarantees¹ and government debt 2000 - 2009



1) Figures for State guarantees in 2009 are preliminary. Figures for 2001 exclude a temporary reinsurance guarantee for aviation companies that ended in 2002.

State guarantees¹ and GDP² 2000 - 2009



1) Figures for State guarantees 2009 are preliminary. Figures for 2001 exclude a temporary reinsurance guarantee for aviation companies that ended in 2002.
2) GDP figures for 2009 are preliminary. Figures for 2008 are estimated.

State Guarantees 2000 - 2009 in millions ISK

State Guarantees 2000 - 2009

Amounts in million ISK¹

	2000	2001	2002	2003 Q4	2004 Q4	2005 Q4	2006 Q4	2007 Q4	2008 Q4	2009 Q1	2009 Q2	June 30, 2009	
												Change 2008 - 2009 Q2	Amount %
Treasury Part-C, Lending agencies^{2,4}	321.517	378.080	460.779	501.605	564.923	542.059	594.122	667.566	836.144	858.494	864.282	133.664	18,3
Housing Financing Fund ²	302.429	353.419	434.253	473.298	536.562	531.357	582.654	656.470	814.247	836.692	840.215	123.858	17,3
Treasury Part-B, Public enterprises	6.558	6.725	7.028	7.359	7.028	7.633	7.939	7.637	10.056	10.041	9.212	715	8,4
Treasury Part-E, Co-operative and Limited Partnerships^{3,4}	44.570	56.780	54.748	47.124	52.307	56.021	86.458	189.100	365.101	366.349	392.981	134.277	51,9
National Power Company ³	24.527	36.217	33.738	39.205	44.656	53.167	83.312	186.167	360.880	362.512	388.908	133.761	52,4
Municipalities and associated enterprises	4.063	4.304	3.279	2.768	2.038	1.197	911	716	1.155	1.077	1.182	318	36,8
Other ^{3,4}	846	803	650	13.156	13.276	32.059	29.698	28.790	34.122	33.855	32.971	3.897	13,4
State guarantees, total^{5,6,7}	377.554	446.692	526.483	572.013	639.571	638.969	719.128	893.808	1.246.579	1.269.816	1.300.628	272.872	26,6

- Guarantees shown include accrued interest and indexation at the end of each period. Numbers for 2009 are preliminary.
- The Investment Fund for Tourism, a Part-C entity, ceased operations in 2002 and its debt (1 b.kr.) transferred to the Treasury. Number for the Housing Financing Fund are on nominal values and include accrued interest and indexation on securities issued, except for Housing Bonds.
- In 2003 three state owned commercial banks and the State Cement Works were fully privatized and in 2005 Iceland Telecom was sold. Still carrying State Guarantees on part of their debt obligations they were moved from the Treasury Part-E category to "Other" resulting in a 12,5 b.kr. decrease in Part-E in 2003 and a 4 b.kr. decrease in 2005. Figures for the National Power Company reflect the obligations of the state of NPC's total debt. The obligations of Reykjavik and Akureyri municipalities before the State acquisition at year end 2006 is valid until end of 2011 which total 137 b.kr. at the end of June 2009.
- In 2005 the Agricultural Investment Fund was moved from Part-C to "Other" and Iceland Telecom from Part-E to the "Other" category resulting in a 19 b.kr. increase.
- The total for 2001 excludes a temporary State Guarantee (227,6 b.kr.) on reinsurance for airplanes owned by Icelandic aviation companies.
- The Statement of the Icelandic Government guaranteeing domestic deposits in Icelandic banks are not included here in government guarantees.
- Possible guarantees of deposits in branches of Icelandic banks overseas are not included in government guarantees.