



# Establishing of Risk Benchmarks

Implementing cost-risk modules to establish risk benchmarks





## Types of Risk in Finance

### Systematic Risk

- Uncontrollable by an organisation
- Macro in nature

Interest Rate Risk

Price Risk

Reinvestment Risk

Market Risk

Absolute Risk

Relative Risk

Directional Risk

Non-Directional Risk

Basis Risk

Volatility Risk

Inflationary Risk

Demand Inflation Risk

Cost Inflation Risk

### Unsystematic Risk

- Controllable by an organisation
- Micro in nature

Liquidity Risk

Asset Liquidity Risk

Funding Liquidity Risk

Credit Risk

Exposure Rate Risk

Recovery Rate Risk

Credit Event Risk

Sovereign Risk

Settlement Risk

Operational Risk

Model Risk

People Risk

Legal Risk

Political Risk

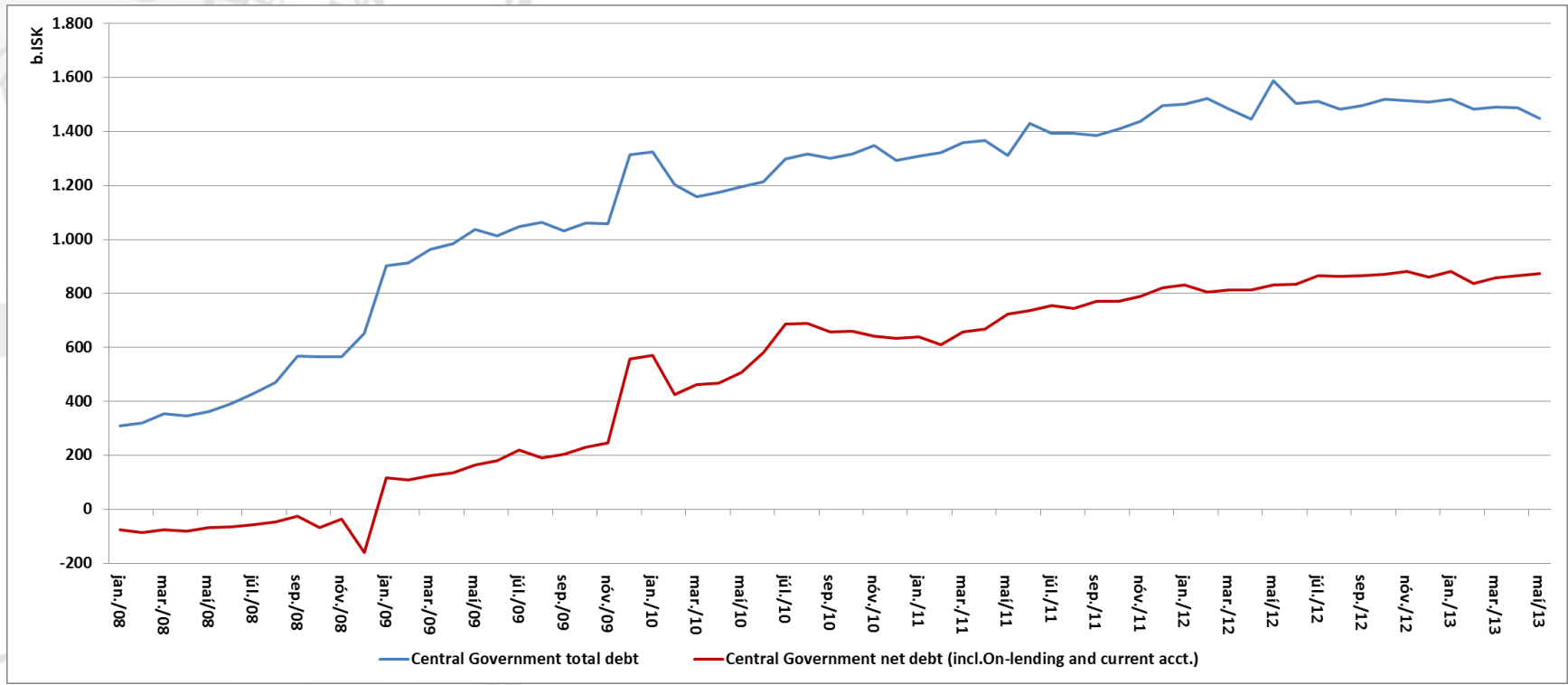


# Objectives of GDM

1. To ensure that the Treasury's financial obligations are met at the lowest possible cost in the long run and with a prudent degree of risk.
2. To ensure that the maturity profile of Government debt is even and consistent with the Treasury's payment capacity at all times.
3. To maintain and promote the development of an efficient primary and secondary market for domestic government securities.
4. To appeal to a broad group of investors in government securities and diversify funding sources.



Government debt has increased considerably over the past 5 years mostly due to the global financial crisis which had a major impact on the small open economy of Iceland



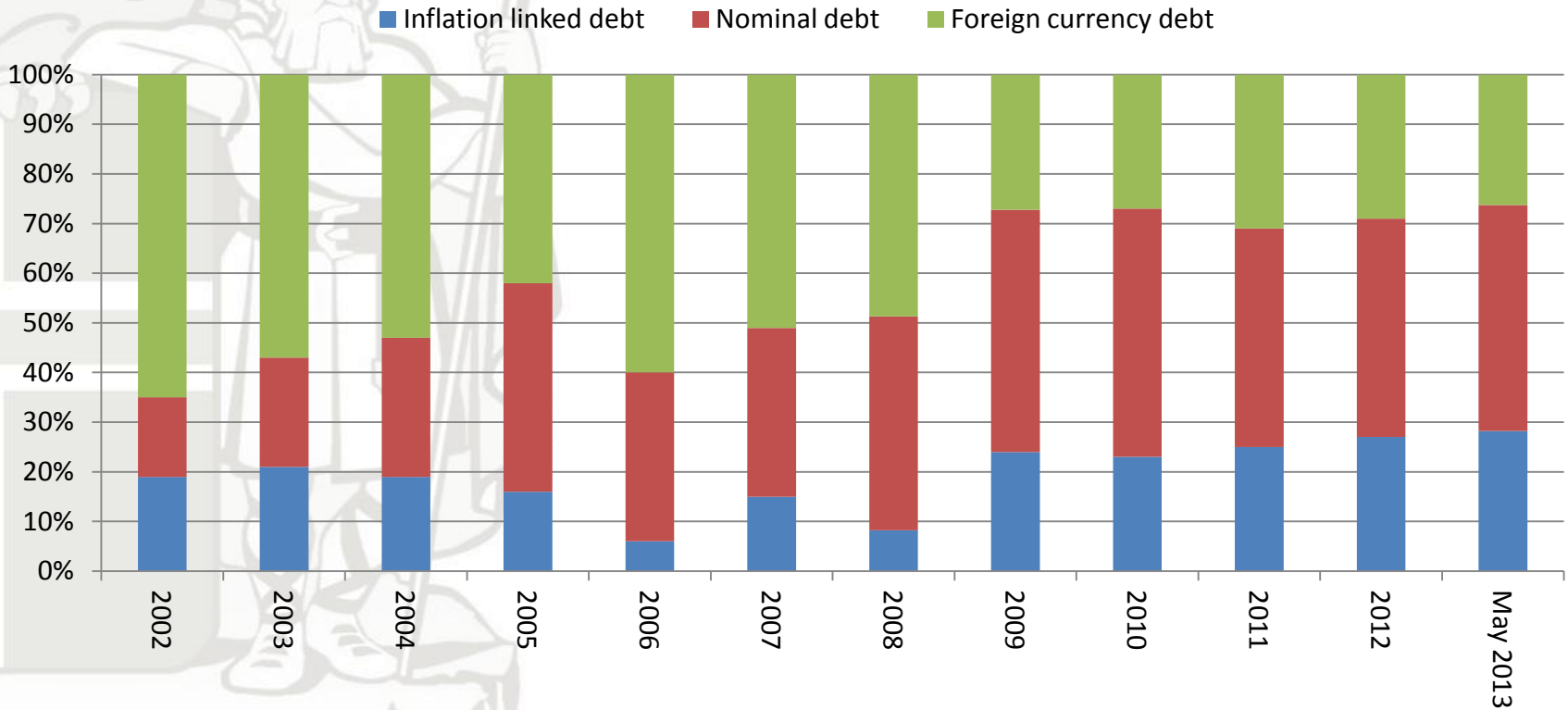


# Medium Term Debt Strategy

- Lays down the Government's debt financing plans for the next four years
- The aim is to formulate a clear debt management policy and present quantitative targets
- Developing analytical tools to identify, monitor, and mitigate potential risks in the debt portfolio

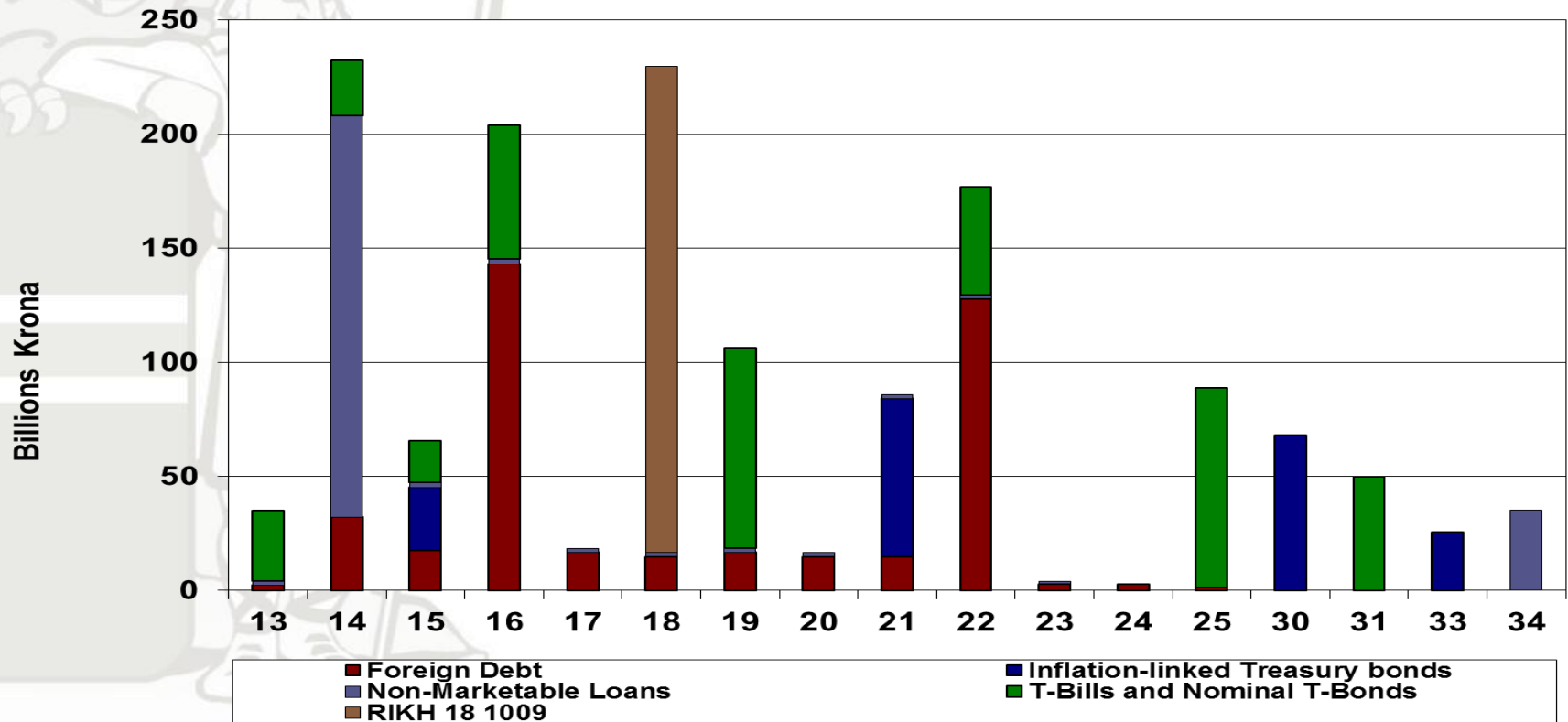


# Government Debt composition



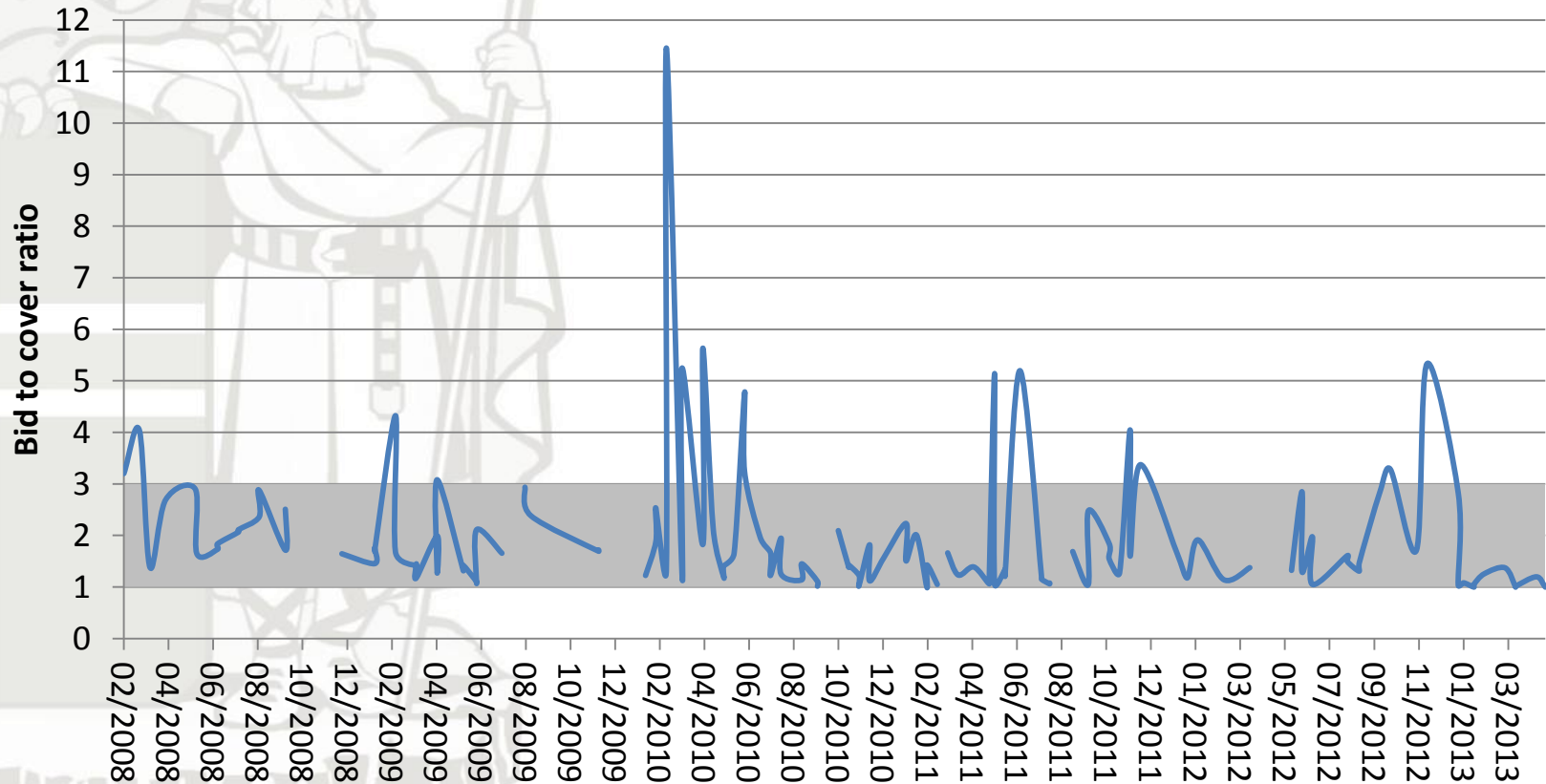


# Gov. Debt: Maturity profile





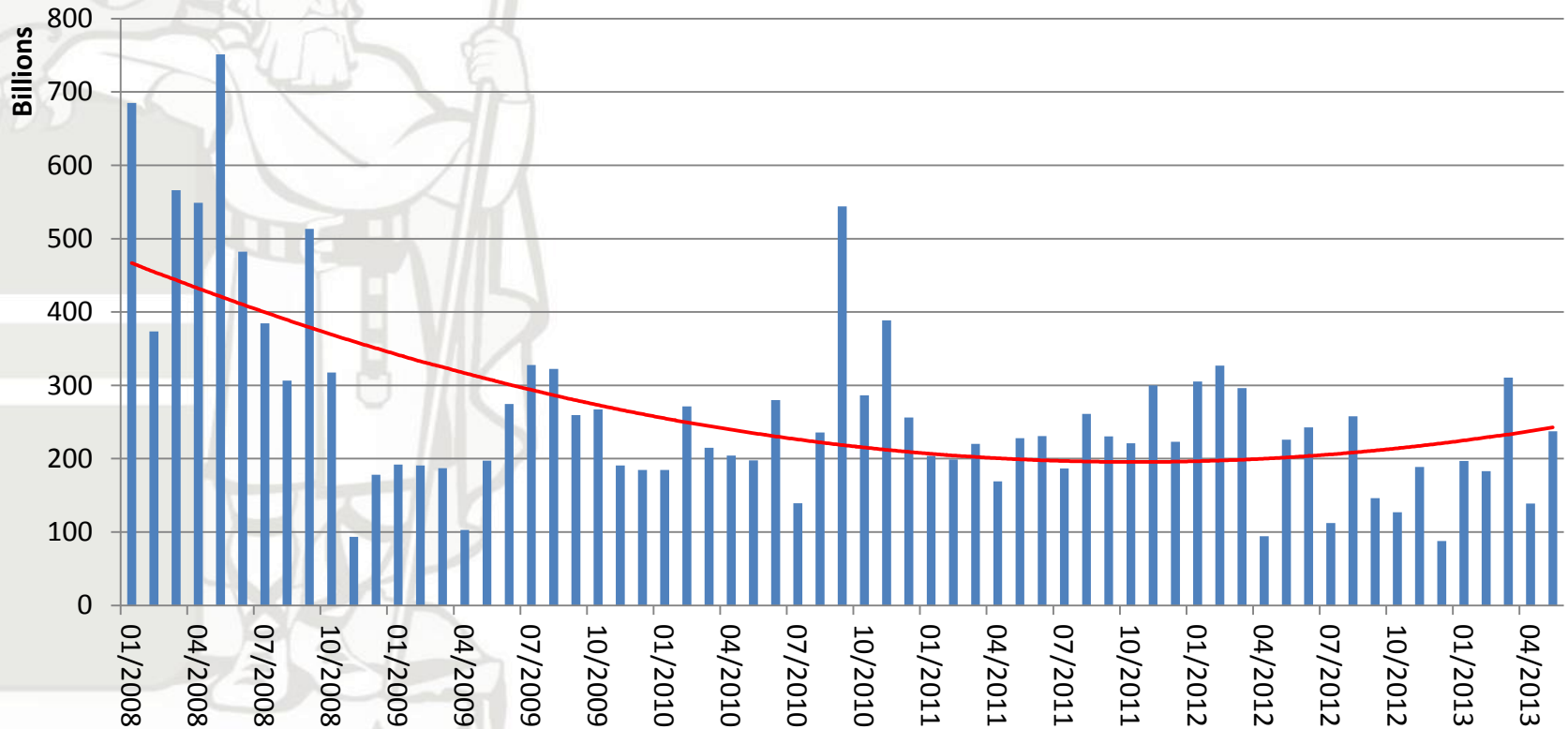
# Bid to Cover ratio





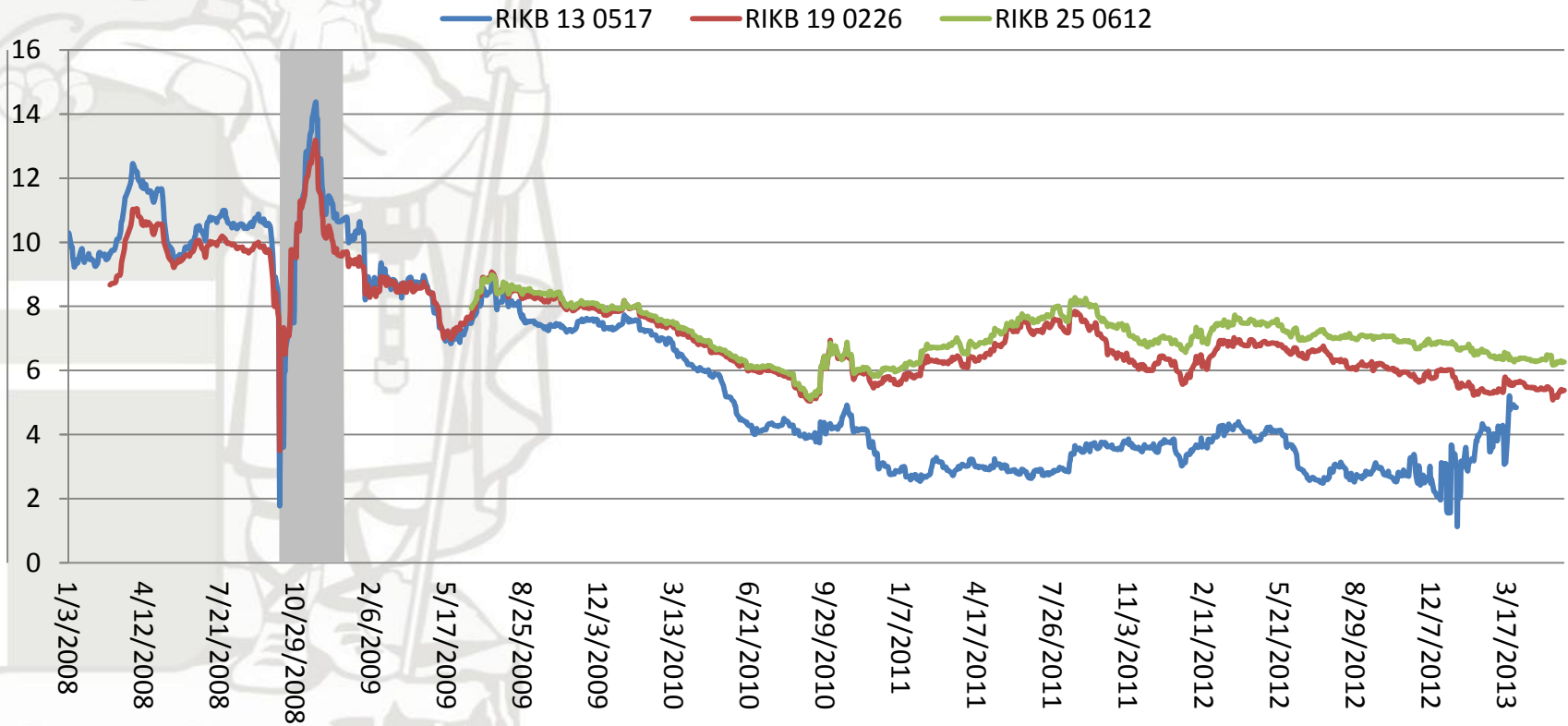


# Secondary market turnover



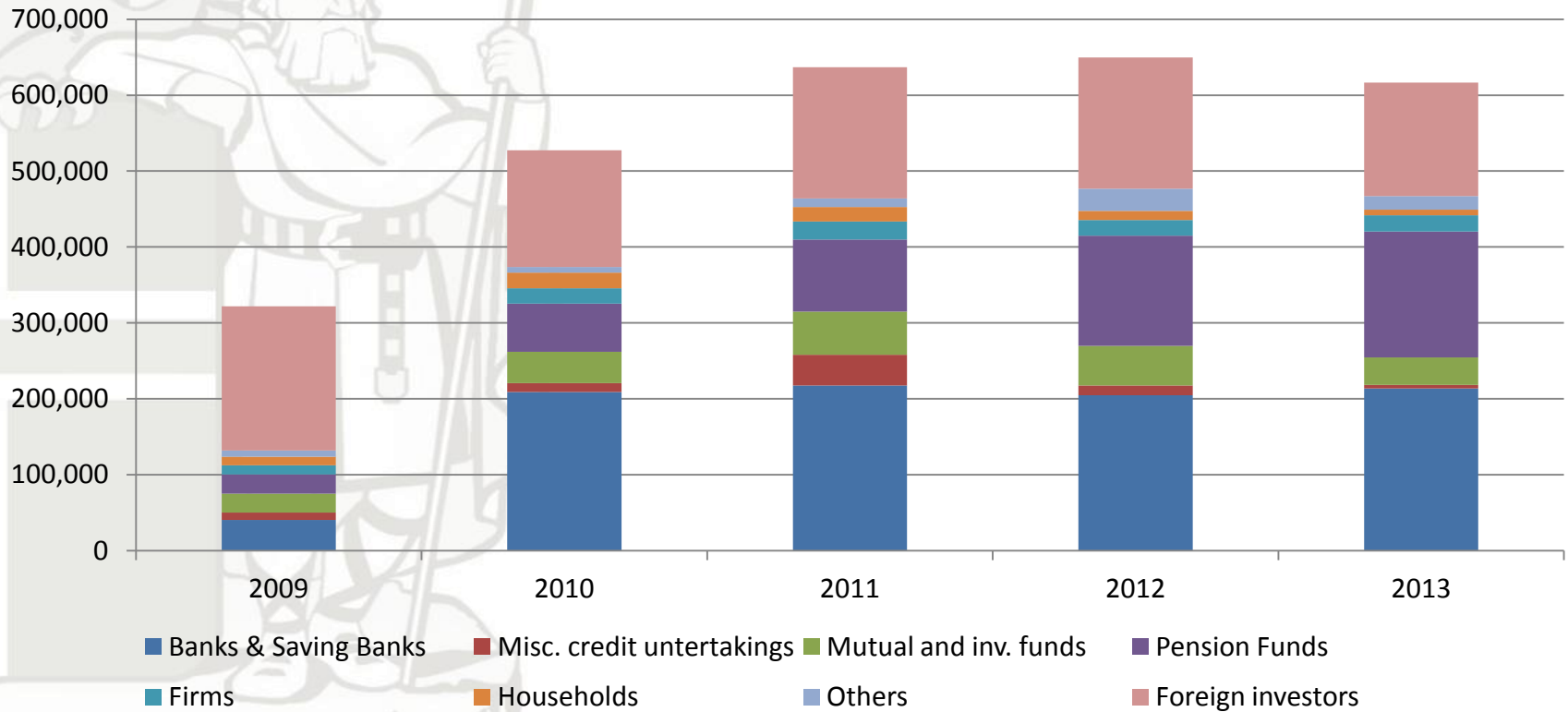


# Gov. bonds yield: Short – Long term



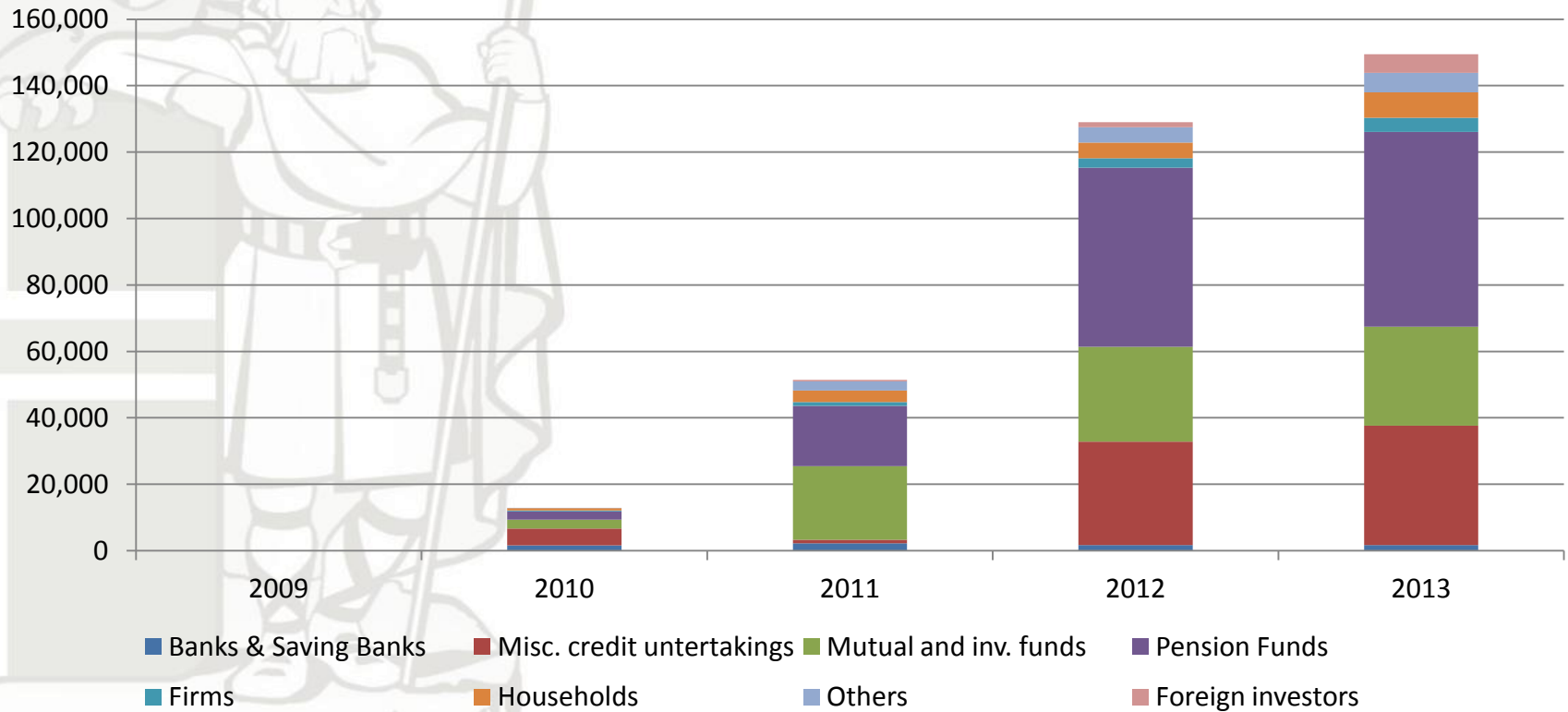


# Owners of Nominal T-Bonds



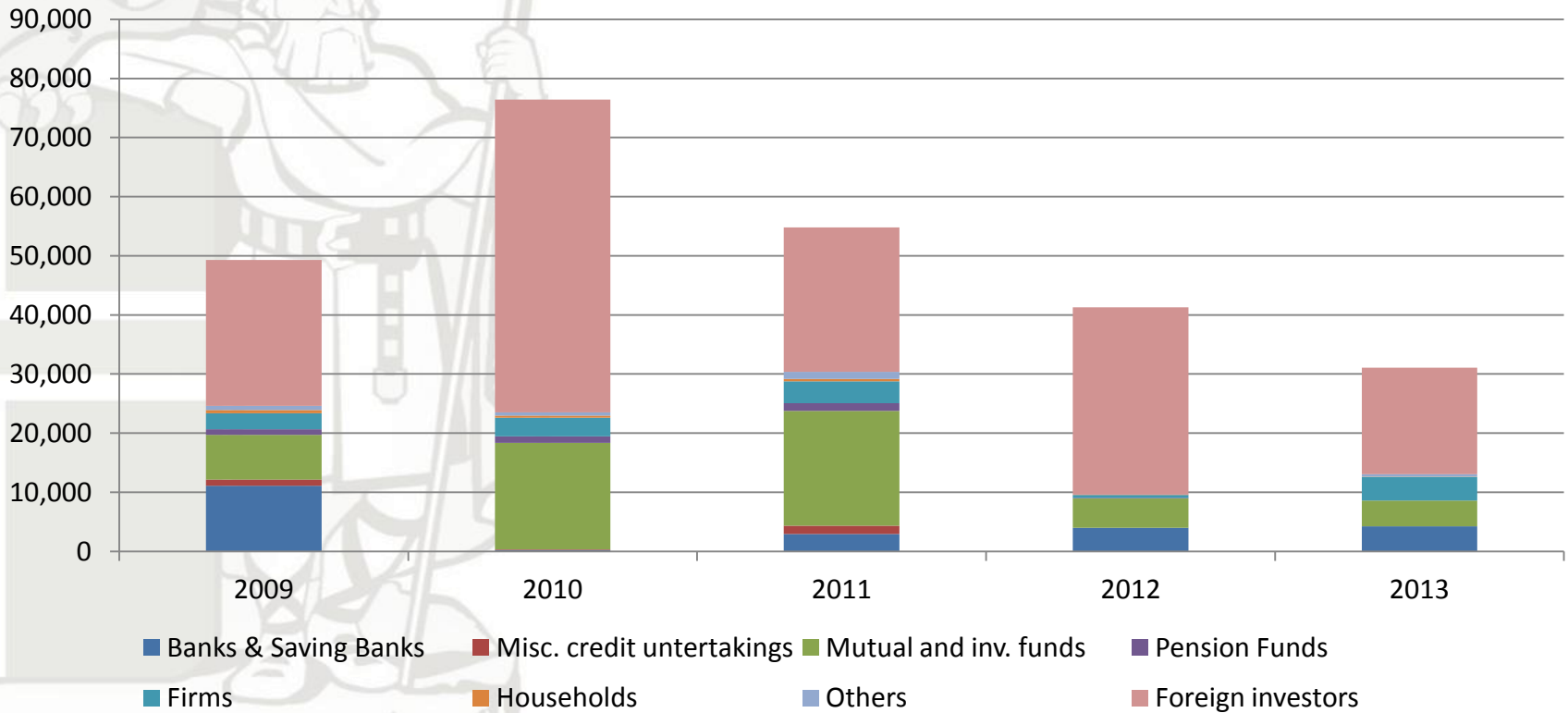


# Owners of indexed T-Bonds





# Owners of T-Bills (3-6 monts)





# SL – Average outstanding amount

