



4 April 2024

Gylfi Magnússon, Chair of the Central Bank of Iceland Supervisory Board, at the 63rd Annual Meeting of the Central Bank, 4 April 2024

Madame Prime Minister, honourable Ministers, Speaker of Parliament, foreign ambassadors, honourable Governor and Deputy Governors, Central Bank officials and staff members, ladies and gentlemen: I hereby call to order the sixty-third annual meeting of the Central Bank of Iceland.

By law, the Central Bank of Iceland shall promote price stability, financial stability, and sound and secure financial activities. Three committees comprising the Governor, Deputy Governors, and outside experts are tasked with taking decisions on the application of policy instruments and other important matters. The Governor and Deputy Governors also take decisions jointly on matters outlined in Article 3, Paragraph 3 of the Act on the Central Bank of Iceland. The Governor directs and is responsible for the Bank's operations and is authorised to take decisions on all matters not entrusted to others by law. Ásgeir Jónsson has served as Governor since 2019 and has been reappointed for another five-year term beginning this coming August. During the year, Rannveig Sigurdardóttir was Deputy Governor for Monetary Policy, Gunnar Jakobsson was Deputy Governor for Financial Stability, and Unnur Gunnarsdóttir was Deputy Governor for Financial Supervision until the beginning of May, when she resigned and Björk Sigurgísladóttir was appointed Deputy Governor for Financial Supervision. In February 2023, Gylfi Zoëga stepped down from the Monetary Policy Committee after having

served as an external member since the Committee's inception in 2009. He was replaced by Ásgerdur Pétursdóttir. Early this year, Guðrún Thorleifsdóttir stepped down from the Financial Supervision Committee, and Erna Hjaltested was appointed to replace her.

The Supervisory Board monitors the Bank's compliance with the statutory provisions applying to its activities. In other respects, the Board undertakes such tasks as are outlined in Article 8 of the Central Bank Act, such as endorsing the Bank's annual accounts. At the end of 2023, Supervisory Board members were Thórunn Gudmundsdóttir (vice-chair), Arnar Bjarnason, Sigríður Á. Andersen, Kirstín Th. Flygenring, Sigurjón Arnórsson, and Thorsteinn Víglundsson, and I served as chair. The Supervisory Board held twelve meetings over the course of the year.

In June 2023, amendments were made to the Central Bank Act, centring on the tasks of the Financial Supervision Committee. Prior to the amendment, the Committee had been tasked with taking all decisions previously entrusted to the Financial Supervisory Authority by law or Governmental directive. The Committee was also authorised to entrust the Deputy Governor for Financial Supervision with taking non-major decisions. With an amendment passed in 2023, the Financial Supervision Committee's authorisations were clarified and greater clarity provided for in the administrative structure for financial supervision. Furthermore, the leadership of the Committee was changed and the Governor tasked with chairing the Committee, as is the case for the Bank's other standing committees, whereas previously the Deputy Governor for Financial Supervision had acted as chair. However, until that time, and in accordance with the Central Bank Act, the Governor had taken a seat on the Committee as its chair when the Committee handled specified matters. The statutory amendment was made pursuant to recom-

mendations from expert committees engaged to appraise the work of the Bank and its standing committees in accordance with provisions in the Central Bank Act.

The Bank's organisational structure underwent some changes during the year. Its core departments were reduced in number from seven to five, and support departments and their tasks were reorganised. These organisational changes were a natural continuation of the 2020 merger between the Bank and the Financial Supervisory Authority and the resulting integration of the two institutions' activities.

During the year, the IMF concluded a comprehensive appraisal of the Icelandic financial system under its Financial Sector Assessment Program (FSAP). According to the results of the appraisal, the Icelandic financial system is resilient enough to withstand significant shocks, and financial supervision and the financial market regulatory framework are considered satisfactory overall. In the Fund's opinion, however, there are opportunities for improvement, and on the basis of the reports, a number of recommendations were made on how the financial system and related framework could be strengthened still further, which will be of benefit to the Central Bank and other stakeholders. All reports relating to the appraisal were posted on the Bank's website and discussed in its publications.

According to the Central Bank's profit and loss account, the Bank generated an operating loss of 13 b.kr. in 2023, as compared with a loss of 18 b.kr. in 2022. The loss on the Bank's operations in 2023 was due primarily to a negative interest balance and the appreciation of the króna. Foreign and domestic interest income increased significantly because of higher interest rates both in Iceland and abroad. Net interest expense was broadly unchanged year-on-year. The Bank's operating expenses totalled 8 b.kr.,

slightly more than in the prior year. Operating revenues increased year-on-year, to 3.9 b.kr. The Bank's assets amounted to 827 b.kr. at the year-end, or 48 b.kr. less than at the end of 2022. As before, the vast majority of assets were foreign, while liabilities and equity were mainly in Icelandic krónur. As a result, the Bank's operating results are highly sensitive to exchange rate movements. The Bank's capital declined by 14.5 b.kr., to 101 b.kr. at the year-end. The decision on the target for capital is endorsed by the Supervisory Board. The capital benchmark was set at 150 b.kr. in 2023.

The Central Bank employed 311 members of staff at the end of 2023. The gender ratio remains relatively equal, and an equal pay analysis conducted within the Bank showed that there was no unexplained statistically significant wage gap between the sexes. The Bank continued to work systematically on climate and sustainability issues during the year, both in its professional capacity and in its operations.

Construction relating to the ongoing maintenance and renovation of the Bank's premises continued during the year. Construction work during the year mainly entailed the renovation of the annex to the Bank's main office building, which is set for completion later in 2024. For the most part, the renovation of the main offices had been completed earlier.

More detailed information on the Bank's operations and operating results can be found in the Annual Report, published today on the Central Bank website. I would like to take this opportunity to thank all staff members for fruitful cooperation and a job well done in 2023.

I would also like to extend special thanks to my colleagues on the Supervisory Board, the Deputy Governors, the Board secretary, and the Internal Auditor for smooth collaboration. I want to extend my thanks to Unnur Gunnarsdóttir, who left the Bank after a number of years with the Financial Su-

pervisory Authority and then as Deputy Governor for Financial Supervision with the Central Bank. And I would like to thank Governor Ásgeir Jónsson for excellent cooperation during the year.

The Governor will address the meeting later, but first I would like to turn the podium over to Prime Minister Katrín Jakobsdóttir.