



7 April 2021

**Gylfi Magnússon**  
**Chair of the Central Bank of Iceland Supervisory Board**  
**at the 60th Annual Meeting of the Central Bank, 7 April 2021**

Madame Prime Minister, Governor, and other guests: I hereby call to order the sixtieth annual meeting of the Central Bank of Iceland. As was the case a year ago, the COVID-19 pandemic makes its mark on the Bank's annual meeting. Only a handful of guests are here in person, but the meeting is transmitted by webcast.

The Central Bank of Iceland was established with the passage of Act no. 10/1961 and therefore celebrates its sixtieth anniversary this year. Today's Central Bank is very different from the institution founded in 1961. Both the Bank's activities and the legislation on which it is based have changed significantly in the six decades that have passed since then. Major amendments were made to the Central Bank Act in the 1980s, when interest rates were liberalised, and again in 2001, when the Bank's independence in the application of its policy instruments was enshrined in law, alongside a number of other important amendments.

The last major amendments came with the entry into force of the new Central Bank Act in January 2020, which provided for the merger of the Bank and the Financial Supervisory Authority and thereby placed supervision of all financial services in the country under the auspices of the Central Bank. The Bank's activities now fall into three main categories: monetary policy formation and conduct, financial stability, and supervision of financial activities.

The past year has been dominated by responses to the COVID-19 pandemic. The Bank's key measures have been aimed at responding to the problems associated with it, and the situation has strongly affected where and how the Bank's work is carried out. Furthermore, strong emphasis was placed on integrating the Bank's operations on the basis of the above-mentioned statutory amendments.

Under the new Central Bank Act, the Governor directs and is responsible for the Bank's activities and is authorised to take decisions on all matters not entrusted to others by law. Ásgeir Jónsson has served as Governor of the Central Bank since August 2019. Three Deputy Governors took their positions at the beginning of 2020. Rannveig Sigurdardóttir is Deputy Governor for Monetary Policy, Gunnar Jakobsson is Deputy Governor for Financial Stability, and Unnur Gunnarsdóttir is Deputy Governor for Financial Supervision. The Governor and Deputy Governors take decisions jointly on matters specified in Article 3 of the Central Bank Act.

Three committees now take decisions on the application of powers and policy instruments in the fields of monetary policy, financial stability, and financial supervision: the Monetary Policy Committee, the Financial Stability Committee, and the Financial Supervision Committee. In addition to the Governor and the Deputy Governors, who sit on the committees in their areas of expertise, each of the three committees has external members.

A new organisational chart for the Bank took effect at the beginning of 2020, following the entry into force of the new Central Bank Act. The Bank has seven core departments and four support departments, plus the centralised General Secretariat. Information on the Bank's operations and operating results can be found in the *Annual Report*, published today.

According to the profit and loss account, the Central Bank recorded a profit of just over 68 b.kr. in 2020, as compared with a profit of just over 22 b.kr. in 2019. The Bank's profit is due largely to positive exchange rate differences, as its foreign-denominated assets far exceed its foreign-denominated liabilities, and to changes in asset values. Its operating expenses rose from 4.7 b.kr. in 2019 to 7.4 b.kr. in 2020, owing to the merger with the Financial Supervisory Authority. Net interest income totalled 75 m.kr. in 2020, whereas it was negative by 9 b.kr. in 2019.

The Bank's assets totalled nearly 843 b.kr. at the end of 2020, some 3 b.kr. more than in the previous year. About 97% of the Bank's assets were foreign. Its capital increased from 82 b.kr. to 150.8 b.kr., which is 800 m.kr. above the capital adequacy benchmark endorsed by the Supervisory Board. The profit over and above the benchmark was paid to the Treasury as a dividend.

At the end of 2020, the Bank employed 303 members of staff, up from 177 in 2019. The difference was due to the merger with the Financial Supervisory Authority. The gender ratio is relatively equal, and an equal pay analysis conducted within the Bank showed that there was no unexplained statistically significant wage gap between the sexes.

Construction work began on the Bank's offices at Kalkofnsvegur 1, which needed renovation after decades of use. Further work entailed redesigning the work space to accommodate more employees. All else being equal, once the work is done, all of the Bank's main activities will be housed in the Kalkofnsvegur offices.

2020 was a challenging year for the Bank, its management, and its employees. There were innumerable tasks relating to the merger between the Bank and the Financial Supervisory Authority. Added to these were demanding tasks relating to the COVID-19 pandemic. Naturally, this strongly affected the Bank's employees, most of whom had to work from home for much of the year. The Central Bank responded decisively to these challenges and undeniably fulfilled expectations, and the first year after the merger was a successful one, given the circumstances.

The Supervisory Board's role is to monitor the Central Bank's compliance with the statutory provisions applying to its activities and to endorse various decisions and

rules laid down by the Bank. In 2020, members of the Supervisory Board were Thórunn Gudmundsdóttir, Sigurdur Kári Kristjánsson, Frosti Sigurjónsson, Bolli Hédinsson, Una María Óskarsdóttir, and Jacqueline Clare Mallett. I served as chair during the year. The Supervisory Board held 14 meetings in 2020.

I would like to take this opportunity to thank all staff members for fruitful cooperation and a job well done during the year. I would also like to thank my colleagues on the Supervisory Board, the Board secretary, and the Internal Auditor for smooth collaboration. And I would like to thank Governor Ásgeir Jónsson in particular for our work together 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. At the end of the meeting, we will show a video on the design of Iceland's banknote series, which went into circulation 40 years ago, when the currency was redenominated.

In closing, I would like to congratulate the Central Bank of Iceland and all of its employees on the Bank's sixtieth anniversary. The Bank is performing well at this milestone in its history, and there is every reason to expect it to carry out its important statutory role successfully in the future.