



Annual Report 2019

ANNUAL REPORT 2019

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Icelandic letters:

ð/Ð (pronounced like th in English this)

þ/Þ (pronounced like th in English think)

In this report, ð is transliterated as d and þ as th in personal names, for consistency with international references, but otherwise the Icelandic letters are retained.

Symbols:

- * Preliminary or estimated data.
- 0 Less than half of the unit used.
- Nil.
- ... Not available.
- . Not applicable.

I Objectives and policy

The Central bank of Iceland's principal objective is to promote price stability. It is also required to promote financial stability. With the approval of the Minister, the Bank has declared a numerical inflation target. The inflation target is defined in a joint declaration issued by the Icelandic Government and the Central Bank of Iceland on 27 March 2001 as a 2½% rise in the consumer price index over the previous twelve months.¹

The Act on the Central Bank of Iceland grants the Bank full independence in conducting monetary policy so as to achieve the Bank's price stability objective. The Bank is also required to promote the implementation of the Government's economic policy as long as it does not consider such policy inconsistent with the Bank's objectives. The Bank shall maintain and invest the country's international reserves and promote a safe, effective financial system, including domestic and cross-border payment intermediation. The Bank is also obliged to report publicly on its policies, actions, and key activities.

The new Act on the Central Bank of Iceland was signed on 1 July 2019 and entered into force on 1 January 2020. The main change implemented with the new Act is that the Central Bank became responsible for the tasks entrusted by law and Governmental directives to the Financial Supervisory Authority. As of 2020, financial supervision and regulation is the responsibility of the Central Bank. In the latter half of 2019, a considerable amount of work was devoted to preparing the merger of the Bank and the Financial Supervisory Authority.

Monetary policy

A five-member Monetary Policy Committee (MPC) takes decisions on the application of the Bank's monetary policy instruments. These monetary policy instruments are its interest rate decisions, transactions with credit institutions other than loans of last resort, decisions on reserve requirements, and foreign exchange market transactions aimed at affecting the exchange rate of the króna. The Committee has adopted Rules of Procedure that have been endorsed by the Supervisory Board.² The Governor of the Central Bank chairs the Committee. Other members were the Deputy Governor, a senior Bank official in the field of monetary policy formulation (who left the Committee at the end of 2019 due to statutory amendments), and two outside experts in the fields of economics and monetary policy, who are appointed by the Minister.

Monetary policy implementation is based on the Central Bank's macroeconomic and inflation forecast, prepared over a horizon of three years. The forecast is published in the Bank's *Monetary Bulletin*, which also includes an in-depth analysis of economic and monetary developments and prospects.

1. The declaration was published in *Monetary Bulletin* 2001/2 and on the Bank's website. Minor changes were made to it in November 2005.

2. The Rules of Procedure for the Monetary Policy Committee can be found on the Central Bank website.

Financial stability

The Central Bank of Iceland oversaw the work of the Systemic Risk Committee, which was established in 2014 and worked for the Financial Stability Council.³ The Systemic Risk Committee was disbanded at the end of 2019, with the entry into force of new legislation modifying the role of the Financial Stability Council and establishing the Financial Stability Committee of the Central Bank.

The Central Bank seeks to maintain a constant, clear overview of the position of credit institutions, financial markets, households, and businesses. The Bank publishes its analysis of various aspects of financial stability in its *Financial Stability* report. In addition, the Central Bank promotes a safe, effective financial system by operating systemically important financial infrastructure and by ensuring that systemically important Icelandic payment and settlement systems operate in line with internationally recognised standards. These systems have been discussed in the Bank's *Financial Market Infrastructure* report.

The Central Bank sets rules on minimum liquidity requirements, credit institutions' foreign exchange balances, and net stable funding in foreign currencies. The Central Bank conducts transactions with credit institutions and is authorised under the Central Bank Act to issue guarantees or loans to credit institutions experiencing liquidity difficulties, when extraordinary circumstances arise and the Bank deems such action necessary in order to preserve confidence in the domestic financial system. The Bank's role in the regulation and supervision of financial institutions was expanded at the beginning of 2020 with the merger of the Bank and the Financial Supervisory Authority.

International reserves, Treasury debt management, foreign exchange issues, and other tasks

One of the Central Bank of Iceland's legally mandated tasks is to invest the country's international reserves. The reserves enable the Bank to help the Treasury meet its need for foreign currency and fulfil its foreign debt obligations. Maintaining adequate reserves supports market confidence that Iceland is able to service its foreign debt. The reserves can also be used to support monetary policy. In order to ensure that the financial risk attached to maintenance of the reserves is managed effectively, the Governor sets rules on reserve maintenance, which are endorsed by the Supervisory Board. The Central Bank administers domestic and foreign borrowings and debt management for the Treasury as the representative of the Ministry of Finance and Economic Affairs.

3. The Financial Stability Council was chaired by the Minister of Finance and Economic Affairs. Other members were the Governor of the Central Bank and the Director-General of the Financial Supervisory Authority. Members of the Systemic Risk Committee were the Governor of the Central Bank (who has acted as chair) and the Director-General of the Financial Supervisory Authority, together with their deputies and one expert appointed by the Minister.

II Monetary policy

Since 2001, the main objective of the Central Bank of Iceland has been to promote price stability. The new Act on the Central Bank of Iceland, which entered into force on 1 January 2020, still specifies price stability as one of the Bank's objectives. It is further described as an inflation target of 2½% in the joint declaration issued by the Bank and the Icelandic Government on 27 March 2001. By law, the Monetary Policy Committee (MPC) takes decisions on the application of the Bank's monetary policy instruments with the aim of achieving this objective.

Developments in inflation, interest rates, and exchange rate in 2019

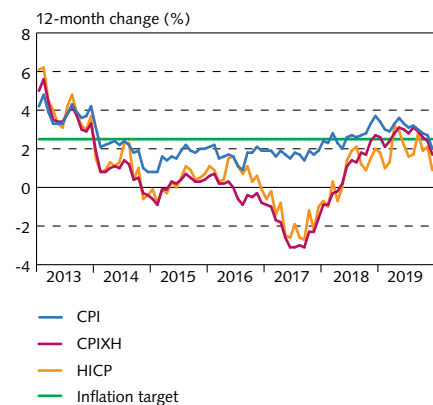
Inflation measured 3% in 2019, as compared with 2.7% in 2018. It fell rapidly in late 2019 and measured 2% in December. Inflation excluding housing measured 2.6% in 2019, and the spread between inflation including and excluding housing narrowed over the course of the year. Underlying inflation also fell during the year, measuring 2.4% in December 2019, according to the median of various measures, as compared with 3.7% a year earlier.

The main drivers of inflation in 2019 were increases in private services prices and house prices. As the year progressed, however, annual house price inflation eased to a nationwide rate of 4.3% at year-end, down from nearly 7% in December 2018. Furthermore, the interest component of imputed rent in the consumer price index (CPI) lowered inflation, as real mortgage interest expense has fallen in response to Central Bank rate cuts. As a result, twelve-month inflation is estimated to have been approximately 0.3 percentage points lower in December 2019. The contribution of imported goods to twelve-month inflation also eased considerably in 2019, concurrent with weakening pass-through from the depreciation of the króna. At the end of the year, imported goods prices had risen by 1.3% year-on-year.

In 2019, the MPC kept the Bank's interest rates unchanged until May when they were lowered by 0.5 percentage points, after having kept them unchanged since November 2018. In June, August, October, and November, the Committee lowered the Bank's rates still further, or by 0.25 percentage points at each meeting. In December, however, the MPC decided to hold rates unchanged. At the end of 2019, the Bank's key interest rate (the rate on seven-day term deposits) was 3% and had been lowered by 1.5 percentage points over the course of the year. As grounds for the rate cuts, the MPC cited major economic setbacks, particularly to include the collapse of airline WOW Air and further shocks to the airline industry, coupled with the failure of the capelin catch and a deterioration in terms of trade. The GDP growth outlook therefore deteriorated while inflation and inflation expectations fell back towards the target.

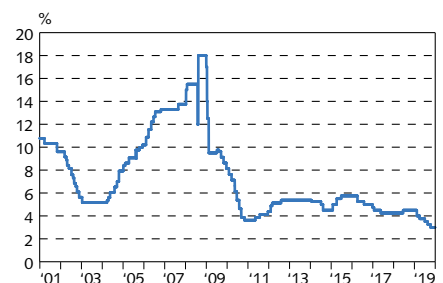
The monetary stance eased in H1/2019, concurrent with the series of policy rate cuts beginning in May, but it was broadly unchanged in H2, as the Bank's nominal interest rates fell in tandem

Chart II-1
Various measures of inflation
January 2013 - December 2019



Sources: Statistics Iceland, Central Bank of Iceland.

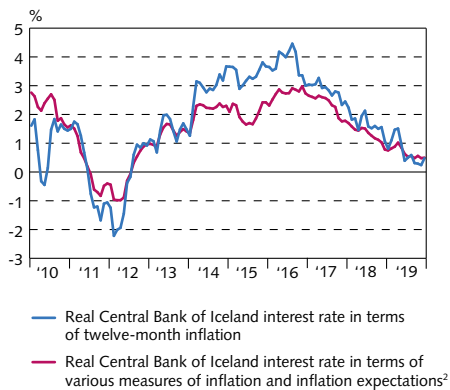
Chart II-2
Central Bank of Iceland key interest rate¹
Daily data 3 January 2001 - 28 December 2019



1. The Central Bank's key interest rate is defined as follows: the 7-day collateralised lending rate (until 31 March 2009), the rate on deposit institutions' current accounts with the Central Bank (1 April 2009 – 30 September 2009), the average of the current account rate and the rate on 28-day certificates of deposit (1 October 2009 – 20 May 2014), and the rate on 7-day term deposits (from 21 May 2014 onwards).

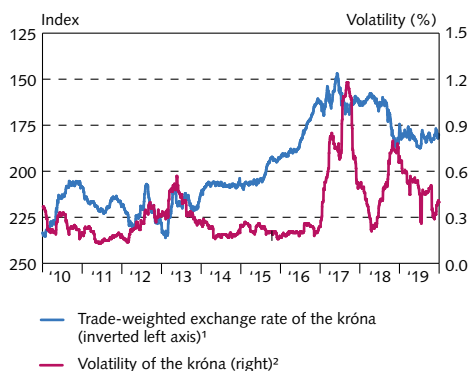
Source: Central Bank of Iceland.

Chart II-3
Real Central Bank of Iceland interest rates¹
January 2010 - December 2019



1. From 2010 to May 2014, the nominal policy rate was the average of the current account rate and the maximum rate on 28-day CDs. From May 2014, the policy rate has been the seven-day term deposit rate. 2. Until January 2012, according to twelve-month inflation, one-year business inflation expectations, one-year household inflation expectations, the one-year breakeven inflation rate, and the Central Bank forecast of twelve-month inflation four quarters ahead. From February 2012 onwards, according to the above criteria, plus one-year market inflation expectations based on a quarterly Central Bank survey. Sources: Gallup, Statistics Iceland, Central Bank of Iceland.

Chart II-4
Exchange rate and volatility of the króna
Daily data 4 January 2010 - 31 December 2019



1. Price of foreign currency in terms of the króna. Inverted axis shows a stronger króna as a rise. 2. Volatility is measured by the standard deviation of daily changes in the past 3 months. Source: Central Bank of Iceland.

with the decline in inflation and inflation expectations. The Bank's real rate in terms of the average of various measures of inflation and inflation expectations was 0.6% at year-end, after falling by 0.4 percentage points since the Bank's rate cut in May. The real rate in terms of twelve-month inflation fell by 0.2 percentage points over the same period, to 1% at the end of the year.

In June 2016, the Bank introduced a capital flow management tool under which a special reserve requirement (SRR) of 40% was imposed on new capital inflows for investment in high-yielding deposits and electronically registered króna-denominated bonds and bills; i.e., 40% of such new inflows were to be held in non-interest-bearing accounts with the Central Bank for a period of one year. The SRR was lowered to 20% in November 2018, however, as warranted by a narrowing interest rate differential and a weaker króna. It had always been the goal to lower the ratio to zero when conditions permitted, and to keep the capital flow management tool inactive whenever possible. In March 2019, concurrent with the passage of legislation lifting the capital controls on the remaining stock of offshore krónur, the MPC decided to lower the SRR to 0%.

The exchange rate of the króna was relatively stable in 2019, after having fallen markedly in autumn 2018, owing mainly to WOW Air's mounting financial difficulties, growing pessimism about the economic outlook, and concerns about the results of upcoming wage negotiations. WOW Air's collapse in late March 2019 had limited effect on the króna, however, and it appeared that the impact of the company's insolvency had already been priced into the exchange rate. Furthermore, the reduction of the special reserve requirement on foreign capital inflows and new wage agreements in April probably helped support the currency. By the end of the year, the króna had depreciated by 3.1% in trade-weighted terms, as compared with a depreciation of 6.4% in 2018.

The Central Bank intervened in the interbank foreign exchange market twelve times during the year. It bought foreign currency for 2.4 b.kr. and sold for 12 b.kr., and its share in total turnover was 8%, as opposed to 2% in 2018. Total turnover in the market was virtually unchanged between years.

Nominal Treasury bond yields began to fall in late 2018 and continued to decline until November 2019, when they rose temporarily, probably owing in part to changed expectations concerning developments in Central Bank interest rates. Yields on most nominal Treasury bonds lay in the 3.3-3.5% range at the end of the year, a decline of as much as 2.2 percentage points since year-end 2018. Long-term indexed rates also fell during the year. The yield on the longest indexed Treasury-guaranteed bonds was about 1% at the end of the year, or as much as 0.5 percentage points lower than at the end of 2018.

New inflows of foreign currency for investment in the domestic Treasury bond market increased significantly between years. Inflows for the year totalled 19.5 b.kr., including 19.4 b.kr. invested in Treasury bonds and 0.1 b.kr. deposited in special reserve accounts in accordance with Central Bank rules. Capital inflows for investment in listed equities (which are not subject to the special reserve requirement) also

increased between years, to a total of 44.4 b.kr. Capital outflows also rose substantially from the prior year, to a total of 41 b.kr.

Monetary policy decisions

The Central Bank is required to publish reports on its monetary policy, as well as on monetary, exchange rate, and foreign exchange developments and its measures in these areas. The Bank reports on the economic and monetary outlook in *Monetary Bulletin*, which was published four times in 2019.

The work of the Monetary Policy Committee

By law, the MPC takes decisions on the application of the Bank's monetary policy instruments. In this context, the Bank's monetary policy instruments are its interest rate decisions, transactions with credit institutions other than loans of last resort, decisions on reserve requirements, and foreign exchange market transactions.

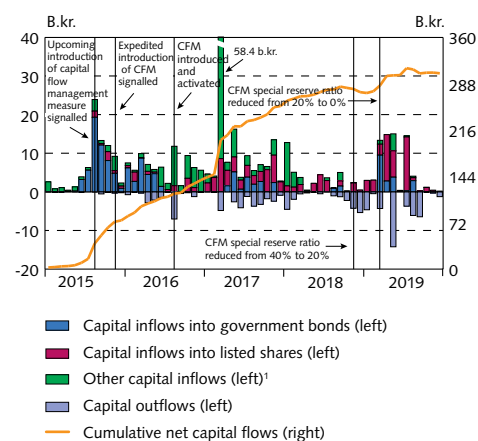
Until August 2019, the Committee was chaired by Governor Már Gudmundsson, as is provided for by law. Other members were Deputy Governor Rannveig Sigurdardóttir, Chief Economist Thórarinn G. Pétursson, Professor Gylfi Zoëga of the University of Iceland, and Katrín Ólafsdóttir, Assistant Professor at Reykjavík University. A change took place in August, when Ásgeir Jónsson was appointed Governor to replace Már Gudmundsson. Then, with the entry into force of the new Central Bank Act at the beginning of 2020, Chief Economist Thórarinn G. Pétursson left the Committee, as the new Act stipulates that the MPC shall comprise the Governor, Deputy Governor of monetary policy, Deputy Governor of financial stability, and two external members.

The MPC held eight regular meetings in 2019, as was provided for in the Act, and issued a formal statement of its decision following each of the meetings.¹ Furthermore, two weeks after the announcement of each interest rate decision, the Committee published the minutes of its meetings, containing the rationale for its decisions and the assumptions on which they were based. The minutes included the Committee's assessment of economic and monetary developments and prospects, the rationale for members' position, and information on individual members' votes. As is provided for by law, the MPC reported to Parliament on its activities twice during the year.

To pursue forward-looking monetary policy, a central bank needs models for assessing the economic outlook, especially inflation. The Bank is constantly developing models for use in assessing the economic outlook and analysing the impact of monetary policy. As an element in this, the Bank publishes its main forecasting model and database on its website.

Chart II-5

Capital flows due to registered new investments
January 2015 - December 2019



1. Other inflows in March 2017 derive almost entirely from non-residents' acquisition of a holding in a domestic commercial bank.
Source: Central Bank of Iceland.

1. With the new Act on the Central Bank, the number of regular MPC meetings was reduced. The Committee is from 2020 required to hold at least six regular meetings per year.

The Monetary Policy Committee's decisions in 2019

The Committee's interest rate decisions and other decisions in 2019 were as follows:

6 February: The Governor proposed that the Bank's interest rates be held unchanged. All Committee members voted in favour of the proposal.

20 March: The Governor proposed that the Bank's interest rates be held unchanged. All Committee members voted in favour of the proposal.

22 May: The Governor proposed that the Bank's interest rates be lowered by 0.5 percentage points. All Committee members voted in favour of the proposal. The MPC also approved proposed amendments to the Rules on Central Bank Facilities for Financial Undertakings, which would add covered bonds (bonds secured by individuals' mortgage loans) to the list of securities eligible as collateral.

26 June: The Governor proposed that the Bank's interest rates be lowered by 0.25 percentage points. Már Gudmundsson, Rannveig Sigurdardóttir, Gylfi Zoëga, and Katrín Ólafsdóttir voted in favour of the Governor's proposal, while Thórarinn G. Pétursson voted against it, voting instead to keep rates unchanged.

28 August: The Governor proposed that the Bank's interest rates be lowered by 0.25 percentage points. All Committee members voted in favour of the proposal.

2 October: The Governor proposed that the Bank's interest rates be lowered by 0.25 percentage points. All Committee members voted in favour of the proposal. The Committee also approved proposed restrictions on transactions with the Central Bank and, in this context, proposed amendments to rules on Central Bank facilities for credit institutions and other entities and rules on reserve requirements for credit institutions.

6 November: The Governor proposed that the Bank's interest rates be lowered by 0.25 percentage points. All Committee members voted in favour of the proposal.

11 December: The Governor proposed that the Bank's interest rates be held unchanged. All Committee members voted in favour of the proposal.

III The financial system

Financial stability

One of the Central Bank of Iceland's main tasks is to promote financial stability. Financial stability means that the financial system is resilient enough to withstand shocks to the economy and financial markets, to mediate credit and payments, and to redistribute risks appropriately. A healthy financial system is a prerequisite for positive economic developments and effective monetary policy.

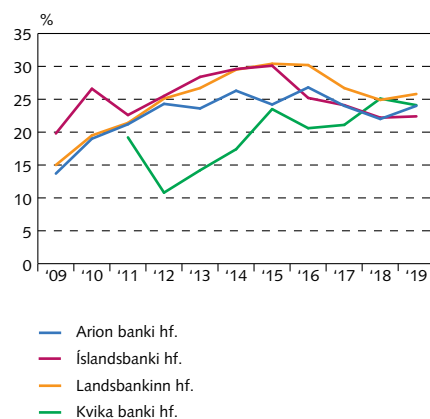
The Central Bank's main activities in the area of financial stability are to analyse and assess risks that could destabilise the financial system, and to identify actions it considers necessary at any given time to respond to such risks and to strengthen the financial system. The Bank monitors and sets rules on liquidity, funding, and foreign exchange balance, which credit institutions are required to fulfil. The Bank also sets rules restricting foreign currency-linked lending to unprotected borrowers. According to the new Act on the Central Bank of Iceland, which was passed in 2019 and entered into force on 1 January 2020, the Bank also takes decisions on capital buffers that credit institutions must maintain, as well as setting rules capping loan-to-value ratios, debt service-to-income ratios, and total loan amounts for consumer mortgages. The Bank's analysis of the current situation is published in its *Financial Stability* report, which was issued twice in 2019.

The Central Bank attempts to maintain a constant, clear overview of the position of credit institutions, financial markets, households, and businesses. It also keeps abreast of the external position of the economy, capital flows, and domestic borrowers' foreign refinancing risk. In 2019, as in previous years, the Central Bank prepared the meetings of the Systemic Risk Committee in consultation with the Financial Supervisory Authority and compiled analytical materials for the meetings.

During the year, a stress test was conducted on the large commercial banks for the fifth year in a row, and the results were published in the autumn issue of *Financial Stability*. The stress test is useful for general risk assessment, as it gives indications of banks' vulnerability to adverse economic developments. The stress scenario in the test, which covered a horizon of three years, provided for a sizeable shock to the banks, a sharp contraction in exports, erosion of terms of trade, a marked decline in tourist numbers, higher financing costs for domestic borrowers, and a steep drop in asset prices. The results of the stress test showed that on the whole, the banks would withstand such a shock but would have to tap the capital buffers they are required to hold against losses due to large shocks.

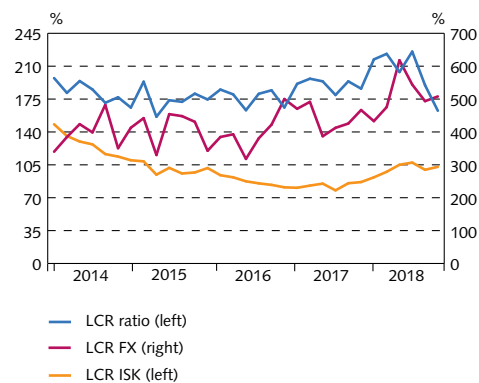
Credit institutions' balance sheets and liquidity risk are largely in Icelandic krónur; therefore, it is important that these institutions hold enough króna-denominated liquid assets to enable them to handle normal outflows, intraday and intraweek fluctuations, and outflows of large deposits without difficulty. As a result, the Central Bank considers it appropriate to require króna-denominated liquidity buffers. With Rules no. 1170/2019, which were adopted in December 2019 and

Chart III-1
Commercial banks' capital adequacy ratios¹



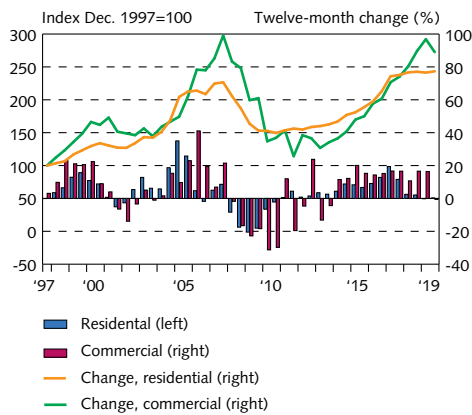
1. Consolidated figures. Capital base as % of risk-weighted base. CAR for MP Bank 2011-2014.
Sources: Commercial banks' annual accounts.

Chart III-2
The three large commercial banks' liquidity coverage ratio¹



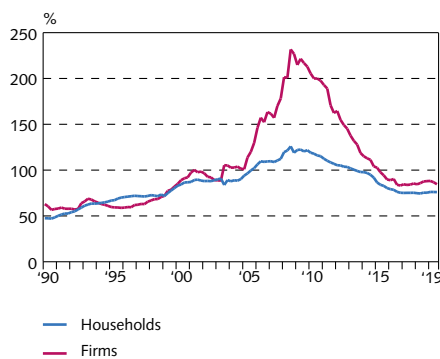
1. Consolidated figures.
Source: Central Bank of Iceland.

Chart III-3
Real property prices¹



1. Price indices for the greater Reykjavik area, deflated with the CPI. Commercial property prices are the avg. of industrial, retail, and office property.
Sources: Statistics Iceland, Central Bank of Iceland.

Chart III-4
Credit to households and firms as percentage of GDP¹



1. Total claim value credit to households and nonfinancial firms, excluding holding companies, divided by the GDP of the last four quarters.
Sources: Statistics Iceland, Central Bank of Iceland.

took effect on 1 January 2020, the Rules on Credit Institutions' Liquidity Ratio were amended to include a new 50% minimum liquidity ratio in Icelandic krónur.

Developments in financial stability

Risk in the financial system increased somewhat in 2019. After favourable economic developments in the years beforehand, there was a sudden setback in 2019, with the collapse of airline WOW Air, further difficulties in the airline industry, the failure of the capelin catch, a deterioration in terms of trade, and a worsening GDP growth outlook for Iceland's main trading partners. GDP growth for the year was weaker than over the preceding eight years. Reduced seat capacity on flights to and from Iceland led to a marked decline in visitor numbers and a contraction in the tourism sector, which has been one of the main drivers of the recovery following the 2008 collapse. Unemployment rose in 2019, although the exchange rate and the price level were relatively stable and real wages continued to rise. The contraction in tourism and an increase in the supply of residential housing have caused a marked slowdown in house price inflation, which was broadly in balance in H2/2019. Even so, house prices remain high, both in historical context and relative to other economic variables. Growth in household debt was robust during the year, although it eased slightly in H2. Growth in corporate debt slowed steadily over the entire year, however, and had virtually halted by the year-end. Furthermore, the rise in commercial property prices has slowed markedly in real terms. With the past few years' steep rise in asset prices, however, households and businesses have seen their equity position improve to a virtually unprecedented level, putting them in a strong position to withstand shocks. Alongside elevated risk in the financial system due to adverse economic developments, non-cyclical systemic risks have also accumulated. Chief among them is reputational risk stemming from Iceland's inclusion on the Financial Action Task Force (FATF) grey list and negative news about a domestic fishing company's activities abroad.

The large commercial banks' profits and profitability declined between years, as loan value adjustments were negative in 2019 but had been positive in the prior year, and one of the banks recorded sizeable losses on discontinued operations. Profits and profitability varied greatly from one bank to another. Returns on regular income (i.e., net interest income and fees and commissions) improved between years and have developed favourably in the past several years.

The banks' lending growth was strong in 2019 as a whole but lost pace towards the year-end. Alongside the increase in lending, net interest income rose year-on-year, although interest spreads narrowed slightly. Shocks to the tourism sector and a bleaker economic outlook have led to increased default and loan impairment and have adversely affected the banks' operating performance. Impairment was in line with the banks' estimates during the year, however, and in line with expected long-term loan losses.

The terms offered to the banks in foreign credit markets improved markedly in 2019, after having deteriorated in the previous year. The banks' liquidity position was well above the minimum pro-

vided for in the Central Bank's liquidity rules. Dividend payments made in 2019 were consistent with the banks' dividend payment policies, but despite this the banks' capital ratios increased while leverage ratios fell a little. Their capital ratios have fallen somewhat in recent years and have approached the regulatory minimum; therefore, the banks have limited scope for further reductions without changing the composition of their funding. Even though the Icelandic banks' leverage ratio (which shows their capital ratio without adjusting for specific risk weights) has declined, it is still very high in international context, and their common Tier 1 equity relative to their capital base is also high in international comparison. Uncertainty and risk in the financial system have increased, and it now appears that the slack in the domestic economy will persist longer than previously assumed. As a result, it is important to safeguard financial institutions' resilience, although the Central Bank's aforementioned stress test showed that the large commercial banks could withstand a major shock.

Financial Stability Council and Systemic Risk Committee

The Financial Stability Council is the official forum for consultation, exchange of information, and policy-making in connection with financial stability. The Systemic Risk Committee, now disbanded, used to work for the Financial Stability Council.¹ The role and tasks of the Systemic Risk Committee were to assess the current situation and outlook for the financial system, systemic risk, and financial stability. The Committee compiled risk reports for the Financial Stability Council and presented proposals to the Council in accordance with the law and the Committee's rules of procedure. In 2019, the Systemic Risk Committee met four times and prepared a wide range of materials for the Financial Stability Council's meetings. The Financial Stability Council has published criteria for its decision on systemically important financial institutions and has confirmed the systemic importance of Landsbankinn hf., Arion Bank hf., and Íslandsbanki hf. Upon receiving instructions from the Financial Stability Council, the Financial Supervisory Authority activated a capital buffer for systemic risk, a buffer for systemic importance, and a countercyclical capital buffer. A capital conservation buffer also took effect by law. Furthermore, the Financial Stability Council issued regular guidelines on the value of these capital buffers. In December 2018, the Financial Stability Council directed the Financial Supervisory Authority to increase the countercyclical capital buffer from 1.75% to 2%, and on 1 February 2019, the Financial Supervisory Authority announced the increase to 2%, which financial institutions must fulfil from 1 February 2020 onwards.

With the new Central Bank Act, a seven-member Financial Stability Committee will take over the role of the Systemic Risk Commit-

1. Members of the Financial Stability Council are the Minister of Finance and Economic Affairs (chair) and the Governor of the Central Bank. Members of the Systemic Risk Committee were the Governor of the Central Bank (chair), the Director-General of the Financial Supervisory Authority (vice-chair), the Deputy Governor of the Central Bank, the Deputy Director-General of the Financial Supervisory Authority, and one expert appointed by the Minister without nomination for a term of five years. Members of the Financial Stability Committee are the Governor of the Central Bank, the three Deputy Governors, and three experts in financial market affairs or economics who are appointed by the Minister responsible for financial stability for a term of five years.

tee and Financial Stability Council regarding the application of macroprudential policy instruments. Among other aspects of the Financial Stability Committee's work, if analysis indicates a threat to financial stability, the Committee must define appropriate actions other than the application of the Bank's monetary policy instruments in order to address such threats and preserve financial stability. The Committee decides which entities, infrastructure, and markets are considered systemically important and of such a nature that their activities could affect financial stability.

Table III-1 Capital buffers

<i>Capital buffer</i>	<i>FSC recommendation</i>	<i>FME decision</i>	<i>Value</i>	<i>Effective date</i>
Systemic risk buffer, D-SIBs ¹	22 Jan 2016	1 Mar 2016	3%	1 Apr 2016
Systemic risk buffer, other deposit institutions	13 Apr 2018	15 May 2018	3%	1 Jan 2020
Capital buffer for systemic importance ¹	22 Jan 2016	1 Mar 2016	2%	1 Apr 2016
Countercyclical capital buffer	19 Dec 2018	1 Feb 2019	2%	1 Feb 2020
Capital conservation buffer			2.5%	1 Jan 2017

1. Domestic systemically important banks (D-SIB) are Landsbankinn hf., Arion Bank hf., and Islandsbanki hf.
Source: Central Bank of Iceland.

Table III-2 Other macroprudential tools

<i>Loan-to-value (LTV) ratio</i>	<i>Value</i>	<i>Effective date</i>
Maximum LTV ratios for new mortgage loans to consumers	i) 85% of the market value of the underlying property ii) 90% for first-time purchase	20 Jul 2017

Source: Central Bank of Iceland.

Financial market infrastructure

The Central Bank of Iceland oversees systemically important financial market infrastructure (payment systems) and operates the interbank netting and real-time gross settlement (RTGS) systems. The Bank also issues banknotes and coin. Greidsluveitan ehf. is a company owned by the Bank.

The Central Bank's Financial Market Infrastructure Oversight Unit aims to promote security, efficiency, and efficacy of core infrastructure in the Icelandic financial system, thereby safeguarding financial stability. Systemically important financial market infrastructure as defined by the Financial Stability Council currently includes the Bank's RTGS system and Greidsluveitan ehf.'s netting system, which together constitute Iceland's interbank system. In addition to these, the Nasdaq CSD Iceland hf. securities settlement system is considered systemically important. Operation and oversight of the Central Bank's interbank payment systems is based on internationally recognised guidelines for best practice; i.e., the BIS/CPMI and IOSCO Principles for Financial Market Infrastructures (PFMI).

Preparations for the implementation of a new Central Bank interbank system have been ongoing in recent years. In 2019, the Oversight Unit focused in part on implementation, as the launch of the new interbank system is planned for 2020. In view of the importance of a successful launch, the Unit was in communication with the parties

involved in the implementation project and gathered relevant information, including points regarding the new interbank system's compliance with the PFMI and matters pertaining to the launch timetable.

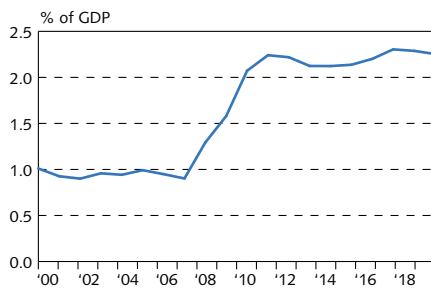
Since 2013, the Bank has issued an annual *Financial Market Infrastructure* report. The topics covered in the report reflect the Oversight Unit's complex tasks. Topics covered in the 2019 report included risks related to financial market infrastructure operations and the renewal of various financial market infrastructure elements, including the Central Bank's interbank systems, and constantly growing cyberthreats and the necessity of increased cooperation in responding to them. It is recognised that repeated large-scale cyberattacks are conducive to disrupting financial stability, and central banks therefore place strong emphasis on the subject. In this context, the report described ideas concerning a cooperative forum for operational security of financial market infrastructure, which the Bank had plans to establish. Also included in the report were discussions of payment flows and risk scenarios, particularly to include the operational and liquidity risks that can develop in interbank systems. Moreover, the report outlined issues relating to retail payment intermediation and the Bank's role in it, partly because of recent developments and because of the widely acknowledged view that the efficacy of retail payment intermediation can be a matter of national security. In this context, the report explored the Bank's options regarding the issuance of digital currency, called the *rafkróna*.

In 2019, as in previous years, the Oversight Unit continued to develop a payment intermediation database so as to assess operational and liquidity risks pertaining to systemically important financial market infrastructure, as well as developing indicators for the Systemic Risk Committee and monitoring developments in payment services. Also in 2019, the Bank established the Payment Council, a forum for Governmental authorities, market agents, and other stakeholders to consult on matters relating to payment intermediation and financial market infrastructure in a broad sense. The Council's aim is to ensure that policy formulation in the fields of payment intermediation and financial market infrastructure in Iceland is based on appropriate foundations, with security, efficiency, and efficacy as guiding principles. A task force appointed by the Payment Council worked on preparing a summary of ways to contribute to greater streamlining in payment intermediation, for the benefit of consumers and businesses. During the year, the Oversight Unit participated in wide-ranging work relating to the activities of securities depositories, including a bill of legislation aimed at reforming the statutory framework for securities depositories and securities settlement systems by incorporating the EU securities settlement regulation (CSDR) into Icelandic law. The bill was under consideration by Parliament at the beginning of 2020.

System operations — systemically important financial market infrastructure

Netting and RTGS system operations were generally smooth in 2019. The number of incidents declined by 10% year-on-year, owing directly to greater stability in the Icelandic Banks' Data Centre's technological environment, as no major systems were implemented in 2019, unlike

Chart III-5
Cash in circulation



Sources: Statistics Iceland, Central Bank of Iceland.

the two years beforehand. Most of the incidents (93%) can be traced to current infrastructure that is in the process of being swapped out for new, and to the integration between old and new financial market infrastructure. Other incidents stemmed from unexpected malfunctions whose recurrence is prevented with permanent upgrades and improvements. The number of system participants was unchanged. Total RTGS system turnover increased by 4.9% between years, to just over 17 trillion krónur (17,000 b.kr.). The number of payment orders increased by 3.6% from the prior year, to a total of 117,888. Total netting system turnover increased by 8.5% year-on-year in 2019, to 4.2 trillion krónur. The number of transactions in the netting system was just over 68.3 million, a decline of slightly more than 22% year-on-year. The reduction is due in part to changes in the settlement of payment card transactions in Iceland.

Cash

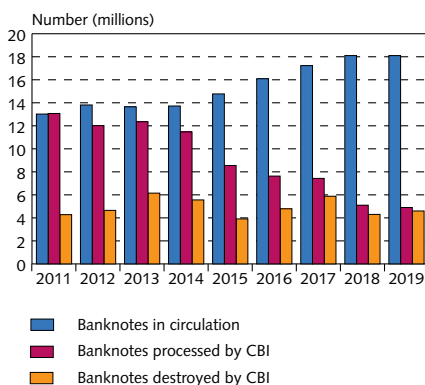
Cash in circulation outside deposit institutions and the Central Bank has remained broadly unchanged relative to GDP in the past decade, at approximately 2.25%, after having surged from the pre-crisis ratio of 1%, which had been broadly steady for over two decades. This shows that cash (banknotes and coin) has retained its position despite the introduction of new payment options over the same period.

At the end of 2019, cash issued by the Central Bank of Iceland amounted to 74.7 b.kr., including 70.5 b.kr. in banknotes and 4.2 b.kr. in coin. Cash issued by the Central Bank is recorded on the liabilities side of the Bank's balance sheet. Table 3 in the Appendix on page 82 shows the breakdown by banknote and coin denomination.

Discussions of cash in circulation usually refer to cash outside deposit institutions and the Central Bank. The difference between this figure and the total in Table 3 of the Appendix on page 82 is called the banks' overnight cash balance. The overnight cash balance consists of the banknotes and coin on the assets side of the banks' balance sheets at the close of business. A part of this cash is held in commercial and savings banks' branches, and the remainder is held in automatic teller machines (ATM). At the end of 2019, deposit institutions' overnight cash balance was 8 b.kr. Cash in circulation outside deposit institutions and the Central Bank totalled 66.7 b.kr. at the end of 2019, an increase of 2.4 b.kr., or 3.7%, between years. This is a smaller increase than in the years before then. Over the period 2015-2018, the increase ranged between 6.7% and 12.7%. At the end of 2019, there were 18.1 million banknotes in circulation in Iceland. The Central Bank destroyed 4.6 million notes that were considered unfit for use. For a relatively long period, the Bank has destroyed an average of roughly 5 million unfit banknotes per year.

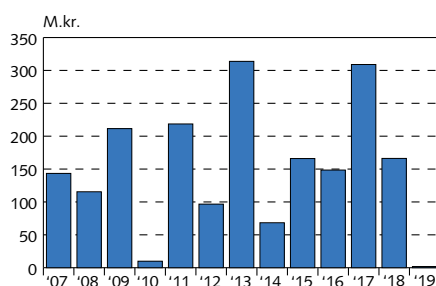
The Bank's cost outlays for the purchase of notes and coin is expensed in its profit and loss account, and its cash inventory accounts are off the balance sheet. In 2019, the direct cost incurred by the Bank for banknote printing, minting of coin, and related equipment, amounted to 1.8 m.kr.

Chart III-6
Banknotes processed, destroyed, and in circulation at each year-end
2011-2019



Source: Central Bank of Iceland.

Chart III-7
Expense due to banknotes and coin
2007-2019



Source: Central Bank of Iceland.

IV International reserves

The Central Bank of Iceland maintains Iceland's international reserves. The role of the reserves falls into four categories: first, as a tool to mitigate fluctuations in Iceland's balance of payments, with reference to the Bank's monetary and exchange rate policies; second, as a means of reducing the likelihood that movement of capital to and from Iceland will compromise financial stability; third, as a part of the Treasury and Central Bank's management of assets and liabilities, so that the Icelandic Government can service its foreign debt, pay foreign expenses, and honour other international obligations; fourth, as a reserve fund that can be tapped in the event of large, unexpected shocks that undermine foreign currency generation. This multifaceted objective places limitations on reserve management, as there must be enough liquid assets to enable the authorities both to respond to short-term volatility and to cover foreseeable obligations.

Size

At any given point in time, the optimum size of Iceland's international reserves is determined by its external debt, monetary policy, financial system structure and position, scope of international trade, and capital flows to and from the country.

The Bank's international reserves increased by roughly 86 b.kr. in 2019, to 822 b.kr. by the year-end. In US dollar terms, however, they increased by 0.5 billion dollars, to a total of 6.8 billion dollars at the year-end. At that time, the reserves totalled 28% of GDP and 42% of broad money holdings (M3), and they covered nine months' worth of goods and services imports.

Important changes in the reserves

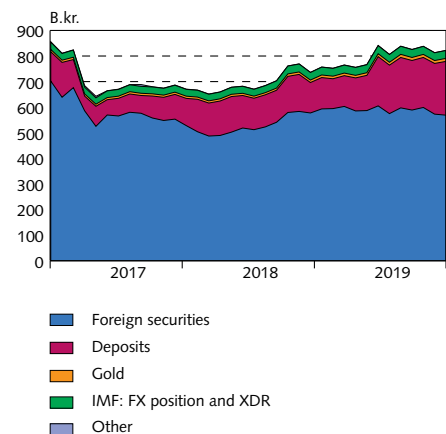
The increase in the reserves in 2019 was due mainly to the issuance of a 500 million euro Treasury bond in June and the simultaneous buy-back of another bond in the nominal amount of 60 million euros. The combined effect of these transactions was to increase the reserves by 62 b.kr. Exchange rate movements increased the reserves by 28 b.kr. in krónur terms, and investment gains increased them by 15 b.kr.

Transactions that reduced the reserves included foreign exchange market intervention in the net amount of 9 b.kr., interest payments on Treasury foreign obligations totalling 2 b.kr., and other foreign exchange market transactions that reduced the reserves by 8 b.kr.

Returns and interest income

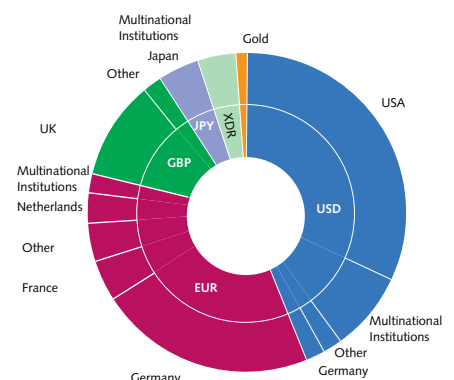
Returns on the Bank's foreign exchange reserves were positive in the amount of 43 b.kr. in 2019, owing mainly to the depreciation of the króna. The recognised exchange rate difference was positive by 28 b.kr. Interest income on the reserves was positive by 9 b.kr., and recognised changes in the market value of securities increased them by 6 b.kr. During the year, the return on bonds and deposits was 2.0%, excluding the effects of exchange rate differences.

Chart IV-1
International reserves
January 2017 – December 2019



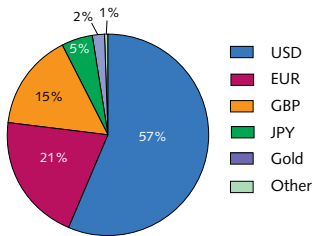
Source: Central Bank of Iceland.

Chart IV-2
Reserve assets by currency and issuer/counterparty country



Source: Central Bank of Iceland.

Chart IV-3
Foreign exchange balance by currency
Year end 2019



Source: Central Bank of Iceland.

Reserve management

Rules on reserve management are set by the Governor and endorsed by the Supervisory Board. The rules contain provisions on responsibility and division of tasks in connection with the maintenance of the international reserves. Within the framework of the rules, the Investment Committee sets the reserve investment policy, which places limits on financial risk. The investment policy was reviewed in 2019. On the basis of the policy, asset portfolios are created for use as benchmarks in policy implementation. The reserves are measured, managed, and administered in accordance with these benchmarks.

In maintaining and investing the international reserves, the Central Bank takes risks that must be managed. The most important risk facing the Bank in terms of reserve management lies in the possibility that the Bank will be unable to use the reserves to achieve its objectives or carry out its role as a central bank. Foreign exchange risk, on the other hand, is the risk that has the greatest impact on the Bank's balance sheet. The reserves are in foreign currencies, while most of the Bank's liabilities are in Icelandic krónur. This means that exchange rate movements strongly affect the income and expenses that are recognised in Icelandic krónur. A nominal appreciation of the króna reduces the value of the reserves in krónur terms, while a nominal depreciation does the opposite. From the standpoint of contingency management and in view of the role of the reserves, the value in krónur terms is of minor importance in comparison with the above-described risk. In order to mitigate potential damage to the Bank's balance sheet stemming from movements in currency markets, exchange rate gains are entered to a revaluation account before any profit is paid as a transfer to the Treasury.

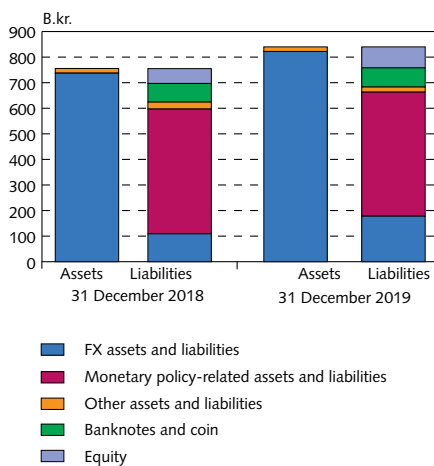
The foreign exchange balance¹ is kept within the limits specified in the investment policy and managed with reference to defined benchmarks. At the end of 2019, the foreign exchange balance was positive by 646 b.kr., or 5.3 billion US dollars. The outcome of the 2019 foreign exchange balance was 0.3% in excess of the benchmark.

The foreign exchange reserves are invested to a large extent in foreign securities. At the end of 2019, securities constituted 70% of the total reserves. Deposits accounted for 26% of the reserves, nearly all of them held in central banks and the Bank for International Settlements. The Bank's gold holdings were unchanged year-on-year in terms of weight. They were valued at 11.8 b.kr. and accounted for about 1.4% of the total reserves at the end of 2019.

For the purposes of reserve management, highly liquid assets include bonds denominated in US dollars, euros, or pounds sterling and issued by the state in the state's own currency, and deposits with the central banks in these countries/regions or the Bank for International Settlements.² Highly liquid assets accounted for 74% of the Central Bank's foreign exchange reserves at the end of 2019.

Chart IV-2 gives a breakdown of reserve assets by country and currency as of end-2019. Further discussion of the management of the Bank's financial risk can be found in the notes to the financial statements.

Chart IV-4
Central Bank of Iceland balance sheet



Source: Central Bank of Iceland.

1. The Central Bank's foreign exchange balance is defined as its foreign-denominated assets net of its foreign-denominated liabilities.
2. Issuers of securities must have a minimum credit rating of AA in order for the securities to be classified as highly liquid assets.

V Government debt management

Agreement on Treasury debt management

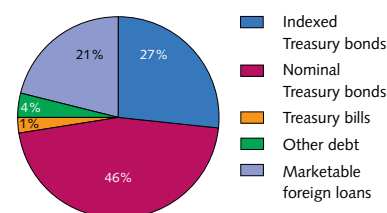
The Central Bank of Iceland oversees Treasury foreign borrowing and conducts domestic auctions, buybacks, and Treasury bond redemptions. It also executes primary dealer agreements and oversees securities lending to primary dealers in accordance with an agreement made with the Ministry of Finance and Economic Affairs on 29 January 2019. The Bank undertakes risk management and debt management according to Ministry criteria on the management of the Treasury debt portfolio and discloses information on Treasury debt management to the Ministry and the market. Under the agreement, the Bank handles tasks relating to issuance of marketable Treasury securities and Treasury guarantees and relending; for instance, administration of guarantees and assessment of the associated risk to the Treasury. The Bank provides the Ministry with opinions on Government guarantees, administers such guarantees in accordance with ministerial decisions, and collects fees for them. The Bank also oversees issuance of bonds for Treasury relending.

Domestic debt management

At the end of December 2018, the Central Bank, on behalf of the Treasury, published its annual Government Debt Management *Prospect* for 2019. According to the *Prospect*, Treasury bonds were to be issued for a total market value of 40 b.kr. in 2019 in order to fund the debt maturing during the year. The target was met, and all sales took place through public auctions. The annual *Prospect* also included a new nominal two-year series, RIKB 21 0805, to be issued during the year. The bond was issued at the end of Q3. In order to smooth out the Treasury's redemption profile to some extent, one switch auction was held during the year, in which the Treasury bought back RIKB 20 0205 versus the sale of RIKB 21 0805 in the amount of 1.1 b.kr. market value. As was stated in the annual *Prospect* for 2019, issuance in connection with switch auctions was added to the 40 b.kr. issuance target for the year so as to reduce the financing need for 2020. Unilateral market making was adopted for RIKB 20 0205 in September, in accordance with the agreement between the Treasury and primary dealers, which states that primary dealers' bid-ask spreads are not subject to a defined maximum for Treasury maturities of six months or less. Under unilateral market making, primary dealers are only obliged to submit bids for the series in question, which causes price formation to be less efficient. Treasury bond series RIKB 19 0226 matured during the year, with an outstanding amount of 48 b.kr.

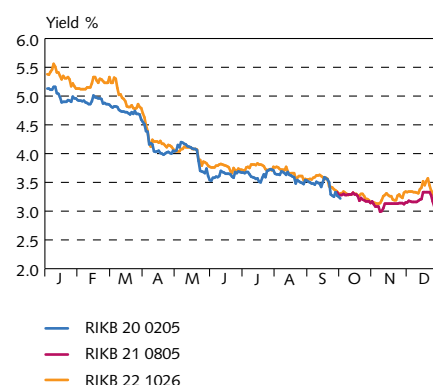
Strong emphasis has been placed on reducing refinancing risk by spreading out and lengthening the maturities of new loans. Systematic efforts have been made to reduce the amounts maturing each year relative to previous years, as the debt management authorities' official strategy is to keep maturities in each Treasury bond series at or below 70 b.kr., except for older bonds issued before 2016. One of the risk

Chart V-1
Breakdown of Government debt
Year end 2019



Source: Central Bank of Iceland.

Chart V-2
Nominal Treasury bonds shorter than 5 years



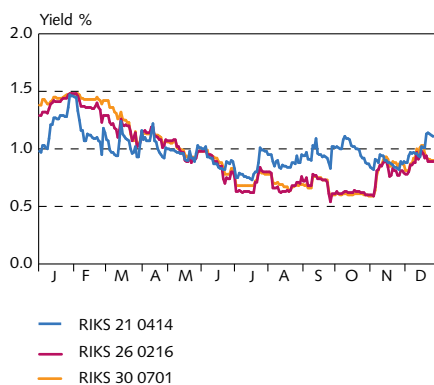
Source: Central Bank of Iceland

Chart V-3
Nominal Treasury bonds longer than 5 years



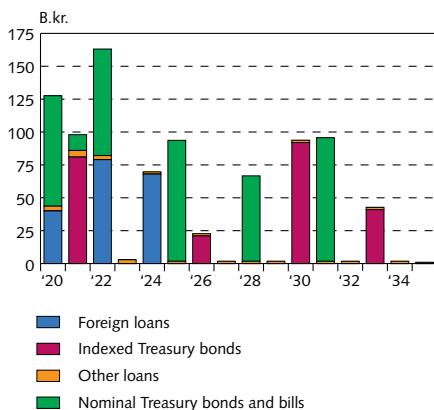
Sources: Central Bank of Iceland

Chart V-4
Inflation linked Treasury Bonds



Source: Central Bank of Iceland

Chart V-5
Redemption profile of government debt



Source: Central Bank of Iceland

management priorities is to refinance these loans in a timely manner and smooth out the redemption profile even further.

The domestic bond market was characterised by considerable uncertainty early in the year, owing largely to unrest in the labour market and financing difficulties experienced by airline WOW Air. This uncertainty was largely eliminated by April, however, as the airline's fate had been determined by that time and the largest labour unions in Iceland had signed a new wage agreement with the Confederation of Icelandic Employers. Nominal bond yields therefore declined. The macroeconomic forecast published by Statistics Iceland in May assumed a contraction in 2020, the first one since 2010, owing to a worsening outlook for exports in the wake of the capelin catch failure and the decline in tourist visits to Iceland. Because it was clear that GDP growth would be below previous forecasts, market agents' expectations of Central Bank policy rate cuts to stimulate the economy grew stronger, and indeed materialised as 2019 progressed. In Q3/2019, the króna began to appreciate, causing a continued decline in nominal bond yields, as a stronger króna generally bolsters expectations of reduced inflation. Lower long-term inflation expectations gave the Bank greater scope to respond to the foreseeable economic contraction by easing the monetary stance, and by the year-end the Bank had lowered its key rate by 1.5 percentage points.

Foreign debt management

According to the *Medium-Term Debt Management Strategy* for 2019-2023, new Treasury loans taken in foreign currencies are used mainly to expand the Central Bank's international reserves, to refinance outstanding market issues, and to maintain access to foreign credit markets.

In 2019, the Treasury issued a foreign-denominated bond in the amount of 500 million euros. The bond bears 0.1% fixed interest and was issued for five years at a yield of 0.122%, the most favourable in the history of the Republic. Alongside the new issue, the Treasury bought back a 2014 issue in the nominal amount of 60 million euros. The original issue amounted to 750 million euros, at 2.5% fixed interest. At the end of 2019, external debt totalled just over 187 b.kr.

State guarantees

The Treasury may not issue a guarantee unless authorised by law, as is specified in Act no. 121/1997. In order to mitigate risk to the Treasury, the collateral provided must be deemed satisfactory by the State Guarantee Fund, which oversees State guarantees. The Fund is also tasked with keeping abreast of the activities of entities that have received State guarantees and maintaining a record of the obligations bearing such guarantees. The majority of State guarantees derive from the Government's holding in the Housing Financing Fund (now called the ÍL Fund). Parties that enjoy Government guarantees due to Government ownership are required to obtain the Central Bank's approval of the terms and conditions for loans they intend to take abroad. Treasury guarantees totalled 920 b.kr. at the end of 2019, as opposed to 956 b.kr. at year-end 2018.

Sovereign credit rating of the Republic of Iceland

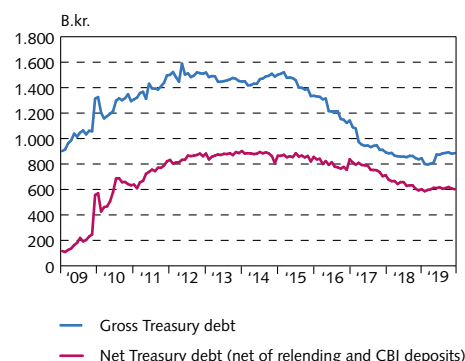
Three international agencies assign credit ratings to the Republic of Iceland on a regular basis: Fitch Ratings, Moody's Investors Service, and S&P Global Ratings. Iceland's sovereign credit ratings affect the borrowing terms offered to it in foreign credit markets, as well as providing a benchmark for terms offered to other domestic borrowers. As of end-2019, the ratings from all three agencies for Iceland's long-term obligations in foreign and local currency were in the middle of the A category, with a stable outlook.

In May, Fitch upgraded Iceland's short-term ratings from F1 to F1+ after changing its rating methodology. The long-term ratings were affirmed at A, with a stable outlook, while the country ceiling was raised from A to A+ after the removal of capital controls on off-shore krónur in March 2019. In its annual report on Iceland, released in July, Fitch noted that Iceland's sovereign rating was supported by high national income and a strong institutional framework. The ratings were reaffirmed, with a stable outlook, in November. Fitch also stated that sustained improvements in Iceland's external balance sheet and resilience to external shocks would have a positive effect on its ratings, as would improvements to the public sector balance sheet due to prudent fiscal policy.

Moody's affirmed Iceland's A3 rating in May, again with a positive outlook, and reaffirmed the rating and outlook in its annual credit analysis, released in July. The credit analysis emphasised that Iceland's rating was buttressed by the country's economic flexibility, wealth, competitiveness, and favourable demographics, all of which supported its long-term growth prospects and mitigated volatility stemming from its small size and sector concentration. Then, in November, Moody's upgraded the rating for long-term obligations in foreign and local currency by one notch, from A3 to A2. The rating action was based mainly on two factors: sizeable and sustained public debt reduction and Iceland's favourable fiscal position relative to A2-rated peer countries, and increased economic resilience to shocks. The agency changed the outlook to stable, noting that further resiliency gains — i.e., improvements in the external position or accumulation of financial buffers — could have a positive impact on the rating. On the other hand, the rating could be negatively affected by a sharp contraction in GDP coupled with a steep rise in public debt, or by large-scale capital outflows that weakened the external position and jeopardised financial stability.

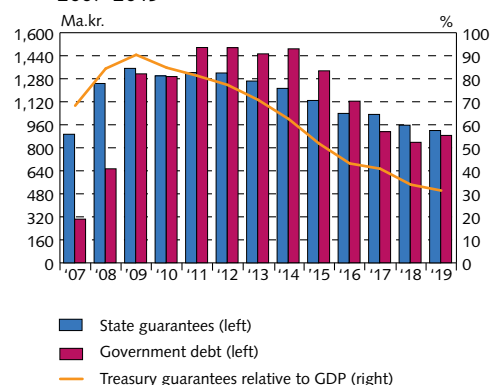
In May, S&P affirmed Iceland's sovereign ratings at A/A-1, with a stable outlook. At that time, the agency expected GDP growth to be negative in 2019, owing to a contraction in tourist arrivals, and then turn positive again in 2020. The stable outlook reflected Iceland's fiscal and external resilience, mitigated by the volatility of its small open economy. In November, S&P affirmed Iceland's ratings once again, citing its high per capita income, stable institutional framework, and effective policy formulation. The agency noted that stronger-than-expected improvements in Iceland's fiscal performance and external position in the next two years could trigger a positive rating action, while signs of increased balance of payments pressures or threats to financial stability over the next two years could result in a downgrade.

Chart V-6
Treasury debt development 2009-2019



Source: Central Bank of Iceland

Chart V-7
Government debt and state guarantees
2007-2019



Sources: Statistics Iceland, Central Bank of Iceland.

VI International co-operation

The Central Bank of Iceland communicates and conducts transactions with international institutions in its field.

International Monetary Fund

The Central Bank formally represents Iceland at the International Monetary Fund (IMF). In November, a mission from the IMF held annual discussions with the authorities and other stakeholders on the current situation and future prospects for the Icelandic economy. The report on Iceland was published on 19 December but not discussed in the Executive Board at that time. Instead, the Board was given the opportunity to ask for a discussion, if needed. Reports on the Fund's regular monitoring of the Icelandic economy are published on its website and that of the Central Bank.

Iceland collaborates with the Nordic and Baltic countries at the IMF and forms a Constituency with them. These countries together elect one permanent representative to the Executive Board, which comprises 24 members. The Constituency's representative on the Executive Board in 2019 was Thomas Östros from Sweden. Each year, the Nordic-Baltic office compiles a report on the salient issues on the agenda of the Fund and the Executive Board during the year, including the Constituency's views on them. These reports are published on the Central Bank's website.

The Fund's International Monetary and Financial Committee (IMFC) meets each spring and autumn. The Governor of the Central Bank is Iceland's representative on the IMF Board of Governors, which meets each year at the Fund's annual meetings.

Bank for International Settlements

The Central Bank is a shareholder in the Bank for International Settlements (BIS) in Basel, Switzerland. The BIS is a consultative forum for central banks, as well as an information and research institution in the fields of monetary policy and financial stability. The BIS also provides various banking services to central banks. During the year, the Governor attended regular meetings of central bank governors, which are held by the BIS every other month, as well as the Annual Meeting of the BIS.

Organisation for Economic Co-operation and Development (OECD)

Central Bank representatives participate in the work of the Organisation for Economic Cooperation and Development (OECD). OECD experts also come to Iceland on a regular basis to keep abreast of economic developments, and they issue periodic reports setting forth the Organisation's opinion of economic developments and prospects in the country.

Cooperation with other central banks and financial supervisors

The Central Bank of Iceland cooperates extensively and regularly with other central banks in the Nordic region and elsewhere in Europe. The

Governor attends regular meetings of central bank governors and financial supervisors in the Nordic-Baltic region, and the Bank participates in the cooperative work of the Nordic-Baltic Stability Group (NBSG).

Since 2017, the Governor has attended meetings of the European Systemic Risk Board (ESRB) as an auditing member. A Bank representative also attends meetings of the European Banking Authority (EBA).

Furthermore, the Central Bank participates in the work of the Financial Stability Board (FSB), a cooperative forum for global financial stability.

Other financial institutions

The Central Bank cooperates with a large number of foreign financial institutions in connection with the maintenance of its international reserves, the management of Treasury foreign debt, and other topics related to its operations. The Bank also communicated regularly with international credit rating agencies (see Chapter V).

VII Special projects

Capital Controls Surveillance Unit

The Central Bank of Iceland monitors implementation of the Foreign Exchange Act, no. 87/1992, and rules adopted on the basis of the Act, including the Rules on Special Reserve Requirements for New Foreign Currency Inflows. It also monitors implementation of the Act on the Treatment of Króna-Denominated Assets Subject to Special Restrictions, no. 37/2016. The Bank conducts general and specialised monitoring of compliance with the aforementioned regulatory instruments and provides guidance to individuals and legal entities. It also processes applications for exemptions from the Foreign Exchange Act and applications for withdrawals from accounts subject to special restrictions. In addition, the Bank investigates alleged violations of the Foreign Exchange Act, the Act on the Treatment of Króna-Denominated Assets Subject to Special Restrictions, and rules issued on the basis of these Acts. The Bank carries out other tasks as well, such as those related to capital account liberalisation, new investment in Iceland, the special reserve requirement for new inflows of foreign-denominated capital, drafting of legislation, and issuance of rules.

The Central Bank of Iceland's Capital Controls Surveillance Unit (CCSU) was formally established in September 2009. It was disbanded as a separate unit within the Bank at the beginning of May 2019, and its functions were distributed between the Financial Stability Department and the Legal Department.

Central Bank of Iceland Holding Company ehf. (ESÍ)

Following the collapse of Iceland's financial system in autumn 2008, the Central Bank became a large creditor vis-à-vis the estates of the failed domestic financial institutions. Some of the claims were transferred to the Treasury at year-end 2008, and the Central Bank administered them. The claims were then transferred back to the Central Bank in the first half of 2010.

At the end of 2009, a separate company owned by the Central Bank, the Central Bank of Iceland Holding Company ehf. (ESÍ), was established, and these assets were transferred to it.

ESÍ was wound up and deregistered on 13 March 2019. Thereafter, two of ESÍ's subsidiaries were wound up as well. SPB ehf. was wound up and deregistered on 19 March 2019, followed by Hilda ehf. on 16 May 2019.

Upon its establishment at the end of 2009, ESÍ's balance sheet was around 491 b.kr. The Central Bank financed the company in full, and its equity was 1 m.kr. Upon its dissolution, the company had paid the Bank and the Treasury just over 652 b.kr.

Some of its assets, valued at about 2 b.kr., have yet to be liquidated.

Greidsluveitan ehf.

Greidsluveitan ehf. is a company owned by the Central Bank of Iceland. Its principal role is to operate core payment intermediation systems and provide related services, in accordance with the regulatory framework as current at any given time. Greidsluveitan is also responsible for specific operational aspects of interbank systems, such as the real-time gross settlement (RTGS) and netting systems.

Jóhannes Nordal cultural heritage grants

The cultural heritage grant in the name of former Central Bank Governor Jóhannes Nordal was awarded for the eighth time on 23 May 2019. A total of 30 applications were received, and two grants were awarded.

Bryndís Björgvinsdóttir and Birna Geirfinnsdóttir received 2 m.kr. to create a book on the career, life, and works of artist and graphic designer Kristín Thorkelsdóttir. The project is carried out in consultation with Kristín. The book will contain a comprehensive overview of Kristín's work, which includes the design of the Icelandic banknotes currently in circulation.

Pálína Jónsdóttir received 1 m.kr. to work on a new dramatisation of the play *Galdra-Loftur* by Jóhann Sigurjónsson, who died 100 years ago. Pálína will adapt the work to reflect ideas on immortality and the search for knowledge, which captivated Jóhann, and compare them with 21st-century ideas on progress.

Members of the adjudication panel were Hildur Traustadóttir, alternate member of the Central Bank of Iceland Supervisory Board, who chaired the committee; Ásta Magnúsdóttir, Permanent Secretary at the Ministry of Education, Science, and Culture; and Guðrún Nordal, Director of the Árni Magnússon Institute for Icelandic Studies.

VIII Accounts and organisation

Operating results and balance sheet

According to its profit and loss account, the Central Bank of Iceland recorded a net profit of 22,444 m.kr. in 2019, compared with a profit of 35,247 m.kr. in 2018. Excluding exchange rate differences and valuation adjustments, the Bank's operations generated a loss of 12,697 m.kr. in 2019, as opposed to a loss of 16,605 m.kr. in 2018. The table in the margin illustrates the changes in the principal items of the Bank's profit and loss account.

The Bank's operating performance was positive, mainly because of movements in exchange rates and market values. Net interest expense totalled 9,190 m.kr. during the year, as opposed to 13,343 m.kr. in 2018, a reduction of 31%. Interest income from domestic assets declined by 1,434 m.kr. year-on-year, while interest income from foreign assets increased by 1,531 m.kr. Interest expense on domestic sight deposits and term deposits declined by 4,235 m.kr. between years.

Exchange rate gains totalled 28,479 m.kr. in 2019, owing to the Bank's sizeable international reserves, whereas they totalled 54,757 m.kr. in 2018. The króna depreciated by 3.1% in trade-weighted terms from the beginning to the end of 2019. It depreciated by 1.95% against the euro and by 4.1% against the US dollar.

Asset value adjustments were positive in 2019 and were capitalised in the amount of 6,661 m.kr., whereas they were negative in 2018 and expensed in the amount of 2,905 m.kr. Operating income declined by 26% year-on-year, owing to Greidsluveitan ehf., a company owned by the Bank. Operating expense increased by 19 m.kr. year-on-year. Wages and related expenses rose by 2.3% between years, while other operating expenses rose 11%, owing to expenses relating to the merger with the Financial Supervisory Authority, which took effect on 1 January 2020.

The Central Bank of Iceland is exempt from income tax, but companies owned by it are not. The Central Bank of Iceland Holding Company ehf. (ESÍ) was wound up at the end of February 2019.

The Bank's assets totalled 839,658 m.kr. at year-end 2019, as opposed to 754,637 m.kr. at the end of 2018. Foreign assets increased by 85,655 m.kr. during the year. The Bank's equity totalled 81,982 m.kr. at year-end 2019, and its equity ratio was 9.8%, as compared with 7.7% at year-end 2018. Foreign assets accounted for 98% of the Bank's total assets at the end of 2019.

The Central Bank's accounts are presented later in this report, together with explanatory notes on individual items.

Outlook and capital adequacy criteria

According to the Central Bank Act, the Bank shall have the financial strength needed to enable it to carry out its legally mandated role. In keeping with this, each year the Bank must determine capital adequacy criteria that reflect its need for capital and interest-bearing assets. The capital adequacy criteria are based on the Bank's operating expenses

Table VIII-1 Profit and loss account highlights

(Figures in ISK millions)	2019	2018	Change
Performance for the year	22,444	35,247	(12,803)
<i>Changes specify as follows:</i>			
Net interest expense	(9,190)	(13,343)	4,153
Other revenues	540	730	(190)
Market difference	6,661	(2,905)	9,566
Operating expenses	(4,235)	(4,216)	(19)
Impact of non-consolidated companies	209	279	(71)
Exchange rate difference	28,479	54,757	(26,277)
Income tax	(20)	(54)	34

Source: Central Bank Iceland.

Table VIII-2 Balance sheet highlights

(Figures in ISK millions)	2019	2018	Change
Equity	81,982	58,335	23,647
<i>Changes specify as follows:</i>			
<i>Assets:</i>			
Gold	11,720	9,576	2,144
Foreign assets	798,800	715,699	83,101
FX balance with the IMF	11,723	11,314	409
Domestic financial assets	6,049	6,095	(46)
Fixed operational assets	8,558	7,187	1,371
Other assets	2,808	4,766	(1,958)
<i>Liabilities:</i>			
Banknotes and coin	74,734	72,773	1,961
Foreign liabilities	7,517	24,358	(16,841)
Counterpart to IMF	18,843	18,186	657
Deposits of financial institutions	74,771	80,661	(5,890)
Other deposits	281,497	267,911	13,587
Domestic financial liabilities	299,407	231,622	67,785
Other liabilities	906	793	114
Equity	81,982	58,335	23,647

Source: Central Bank Iceland.

and the risks and uncertainties it faces at any given time. The decision on capital adequacy criteria is endorsed by the Supervisory Board.

Last year's capital adequacy target was set at 150 b.kr. At the end of the year, the Bank's capital was somewhat below this, or 82 b.kr., as compared with 58 b.kr. at the end of 2018. Nevertheless, the Bank did not call in capital from the Treasury in 2019, despite the statutory authorisation providing for callable capital ranging up to 57.2 b.kr.

The decision not to call in capital was based on several considerations: First, the Bank's operating performance has improved markedly in the past year, and its capital position has therefore improved as well. This is due to the depreciation of the króna, the decline in the Central Bank's key interest rate (interest rate spread), and improved returns on the international reserves. Second, GDP growth has slowed markedly, and the Bank's most recent assessment indicates that the economy will take longer to recover than previously assumed. Prospects for the Bank's operating performance are generally better in a less favourable economic environment, owing to business cycles effect on interest rates and exchange rates. Third, global economic uncertainty is unusually pronounced because of the COVID-19 pandemic, which is still spreading and is extremely difficult to predict. Fourth, the Bank has the option of redeeming exchange rate gains amounting to 13 b.kr. in order to shore up its capital.

The results of a scenario analysis of developments in the Central Bank's performance and equity over the period 2020-2028 show that the Bank's performance will be better overall than it was a year ago, and that its capital position will therefore be stronger. In view of this, it is not deemed necessary to change the capital adequacy criteria set in 2019, and it has been decided to hold the target unchanged at 150 b.kr.

Each year, a decision is taken on the disposition of the Bank's profit, in accordance with a method introduced with Act no. 122/2014. The Bank's profit, after allocations have been made to the reserve fund, is transferred to the Treasury, to the extent that it is not used to strengthen the Bank's capital.

Assessment of seigniorage gains

The Central Bank of Iceland has the exclusive right to issue banknotes and coin in Iceland. Because banknotes and coin do not bear interest and the Bank uses their issuance to finance the purchase of interest-bearing assets, the issuance generates a profit. These seigniorage gains can be measured in various ways.

The first method is to measure the increase in banknotes and coin in circulation over a single year and designate that amount as the seigniorage gains for that year. By this measure, the Bank's seigniorage gains for 2019 amounted to 3.4 b.kr., or 0.11% of GDP, as compared with the 1995-2019 average of 0.16% of GDP.

The second method is to consider potential interest income from assets that the Bank could purchase using the proceeds from issuance of banknotes and coin. Because there are no specific assets earmarked explicitly for this purpose, this must be estimated. That is done here by assuming that the Bank used issued currency to acquire assets bearing risk-free short-term interest, which is estimated using the Bank's key interest rate. By this measure, the Bank's seigniorage gains amounted to

about 2.7 b.kr., or 0.09% of year-2019 GDP, as compared with the 1995-2019 average of 0.11% of GDP. It should be noted, though, that this is a relatively rough estimate and does not take account of costs arising from banknote printing, which totalled only 1.8 m.kr. in 2019, as opposed to 166 m.kr. in 2018.

Management and staff

Supervisory Board

At the beginning of 2019, the Bank's Supervisory Board was chaired by Gylfi Magnússon. Other members were Thórunn Gudmundsdóttir, Bolli Hédinsson, Una María Óskarsdóttir, Sigurdur Kári Kristjánsson, Jacqueline Clare Mallett, and Frosti Sigurjónsson. Alternates were Thórlindur Kjartansson, Jóhanna Vigdís Gudmundsdóttir, Hildur Traustadóttir, Valgerdur Sveinsdóttir, Kristín Thoroddsen, Ólafur Margirsson, and Bára Ármannsdóttir. The Board must be elected after each Parliamentary election. Parliamentary elections took place in autumn 2017, and the Supervisory Board was elected on 18 April 2018. The Supervisory Board held 19 meetings over the course of 2019.

Senior management and organisation

Már Gudmundsson served as Governor of the Central Bank until 20 August 2019, after being reappointed for a five-year term on 20 August 2014. Ásgeir Jónsson was appointed to serve as Governor during the year and assumed the helm on 20 August 2019. Rannveig Sigurdardóttir served as Deputy Governor, after her appointment to a five-year term beginning on 1 July 2018. In July 2019, Parliament passed a new Act on the Central Bank of Iceland, no. 92/2019, which entered into force on 1 January 2020. Under the new Central Bank Act, the Bank is responsible for the tasks entrusted by law and Governmental directives to the Financial Supervisory Authority, and the Financial Supervisory Authority is now part of the Central Bank. In September 2019, the Prime Minister transferred Deputy Governor Rannveig Sigurdardóttir to the post of Deputy Governor for Monetary Policy, and the Minister of Finance and Economic Affairs transferred Unnur Gunnarsdóttir, Director-General of the Financial Supervisory Authority, to the post of Deputy Governor for Financial Supervision. Both appointments took effect on 1 January 2020. Towards the end of the year, the Prime Minister appointed Gunnar Jakobsson Deputy Governor for Financial Stability but tasked Governor Ásgeir Jónsson with carrying out the duties entailed in the position until 1 March 2020, as Gunnar Jakobsson was unable to begin work earlier due to prior commitments.

In 2019, the Bank's activities took place in six main departments and five support departments, plus the International Relations and General Secretariat department.

The International Relations and General Secretariat department provided general office and administrative service to the Governors; provided services to the Supervisory Board; communicated with the Government, Parliament, and other domestic institutions; oversaw public relations and information disclosure for the Bank; and supervised the publication of the Bank's *Annual Report* and website. The department also handled the Bank's international communications

with entities such as the International Monetary Fund, credit rating agencies, and other foreign institutions.

The Economics and Monetary Policy Department carried out economic and monetary research, prepared macroeconomic and inflation forecasts, participated in formulating monetary and exchange rate policies, and analysed domestic and foreign economic and monetary developments, including the macroeconomic elements of financial stability. The Department also oversaw the issuance of various Bank publications, including *Hagvísar/Economic Indicators*, *Peningamál/Monetary Bulletin*, *Working Papers*, *Economic Affairs*, and *Economy of Iceland*. In addition, the department oversaw a range of projects relating to the work of the Bank's Monetary Policy Committee. The department comprised two units: the Analysis and Publications Unit and the Research and Forecasting Unit.

The Treasury and Market Operations Department oversaw domestic money markets and currency markets, as well as transactions with domestic financial institutions. It also managed the Bank's balance sheet; handled the custody and investment of the international reserves; and oversaw Government debt, Treasury guarantees, and Treasury relending. Furthermore, the department oversaw communications with the foreign financial institutions with which the Central Bank and the Treasury conduct business.

On 26 September 2019, the Treasury and Market Operations Department and the Finance Department were reorganised. After the reorganisation, Treasury and Market Operations was split into two units — Front Office and Middle Office — instead of the previous three, which were Market Operations, Treasury, and Government Debt Management. Furthermore, the Back Office unit of the Finance Department was transferred to Treasury and Market Operations. In addition, the department's name was changed from Treasury and Market Operations to Markets.

The objective of the change is to clarify the division of tasks and enhance security regarding transactions and their path from the front office to settlement in the back office. This separation of transactions from monitoring and settlement is modelled on a number of other central banks' structure. It is designed to create opportunities for more effective use of personnel and increased diversity, as well as leading to increased specialisation among staff members.

The role of the Capital Controls Surveillance Unit was to monitor compliance with the Foreign Exchange Act and rules set on the basis of the Act, including the Rules on Special Reserve Requirements for New Foreign Currency Inflows. The unit also monitored compliance with the Act on the Treatment of Króna-Denominated Assets Subject to Special Restrictions. In addition, the unit processed requests for exemptions to the Foreign Exchange Act and investigated alleged violations of the Act. The Capital Controls Surveillance Unit was disbanded as a separate unit within the Bank in May 2019, and its functions were distributed between the Financial Stability Department and the Legal Department.

The Statistics Department handled the gathering, entry, and processing of statistics collected by the Bank both for its own activities and for official statistical reporting. The Bank systematically collects infor-

mation on the domestic credit market, the balance of payments, and the external position of the economy. These data form the basis for the Bank's assessment of important aspects of monetary developments and for regular dissemination of statistical information on its website and in its publications. The Bank publishes statistical information in the Statistics pages on its website. The department was divided into three units: Financial Institutions, Balance of Payments, and Financial Accounts and Markets.

The Financial Stability Department analysed financial system risks, set rules on liquidity and foreign exchange balance for credit institutions, carried out monitoring, and participated in formulating prudential rules for the financial system. The department also monitored the Foreign Exchange Act, the Act on the Treatment of Króna-Denominated Assets Subject to Special Restrictions, and rules issued on the basis of these Acts. In addition, it monitored the position of credit institutions, households, and businesses; payment flows to and from Iceland; and the external position of the economy. The department oversaw the publication of the Bank's *Financial Stability* reports and prepared the meetings of the Systemic Risk Committee.

The Financial Market Infrastructure Department oversaw and supervised systemically important financial market infrastructure, with a particular eye to enhancing security, efficacy, and efficiency. In addition, it operated interbank systems, handled the issuance and administration of banknotes and coin and operated the Bank's vaults, as well as overseeing the publication of the *Financial Market Infrastructure* report. Also falling under the auspices of the department was Greidsluveitan ehf., a Central Bank-owned company that operates payment systems and other service systems in connection with payment intermediation.

The Bank had five support departments: Operations, Information Technology, Finance, Legal, and Human Resources.

The Operations Department carried out tasks involving the Bank's internal operations and the service it provides. Among these tasks were operation and administration of the Bank's real estate; oversight of and responsibility for security matters; purchasing for all Bank departments; expenditure control, including budget preparation; cafeteria and catering; management of the Bank's records in compliance with the Act on Public Archives; and operation of the Bank's library and numismatic collection. The department comprised four service units: Asset Management and Service, Internal Information Services, Catering and Cafeteria, and Operations and Office Services.

The Information Technology Department oversaw and was responsible for the development, architecture, and operation of the Bank's information systems. It also carried out cross-disciplinary analysis and processing of procedures and organisation of information pertaining to the Bank's administrative structure. The department comprised four service units: Systems Administration, Database Administration, Software Development, and Business Intelligence.

The Human Resources Department was responsible for developing and following up on the Bank's human resources policy. The main tasks of Human Resources are to manage staff recruitment and hiring, termination of employment, staff training, job development,

employee satisfaction surveys and other analysis, performance assessments and feedback interviews, decisions on remuneration, employee health and well-being, and equal rights.

The Finance Department oversaw the Bank's financial information and that of companies owned by the Bank, as well as handling accounting for the National Festival gift from Norway and the Greenland Fund, which are administered by the Bank. The department administered domestic and foreign loans for the Treasury and the Central Bank. Furthermore, it administered the Bank's SWIFT system, as well as overseeing domestic and cross-border payments for the Bank, the Treasury, and State enterprises. The department also oversaw custody of securities and settlement of securities transactions. The Finance Department's activities were split into two units: Accounting and Back Office. During the year, the Back Office was transferred to Markets.

The Legal Department provided legal advice to the Governors and the departments and units within the Bank on matters relating to the Bank's role and activities. It participated in drafting legislation, rules, legal opinions, and various contracts, as well as finalising legal instruments and loan agreements.

Internal Audit operated in accordance with Article 28, Item (c) of the then-current Act on the Central Bank of Iceland, no. 36/2001. The department is overseen by and accountable to the Supervisory Board. Internal Audit provides impartial, objective confirmation and advice to the Bank and companies owned by it, and it uses systematic procedures to evaluate the efficacy of risk management and governance practices within the Bank.

New Act on the Central Bank of Iceland

The new Act on the Central Bank of Iceland, no. 92/2019, entered into force on 1 January 2020. According to the new Act, the Central Bank's legally mandated objective is to promote price stability, financial stability, and sound and secure financial activities. The Bank is also required to undertake such tasks as are consistent with its role as a central bank, such as maintaining international reserves and promoting a safe, effective financial system, including domestic and cross-border payment intermediation.

The main amendment entailed in the new Act was the merger of the Financial Supervisory Authority and the Bank into a single institution under the name Central Bank of Iceland. The aim of the merger was to achieve the statutory objectives of enhancing efficacy, clarifying responsibilities, and improving administration as regards decision-making, use of information, and the potential for better-quality analysis and oversight. Changes were made to the senior management structure and decision-making processes in the Bank, among other areas.

The main change in organisational structure is the establishment of three committees entrusted with applying the Bank's authorisations and policy instruments in the fields of monetary policy, financial stability (macroprudential policy), and financial supervision. The Governor still directs and is responsible for the Bank's activities and is authorised to take decisions on all matters not entrusted to others by law. Three Deputy Governors now oversee the Bank's activities in their appointed areas and are responsible for preparing the work of the Bank's legally

mandated committees. The Deputy Governors serve on the committees and take decisions jointly with the Governor as provided for by law. One Deputy Governor oversees matters relating to monetary policy; the second, matters relating to financial stability; and the third, matters relating to financial supervision.

Because of changes in the Bank's administration and in view of the objectives of the Act and of the merger, it was necessary to change the organisational structure of the Bank and set up a new organisational chart illustrating these changes. The new organisational chart is not intended to reflect in detail the distribution of the three legally mandated committees' tasks. Tasks relating to the preparation of the committees' meetings will be handled by the departments concerned but can be carried out in other departments as applicable. It is assumed that the Bank's organisational structure can be modified as experience is gained and developments in both the Bank's activities and the financial markets warrant such change. This arrangement is also deemed conducive to the achievement of the main statutory objectives of providing an effective framework and ensuring the necessary flow of information. The General Secretariat, as the centralised office of the Governors, will oversee the Bank's activities and support the three committees' work.

Human resources

At the end of 2019, there were 173 employees, two part-time custodial employees, and two part-time employees in other departments of the Bank, bringing the total to 177.

During the year, 18 employees were hired and 16 left the Bank. There were 10 summer employees in 2019. The gender ratio remained largely unchanged between years. At the beginning of 2019, there were 92 male and 89 female employees, and at the end of the year, there were 89 men and 84 women. The ratio of university-educated employees was 86% at the year-end. Six departmental directors were male and five were female, and 11 deputy directors were male and seven female, giving a 59-41 ratio of men to women among departmental directors and deputies combined. At the end of the year, the Central Bank-owned company Greidsluveitan ehf. employed 12 members of staff, six men and six women.

At the beginning of the year, the Bank received formal equal pay certification in recognition of its wage structure, which fulfils the requirements of the equal pay certification standard ÍST 85:2012. The equal pay analysis taken within the Bank that year showed that there was no unexplained wage gap between the sexes at the time.

Table VIII-3 Number of employees by department

<i>Department</i>	<i>Number</i>
International Relations and General Secretariat	10
Governor and Deputy Governor	2
Finance	8
Financial Market Infrastructure	13
Financial Stability	21
Statistics	16
Economics and Monetary Policy	24
Internal Auditor	1
Legal Department	6
Human Resources	4
Treasury and Market Operations	29
Operations	20
Informational technology	16
Custodial and other part-time positions	7
Total	177

Source: Central Bank Iceland.



The Supervisory Board as of year-end 2019, together with the Governor and the Board secretary. Seated, from left: Ásgeir Jónsson (Governor), Gylfi Magnússon (Chairman), and Þórunn Guðmundsdóttir. Standing, from left: Stefán Jóhann Stefánsson (Secretary), Frosti Sigurjónsson, Jacqueline Clare Mallett, Sigurdur Kári Kristjánsson, Una María Óskarsdóttir, and Bolli Hédinsson.

Central Bank of Iceland 31 December 2019

Supervisory Board

Principal members

Gylfi Magnússon, Chairman
 Thórunn Guðmundsdóttir, Deputy Chairman
 Bolli Hédinsson
 Una María Óskarsdóttir
 Sigurdur Kári Kristjánsson
 Jacqueline Clare Mallett
 Frosti Sigurjónsson

Alternates

Thórlindur Kjartansson
 Jóhanna Vigdís Guðmundsdóttir
 Hildur Traustadóttir
 Valgerdur Sveinsdóttir
 Kristín Thoroddsen
 Ólafur Margeirsson
 Bára Valdís Ármannsdóttir

Governor

Ásgeir Jónsson

Deputy Governor

Rannveig Sigurdardóttir

Principal officers

International Relations and General Secretariat:
 Finance:
 Financial Market Infrastructure:
 Financial Stability:
 Statistics:
 Economics and Monetary Policy:
 Legal Department:
 Human Resources:
 Markets:
 Operations:
 Information Technology:
 Internal Audit:

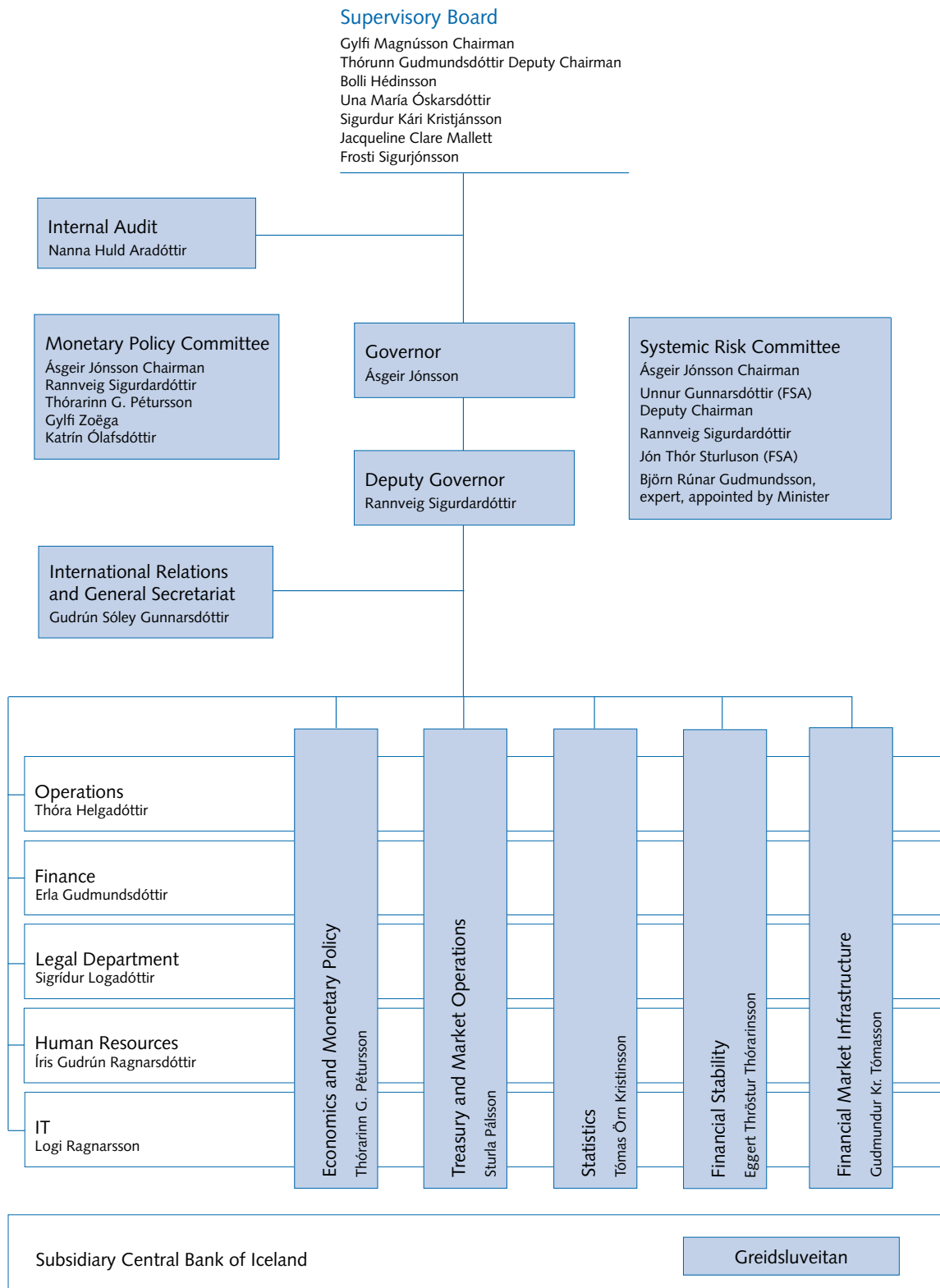
Guðrún S. Gunnarsdóttir, Director
 Erla Guðmundsdóttir, Director
 Guðmundur Kr. Tómasson, Director
 Haukur C. Benediktsson, Director
 Tómas Örn Kristinsson, Director
 Thórarinn G. Pétursson, Chief Economist
 Sigríður Logadóttir, General Counsel
 Íris Guðrún Ragnarsdóttir, Director
 Sturla Pálsson, Director
 Thóra Helgadóttir, Director
 Logi Ragnarsson, Director
 Nanna Huld Aradóttir, Internal Auditor

Company owned by the Central Bank of Iceland

Greidsluveitan ehf.:

Vigdís Ósk Helgadóttir, Acting Director

The organisational chart of the Central Bank of Iceland





CONSOLIDATED ANNUAL ACCOUNTS 2019

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Central Bank of Iceland ("the Group") for the year 2019, which comprise the consolidated balance sheet as at 31 December 2019, the consolidated income statement, consolidated statement of cash flows, and consolidated changes in equity for the year then ended, as well as notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with the Icelandic Act on Annual Accounts, Act on Financial Undertakings, and Act on the Central Bank of Iceland..

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements that are relevant to our audit of consolidated financial statements in Iceland, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The consolidated financial statements of the Central Bank of Iceland for the year ended 31 December 2018 was audited by another auditor. That auditor's report is dated 28 March 2019 and is unqualified.

Other information

The Supervisory Board and the Governor of the Central Bank are responsible for the other information. Other information comprises the annual report but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. The annual report is not available at our reporting date but is expected to be made available to us after that date.

Responsibilities of the Supervisory Board and the Governor of the Central Bank for the Consolidated Financial Statements

The Supervisory Board and the Governor of the Central Bank are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Icelandic Act on Annual Accounts, Act on Financial Undertakings, and Act on the Central Bank of Iceland, and for such internal control as they determine necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Supervisory Board and the Governor of the Central Bank are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Supervisory Board and the Governor of the Central Bank are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Supervisory Board and Governor's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Reykjavik, 11 March 2020

KPMG ehf.
Hrafnhildur Helgadóttir

Confirmation by the management of the Central Bank of Iceland

The Supervisory Board and Governor of the Central Bank of Iceland hereby confirm the Bank's annual financial statements for the year 2019 with their signatures. Frosti Sigurjónsson expresses the reservation that he does not consider it appropriate to include banknotes and coin with liabilities in the balance sheet.

Reykjavík, 11 March 2020

Confirmation by the Supervisory Board

	<i>Gylfi Magnússon</i> Chairman	
<i>Thórunn Gudmundsdóttir</i> <i>Sigurdur Kári Kristjánsson</i> <i>Frosti Sigurjónsson</i>		<i>Bolli Hédinsson</i> <i>Una María Óskarsdóttir</i> <i>Jacqueline Clare Mallett</i>

Confirmation by the Governor

Ásgeir Jónsson

Confirmation by the Prime Minister's Office

With reference to the statements by the auditor, the Supervisory Board, and the Governor of the Central Bank, I hereby ratify these financial statements.

Reykjavík, 25 March 2020

Katrín Jakobsdóttir

Profit and Loss Account 2019

	Notes	2019	2018
Interest income			
From domestic assets		367,770	1,801,885
From foreign assets		9,098,747	7,567,820
	1	<u>9,466,517</u>	<u>9,369,705</u>
Interest expense			
Interest expense on domestic liabilities		(18,047,525)	(22,336,393)
Interest expense on foreign liabilities		(609,370)	(376,532)
	2	<u>(18,656,896)</u>	<u>(22,712,925)</u>
Net interest expense		(9,190,378)	(13,343,220)
Operating revenues			
Service revenues	3	1,009,378	1,237,226
Service expenses	4	(513,087)	(556,609)
Withdrawn banknotes		0	435
Revenues from shareholdings	5	45,550	37,750
Value adjustments of asset prices	6	6,661,396	(2,905,087)
Exchange rate gains (losses) on foreign exchange transactions	7	(1,846)	10,849
		<u>7,201,391</u>	<u>(2,175,436)</u>
Outcome before operating expenses		(1,988,987)	(15,518,656)
Operating expenses			
Salaries and related expenses	8	(2,924,664)	(2,858,824)
Other operating expenses	9	(1,145,835)	(1,032,266)
Expense due to banknotes and coin	11	(1,816)	(166,197)
Depreciation of property and equipment	23	(162,736)	(155,967)
Impairment of claims	12	0	(2,657)
		<u>(4,235,051)</u>	<u>(4,215,911)</u>
Effects of affiliated companies outside the group	25	208,606	279,450
Operating loss before tax and exchange rate difference		(6,015,432)	(19,455,116)
Income tax	14	(20,347)	(54,244)
Loss without exchange rate difference		(6,035,779)	(19,509,359)
Exchange rate difference	13	28,479,396	54,756,631
Profit for the year		<u><u>22,443,617</u></u>	<u><u>35,247,271</u></u>

Amounts are in ISK thousands.

Balance Sheet 31 December 2019

	Notes	2019	2018
Assets			
Gold	16	11,720,136	9,576,083
Foreign assets	17-20	798,800,408	715,699,022
FX balance with the IMF	21	11,723,347	11,313,923
Domestic financial assets	22	6,048,724	6,095,001
Fixed operational assets	23	8,557,809	7,187,175
Other assets	25	2,807,761	4,765,995
		<u>839,658,186</u>	<u>754,637,199</u>
Assets			
		<u>839,658,186</u>	<u>754,637,199</u>
Equity and liabilities			
Capital		89,763,819	88,796,492
Uncalled capital	34	(58,262,819)	(57,295,492)
Reserve fund	15	55,126,282	42,255,199
Revaluation of real estate and liquid assets		7,540,925	6,411,632
Unrealised share in profit of associates	35	251,966	4,244,046
Other equity (negative)		(12,438,272)	(26,077,233)
		<u>81,981,902</u>	<u>58,334,644</u>
Equity			
		<u>81,981,902</u>	<u>58,334,644</u>
Banknotes and coin	27	74,734,419	72,773,138
Foreign liabilities	28	7,517,165	24,357,812
Counterpart to IMF	21	18,842,995	18,185,675
Deposits of financial institutions	29	74,771,301	80,661,135
Other deposits	30	281,497,157	267,910,508
Domestic financial liabilities	31	299,406,811	231,621,612
Pension obligations	32	174,487	193,522
Other liabilities	33	731,949	599,154
		<u>757,676,284</u>	<u>696,302,556</u>
Liabilities			
		<u>757,676,284</u>	<u>696,302,556</u>
Equity and liabilities			
		<u>839,658,186</u>	<u>754,637,199</u>

Statement of Cash Flows 2019

	Notes	2019	2018
Operating activities			
Collected interest income		11,246,831	10,775,498
Paid interest expense		(18,914,962)	(22,999,607)
		(7,668,132)	(12,224,108)
Collected service revenues		980,169	1,466,156
Paid service expense		(529,433)	(886,924)
Paid-in dividends on shareholdings	5	45,550	37,750
		(7,171,845)	(11,607,126)
Paid operating expense		(4,010,678)	(3,785,477)
Cash and equivalents to operations w/o tax		(11,182,522)	(15,392,603)
Paid income tax	33	(54,923)	(67,426)
Net cash to operating activities		(11,237,445)	(15,460,029)
Investment activities			
Operational assets purchased		(267,128)	(264,945)
Treasury bonds sold		0	52,457,991
Increase in claims		(1,343,904)	(250,817)
Securities sold		146,573	0
Collected instalments on securities		160,195	4,256,837
Securities purchased in international reserves	19	(114,825,299)	(213,272,770)
Securities sold in international reserves		150,384,547	229,163,626
Purchase of ownership share	25	(757,789)	0
Special drawing rights with the IMF		274	0
Dividends paid by companies outside the group	25	4,282,055	3,900,000
		37,779,525	75,989,921
Financing activities			
Banknotes and coin		1,961,281	4,765,744
Certificates of deposit		4,113,588	(366,232)
Term deposits		47,000,000	(90,650,000)
Foreign currency deposits		34,917,961	5,137,348
Credit institution deposits		(15,295,544)	(7,229,151)
Other parties' deposits		14,896,823	(12,057,852)
Treasury deposits		(25,778,277)	29,214,569
Deposits of companies outside the group		(175,651)	(1,270,075)
Reserve requirements		317,175	20,532,650
Current liabilities		69,949	0
		62,027,305	(51,922,998)
Changes in cash position			
Foreign bank deposits, increase		88,569,385	8,606,894
Exchange rate difference on bank deposits		2,493,526	13,755,916
Foreign cash balance at beginning of year		119,094,789	96,731,979
Foreign cash balance at end of year	17	210,157,700	119,094,789

Amounts are in ISK thousands.

Statement of Changes in Equity 2019

	Notes	Capital	Uncalled capital	Value adjustment reserve	Real estate revaluation	Translation reserve	Unrealised share in profit of associates	Other equity (negative)	Total equity
Equity 1 January 2018	36	86,911,446	(55,410,446)	0	5,589,826	(8,359)	8,097,639	(22,978,007)	22,202,098
Indexation of uncalled capital		1,885,047	(1,885,047)						0
Restricted dividend paid							(4,350,000)	4,350,000	0
Profit for the year 2018	15			42,255,199			496,408	(7,504,335)	35,247,271
Real estate revaluation					885,274				885,274
Translation reserve						8,359		(8,359)	0
Depreciation of revalued assets 2018					(63,469)			63,469	0
Equity 31 December 2018		88,796,492	(57,295,492)	42,255,199	6,411,632	0	4,244,046	(26,077,233)	58,334,644
Equity 1 January 2019		88,796,492	(57,295,492)	42,255,199	6,411,632	0	4,244,046	(26,077,233)	58,334,644
Indexation of uncalled capital		967,326	(967,326)						0
Restricted dividend paid							(4,282,055)	4,282,055	0
Profit for the year 2019	15			12,871,084			289,975	9,282,558	22,443,617
Real estate revaluation	23				1,203,641				1,203,641
Depreciation of revalued assets 2019					(74,348)			74,348	0
Equity 31 December 2019		89,763,819	(58,262,819)	55,126,282	7,540,925	0	251,966	(12,438,272)	81,981,902

Amounts are in ISK thousands.

Summary of main accounting principles

- The annual financial statements have been prepared in accordance with the Annual Accounts Act, no. 3/2006, the Act on Financial Undertakings, no. 161/2002, and the Rules on the Central Bank of Iceland's Accounting and Annual Accounts.
- In preparing the Annual Accounts, management must, in accordance with the Annual Accounts Act, take decisions, make estimates, and draw conclusions that affect assets and liabilities on the financial reporting date, and provide information in the explanatory notes concerning income and expenses. These evaluations and conclusions are based on experience and various other factors that are considered appropriate and constitute grounds for the decisions taken on the book value of assets and liabilities where such value cannot be determined otherwise.
- Changes in accounting evaluations are recognised in the period in which they take place.
- The financial statements are prepared on the basis of cost-price accounting methods, apart from financial assets that are held for trading and designated at fair value. Real estate is designated at fair value.
- The consolidated accounts include the annual financial statements of the Central Bank of Iceland and companies owned by it ("subsidiaries" according to financial reporting rules).

Among the objectives of consolidated financial reporting is to publish only income, expenses, assets, and liabilities vis-à-vis external parties; therefore, internal transactions are netted out in preparing the financial statements. If appropriate, adjustments are made to the subsidiaries' accounts in order to harmonise them with the consolidated accounting methods.

- Subsidiaries and affiliates are companies controlled by the Central Bank. Control exists when the Central Bank has decision-making power concerning the operations and financial management of the company concerned. Shares in subsidiaries are entered according to the equity method, and shares in affiliates are recognised at cost price, after adjusting for the share in operations and impairment of individual investments. Losses of subsidiaries in excess of the ownership share are only charged if the companies have guaranteed or undertaken obligations on their behalf.
- Revenues are entered when earned, irrespective of whether collection has taken place. Expenses are also entered when incurred, irrespective of whether they have been paid. Furthermore, valuation changes are recognised in the profit and loss account, irrespective of whether the securities have been redeemed.

Amounts are in ISK thousands.

Basis for accounting methods

Estimates and decisions

Group

Shares in subsidiaries and affiliated companies

Entry of revenues and expenses

Banknotes and coin

- The cost of issuing banknotes and coin is expensed when the costs are incurred.
- Banknotes and coin in circulation are recognised at nominal value.

Foreign currencies

- Assets and liabilities in foreign currency are presented in Icelandic currency using the mid-exchange rate as of year-end 2019. Revenues and expenses in foreign currency are converted using the exchange rate on the transaction date.

	<i>Average exchange rate for the year</i>		<i>End-of-period exchange rate</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Euro (EUR)	137.30	127.73	135.83	133.23
US dollar (USD)	122.65	108.38	121.10	116.33
Pound sterling (GBP)	156.49	144.35	159.42	148.33
Canadian dollar (CAD)	92.46	83.61	92.94	85.47
Danish krone (DKK)	18.39	17.14	18.18	17.84
Norwegian krone (NOK)	13.94	13.31	13.77	13.40
Swedish krona (SEK)	12.97	12.46	12.99	13.02
Swiss franc (CHF)	123.46	110.72	125.14	118.23
Japanese yen (JPY)	1.13	0.98	1.12	1.06
Chinese yuan (CNY)	17.75	16.35	17.40	16.91
Gold (XAU)	170,898	137,134	183,741	149,192

Indexed assets and liabilities

- Indexed assets and liabilities are entered with accrued indexation as of year-end 2019, using the index value of January 2020, which reflects year-end 2019 price levels. Indexation is recognised in the profit and loss account, with interest.

Portfolio investment

- Securities in the Bank's foreign exchange reserves are entered at market price, and valuation changes are entered in the profit and loss account.

Interest income and expense

- Interest income is recognised in the profit and loss account, using the effective interest rate method. The effective interest rate is the required rate of return that calculates the present value of cash flows over the lifetime of financial instruments, adjusted for premiums and discounts.
- The effective interest rate is determined when the financial instrument is initially recognised and is not updated.

Taxation

- Income tax is calculated and entered in the annual financial statements. Its calculation is based on earnings before taxes, adjusted for permanent differences between taxable earnings and earnings according to the annual accounts. The income tax rate is 20%.
- Income tax payable is income tax that is estimated to become due and payable in the next year due to taxable profit for the year, plus an adjustment of income tax payable for previous years.

- Deferred tax derives from the difference between balance sheet items in the tax settlement, on the one hand, and the annual accounts, on the other. The difference stems from the fact that the company's income tax base is obtained by means other than those used in the preparation of the financial statements.
- The income tax credit balance is assessed on the accounting date and is only recognised to the extent that it is likely to be used to offset taxable profit in the future.
- Assets are listed among fixed operational assets when it is likely that the economic benefits of the assets concerned will be useful to the group and when it is possible to estimate the cost due to the assets in a reliable manner. Fixed operational assets are recognised using either the cost-price method or the revaluation method. According to the cost-price method, fixed operational assets are entered at original cost price less accumulated depreciation and impairment. The cost price of fixed operational assets consists of the purchase price and all direct costs relating to putting the assets into revenue-generating condition. The revaluation method uses fair value on the date the fixed operational assets are revalued, less depreciation and impairment.
- Depreciation is calculated as a fixed annual percentage of the cost price/revaluation price based on the holding period during the year with consideration given to expected scrap value.
- Profit or loss due to the sale of assets is the difference between the sale price and the book value of the asset on the date of sale.
- The gold held in the Bank's international reserves is recognised as a foreign asset denominated in gold as a currency, and changes in the value of gold are recognised as exchange rate differences in the profit and loss account.
- Obligations are written up in the balance sheet if it is considered likely that the company will be faced with financial expense in the future due to a specified event or transaction and it is possible to assess the monetary amount in a reliable manner.

Fixed operational assets

Gold

Obligations

Explanatory notes to consolidated financial statements 2019

Interest income

1. Interest income specifies as follows:

	2019	2018
<i>Interest income on domestic assets:</i>		
Interest income on overnight loans	1,171	8,149
Interest income on non-indexed securities	0	1,330,205
Interest income on indexed securities	350,550	409,024
Interest income on other domestic assets	16,049	54,507
	<u>367,770</u>	<u>1,801,885</u>
<i>Interest income on foreign assets:</i>		
Interest income on balance with IMF	297,945	253,042
Interest income on bank accounts	1,250,022	1,177,230
Interest income on securities	7,179,610	5,797,147
Interest income on other foreign assets	371,170	340,401
	<u>9,098,747</u>	<u>7,567,820</u>

- Interest income on domestic assets declined by 1.4 b.kr. from the year 2018, or 79.6%, owing mainly to securities sales in the second half of 2018.
- In 2019, a total of 20 overnight loans were granted in the amount of 5.7 b.kr., as compared with 24 overnight loans totalling 42.7 b.kr. in 2018.
- The Bank sold all of its non-indexed securities in H2/2018.
- Interest income on indexed securities declined between years by 58.5 m.kr., or 14.3%.
- Interest income on other domestic assets declined by 38.5 m.kr. between years.
- Interest income on domestic assets rose by 1.5 b.kr. from the year 2018, or 20.2%.
- Interest income on the balance with IMF increased by 17.7%. This was due to an increase in the Fund's interest rate during the year.
- Interest income on foreign bank accounts rose by 72.8 m.kr. between years. Interest expense on foreign bank accounts bearing negative interest rates is expensed. Total interest on foreign bank accounts, adjusted for accounts bearing negative interest rates, amounted to 829.9 m.kr., a reduction of 132.5 m.kr. between years.
- Interest income on foreign securities rose by 1.4 b.kr. between years.

Amounts are in ISK thousands.

Interest expense

2. Interest expense specifies as follows:

	2019	2018
<i>Interest expense on domestic liabilities:</i>		
Interest expense on certificates of deposit	93,848	180,523
Interest expense on term deposits	9,497,254	12,752,063
Interest expense on current accounts	4,976,238	5,248,392
Interest expense on Treasury current accounts	2,790,045	3,498,163
Interest expense on foreign currency accounts	4,340	3,323
Interest expense on other domestic liabilities	685,801	653,929
	<u>18,047,525</u>	<u>22,336,393</u>
<i>Interest expense on foreign liabilities:</i>		
Interest expense on balance with IMF	189,283	161,740
Interest expense on foreign bank accounts	420,087	214,792
	<u>609,370</u>	<u>376,532</u>

- Interest expense on domestic liabilities declined by 19.2% between years. The main reason was a lower policy rate during the year, together with the decision on a non-interest-bearing special reserve requirement, introduced in mid-2018.
- Interest expense on term deposits totalled 9.5 b.kr. in 2019, as opposed to 12.8 b.kr. in 2018. The Bank offers term deposits with two different maturities: seven-day deposits bearing fixed interest, and one-month term deposits.
- Interest expense on current accounts declined by 272 m.kr., or 5.2%. The Bank's current account rate was 4.25% at the beginning of 2019 and 2.75% at the year-end.
- Interest expense on Treasury foreign current accounts declined by 708 m.kr., or 20.2%, as a result of interest rate cuts.
- Interest expense on the balance with the IMF increased by 17%. This was due to an increase in the Fund's interest rate during the year.
- Interest expense on foreign bank accounts increased by 205.3 m.kr., owing to negative interest on deposit balances.

Service revenues

3. Service revenues specify as follows:

	2019	2018
Income from payment intermediation	814,365	1,071,772
Income from market transactions	148,392	130,123
Other service income	46,621	35,330
	<u>1,009,378</u>	<u>1,237,226</u>

- Income from payment intermediation derives from Greidsluveitan ehf., a company owned by the Bank. Income from the RÁS system declined by 60% between years.

Service expenses

4. Service expense specifies as follows:

	2019	2018
Expense due to payment intermediation	448,149	486,814
Expense due to custodial fees	39,997	35,623
Expense due to securities transactions	24,941	34,171
	<u>513,087</u>	<u>556,609</u>

Revenues from shareholdings

5. Income from equity holdings specifies as follows:

	2019	2018
Dividend income from Bank for International Settlements	45,550	37,750
	<u>45,550</u>	<u>37,750</u>

Value adjustment of assets

6. Value adjustments in financial assets specify as follows:

	2019	2018
<i>Realised revaluation</i>	<u>156,215</u>	<u>(2,424,546)</u>
Domestic securities	0	(883,044)
Foreign securities and securities funds	156,215	(1,541,503)
<i>Unrealised revaluation</i>	<u>6,505,181</u>	<u>(480,541)</u>
Domestic securities	399,588	337,737
Foreign securities and securities funds	6,415,025	(663,622)
Foreign derivatives	(309,432)	(154,656)
	<u>6,661,396</u>	<u>(2,905,087)</u>

- The revaluation of financial assets includes both realised and unrealised changes in fair value. The revaluation of financial assets at fair value is recognised in profit and loss.

<i>Nominal value of foreign securities and funds, by each currency:</i>		
	2019	2018
EUR	1,333,500,000	1,343,500,000
GBP	545,000,000	590,000,000
USD	2,385,000,000	2,610,000,000
CNY	61,555	61,555

Exchange rate gains on foreign exchange transactions

7. Exchange rate gains (losses) on foreign exchange transactions:

	2019	2018
Exchange rate gains (losses) due to foreign exchange transactions	(1,846)	10,849
	<u>(1,846)</u>	<u>10,849</u>

- Exchange rate gains (losses) on foreign exchange transactions in which the Bank sold or bought foreign currency are recognised as income or expense in the profit and loss account.

Salaries and related expenses

8. Salaries and related expenses specify as follows:

	2019	2018
Wages and salaries	2,354,548	2,294,074
Pension fund	344,578	334,368
Salary-related expenses	203,111	205,796
Contribution to pension obligations	22,427	24,586
	<u>2,924,664</u>	<u>2,858,824</u>
Number of man-years	188	188

- In 2019, total remuneration to the Governor, senior management, and the Supervisory Board amounted to 378.5 m.kr. There were 15 departmental directors and key employees in 2019, as opposed to 14 in 2018. The Governor is not remunerated for participation in boards and committees jointly operated by institutions in the financial market or to which the Central Bank of Iceland appoints a representative by law. Total remuneration to the Governor, senior management, and the Supervisory Board in 2019 specifies as follows (in ISK millions):

	2019	2018
<i>Governor</i>		
Ásgeir Jónsson, from 20 August 2019 onwards	8.6	-
Már Gudmundsson, through 19 August 2019	36.5	25.2
<i>Deputy Governor</i>		
Rannveig Sigurdardóttir	22.9	11.4
Arnór Sighvatsson, through 30 June 2018	-	11.3
<i>Senior management</i>		
Departmental directors and senior management	298.3	306.7
<i>Supervisory Board</i>		
Gylfi Magnússon, Chairman	2.8	2.1
Thórunn Gudmundsdóttir, Deputy Chairman	2.1	2.3
Other Supervisory Board members and alternates	7.3	9.4
	<u>378.5</u>	<u>368.4</u>

Other operating expenses

9. Other operating expenses specify as follows:

	2019	2018
Outsourced services	671,726	568,630
Operation of assets and liquid assets	256,268	242,050
Sundry operational items	217,841	221,586
	<u>1,145,835</u>	<u>1,032,266</u>

Remuneration to auditors

10. Remuneration to auditors specifies as follows:

	2019	2018
<i>Auditing of annual accounts and consolidated accounts</i>		
Deloitte ehf.	9,465	20,699
KPMG ehf.	3,380	0
<i>Consultancy and other services</i>		
PricewaterhouseCoopers Leg ehf.	2,316	290
Ernst & Young ehf.	0	2,484
Deloitte ehf.	5,515	0
	<u>20,676</u>	<u>23,473</u>

- The Central Bank of Iceland switched auditing firms in 2019.

Expense due to banknotes and coin

11. Expense due to banknotes and coin specifies as follows:

	2019	2018
Minting of coins.....	0	165,619
Equipment.....	1,816	478
Other.....	0	100
	<u>1,816</u>	<u>166,197</u>

- In 2018, 1 kr., 10 kr., 50 kr., and 100 kr. coins were minted.

Impairment of claims

12. Expensed impairment of claims amounted to 2.7 m.kr. in 2018. The Bank maintains a claim impairment account for the claims it considers likely to be lost.

Exchange rate difference

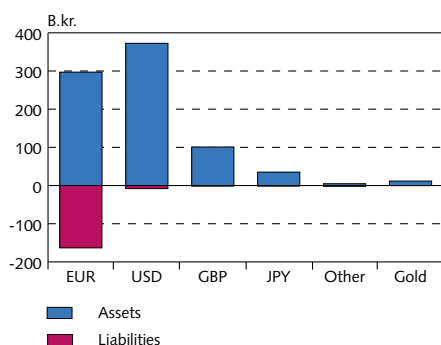
13. Exchange rate difference specifies as follows:

	2019	2018
<i>Realised exchange rate difference</i>	<u>21,631,043</u>	<u>11,996,694</u>
Foreign bank deposits.....	2,504,323	13,693,310
Foreign securities and funds.....	18,289,859	3,896,656
Domestic foreign currency accounts.....	847,505	(5,600,611)
Derivatives.....	(10,653)	(2,805)
Other.....	9	10,145
<i>Unrealised exchange rate difference</i>	<u>6,848,353</u>	<u>42,759,937</u>
Gold.....	2,206,933	844,286
International Monetary Fund.....	415,952	921,634
Foreign securities and funds.....	4,242,783	40,976,334
Other.....	(17,315)	17,683
	<u>28,479,396</u>	<u>54,756,631</u>

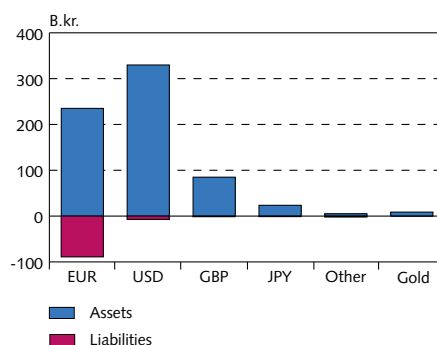
- An exchange rate difference is deemed realised when a transaction with a financial asset or liability results in a movement of cash and cash equivalents, irrespective of the currency involved. The exchange rate difference in cash and cash equivalents is defined as realised.

- The distinction between realised and unrealised exchange rate differences in the accounts was introduced with the launch of the new treasury and risk management system at the beginning of 2018.
- Changes in major currencies versus the Icelandic króna were as follows (%):

	1/1-31/12 2019	1/1-31/12 2018
USD	4.10%	11.41%
EUR	1.95%	6.54%
GBP	7.48%	5.21%
NOK	2.78%	5.30%
DKK	1.91%	6.23%
SEK	(0.20%)	2.42%
JPY	5.53%	13.93%
CHF	5.84%	10.42%
CAD	8.74%	2.58%
XDR	3.66%	8.85%
CNY	2.89%	5.41%
XAU	23.16%	9.67%

Total assets and liabilities in foreign currency
2019

Source: Central Bank of Iceland.

Total assets and liabilities in foreign currency
2018

Source: Central Bank of Iceland.

Income tax

14. The Central Bank of Iceland is exempt from income tax pursuant to Article 4 of the Income Tax Act, no. 90/2003. Expensed income tax in the annual accounts is due to companies owned by the Bank and specifies as follows:

	2019	2018
Greidsluveitan ehf.	(20,347)	(54,244)
	<u>(20,347)</u>	<u>(54,244)</u>

- Income tax payable in 2020 amounts to 21.8 m.kr.

<i>Effective income taxes specify as follows</i>	2019		2018	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
Profit of companies owned by the Bank	101,713		271,201	
Tax rate	(20,343)	(20)	(54,240)	(20%)
Non-deductible expense	(3)	(0)	(3)	(0%)
Income tax according to profit and loss	<u>(20,347)</u>	<u>(20)</u>	<u>(54,244)</u>	<u>(20%)</u>

Transfer to the Treasury

15. With the passage of Act no. 122/2014, which amended the Act on the Central Bank of Iceland, no. 36/2001, major changes were made to the rules on the disposition of the Bank's profit. Effective 1 January 2014, the Central Bank of Iceland shall maintain a separate account among equity items, called the value adjustment reserve.

- The main objective of maintaining the value adjustment reserve is to ensure that only realised gains are used as the basis for the transfer to the Treasury or for the strengthening of the Bank's equity. The Bank can thereby enter unrealised gains to the value adjustment reserve. Unrealised losses in excess of previously entered unrealised gains are used to reduce the profit available for disposition. This presentation, which is part of cautious central bank financial reporting, aims to ensure that profits are distributed at the time they are created.
- The revaluation consists of updated market prices and currency exchange rate movements, and it extends to financial assets and liabilities, derivatives, and gold. Financial instruments denominated in domestic and foreign currencies are appraised individually.
- Both realised and unrealised gains are recognised in the profit and loss account. Contributions to the value adjustment reserve consist of the difference between cost price and recorded market price. Both because of systemic changes and because there was no balance in the valuation adjustment reserve at the end of 2017, it was decided that the cost price should reflect the market price as of 31 December 2017.

Operating results specify as follows:

	2019	2018
Net interest expense	(9,190,378)	(13,343,220)
Value adjustment, realised and unrealised	6,661,396	(2,905,087)
Exchange rate difference, realised and unrealised	28,477,550	54,767,480
Income from shareholdings	45,550	37,750
Other income	1,217,984	1,516,676
Operating expense	(4,748,138)	(4,772,084)
Income tax	(20,347)	(54,244)
Performance for the year	<u>22,443,617</u>	<u>35,247,271</u>

Amounts are in ISK thousands.

The value adjustment reserve specifies as follows:

	2019	2018
Balance at beginning of year	42,255,199	0
Value adjustment of foreign securities	6,523,949	(663,622)
Value adjustment of domestic securities	93,987	176,587
Exchange rate difference on foreign assets	22,053,540	41,897,947
Exchange rate difference on gold	2,206,933	844,286
Settled in 2019, transferred to retained earnings	(18,007,326)	0
Balance at year-end	<u>55,126,282</u>	<u>42,255,199</u>

Disposed of the following:

	2019	2018
Profit for the year	22,443,617	35,247,271
Change in value adjustment reserve (increase)	(12,871,084)	(42,255,199)
Change in restricted earnings, decrease	3,992,080	3,853,592
	<u>13,564,612</u>	<u>(3,154,336)</u>

- Restricted earnings totalled 4.2 b.kr. at the beginning of the year, and a dividend payment of 4.3 b.kr. in 2019, owing to the winding-up of the Central Bank of Iceland Holding Company (ESÍ) reduced the balance accordingly. The profit of companies owned by the Bank totalled 290.0 m.kr. for 2019 and is entered in full as an increase in this item. The balance on the restricted earnings account declined by 4 b.kr. in 2019 and is recognised as retained earnings.
- By law, the Central Bank of Iceland shall be financially strong. In order to ensure that this goal is met, the Bank's profit is transferred to the Treasury, to the extent that it is not used to strengthen the Bank's capital. The profit for the year according to the annual accounts is 22.4 b.kr. The value adjustment reserve increased by 12.9 b.kr., and the restricted earnings account decreased by 4.2 b.kr. The profit for the year 2019, after adjusting for the valuation adjustment reserve and restricted earnings, is therefore 13.6 b.kr.

Gold

16. The Bank's holdings in gold amounted to 63,796.6 ounces at year-end 2019. Gold is entered at an exchange rate of 183,741 kr. per ounce as of year-end 2019. Thus the Bank's holdings in gold were valued at 11.7 b.kr.

Changes in gold holdings specify as follows:

	2019	2018
Balance at beginning of year	9,576,083	8,731,798
Movement of the year	(62,880)	0
Exchange rate difference	2,206,933	844,286
Balance at year-end	<u>11,720,136</u>	<u>9,576,083</u>

Developments in gold holdings



Source: Central Bank of Iceland.

Foreign assets

17. Foreign assets specify as follows:

	2019	2018
Foreign bank deposits.....	210,157,700	119,094,789
Foreign securities.....	567,597,945	576,110,046
Foreign securities funds.....	1,325,873	1,175,317
Special drawing rights (SDR) with IMF.....	19,021,099	18,248,728
Foreign derivatives.....	384,608	605,800
Foreign assets not held in reserves.....	313,183	464,342
	<u>798,800,408</u>	<u>715,699,022</u>

18. Foreign bank deposits specify as follows:

	2019	2018
Deposits with foreign central banks.....	164,057,203	77,276,545
Deposits with the Bank for Int'l Settlements.....	44,807,009	40,715,513
Balance with other foreign banks.....	1,293,489	1,102,731
	<u>210,157,700</u>	<u>119,094,789</u>
Deposits available for withdrawal.....	143,100,466	70,523,224
Term deposits, available within 3 months.....	67,057,233	48,571,565
	<u>210,157,700</u>	<u>119,094,789</u>

19. Changes in foreign securities and funds during the year specify as follows:

	2019	2018
Balance at beginning of year.....	577,285,363	553,236,467
Purchases during the year.....	114,825,299	213,272,770
Sold and collected during the year.....	(131,937,201)	(227,066,925)
Change in accrued interest and indexation.....	(1,887,141)	(2,472,851)
Unrealised value adjustments.....	6,415,025	(663,488)
Exchange rate difference.....	4,222,472	40,979,389
Balance at year-end.....	<u>568,923,818</u>	<u>577,285,363</u>

Amounts are in ISK thousands.

20. Foreign assets not held in reserves

Foreign assets not held in reserves specify as follows:

	2019	2018
Shareholdings in the Bank for International Settlements	184,486	184,486
Other assets not held in reserves	128,697	279,856
	<u>313,183</u>	<u>464,342</u>

International Monetary Fund (IMF)

21. Iceland's quota with the International Monetary Fund (IMF) totalled SDR 321.8 million at year-end 2019. The Bank's year-end foreign exchange balance with the Fund totalled SDR 69.9 million, which is the difference between the quota and the Fund's ISK deposits with the Bank; cf. the table below. The SDR allocation totalled SDR 112.4 million.

Assets:	SDR	ISK
Central Bank of Iceland quota	321,800	53,981,950
IMF deposit with Central Bank of Iceland	(252,002)	(42,273,407)
Central Bank foreign currency balance with IMF	69,887	11,723,347
Central Bank deposit balance with IMF	113,392	19,021,506
	<u>183,279</u>	<u>30,744,854</u>
<i>Liabilities:</i>		
Counterpart to IMF allocations	112,330	18,842,995
IMF current account with Central Bank of Iceland	6	986
	<u>112,336</u>	<u>18,843,981</u>

Domestic financial assets

22. Counterparties to domestic financial assets specify as follows:

	2019	2018
<i>Financial institutions</i>	37,942	861
Deposits	37,942	861
<i>Other parties</i>	6,010,782	6,094,140
Housing Bonds	5,934,698	5,996,265
Other claims:	76,084	97,875
	<u>6,048,724</u>	<u>6,095,001</u>

Fixed operational assets

23. Fixed operational assets are recognised using either the cost-price method or the revaluation method.

- According to the cost-price method, fixed operational assets are entered at original cost price less accumulated depreciation and impairment. The cost price of fixed operational assets consists of the purchase price and all direct costs relating to putting the assets into revenue-generating condition.

- Assets are listed among fixed operational assets when it is likely that the economic benefits of the assets concerned will be useful to the group and when it is possible to estimate the cost due to the assets in a reliable manner. The revaluation method uses fair value on the date the fixed operational assets are revalued, less depreciation and impairment.
- The Bank's real estate holdings were reappraised as of end-2005. Because of amendments made to the Annual Accounts Act in summer 2016, the Bank's real estate must henceforth be reappraised annually, as it has previously been reappraised.
- A reappraisal of the Bank's real estate was carried out at the beginning of 2020. That appraisal, which was conducted by an impartial real estate agent, results in an increase of 1,203 m.kr.
- Fixed operational assets as of year-end 2019 specify as follows:

	<i>Land</i>	<i>Real estate</i>	<i>Liquid assets</i>	<i>Libraries and collections</i>	<i>Total</i>
<i>Cost price and valuation</i>					
Cost price at beginning of year 2018	0	98,901	1,110,395	9,687	1,218,983
Valuation at beginning of year 2018	24,000	5,963,983	30,226	237,000	6,255,209
Total at beginning of year 2018	<u>24,000</u>	<u>6,062,884</u>	<u>1,140,621</u>	<u>246,687</u>	<u>7,474,192</u>
Special revaluation		885,275			885,275
Capitalised during the year			264,830	1,000	265,830
Disposals during the year (cost price)			(2,234)		(2,234)
Sold (valuation)			(885)		(885)
Cost price at beginning of year 2019	0	98,901	1,372,106	10,687	1,481,694
Valuation at beginning of year 2019	24,000	6,849,258	30,226	237,000	7,140,484
Total at beginning of year 2019	<u>24,000</u>	<u>6,948,159</u>	<u>1,402,332</u>	<u>247,687</u>	<u>8,622,178</u>
Special revaluation		1,203,641			1,203,641
Capitalised during the year			271,383		271,383
Transferred to museum				62,880	62,880
Sold (cost price)			(4,710)		(4,710)
Capital gain on sales			(279)		(279)
Cost price at year-end 2019	0	98,901	1,638,955	73,567	1,811,423
Valuation at year-end 2019	24,000	8,052,899	30,226	237,000	8,344,125
Total at year-end 2019	<u>24,000</u>	<u>8,151,800</u>	<u>1,669,181</u>	<u>310,567</u>	<u>10,155,548</u>
<i>Depreciation</i>					
Cost price at beginning of year 2018		11,108	604,749		615,856
Valuation at beginning of year 2018		635,208	30,226		665,433
Total at beginning of year 2018	<u>0</u>	<u>646,315</u>	<u>634,974</u>	<u>0</u>	<u>1,281,290</u>
Depreciation for the year at cost price		1,141	90,258		91,399
Depreciation for the year at valuation price		64,568			64,568
Disposals during the year (cost price)			(2,234)		(2,234)
Capital gain on sales			(21)		(21)
Cost price at beginning of year 2019	0	12,249	692,752	0	705,001
Valuation at beginning of year 2019	0	699,776	30,226	0	730,001
Total at beginning of year 2019	<u>0</u>	<u>712,025</u>	<u>722,978</u>	<u>0</u>	<u>1,435,003</u>

Amounts are in ISK thousands.

	<i>Land</i>	<i>Real estate</i>	<i>Liquid assets</i>	<i>Libraries and collections</i>	<i>Total</i>
Depreciation for the year at cost price .		1,342	87,047		88,389
Depreciation for the year at valuation price		74,348			74,348
Cost price at year-end 2019	0	13,591	779,799	0	793,390
Valuation at year-end 2019	0	774,123	30,226	0	804,349
Total at year-end 2019	0	787,714	810,025	0	1,597,739
<i>Book value</i>					
Book value at beginning of year 2018 ..	24,000	5,416,569	505,647	246,687	6,192,902
Book value at beginning of year 2019 ..	24,000	6,236,134	679,354	247,687	7,187,175
Book value at end of year 2019	24,000	7,364,086	859,156	310,567	8,557,809
Annual depreciation rate	0%	1-3%	10-33%	0%	

- The official year-end property valuation of tangible operational assets was 5.7 b.kr.
- The year-end insurance valuation of fixed operational assets was 8.8 b.kr.

Deferred tax

24. Deferred tax specifies as follows:

	<i>(Liabilities)/Assets</i>
Balance as of 1 January 2018	4,056
Calculated income tax for year 2018	(54,244)
Income tax for payment in 2019	54,923
Balance as of 1 January 2019	4,735
Calculated income tax for year 2019	(20,347)
Income tax for payment in 2020	21,837
Balance as of 31 December 2019	6,226

The income tax credit is allocated as follows to individual balance sheet items:

	2019	2018
Fixed operational assets	6,834	5,552
Exchange rate difference	2	(9)
Accounts receivable	(610)	(808)
	6,226	4,735

Other assets

25. Other assets specify as follows:

	2019	2018
Shares in subsidiaries and associates	975,423	4,291,083
Deferred tax assets	6,226	4,735
Investment tax withheld	5,212	7,472
Other assets	1,820,900	462,705
	<u>2,807,761</u>	<u>4,765,995</u>

- In October 2017, it was agreed at a shareholders' meeting to wind up the Central Bank of Iceland Holding Company ehf. (ESÍ), and a resolution committee was then appointed for the company. Earlier in the year, Hilda ehf. and SPB ehf. were similarly subjected to winding-up proceedings.
- ESÍ was finally wound up at the beginning of 2019. During the year, the Central Bank of Iceland acquired a 100% holding in the real estate company F Fasteignafélag ehf.
- Associates are valued using the equity method:

	<i>Location</i>	<i>Ownership share</i>	<i>Primary activities</i>
F Fasteignafélag ehf.	Iceland	100%	Holding company
Central Bank of Iceland Company ehf. (ESÍ)	Iceland	100%	Holding company

Holdings in subsidiaries and associates specify as follows:

	2019
Balance at beginning of year	4,291,083
Share purchased	<u>757,789</u>
Dividend paid	(4,282,055)
Share in earnings	<u>208,606</u>
Year-end balance	<u><u>975,423</u></u>

- ESÍ was wound up in February 2019, but before then, the company and its subsidiaries incurred 9 m.kr. in costs, which were expensed in 2019. F Fasteignafélag's earnings in 2019 totalled 217.6 m.kr. F Fasteignafélag paid no dividend in 2019, but ESÍ paid a dividend of just under 4.3 b.kr.

The group and companies owned by the Bank

26. Companies within the group:

	Location	Ownership share	Primary activities
<i>Companies within the group:</i>			
Greidsluveitan ehf.	Iceland	100%	Payment system operations
<i>Companies outside the group:</i>			
F Fasteignafélag ehf.	Iceland	100%	Holding company

- A given subsidiary is held outside the group, as it either has negligible importance for the consolidated profit and loss account or balance sheet, or the group acquired the holding solely for the purpose of resale and the holding has not previously been included in the Bank's consolidated accounts.

Banknotes and coin

27. Issuance of banknotes and coin specifies as follows:

<i>Banknotes</i>	2019	2018
10,000 krónur	42,607,500	38,892,500
1,000 krónur	19,621,000	21,593,500
2,000 krónur	214,000	216,000
1,000 krónur	6,344,000	6,333,500
500 krónur	1,730,250	1,704,500
	<u>70,516,750</u>	<u>68,740,000</u>
<i>Coin:</i>		
100 krónur	2,660,000	2,521,200
50 krónur	706,590	679,790
10 krónur	600,780	584,190
5 krónur	130,304	128,359
1 króna	119,995	119,599
	<u>4,217,669</u>	<u>4,033,138</u>
Total issued banknotes and coin	<u>74,734,419</u>	<u>72,773,138</u>

Foreign liabilities

28. Foreign liabilities specify as follows:

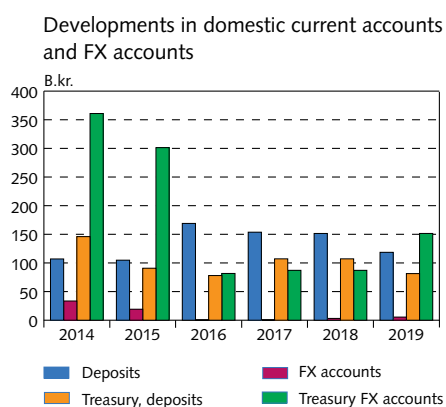
	2019	2018
Other liabilities	1,143	986
Certificates of deposit held by non-residents	7,516,022	24,356,826
	<u>7,517,165</u>	<u>24,357,812</u>

- Certificates of deposit held by non-residents derive from capital account liberalisation measures.

Deposits

29. Deposits of financial institutions specify as follows:

	2019	2018
Current accounts of deposit institutions	57,154,494	72,453,547
Current accounts of other financial institutions	17,616,807	7,634,842
Foreign exchange accounts	0	572,746
	<u>74,771,301</u>	<u>80,661,135</u>



- Participants in the Central Bank's real-time gross settlement (RTGS) system are permitted to have an intraday overdraft authorisation on their RTGS account. The overdraft must be backed in full by securities that the Central Bank deems eligible as collateral at that time.
- At year-end 2019, RTGS system collateral had a total market value of 14.9 b.kr.

30. Deposits of other entities specify as follows:

	2019	2018
Treasury and Government institutions	81,393,075	107,182,755
FX accounts held by the Treasury and Government institutions	151,502,352	87,114,332
Domestic deposits of non-residents	7,949,812	3,037,033
Domestic deposits of other parties	40,651,918	70,576,389
	<u>281,497,157</u>	<u>267,910,508</u>

Domestic financial liabilities

31. Domestic financial liabilities specify as follows:

	2019	2018
Certificates of deposit	32,697,161	11,847,607
Term deposits	245,475,217	198,563,500
Derivatives agreement with the Treasury	384,608	677,855
Non-remunerated reserve requirements	20,849,825	20,532,650
	<u>299,406,811</u>	<u>231,621,612</u>

- In June 2018 it was decided to change the arrangements for credit institutions' minimum reserve requirements so as to divide the reserve requirement into two parts: a fixed 1% non-remunerated reserve requirement and a 1% reserve requirement that is classified among deposits and bears deposit interest.

Pension obligations

32. According to actuarial assessments, the Central Bank of Iceland's obligations due to pension payments to former governors and their spouses and the director of the National Economic Institute, of which the Bank bore half the operational expense, totalled 174.5 m.kr. as of year-end 2019. Payments related to these obligations totalled 41.5 m.kr. in 2019 and reduce the previously entered obligation. Increases in the Bank's obligations, after adjusting for payments, totalled 22.4 m.kr. in 2019 and are expensed.

Changes during the year specify as follows:

	2019	2018
Pension obligations at beginning of year	193,522	210,733
Paid due to retirement	(41,462)	(41,797)
Change during the year	<u>22,427</u>	<u>24,586</u>
Pension obligations at year-end	<u>174,487</u>	<u>193,522</u>

Other liabilities

33. Other liabilities specify as follows:

	2019	2018
Unpaid taxes	21,837	54,923
Other liabilities	<u>710,112</u>	<u>544,231</u>
	<u>731,949</u>	<u>599,154</u>

Callable equity

34. At the beginning of 2015, the Central Bank of Iceland and the Treasury entered into an agreement providing for callable equity for the Bank, based on the authority contained in Article 34, Paragraph 3, of the Act on the Central Bank of Iceland, no. 36/2001, with subsequent amendments, with the amended provisions to take effect on 31 December 2014. With the agreement, the Treasury pledges, based on the authority contained in the National Budget, to contribute capital in the amount of 52 b.kr. to the Central Bank in the form of marketable assets according to the Bank's call-ins in this respect, provided that the Bank considers this necessary in order to fulfil its minimum requirements for paid-in capital. The outstanding balance of callable equity shall be written up at year-end to accord with the increase in the consumer price index.

Restricted earnings

35. Restricted earnings from subsidiaries/associates is a new equity item introduced with amendments to the Annual Accounts Act. If the share entered to the profit and loss account exceeds dividends received during the year, the difference shall be entered as restricted earnings.

- The purpose of restricting the share in the profit of subsidiaries/associates is to prevent companies from paying out dividends on unrealised shares in earnings.
- A dividend of 4.3 b.kr. was paid in 2019, reducing the balance accordingly. The profit of companies owned by the Bank totalled 290 m.kr. for 2019 and is entered in full as an increase in this item.

Developments in the Bank's equity ratio

36. In the past five years, the Bank's equity has changed as follows (in ISK millions):

	2019	2018	2017	2016	2015
Equity at year-end (excl. value adjustment).....	74,441	51,923	16,612	39,817	74,460
Value adjustment of assets at year-end.....	7,541	6,412	5,590	4,250	4,299
Equity at year-end	<u>81,982</u>	<u>58,335</u>	<u>22,202</u>	<u>44,067</u>	<u>78,760</u>
<i>Stock figures/ratios at year-end</i>					
Total assets	839,658	754,637	763,782	876,071	916,977
Equity (excl. value adjustment of assets)	74,441	51,923	16,612	39,817	74,460
Equity ratio	9.8%	7.7%	2.9%	5.0%	8.6%

Amounts are in ISK thousands.

Treasury

37. Interest income and expense vis-à-vis the Treasury specify as follows:

	2019	2018
Interest income on Treasury securities	0	1,349,390
	<u>0</u>	<u>1,349,390</u>
Interest expense on current accounts	2,790,045	3,498,633
Interest expense on foreign currency accounts	3,044	3,323
Interest expense on derivatives contracts	371,022	346,472
	<u>3,164,110</u>	<u>3,847,958</u>
Net interest expense	<u>(3,164,110)</u>	<u>(2,498,568)</u>
Net interest-bearing debt at the year-end specifies as follows:		
Treasury and Government institutions' deposits	81,393,075	107,182,755
Treasury foreign currency accounts	151,502,352	87,114,332
Derivative contract	384,608	677,855
	<u>233,280,036</u>	<u>194,974,942</u>

Off-balance sheet assets, guarantees, and other matters

38. The Central Bank of Iceland is obliged to pay for a subscription for capital shares to the Bank for International Settlements (BIS) upon request. 25% of the subscription has already been paid. The 75% share could come due and totals 785 m.kr.

- At year-end 2018, the Central Bank had negotiated access to loan facilities from foreign financial institutions in the form of securities repurchase agreements, in the amount of 400 million US dollars, or 48.4 b.kr. The Bank did not use these facilities in 2019.

Derivatives

39. Derivatives are classified according to whether the derivative is listed in the foreign exchange reserves – that is, whether the contract is made with a foreign counterparty and in a foreign currency – or not. The value of derivatives is estimated and entered at fair value.

- Forward foreign exchange agreements (FX forwards) are entered based on the forward principal, which is multiplied by the difference between the settlement exchange rate and the spot exchange rate (contract exchange rate) on the date of the transaction. The difference between the exchange rate on the date of the transaction and the contract exchange rate is recognised through profit and loss.
- Gains on FX forwards are entered as exchange rate gains on foreign exchange transactions.
- Interest rate swaps are entered at their current market value.

Risk management

40. The Central Bank of Iceland is a public institution that, by law, has a specific role focusing primarily on monetary policy, via its interest rate decisions and the investment of the nation's international reserves. Risk in its operations is therefore of a different type than in the operation of financial institutions, although the same terminology is used. The Central Bank of Iceland's financial risk entails claims risk, liquidity risk, and market risk. Claims risk is the risk of loss due to counterparties' or issuers' inability to fulfil their financial obligations at the designated time. Claims risk comprises issuer risk, counterparty risk, and settlement risk. Liquidity risk is the risk that the Central Bank will be unable to fulfil its tasks and commitments due to insufficient assets, inability to sell assets in time, or inability to sell assets except at significant discounts. Market risk is defined as the risk of loss or reduction of financial assets due to changes in market value. Market risk comprises exchange rate risk, interest rate risk, interest premium risk, and gold price risk. In addition, the Bank operates under operational risk, which is the risk of human error or the failure of internal processes and systems.

- The assets side of the Central Bank's consolidated accounts consists primarily of foreign assets, which are held in the Bank's international reserves. The following is a statement on the main financial risk of the Central Bank, which is primarily due to the international reserves.

International reserves

- The international reserves are managed in accordance with rules of procedure on the maintenance of the reserves, which were updated in September 2018. The rules contain provisions on the distribution of responsibility for reserve management. They outline an investment policy, which determines the acceptable level of financial risk for the reserves, and an investment authorisation, which stipulates how reserve management shall be carried out.

Claims risk

- Below is an itemisation of the Bank's foreign exchange reserves, by type, credit rating, country of issuance, and counterparty.

<i>Type of issuer and counterparty in reserves:</i>	2019	2018
Principal issuers	67.9%	65.5%
Treasuries	47.0%	53.6%
Deposits with central banks and BIS	20.9%	11.9%
Liquid sovereigns	8.5%	9.3%
Treasuries	4.5%	5.0%
Deposits with central banks	4.0%	4.3%
High credit ratings	17.9%	19.6%
Other issuers	1.7%	1.3%
Deposits with financial institutions	0.2%	0.2%
Balance with IMF	3.8%	4.1%

Amounts are in ISK thousands.

- Issuers and counterparties of the Central Bank with respect to reserve management fall into four categories. Principal issuers are those that are considered, and have historically proven to be, the safest options in case of shocks, but they generally bear lower interest rates than others with similar credit ratings and equal liquidity when markets are in balance. Liquid sovereigns are treasuries and central banks of countries considered highly liquid but not included with principal issuers. The third category includes issuers and counterparties that, under normal circumstances, would be considered to represent limited issuer risk and good liquidity. The fourth category includes other permitted issuers and counterparties.

Credit ratings of issuers and counterparties in the international reserves

<i>Credit rating</i>	<i>2019</i>	<i>2018</i>
AAA	72.9%	73.0%
AA+	4.1%	4.2%
AA	15.0%	14.6%
AA-	1.1%	1.3%
A+	4.2%	4.2%
A	0.7%	0.1%
A-	0.1%	0.1%
BBB+	-	0.2%
BBB	0.6%	0.9%
Gold	1.4%	1.3%

- Deposits with central banks and the Bank for International Settlements in the foreign exchange reserves comprise 25% of the reserves. In general, central banks are not assigned credit ratings, and their creditworthiness is deemed to be the same as that of the sovereign. It is assumed that the Bank for International Settlements has a credit rating of AAA (counterparty risk).
- Deposits with commercial banks in the foreign exchange reserves generally account for less than 1% of the reserves and are in various currencies at various banks. The Bank attempts to keep these deposits at a minimum (counterparty risk).

Distribution of foreign assets in the international reserves, by country of issuance/counterparty:

Country	Credit rating	2019	2018
United States	AAA	31.7%	36.0%
Germany	AAA	24.2%	20.4%
United Kingdom	AA	10.3%	10.2%
International institutions	AAA	9.2%	8.4%
Bank for International Settlements (BIS)*	AAA	5.5%	5.5%
France	AA	4.5%	4.7%
Netherlands	AAA	4.0%	4.1%
Japan	A+	4.0%	4.2%
Finland	AA+	1.9%	1.7%
Belgium	AA	0.7%	0.4%
Spain	A	0.7%	0.2%
Sweden	AAA	0.7%	0.5%
Austria	AAA	0.5%	0.5%
Denmark	AA+	0.2%	0.5%
Ireland	A+	0.2%	0.0%
Canada	AAA	0.2%	0.2%
Italy	BBB	0.2%	0.5%
China	A+	0.2%	0.2%
Luxembourg	AAA	0.0%	0.0%
Switzerland	AAA	0.0%	0.0%
Norway	AAA	0.0%	0.2%
Australia	AAA	0.0%	0.2%
Gold	AAA	1.4%	1.3%

* The Bank for International Settlements is owned by a large number of central banks and is therefore not classified under a given country.

Settlement risk

- Settlement risk is the risk that settlement will not take place as expected; for instance, if a counterparty does not deliver securities when the Bank has delivered payment, etc. Because of the low number of transactions, settlement risk in the international reserves is generally very limited. The largest transactions are usually bond trades, which are not settled by the securities depository until both securities and payment are delivered; therefore, settlement risk is limited. The Bank's framework for claims risk and liquidity risk sets boundaries for settlement risk.

Liquidity risk

- Liquidity risk is the risk that the Central Bank will be unable to fulfil its tasks and commitments due to insufficient assets, inability to sell assets in time, or inability to sell assets except at significant discounts. The vast majority of the Bank's foreign exchange reserves are invested in highly liquid securities, deposits in central banks, and deposits with the Bank for International Settlements. Highly liquid assets are defined as bonds denominated in US dollars, euros, or pounds sterling and issued by the state in the state's own currency, and deposits with the central banks in these coun-

tries/regions or the Bank for International Settlements. Issuers of securities must have a minimum credit rating of AA in order for the instruments to be classified as highly liquid assets. Highly liquid assets accounted for 74% of the Central Bank's international reserves at the end of 2019.

- The following table specifies the Central Bank's total assets and liabilities, by maturity. The table shows the difference based on foreign and domestic maturities.

Outstanding balances of assets and liabilities in domestic and foreign currency 2018 (in ISK millions):

	Available for withdrawal	< 3 months.	3-12 months	1-5 years	> 5 years	Total
<i>Foreign-denominated assets</i>						
Gold	9,576					9,576
Foreign assets	666,057	48,572	606	280		715,515
Foreign currency balance with IMF	11,314					11,314
Other assets	54					54
<i>ISK-denominated assets</i>						
Domestic financial assets	1			6,094		6,095
Fixed assets and liquid assets	7,187					7,187
Other assets	4,700		12	184		4,897
	<u>698,889</u>	<u>48,572</u>	<u>618</u>	<u>6,558</u>	<u>0</u>	<u>754,637</u>
<i>Foreign-denominated liabilities</i>						
Counterpart to IMF	18,186					18,186
Deposits of financial institutions...	573					573
Other deposits	89,685					89,685
Domestic financial liabilities				678	678	
Other liabilities	22					22
<i>ISK-denominated liabilities</i>						
Banknotes and coin	72,773					72,773
Foreign liabilities			24,357			24,357
Deposits of financial institutions...	80,088					80,088
Other deposits	178,225					178,225
Domestic financial liabilities		198,563	11,848		20,533	230,944
Pension obligations		14	28	127	25	194
Other liabilities		523	55			578
	<u>439,552</u>	<u>199,101</u>	<u>36,287</u>	<u>127</u>	<u>21,235</u>	<u>696,303</u>
Foreign maturity gap	<u>578,535</u>	<u>48,572</u>	<u>606</u>	<u>280</u>	<u>(678)</u>	<u>627,315</u>
Domestic maturity gap	<u>(319,199)</u>	<u>(199,101)</u>	<u>(36,275)</u>	<u>6,152</u>	<u>(20,557)</u>	<u>(568,980)</u>
Total balance	<u>259,337</u>	<u>(150,529)</u>	<u>(35,669)</u>	<u>6,432</u>	<u>(21,235)</u>	<u>58,335</u>

Amounts are in ISK thousands.

Outstanding balances of assets and liabilities in domestic and foreign currency 2019 (in ISK millions):

	Available for withdrawal	< 3 months	3-12 months	1-5 years	> 5 years	Total
<i>Foreign-denominated assets</i>						
Gold	11,720					11,720
Foreign assets	731,045	67,057	385	129		798,616
Foreign currency balance with IMF		11,723				11,723
Other assets	147					147
<i>ISK-denominated assets</i>						
Domestic financial assets	38			6,011		6,049
Fixed assets and liquid assets	8,558					8,558
Other assets	2,650		11	184		2,846
	<u>765,881</u>	<u>67,057</u>	<u>396</u>	<u>6,324</u>	<u>0</u>	<u>839,658</u>
<i>Foreign-denominated liabilities</i>						
Counterpart to IMF	18,843					18,843
Other deposits	156,977					156,977
Domestic financial liabilities				385		385
Other liabilities	11					11
<i>ISK-denominated liabilities</i>						
Banknotes and coin	74,734					74,734
Foreign liabilities			7,516			7,516
Deposits of financial institutions	74,771					74,771
Other deposits	124,510					124,510
Domestic financial liabilities		245,476	32,697		20,850	299,023
Pension obligations		10	41	101	22	174
Other liabilities		710	22			732
	<u>449,846</u>	<u>246,197</u>	<u>40,276</u>	<u>486</u>	<u>20,872</u>	<u>757,676</u>
Foreign maturity gap	<u>578,805</u>	<u>67,057</u>	<u>385</u>	<u>(256)</u>	<u>0</u>	<u>645,991</u>
Domestic maturity gap	<u>(262,770)</u>	<u>(246,197)</u>	<u>(40,265)</u>	<u>6,094</u>	<u>(20,872)</u>	<u>(564,009)</u>
Total balance	<u>316,035</u>	<u>(179,139)</u>	<u>(39,880)</u>	<u>5,838</u>	<u>(20,872)</u>	<u>81,982</u>

Market risk

- Exchange rate risk is the risk of loss due to changes in the exchange rate of foreign currencies vis-à-vis the Icelandic króna. Attempts are made to minimise the Bank's exchange rate risk at all times by keeping assets in the same currencies and the same amounts as foreign liabilities, insofar as is possible. The exchange rate risk exposure of the Bank's net foreign exchange assets (foreign exchange balance) is then kept in a given currency composi-

tion. The Bank uses derivatives to manage its exchange rate risk. The Central Bank's foreign exchange balance was as follows at year-end 2018 and 2019:

Currencies in financial assets and liabilities 2018 (in ISK millions):

Assets:	Euro	US dollar	Pound sterling	Yen	Other currencies	Gold	Total
Gold						9,576	9,576
Foreign assets.....	229,393	357,082	92,763	32,570	3,706		715,515
FX balance with the IMF.....	3,607	4,739	888	878	1,203		11,314
Other assets.....	51	2					54
	<u>233,051</u>	<u>361,823</u>	<u>93,651</u>	<u>33,448</u>	<u>4,909</u>	<u>9,576</u>	<u>736,458</u>
<i>Liabilities:</i>							
Counterpart to IMF	5,798	7,617	1,427	1,411	1,933		18,186
Deposits of financial institutions	342				230		573
Other deposits.....	90,114	196	1		53		90,364
Domestic financial liabilities ...	1		3				5
Other liabilities.....	13	3					17
	<u>96,269</u>	<u>7,816</u>	<u>1,431</u>	<u>1,411</u>	<u>2,217</u>	<u>0</u>	<u>109,144</u>
Net ISK assets.....	<u>136,783</u>	<u>354,007</u>	<u>92,452</u>	<u>32,037</u>	<u>2,692</u>	<u>9,576</u>	<u>627,548</u>

Currencies in financial assets and liabilities 2019 (in ISK millions):

Assets:	Euro	US dollar	Pound sterling	Yen	Other currencies	Gold	Total
Gold						11,720	11,720
Foreign assets.....	293,128	367,625	99,990	34,244	3,647		798,635
Foreign currency balance with IMF	3,738	4,910	920	910	1,246		11,723
Other assets.....	136	2	9				147
	<u>297,002</u>	<u>372,538</u>	<u>100,919</u>	<u>35,154</u>	<u>4,893</u>	<u>11,720</u>	<u>822,225</u>
<i>Liabilities:</i>							
Counterpart to IMF	6,007	7,892	1,478	1,462	2,003		18,843
Other deposits.....	156,833	144	1				156,978
Domestic financial liabilities ...	4		6				9
Other liabilities.....	385						385
	<u>163,229</u>	<u>8,036</u>	<u>1,485</u>	<u>1,462</u>	<u>2,003</u>	<u>0</u>	<u>176,215</u>
Net ISK assets.....	<u>133,774</u>	<u>364,502</u>	<u>99,433</u>	<u>33,692</u>	<u>2,890</u>	<u>11,720</u>	<u>646,010</u>

- The following table shows the net recognised impact on foreign exchange positions of a 10% change in the value of the Icelandic króna vis-à-vis other currencies, calculated using the balance of the currencies in the reserves. This sensitivity analysis does not include an examination of the correlation between the currency

cross in question and other market risk. A depreciation of the króna would have a positive impact on the reserves, and an appreciation would have a negative impact. The table shows only the impact of a change on that date, not the impact of a 10% change in exchange rate over the year.

	2019 +/- 10% (m.kr.)	2018 +/- 10% (m.kr.)
USD	37,241	35,430
EUR	29,658	22,639
GBP	10,128	9,257
JPY	3,530	8,391

Interest rate risk

- Interest rate risk is the risk of loss due to changes in market interest rates. The Bank's investment strategy aims at enabling the Bank to be able to fulfil its tasks and commitments at all times. As a consequence, the Bank attempts to invest in foreign assets that are liquid and issued by reliable parties. However, returns are also considered. Interest rate risk in foreign currencies is reduced by using assets to offset liabilities.

Gold price risk

- Gold is a part of the foreign exchange reserves, and changes in its market price therefore constitute a risk for the Bank. Gold does not comprise a large share of the reserves, however; the Bank owns about 64,000 ounces of gold, or 1.4% of the international reserves. The Bank did not loan gold to other financial institutions during the year.

Market transactions

- The Bank's market transactions with domestic financial institutions are of two types: short-term collateralised loans granted by the Bank to financial institutions, and financial institutions' deposits with the Bank.
- The claims risk attached to Central Bank loan facilities is negligible. Collateral accepted by the Central Bank for these loans is issued by the Icelandic Government, bears a Treasury guarantee, or consists of deposits held with the Central Bank. The Central Bank grants loans for short periods of time. If a counterparty is unable to repay the loan, the Bank retains the underlying collateral. The Bank always takes delivery of the collateral before granting the loan and does not return it until the loan has been repaid. As a result, its settlement risk is negligible.

- Market risk is limited. The Bank monitors the market price of collateral it accepts for loans or as payment system collateral. A haircut is always taken from the market price before the loan is granted. In case of a change in the market price of assets, the Bank may require immediate delivery of additional collateral.
- Liquidity risk vis-à-vis the Central Bank is negligible. All regular transactions with financial institutions are conducted in Icelandic krónur, and there is little likelihood that the Central Bank will be unable to meet its obligations.

APPENDICES

Press releases from the Central Bank of Iceland 2019

No.	1	11 January 2019	Central Bank of Iceland receives equal pay certification
–	2	18 January 2019	Foreign exchange market, exchange rate developments, and international reserves 2018
–	3	31 January 2019	Statement regarding Nordic-Baltic financial crisis simulation, January 2019
–	4	6 February 2019	Statement of the Monetary Policy Committee 6 February 2019
–	5	4 March 2019	Current account surplus 300 m.kr. in Q4/2018 – net IIP positive by 276 b.kr.
–	6	4 March 2019	Removal of capital controls on holders of offshore krónur and reduction of special reserve requirement on capital inflows
–	7	20 March 2019	Statement of the Monetary Policy Committee 20 March 2019
–	8	29 April 2019	Newly established Payment Council holds inaugural meeting
–	9	2 May 2019	Capital controls surveillance no longer a separate Central Bank department
–	10	22 May 2019	Statement of the Monetary Policy Committee 22 May 2019
–	11	27 May 2019	Amended Rules on securities eligible as collateral for Central Bank facilities
–	12	29 May 2019	Interest on Central Bank of Iceland certificate of deposit CBI2016
–	13	3 June 2019	Current account surplus 35.1 b.kr. in Q1/2019. Net IIP positive by 597 b.kr.
–	14	26 June 2019	Statement of the Monetary Policy Committee 26 June 2019
–	15	5 July 2019	Annual General Meeting of the Bank for International Settlements
–	16	24 July 2019	Ásgeir Jónsson appointed Governor
–	17	28 August 2019	Statement of the Monetary Policy Committee 28 August 2019
–	18	2 September 2019	Current account surplus 11.1 b.kr. in Q2/2019 – net IIP positive by 628 b.kr.
–	20	2 October 2019	Statement of the Monetary Policy Committee 2 October 2019
–	21	9 October 2019	Changes in exchange rate listing
–	22	14 October 2019	Restrictions on transactions with the Central Bank
–	23	6 November 2019	Statement of the Monetary Policy Committee 6 November 2019
–	24	2 December 2019	Current account surplus 63 b.kr. in Q3/2019 – net IIP positive by 714 b.kr.
–	25	11 December 2019	Statement of the Monetary Policy Committee 11 December 2019
–	26	18 December 2019	Central Bank to discontinue 9- and 12-month REIBOR listings in mid-2020

Publications by the Central Bank of Iceland 2019

In Icelandic:

Ársskýrsla 2018

Fjármálastöðugleiki 2019, two issues

Peningamál 2019, four issues

Fjármálainnviðir 2019

Hagvísar 2019, four issues

In English:

Annual Report 2018

Financial Stability 2019, two issues

Monetary Bulletin 2019, four issues

Economic Indicators 2019, four issues

Central Bank of Iceland Working Paper No. 79, The Central Bank of Iceland's Liquidity Management System by Ragnheidur Jónsdóttir (March 2019)

Central Bank of Iceland Working Paper No. 80, Financial cycles as early warning indicators: Lessons from the Nordic region by Öundur Páll Ragnarsson, Jón Magnús Hannesson og Loftur Hreinsson (March 2019)

Central Bank of Iceland Working Paper No. 81, Long-term inflation expectations and inflation dynamics by Thórarinn G. Pétursson (August 2019)

Central Bank of Iceland Working Paper No. 82, A Quarterly Macroeconomics Model of the Icelandic Economy Version 4.0 by Ásgeir Daníelsson, Lúdvík Elíasson, Magnús F. Gudmundsson, Svava J. Haraldsdóttir, Lilja S. Kro, Thórarinn G. Pétursson og Thorsteinn S. Sveinsson (December 2019)

TABLES

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Table 1 Central Bank interest rates¹

	<i>CBI current accounts, nominal rate</i>	<i>Reserve requirements, nominal rate</i>	<i>Overnight lending, discount rate</i>	<i>7-day collateral lending, nominal rate</i>	<i>28-day certificate of deposit, max. rate</i>	<i>7-day term deposits</i>
12 February 2014	5.00	5.00	7.00	6.00	5.75	
19 March 2014	5.00	5.00	7.00	6.00	5.75	
21 May 2014	5.00	5.00	7.00	6.00		5.25
11 June 2014	5.00	5.00	7.00	6.00		5.25
20 August 2014	5.00	5.00	7.00	6.00		5.25
1 October 2014	5.00	5.00	7.00	6.00		5.25
5 November 2014	4.75	4.75	6.75	5.75		5.00
10 December 2014	4.25	4.25	6.25	5.25		4.50
4 February 2015	4.25	4.25	6.25	5.25		4.50
18 March 2015	4.25	4.25	6.25	5.25		4.50
13 May 2015	4.25	4.25	6.25	5.25		4.50
10 June 2015	4.75	4.75	6.75	5.75		5.00
19 August 2015	5.25	5.25	7.25	6.25		5.50
30 September 2015	5.25	5.25	7.25	6.25		5.50
4 November 2015	5.50	5.50	7.50	6.50		5.75
9 December 2015	5.50	5.50	7.50	6.50		5.75
10 February 2016	5.50	5.50	7.50	6.50		5.75
16 March 2016	5.50	5.50	7.50	6.50		5.75
11 May 2016	5.50	5.50	7.50	6.50		5.75
1 June 2016	5.50	5.50	7.50	6.50		5.75
24 August 2016	5.00	5.00	7.00	6.00		5.25
5 October 2016	5.00	5.00	7.00	6.00		5.25
16 November 2016	5.00	5.00	7.00	6.00		5.25
14 December 2016	4.75	4.75	6.75	5.75		5.00
8 February 2017	4.75	4.75	6.75	5.75		5.00
15 March 2017	4.75	4.75	6.75	5.75		5.00
17 May 2017	4.50	4.50	6.50	5.50		4.75
14 June 2017	4.25	4.25	6.25	5.25		4.50
23 August 2017	4.25	4.25	6.25	5.25		4.50
4 October 2017	4.00	4.00	6.00	5.00		4.25
15 November 2017	4.00	4.00	6.00	5.00		4.25
13 December 2017	4.00	4.00	6.00	5.00		4.25
7 February 2018	4.00	4.00	6.00	5.00		4.25
14 March 2018	4.00	4.00	6.00	5.00		4.25
16 May 2018	4.00	4.00	6.00	5.00		4.25
13 June 2018	4.00	4.00	6.00	5.00		4.25
29 August 2018	4.00	4.00	6.00	5.00		4.25
3 October 2018	4.00	4.00	6.00	5.00		4.25
7 November 2018	4.25	4.25	6.25	5.25		4.50
12 December 2018	4.25	4.25	6.25	5.25		4.50
6 February 2019	4.25	4.25	6.25	5.25		4.50
20 March 2019	4.25	4.25	6.25	5.25		4.50
22 May 2019	3.75	3.75	5.75	4.75		4.00
26 June 2019	3.50	3.50	5.50	4.50		3.75
28 August 2019	3.25	3.25	5.25	4.25		3.50
2 October 2019	3.00	3.00	5.00	4.00		3.25
6 November 2019	2.75	2.75	4.75	3.75		3.00
11 December 2019	2.75	2.75	4.75	3.75		3.00

1. Rates on published day, except for current accounts and required deposits, which change on the 1st, 11th, or 21st of each month. From the 14th of December 2016 and onwards, all rates are changed on published day.

Table 2 Exchange rate indices

	Narrow trade index ¹	Average exchange rate index ²			Real exchange rate ³ 2005=100			
		Based on import weights		Based on export weights	Based on relative prices		Based on unit labour cost	
		Average			Index	% change	Index	% change
2001	121.4	115.4	115.1	115.3	75.7	-13.0	73.1	-13.7
2002	118.5	112.0	111.7	112.0	80.1	5.8	78.1	6.8
2003	113.4	105.3	104.8	105.4	85.4	6.6	85.0	8.8
2004	112.1	103.1	102.4	103.5	88.2	3.3	86.4	1.6
2005	100.8	92.6	91.9	93.0	100.0	13.5	100.0	15.7
2006	112.7	103.4	102.6	104.0	93.6	-6.5	97.5	-2.5
2007	110.9	100.9	99.9	101.5	98.6	5.3	101.4	4.0
2008	157.3	141.9	140.9	142.4	78.1	-20.8	73.2	-27.8
2009	210.6	191.0	190.0	191.4	63.6	-18.6	50.0	-31.7
2010	204.0	185.0	184.4	185.0	67.8	6.6	56.2	12.4
2011	204.5	183.5	183.0	183.3	68.4	0.9	59.6	6.0
2012	209.1	189.0	188.6	188.8	68.8	0.6	60.3	1.2
2013	206.5	186.3	185.9	186.1	71.4	3.8	62.7	4.0
2014	195.1	177.2	176.2	177.5	76.2	6.7	68.4	9.1
2015	189.5	176.3	175.0	177.1	79.1	3.8	74.0	8.2
2016	169.4	158.9	158.1	159.1	89.3	12.9	86.2	16.5
2017	151.2	141.1	140.6	141.1	99.9	11.9	100.3	16.4
2018	157.2	147.0	146.2	147.2	97.0	-2.9	99.7	-0.6
2019	170.6	160.0	159.1	160.4	90.4	-6.8	91.3	-8.4

1. The index shows the average exchange rate of foreign currencies against the Icelandic króna. 3 January 2000 = 100. 2. The index shows the average exchange rate of foreign currencies against the Icelandic króna. 31 December 1994 = 100. 3. The index shows the real exchange rate of the króna in terms of relative prices and wages in Iceland's main trading partner countries. 2005 = 100.

Table 3 Banknotes and coin in circulation by denomination

	2015		2016		2017		2018		2019	
	ISK thousands	%	ISK thousands	%	ISK thousands	%	ISK thousands	%	ISK thousands	%
<i>Notes:</i>										
10,000 kr.	20,057,500	38.2	27,742,500	47.2	33,577,500	52.3	38,892,500	56.6	42,607,500	60.4
5,000 kr.	26,056,000	49.6	23,868,500	40.6	22,788,500	35.5	21,593,500	31.4	19,621,000	27.8
2,000 kr.	238,000	0.5	229,000	0.4	220,000	0.3	216,000	0.3	214,000	0.3
1,000 kr.	44,876,000	9.3	5,535,500	9.4	6,084,500	9.5	6,333,500	9.2	6,344,000	9.0
500 kr.	1,280,000	2.4	1,445,000	2.5	1,559,250	2.4	1,704,500	2.5	1,730,250	2.5
Samtals	52,507,500	100.0	58,820,500	100.0	64,229,750	100.0	68,740,000	100.0	70,516,750	100.0
<i>Coin:</i>										
100 kr.	1,905,300	60.2	2,142,300	61.1	2,335,500	61.8	2,521,200	62.5	2,660,000	63.1
50 kr.	532,540	16.8	592,740	16.9	638,090	16.9	679,790	16.9	706,590	16.8
10 kr.	500,730	15.8	537,410	15.3	561,430	14.9	584,190	14.5	600,780	14.2
5 kr.	114,609	3.6	120,454	3.4	125,169	3.3	128,359	3.2	130,304	3.1
1 kr.	110,458	3.5	114,539	3.3	117,455	3.1	119,599	3.0	119,995	2.8
Total	3,163,637	100.0	3,507,443	100.0	3,777,644	100.0	4,033,138	100.0	4,217,669	100.0
Total in circulation	55,671,137		62,327,943		68,007,394		72,773,138		74,734,419	

Table 4 Summary of the accounts of deposit money banks¹

<i>M.kr. at year-end</i>	2013	2014	2015	2016	2017	2018	2019
<i>Assets:</i>							
Domestic assets, total	2,590,418	2,602,667	2,848,550	2,970,654	3,080,546	3,267,893	3,408,287
Cash and cash balances with Central Bank	184,184	139,069	294,599	385,056	378,700	293,870	329,924
Deposits in domestic banks	3,993	5,286	2,888	4,176	6,075	658	610
Domestic credit and marketable securities	2,211,173	2,314,376	2,421,376	2,461,081	2,582,965	2,861,096	2,966,220
Lending	1,860,835	1,939,689	2,025,061	2,136,566	2,357,794	2,658,135	2,734,759
Redeemed liabilities	364	237	56	32	172	121	1,208
Overdrafts	181,882	176,407	174,058	159,861	161,421	172,096	175,303
Bills	223	141	29	0	0	0	0
Unindexed bonds	754,046	774,870	778,048	794,271	860,684	1,020,383	1,117,877
Indexed bonds	834,788	783,035	815,027	902,996	989,590	1,044,223	990,071
Foreign currency bonds	402,652	362,942	349,405	320,431	366,185	423,294	471,591
Foreign currency overdrafts	20,208	21,269	20,322	34,321	29,812	34,397	25,620
Provisions	-333,329	-179,212	-111,884	-75,344	-50,069	-36,380	-46,910
Leasing contracts	40,860	40,654	47,144	51,174	49,970	49,927	49,820
Marketable bonds and bills	266,856	270,133	263,711	206,056	116,001	95,842	104,980
Equities	42,623	63,900	85,460	67,284	59,199	57,192	76,662
Derivatives	2,312	2,143	3,178	5,367	5,951	6,240	5,270
Share in associates	24,200	9,244	2,075	2,045	2,778	3,898	3,772
Share in affiliated undertakings	80,214	71,116	65,095	61,391	52,583	39,935	40,696
Other assets	84,342	61,433	59,339	51,539	51,494	62,195	61,794
Foreign assets, total	437,998	394,722	348,513	251,208	324,275	413,595	366,181
Deposits in foreign banks	84,187	91,729	99,074	56,299	77,887	107,039	63,887
Foreign credit marketable securities	348,582	297,602	243,646	188,183	233,895	293,474	285,592
Foreign lending	298,374	168,881	156,393	145,876	138,108	156,483	140,784
Provisions	-114,296	-6,405	-13,793	-13,457	-4,251	-3,211	-3,238
Marketable bonds and bills	163,054	133,415	99,227	53,590	85,778	137,139	145,433
Equities	1,451	1,709	1,818	2,175	14,260	3,063	2,613
Derivatives	864	1,167	1,955	2,328	7,951	8,233	10,749
Share in associates	0	0	0	0	0	0	0
Share in affiliated undertakings	1,320	1,076	26	23	16	14	9
Other assets	3,045	3,149	3,811	4,375	4,527	4,835	5,944
Assets, total	3,028,416	2,997,389	3,197,062	3,221,861	3,404,821	3,681,488	3,774,468
<i>Liabilities :</i>							
Domestic liabilities, total	2,333,757	2,242,985	2,256,318	2,073,439	2,146,706	2,372,585	2,479,114
Central Bank facilities	53,536	57,253	56,163	93	0	979	1,619
Deposits of residents, total	1,507,208	1,608,177	1,695,739	1,613,703	1,689,204	1,807,724	1,929,952
Current accounts	341,828	341,463	352,955	415,612	442,542	449,053	471,562
Current accounts in foreign currency	41,196	28,038	33,446	15,278	20,819	14,804	20,186
Sight deposits	515,790	572,154	552,629	519,050	571,616	648,178	680,922
Indexed deposits	210,213	192,856	178,820	163,112	153,826	155,922	158,538
Holiday pay accounts	8,446	9,125	10,134	11,280	12,412	13,390	14,071
Supplementary pension deposits	93,750	99,198	106,678	114,552	124,639	138,178	150,374
Other time deposits	295,985	365,343	461,077	374,818	363,351	388,199	434,298
Deposits from deposit taking corporations	133,816	17,351	4,593	1,521	1,555	2,102	2,375
Bond issue	179,333	181,652	235,043	301,852	381,545	480,400	468,361
Subordinated loans	55,129	54,239	30,590	506	194	58	119
Direct borrowing	279,614	229,196	145,407	65,234	396	911	1,024
Derivatives	34,299	19,002	19,641	9,774	8,853	13,299	12,715
Other liabilities	90,822	76,115	69,143	80,756	64,958	67,113	62,949
Foreign liabilities, total	143,927	150,800	282,531	508,325	600,777	683,834	667,744
Deposits from foreign deposit taking corporations	57,966	46,931	49,082	18,908	15,771	20,619	19,848
Deposits from foreign parties, other than deposit taking corporations	67,362	66,266	50,766	76,405	65,788	63,610	57,411

Table 4 Summary of the accounts of deposit money banks (cont.)¹

<i>M.kr. at year-end</i>	2013	2014	2015	2016	2017	2018	2019
Derivatives	128	125	1,238	1,375	2,581	2,234	2,195
Bond issue	18,294	37,262	175,207	406,055	503,785	577,328	568,535
Direct borrowing	0	0	6,138	5,169	12,703	19,958	19,497
Other foreign liabilities	177	216	100	413	148	86	258
Total equity and minority interest	550,732	603,604	658,214	640,097	657,338	625,069	627,610
Total liabilities and equity	3,028,416	2,997,389	3,197,062	3,221,861	3,404,821	3,681,488	3,774,468

1. The latest data are preliminary. The data only represent DMBs that are operating at each time.

Table 5 Summary of the accounts of the banking system¹

<i>M.kr. at year-end</i>	2013	2014	2015	2016	2017	2018	2019
Foreign assets, total	925,622	924,958	1,001,522	1,067,803	1,011,728	1,150,184	1,188,425
Foreign credit and marketable securities	780,348	778,115	734,309	855,292	787,131	870,760	854,516
Other foreign assets	145,275	146,843	267,212	212,512	224,596	279,424	333,910
Foreign liabilities, total	316,217	239,804	313,771	547,041	628,407	709,457	682,557
Foreign bond issue	18,294	37,262	175,207	406,055	503,785	577,328	568,535
Other foreign liabilities	297,923	202,542	138,565	140,986	124,622	132,129	114,022
Domestic assets, total	2,862,512	2,832,981	2,792,887	2,669,461	2,778,726	2,991,456	3,064,189
Domestic credit and marketable securities	2,390,705	2,470,081	2,521,943	2,504,163	2,644,648	2,867,093	2,972,155
Treasury and Government institutions	393,879	371,800	309,627	206,613	125,204	36,913	38,753
Municipalities	12,844	18,931	19,626	18,365	21,387	22,220	24,422
Financial companies	46,745	82,318	51,252	46,698	58,447	82,336	97,194
Holding companies	234,287	179,256	177,708	147,368	136,909	132,652	144,847
Non-financial companies	1,171,214	1,102,579	1,160,414	1,201,628	1,325,845	1,487,558	1,524,874
Households	865,065	887,453	907,667	951,104	1,020,813	1,134,204	1,183,548
Non-profit institutions serving households	0	6,955	7,534	7,731	6,112	7,590	5,428
Provisions	-333,329	-179,212	-111,884	-75,344	-50,069	-36,380	-46,910
Other domestic assets	471,807	362,901	270,944	165,299	134,078	124,364	92,034
Domestic liabilities, total	3,471,917	3,518,135	3,480,637	3,190,224	3,162,047	3,432,184	3,570,057
Broad money and bonds (M4) ²	1,703,647	1,813,507	1,957,834	1,944,788	2,107,190	2,326,697	2,436,342
Domestic bond issue	179,333	181,652	235,043	301,852	381,545	480,400	468,361
Broad money (M3)	1,524,314	1,631,855	1,722,792	1,642,936	1,725,644	1,846,298	1,967,982
Time deposits	604,200	663,068	754,656	662,163	653,131	694,370	755,986
Money supply and sight deposits (M2)	920,114	968,788	968,135	980,772	1,072,513	1,151,927	1,211,996
Sight deposits	504,357	561,074	538,682	501,211	556,156	631,310	661,828
Money supply (M1)	415,757	407,713	429,453	479,561	516,358	520,618	550,168
Demand deposits	374,140	363,686	380,549	424,464	456,064	456,269	483,443
Notes and coin in circulation	41,617	44,028	48,904	55,097	60,294	64,349	66,725
Other domestic liabilities	1,768,270	1,704,628	1,522,803	1,245,436	1,054,857	1,105,486	1,133,715
Equity	640,539	678,631	736,973	684,165	679,540	683,403	709,592
Other domestic liabilities n.i.e.	1,127,731	1,025,997	785,830	561,271	375,317	422,083	424,124
Liabilities and equity, total	3,788,134	3,757,939	3,794,408	3,737,265	3,790,454	4,141,640	4,252,614

1. The latest data is preliminary. The data only represents DMBs that are operating at each time. 2. The money supply compilations include the deposits of all entities other than the Central Bank, deposit-taking institutions, the Treasury, and non-residents.

Table 6 Liquidity and reserve ratios in %¹

<i>Effective date:</i>	<i>Total reserve requirement ratio</i>	<i>Applied reserve requirement, averaging</i>	<i>Effective date:</i>	<i>Total reserve requirement ratio</i>	<i>Applied reserve requirement averaging</i>	<i>Applied reserve requirement, fixed</i>
1 June 1979	28.0	28.0	1 December 1992	5.0	5.0	
17 April 1985	18.0	18.0	1 November 1993	4.0 (2.5) ²	4.0	
1 March 1987	13.0	13.0	21 May 1998	4.0 (1.5) ²	4.0	
1 August 1988	12.0	12.0	21 March 2003	3.0 (1.0) ²	3.0	
1 March 1989	11.0	11.0	21 December 2003	2.0 (0.0) ³	2.0	
1 May 1990	10.0	10.0	21 October 2015	4.0 (0.0) ⁴	4.0	
1 June 1990	7.0	7.0	21 December 2015	2.5 (0.0) ⁴	2.5	
31 October 1991	6.0	6.0	21 June 2016	2.0 (0.0) ⁴	2.0	
1 January 1992	7.0	7.0	21 June 2018	2.0 (0.0) ⁵	1.0	1.0
1 November 1992	6.0	6.0				

1. Percentage of bank total deposits as of 1 June 1979, of domestic disposable funds as of 1 March 1989, and of all disposable funds as of 21 May 1998. 2. Figure in parentheses refers to the reserve ratio for bond issues and term deposits. 3. Figure in parentheses refers to the reserve ratio for deposits and bond issues with an original maturity of more than two years, and securities eligible as collateral for transactions with the Central Bank. 4. Figure in parentheses refers to the reserve ratio for deposits and bond issues with maturity more than two years, according to rules on reserves ratio no. 870 from 30 September 2015. 5. Change in credit institutions minimum reserve requirements according to rules on reserves ratio no. 585 from 4 June 2018.

Table 7 Main interest rates announced pursuant to Article 10, Paragraph 2, and Temporary Provision III of the Act on Interest and Price Indexation, no. 38/2001

<i>2019</i>	<i>Non-indexed loans</i>	<i>Indexed loans</i>	<i>Penalty rates</i>	<i>General interest damage claims</i>
1 January	6.00	3.55	12.25	4.00
1 February	6.00	3.55	12.25	4.00
1 March	6.00	3.55	12.25	4.00
1 April	6.00	3.55	12.25	4.00
1 May	6.00	3.55	12.25	4.00
1 June	6.00	3.55	11.75	4.00
1 July	5.60	3.25	11.75	3.73
1 August	5.40	3.19	11.50	3.60
1 September	5.40	3.19	11.50	3.60
1 October	5.30	3.09	11.25	3.53
1 November	5.20	2.90	11.00	3.47
1 December	5.20	2.90	10.75	3.47
Average 2019	5.67	3.32	11.73	3.78
Average 2018	5.71	3.65	12.02	3.80

Table 8 Selected annual nominal yields of deposit money banks and penalty rates in % per annum

	<i>Non-indexed loans¹</i>		<i>Indexed loans¹</i>		<i>Penalty rates</i>		<i>Credit terms index, 12-month change³</i>
	<i>Nominal²</i>	<i>Real</i>	<i>Nominal²</i>	<i>Real</i>	<i>Nominal²</i>	<i>Real</i>	
2008	20.5	3.6	28.1	10.1	25.8	8.1	16.4
2009	16.4	7.1	17.3	8.0	21.2	11.6	8.6
2010	10.4	7.6	9.1	6.4	15.1	12.1	2.6
2011	7.7	2.4	11.7	6.1	11.4	5.9	5.2
2012	8.2	3.5	10.6	5.8	12.4	7.5	4.5
2013	8.2	4.4	9.1	5.3	13.0	9.0	3.7
2014	7.8	6.7	6.4	5.3	13.0	11.8	1.0
2015	7.6	5.5	7.3	5.2	12.7	10.5	2.0
2016	8.3	6.0	7.5	5.3	13.4	11.1	2.1
2017	7.3	5.5	7.0	5.2	12.4	10.5	1.7
2018	6.9	3.6	8.6	5.2	12.0	8.5	3.3
2019	7.0	4.2	8.1	5.3	11.7	8.8	2.7

1. Weighted average interest rate on new loans. 2. Flat interest. 3. Change in credit terms index (between January values), according to Statistics Iceland.

Table 9 Balance Sheet of the Central Bank of Iceland¹

M.kr.	Year-end					
	2013	2014	2015	2016	2017	2018
Assets:	1,003,777	957,277	948,340	900,649	764,530	755,189
<i>Foreign assets</i>	487,624	530,236	653,009	816,596	687,452	736,589
Gold	8,817	9,598	8,790	8,310	8,732	9,576
SDR	953	1,014	20,072	16,963	16,674	18,249
Currency balance with the IMF	3,326	3,447	3,369	10,596	10,389	11,314
Foreign deposits	42,578	35,375	129,809	111,841	96,728	119,095
Foreign securities	431,765	480,514	490,663	667,109	553,236	577,285
Other reserve assets	0	104	120	938	837	606
Other foreign assets	184	184	184	839	856	464
<i>Domestic assets</i>	516,153	427,041	295,331	84,053	77,077	18,600
<i>Deposit money banks</i>	53,327	57,048	55,993	162	78	0
Collateral loans	0	0	0	0	0	0
Overnight loans	0	0	0	0	0	0
Other claims in foreign currency	53,327	57,048	55,993	162	78	0
<i>Other financial institutions</i>	2,782	2,342	2,154	2,267	6,168	5,996
Listed securities	2,782	2,342	2,154	2,267	6,168	5,996
<i>Central government</i>	179,531	153,362	98,413	40,815	55,516	0
Listed securities	7,192	7,374	7,357	12,060	55,516	0
Bonds receivable	172,339	145,989	91,056	28,755	0	0
<i>Other sectors</i>	275,912	209,728	134,187	36,183	9,195	5,478
Sundry accounts	208	138	7,644	295	334	470
Equity holdings	25,207	30,053	11,682	35,889	8,861	5,007
Securities	250,498	179,537	114,862	0	0	0
<i>Properties</i>	4,226	4,202	4,152	4,102	5,441	6,260
<i>Other assets</i>	374	358	433	524	681	866
Liabilities and Capital:	1,003,777	957,277	948,340	900,649	764,530	755,189
<i>Foreign liabilities</i>	172,290	89,004	37,378	43,885	40,334	45,581
Short term	29,782	24,597	17,223	2,893	590	3,038
Long term	122,610	43,786	0	23,961	23,046	24,357
IMF SDR allocation	19,898	20,621	20,156	17,030	16,698	18,186
<i>Domestic liabilities</i>	741,680	793,247	832,202	812,697	701,994	651,274
<i>Notes and coin</i>	47,016	49,955	55,671	62,328	68,007	72,773
<i>Deposit money banks</i>	185,662	133,546	288,064	377,922	371,184	285,633
Sight deposits	51,643	31,372	48,254	44,762	79,678	72,454
Time deposits	0	100,602	239,064	283,537	277,441	200,789
Certificates of deposit	126,689	0	0	48,451	13,526	11,818
Other claims	77	0	1	2	0	0
Sight deposits in foreign currency	7,253	1,572	744	1,170	538	573
<i>Other financial institutions</i>	48,020	65,070	53,236	77,824	93,005	95,467
Sight deposits	18,273	36,072	31,753	70,815	80,984	77,131
Time deposits	0	5,059	3,015	7,010	12,021	18,307
Certificates of deposit	6,420	0	0	0	0	30
Sight deposits in foreign currency	14,133	13,909	8,414	0	0	0
Time deposits in foreign currency	9,194	10,030	10,054	0	0	0
<i>Central government</i>	404,706	514,372	392,458	255,995	160,473	194,975
Treasury current accounts	88,022	143,215	89,054	66,379	76,281	104,833
Government institutions, current accounts	2,157	2,735	1,732	2,085	1,107	1,077
Treasury sight deposits in foreign currency	306,636	360,885	301,344	184,917	81,148	86,583
Governm. institutions foreign exch. deposits	0	0	0	454	498	532
Treasury time deposits in foreign currency	7,891	7,452	0	0	0	0
Other claims	0	84	328	2,160	1,438	1,950
<i>Other liabilities</i>	56,276	30,304	42,774	38,628	9,324	2,425
<i>Capital and reserves</i>	89,807	75,027	78,760	44,067	22,202	58,335

1. Based on the Central Bank of Iceland annual accounts.

Month-end 2019

January	February	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.
775,881	770,839	781,689	772,353	783,317	858,049	823,176	855,146	841,993	855,116	829,909	840,240
757,562	752,654	765,494	756,138	767,005	841,752	806,659	838,764	825,471	838,385	813,417	822,244
10,152	10,087	10,027	9,960	10,265	11,228	11,035	12,208	11,736	11,879	11,239	11,720
18,903	18,822	19,258	19,034	19,328	19,577	18,824	19,427	19,102	19,347	18,810	19,021
11,718	11,652	11,921	11,782	11,947	12,101	11,633	11,989	11,788	11,939	11,594	11,723
122,559	116,655	120,317	129,137	137,754	192,770	189,548	197,082	193,290	195,545	198,310	210,158
593,164	594,386	602,888	585,239	586,661	605,012	574,802	597,201	588,724	598,838	572,720	568,924
606	593	614	605	638	676	438	473	450	455	438	385
460	458	469	380	413	389	379	384	380	383	307	313
18,318	18,186	16,195	16,215	16,312	16,298	16,517	16,381	16,522	16,730	16,492	17,996
0	0	0	0	0	0	0	0	0	0	0	38
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	38
5,971	5,909	6,106	6,092	6,198	6,198	6,272	6,136	6,178	6,118	6,052	5,935
5,971	5,909	6,106	6,092	6,198	6,198	6,272	6,136	6,178	6,118	6,052	5,935
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
5,217	5,078	2,900	2,925	2,912	2,912	3,054	3,051	3,166	3,430	3,253	3,600
209	180	61	86	72	73	215	212	327	590	413	444
5,007	4,897	1,474	1,474	1,474	1,474	1,474	1,474	1,474	1,474	1,474	1,773
0	0	1,365	1,365	1,365	1,365	1,365	1,365	1,365	1,365	1,365	1,382
6,260	6,260	6,241	6,241	6,241	6,222	6,222	6,222	6,203	6,203	6,203	7,388
871	939	948	957	960	965	968	972	975	979	983	1,035
775,881	770,839	781,689	772,353	783,317	858,049	823,176	855,146	841,993	855,116	829,909	840,240
46,732	60,919	61,400	61,001	60,352	60,660	59,760	63,321	62,775	65,222	34,008	34,310
3,526	3,171	3,200	3,073	3,081	3,156	3,023	6,083	5,859	8,063	7,857	7,951
24,368	39,020	39,038	38,989	38,070	38,055	38,036	37,969	37,969	37,968	7,516	7,516
18,837	18,728	19,162	18,939	19,201	19,449	18,700	19,270	18,948	19,191	18,634	18,843
650,422	634,661	630,436	629,668	630,722	695,329	688,502	690,501	690,877	694,624	720,439	723,948
69,460	69,464	69,286	69,166	69,298	70,862	71,641	70,886	71,064	71,288	71,513	74,734
284,953	298,990	286,846	278,981	285,830	299,853	275,730	288,070	311,116	321,308	339,829	352,465
57,292	62,810	63,701	77,187	60,644	40,559	49,708	55,026	58,445	41,936	40,466	57,154
215,093	213,383	212,716	192,590	216,650	250,914	218,139	226,313	247,520	274,562	264,715	262,619
11,980	22,214	10,428	9,204	8,536	8,380	7,884	6,732	5,152	4,810	34,649	32,692
0	0	0	0	0	0	0	0	0	0	0	0
588	583	0	0	0	0	0	0	0	0	0	0
99,459	98,418	115,379	113,806	118,215	105,255	119,898	87,242	74,960	71,821	79,359	61,519
89,681	86,055	103,379	95,765	109,978	97,933	114,880	81,128	64,590	66,506	74,852	57,807
9,749	12,333	11,971	18,011	8,207	7,292	5,002	6,109	10,364	5,310	4,502	3,706
30	30	30	30	30	29	16	5	5	5	5	5
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
194,396	165,778	156,910	165,847	155,215	217,522	219,423	241,862	231,886	228,189	227,383	233,428
100,830	74,528	57,340	61,368	49,607	48,464	46,664	64,901	65,360	58,859	62,972	70,153
1,339	948	1,540	2,002	1,869	764	971	706	883	506	662	80
89,210	88,496	89,541	88,567	89,934	154,314	147,811	152,277	149,064	153,198	148,222	151,458
555	551	557	249	252	258	247	254	4	5	4	44
0	0	0	0	0	0	0	0	0	0	0	0
2,462	1,255	7,931	13,661	13,553	13,723	23,729	23,724	16,574	15,623	15,522	11,693
2,154	2,012	2,014	1,869	2,164	1,838	1,810	2,440	1,851	2,018	2,354	1,802
78,727	75,260	89,853	81,683	92,243	102,061	74,914	101,324	88,340	95,270	75,462	81,982