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To newspapers, newsrooms,
and financial institutions

Press release
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Quarterly Government Debt Management Prospect

Fourth quarter 2013

- *In the fourth quarter, Treasury bonds will be offered for sale for up to **20 b.kr.** market value to compensate for reduced Treasury bill issuance.*
- *A new Treasury bond series maturing in 2020 is to be launched.*
- *Issuance may include the following series as well: RIKB 15 0408, RIKB 22 1026, and RIKB 31 0124.*
- *Issuance of Treasury bonds and bills in conventional auctions during the year will take into account sales of RIKS 33 0321 in connection with Central Bank of Iceland foreign currency auctions.*

Introduction

In the Government Debt Management *Prospect* for 2013, it was announced that Treasury bonds would be issued in the amount of 90 b.kr. during the year. This target has been reached, with issuance in the first nine months totalling 90.4 b.kr. (market value), including 83.7 b.kr. in conventional auctions and 6.7 b.kr. in Central Bank of Iceland foreign currency auctions.

In Q3, the objective was to sell benchmark Treasury bonds for 15-29 b.kr. market value. Actual sales totalled 29.3 b.kr., including just under 28.7 b.kr. in conventional auctions and 0.6 b.kr. in Central Bank foreign currency auctions. A breakdown of benchmark bond sales can be seen in the table below.

**Nominal Treasury bond issuance in Q3/2013**

Conventional auctions	Issuance in b.kr.	
	Maximum	Actual
Bond series		
RIKB 15 0408	15	3.9
RIKB 22 1026	15	11.7
RIKB 31 0124	15	13.1
Total:		28.7
Foreign currency auctions		
RIKS 33 0321		0.6
Total issuance:		29.3

Planned Treasury bill issuance

According to the annual *Prospect*, the nominal year-end 2013 Treasury bill issuance target was 40 b.kr., whereas the actual balance was 18.3 b.kr. as of end-September. In order to compensate for possibly reduced Treasury bill issuance, Treasury bonds will be issued for up to 20 b.kr.

Planned Treasury bond issuance in Q4/2013

Treasury bond sales have been successful in 2013, and the target for the entire year has been reached. Owing to expectations of reduced Treasury bill issuance, Treasury bonds will be issued for up to an additional **20** b.kr. market value in the last three months of the year. The annual *Prospect* announced plans to issue a new Treasury bond series maturing in 2020. It has been decided to issue that bond in the fourth quarter. It will be built up in the next few years as a five-year benchmark series and later as a two-year benchmark series. If Treasury bill sales increase beyond current levels, it is possible that the new issue will be postponed until 2014. It is also possible that the following bonds will be offered: RIKB 15 0408, RIKB 22 1026, and RIKB 31 0124.

Total Treasury bond issuance in the fourth quarter of the year is estimated at **20** b.kr. The estimated maximum nominal issuance in individual series is 10 b.kr., as is shown in the table below.

Estimated Treasury bond issuance in Q4/2013

Amounts in b.kr.	Issuance
Bond series	Maximum
RIKB 15 0408	10
RIKB 22 1026	10
RIKB 31 0124	10
New series – RIKB 20	10



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Impact of capital account liberalisation measures on Treasury issuance

The Central Bank of Iceland has announced that two more foreign currency auctions will be held before the year-end, on 15 October and 3 December. The auctions will be in two parts, with the Bank purchasing euros, on the one hand, and selling them, on the other.

In EUR purchase auctions, investors can opt either to participate in the Central Bank's Investment Programme or to receive Treasury bonds with a five-year commitment period. The Treasury bond offered to investors in exchange for euros is RIKS 33 0321. Issuance in the series in connection with the foreign currency auctions will reduce Treasury bond sales in conventional auctions by a corresponding amount during the year.

Further information on issuance of individual series of Treasury bonds and bills will be published a few days prior to each auction.

Further information can be obtained from Björgvin Sighvatsson, Director of Government Debt Management, at tel +354 569 9600.