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Press release
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Government Debt Management *Prospect* 2024

- *Planned Treasury bond issuance for 2024 totals 120 b.kr. market value.*
- *It is planned to issue a new nominal bond maturing in 2027. The size of the series and market conditions will determine the amount sold in other series.*
- *The Treasury's financial need during the year may be met in part with foreign issuance or by tapping foreign deposits with the Central Bank of Iceland.*

Introduction
According to the National Budget for 2024, the net financing balance is estimated to be negative by 26.3 b.kr. RIKB 24 0415 matures in April 2024. The nominal value of the series is 89 b.kr. Other payments on long-term loans come to a total of 5 b.kr. The net financing need plus the year's maturities, adjusted for movements in Treasury deposits and Treasury bills, will determine the need for long-term domestic borrowing during the year. Foreign loans in euros, in an amount equivalent to 36.3 b.kr., are set to mature in June 2024.

Bond issuance will continue to be the mainstay of Treasury financing activity, with planned Treasury bond issuance totalling 120 b.kr. market value in 2024[1]. Treasury bond issuance net of maturities will therefore total 31 b.kr., as compared with 55 b.kr. in 2023. Estimated total issuance for 2024 will also be 20 b.kr. less than was assumed in the year-2023 *Prospect.*

In order to meet the borrowing need, it is also possible to draw down foreign deposits in the Treasury's current account with the Central Bank of Iceland, which totalled 197 b.kr. at the end of November 2023. Furthermore, it is possible to issue green bonds under the Treasury's sustainable financing framework.

The *Prospect* for each quarter will be published on the last business day of the preceding quarter. Each quarterly *Prospect* will contain information on the estimated total issuance during that

[1]The sale price or market value refers to the clean price plus accrued indexation; i.e., with indexation but without accrued interest.

quarter. The quarterly *Prospect* for Q1/2024 is published concurrent with the Government Debt Management *Prospect* for the year 2024.

Medium-Term Debt Management Strategy

The Medium-Term Debt Management Strategy is published by the Ministry of Finance and Economic Affairs and covers a horizon of five years. It sets forth the authorities' plans for credit financing during the specified period and is reviewed and published each year. Its principal objectives are to ensure that the Treasury's medium- to long-term financing needs and financial obligations are met at the lowest possible cost that is consistent with a prudent degree of risk. The strategy is also intended to encourage further development of efficient primary and secondary markets for domestic Government securities.

Nominal Treasury bond issuance

On 15 April 2024, the nominal RIKB 24 0415 Treasury bond matures in the amount of 89 b.kr. Bonds in the series were first issued in 2021. It is planned to issue a new nominal bond maturing in 2027, with market making planned for the series.

It is possible that bonds will be issued in all nominal series during the year, although it can be expected that issuance in the largest series will be limited, as the flexibility to issue in specific series must be examined in light of the objective of keeping the Treasury redemption profile as smooth as possible. Market conditions will determine whether the bonds in question will be sold, and if so, how much in each series.

Size of nominal Treasury bond series as of end-2023 – nominal value (m.kr.):

RIKB 24 0415	89,388
RIKB 25 0612	109,763
RIKB 26 1015	54,195
RIKB 28 1115	113,465
RIKB 31 0124	124,632
RIKB 35 0917	14,390
RIKB 42 0217	58,012

Indexed Treasury bond issuance

It is possible that bonds will be issued in all indexed series during the year, although it can be expected that issuance in the largest series will be limited, as the flexibility to issue in specific series must be examined in light of the objective of keeping the Treasury redemption profile as smooth as possible. Market conditions will determine whether the bonds in question will be sold, and if so, how much in each series.

Size of indexed Treasury series at year-end 2023 – nominal value plus accrued indexation (m.kr.):

RIKS 26 0216	113,252
RIKS 30 0701	126,188
RIKS 33 0321	123,401
RIKS 37 0115	62,413

Treasury bill issuance

At the end of 2023, outstanding Treasury bills totalled just under 104 b.kr. The Treasury will continue to be an active issuer of bills, but the outstanding balance at any given time is subject to change, as issuance of bills is, among other things, an element in Treasury liquidity management; furthermore, short-term financing needs, investor demand, and terms at auction could affect the balance. Treasury bill maturities may range from one month to 12 months. The Treasury also has the option of requesting money market loans or granting króna-denominated loans to the primary dealers for very short periods so as to mitigate day-to-day fluctuations in their current accounts with the Central Bank.

Flexibility in Treasury bill issuance is important, and it is possible that additional Treasury bill auctions will be added to those already on the Government Debt Management issuance calendar.

Switch auctions – buybacks

Switch auctions of RIKB 24 0415 will continue, and owners of the series will be invited to exchange their bonds for other benchmark issues. Direct purchases in the secondary market are also expected. It is also possible that a switch auction and buyback of RIKB 25 0612 will be held later in the year, in accordance with the provisions of primary dealer agreements.

Treasury deposits with the Central Bank

At the end of November 2023, the Treasury's current account balance with the Central Bank of Iceland was about 86 b.kr. At the same time, the Treasury held the equivalent of 197 b.kr. in foreign currency deposits with the Central Bank. Foreign deposit balances have fallen by 32 b.kr. in 2023 to date, particularly because of the buyback of the Treasury's eurobond maturing in June 2024, which was financed using foreign deposits with the Central Bank.

Interest rate swaps

The Treasury is authorised to enter into swap agreements with domestic financial institutions for up to 50 b.kr. in 2024, in order to better manage the indexation risk and interest rate risk on its loan portfolio. Such swap agreements will be executed if terms and market conditions allow.

Foreign debt

In June 2024, an outstanding balance of 241 million euros is due on a 500 million euro loan taken in 2019. It is assumed that the loan will be paid using Treasury's foreign deposits with the Central Bank, although the option of issuing a foreign bond during the year will also be considered.

Green/Sustainable financing
Consideration may be given to financing clearly defined green and sustainable projects in Iceland through issuance of so-called green (sustainable) Treasury bonds in 2024. Whether such issues are undertaken and whether they are issued domestically or through the Treasury's EMTN programme will depend on market conditions.

Timing of auctions and further arrangements
Treasury bond auctions will be held on predetermined dates, according to the Government Debt Management auction calendar. Two days each month are reserved for Treasury bond auctions, and one day per month is reserved for Treasury bill auctions. These days are indicated on the Government Debt Management auction calendar and on the website www.lanamal.is. Government Debt Management reserves the right to cancel auctions; for example, due to market conditions. If changes are made to the current annual *Prospect*, they are generally announced in the quarterly Government Debt Management *Prospect*.

The monthly publication *Market Information*, the Bloomberg <ICDO> pages, and the website www.lanamal.is will continue to be the main channels for communication.

Primary dealers in Treasury securities

Arion Bank hf.
Fossar Investment Bank hf.
Íslandsbanki hf.
Kvika banki hf.
Landsbankinn hf.

Further information can be obtained from Esther Finnbogadóttir at the Ministry of Finance and Economic Affairs, at tel +354 545 9200, and from Björgvin Sighvatsson at Government Debt Management, at tel +354 569 9600.