



30. March 2023

Address by Gylfi Magnússon, Chair of the Central Bank of Iceland Supervisory Board, at the 62nd Annual Meeting of the Central Bank, 30 March 2023

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

The Central Bank's activities gradually returned to normal early last year, after the pandemic and the challenges and disruptions it brought with it. The domestic economy continued to right itself after a sharp contraction, and the Central Bank tightened its monetary and macroprudential policy stance in order to curb rising inflation and support financial stability.

Now, more than three years after the merger of the Central Bank and the Financial Supervisory Authority, the activities of the merged institution have settled into their routine. As is provided for in Article 36 of the Central Bank Act, an appraisal of the Bank's performance in fulfilling its monetary policy, financial stability, and financial supervision objectives was conducted last year, together with an examination of other aspects of the Bank's operations. The appraisal was carried out by three foreign experts with long-standing experience from the central banks of their own countries. In their report, published in January, the appraisal committee concluded that the merger had been executed quickly and effectively, and that the Bank had performed very well in all three of its main policy areas.

By law, the Central Bank of Iceland is required to promote price stability, financial stability, and sound and secure financial activities. Three standing committees comprising Bank officers and outside experts and officials are tasked with taking decisions on the application of policy instruments. The Governor is responsible for the Bank's operations and is authorised to take decisions on all matters not entrusted to others by law. The appraisal committee points out that this new organisational structure featuring three

standing committees needs to be evaluated in light of experience, and that there is particular reason to re-examine the mandate of the Financial Supervision Committee. The appraisal committee's report includes a discussion of the Bank's governance structure and the experience gained from it to date. It also contains several recommendations that the Bank and other parties, as applicable, intend to consider.

Ásgeir Jónsson has served as Governor of the Central Bank since 2019. The Bank's Deputy Governors, who have held these positions since 2020, when the new Central Bank Act entered into force, are Gunnar Jakobsson, Deputy Governor for Financial Stability; Rannveig Sigurdardóttir, Deputy Governor for Monetary Policy; and Unnur Gunnarsdóttir, Deputy Governor for Financial Supervision.

As is well known by now, it was decided that all of the Central Bank's activities should be located under one roof, in the Bank's headquarters at Kalkofnsvegur 1. In order to bring this about, major modifications and renovations were launched, including the introduction of more open workspace. Not only did the building need modifications in order to accommodate all of the Bank's employees, but the need for renovations was urgent as well – cabinetry and fixtures, plumbing and wiring, and many other parts of the building's infrastructure needed work after thirty-five years of use. It is efficient and economical to carry out modifications and renovation work simultaneously, and the project has been ongoing more or less since the merger took effect. The work is well advanced in the main building but is still underway in the annex, with completion expected in 2024.

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 explicitly in the Central Bank Act. The Supervisory Board held 13 meetings in 2022.

A new Supervisory Board was elected during the year. At the beginning of 2022, the principal members of the Board were Bolli Hédinsson, Frosti Sigurjónsson, Jacqueline Clare Mallett, Sigurdur Kári Kristjánsson, Una María Óskarsdóttir, and Thórunn Gudmundsdóttir, while I served as chair.

Sitting on the new Supervisory Board, elected on 24 March 2022, are Arnar Bjarnason, Kirstín Flygenring, Sigríður Andersen, Sigurjón Arnórsson, Thorsteinn Víglundsson, and vice-chair Thórunn Gudmundsdóttir, in addition to myself.

According to the profit and loss account, the Bank recorded a loss of just over 18 b.kr. in 2022, as opposed to a loss of just under 16 b.kr. in 2021. The loss on the Bank's activities during the year is largely attributable to asset valuation adjustments, which in turn are due to steep policy rate increases in the US, and interest expense. The Bank's operating expenses totalled just over 8 b.kr., some 12% more than in the prior year. Operating revenues came to nearly 3.5 b.kr. and were marginally higher than in 2021.

The Bank's assets amounted to nearly 875 b.kr. at the year-end, or 90 b.kr. less than at the end of 2021. Its capital declined by 19 b.kr., to 115 b.kr. at the year-end. The Bank's capital adequacy benchmark, which has been endorsed by the Supervisory Board, is 150 b.kr. Because of the operating loss and capital below the benchmark, no dividend will be paid to the Treasury for 2022.

The Central Bank employed 296 members of staff at the end of 2022. 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.

More detailed information on the Bank's operations and operating results can be found in the *Annual Report*, published today.

I would like to take this opportunity to thank all staff members for fruitful cooperation and a job well done in 2022. 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. And I would like to thank Governor Ásgeir Jónsson for our work together during the year. Unnur Gunnarsdóttir, Deputy Governor for Financial Supervision, has stepped down from her position at her own request and is leaving the Bank in April. I would like to thank her most particularly for her long and successful service in the public sector, which ends where it began: in the Central Bank.

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