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Press release
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Government Debt Management *Prospect* 2023

- *Planned Treasury bond issuance for 2023 totals 140 b.kr. market value.*
- *It is planned to issue two new nominal bonds maturing in 2026 and 2035. Other series will be expanded during the year.*
- *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 2023, the net financing balance is estimated to be negative by 65.3 b.kr. RIKB 23 0515 matures in May 2023, in the nominal amount of 84.6 b.kr. Other payments on long-term loans come to a total of 3.5 b.kr. No foreign loans are scheduled to mature next year.

Bond issuance will continue to be the mainstay of Treasury financing activity, with planned Treasury bond issuance totalling 140 b.kr. market value¹ in 2023. Treasury bond issuance net of maturities will therefore total 55 b.kr. in 2023, as compared with 65 b.kr. in 2022. Estimated total issuance for the year will also be 20 b.kr. less than was assumed in the year-2022 *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 295 b.kr. at the end of November 2022. 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 quarter. As in the most recent issues of the quarterly *Prospect*, total issuance in specific series will not be published, as it is important for the Treasury to have the flexibility to distribute issuance across bond series based on market conditions at the time in question. The quarterly

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



Prospect for Q1/2023 is published concurrent with the Government Debt Management *Prospect* for the year 2023.

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 May 2023, the nominal RIKB 23 0515 Treasury bond matures in the amount of 84.6 b.kr. Bonds in the series were first issued in 2020. It is planned to issue two new nominal bonds maturing in 2026 and 2035, and market making is planned for both series.

It is possible that bonds will be issued in all nominal series during the year, although emphasis will be placed on building up the smallest of them, 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.

Indexed Treasury bond issuance

It is possible that bonds will be issued in all indexed series during the year, although emphasis will be placed on building up the smallest of them, 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.

Treasury bill issuance

At the end of 2022, outstanding Treasury bills totalled just under 110 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 banks 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 23 0515 will continue, and owners of the series will be invited to exchange their bonds for other benchmark issues. Direct purchases in the secondary market can be expected as well. It is also possible to hold a switch auction and buyback of RIKB 24 0415, in accordance with the provisions of primary dealer agreements.

Treasury deposits with the Central Bank

At the end of November 2022, the Treasury's current account balance with the Central Bank of Iceland was about 85 b.kr. At the same time, the Treasury held the equivalent of 295 b.kr. in foreign currency deposits with the Central Bank. At the end of 2022, foreign deposits were used to retire the EUR 500m bond maturing in December, thereby lowering the balance.

Interest rate swaps

The Treasury is authorised to enter into swap agreements with domestic financial institutions for up to 50 b.kr. in 2023, 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

No foreign bonds are scheduled to mature in 2023, but consideration is being given to a new foreign issue during the year.

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 2023. 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.



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Primary dealers in Treasury securities

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