



31. March 2022

Gylfi Magnússon, Chair of the Central Bank of Iceland Supervisory Board, at the 61st Annual Meeting of the Central Bank, 31 March 2022

Madame Prime Minister, Governor, and other guests: I hereby call to order the sixty-first annual meeting of the Central Bank of Iceland.

The pandemic continued to affect the Central Bank in 2021, although in different ways than in the year beforehand. When COVID-19 struck, the Bank applied its policy instruments decisively, in order to cushion against the economic impact of the pandemic. It is beyond doubt that those measures delivered the intended results. The economy began to rebound in 2021, and the Bank started to unwind the previous year's accommodative measures and take steps to tighten policy where necessary. But the pandemic continued to have a significant impact on the Bank's day-to-day activities through the public health measures that were in place for most of the year, forcing Bank staff to work from home for long periods of time. Fortunately, that has changed, and employees are back at the Bank. When the end of the pandemic was finally in sight, war broke out in Eastern Europe. This could have profound repercussions, economic and otherwise, and it is vital to address them calmly, and by strengthening contingency measures in important areas such as financial market infrastructure and cybersecurity. The Central Bank will do its part in this effort.

By now, just over two years since the merger of the Central Bank and the Financial Supervisory Authority, the activities of the merged institution have settled into their new routine. According to the report submitted late last year by the committee appointed to appraise the experience gained from the work of the Monetary Policy Committee, Financial Stability Committee, and Financial Supervision Committee, all indicators suggested that the merger between the Bank and the Financial Supervisory Authority had been undertaken decisively and successfully. As has been stated previously, 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. Work on the main building, which will house most of the Bank's employees, is well advanced, and preparations are underway for the renovation of the ground floor and the annex.

By law, the Central Bank of Iceland is required to promote price stability, financial stability, and sound and secure financial activities. Three committees comprising Bank officers and outside experts and officials are tasked with taking decisions on

the application of policy instruments and other important matters. The Governor 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 of the Central Bank since 2019. The Bank's Deputy Governors, who have held these positions since the beginning of 2020, when the new Central Bank Act entered into force, are Rannveig Sigurdardóttir, Deputy Governor for Monetary Policy; Gunnar Jakobsson, Deputy Governor for Financial Stability; and Unnur Gunnarsdóttir, Deputy Governor for Financial Supervision. The Bank's organisational structure is unchanged since the merger. 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.

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.

Members of the Supervisory Board were the same as in 2020. I served as Board chairman, and other members were Thórunn Gudmundsdóttir, Sigurdur Kári Kristjánsson, Frosti Sigurjónsson, Bolli Hédinsson, Una María Óskarsdóttir, and Jacqueline Clare Mallett. The Supervisory Board held 12 meetings over the course of 2021.

The new Supervisory Board, appointed on 24 March, held its first meeting today. Its members, apart from myself, are vice-chair Thórunn Gudmundsdóttir, Arnar Bjarnason, Kirstín Flygenring, Sigríður Andersen, Sigurjón Arnórsson, and Thorsteinn Víglundsson. I would like to welcome them all.

According to the profit and loss account, the Central Bank recorded a loss of just under 16 b.kr. in 2021, as opposed to a profit of just over 68 b.kr. in 2020. The loss on the Bank's activities during the year is largely attributable to exchange rate-driven changes in foreign asset values. The Bank's operating expenses totalled 7.8 b.kr., about 5% higher than in the prior year. Operating revenues totalled nearly 4.7 b.kr., about 9% higher than in the prior year.

The Bank's assets amounted to nearly 964 b.kr. at the year-end, or 121 b.kr. more than at the end of 2020. Its capital declined by 17 b.kr., to 134 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 2021.

At the end of 2021, the Bank employed 294 members of staff, a reduction of 9 relative to the prior year. 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. It is worth adding that during the year, the Bank began working systematically in areas relating to sustainability and climate issues, and has taken a number of steps and decisions in this regard, including setting a target of reducing greenhouse gas emissions from its activities by 40%

between 2019 and 2030. In pursuit of this goal, the Bank will switch to electric vehicles, cut back on air travel, and increase recycling. Furthermore, the Bank no longer maintains conventional accounts only; it now practises green accounting as well.

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 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 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.