



Danmarks
Nationalbank

Danish Government
Debt Management
Strategy

2007

Key issues, 2nd half of 2007

The Government Debt Management Policy will in the second half of 2007 continue to ensure liquidity in the key on-the-run issues. The issuance is concentrated in the 10-year maturity segment.

Buy-backs are only conducted to the extent that market values are fair compared to the market price of key on-the-run issues. A new switch facility has recently been introduced and will be used as a supplement to the existing instruments.

The strategy for second half of 2007 is summarised as follows:

- The central government borrowing requirement is estimated at zero. Issuance of government bonds is estimated at DKK 20 billion following an expected net financing contribution from treasury bills at DKK -20 billion.
- The outstanding volume in 4 per cent bullet loan 2017 is further build up towards the target amount of around DKK 50 billion.
- The outstanding volume in 4 per cent bullet loans 2010 is expected to reach DKK 35 billion by end-2007.
- New 12-month treasury bills will be opened at the auction with settlement date on the first business day of December.
- Buy-backs can be conducted in all domestic and foreign government securities, albeit excluding the key on-the-run issues.
- In the second half of 2007 the 2-year benchmark issue is 4 per cent bullet loans 2010; the 5-year benchmark issue is 5 per cent bullet loans 2013; and the 10-year benchmark issue is 4 per cent bullet loans 2017.
- The interest-rate risk is managed within a duration band and in second half of 2007 this band is set at 3 years +/- 0.5 years.

Borrowing

The government financing requirement in the coming years is limited due to expected budget surpluses. The estimated borrowing requirement for 2007 is zero, cf. Budget Outlook 1, released in May 2007. Issuance of government bonds is estimated at DKK 20 billion which counters the expected net financing contribution from treasury bills at DKK -20 billion. Buy-backs of securities maturing after 2007 will be covered by the Government's account with Danmarks Nationalbank and will therefore not affect the borrowing requirement in 2007. Information on issuance and buy-backs is updated daily at www.nationalbanken.dk under Government debt.

The issuance strategy will continue to ensure liquidity in Danish government securities. Issuance is concentrated in the 10-year segment and focused on building the key on-the-run issue 4 per cent bullet loans 2017 to a target amount of around DKK 50 billion. The final outstanding volume in 4 per cent bullet loans 2010 is expected to reach DKK 35 billion by end-2007.

In the event of unusual market conditions in secondary trading, smaller amounts may be issued in bullet loans that expire after 2007.

KEY ON-THE-RUN-ISSUES, JUNE 2007 Table 1

Series	Maturity segment	Coupon/due date
4 per cent bullet loans 2017	10-year	15 November
4 per cent bullet loans 2010	2-year	15 November
<i>Treasury bills</i>	<13 months	
Treasury bill 2008 I		1 June 2008
Treasury bill 2007 IV		1 December 2007

The net financing contribution from treasury bills is expected to be around DKK -20 billion. New regular 12-month treasury bills will be opened at the auction with settlement date on the first business day of December. Treasury bills are issued until the remaining maturity is 1 month.

TREASURY BILL AUCTION CALENDAR, 2ND HALF OF 2007 Table 2

	28 Jun	30 Jul	30 Aug	27 Sep	30 Oct	29 Nov
Treasury bill 2008 II						O
Treasury bill 2008 I	X	X	X	X	X	X
Treasury bill 2007 IV	X	X	X	X	X	

Note: Opening auction: O; Regular auction: X

The domestic and foreign central-government debt has the highest rating from Fitch Ratings (AAA), Moody's (Aaa) and Standard & Poors (AAA).

Other debt-management instruments

As a supplement to the issuance policy, swaps, buy-backs and securities lending facilities are used in the debt management.

The central-government uses interest-rate swaps in the management of the duration of the debt. This allows for the separation of the issuance policy from the management of interest-rate risk.

Buy-backs of securities maturing in 2007 are applied in the management of the central government's cash balances. Buy-backs of securities maturing after 2007 are primarily undertaken in order to smooth the redemption profile of the debt. Buy-backs are carried out using either on-tap buy-backs, the buy-back facility or the recently introduced switch facility. However, buy-backs are only conducted when market values are fair compared to the market prices of key-on-the-run issues.

The securities lending facilities of the central government and the Social Pension Fund aim at supporting liquidity in government securities.

BUY-BACKS AND SECURITIES LENDING FACILITIES

Table 3

	Outstanding amount 21 June 2007	Buy-back items	Central govern- ment's securities lending facility ¹	Social Pension Fund's securities lending facility ¹
<i>All treasury bills</i>	29,280	X	X	
<i>Bullet loans</i>				
7 per cent 2007	23,375	X		X
4 per cent 2008	47,274	X		X
6 per cent 2009	66,146	X		X
4 per cent 2010	32,330		X	
6 per cent 2011	60,500	X		X
5 per cent 2013	76,905	X		X
4 per cent 2015	59,000	X		X
4 per cent 2017	32,050		X	
7 per cent 2024	24,531	X		X
<i>Serial bonds</i>				
5 per cent S 2007	5	X		
4 per cent S 2017	50	X		
<i>Perpetuals</i>				
3.5 per cent 1886 perpetual	18	X		
<i>Foreign securities</i>				
3.25 per cent 2008 euro loan	17,121	X		
3.125 per cent 2009 euro loan	15,000	X		
3.125 per cent 2010 euro loan	12,655	X		

¹ The specific conditions for application of the securities lending facilities are available in *Terms for the Central Government's and the Social Pension Fund's Securities Lending Facilities*.

Issuance and Trading

Danish government bonds are mainly issued via tap sale in MTSDenmark at the prevailing market prices to primary dealers in Danish government bonds. Danish treasury bills are issued at monthly auctions to primary dealers in Danish treasury bills.

MARKET MAKING IN MTSDENMARK, JUNE 2007 Table 4

Benchmark issues	Liquid securities	Treasury bills
4 per cent 2010	4 per cent 2008	Treasury bill 2007 III
5 per cent 2013	6 per cent 2009	Treasury bill 2007 IV
4 per cent 2017	6 per cent 2011	Treasury bill 2008 I
	4 per cent 2015	
	7 per cent 2024	

Danish government securities are traded in a number of electronic trading platforms such as MTSDenmark, ICAP/BrokerTec, Bloomberg, TradeWeb, BondVision, OMX, etc.

The primary dealers support liquidity and trading in Danish government securities via their market making. Primary dealers have the right to undertake buy and sell transactions in Danish securities directly with the central government. In addition, primary dealers have access to the securities lending facilities of the central government and the Social Pension Fund.

Primary dealers may choose to clear and settle transactions on MTSDenmark in VP Security Services, Clearstream or Euroclear.

PRIMARY DEALERS AND MARKET TAKERS IN DANISH GOVERNMENT SECURITIES Table 5

Primary dealers in government bonds	Primary dealers in treasury bills	Market takers in government bonds
Barclays	Arbejdernes Landsbank	ABN-AMRO
Danske Bank	Danske Bank	Arbejdernes Landsbank
Deutsche Bank	Fionia Bank	BNP Paribas
Fionia Bank	HSH Nordbank	Citigroup
HSH Nordbank	JP Morgan	Dresdner Bank
JP Morgan	Jyske Bank	DZ Bank AG
Morgan Stanley	Nordea	Fortis Bank
Nordea	Nykredit Bank	Jyske Bank
Nykredit Bank	SE Banken	Merrill Lynch
SE Banken	Sydbank	Svenska Handelsbanken
Sydbank		

Information

Danish Government Debt Management Strategy is a semi-annual announcement from the Government Debt Management at Danmarks Nationalbank that provides information on objectives and strategies for the management of the debt. The announcement also gives information on the borrowing requirement, the funding policy, and the list of on-the-run and buy-back issues etc. This announcement was made public on 21 June 2007.

This announcement supplements the annual publication *Danish Government Borrowing and Debt*, which gives a more detailed presentation of Danish government debt policy. The annual report describes developments during the preceding year and reports on new issues of relevance to debt management. The publication was published in Danish and English in February 2007.

Further information on government debt management can be obtained from Danmarks Nationalbank's website: www.nationalbanken.dk under Government Debt. If you register with Danmarks Nationalbank's News Service, you will receive e-mail notifications of new information and updates concerning government borrowing and debt.

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