



29 March 2012

Address

Lára V. Júlíusdóttir, Chairman of the Supervisory Board, at the 51st Annual General Meeting of the Central Bank of Iceland, 29 March 2012.

Madame Prime Minister; honourable Ministers, Governors, and Ambassadors;
Ladies and Gentlemen:

The Central Bank of Iceland was founded 51 years ago today, and in just a few days, 25 years will have passed since it moved into this building. It cannot be denied that the building wears its age well. On behalf of the Supervisory Board, I welcome you all to this 51st Annual General Meeting of the Central Bank of Iceland, and I declare the meeting convened.

A number of things have changed in the quarter-century since the Bank's operations moved into this building.

Among very satisfying developments are the increase in the number of women working for the Bank and the increased level of education.

When the Bank moved to Kalkofnsvegur, just under half of staff members were women. Fifty members of staff were university-educated, five of them female. And women were hardly a dominant presence in management in those days.

At the end of 2011, women still comprised just under half of the Bank's employees. But they now account for about half of university-educated staff members, who are now nearly 100 in number. And today, six of the Bank's 11 departmental directors are women.

Following my introductory remarks, a videotape will be played of the speech by Minister of Economic Affairs Steingrímur J. Sigfússon, who is in Toronto at the moment, participating in discussions of global economic affairs. Thereafter, Governor Már Guðmundsson will address the meeting. Following the conclusion of business, I would like to invite our guests to enjoy refreshments at the reception in the lobby of the Bank.

The Minister of Economic Affairs has ratified the Central Bank's annual accounts for the year 2011 with his signature. The Central Bank's *Annual*

Report for 2011 was published today and will be available at the end of the meeting.

As usual, the *Annual Report* gives a bird's eye view of the many and varied tasks undertaken by Central Bank staff. The past year saw several changes in staffing. Ásta H. Bragadóttir replaced Ingvar A. Sigfússon as Director of Operations and Human Resources in February. At the end of August, Tryggvi Pálsson resigned as Director of the Financial Stability Department, which was divided into two departments: Payment Systems and Financial Stability. Guðmundur Kr. Tómasson was engaged as Director of the Payment Systems Department in September, and Sigríður Benediktsdóttir took over as Director of the Financial Stability Department in January. The Bank employed 148 members of staff at the end of 2011, an increase of three during the year.

The Supervisory Board's work went smoothly in 2011. Meetings were held regularly, and a wide variety of topics were addressed in connection with the Bank and its operations.

A great deal can change in a single year, and while the economy is not yet sailing in calm waters, a number of positive developments have taken place. There has also been a dramatic turnaround in Central Bank's operating performance.

I would now like to give you a brief summary of the operating results of the Bank and its subsidiaries.

The annual accounts are presented differently this year, in the interest of greater clarity. An appendix has been added so as to include the profit and loss accounts and balance sheets of the Bank's subsidiaries.

According to the profit and loss account, the Central Bank returned a profit of just over 14 b.kr. in 2011, as opposed to a loss of over 13 b.kr. in 2010. The turnaround is due in particular to increased interest income, reduced interest expense, and a positive exchange rate difference. Interest income rose by over 12 m.kr., or 25%. Interest expense declined by more than 8 b.kr., or 23.4% year-on-year. The exchange rate difference was positive in the amount of 7.5 b.kr.

Other operating revenues changed little between years, while other operating expenses rose by almost 4 b.kr., or 16%. This was due primarily to impairment of claims, which totalled over 2.5 b.kr., and other operating expenses, which rose by almost 500 m.kr. as a result of costs related to operation of payment systems owned by Bank subsidiaries.

The Central Bank's balance sheet grew by over 23% year-on-year in 2011. Assets increased by 303 b.kr. in 2011, and liabilities increased by 289 b.kr. Assets net of liabilities, the Bank's equity, amounted to just over 83 b.kr. at the end of the year. The balance sheet expansion stems from two principal causes: increased borrowing, and balances held at the Bank by parties other than financial institutions. Loans in the amount of 148 b.kr. were drawn on the loan facilities with the IMF and Norges Bank during the year and are held by the Central Bank as part of its foreign exchange reserves. Deposits of other parties rose by 246 b.kr., an increase of nearly 40%. The increase in the Treasury's foreign exchange accounts is due mainly to the June 2011 bond issue and the draw-down of the loans from the Nordic countries, the proceeds of which were deposited to FX accounts with the Central Bank.

The Central Bank will make a substantial transfer to the Treasury for its operations in 2011. Part of the transfer is income tax paid by the subsidiaries, which totals 5 b.kr. Dividend payments in accordance with the rules governing the transfer to the Treasury amount to 3.5 b.kr., bringing the total to roughly 8.5 b.kr. In addition, the Bank pays a profit on its foreign currency auctions, which amounted to 1 b.kr., including the February auction. Additional auctions are planned for this year. In all, the Central Bank will pay about 9.5 b.kr. to the Treasury for its activities in 2011.

Honoured guests:

Former Minister of Economic Affairs Árne Páll Arnason stepped down on the last day of 2011, and on behalf of the Central Bank, I wish to thank him for our collaboration during the year. At the same time, the Bank wishes the new Minister of Economic Affairs, Steingrímur J. Sigfússon, every success.

I also want to take this opportunity to thank the Supervisory Board and the staff of the Bank for a job well done during the year. Governor Már Guðmundsson will take the podium next.