



Annual Report 2012

ANNUAL REPORT 2012

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Supervisory Board and senior officers of the Central Bank of Iceland (photo taken 7 March 2013). Standing from left: Thórarinn G. Pétursson, Chief Economist, Lilja D. Alfreðsdóttir, Secretary of the Supervisory Board, Birgir Þór Runólfsson, Anna Ólafsdóttir Björnsson, Már Guðmundsson, Governor, Björn Herbert Guðbjörnsson, Ingibjörg Ingvadóttir and Arnór Sighvatsson, Deputy Governor. Sitting from left: Katrín Olga Jóhannesdóttir, Lára V. Júlíusdóttir, Chairman and Hildur Traustadóttir.

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I Objectives and policy

As is stated in the Act on the Central Bank of Iceland, no. 36/2001, with subsequent amendments, the Bank's principal objective is to promote price stability. By agreement with the Minister of Finance and Economic Affairs, the Bank is authorised to declare a numerical inflation target. The inflation target is defined in a joint declaration issued by the Icelandic Government and the Central Bank of Iceland on 27 March 2001 as a 2½% rise in the price of goods and services over the previous 12 months (as measured by the consumer price index).¹ The Central Bank Act grants the Bank full independence to implement monetary policy so as to achieve this objective; however, it also states that the Bank shall contribute to the implementation of the Government's economic policy unless it considers that policy inconsistent with its own objective of promoting price stability. Moreover, the Act states that the Bank shall undertake such tasks as are consistent with its role as a central bank, such as maintaining external reserves and promoting an efficient and secure financial system, including payment systems domestically and with foreign countries. The Act also clarifies provisions on accountability, transparency of monetary policy, and the Bank's activities in general.²

Monetary policy

Monetary policy implementation is based on the Central Bank's inflation and macroeconomic forecasts prepared over a horizon of three years. The forecast is published in the Bank's *Monetary Bulletin*, which was issued four times in 2012. *Monetary Bulletin* includes an in-depth analysis of economic and monetary developments and prospects as well as the Bank's forecasts.

Amendments to the Central Bank Act, passed in 2009, provided for a five-member Monetary Policy Committee whose task is to take decisions on the application of monetary policy instruments. In this context, the Bank's monetary policy instruments are its interest rate decisions, transactions with credit institutions other than loans of last resort, decisions on reserve requirements, and foreign exchange market transactions. The Committee has adopted rules of procedure that have been approved by the Bank's Supervisory Board.³ The Governor is the chair of the Monetary Policy Committee, which also includes the Deputy Governor, a senior Central Bank executive in the field of monetary policy formation (currently the Chief Economist), and two other economic and monetary experts appointed by the Minister.

In 2012 there were eight interest rate decision dates, four of which were also publication dates for *Monetary Bulletin*. Interest rate decision dates are announced in advance; however, the Committee is authorised to change the announced dates or schedule additional ones.

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1. The declaration was published in *Monetary Bulletin* 2001/2 and on the Bank's website. Minor changes were made to it in November 2005.
 2. The Bank's tasks and activities are further described in various sections of the present report.
 3. The Rules of Procedure for the Monetary Policy Committee can be found on the Central Bank website.

Financial stability

The Central Bank is obliged to promote a safe and effective financial system, including domestic and cross-border payment systems. The Bank attempts to maintain a constant, clear overview of the position of credit institutions and financial markets, and in its twice-yearly *Financial Stability* report, it publishes a detailed analysis of factors relating to financial stability. In addition, the Central Bank promotes an efficient and secure financial system by ensuring that Icelandic payment and settlement systems operate in line with internationally recognised standards.

As authorised by law, the Central Bank has set rules on credit undertakings' minimum liquidity and foreign exchange balance. The Bank carries out transactions with credit institutions, both receiving deposits from them and granting them loans. In special circumstances, when the Central Bank deems it necessary in order to preserve confidence in the domestic financial system, it is authorised by law to issue guarantees to credit institutions experiencing liquidity difficulties.

Foreign reserves, Treasury debt management, foreign exchange issues, and other tasks

The Central Bank maintains the nation's foreign exchange reserves. The reserves are intended to enhance security in transactions between Iceland – particularly the State and parties with a State guarantee – and other countries, and they are handled in accordance with maintenance rules set by the Governor and confirmed by the Supervisory Board. The Central Bank is authorised to borrow funds in order to reinforce the foreign exchange reserves and to participate in international co-operation, in part for this purpose. The Central Bank of Iceland administers domestic and foreign borrowings and debt management for the Treasury as the representative of the Ministry of Finance and Economic Affairs.

Because of the extraordinary circumstances that developed after the banks' collapse in the fall of 2008, exchange rate stability (achieved in part through restrictions on capital outflows) became one of the key factors in the monetary policy devised jointly by the Government, the Central Bank, and the International Monetary Fund (IMF). The capital control liberalisation process is currently underway, and the inflation target has attained greater importance in monetary policy as the effects of the financial crisis diminish.

In recent years, including the post-crisis period, the Bank has been entrusted with new and expanded tasks. The Bank oversees the capital controls following amendments to the Foreign Exchange Act. Furthermore, the Bank has taken on new tasks related to domestic payment intermediation and now owns the company Greiðsluveitan ehf., which handles the operational aspects of important payment intermediation systems. It also owns the Central Bank of Iceland Holding Company ehf. (ESÍ), which manages assets and claims in the wake of the banking collapse. In addition, the Central Bank handles specified projects in relation to Iceland's application for European Union membership.

II Monetary policy

According to the Act on the Central Bank of Iceland, the Central Bank's principal objective is to promote price stability. This objective is further described in the joint declaration issued by the Bank and the Icelandic Government on 27 March 2001 as an inflation target of 2½%. Other monetary policy tasks involve contributing to financial and overall economic stability.

Interest rate, exchange rate, and inflation developments

In terms of the trade-weighted exchange rate index (TWI), the króna depreciated by about 6.6% over the course of the year, including some 6.5% against the euro and 4.7% against the US dollar (see Chart II-1). During the summer, however, it appreciated somewhat. In January 2012, twelve-month inflation measured 6.5%, its highest value for the year. It tapered off gradually during the year and measured 4.2% in December (see Chart II-2). Inflationary pressures were considerably stronger in the first half of the year, owing largely to the depreciation of the króna and to rising prices for petrol and services. Inflation declined somewhat in the latter half of the year, in the wake of the appreciation of the króna over the summer and the slowdown in the economic recovery. Even though the exchange rate fell again in the autumn, the depreciation was offset to some degree by the slack in the economy. Underlying twelve-month inflation as measured by core index 3 (which excludes the effects of taxes, volatile food items, petrol, public services, and real mortgage interest expense) measured 5.7% in January 2012 and fell to 4% by the end of the year.

At the beginning of 2012, the deposit rate (current account rate) was 3.75% and the maximum bid rate for 28-day certificates of deposit (CDs) was 4.50%. At that time, the Bank's collateralised lending rate was 4.75%. The Bank's effective policy rate – that is, the rate that most strongly influences money market rates – has in the recent term been close to the simple average of the Bank's current account rate and the maximum CD rate. At the beginning of the year, it was just over 4%. The Central Bank Monetary Policy Committee (MPC) decided to raise nominal interest rates three times in the first half of the year and again in November 2012. Following the MPC's December 2012 interest rate decision, the current account rate was 5%, the maximum rate on 28-day CDs was 5.75%, and the collateralised lending rate was 6%. The effective rate had therefore risen to 5.4% (see Chart II-3 and Table II-1).

The grounds for the rate increases were the deterioration of the inflation outlook in the first half of the year, due in part to the depreciation of the króna, and the prospect that inflation would be more persistent and remain above the inflation target longer than previously anticipated. Furthermore, the MPC was of the opinion that, as spare capacity disappeared from the economy, the slack in monetary policy should disappear as well. In the recent past, the Central Bank's real effective policy rate has been below the level that can be expected to be consistent with the inflation target once the slack has disappeared

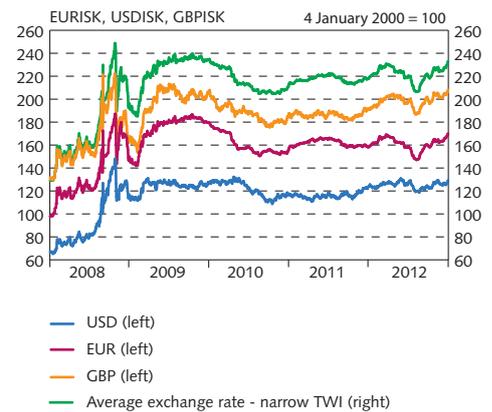
Table II-1 Central Bank of Iceland interest rates 2012 (%)

Date	Current account	28-day CDs (max)	7-day collateral	Over-night lending rate
12 Dec.	5.00	5.75	6.00	7.00
14 Nov.	5.00	5.75	6.00	7.00
3 Oct.	4.75	5.50	5.75	6.75
22 Aug.	4.75	5.50	5.75	6.75
13 June	4.75	5.50	5.75	6.75
16 May	4.50	5.25	5.50	6.50
21 Mar.	4.00	4.75	5.00	6.00
8 Feb.	3.75	4.50	4.75	5.75

Source: Central Bank of Iceland.

Chart II-1
Exchange rate of the króna

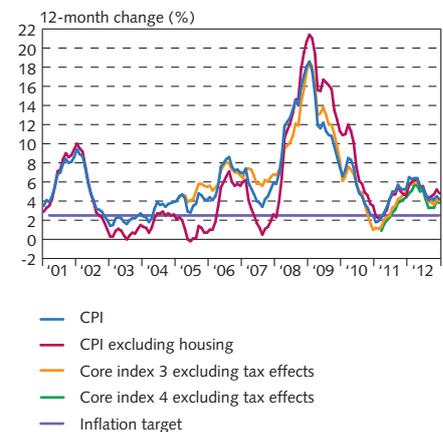
Daily data 3 January 2008 - 31 December 2012



Source: Central Bank of Iceland.

Chart II-2
Various inflation measurements

January 2001 - December 2012



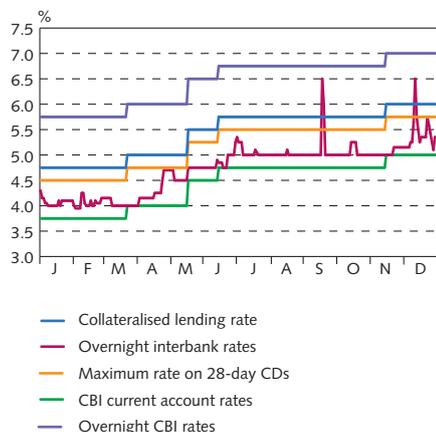
Sources: Statistics Iceland, Central Bank of Iceland.

Chart II-3

Central Bank of Iceland interest rates

and short-term market interest rates

Daily data 1 January 2012 - 31 December 2012



Source: Central Bank of Iceland.

from the economy. The accommodative monetary stance has therefore supported the economic recovery. The Bank's real effective rate was about 1% at year-end 2012, after having risen by some 1.3 percentage points since the beginning of the year.

Monetary policy decisions and the rationale behind them

The Central Bank is required to publish reports on its monetary policy, as well as on monetary, exchange rate and foreign exchange developments and its measures in these areas. In its quarterly *Monetary Bulletin*, the Bank reports on the economic and monetary outlook. *Monetary Bulletin* is also issued in Icelandic under the title *Peningamál*.

The Act on the Central Bank of Iceland requires that the Bank's Monetary Policy Committee make public the minutes of its meetings and that it explain its decisions and the rationale behind them. The MPC publishes the minutes of its meetings two weeks after each interest rate decision is announced. The minutes contain the Committee's assessment of the status and outlook in economic and monetary matters and the members' arguments for their votes.

The Act also stipulates that, twice yearly, the Monetary Policy Committee shall submit to Parliament a report on its activities and that the contents of the report shall be discussed in the Parliamentary committee of the Speaker's choosing.

To pursue forward-looking monetary policy, a central bank needs models for assessing the economic outlook, especially inflation. The Bank is constantly developing models for use in assessing the economic outlook and analysing the impact of monetary policy. One means of enhancing transparency is to make the Bank's main forecasting model and its database accessible on the Central Bank website.

The Monetary Policy Committee and its decisions

The Monetary Policy Committee takes decisions on the application of the Bank's monetary policy instruments. In this context, the Bank's monetary policy instruments are its interest rate decisions, specified transactions with credit institutions, decisions on reserve requirements, and foreign exchange market transactions intended to influence the exchange rate of the króna.

In 2012, the Monetary Policy Committee was chaired by Governor Már Gudmundsson, as is provided for by law. Other members were Deputy Governor Arnór Sighvatsson, Chief Economist Thórarinn G. Pétursson, Professor Anne Sibert of Birkbeck College in the UK, and Professor Gylfi Zoëga of the University of Iceland. Anne Sibert left the Committee in March 2012 and was replaced by Katrín Ólafsdóttir, Assistant Professor at Reykjavík University.

Interest rate decisions 2012

The Central Bank Act requires that the Monetary Policy Committee meet at least eight times each year. Eight meetings were held during the year. The Committee's decisions were as follows:¹

1. The members' arguments are presented in the minutes of the meetings.

8 February: The Governor proposed that the Bank's interest rates be held unchanged. Arnór Sighvatsson and Gylfi Zoëga voted in favour of the Governor's proposal, while Anne Sibert and Thórarinn G. Pétursson voted against it, voting instead in favour of a rate increase of 0.25 percentage points.

21 March: The Governor proposed that the Bank's interest rates be raised by 0.25 percentage points. Arnór Sighvatsson, Gylfi Zoëga, and Katrín Ólafsdóttir voted in favour of the Governor's proposal, while Thórarinn G. Pétursson voted against it, voting instead in favour of a rate increase of 0.5 percentage points.

16 May: The Governor proposed that the Bank's interest rates be raised by 0.5 percentage points. Arnór Sighvatsson, Gylfi Zoëga, and Katrín Ólafsdóttir voted in favour of the Governor's proposal, while Thórarinn G. Pétursson voted against it, voting instead in favour of a rate increase of 0.75 percentage points.

13 June: The Governor proposed that the Bank's interest rates be raised by 0.25 percentage points. All members supported the Governor's proposal. Gylfi Zoëga would have preferred to keep interest rates unchanged but was of the opinion that the difference was small enough that he was willing to vote in favour of the Governor's proposal.

22 August: The Governor proposed that the Bank's interest rates be held unchanged. Arnór Sighvatsson, Gylfi Zoëga, and Katrín Ólafsdóttir voted in favour of the Governor's proposal, while Thórarinn G. Pétursson voted against it, voting instead in favour of a rate increase of 0.25 percentage points.

3 October: The Governor proposed that the Bank's interest rates be held unchanged. Gylfi Zoëga and Katrín Ólafsdóttir voted in favour of the Governor's proposal, while Arnór Sighvatsson and Thórarinn G. Pétursson voted against it, voting instead in favour of a rate increase of 0.25 percentage points.



The Monetary Policy Committee as it was during the most part of 2012. From left to right: Chief Economist Thórarinn G. Pétursson, Assistant Professor Katrín Ólafsdóttir of Reykjavík University, Governor Már Guðmundsson, Chairman, Deputy Governor Arnór Sighvatsson and Professor Gylfi Zoëga of the University of Iceland.

14 November: The Governor proposed that the Bank's interest rates be raised by 0.25 percentage points. Arnór Sighvatsson, Katrín Ólafsdóttir, and Thórarinn G. Pétursson voted in favour of the Governor's proposal. Katrín Ólafsdóttir would have preferred to keep interest rates unchanged but was of the opinion that the difference was small enough that she was willing to vote in favour of the Governor's proposal. Gylfi Zoëga voted against the proposal, voting instead in favour of keeping rates unchanged.

12 December: The Governor proposed that the Bank's interest rates be held unchanged. All members supported the Governor's proposal. Thórarinn G. Pétursson would have preferred to raise rates by 0.25 percentage points but was of the opinion that the difference was small enough that he was willing to vote in favour of the Governor's proposal.



III The financial system

One of the Central Bank of Iceland's legally mandated roles is to promote a safe, effective financial system; that is, to promote financial stability. *Financial stability* means that the financial system is equipped to withstand shocks to the economy and financial markets, to mediate credit and payments, and to redistribute risks. A healthy financial system is a prerequisite for positive economic developments and effective monetary policy.

Emphases in financial stability

The main tasks in the field of financial stability are to analyse risks in the financial system, to research and draft rules on credit institutions' liquidity and foreign exchange balance, and to conduct monitoring on the basis of these rules. They also include participation in setting policy on financial system development and the financial stability structure and formulating further prudential rules for the financial system. Other tasks include interacting closely with other institutions involved with domestic financial stability, particularly the Financial Supervisory Authority, and participating in broad-based international cooperation. The Central Bank published two *Financial Stability* reports in 2012.

In the recent term, increased emphasis has been placed on analysis of private sector balance sheets and financial conditions. An in-depth analysis is prepared in co-operation with other departments in the Bank, based on data available in the Bank and a broad range of other information. Particular attention is paid to developments in private sector debt, which is placed into context with various other economic variables. Examples of variables monitored are default, frequency of bankruptcy and unsuccessful restraint measures, and household and corporate financial restructuring.

Prudential rules

In August 2012, the Bank issued a Special Publication entitled *Prudential rules following capital controls: the Central Bank's report to the Minister of Economic Affairs*. In the *Capital Account Liberalisation Strategy* published in March 2011, it was stated that before the capital controls would be lifted vis-à-vis Icelandic residents, it would be necessary to set prudential rules designed to protect the financial system against the risk that could accompany unrestricted capital flows, including financial institutions' foreign liquidity risk and the risk entailed in foreign-denominated lending to residents without income or underlying assets in the borrowed currencies. The report also included a discussion of the possibility of placing temporary restrictions on the pace at which pension funds may build up foreign assets after the controls have been lifted. In addition, it discussed possible rules or policy instruments that could be used in response to excess capital inflows of the type that occurred in Iceland during the run-up to the financial crisis.

Amended Central Bank liquidity rules for credit institutions took effect in October 2012. The main changes involve increased reserve

requirements for the deposits of financial institutions in winding-up proceedings. Previously, financial institutions in winding-up proceedings had lost their operating licences and their deposits had therefore been subjected to lower reserve requirements. After the changes took effect, deposits of financial institutions in winding-up proceedings were classified as debts to credit institutions, with a 100% reserve requirement. In general, it can be said that credit institution deposits are more liquid than other conventional deposits – for instance, deposits of parties that have business relationships with the bank concerned – and that it is therefore logical that they should have more weight than general deposits, which are subject to a 5-10% reserve requirement. In addition, it is clear that the deposits of financial institutions in winding-up proceedings are waiting to be paid out to creditors and are therefore more liquid than general deposits. The Central Bank liquidity rules are prudential rules, and information on liquidity positions based on the rules is used to assess credit institutions' position at any given time. In 2012, the Central Bank, in collaboration with the Financial Supervisory Authority and the largest commercial banks, worked on the implementation of new liquidity rules with reference to the new international liquidity rules that will take effect in the next few years (Basel III). The rules provide for active monitoring of two measurements of liquidity: the liquidity coverage ratio, which is intended to determine whether a financial institution can withstand substantial outflows over a 30-day period, and the net stable funding ratio, which is intended to encourage stable funding over longer periods of at least one year, so as to ensure that long-term assets are funded with at least a specified percentage of stable funding with respect to liquidity risk.

At year-end 2012, the Central Bank of Iceland's authorisation to grant exemptions from foreign exchange balance rules because of conditions developing in the wake of the banking system collapse in autumn 2008 was renewed; cf. the Temporary Provisions of the Rules on Foreign Exchange Balance. The Bank may authorise financial institutions to hold a separate positive or negative foreign exchange balance on a temporary basis if there is a pressing need to do so. This Temporary Provision expires on 1 January 2014, as will all exemptions granted in accordance with it.

Payment Systems

Payment and settlement systems

The Payment Systems Unit is one of three operating units within the Payment Systems Department. The other two are the Cashier's Unit and Greiðsluveitan ehf. The tasks of the Payment Systems Unit are policy-making in the area of payment intermediation, formulation of rules on payment and settlement systems, monitoring, assessment of efficacy and security, and oversight of systemically important payment and settlement systems in Iceland.

The Cashier's Unit handles the issuance and processing of banknotes and coin, as well as related administrative matters.

Greiðsluveitan, a company owned by the Bank, handles the operational aspects of important payment intermediation systems. The Central Bank's main objective and policy with the operation of

Greiðsluveitan is to ensure secure, efficient, and economical payment intermediation services.

Real-Time Gross Settlement (RTGS) system

As of 31 December 2012, participants in the RTGS system were the following: Arion Bank hf., Clearstream Banking société anonyme, the Housing Financing Fund, Íslandsbanki hf., Landsbankinn hf., MP Bank hf., and Straumur Investment Bank hf., in addition to the Central Bank of Iceland.

The RTGS system carries out the final monetary settlement of securities transactions from the Icelandic Securities Depository securities settlement system and the Greiðsluveitan netting system.

Total turnover in the RTGS system rose by 4.8% year-on-year in 2012, to 13,106 b.kr. The number of payment orders increased 7.8%, to over 89,000.

Netting system

As of end-2012, direct participants in the netting system were Arion Bank hf., the Housing Financing Fund, Íslandsbanki hf., Landsbankinn hf., MP Bank hf., and the Central Bank of Iceland. Total netting system turnover increased by 1.6% year-on-year in 2012, to 2,941 b.kr. The number of transactions fell by 1.4%, to just under 73 million.

Icelandic Securities Depository securities settlement system

As of 31 December 2012, settlement institutions in the securities settlement system were Arion Bank hf., Clearstream Banking s.a., HF verðbréf hf., Íslandsbanki hf., Landsbankinn hf., MP Bank hf., and Straumur Investment Bank hf. The number of settled transactions fell by 6% between 2011 and 2012, to 23,331 transactions with a total value of 2,414 b.kr. Off-exchange transactions rose by 15%, to a total of 59,665.

Payment instruments

Payment cards

All types of payment card transactions increased in number and turnover in 2012, with the exception of corporate card turnover, which fell by 10%.

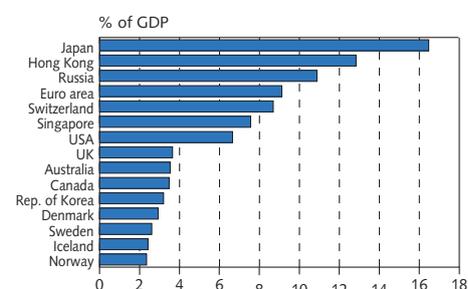
Total turnover for Icelandic payment cards amounted to 772 b.kr. during the year and was divided more or less equally between debit cards (51%) and credit cards (49%). Transactions were some 119 million in number. Credit card turnover rose by 9% in 2012, and debit card turnover by 3%.

Icelanders' payment card turnover abroad totalled 73 b.kr., with credit card use accounting for 59 b.kr. and debit card use the remaining 14 b.kr. About 4% of Icelandic debit card turnover was due to use abroad, as opposed to 16% of credit card use. Year-on-year growth in Icelanders' card use abroad measured 13% for debit cards and 9% for credit cards.

Cheques

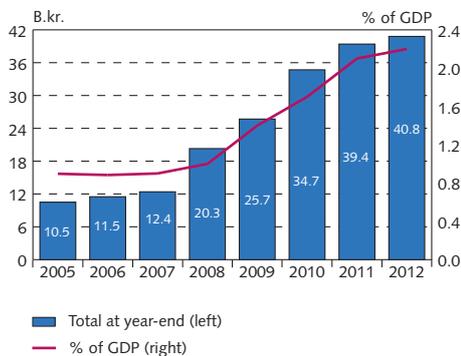
Use of cheques in the domestic market has contracted steadily in recent years. In 2012, the total amount of issued cheques was 47.3

Chart III-1
Cash in circulation in several countries 2011



Sources: Central Bank of Iceland, BIS, Norges Bank, Danmarks Nationalbank and Statbank Denmark.

Chart III-2
Banknotes and coin in circulation 2005-2012



Source: Central Bank of Iceland.

b.kr., as opposed to 55.7 b.kr. in 2011, a contraction of 15.1%. A total of 63,000 cheques were redeemed in 2012, as opposed to 104,000 in 2011, a reduction of 39.4%.

Banknotes and coin

The Central Bank of Iceland has the exclusive right to issue Icelandic currency. The Central Bank Act requires, among other things, that the Bank always have a sufficient supply of banknotes and coin. The Central Bank gives high priority to the security of Icelandic banknotes, by processing them regularly and incorporating security features into them, among other things. The aim of the security features is to facilitate the detection of counterfeit banknotes and the classification of notes as fit and unfit for use. In 2012, the note processing department received about 12 million notes from commercial banks and savings banks, and destroyed 4.6 million notes. Counterfeiting is very rare in Iceland.

Cash in circulation outside deposit institutions and the Central Bank totalled 40.9 b.kr. as of year-end 2012. The increase during the year was 1.5 b.kr., or 3.7%. During the period 2008-2011, cash in circulation skyrocketed, with the year-on-year increase ranging from 13% to 52%. As these figures show, the scenario changed markedly in 2012.

Iceland is among the countries that use the least cash. For a long period, cash in circulation amounted to less than 1% of GDP. At year-end 2012, it amounted to 2.2% of GDP.

In 2006, the Central Bank began preparation for the issuance of a 10,000 kr. banknote. In 2012 it announced the issuance of the note, which will be similar in appearance to those already in circulation and will incorporate a greater number of more advanced security features. The theme of the note relates to poet Jónas Hallgrímsson. The banknote was designed by Kristín Þorkelsdóttir.



IV Foreign reserves

One of the Central Bank of Iceland's legally mandated tasks is to maintain the foreign exchange reserves. The foreign exchange reserves limit and mitigate the effects of external risks related to changes in access to foreign credit and fluctuations in capital flows to and from Iceland. The reserves enable the Bank to help the Treasury meet its need for foreign currency and fulfil its foreign debt obligations. Sufficiently large reserves create confidence in the market that Iceland is able to service its foreign debt. They can also be used to support monetary policy.

Size of the foreign exchange reserves

The size of the reserves is determined with reference to the scope of external trade, the exchange rate and monetary regime, laws and rules on capital movements and foreign exchange transactions, and Iceland's foreign liabilities. At any given time, the necessary size of the reserves is also determined by the balance of payments outlook. The Governor issues instructions on the desirable size of the reserves, based on the above-mentioned factors.

On 31 December 2012, the Central Bank's foreign exchange reserves amounted to 540 b.kr., or 32% of year-2011 GDP. At that time, Iceland's foreign exchange reserves were sufficient to cover 13 months of goods imports¹ and amounted to 35% of M3. Furthermore, they are sufficient to service Treasury debt through 2022.

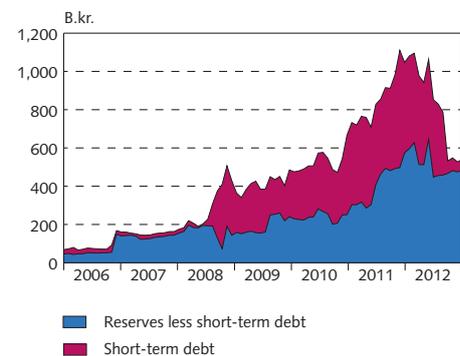
Changes in the reserves

From 2008 onwards, the Central Bank emphasised fortifying its foreign exchange reserves. With loans from the International Monetary Fund (IMF), bilateral loans from the Nordic countries and Poland, market issuance, and prepayment of shorter loans, the net foreign exchange reserves² have trebled in size since end-2008.

The gross reserves declined considerably in 2012, however, due primarily to a reduction in short-term liabilities. The reserves totalled 1,044 b.kr. at the end of 2011 and 540 b.kr. at the end of 2012. The changes in 2012 are attributable to three factors: reductions in the foreign-denominated deposits held by financial institutions in winding-up proceedings, Treasury borrowing in the market, and prepayment of the Treasury and the Central Bank's loans from the Nordic countries and the IMF.

The Bank and the Treasury prepaid approximately 284 b.kr. of loans from the IMF and the Nordic countries during the year. In addition, the Treasury paid off a 6.6 b.kr. loan granted by the Faeroe Islands to Iceland in the wake of the 2008 collapse. In all, the foreign-denominated deposits of financial institutions in winding-up proceedings declined by some 313 b.kr. in 2012, but this did not affect the net reserves.

Chart IV-1
Distribution of reserves

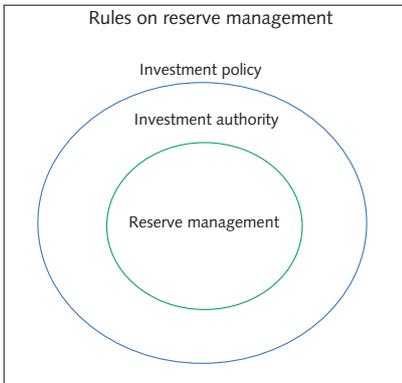


Source: Central Bank of Iceland.

1. Average of five-year monthly imports.

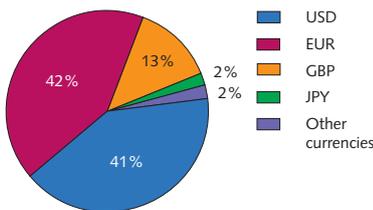
2. The net reserves are defined by the IMF as the reserves less fixed net disbursements on reserve assets in the upcoming 12 months.

Chart IV-2
Management of the foreign exchange reserves



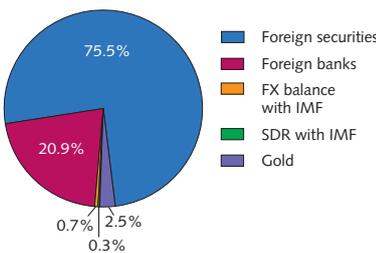
Source: Central Bank of Iceland.

Chart IV-3
Currency composition
Year-end 2012



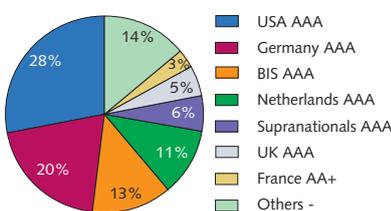
Source: Central Bank of Iceland.

Chart IV-4
Distribution of reserves
Year-end 2012



Source: Central Bank of Iceland.

Chart IV-5
Geographical distribution of reserves
Year-end 2012



Source: Central Bank of Iceland.

In May the Treasury issued a 10-year bond in the amount of 1 billion US dollars, the equivalent of about 129 b.kr., to strengthen the foreign exchange reserves. The loan prepayments and the new bond issue lengthened the maturity profile of the Treasury and the Central Bank's foreign debt, thereby increasing the net reserves.

Management of the foreign exchange reserves

The rules on management of the foreign exchange reserves have been thoroughly revised. New rules for reserve maintenance were set by the Governor on 29 August 2012 and approved by the Supervisory Board of the Bank. The new rules define outside limits for acceptable financial risk due to the foreign exchange reserves. They also contain stipulations on responsibility and division of tasks related to the investment of the reserves and set forth the principles governing financial risk and how it is measured, identified, and managed.

In accordance with the rules, an investment committee was established. Members are the Governor, who also chairs the committee, the Deputy Governor, the Director of Treasury and Market Operations, the Chief Economist, and the Head of Reserve Management. The investment committee meets monthly and formulates policy on reserves management by setting an investment policy within the framework of the rules of maintenance of the foreign exchange reserves.

The Central Bank of Iceland must address a variety of financial risks. The size of the reserves and the requirements concerning the share of liquid reserves at any given time place limitations on investments. It is critical that reserve assets be both sound and sufficiently liquid that the Bank can use them to achieve its objectives and carry out its tasks. This could limit the Bank's options in seeking the best returns available at any given time. Management of the foreign exchange reserves aims at minimising the Bank's risk-adjusted cost of reserve maintenance and managing the Bank's balance sheet in an efficient, economical manner.

The currency composition of the foreign exchange reserves is adjusted with the aim of minimising fluctuations in foreign-denominated assets net of foreign-denominated liabilities. The currency composition of this net position, or the Central Bank's foreign exchange balance, is reviewed regularly and confirmed in the reserve investment policy. The Bank uses derivatives, among other instruments, to manage its foreign exchange balance.

Maintenance of the reserves

The Bank attempts to ensure that the reserves are maintained and invested in a secure manner, and it exercises particular caution because of the current instability in the global financial markets.

The vast majority of the Bank's foreign exchange reserves are invested in foreign securities and deposits with foreign central banks and the Bank for International Settlements (BIS). The percentage of foreign securities assets grew sharply in 2012, to 75.5% by year-end. There are three main reasons for this. The liquid balance declined because of winding-up committees' withdrawals of foreign currency

Table IV-1 Returns on bonds in the reserves

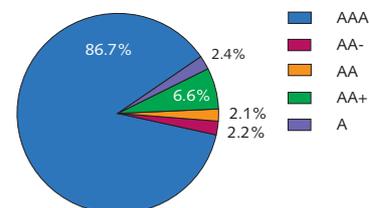
	GBP	USD	EUR	PLN
Total amount of bonds in b.kr. at year-end 2012	38.9	227.9	183.1	3.1
Returns in bonds 2012, %	1.9	2.0	4.2	16.9

from the Central Bank and because of prepayments of foreign loans. In addition, investment in foreign securities was increased.

Table IV-1 shows returns on bonds in the foreign exchange reserves in 2012 and the position, in billions of krónur, in each currency.

Charts IV-4, IV-5, and IV-6 show the division of the reserves as of year-end 2012, their geographical distribution, and the credit ratings of securities assets.

Chart IV-6
Credit ratings of securities assets
Year-end 2012



Source: Central Bank of Iceland.





V Treasury debt management

Agreement on Treasury debt management

The Central Bank of Iceland administers domestic and foreign borrowings and debt management for the Treasury as the representative of the Ministry of Finance and Economic Affairs. An agreement concluded between the Bank and the Ministry on 18 October 2010 provides for division of tasks and decision-making authority. The Central Bank is entrusted with overseeing the Treasury's foreign borrowings and administering auctions, buybacks, and redemption of Treasury securities, as well as preparing primary dealer agreements and administering securities lending to primary dealers. The Central Bank of Iceland carries out risk management and debt management according to Treasury debt management guidelines set by the Ministry. The Bank is also responsible for regular disclosure of information on Government debt affairs to the market participants and the Ministry and maintains the websites www.bonds.is and www.lanamal.is. The above-mentioned agreement entrusts the Bank with communications and disclosure of information on the Icelandic economy to foreign credit rating agencies and credit institutions, in addition to tasks related to Government guarantees and relending, such as administration of Government guarantees and the assessment of the Treasury's risk due to such guarantees. The Bank provides the Ministry with opinions on Government guarantees, administers such guarantees in accordance with ministerial decisions, and collects fees for them. The Central Bank also issues bonds for relending.

Domestic debt management

At the end of December 2011, the Central Bank, on behalf of the Treasury, published its Government Debt Management *Prospect* for 2012. According to the *Prospect*, Treasury bonds were to be issued for a total of 75 b.kr. in 2012 in order to fund the Treasury's operational deficit and the debt maturing during the year. In 2012, Treasury bond series RIKB 12 0824 matured in the amount of 49 b.kr. Net Treasury bond issuance, including other smaller maturities, was estimated at 8 b.kr. In addition, the outstanding amount of Treasury bills was to be reduced by about 14 b.kr.

The *Prospect* announced the issuance of a new two-year nominal bond series and a new series maturing in 2020, as well as the plan to continue building up RIKB 16 1013 and RIKB 22 1026 as five- and ten-year benchmark issues. The objectives set forth in the *Prospect* were met in almost all particulars.

The Government's *Medium-Term Debt Management Strategy for 2012-2015* was published at the beginning of the year. The strategy sets forth the authorities' plans for credit financing during the specified period. Its principal objectives are to ensure that the Treasury's medium- to long-term financing needs and financial obligations are met at the lowest possible cost that is consistent with a prudent degree of risk.

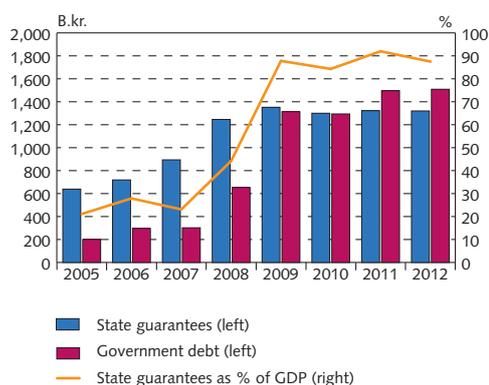
On 14 March 2012, a new indexed bond issue was announced in connection with the capital account liberalisation strategy. The new bond, RIKS 33 0321, took the place of RIKS 30 0701, which Government Debt Management considered to have reached the desired size. In all, bonds were issued for 27 b.kr. in connection with Central Bank foreign currency auctions during the year, while total auction-based issuance amounted to 81 b.kr. nominal value. In addition, indexed bonds were issued in the amount of 1.75 b.kr. in order to improve the Icelandic Regional Development Institute's capital position.

Foreign debt management

The Treasury's foreign debt totalled 430 b.kr. at year-end 2012. It can be divided into two categories: bilateral loans and market loans. The bilateral loans were from the treasuries of Denmark, Finland, Poland, and Sweden. The loans from the Norwegian Treasury and the IMF were disbursed directly to the Central Bank of Iceland and are therefore not considered part of Treasury debt. The market loans are five in number, the most recent of them a ten-year, USD 1 billion bond issued in May 2012. The bond bears fixed interest and was sold at a yield of 6.0%. Investors were keenly interested, with demand totalling 4 billion dollars.

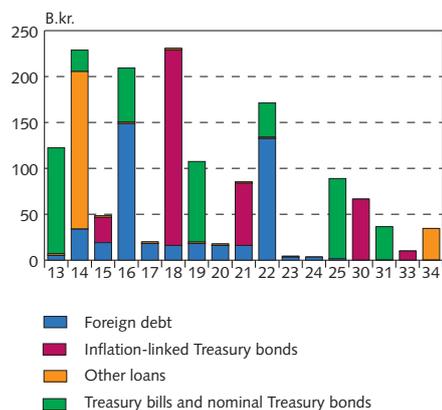
In March, the Treasury and the Central Bank repaid 366 million euros and SDR 289 million on the loans from the Nordic countries and the IMF, or approximately 20% of the loans taken in connection with the IMF-led Stand-By Arrangement. The payments included, on the one hand, prepayment of a portion of 2013 instalments to the IMF and, on the other hand, prepayment of the instalments due in 2014 and 2015, plus partial reimbursement of 2016 instalments, on the Nordic loans. In June the Treasury and the Central Bank made further payments on these same loans, in the amount of SDR 319 million, or 33% of the original loan from the IMF, and 674 million euros, or 39% of the original Nordic loans. The prepayments included instalments for 2013 and 2014 in the case of the IMF loan, and instalments for 2016, 2017, and 2018 in the case of the Nordic loans. In December the Treasury paid off the loan from the Faeroe Islands, in the amount of 300 million Danish kroner.

Chart V-1
Government debt and state guarantees
2005-2012



Source: Central Bank of Iceland.

Chart V-2
Redemption profile of Government debt



Source: Central Bank of Iceland.

Table V-1 Total Treasury foreign debt at year-end 2012

Nominal price with accrued indexation

Nominal debt	677,326
Inflation-linked debt	396,639
Foreign debt	435,021
Total	1,508,986

Interest expense

Interest is one of the Treasury's largest expenditure items. In 2012, the Treasury's charged net interest expense totalled 75 b.kr., as opposed to 64 b.kr. in the previous year. Yield in auctions of nominal Treasury bonds rose in 2012. The weighted average rate on accepted bids in auctions of nominal Treasury bonds was 5.58% in 2012, as opposed to 5.28% in 2011. In all, nominal Treasury bonds were sold for 54

b.kr. The weighted average rates on indexed bonds fell over this same period, from 2.78% in 2011 to 2.62% in 2012. In total, indexed Treasury bonds were sold in the amount of 27 b.kr. in connection with Central Bank foreign currency auctions.

The weighted average flat rate for accepted offers for Treasury bills was virtually unchanged between years, at 3.08% (instead of 3.09% in 2011), and bills were sold for the total amount of 134 b.kr.

Euro Medium-Term Note (EMTN) Programme and issuance in the US

The framework agreement establishing the Euro Medium-Term Note (EMTN) Programme was first signed in 2001. The agreement is administered by Citibank and provides for both public and private issues. It was most recently renewed in the summer of 2008, and the ceiling now amounts to 5 billion euros. Currently outstanding on the basis of the agreement are four bond issues in the total amount of 2.5 billion euros, or 435 b.kr. The debt management goal set at the beginning of 2012 was to seek out foreign credit markets, in part to build further confidence after the successful bond issue in 2011. In May 2012, the Treasury issued the aforementioned 1 billion US dollar bond.

Government guarantees and relending

Government guarantees are provided for in Act no. 121/1997. The Treasury may not undertake a guarantee unless authorised by law. Because of the risk to the Treasury, collateral must be provided that is deemed satisfactory by the State Guarantee Fund, which is authorised by law to supervise Government guarantees, keep track of the operations of entities that have received Government guarantees, and maintain a register of obligations backed by Government guarantees. The bulk of Government guarantees are due to the Treasury's holdings in the Housing Financing Fund and Landsvirkjun. These parties' borrowings are not handled through the State Guarantee Fund in the same way as those of parties outside the public sector that request Government guarantees for specified loans. Parties that enjoy Government guarantees due to Government ownership are required to obtain the Central Bank's approval of the terms and conditions for loans they intend to take abroad. Treasury guarantees totalled 1,319 b.kr. at the end of 2012, as opposed to 1,217 b.kr. at year-end 2011.

Sovereign credit rating of the Republic of Iceland

The main agencies that assign the Treasury a credit rating are Standard & Poor's, Moody's Investors Service, and Fitch Ratings. The Central Bank of Iceland communicates regularly with these agencies on behalf of the Government. Rating agencies have significant influence on lending terms in the global credit markets, and an entity's credit rating is, among other things, an indicator of the terms it will enjoy as a borrower. Iceland's credit ratings fell in the wake of the 2008 banking collapse but have been improving since 2011.

At year-end 2011, Moody's rating was Baa3 for long-term foreign and domestic obligations, and P-3 for short-term obligations. The outlook was negative. The ratings are considered investment-grade.

The rating from Moody's remained unchanged during the year, but in November it was stated that the agency considered Iceland's economy, fiscal affairs, and public sector debt on the right track, although significant risks remained, including risks related to capital account liberalisation and the Icesave dispute.

Standard & Poor's ratings for Iceland's foreign and local long- and short-term obligations were BBB- and A-3. The outlook was deemed stable, reflecting improving economic conditions, on the one hand, offset by risks related to removal of the capital controls, on the other.

In February, Fitch Ratings upgraded the Republic of Iceland's credit rating for long-term obligations in foreign currency from BB+ to BBB-. The ratings for short-term obligations and for long-term obligations in local currency were also upgraded and affirmed, with a stable outlook. The upgrade of the sovereign rating for long-term foreign obligations to investment-grade was considered to reflect the progress made in re-establishing economic stability, enforcing systemic improvements, and rebuilding confidence in Iceland's creditworthiness. The program to strengthen public sector finances was considered an indication that the public debt-to-GDP ratio had peaked in 2011.

With the upgrade from Fitch, Iceland has investment-grade ratings from all of the major agencies.



VI International cooperation

The Central Bank of Iceland communicates and transacts business with international institutions on behalf of the Government or in accordance with its statutory role.

International Monetary Fund

The Central Bank represents Iceland at the International Monetary Fund (IMF). Two missions from the IMF visited Iceland during the year to engage in discussions with the authorities. One of the missions was for a regular Article IV consultation and the other for post-programme monitoring of the Stand-By Arrangement with the IMF, which was in effect from 2008-2011. In addition, the Icelandic authorities received technical assistance with budget preparation from the IMF. All reports in connection with regular and post-programme monitoring by the IMF are published on the Central Bank website.

The Icelandic authorities received a loan of SDR 1.4 billion, or 277 b.kr. at the year-end exchange rate, from the IMF in connection with the Stand-By Arrangement. In addition, they received a loan from the Nordic countries, also in connection with the IMF Stand-By Arrangement, in the amount of 1,775 million euros, or 301 b.kr. In March and June, the Treasury and the Central Bank prepaid a portion of the IMF loan, in the amount of SDR 608 million, or 120.4 b.kr. Other repayments during the year totalled SDR 280 million, or 55.4 b.kr. Total repayments of the IMF loan amount to SDR 888 million, the equivalent of 176 b.kr., or 63% of the original amount borrowed. The loan will be paid off in 2016. The funds disbursed are held at the Central Bank of Iceland. Concurrent with the payments to the IMF, prepayments in the amount of 1,040 million euros, or 177 b.kr., were also made on the Nordic loans.

Iceland cooperates with the Nordic and Baltic countries through the Nordic-Baltic Constituency at the IMF, and they jointly elect an Executive Director as one of the Fund's 24 Executive Board members. In 2012, the Constituency's permanent representative on the IMF Executive Board in Washington was Benny Andersen from Denmark. The spring meetings of the Board of Governors and the International Monetary and Financial Committee (IMFC) were held at the IMF headquarters in Washington, DC, and the annual meeting was held in Tokyo. In connection with these meetings, the reports of the Nordic-Baltic Constituency Office are published on the Central Bank website. The reports focus on topics of relevance in the work of the Fund and the Executive Board. The joint Nordic-Baltic speeches presented to the IMFC and the IMF Annual Meeting are also published. The Annual Meeting of the IMF was held on 12 October and the meeting of the IMFC the day after. Már Gudmundsson, Governor of the Central Bank of Iceland and Iceland's representative to the Board of Governors of the IMF, attended the meetings. The Nordic-Baltic Constituency's speech for the Annual Meeting was delivered by Nils Bernstein, Governor of Denmark's Nationalbank. The Constituency's representatives on the Board of Governors were Margrethe Vestager, Danish Minister

for Economic and Interior Affairs (spring meetings) and Swedish Minister of Finance Anders Borg (annual meetings).

On 1 February, Parliament passed Act no. 5/2012, authorising the Government to approve an increase in Iceland's IMF quota and confirm amendments to the IMF Articles of Agreement on Iceland's behalf. The changes were approved in 2008 by the IMF Board of Governors. The amendments focus on changes to voice and representation and member countries' quotas. Further amendments to the Articles of Agreement were approved by the Board of Governors in 2010, including a substantial increase in quotas in order to meet increased need for the Fund's assistance around the world. As a result, Iceland's quota will increase from SDR 117.6 million to SDR 321.8 million.

On 30 August, Parliament passed Act no. 100/2012, which changed the division of tasks among governmental ministries. Among other provisions, affairs relating to the IMF now fall under the Ministry of Finance and Economic Affairs.

The Executive Board of the IMF agreed to distribute profits from its gold sales to member countries, provided that they contributed a corresponding amount to the Poverty Reduction and Growth Trust, or PRGT fund, which provides financial assistance to poor member countries. This decision took effect on 12 October 2012, after the majority of member countries had given their approval. With a 7 December 2012 letter from the Governor of the Central Bank, Iceland agreed, upon obtaining approval from Parliament, to contribute its entire share of SDR 305,000 (about 60 m.kr.) to the PRGT fund.

The Bank for International Settlements (BIS)

The Central Bank is a shareholder in the Bank for International Settlements (BIS) in Basel, Switzerland, which is an important consultative forum for central banks, as an information and research institution in the field of monetary policy and financial stability and a provider of various banking services to central banks. The Governor attends central bank governors' meetings held regularly by BIS, and other Bank staff members participate in various projects carried out by the bank.

Organisation for Economic Co-operation and Development (OECD)

During the year, Central Bank representatives participated in the work of various committees and groups of the Organisation for Economic Co-operation and Development (OECD), including the Economic Policy Committee, Working Party 1, the Committee on Financial Markets, and an expert committee on government debt management. OECD experts come to Iceland on a regular basis to keep abreast of economic developments, and they issue frequent reports setting forth the Organisation's opinion of economic affairs in the country. In addition, the Governor participated in panel discussions at an OECD conference on control and freedom of capital flows, held in Paris in October.

Co-operation with other central banks and financial supervisors

During the year, the Central Bank of Iceland engaged in a variety of tasks in co-operation with other central banks. The central banks in the Nordic region have long enjoyed close collaboration. The Bank

also works regularly with the European Central Bank and, increasingly, with other central banks in Europe. The Governor also attends regular meetings with central bank governors and financial supervision officials in the Nordic and Baltic countries. Furthermore, the Central Bank participates in the European Financial Stability Board (FSB), the world's foremost harmonisation body in the field of financial stability, and is represented at meetings of the European Banking Authority (EBA).

Other financial institutions

The Central Bank cooperates with a large number of foreign financial institutions in connection with the management of its foreign exchange reserves, Treasury foreign debt, and other topics related to its operations.





VII Special projects

Central Bank of Iceland Holding Company ehf. (ESÍ)

After Iceland's banks collapsed in the autumn of 2008, the Central Bank acquired sizeable claims against domestic financial institutions. The claims were backed by collateral of various types. Some of them were transferred to the Treasury at year-end 2008, and the Central Bank administered them.

At the end of 2009, these assets were transferred to a separate company owned by the Central Bank, the Central Bank of Iceland Holding Company ehf. (ESÍ). Another company owned by the Central Bank, Sölvhóll ehf., is an operating company whose role is to maximise the value of the assets in the holding company (ESÍ) and divest them when market conditions permit, subject to the approval of the ESÍ Board of Directors. This arrangement provides the Bank with an effective means of separating the operations and assets related to the crash from its conventional activities. ESÍ has one subsidiary, Hilda ehf., which it took over in mid-2011. On the Hilda balance sheet are claims against individuals and small companies.

The board of ESÍ and Sölvhóll stepped down and a new board was selected in 2012. Members are Chairman Jón Þ. Sigurgeirsson, Ingibjörg Guðbjartsdóttir, and Sturla Pálsson. Members of the Hilda ehf. board are Chairman Haukur C. Benediktsson, Birgir Birgisson, and Eva Benediktsdóttir.

At year-end 2012, ESÍ's balance sheet totalled 326 b.kr., and its assets had declined by 13.3 b.kr. since year-end 2011, primarily due to asset recovery and reduction of debt to the Central Bank. The company's after-tax profit amounted to 5.6 b.kr.

Capital Controls Surveillance Unit

The Central Bank of Iceland's Capital Controls Surveillance Unit (CCSU) was formally established as a separate department within the Bank in September 2009. During the year, the department was divided into three units focusing on exemptions, surveillance, and investigation. The Exemption Unit's main tasks in 2012 were to process and take decisions on applications for exemptions from the Foreign Exchange Act and to provide general information and instructions to individuals and legal entities. The main tasks of the Surveillance Unit were to carry out general monitoring of the Foreign Exchange Act and conduct initial pre-investigation analyses of possible violations of the Act. Other projects undertaken by the Surveillance Unit include administration of new investments, supervision of the Bank's Investment Programme, follow-up on conditional exemptions, and assistance with analysis of information from other CCSU units. In 2012, the main tasks of the Investigation Unit centred on investigation of alleged violations of the Foreign Exchange Act and the Rules on Foreign Exchange.

A total of 27 cases involving alleged violations of the Foreign Exchange Act were reported to the Investigation Unit by the Surveil-

lance Unit, and another nine were referred by the Exemption Unit. A further 46 cases were investigated within the Investigation Unit. By the end of the year, 41 cases were in the process of being referred to the police due to suspicion of major violations of the Foreign Exchange Act and the Rules on Foreign Exchange.

The CCSU received 973 requests for exemptions from the Foreign Exchange Act in 2012. During the year, 711 requests were processed: 557 were approved, 15 approved in part, 39 rejected, and 100 withdrawn or concluded through issuance of guidelines or in another manner.

During the year, the Central Bank received 279 notifications of new investment (cf. Article 13(m) of the Foreign Exchange Act) in the total amount of 19.3 b.kr. This substantial increase from the previous year was due in part to investors' participation in the Bank's Investment Programme.

Foreign currency auctions

Treasury bond option and Investment Programme

The first auction according to the Investment Programme was held in February 2012. The Bank had announced in November 2011 that it intended to hold auctions for the purchase of foreign currency in exchange for Icelandic krónur for long-term investment in Iceland. These auctions are part of the capital account liberalisation strategy. Also held in 2012 were foreign exchange auctions according to the so-called Treasury bond option, in which foreign currency was purchased in exchange for Treasury bonds. The following table shows the highlights of the auctions:

Table VII-1 Purchase of foreign currency

Key figures	Total 2012	Treasury bond option	Investment programme
Number of auctions	16	8	8
Number of offers	548	204	344
Total amount (EUR millions)	497.1	279.9	217.2
Accepted offers (EUR millions)	322.9	124.7	198.2

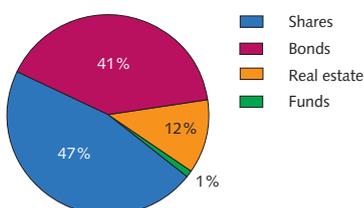
Treasury bond buyers included pension funds (81%) and other investors (19%).

In 2012, combined investment under the Investment Programme totalled 396.4 million euros, or just over 79 b.kr. The investments therefore amount to 4.9% of year-2011 GDP. An analysis of the investments, by amount, shows that 43% of participation in the Investment Programme was due to domestic investors, while foreign investors accounted for the other 57%. Foreign companies under domestic ownership were considered domestic investors for the purposes of this analysis.

Purchase of krónur in exchange for euros

Concurrent with the above-described auctions, the Bank also advertised for bids on the sale of Icelandic krónur for cash payment in foreign currency. The following table shows the highlights of the króna purchase auctions:

Chart VII-1
Distribution by investment



Source: Central Bank of Iceland.

Table VII-2 Purchases of krónur

Key figures	2012
Number of auctions	7
Number of offers	239
Total amount (b.kr.)	136.4
Accepted offers (b.kr.)	41.7

Release of offshore krónur

From 2011 through the 18 December 2012 króna purchase auction, a total of 70 b.kr. have been released through the auctions. The Avens transaction released some 120 b.kr., and other transactions released about 20 b.kr. With these transactions, the offshore króna overhang has been reduced by about 210 b.kr.

Application for EU membership

In 2012, the Central Bank carried out analysis and other preparatory work in connection with the EU accession negotiations. Particular topics included currency issues and other matters related to Section 17 of the negotiations, which focuses on EU legislation in the areas of economic and monetary policy. The Governor chairs the negotiating committee on currency issues in the EU accession discussions and is a member of the main negotiating committee.

National Festival Fund

On 6 December 2012, the board of the National Festival Fund decided to grant the Árni Magnússon Institute for Icelandic Studies the last grant from the Fund. The grant, in the amount of 892,790 kr., will be used for repairs to *Flateyjarbók*. The last of the Fund's capital has now been allocated, as was stipulated in the National Festival Fund charter.

Jóhannes Nordal cultural heritage grants

On the occasion of its 50th anniversary in 2011, the Central Bank of Iceland decided to establish an annual cultural heritage grant in the name of Jóhannes Nordal. The objective of the grants is to support

Chart VII-2

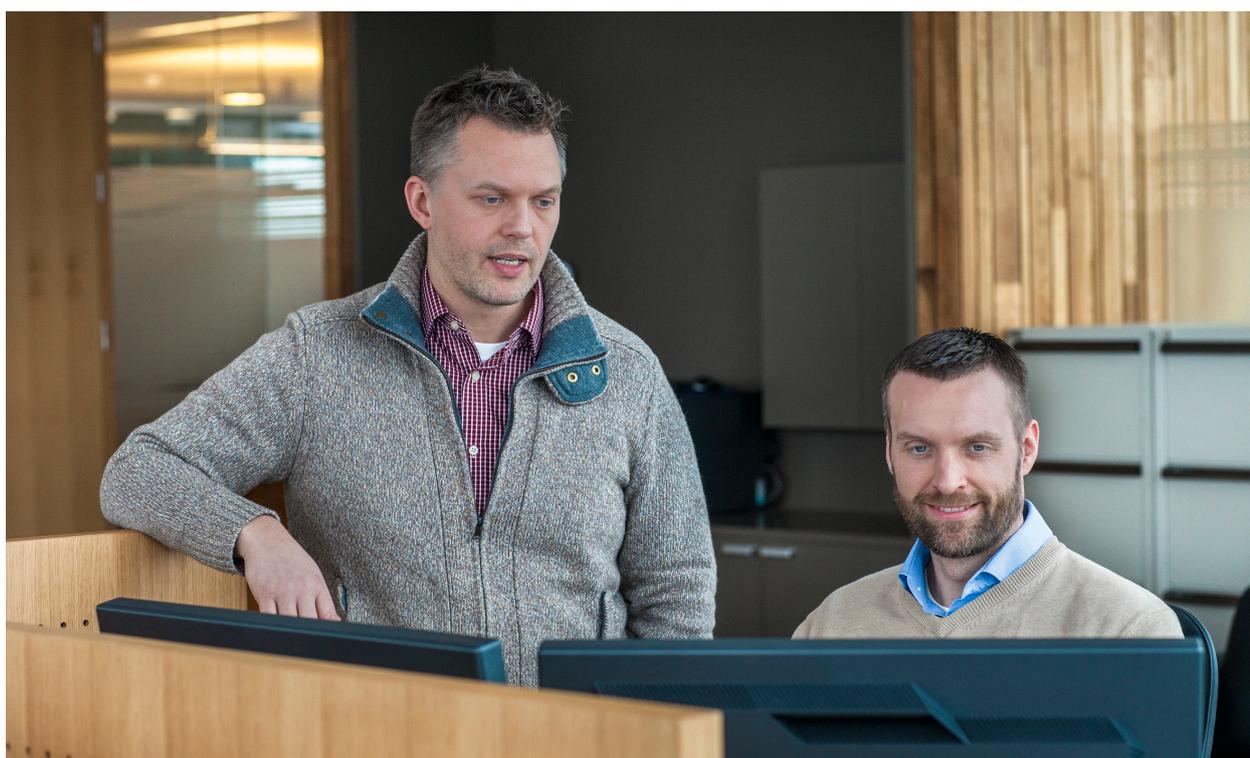
Results of ISK purchase auctions



Source: Central Bank of Iceland.



individuals whose aim is to preserve objects of cultural value that the current generation has inherited. The first allocation was made in April 2012, and the grantees were Sigríður Dóra Sverrisdóttir and Páll Valsson. Dóra worked with rimes from Northeast Iceland and held a seminar for young people, in which they composed rimes on rights and responsibilities in the labour market. Páll worked on writing a book on the life and work of magistrate and poet Bjarni Thorarensen.



VIII Accounts and organisation

Central Bank accounting principles

According to Article 32 of the Act on the Central Bank of Iceland, no. 36/2001, with subsequent amendments, the preparation of the Bank's annual accounts "shall comply with laws, rules and good account practice. The Minister shall set detailed rules on the accounting principles and preparation of the annual accounts." In March 2013, changes were made to the Treasury's interest rate terms for 2012 with Governor's Decision no. 1235. According to the Decision, with consideration of the Treasury's cost in financing the foreign exchange reserves, the Treasury shall receive a 55% share of foreign interest income from foreign assets in the reserves in 2012, less interest expense due to the deposits of financial institutions in winding-up proceedings. On the other hand, the Ministry of Finance and Economic Affairs agreed that, beginning with the 2012 accounting year, no contribution would be paid on unrealised profit from gold and securities in the foreign exchange reserves. A change to this effect in the rules on the Bank's financial reporting was the basis for the Decision, which was signed by the Minister on 12 March 2013. However, minor changes have been made in the presentation of individual items. These changes are explained in the notes to the consolidated financial statements, which appear in this *Annual Report*.

Operating results and balance sheet

According to its profit and loss account, the Central Bank of Iceland recorded a net profit of 14,323 m.kr. in 2012, compared with a profit of 14,398 m.kr. in the previous year. Excluding exchange rate gain and loss and income tax, the Central Bank recorded a profit of 12,124 m.kr. in 2012, compared with a profit of 11,539 m.kr. the year before. Table VIII-1 illustrates the changes in the principal items of the Bank's profit and loss account. The contribution to the Treasury for 2012 was 2,186 m.kr. Exchange rate gains for the year totalled 4,719 m.kr.

As the table shows, the Bank's earnings declined by 75 m.kr. from the previous year. Net interest income declined by 18,853 m.kr., due primarily to a reduction in interest income on indexed securities and other domestic assets in the amount of 16,360 m.kr. and a reduction in interest paid on foreign bank accounts in the amount of 2,084 m.kr. This is due both to reduced principal amounts of foreign interest-bearing assets and to lower interest rates. Other operating revenues increased by 716 m.kr. Service expense rose by 744 m.kr. year-on-year, largely due to companies owned by the Central Bank. The revaluation of securities increased by 3,304 m.kr. between years. Exchange rate gains on foreign exchange transactions declined by 1,985 m.kr. year-on-year because the bulk of the 2011 gains were due to relaxation of the capital controls. The revaluation of gold was 774 m.kr., as compared with 881 m.kr. in 2011. Operating expenses rose by 327 m.kr. year-on-year, due principally to an increase in expenses related to management of the assets and liquid assets of companies owned by the Bank. Salaries and related expenses rose between years because of contractual pay increases and increased

Table VIII-1 Profit and loss account highlights

(Figures in ISK millions)	2012	2011	Change
Performance for the year	14,323	14,398	-75
<i>Changes specify as follows:</i>			
Net interest income	14,678	33,531	-18,853
Other revenues	5,430	4,714	716
Operating expenses	-3,126	-2,799	-327
Loan impairment	-4,858	-23,907	19,049
Contrib. to the Treasury	-2,186	-3,464	1,278
Exchange rate difference	4,719	7,471	-2,752
Income tax	-334	-1,148	814

staffing levels. The Bank's assets totalled 1,068 b.kr. at year-end 2012, as opposed to 1,581 b.kr. at the end of 2011. Foreign assets declined by 513 b.kr. during the year. The decrease is due to the prepayment of the Treasury and the Central Bank's foreign loans. In all, 53% of the original IMF loan and 59% of the Nordic loans were repaid. The loans from the Nordic countries are disbursed both to the Treasury, which deposits the funds to its accounts with the Central Bank, thus expanding the foreign exchange reserves, and to the Central Bank itself. Foreign deposits from the financial firms in winding-up proceedings contracted by 313 b.kr. year-on-year.

At year-end 2012, the Bank's foreign assets constituted 51% of its total assets, as opposed to 67% at the previous year-end. The Central Bank's accounts are presented later in this report, together with detailed explanatory notes on individual items.

Supervisory Board

The Central Bank Act, no. 36/2001, stipulates that there shall be seven members of the Supervisory Board, which shall be appointed by Parliament following each Parliamentary election. During the year, members of the Supervisory Board were Chairman Lára V. Júlíusdóttir, Ragnar Arnalds, Björn Herbert Guðbjörnsson, Hildur Traustadóttir, Ragnar Árnason, Katrín Olga Jóhannesdóttir, and Ingibjörg Ingvadóttir, who replaced Daniel Gros.

Governor and Deputy Governor

During the year, Már Guðmundsson served as Governor of the Central Bank, and Arnór Sighvatsson served as Deputy Governor. Mr. Guðmundsson was appointed for a term of five years, effective 20 August 2009, and Mr. Sighvatsson was appointed for a term of four years, effective 1 July 2009.

Central Bank organisation

The Bank's activities take place in six main departments and three support departments, in addition to International Relations and General Secretariat, which provides general office and administrative services to the Governor, oversees public relations and information disclosure for the Bank, and supervises the publication of the Bank's *Annual Report* and website. The International Relations and General Secretariat department also handles regular communications with international credit rating agencies, the International Monetary Fund, foreign financial institutions (apart from financial transactions), and other domestic and foreign organisations.

The Economics and Monetary Policy Department carries out economic and monetary research, prepares macroeconomic and inflation forecasts, participates in formulating policy in currency and monetary matters, and analyses developments in domestic and foreign economic and monetary affairs, including the macroeconomic elements of financial stability. The Department oversees the issuance of various Bank publications, including *Hagvísar/Economic Indicators*, *Peningamál/Monetary Bulletin*, *Working Papers*, *Economic Affairs*, and *Economy of Iceland*. The Department comprises two units: the Analysis and Publications Unit and the Research and Forecasting Unit.

Table VIII-2 Balance sheet highlights

(Figures in ISK millions) 2012 2011 Change

Equity:	98,100	83,777	14,323
Changes specify as follows:			
Assets:			
Gold	13,757	12,249	1,508
Foreign assets	531,583	1,044,516	-512,933
FX balance with the IMF	3,710	3,525	185
Domestic financial assets	502,669	502,332	337
Fixed and liquid assets	4,963	4,891	72
Other assets	11,415	13,198	-1,783
Liabilities:			
Banknotes and coin	45,142	43,205	1,937
Foreign debt	135,971	341,604	-205,633
Counterpart to IMF	22,214	21,141	1,073
Deposits of financial institutions	72,606	61,997	10,609
Other deposits	569,693	919,729	-350,036
Domestic financial liabilities	113,953	85,914	28,039
Other liabilities	8232	19,880	-11,648
Unpaid contribution to Treasury	2,186	3,464	-1,278
Equity	98,100	83,777	14,323

The Treasury and Market Operations Department oversees domestic money markets and currency markets, as well as transactions with domestic financial institutions. It also manages the Bank's foreign reserves and oversees Government debt affairs, as well as Treasury guarantees and relending. The Department also oversees communications with the foreign financial institutions with which the Central Bank and the Treasury interact.

The function of the Capital Controls Surveillance Unit (CCSU) is to ensure compliance with regulatory instruments on foreign exchange. The unit also participates in amending rules, publishing guidelines, and interpretation of such instruments. In addition, the CCSU processes requests for exemptions to the Foreign Exchange Act and is authorised to investigate alleged violations of the Foreign Exchange Act and the Rules on Foreign Exchange.

The Statistics Department handles the compilation, entry, and processing of statistical data collected by the Bank for its work and for official reporting. The Bank collects information on a regular basis about the domestic credit market, balance of payments, and external position of the economy. These data form the basis for the Bank's assessment of important aspects of monetary developments and for regular dissemination of statistical information, both in its publications and on the Statistics pages of its website. The Statistics Department is divided into three units: Financial Institutions, Balance of Payments, and Markets.

The Financial Stability Department analyses financial system risks and participates in formulating prudential rules for the financial system. The department has also placed increased emphasis on analysing the position of households and businesses. The Financial Stability Department publishes the Bank's *Financial Stability* reports.

The Payment Systems Department's role is to contribute to the safety and efficacy of important payment systems, issue and administer banknotes and coin, and operate the Bank's vaults. One company owned by the Central Bank, Greiðsluveitan ehf., operates under the auspices of the department.

The three support departments are Operations and Human Resources, Finance, and Legal.

The Operations and Human Resources Department handles security, procurement, budgeting, expenditure control, and the operation and administration of the Bank's real estate and equipment. The department also handles human resources and payroll affairs, as well as a variety of in-house services. Furthermore, it oversees document storage and information technology, as well as the Library and Collection Department, which operates the Bank's library and the Central Bank and National Museum numismatic collection.

The Finance Department oversees the financial information for the Bank and companies owned by it, as well as overseeing the bookkeeping for the Norwegian National Festival Gift Fund and the Greenland Fund, which are administered by the Bank. The department administers domestic and foreign loans for the Treasury and the Central Bank. Furthermore, it administers the Bank's SWIFT system, as well as overseeing domestic and cross-border payments for the Bank, the Treasury, and State enterprises. The department also oversees custody of securities and settlement of securities transactions.

The Finance Department's activities comprise two operational units: Accounting and Bank Office.

The Legal Department provides the Governors and the various departments of the Bank with legal advice on matters related to the Bank's role and operations. Legal Department staff members participate in the preparation of legislation and other regulatory instruments, prepare legal opinions and contractual agreements on behalf of the Bank, and finalise legal instruments and contracts.

The Internal Auditor works according to Article 28(c) of the Act on the Central Bank of Iceland, no. 36/2001, under the supervision of the Supervisory Board, and is responsible to the Board. Internal audit is defined as activity that provides impartial and objective confirmation so as to enhance value and improve the operations of the Bank and the companies it owns. The Internal Auditor assesses the efficiency of risk management and governance practises through systematic procedures, thereby supporting the Bank in achieving its objectives.

Human resources

The Bank's staff numbered 137 at the beginning of 2012, in addition to the Governor and Deputy Governor and nine part-time custodial employees, bringing the total to 148. At the end of the year, there were 151 employees in addition to the Governors, nine part-time custodial employees, and one custodial employee replacing a staff member on sick leave, or a total of 163. During the year, 28 employees were hired and 13 left the Bank. Nine summer staff members were employed by the Bank in 2012. The gender ratio changed slightly during the year: at the beginning of 2012 there were 73 males and 75 females, and at the end of the year there were 83 males and 80 females. The gender ratio among directors remained unchanged at five men and five women. As of year-end 2012, employees of companies owned by the Bank were 15, including 11 employed by Greiðsluveitan ehf. and four by Sölvhóll ehf.

Five of the 13 employees who left the bank during the year retired:

- Guðrún Sigmarsdóttir, Internal Information Services, after 32 years of service.
- Valborg Stefánsdóttir, Library and Collections, after 31 years of service.
- Magný Gyða Ellertsdóttir, Library and Collections, after 30 years of service.
- Tryggvi Eyvindsson, Statistics and IT, after 16 years of service.
- Hrafnhildur Georgsdóttir, Operations, after four years of service.

No major changes were made in the Bank's organisational structure during the year, although the Bank's staff grew considerably in number. The largest increase was in the Capital Controls Surveillance Unit, whose staff grew from nine to 15. The Library and Collections Department was transferred from the General Secretariat and merged with Internal Information Services under the auspices of Operations and Human Resources.

Nanna Huld Aradóttir was hired as Internal Auditor beginning on 1 March. She was previously employed as team manager of risk services for Deloitte hf., with specialisation in internal audit for financial institutions, insurance companies, and pension funds; external quality assessment for internal audit departments; and corporate consultancy on governance, risk management, and internal audit.

Central Bank of Iceland 31 December 2012

Supervisory Board

Principal members

Lára V. Júlíusdóttir, Chairman
 Ragnar Arnalds, Deputy Chairman
 Björn Herbert Guðbjörnsson
 Hildur Traustadóttir
 Ragnar Árnason
 Katrín Olga Jóhannesdóttir
 Ingibjörg Ingvadóttir

Alternates

Margrét Kristmannsdóttir
 Anna Ólafsdóttir Björnsson
 Sigrún Elsa Smáradóttir
 Guðrún Ágústa Guðmundsdóttir
 Birgir Þór Runólfsson
 Jón Helgi Egilsson
 Ingvi Hrafn Óskarsson

Governor

Már Guðmundsson

Deputy Governor

Arnór Sighvatsson

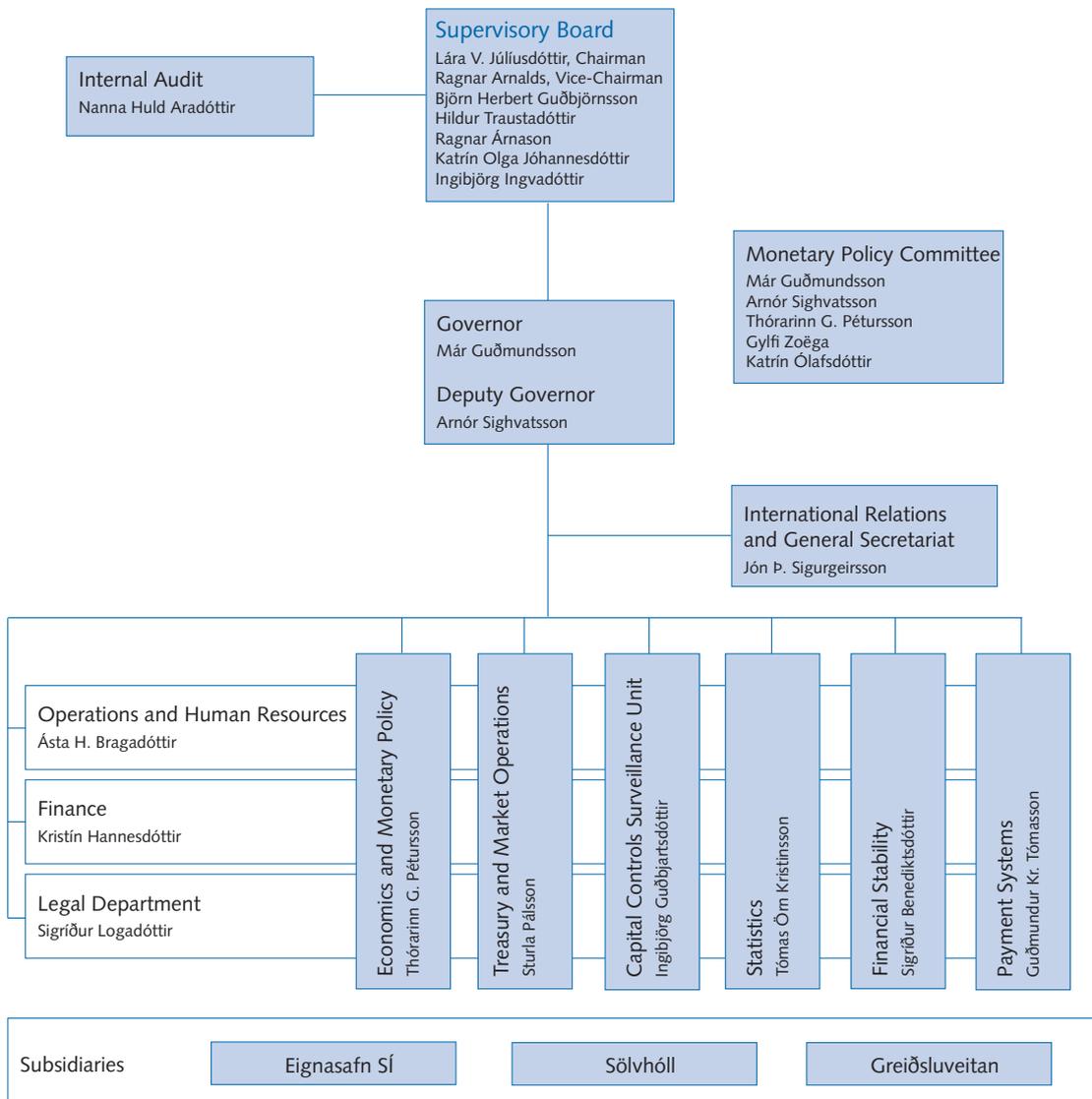
Principal Officers

International Relations and General Secretariat:	Jón Þ. Sigurgeirsson, Director
Finance:	Kristín Hannesdóttir, Director
Financial Stability:	Sigríður Benediktsdóttir, Director
Statistics:	Tómas Örn Kristinsson, Director
Capital Controls Surveillance Unit:	Ingibjörg Guðbjartsdóttir, Director
Payment Systems:	Guðmundur Kr. Tómasson, Director
Economics and Monetary Policy:	Thórarinn G. Pétursson, Chief Economist
Legal Department:	Sigríður Logadóttir, General Counsel
Market Operations and Finance Management:	Sturla Pálsson, Director
Operations and Human Resources:	Ásta H. Bragadóttir, Director
Internal Auditor:	Nanna Huld Aradóttir

Companies owned by the Central Bank of Iceland

Greiðsluveitan ehf.:	Logi Ragnarsson, Director
Sölvhóll ehf. (ESÍ):	Haukur C. Benediktsson, Director

The organisational chart of the Central Bank of Iceland





CONSOLIDATED
ANNUAL ACCOUNTS 2012

Independent Auditor's Report

To the Supervisory Board and the Governors of the Central Bank of Iceland

We have audited the consolidated annual accounts of the Central Bank of Iceland for the year 2012. The consolidated annual accounts include confirmation by the senior management of the Central Bank of Iceland, a profit and loss account, a balance sheet, a statement of cash flows, information on accounting principles, and other explanatory notes.

Management's responsibility for the Consolidated Annual Accounts

Management is responsible for the preparation and fair presentation of these Consolidated Annual Accounts in accordance with generally accepted accounting principles in Iceland and the Icelandic Annual Accounts Act. This responsibility includes designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of Consolidated Annual Accounts that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these Consolidated Annual Accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Consolidated Annual Accounts are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Annual Accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Annual Accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Annual Accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Consolidated Annual Accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

It is our opinion that the Consolidated Annual Accounts give a true and fair view of the results of operations of the Central Bank of Iceland for the year 2012, the financial position as at 31 December 2012, and cash flows for the year then ended, in accordance with the Annual Accounts Act and the Rules on the Central Bank of Iceland's Accounting and Annual Accounts.

Kópavogur, 14 March 2013

Deloitte ehf.

Benóni Torfi Eggertsson
State-Authorised
Public Accountant

Jón Rafn Ragnarsson
State-Authorised
Public Accountant

Confirmation by the management of the Central Bank of Iceland

The Supervisory Board and Governor of the Central Bank of Iceland hereby confirm the Bank's Consolidated Annual Accounts for the year 2012 with their signatures.

Reykjavík, 14 March 2013

Confirmation by the Supervisory Board

Lára V. Júlíusdóttir
Chairman

Ragnar Arnalds
Hildur Traustadóttir
Katrín Olga Jóhannesdóttir

Björn Herbert Guðbjörnsson
Ragnar Árnason
Ingibjörg Ingvadóttir

Confirmation by the Governor

Már Guðmundsson

Confirmation by the Minister of Finance and Economic Affairs

With reference to the statements by the auditor, the Supervisory Board, and the Governor of the Central Bank, I hereby ratify these Consolidated Annual Accounts.

Reykjavík, 21 March 2013

Katrín Júlíusdóttir

Profit and Loss Account for the year 2012

	Notes	2012	2011
Interest income			
From domestic assets		33,376,241	49,694,764
From foreign assets		8,283,280	11,658,597
	1	<u>41,659,521</u>	<u>61,353,362</u>
Interest expense			
From domestic liabilities		(20,679,535)	(17,061,232)
From foreign liabilities		(6,302,241)	(10,761,361)
	2	<u>(26,981,776)</u>	<u>(27,822,593)</u>
		Net interest income	33,530,769
		14,677,746	
Operating revenues			
Service revenues	3	1,414,176	1,201,897
Service expenses	4	(1,415,627)	(671,266)
Revenues from shareholdings	5	78,454	60,697
Revaluation of foreign securities	6	4,458,541	1,155,346
Revaluation of gold	7	773,775	881,405
Exchange rate gains on foreign exchange transactions	8	120,959	2,086,187
		<u>5,430,278</u>	<u>4,714,265</u>
		Net operating revenues	38,245,034
		20,108,024	
Operating expenses			
Salaries and related expenses	9	(1,821,446)	(1,599,320)
Other operating expenses	10	(1,037,233)	(825,146)
Expense due to banknotes and coin	11	(96,674)	(218,560)
Depreciation of property and equipment	26	(170,658)	(155,981)
Impairment of claims	12	(4,858,429)	(23,906,948)
		<u>(7,984,440)</u>	<u>(26,705,955)</u>
		Profit for the year before taxes	11,539,079
		12,123,584	
Income tax (20%)	14	(333,959)	(1,148,005)
		Profit w/o exchange rate differences and contrib. Treasury	10,391,074
		11,789,625	
Contribution to the Treasury	15	(2,185,769)	(3,463,692)
Exchange rate difference	13	4,718,657	7,470,603
		<u>14,322,512</u>	<u>14,397,984</u>
		Profit for the year	

Amounts are in ISK thousands

Balance Sheet 31 December 2012

Assets	Notes	2012	2011
Gold	16	13,757,459	12,248,658
Foreign assets	17-20	531,582,836	1,044,515,699
FX balance with the IMF	21	3,710,222	3,525,215
Domestic financial assets	22-25	502,669,107	502,332,405
Real estate and liquid assets	26	4,962,531	4,890,746
Appropriated assets		1,748,836	1,457,739
Other assets	27	2,630,952	6,678,029
Income tax credit	28	7,034,895	5,062,286
Assets		<u>1,068,096,838</u>	<u>1,580,710,777</u>
Equity and liabilities			
Capital		57,501,000	57,501,000
Revaluation reserve and liquid assets		4,449,711	4,501,922
Other equity	37	36,148,944	21,774,221
Equity		<u>98,099,655</u>	<u>83,777,143</u>
Banknotes and coin	30	45,142,048	43,204,646
Foreign debt	31	135,971,231	341,603,677
Counterpart to IMF	21	22,213,920	21,140,864
Deposits of financial institutions	32	72,605,932	61,997,455
Other deposits	33	569,693,223	919,729,302
Domestic financial liabilities	34	113,952,726	85,914,469
Income tax obligation	28	20,174	5,348
Pension obligations	35	318,117	321,113
Other liabilities	36	7,894,044	19,553,069
Unpaid contribution to Treasury	15	2,185,769	3,463,692
Liabilities		<u>969,997,184</u>	<u>1,496,933,635</u>
Equity and liabilities		<u>1,068,096,838</u>	<u>1,580,710,777</u>

Statement of Cash Flows 2012

	2012	2011
Operating activities		
Collected interest income	25,160,995	51,971,706
Paid interest expense	(21,710,466)	(26,858,465)
Net collected interest income	3,450,529	25,113,241
Collected service revenues	1,429,596	1,115,505
Paid-out service expense	(1,370,047)	(664,583)
Paid-in dividends on shareholdings	78,454	60,697
Collected net operating revenues	3,588,532	25,624,860
Paid operating expense	(2,774,953)	(2,404,591)
Cash and cash equivalents w/o taxes and contribution to Treasury	813,579	23,220,269
Paid income tax	(5,052,568)	(5,014,012)
Paid contribution to the Treasury	(3,463,692)	0
Net cash (to operating activities) from operating activities ..	(7,702,682)	18,206,257
Investment activities		
Collateralised loans and overnight loans, (increase) decrease	(12,350,000)	41,819,956
Purchased property and equipment	(185,869)	(53,026)
Sold property and equipment	0	4,000
Capital shares sold	2,420,404	4,964,132
Sold (purchased) Government bonds	4,440,590	(18,518,856)
Securities purchased	(3,323,957)	(57,785,246)
Securities sold	3,476,603	66,305,337
Instalments on securities, etc.	12,104,667	70,393,197
Securities purchased in foreign reserves	(278,298,973)	(178,191,076)
Securities sold in foreign reserves	177,077,127	136,324,418
Investment tax, Bank-owned companies	28,604	226,057
Special drawing rights with the IMF	87,931,479	(87,295,046)
	(6,679,327)	(21,806,154)
Financing activities		
Banknotes and coin in circulation, increase	1,937,402	4,935,168
Loan from IMF, (instalments)	(165,795,064)	96,303,980
Loans taken from Nordic central banks, (instalments)	(45,550,750)	38,121,600
Other loans taken, (instalments)	0	(58,373)
Certificates of deposit, increase	14,895,864	13,063,339
Treasury time deposits, (decrease)	0	(98,854,554)
Instalments on Treasury borrowings for FX reserve expansion	0	(11,000,000)
FX deposits, (decrease) increase	(380,603,352)	245,224,831
Increase (decrease) in deposits, DMBs	31,125,772	(27,085,115)
(Decrease) in deposits, other	(7,798,087)	(63,233,951)
(Decrease) Increase in deposits, central government	(2,900,953)	13,185,676
Investment tax	0	(326,705)
	(554,689,169)	210,275,896
Changes in cash position		
Foreign bank deposits, (decrease) increase	(573,515,883)	206,675,999
Exchange rate difference on bank deposits	14,613,528	32,207,501
Foreign deposit balance at beginning of year	672,143,912	433,260,411
Foreign cash balance at year-end	113,241,556	672,143,912

Amounts are in ISK thousands

Summary of main accounting principles

Basic for accounting methods

- The annual financial statements have been prepared in accordance with the Annual Accounts Act, no. 3/2006, the Act on Financial Undertakings, no. 161/2002, and the Rules on the Central Bank of Iceland's Accounting and Annual Accounts.

Estimates and decisions

- In preparing the Annual Accounts, management must, in accordance with the Annual Accounts Act, take decisions, make estimates and draw conclusions that affect assets and liabilities on the financial reporting date, and provide information in the explanatory notes concerning income and expenses. These evaluations and conclusions are based on experience and various other factors that are considered appropriate and constitute grounds for the decisions taken on the book value of assets and liabilities where such value cannot be determined otherwise.
- Changes in accounting evaluations are recognised in the period in which they take place.

Group

- The consolidated accounts include the annual financial statements of the Central Bank of Iceland and companies owned by it ("subsidiaries" according to financial reporting rules). Subsidiaries are companies controlled by the group. Control exists when the Central Bank has decision-making power concerning the operations and financial management of the subsidiaries.

The group accounts are prepared using the cost price rule, and in instances where ownership of a subsidiary is less than 100%, the minority interest is written up in equity and operating performance. Where the minority interest is an insignificant amount, it is not shown separately in the accounts.

Upon the purchase of subsidiaries, their assets and liabilities are assessed at fair value on the date of purchase. If the purchase price is higher than the net asset after such valuation, the difference is recognised as goodwill. The operating results of subsidiaries during the year are included in the consolidated profit and loss account.

Among the objectives of consolidated financial reporting is to publish only income, expenses, assets, and liabilities vis-à-vis external parties; therefore, internal transactions are netted out in preparing the financial statements. If appropriate, adjustments are made to the companies' accounts in order to harmonise them with the consolidated accounting methods.

Shares in subsidiaries

- Subsidiaries are companies controlled by the Central Bank. Control exists when the Central Bank has decision-making power concerning the operations and financial management of the subsidiaries. Shares in them are entered according to the equity method, and shares in affiliates are recognised at cost price, after adjusting for the share in operations and impairment of individual investments. Losses of the companies in excess of the ownership share are only

	Average exchange rate for the year		Year-end exchange rate	
	2012	2011	2012	2011
Euro (EUR)	160.73	161.42	169.80	158.84
US dollar (USD)	125.05	116.07	128.74	122.71
Pound sterling (GBP)	198.16	186.00	208.15	189.43
Canadian dollar (CAD)	125.11	117.31	129.36	120.21
Danish krone (DKK)	21.59	21.67	22.76	21.37
Norwegian krone (NOK)	21.50	20.70	23.04	20.40
Swedish krona (SEK)	18.47	17.88	19.76	17.79
Swiss franc (CHF)	133.35	131.20	140.64	130.66
Japanese yen (JPY)	1.57	1.46	1.50	1.59
Polish złoty (PLN)	38.43	39.25	41.54	35.78

charged if the Central Bank has guaranteed or undertaken obligations on their behalf.

- Assets and liabilities in foreign currency are presented in Icelandic currency using the mid-exchange rate as of year-end 2012. Revenues and expenses in foreign currency are converted using the exchange rate on the transaction date.
- Indexed assets and liabilities are entered with accrued indexation as of year-end 2012, using the index value of January 2013, which reflects year-end 2012 price levels. Indexation is recognised in the profit and loss account, with interest.
- Securities in the Bank's foreign exchange reserves are entered at market price, and valuation changes are entered in the profit and loss account.
- Revenues are entered when earned, irrespective of whether collection has taken place. Expenses are also entered when incurred, irrespective of whether they have been paid. Furthermore, valuation changes in securities are entered in the profit and loss account, irrespective of whether the securities have been redeemed.
- Seigniorage is expensed when the costs are incurred.
- Banknotes and coin in circulation are recognised at nominal value. The amount is obtained by deducting the value of banknotes and coin received by the Central Bank of Iceland from manufacturers, both the value of notes and coin in the vaults and the value of notes and coins the Bank has destroyed. The change is expensed in the profit and loss account.
- Income tax is calculated and entered in the annual accounts. Its calculation is based on earnings before taxes, adjusted for permanent differences between taxable earnings and earnings according to the annual accounts. The income tax rate is 20%.
- Income tax payable is income tax that is estimated to become due and payable in the next year due to taxable profit for the year, plus an adjustment of income tax payable for previous years.

Foreign currencies

Indexed assets and liabilities

Securities

Entry of revenues and expenses

Banknotes and coin

Taxation

Property and equipment

- Deferred tax derives from the difference between balance sheet items in the tax settlement, on the one hand, and the annual accounts, on the other. The difference stems from the fact that the company's income tax base is obtained by means other than those used in the preparation of the financial statements.
- The income tax credit balance is assessed on the accounting date and is only recognised to the extent that it is likely to be used to offset taxable profit in the future.
- Fixed operational assets were capitalised in 2005 based on the appraised value at the end of that year. Assets are listed among fixed operational assets when it is likely that the economic benefits of the asset concerned will be useful to the group and when it is possible to estimate the cost due to the asset in a reliable manner. Fixed operational assets are recognised using either the cost-price method or the revaluation method. According to the cost-price method, fixed operational assets are entered at original cost price less accumulated depreciation and impairment. The cost price of fixed operational assets consists of the purchase price and all direct costs relating to putting the asset into revenue-generating condition. The revaluation method uses fair value on the date the fixed operational assets are revalued, less depreciation and impairment.
- Depreciation is calculated as a fixed annual percentage of the cost price/revaluation price based on the holding period during the year with consideration given to expected scrap value.
- Profit or loss due to the sale of assets is the difference between the sale price and the book value of the asset on the date of sale.

Gold

- Gold in the Bank's foreign exchange reserves is entered at market price in US dollars, and valuation changes are entered in the profit and loss account.

Obligations

- Obligations are written up in the balance sheet if it is considered likely that the company will be faced with financial expense in the future due to a specified event or transaction and it is possible to assess the monetary amount in a reliable manner.

Notes to the financial statements for the year 2012

Interest income

1. Interest income specifies as follows (in ISK thousands):

	2012	2011
<i>Interest income on domestic assets:</i>		
Interest income on overnight loans	6,383	34,780
Interest income on collateralised loans	213,081	367,580
Interest income on marketable securities	1,626,524	1,399,936
Interest income on indexed securities	19,083,528	27,216,385
Interest income on other domestic assets	12,446,725	20,676,085
	<u>33,376,241</u>	<u>49,694,764</u>
<i>Interest income on foreign assets:</i>		
Interest income on bank accounts	1,553,551	3,638,320
Interest income on securities	6,705,609	6,469,776
Interest income on other foreign assets:	24,120	1,550,501
	<u>8,283,281</u>	<u>11,658,597</u>

- Interest income on domestic assets declined by 16 b.kr. from the year 2011, or by 33%.
- Interest income on overnight loans declined from 35 m.kr. in 2011 to 6 m.kr. in 2012, or by 82%. In 2012, 13 overnight loans were granted in the amount of 33 b.kr. In 2011, 90 overnight loans were granted in the amount of 135 b.kr. The average interest rate on overnight loans in 2012 was 6.4%, as opposed to 5.4% in 2011.
- Interest income on collateralised loans declined by 42% during the year, primarily due to lower principal. One collateralised loan was outstanding at year-end 2012. The average interest rate in 2012 was 5.5%, as compared with 7.7% in 2011. In 2012, 19 collateralised loans were granted in the amount of 217 b.kr. In 2011, 49 collateralised loans were granted in the amount of 298 b.kr.
- Interest income on marketable securities increased by 227 m.kr., or 16%, between years.
- Interest income on indexed securities fell by 8 b.kr. between years. Indexation due to indexed securities is recognised as interest income. The Consumer Price Index rose by 5.2% in 2012, as compared with 4.0% in 2011.
- Interest income on foreign bank accounts declined by 57%, or by 2 b.kr. This is due both to reduced principal amounts of foreign interest-bearing assets and to lower interest rates.

- Interest income on foreign securities rose by 236 m.kr. between years. Foreign securities holdings rose by 135 b.kr. in 2012, with most of the increase concentrated in the latter half of the year.

Interest expense

2. Interest expense specifies as follows (in ISK thousands):

	2012	2011
<i>Interest expense on domestic liabilities:</i>		
Interest expense on certificates of deposit	5,717,565	3,653,120
Interest expense on current accounts	3,153,237	2,946,225
Interest expense on Treasury current accounts	6,459,610	4,628,446
Interest expense on foreign-currency accounts	4,659,523	3,340,578
Interest expense on other domestic liabilities	689,600	2,492,862
	<u>20,679,535</u>	<u>17,061,232</u>
<i>Interest expense on foreign liabilities:</i>		
Interest expense on the balance with the IMF	3,987,503	6,104,107
Interest expense due to Treasury foreign borrowing	0	2,367,076
Interest expense on foreign borrowings	2,314,738	2,290,178
	<u>6,302,241</u>	<u>10,761,361</u>

- Interest expense on domestic liabilities rose by 3.6 b.kr., or 21%, due mainly to rising interest rates during the year.
- Interest expense on certificates of deposit rose by 2 b.kr., or 57%. The average interest rate in 2012 was 5.11%, as compared with 4.0% in 2011.
- Interest expense on current accounts rose by 207 m.kr., or 7%. The balance of current accounts rose by 23 b.kr. between years, or 77%. The average interest rate on current accounts was 4.4% in 2012, as opposed to 3.4% in 2011.
- Interest expense on current accounts rose by 207 m.kr., or 7%. The balance of current accounts rose by 23 b.kr. between years, or 77%. The average interest rate on current accounts was 4.4% in 2012, as opposed to 3.4% in 2011.
- Interest expense on Treasury current accounts rose by 1.8 b.kr., or 40%. The balance of Treasury current accounts declined by 2.8 b.kr. between years, or 6%. The average interest rate on current accounts was 4.4% in 2012, as opposed to 3.4% in 2011.
- Interest expense on the balance with the IMF fell by 2.1 b.kr. This is due to the partial prepayment of the IMF loan.
- Interest expense due to Treasury foreign borrowing declined by 2.3 b.kr. This was due to the retirement of debt in December 2011.

Service revenues

3. Service revenues specify as follows (in ISK thousands):

	2012	2011
Revenues from payment intermediation	1,209,499	993,040
Revenues from foreign exchange brokerage	2,708	3,333
Revenues from market transactions.....	130,909	102,011
Other service revenues	71,060	103,513
	<u>1,414,176</u>	<u>1,201,897</u>

- Service revenues rose by 212 m.kr. from the prior year. This is due mainly to payment intermediation revenues generated by a company owned by the Central Bank of Iceland.

Service expenses

4. Service expenses specify as follows (in ISK thousands):

	2012	2011
Expenses from payment intermediation	618,756	419,624
Expenses due to foreign currency auctions.....	110,047	55,696
Borrowing expense	29,563	47,475
Expenses due to securities transactions.....	121,274	128,175
Asset management expense	166,411	18,122
Operating expense for appropriated assets	308,014	330
Other service expenses.....	61,561	1,843
	<u>1,415,627</u>	<u>671,266</u>

- Service expenses rose by 744 m.kr. between years. The increase is due primarily to companies owned by the Central Bank of Iceland.

Revenues from shareholdings

5. Income from equity holdings specifies as follows (in ISK thousands):

	2012	2011
Dividends from BIS	62,431	57,947
Other dividends.....	16,023	2,750
	<u>78,454</u>	<u>60,697</u>

Revaluation of foreign securities

6. Revaluation of foreign securities specifies as follows (in ISK thousands):

	2012	2011
Foreign securities, change in fair value	4,458,541	1,155,346
	<u>4,458,541</u>	<u>1,155,346</u>

<i>Nominal value of foreign securities, by currency:</i>	2012	2011
EUR.....	762,000,000	874,392,477
GBP.....	110,368,918	92,368,918
PLN.....	204,129,000	204,129,000
USD.....	1,744,418,155	744,418,155

Revaluation of gold

7. The increase in the Bank's gold reserves, at constant exchange rates, totalled 774 m.kr. in 2012, as opposed to 881 m.kr. in 2011. The market price of gold was 1,675.35 US dollars per ounce at year-end 2012, as compared with 1,564.91 US dollars per ounce at the beginning of the year.

Exchange rate gains on foreign exchange transactions

8. Exchange rate gains on foreign exchange transactions totalled 121 m.kr. in 2012, as opposed to 2.1 m.kr. in 2011.
- This is primarily unrealised gains on derivatives transactions made in foreign currencies with foreign financial institutions. The Bank uses derivative instruments to steer its foreign exchange balance and to hedge against other items in its balance sheet.
 - A portion of the gain on foreign exchange transactions in 2011 is due to steps taken in the removal of capital controls.
 - Exchange rate gains from foreign exchange transactions in which the Bank sold foreign currency and bought it back are recognised as profit.

	2012	2011
Exchange rate gains on foreign exchange transactions (in ISK thousands):.....	120,959	2,086,187
	<u>120,959</u>	<u>2,086,187</u>

Salaries and related expenses

9. Salaries and related expenses specify as follows (in ISK thousands):

	2012	2011
Salaries.....	1,430,760	1,244,301
Pension fund.....	196,458	170,534
Salary-related expenses.....	150,113	140,143
Contribution to pension obligations.....	44,115	44,342
	<u>1,821,446</u>	<u>1,599,320</u>
Number of full-time position equivalents at year-end.....	178	161

- There is no bonus system in place for Central Bank employees, neither for managers nor for other members of staff.
- The pension contribution is in compliance with Article 59 of Act no. 3/2006.

- In 2012, total remuneration to the Governor and the Supervisory Board amounted to 30.8 m.kr. The Governor is not remunerated for participation in boards and committees jointly operated by institutions in the financial market or to which the Central Bank of Iceland appoints a representative by law. Total remuneration to the Governor and the Supervisory Board in 2012 specify as follows (in ISK millions):

	2012	2011
<i>Governor</i>		
Már Guðmundsson	18.2	16.5
<i>Supervisory Board</i>		
Lára V. Júlíusdóttir	2.8	2.8
Other Supervisory Board members and alternates	9.8	8.7
	<u>30.8</u>	<u>28.0</u>

Other operating expense

10. Other operating expense specifies as follows (in ISK thousands):

	2012	2011
Outsourced services	690,271	382,287
Operation of property and liquid assets	207,951	175,672
Sundry operational items	139,011	267,188
	<u>1,037,233</u>	<u>825,146</u>

- Other operating expense rose by 212 m.kr. year-on-year. The increase is due primarily to an increase in outsourced services related to companies owned by the Central Bank of Iceland.

Expense due to banknotes and coin

11. Expense due to banknotes and coin specifies as follows (in ISK thousands):

	2012	2011
Banknote printing	88,160	150,309
Minting of coins	0	55,859
Distribution costs	1,685	2,624
Equipment	6,829	9,768
	<u>96,674</u>	<u>218,560</u>

Impairment of claims

12. Expensed claim impairment amounted to 4.9 b.kr. in 2012, as opposed to 23.9 b.kr. in the prior year. The Bank maintains a claim impairment account for the claims it considers likely to be lost, but this is not a final write-off.

	2012	2011
Permanently lost	1,613,861	1,548,974
Change in precautionary write-off	3,244,567	22,357,974
	<u>4,858,429</u>	<u>23,906,948</u>

Exchange rate difference

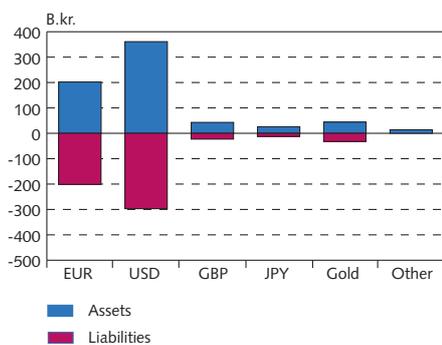
13. Exchange rate difference specifies as follows (in ISK thousands):

	2012	2011
Gold	735,026	940,895
International Monetary Fund	2,429,988	1,540,782
Foreign bank deposits	14,613,528	29,683,850
Foreign securities	20,528,005	11,661,611
Foreign current liabilities	(7,880,663)	(10,006,467)
Foreign loans, FX accounts	(25,164,358)	(26,350,067)
Other exchange rate differences	(542,870)	
	<u>4,718,657</u>	<u>7,470,603</u>

Changes in major currencies versus the Icelandic króna were as follows (%):

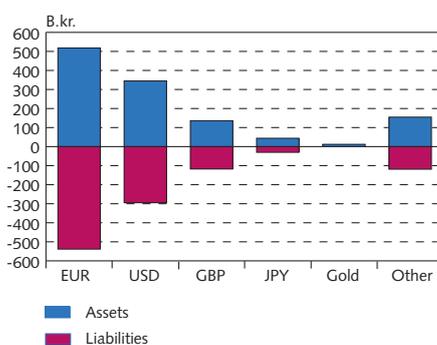
	2012	2011
USD	4.9	6.7
EUR	6.9	3.3
GBP	9.9	6.1
NOK	12.9	3.7
DKK	6.5	3.5
SEK	11.1	3.7
JPY	-5.7	11.5
CAD	7.6	4.3
XDR	5.1	5.9

Total assets and liabilities in foreign currency
2012



Source: Central Bank of Iceland.

Total assets and liabilities in foreign currency
2011



Source: Central Bank of Iceland.

Income tax

14. The Central Bank of Iceland is exempt from income tax pursuant to Article 4 of the Income Tax Act, no. 90/2003. Expensed income tax in the annual accounts is due to companies owned by the Bank and specifies as follows (in ISK thousands):

	2012	2011
Sölvhóll ehf.	(545)	(1,715)
Eignasafn Seðlabanka Íslands ehf.	(296,293)	(1,108,467)
Greiðsluveitan ehf.	(37,121)	(37,823)
	<u>(333,959)</u>	<u>(1,148,005)</u>

- Income tax payable in 2013 amounts to 2,253 m.kr.

<i>Effective income taxes are as follows:</i>	2012		2011	
	Amount	%	Amount	%
Profit of companies owned by the Bank	6,083,766		4,289,565	
Tax rates	(1,216,753)	-20	(857,913)	-20
Non-deductible expenses	(18,589)	0	(11)	0
Share in earnings of companies owned by the Bank not entered as income tax credit	339,639	5.6	(403,797)	-9.4
Change in write-down of income tax	561,745	9.2	113,716	2.7
Income tax according to profit and loss account	<u>(333,959)</u>	<u>-5.5</u>	<u>(1,148,005)</u>	<u>-26.8</u>

Contribution to the Treasury

15. The contribution to the Treasury, pursuant to Article 34 of the Act on the Central Bank of Iceland, no. 36/2001, is calculated as 2/3 of the profit on its net profit (excluding exchange rate loss or gain) during the year if equity (excluding revaluation) exceeds 2.25% of outstanding loans and domestic securities holdings in the credit system at the end of the year; otherwise, the contribution shall equal 1/3. The Bank's equity was below this threshold at year-end 2012; therefore, the contribution is calculated as 1/3 of profits, according to the Rules on the Central Bank of Iceland's Accounting and Annual Accounts.

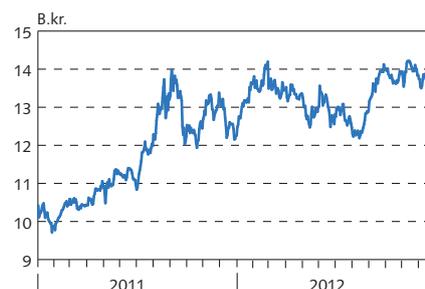
- The Rules on the Central Bank of Iceland's Accounting and Annual Accounts were amended. The contribution for 2011 was based on the assumption that the profit for allocation to the contribution was a profit according to the profit and loss account, less calculated gains and losses due to changes in the exchange rate of the Icelandic króna. The 2012 contribution is based on new rules, according to which the contribution shall be calculated based on the profit for the year according to the profit and loss account of the Central Bank of Iceland and companies owned by it (the consolidated accounts), less unrealised income and expense. In this context, "unrealised income" refers to unrealised gains and losses due to changes in the exchange rate of the króna and unrealised calculated income and expense due to valuation changes in gold and securities in the foreign exchange reserves.

	2012	2011
Profit for the year excluding contribution to the Treasury	11,789,625	10,391,074
Revaluation of foreign securities	(4,458,541)	
Revaluation of gold	(773,775)	
Profit for calculation of contribution to the Treasury	6,557,308	10,391,074
Contribution to the Treasury	(2,185,769)	(3,463,692)

Gold

16. The Bank's holdings in gold amounted to 63,785.1 ounces at year-end 2012. At year-end 2012, gold was valued at 1,675.35 US dollars, or 215,685 kr., per ounce. Thus the Bank's holdings in gold were valued at 13.8 b.kr. as of year-end 2012.

Development of gold prices



Source: Central Bank of Iceland.

Changes in gold holdings specify as follows (in ISK thousands):

	2012	2011
Balance at beginning of year	12,248,658	10,426,358
Revaluation	773,775	881,405
Exchange rate difference	735,026	940,895
Balance at year-end	13,757,459	12,248,658

Foreign assets

17. Foreign assets specify as follows (in ISK thousands):

	2012	2011
Foreign bank deposits	113,241,556	672,143,912
Foreign securities	407,285,699	272,072,066
Special drawing rights (SDR) with the International Monetary Fund (IMF)	1,767,095	87,295,035
Foreign assets not held in reserves	9,288,486	13,004,686
	531,582,836	1,044,515,699

18. Foreign bank deposits specify as follows (in ISK thousands):

	2012	2011
Balance in foreign central banks and the Bank for International Settlements	102,224,039	565,575,529
Balance in other foreign banks	11,017,517	106,568,383
	113,241,556	672,143,912
Deposits available for disbursement	52,600,911	417,687,204
Time deposits	60,640,645	254,456,708
	113,241,556	672,143,912

19. Changes in foreign securities during the year specify as follows
(in ISK thousands):

	2012	2011
Balance at beginning of year	272,072,067	217,821,305
Purchases during the year.....	288,604,017	178,191,076
Sold and collected during the year	(178,376,932)	(136,324,418)
Revaluation.....	4,458,541	722,494
Exchange rate difference.....	20,528,005	11,661,611
	<u>407,285,699</u>	<u>272,072,067</u>

20. Foreign assets not held in reserves

Foreign assets not held in reserves specify as follows
(in ISK thousands):

	2012	2011
Shareholdings in the Bank for International Settlements .	184,486	184,486
Other assets not held in reserves.....	9,104,000	12,820,199
	<u>9,288,486</u>	<u>13,004,685</u>

International Monetary Fund (IMF)

21. Iceland's quota with the International Monetary Fund (IMF) totalled SDR 117.6 million at year-end 2012. One-fourth (¼) of the quota was originally paid for with gold and the rest with Icelandic krónur. The Bank's foreign exchange balance with the Fund totalled SDR 18.7 million, which is the difference between the quota and the Fund's ISK deposits with the Bank (table below). The Bank's borrowings in the form of Fund allocations in SDR totalled SDR 112.2 million. The Bank's borrowings in the form of Fund allocations totalled SDR 513.6 m at year-end 2012, as opposed to SDR 1,400 m at end-2011.

<i>Assets (thousands):</i>	SDR	ISK
Central Bank of Iceland quota	117,600	23,283,624
IMF deposit with Central Bank of Iceland	(98,864)	(19,574,106)
	<u>18,736</u>	<u>3,710,222</u>
Central Bank's FX balance with the IMF.....	18,736	3,710,222
Central Bank's deposit balance with the IMF	8,925	1,767,095
	<u>27,661</u>	<u>5,477,317</u>
<i>Liabilities (thousands):</i>		
Counterpart to IMF allocations.....	112,197	22,213,920
IMF current account with Central Bank of Iceland	2	410
Loan from IMF	513,630	101,693,652
	<u>625,829</u>	<u>123,907,982</u>

Domestic financial assets

22. Counterparties to domestic financial assets specify as follows
(in ISK thousands):

	2012	2011
Financial institutions	209,476,756	202,367,435
Treasury	187,826,464	194,641,368
Financial institutions in winding-up proceedings	56,472,250	53,682,450
Other parties	48,893,638	51,641,152
	<u>502,669,107</u>	<u>502,332,405</u>

23. Domestic financial assets at financial institutions specify as follows
(in ISK thousands):

	2012	2011
Repurchase agreements	12,346,471	0
Derivatives	5,445,944	4,311,854
Deposits	1,437,651	7,278,487
Housing Financing Fund bonds	8,759,258	8,827,629
Housing Authority bonds	89,587	125,915
Loans	181,289,194	181,722,388
Municipal bonds	108,651	101,161
	<u>209,476,756</u>	<u>202,367,435</u>

24. Domestic financial assets with the Treasury specify as follows
(in ISK thousands):

	2012	2011
Securities	170,865,296	173,073,569
Treasury bonds	16,665,751	20,419,596
Treasury bills	0	898,961
Foreign-denominated Government bonds	295,417	249,242
	<u>187,826,464</u>	<u>194,641,368</u>

Changes in Treasury bond specify as follows (in ISK thousands):

	2012	2011	2010	2009
Balance at beginning of year	173,073,569	164,388,389	161,141,868	270,005,388
Principal	146,651,654	146,651,654	146,651,654	270,005,388
Indexation	31,475,711	25,358,795	16,726,965	23,303,301
Accrued interest	106,379	1,063,120	1,009,770	1,833,179
Payments made	(7,368,448)	0	0	(134,000,000)
Balance at year-end	<u>170,865,296</u>	<u>173,073,569</u>	<u>164,388,389</u>	<u>161,141,868</u>

25. Loans due and payable amount to 56.5 b.kr. at year-end 2012, as compared with 53.7 b.kr. at year-end 2011.

<i>Loans due and payable specify as follows (in ISK thousands):</i>	2012	2011	2010	2009
Balance at beginning of year	53,682,450	101,951,118	490,614,019	333,491,781
Takeover of past-due collat. loans during the year	2,935,149			117,269,848
Collateralised loans purchased from the Treasury				134,000,000
Appropriation of assets		(34,497,885)	(264,931,242)	
Collateralised loans written off	(145,349)	(3,515,636)	(16,516,643)	(22,073,493)
Instalments and exchange rate differential		(10,255,147)	(107,215,016)	(72,074,117)
Balance at year-end	<u>56,472,249</u>	<u>53,682,450</u>	<u>101,951,118</u>	<u>490,614,019</u>

Real estate and liquid assets

26. Fixed operational assets were capitalised in 2005 based on the appraised value at the end of that year. Assets are listed among fixed operational assets when it is likely that the economic benefits of the asset concerned will be useful to the group and when it is possible to estimate the cost due to the asset in a reliable manner. Fixed operational assets are recognised using either the cost-price method or the revaluation method. According to the cost-price method, fixed operational assets are entered at original cost price less accumulated depreciation and impairment. The cost price of fixed operational assets consists of the purchase price and all direct costs relating to putting the asset into revenue-generating condition. The revaluation method uses fair value on the date the fixed operational assets are revalued, less depreciation and impairment.

- Tangible operational assets as of year-end 2012 specify as follows (amounts in ISK thousands):

	Land	Real estate	Liquid assets	Libraries and collections	Total
<i>Cost price and valuation</i>					
Cost price at beginning of year 2011 ..		90,976	415,757	8,126	514,859
Valuation at beginning of year 2011 ..	24,000	4,575,331	32,726	237,000	4,869,057
Total at beginning of year 2011	<u>24,000</u>	<u>4,666,307</u>	<u>448,483</u>	<u>245,126</u>	<u>5,383,916</u>
Capitalised during the year			53,026		53,026
Sold (cost price)			(5,050)		(5,050)
Cost price at beginning of year 2012 ..		90,976	463,734	8,126	562,836
Valuation at beginning of year 2012 ..	24,000	4,575,331	32,726	237,000	4,869,057
Total at beginning of year 2012	<u>24,000</u>	<u>4,666,307</u>	<u>496,460</u>	<u>245,126</u>	<u>5,431,893</u>
Capitalised during the year			242,444		242,444
Cost price at year-end 2012		90,976	704,137	8,126	803,239
Valuation at year-end 2012	24,000	4,575,331	32,726	237,000	4,869,057
Total at year-end 2012	<u>24,000</u>	<u>4,666,307</u>	<u>736,863</u>	<u>245,126</u>	<u>5,672,296</u>

	Land	Real estate	Liquid assets	Libraries and collections	Total
<i>Depreciation</i>					
Cost price at beginning of year 2011 ..		3,523	68,389		71,912
Valuation at beginning of year 2011 ..		292,498	22,170		314,668
Total at beginning of year 2011	<u>0</u>	<u>296,021</u>	<u>90,559</u>	<u>0</u>	<u>386,580</u>
Depreciation for the year at cost price			102,563		
Deprec. for the year at valuation price		951	3,523		103,514
Sold (cost price)			(1,414)		(1,414)
Cost price at beginning of year 2012 ..		4,474	169,538		174,012
Valuation at beginning of year 2012 ..		341,442	25,693		367,135
Total at beginning of year 2012	<u>0</u>	<u>345,917</u>	<u>195,230</u>	<u>0</u>	<u>541,147</u>
Depreciation for the year at cost price		951	117,496		118,447
Depreciation for the year at valuation ..		48,944	3,267		52,211
Sales and disp. dur. the year (cost price)			(2,040)		(2,040)
Cost price at year-end 2012		5,426	284,993		290,419
Valuation at beginning of year 2012 ..		390,387	28,959		419,346
Total at beginning of year 2012	<u>0</u>	<u>395,812</u>	<u>313,952</u>	<u>0</u>	<u>709,765</u>
<i>Book value</i>					
Book value at beginning of year 2011..	24,000	4,370,286	357,924	245,126	4,997,336
Book value at beginning of year 2012..	24,000	4,320,390	301,229	245,126	4,890,746
Book value at end of year 2012	24,000	4,270,495	422,910	245,126	4,962,531
Annual depreciation rates	0%	1-3%	10-33%	0%	

27. Other assets

<i>Other assets specify as follows (in ISK thousands):</i>	2012	2011
Equities	458,350	2,476,970
Investment tax withheld	1,626,105	1,568,645
Unsettled transactions	0	1,980,882
Other assets	546,497	651,532
	<u>2,630,952</u>	<u>6,678,029</u>

28. Deferred tax

<i>Deferred tax specifies as follows (in ISK thousands):</i>	Credit balance	Liability	Total
Balance at beginning of 2011	1,200,000	(9,070)	1,190,930
Calculated income tax for year 2011	(1,108,467)	(39,538)	(1,148,005)
Income tax for payment in 2012	4,970,753	43,259	5,014,012
Balance at beginning of 2012	<u>5,062,286</u>	<u>(5,348)</u>	<u>5,056,938</u>
Calculated income tax for year 2012	(296,293)	(37,666)	(333,959)
Corrected tax base for prior year	38,571	(15)	38,556
Income tax for payment in 2013	2,230,331	22,855	2,253,186
Year-end balance 2012	<u>7,034,895</u>	<u>(20,174)</u>	<u>7,014,721</u>

29. Companies owned by the Bank

<i>Names of companies owned by the Bank</i>	<i>Location</i>	<i>Ownership share</i>	<i>Nominal value</i>	<i>Primary activities</i>
Sölvhóll ehf.	Iceland	100%	1,000,000	Operating company
Eignasafn Seðlabanka Íslands ehf.	Iceland	100%	1,000,000	Holding company
Greiðsluveitan ehf.	Iceland	100%	20,000,000	Payment system operations
Hilda ehf.	Iceland	100%	1,000,000,000	Holding company

Banknotes and coin

30. Banknotes and coin in circulation (in ISK thousands):

<i>Banknotes:</i>	2012	2011
5,000 krónur	37,138,500	35,558,500
2,000 krónur	389,000	699,000
1,000 krónur	3,826,000	3,366,500
500 krónur.....	1,180,250	1,095,500
Total	42,533,750	40,719,500
<i>Coin:</i>		
100 krónur.....	1,519,600	1,435,600
50 krónur	453,890	436,390
10 krónur	429,320	413,720
5 krónur.....	103,434	100,934
1 króna.....	102,054	98,502
Total	2,608,298	2,485,146
Total in circulation	45,142,048	43,204,646

Foreign debt

31. Foreign liabilities specify as follows (in ISK thousands):

	2012	2011
Loan from IMF	101,693,652	264,963,639
Loan from Norges Bank	33,798,462	76,251,962
Other liabilities	479,117	388,076
	135,971,231	341,603,677

- Disbursements from the IMF in connection with the Stand-By Arrangement were eight in number: the first tranche totalled SDR 560 million, the next four tranches were SDR 105 million each; and the last three tranches were SDR 140 million each. The total IMF loan facility in connection with the Stand-By Arrangement amounted to SDR 1,400 million. At year-end 2011, the loan facility had been drawn for the full amount (SDR 1,400 million, or 265 b.kr.). In 2012, payments were made on the loan in the amount of SDR 888 million.

- On 21 December 2009, the first tranche of the loan from the Nordic countries was disbursed to Iceland in connection with Stand-By Arrangement. The second tranche was disbursed on 28 June 2010 and the third on 30 December 2011. By year-end 2011, the Central Bank of Iceland had borrowed 480 million euros (76.2 b.kr. at the end-2011 exchange rate) from Norges Bank.
- In 2012, payments were made on the loan in the amount of 281 million euros.

Instalments on long-term foreign debt are itemised as follows (in ISK thousands):

	<i>Loan from IMF</i>	<i>Loan from Norges Bank</i>	<i>Total</i>
Instalments 2013			0
Instalments 2014			0
Instalments 2015	67,564,088		67,564,088
Instalments 2016	33,783,034		33,783,034
Instalments 2017			0
Instalments later		33,790,200	33,790,200
Total long-term debt	101,347,121	33,790,200	135,137,321

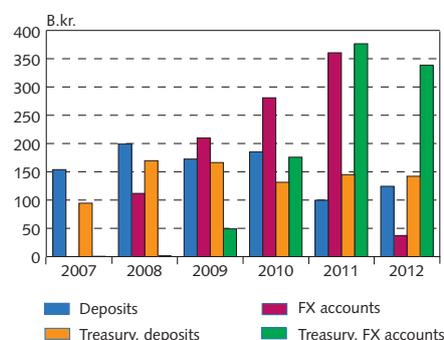
Deposits of financial institutions

32. Deposits of financial institutions specify as follows (in ISK thousands):

	2012	2011
Current accounts of deposit money banks	53,214,781	31,285,903
Current accounts of other financial institutions	14,886,801	13,898,245
Foreign exchange accounts	4,504,351	16,813,307
	<u>72,605,932</u>	<u>61,997,455</u>

- Credit institutions that are participants in the Central Bank RTGS system submit collateral for payments through the system. That collateral takes the form of securities. The collateral amount corresponds to the credit institutions' authorised intraday overdraft limit in the RTGS system.
- At year-end 2012, RTGS system collateral securities had a total market value of 17.3 b.kr.
- Credit institutions submit collateral to be held in custody at the Central Bank of Iceland in return for their collateralised loans in accordance with Rules no. 997/2004.

Development in deposits and FX accounts



Source: Central Bank of Iceland.

33. Deposits of other entities specify as follows (in ISK thousands):

	2012	2011
Treasury	141,051,607	143,851,334
Government institutions	1,068,253	1,111,222
Treasury, FX accounts	338,490,974	376,465,573
Non-residents with domestic deposits	35,941,927	36,656,090
Term FX deposits of financial instit. in winding-up proc.	8,899,482	178,257,760
FX accounts of financial instit. in winding-up proc.	13,831,955	157,556,798
Domestic deposits of other parties	<u>30,409,025</u>	<u>25,830,526</u>
	<u>569,693,223</u>	<u>919,729,302</u>

- Deposits held at the Bank other parties decreased by 38%, to 569.7 b.kr. at year-end 2012, as opposed to 919.7 b.kr. at year-end 2011. The reduction is due primarily to withdrawals from foreign currency accounts held by financial institutions in winding-up proceedings.

Domestic financial liabilities

34. Domestic financial liabilities specify as follows (in ISK thousands):

	2012	2011
Certificates of deposit	105,374,346	78,526,106
Foreign-denominated Treasury bonds	<u>8,578,380</u>	<u>7,388,362</u>
	<u>113,952,726</u>	<u>85,914,469</u>

- The Central Bank of Iceland issues short-term securities – so-called certificates of deposit – in accordance with the Rules on Central Bank Facilities for Financial Undertakings, currently no. 533, dated 26 June 2009.

Pension obligations

35. According to actuarial assessments, the Central Bank of Iceland's obligations due to pension payments to former governors and their spouses and the director of the National Economic Institute, of which the Bank bore half the operational expense, totalled 318.1 m.kr. as of year-end 2011. Payments related to these obligations totalled 47.1 m.kr. in 2012 and reduce the previously entered obligation. Increases in the Bank's obligations, after adjusting for payments, totalled 44.1 m.kr. in 2012 and are expensed.

Changes during the year specify as follows (in ISK thousands):

	2012	2011
Pension obligations at beginning of year	321,113	322,222
Paid due to retirement	(47,111)	(45,451)
Increase during the year	<u>44,115</u>	<u>44,342</u>
Pension obligations at year-end	<u>318,117</u>	<u>321,113</u>

Other liabilities

36. Other liabilities specify as follows (in ISK thousands):

	2012	2011
Unrealised gains on foreign exchange transactions.....		11,041,286
Treasury share in foreign exchange transactions.....	3,879,773	1,026,634
Unpaid taxes	2,253,186	5,014,012
Other liabilities	1,761,085	2,471,137
	<u>7,894,044</u>	<u>19,553,069</u>

Itemisation of equity and developments in the Bank's profit

37. In the past five years, the Bank's equity has changed as follows (in ISK millions):

	2012	2011	2010	2009	2008
Equity at beginning of year (excl. revaluation).....	79,275	64,825	78,271	77,387	86,012
Capital contribution.....					
Net profit (loss) before transfer and exch. rate diff.	12,124	11,539	(5,697)	(2,523)	(227,509)
Collateralised loans reclaimed from the Treasury					174,903
Contribution to the Treasury	(2,186)	(3,464)			
Depreciation of revalued assets.....	52	52	52	384	
Exchange rate difference for the year.....	4,719	7,471	(6,933)	3,023	43,980
Calcul. income tax of companies owned by the Bank..	(334)	(1,148)	(869)		
Equity at year-end (without revaluation)	<u>93,650</u>	<u>79,275</u>	<u>64,825</u>	<u>78,271</u>	<u>77,386</u>
Revaluation of assets at beginning of year.....	4,502	4,555	4,607	4,991	4,991
Depreciation of revalued assets.....	(52)	(52)	(52)	(384)	
Equity at year-end	<u>98,100</u>	<u>83,778</u>	<u>69,379</u>	<u>82,878</u>	<u>82,377</u>
<i>Stock figures/ratios at year-end (in ISK millions):</i>					
Total assets	1,068.1	1,580.7	1,277.6	1,178.1	1,187.4
Equity (w/o asset revaluation).....	93.6	79.3	64.8	77.9	77.4
Equity / total assets.....	8.8%	5.0%	5.1%	6.6%	6.5%

Guarantees and off-balance sheet commitments

38. The Central Bank of Iceland is obliged to pay for a subscription for capital shares to the Bank for International Settlements upon request. 25% of the subscription has already been paid. The 75% share could come due for payment and totals 785 m.kr.

- At year-end 2012, the Bank had access to loan facilities from BIS in the form of repurchase agreements amounting to 400 million US dollars, or 51 b.kr. Because of its strong liquidity position, the Bank did not draw on this loan facility in 2012.

Derivatives

39. Derivatives are classified according to whether the derivative is listed in the foreign exchange reserves – that is, whether or not

the contract is made with a foreign counterparty and in a foreign currency. The value of derivatives is entered as a net amount; that is, assets less liabilities.

Risk management

40. The Central Bank of Iceland is a public institution that, by law, has a specific role focusing primarily on monetary policy, via its interest rate decisions and the investment of the nation's foreign exchange reserves. Risk in its operations is therefore of a different type than in the operation of other financial institutions, although the same terminology is used. The Central Bank of Iceland's financial risk entails credit risk, liquidity risk, and market risk. Credit risk is the risk of loss due to counterparties' or issuers' inability to fulfil their financial obligations, in whole or in part, at the designated time. Credit risk comprises issuer risk, counterparty risk, and settlement risk. Liquidity risk is the risk that the Central Bank will be unable to fulfil its tasks and commitments due to insufficient assets, inability to sell assets in time, or inability to sell assets except at significant discounts. Market risk is defined as the risk of loss or reduction of financial assets due to changes in market value. Market risk comprises exchange rate risk, interest rate risk, credit risk, and gold price risk. In addition, the Bank operates under operational risk, which is the risk of human error or the failure of internal processes and systems. Operational risk is managed by the Bank's employees on a day-to-day basis, and every effort is made to implement monitoring and procedures that minimise this risk.

- The assets side of the Central Bank's consolidated accounts consists primarily of the foreign part, which is stored in the Bank's foreign exchange reserves, and domestic financial assets, where the counterparties are primarily financial institutions and the Treasury. The following is a statement on the main financial risk of the Central Bank, which is primarily due to the foreign exchange reserves, market transactions with financial institutions, and claims against financial institutions through the Central Bank of Iceland Holding Company ehf. (ESÍ).

Foreign reserves

- The foreign exchange reserves are managed in accordance with rules of procedure on reserve maintenance which were approved in August 2012. The rules define outside limits for acceptable financial risk due to the foreign exchange reserves.

Credit risk

- Credit risk is the risk that issuers or counterparties of securities in the Bank's portfolio will be unable to fulfil their financial obligations at the designated time. Below is an itemisation of the Bank's foreign exchange reserves, by type, credit rating, country of issuance, and counterparty.

Type of issuer and counterparty in reserves	2012	2011
National treasuries	40.7%	16.9%
Government agencies	23.5%	5.3%
Supranational institutions	6.3%	2.5%
Local governments	1.8%	1.8%
Covered bonds	1.0%	0.8%
Financial institutions	2.1%	0.7%
Money market funds	1.0%	0.7%
Deposits with central banks and BIS	19.1%	67.1%
Deposits with financial institutions	2.1%	2.7%
Gold	2.6%	1.3%

- Credit ratings of issuers and counterparties in the foreign exchange reserves.

Distribution of securities in the foreign exchange reserves, by credit rating (issuer risk, 76% of reserves):

Rating	2012	2011
AAA	87.0%	89.0%
AA+	7.0%	4.0%
AA	2.0%	4.0%
AA-	2.0%	1.0%
A+	0.0%	0.0%
A	2.0%	3.0%

- Money market funds in the foreign exchange reserves comprise about 1% of the reserves and have AAA m credit ratings (issuer risk).
- Deposits with central banks and the Bank for International Settlements in the foreign exchange reserves comprise 19.1% of the reserves. In general, central banks are not assigned credit ratings, but deposits with these parties should be equivalent to the highest possible counterparty credit rating (counterparty risk).
- Deposits with commercial banks in the foreign exchange reserves comprise about 2.1% of the reserves and are in various currencies at various banks. The Bank attempts to keep these deposits at a minimum (counterparty risk).

Distribution of foreign assets in the foreign exchange reserves, by country of issuance/counterparty:

Country	Rating	2012	2011
United States	AAA	27.7%	22.8%
Germany	AAA	19.9%	33.0%
Bank for Intern. Settlements (BIS) ¹	-	12.4%	27.2%
Netherlands	AAA	10.5%	4.6%
Supranational institutions ²	AAA	5.8%	2.5%
United Kingdom	AAA	4.5%	1.8%
France	AA+	2.9%	2.5%
Finland	AAA	2.7%	0.9%
Norway	AAA	2.2%	0.5%
Canada	AAA	2.1%	0.3%

Country	Rating	2012	2011
Poland.....	A-	1.8%	0.8%
Sweden.....	AAA	1.7%	0.3%
Denmark.....	AAA	1.6%	0.6%
Austria.....	AAA	1.0%	0.6%
Australia.....	AAA	0.3%	0.1%
Belgium.....	AA	0.1%	0.0%
Switzerland.....	AAA	0.1%	0.0%
Japan.....	AA-	0.1%	0.0%

1. Gold constituted 2.6% of the foreign exchange reserves in 2012 and 1.3% in 2011. Balances with the IMF are not included. The Bank for International Settlements is owned by a large number of central banks and is therefore not classified under a given country. 2. All of the supranational institutions in which investments are made have AAA ratings.

Settlement risk

- Settlement risk is the risk that settlement will not take place as expected; for instance, if a counterparty does not deliver securities when the Bank has delivered payment, etc. Because of the low number of transactions, settlement risk in the foreign exchange reserves is generally very limited. The largest transactions are usually bond trades, which are not settled by the securities depository until both securities and payment are delivered; therefore, settlement risk is very limited. The Bank's rules on credit risk and liquidity risk also help to reduce its settlement risk.

Liquidity risk

- Liquidity risk is the risk that the Central Bank will be unable to fulfil its tasks and commitments due to insufficient assets, inability to sell assets in time, or inability to sell assets except at significant discounts. The vast majority of the Bank's foreign exchange reserves are invested in highly liquid securities, deposits in central banks, and deposits with the BIS.
- The following table specifies the Central Bank's total assets and liabilities, by maturity. The table shows the difference based on foreign and domestic maturities.

Outstanding balances of assets and liabilities in domestic and foreign currency 2011:

ISK millions	Payable						Total
	Matured on demand	Less than 3 mo.	3-12 mo.	1-5 yr.	Over 5 yr.		
<i>Foreign-denominated assets</i>							
Gold.....		32	12,216				12,249
Foreign assets.....		504,982	526,713		12,820		1,044,515
FX balance with the IMF.....		3,525					3,525
Domestic financial assets.....				4,312	145,399	249	149,960
<i>ISK-denominated assets</i>							
Domestic financial assets.....	53,682	105		4,387	225,594	68,605	352,373
Fixed operational assets.....		4,891					4,891
Other assets.....		4,946		1,646	6,606		13,198
	<u>53,682</u>	<u>518,481</u>	<u>538,929</u>	<u>10,345</u>	<u>390,419</u>	<u>68,854</u>	<u>1,580,711</u>

Outstanding balances of assets and liabilities in domestic and foreign currency 2011:

<i>ISK millions</i>	<i>Payable</i> <i>Matured on demand</i>	<i>Less than</i> <i>3 mo.</i>	<i>3-12</i> <i>mo.</i>	<i>1-5 yr.</i>	<i>Over</i> <i>5 yr.</i>	<i>Total</i>
<i>Foreign-denominated liabilities</i>						
Foreign debt.....			52,906	235,288	53,410	341,604
Counterpart to IMF	21,141					21,141
Deposits of financial institutions...	16,813					16,813
Other deposits	534,022	178,258				712,280
Domestic financial liabilities.....					7,388	7,388
Other liabilities		592				592
<i>ISK-denominated liabilities</i>						
Banknotes and coin	43,205					43,205
Deposits of financial institutions...	45,184					45,184
Other deposits	207,451					207,451
Domestic financial liabilities.....		78,526				78,526
Income tax obligation				5		5
Pension obligations			50	50	221	321
Other liabilities	330	17,189	4,905			23,424
	<u>0</u>	<u>868,146</u>	<u>274,565</u>	<u>57,861</u>	<u>235,343</u>	<u>61,019</u>
Foreign maturity gap	<u>0</u>	<u>(63,436)</u>	<u>360,079</u>	<u>(48,594)</u>	<u>(77,069)</u>	<u>(60,549)</u>
Domestic maturity gap	<u>53,682</u>	<u>(286,228)</u>	<u>(95,715)</u>	<u>1,078</u>	<u>232,145</u>	<u>68,384</u>
Total balance	<u>53,682</u>	<u>(349,665)</u>	<u>264,364</u>	<u>(47,516)</u>	<u>155,076</u>	<u>7,835</u>

Outstanding balances of assets and liabilities in domestic and foreign currency 2012:

<i>ISK millions</i>	<i>Payable</i> <i>Matured on demand</i>	<i>Less than</i> <i>3 mo.</i>	<i>3-12</i> <i>mo.</i>	<i>1-5 yr.</i>	<i>Over</i> <i>5 yr.</i>	<i>Total</i>
<i>Foreign-denominated assets</i>						
Gold.....	36	13,721				13,757
Foreign assets	461,838	60,641		9,104		531,583
FX balance with the IMF	3,710					3,710
Domestic financial assets.....				70,009		70,009
Domestic financial assets.....	21					21
<i>ISK-denominated assets</i>						
Domestic financial assets.....	56,472	13,784		294,598	67,806	432,660
Fixed operational assets		4,963				4,963
Other assets		2,754	1,606	7,035		11,394
	<u>56,493</u>	<u>487,085</u>	<u>74,362</u>	<u>1,606</u>	<u>380,745</u>	<u>67,806</u>
						<u>1,068,097</u>

Outstanding balances of assets and liabilities in domestic and foreign currency 2012:

<i>ISK millions</i>	<i>Payable</i>	<i>Less than</i>	<i>3-12</i>	<i>Over</i>	<i>Total</i>		
	<i>Matured on demand</i>	<i>3 mo.</i>	<i>mo.</i>	<i>1-5 yr.</i>	<i>5 yr.</i>		
<i>Foreign-denominated liabilities</i>							
Foreign debt.....		479		101,694	33,798	135,971	
Counterpart to IMF	22,214					22,214	
Deposits of financial institutions...	4,504					4,504	
Other deposits	362,413	8,899				371,313	
Domestic financial liabilities.....					8,578	8,578	
Other liabilities		477				477	
<i>Foreign-denominated liabilities</i>							
Banknotes and coin	45,142					45,142	
Deposits of financial institutions...	68,102					68,102	
Other deposits	198,380					198,380	
Domestic financial liabilities.....		105,374				105,374	
Income tax obligation					20	20	
Pension obligations			42	50	165	318	
Other liabilities		7,350	2,253			9,603	
	<u>0</u>	<u>700,756</u>	<u>122,580</u>	<u>2,295</u>	<u>101,825</u>	<u>42,542</u>	<u>969,997</u>
Foreign maturity gap	<u>21</u>	<u>76,453</u>	<u>64,506</u>	<u>0</u>	<u>(22,581)</u>	<u>(42,377)</u>	<u>76,022</u>
Domestic maturity gap	<u>56,472</u>	<u>(290,124)</u>	<u>(112,724)</u>	<u>(690)</u>	<u>301,501</u>	<u>67,641</u>	<u>22,078</u>
Total balance	<u>56,493</u>	<u>(213,670)</u>	<u>(48,218)</u>	<u>(690)</u>	<u>278,920</u>	<u>25,265</u>	<u>98,100</u>

Market risk

41. Exchange rate risk is the risk of loss due to changes in the exchange rate of foreign currencies vis-à-vis the Icelandic króna. Attempts are made to minimise the Bank's exchange rate risk at all times by keeping assets in the same currencies and the same amounts as foreign liabilities, insofar as is possible. The accounts are the consolidated accounts of the Bank and ESI, and the management of exchange rate risk is the responsibility of each unit. The exchange rate risk exposure of the Bank's net foreign exchange assets (foreign exchange balance) is then kept in a given currency composition. The Bank uses derivatives to manage its exchange rate risk. The Central Bank's foreign exchange balance was as follows at year-end 2012:

Currencies in financial assets and liabilities 2011 (ISK millions):

	Euros	Dollars	Pounds sterling	Yen	Other currencies	Gold	Total
Assets:							
Gold						12,249	12,249
Foreign assets	478,652	290,676	124,810	15,682	134,695		1,044,516
FX balance with the IMF	1,257	1,515	393	359			3,524
Domestic financial assets	38,047	52,313	11,228	28,111	20,260		149,960
	<u>517,956</u>	<u>344,504</u>	<u>136,432</u>	<u>44,152</u>	<u>154,955</u>	<u>12,249</u>	<u>1,210,249</u>
Liabilities:							
Foreign debt	171,322	113,729	29,573	26,979			341,604
Counterpart to IMF	7,540	9,088	2,360	2,153			21,141
Deposits of fin. institutions	293	10,583	3,654	572	1,711		16,813
Other deposits	359,284	161,417	81,546	393	109,639		712,279
Domestic financial liabilities					7,388		7,388
Other liabilities	45	19	520		7		592
	<u>538,484</u>	<u>294,836</u>	<u>117,654</u>	<u>30,097</u>	<u>118,745</u>		<u>1,099,817</u>
Net ISK assets	<u>(20,528)</u>	<u>49,668</u>	<u>18,778</u>	<u>14,055</u>	<u>36,210</u>	<u>12,249</u>	<u>110,432</u>

Currencies in financial assets and liabilities 2012 (ISK millions):

	Euros	Dollars	Pounds sterling	Yen	Other currencies	Gold	Total
Assets:							
Gold						13,757	13,757
For. assets and swap agreem... ..	183,383	311,914	34,638	1,793	21,746		553,473
FX balance with the IMF	1,346	1,592	433	339			3,710
Domestic financial assets	17,506	47,886	7,829	23,525	21,812		118,558
Other assets					20		21
	<u>202,235</u>	<u>361,391</u>	<u>42,901</u>	<u>25,656</u>	<u>43,558</u>	<u>13,757</u>	<u>689,520</u>
Liabilities:							
Foreign liab. and swap agreem.	72,777	43,663	11,867	9,293	21,174		158,773
Counterpart to IMF	8,059	9,533	2,592	2,030			22,214
Deposits of fin. institutions	3,110	1,708	399	4	295		5,516
Other deposits	116,919	241,746	8,573	791	1,624		369,652
Domestic financial liabilities					8,578		8,578
Other liabilities							1
	<u>200,865</u>	<u>296,650</u>	<u>23,431</u>	<u>12,117</u>	<u>31,671</u>	<u>0</u>	<u>564,734</u>
Net ISK assets	<u>1,371</u>	<u>64,742</u>	<u>19,469</u>	<u>13,539</u>	<u>11,886</u>	<u>13,757</u>	<u>124,785</u>

Interest rate risk

- Interest rate risk is the risk of loss due to changes in market interest rates. The Bank's investment strategy aims at enabling the Bank to be able to fulfil its tasks and commitments at all times. As a consequence, the Bank attempts to invest in foreign assets that are liquid and issued by reliable parties. However, returns are also considered. Interest rate risk in foreign currencies is reduced by using assets to offset liabilities. In 2012, the Bank did not use interest rate derivatives to manage its foreign-currency interest rate risk.

Gold price risk

- Gold is a part of the foreign exchange reserves, and changes in its market price therefore constitute a risk for the Bank. Gold does not comprise a large share of the reserves, however; the Bank owns about 64,000 ounces of gold, or 2.6% of the total foreign exchange reserves.

Market transactions

- The Bank's market transactions with domestic financial institutions are of two types: short-term collateralised loans granted by the Bank to financial institutions, and financial institutions' deposits with the Bank.
- The credit risk attached to Central Bank loan facilities is negligible. Collateral accepted by the Central Bank for these loans is issued by the Icelandic Government or with a Treasury guarantee. In the vast majority of cases, the Central Bank grants loans for short periods of time. If a counterparty is unable to repay the loan, the Bank retains the underlying collateral securities, which are highly liquid and have secure payment flows. The Bank always takes delivery of the collateral before granting the loan and does not return it until the loan has been repaid. As a result, its settlement risk is negligible.
- Market risk: The Bank monitors the market price of collateral it accepts for loans or as payment system collateral. A haircut is always taken from the market price before the loan is granted. In case of a change in the market price of assets, the Bank may require same-day delivery of additional collateral.
- Liquidity risk: All regular transactions with financial institutions are conducted in Icelandic krónur, and there is little likelihood that the Central Bank will be unable to meet its obligations.

Central Bank of Iceland Holding Company ehf.

- Credit risk: ESI has claims against operating financial institutions, financial institutions in winding-up proceedings, the Treasury, companies with a Treasury guarantee, and other companies, including the subsidiary Hilda ehf. The said claims were acquired by ESI following the financial crisis of 2008, and they originate in transactions between the Central Bank of Iceland and financial institutions in the prelude to the collapse. The assets of Hilda ehf. consist primarily of real estate-backed loans to individuals and real estate-backed corporate loans. ESI's claims risk derives mainly from the risk of loss due to a debt instrument issuer's inability to fulfil the relevant financial obligation, in whole or in part, at the designated time. ESI's claims against operating financial institutions are largely backed by collateral, through collateralised loan agreements, mortgage bonds, or covered bonds. In all, about $\frac{3}{4}$ of ESI's assets were collateralised, directly or indirectly. Just over 10% of ESI's assets are unsecured claims, most of them against financial

institutions in winding-up proceedings. Other assets are cash and cash equivalents, claims against the Treasury, or claims against issuers with a Treasury guarantee.

- ESÍ monitors its asset portfolio with respect to credit risk and takes the measures necessary at any given time to maintain the value of its assets insofar as is possible, in accordance with the approved authorisations of the ESÍ Board and Director. These measures may include cancellation of claims, change of debtor, direct capital outlays, trading of claims, takeovers, and mergers.

Appendices to the Consolidated Annual Accounts

Central Bank of Iceland

Profit and Loss Account for the year 2012

	2012	2011
Interest income		
From domestic assets	21,652,433	23,291,036
From foreign assets	8,283,280	10,352,231
	<u>29,935,714</u>	<u>33,643,267</u>
Interest expense		
From domestic liabilities	(21,134,645)	(14,806,617)
Interest expense on foreign liabilities	(6,302,241)	(10,761,361)
	<u>(27,436,887)</u>	<u>(25,567,978)</u>
Net interest income	2,498,827	8,075,289
Operating revenues		
Service revenues	395,244	356,980
Service expenses	(208,736)	(175,685)
Revenues from shareholdings	65,128	57,947
Revaluation of foreign securities	4,458,541	1,439,064
Revaluation of gold	773,775	881,405
Exchange rate gains on foreign exchange transactions	120,959	2,086,187
	<u>5,604,912</u>	<u>4,645,898</u>
Net operating revenues	8,103,739	12,721,187
Operating expenses		
Salaries and related expenses	(1,628,576)	(1,436,022)
Other operating expenses	(738,041)	(681,041)
Expense due to banknotes and coin	(96,674)	(218,560)
Depreciation of property and equipment	(83,464)	(79,321)
Impairment of claims	(97,685)	0
	<u>(2,644,439)</u>	<u>(2,414,944)</u>
Share in earnings of subsidiaries	5,787,455	3,179,209
Profit w/o exchange rate differences and contribution to Treasury	11,246,755	13,485,451
Exchange rate difference	5,261,527	4,376,225
Profit w/o contribution to Treasury	16,508,281	17,861,677
Contribution to the Treasury	(2,185,769)	(3,463,692)
Profit for the year	<u>14,322,512</u>	<u>14,397,984</u>

Balance Sheet 31 December 2012

	2012	2011
Assets		
Gold	13,757,459	12,248,658
Foreign assets	522,478,836	1,031,695,499
FX balance with the IMF	3,710,222	3,525,215
Domestic financial assets	519,550,494	528,712,438
Fixed operational assets	4,614,770	4,647,324
Other assets	10,841,844	4,929,484
Assets	<u>1,074,953,624</u>	<u>1,585,758,618</u>
Equity and liabilities		
Capital	57,501,000	57,501,000
Revaluation reserve and liquid assets	4,449,711	4,501,922
Other equity	36,148,944	21,774,221
Equity	<u>98,099,655</u>	<u>83,777,143</u>
Banknotes and coin	45,142,048	43,204,646
Foreign debt	135,971,231	354,081,861
Counterpart to IMF	22,213,920	8,662,658
Deposits of financial institutions	72,605,932	61,981,016
Other deposits	579,296,418	931,459,611
Domestic financial liabilities	113,952,726	85,914,469
Pension obligations	318,117	321,113
Other liabilities	5,167,808	12,892,409
Unpaid contribution to the Treasury	2,185,769	3,463,692
Liabilities	<u>976,853,970</u>	<u>1,501,981,475</u>
Equity and liabilities	<u>1,074,953,624</u>	<u>1,585,758,618</u>

Eignasafn Seðlabanka Íslands ehf.

Profit and Loss Account for the year 2012

	2012	2011
Interest income	20,372,967	22,215,559
Interest expense	(8,201,432)	(10,138,503)
Net interest income	12,171,535	12,077,056
Revenues from shareholdings	13,326	2,750
Valuation changes in securities	(5,915)	13,072,448
Other operating expenses	(120,432)	0
Impairment of claims	(4,760,437)	(23,906,948)
Service expenses	(859,554)	(247,789)
	<u>(5,733,013)</u>	<u>(11,079,538)</u>
Profit without exchange rate difference	6,438,522	997,517
Exchange rate difference	(543,141)	3,094,377
Profit before tax	5,895,382	4,091,895
Income tax	(296,293)	(1,108,467)
Capital gains	<u><u>5,599,088</u></u>	<u><u>2,983,428</u></u>

Balance Sheet 31 December 2012

	2012	2011
Assets		
Fixed assets		
Equity shareholdings	458,350	2,476,970
Bond holdings and other long-term claims	224,322,329	230,830,525
Collateralised claims against fin. instit. in winding-up proceedings ...	24,622,946	24,529,771
General claims against fin. inst. in winding-up proceedings	31,849,303	31,667,662
Appropriated assets	1,748,836	1,457,739
Income tax credit	7,034,895	5,062,286
	<u>290,036,660</u>	<u>296,024,953</u>
Current assets		
Next year's instalments on bonds and long-term claims	14,807,407	13,038,812
Marketable securities	8,607,333	8,669,495
Other current receivables	2,323,797	3,942,751
Bank deposits	10,535,677	18,618,639
	<u>36,274,214</u>	<u>44,269,697</u>
Assets	<u>326,310,874</u>	<u>340,294,650</u>
Equity and liabilities		
Equity		
Share capital	1,000	1,000
Statutory reserves	250	250
Retained earnings	9,822,781	4,223,693
	<u>9,824,031</u>	<u>4,224,943</u>
Long-term liabilities		
Liabilities towards Central Bank of Iceland	313,512,439	329,282,708
	<u>313,512,439</u>	<u>329,282,708</u>
Current liabilities		
Unpaid tax	2,230,331	4,970,753
Other liabilities	744,073	1,816,247
	<u>2,974,404</u>	<u>6,786,999</u>
Liabilities	<u>316,486,842</u>	<u>336,069,707</u>
Equity and liabilities	<u>326,310,874</u>	<u>340,294,650</u>

Amounts are in ISK thousands

Sölvhóll ehf.

Profit and Loss Account for the year 2012

	2012	2011
Operating revenues	223,000	128,713
Salaries and related expenses	(69,513)	(48,031)
Office and administrative expenses	(146,887)	(69,526)
Other operating expenses	(4,766)	(2,845)
Profit before financial expenses	1,834	8,311
Financial income	1,275	629
Financial expenses	(309)	(364)
Profit before tax	2,800	8,576
Income tax	(545)	(1,715)
Capital gains	2,255	6,861

Balance Sheet 31 December 2012

	2012	2011
Assets		
Current assets		
Other current receivables	75,195	90
Cash and cash equivalents	37,135	61,726
	<hr/>	<hr/>
Assets	112,330	61,816
	<hr/> <hr/>	<hr/> <hr/>
Equity and liabilities		
Share capital	1,000	1,000
Statutory reserves	250	250
Retained earnings	15,294	13,039
	<hr/>	<hr/>
Equity	16,544	14,289
Current liabilities		
Unpaid tax	560	2,129
Other liabilities	95,226	45,398
	<hr/>	<hr/>
	95,786	47,527
	<hr/>	<hr/>
Liabilities	95,786	47,527
	<hr/> <hr/>	<hr/> <hr/>
Equity and liabilities	112,330	61,816

Amounts are in ISK thousands

Greiðsluveitan ehf.

Profit and Loss Account for the year 2012

	2012	2011
Operating revenues	1,055,933	858,217
System operation	(579,463)	(371,724)
Salaries and related expenses	(124,558)	(115,267)
Other operating expenses	(53,512)	(62,816)
Depreciation	(124,842)	(114,308)
Profit before financial expenses	173,558	194,102
Financial income	24,935	11,852
Financial expenses	(12,908)	(16,860)
Profit before tax	185,585	189,095
Income tax	(37,121)	(37,823)
Capital gains	148,464	151,272

Balance Sheet 31 December 2012

	2012	2011
Assets		
Fixed assets		
Fixed operational assets	460,706	394,014
	<u>460,706</u>	<u>394,014</u>
Current assets		
Accounts receivable	152,714	177,727
Other current receivables	13,460	33,687
Cash and cash equivalents	468,035	412,818
	<u>634,210</u>	<u>624,232</u>
Assets	<u><u>1,094,915</u></u>	<u><u>1,018,246</u></u>
Equity and liabilities		
Share capital	20,000	20,000
Capital reserves	108,240	108,240
Statutory reserves	5,000	5,000
Development account	300,000	0
Retained earnings	314,321	465,857
Equity	<u>747,561</u>	<u>599,097</u>
Long-term liabilities and obligations		
Debt to financial institutions	51,200	112,071
Debt to related parties	42,800	64,200
Income tax obligation	20,174	5,348
	<u>114,174</u>	<u>181,619</u>
Current liabilities		
Accounts payable	108,156	72,573
Next year's instalments on long-term debt	82,271	84,475
Unpaid tax	22,295	41,130
Other current liabilities	20,458	39,351
	<u>233,180</u>	<u>237,530</u>
Liabilities	<u>347,354</u>	<u>419,149</u>
Equity and liabilities	<u><u>1,094,915</u></u>	<u><u>1,018,246</u></u>

Amounts are in ISK thousands

APPENDICES

Press releases from the Central Bank of Iceland 2012

No.	1	3 January 2012	Last tranche of Nordic loans disbursed to Iceland.
–	2	12 January 2012	Central Bank of Iceland offers to purchase euros.
–	3	23 January 2012	Decision by ESI ehf. Board regarding loans to holders of guarantee capital in Sparisjóður Svarfdæla.
–	4	8 February 2012	Statement of the Monetary Policy Committee 8 February 2012.
–	5	14 February 2012	Central Bank of Iceland auction calendar.
–	6	15 February 2012	Results of foreign currency auctions.
–	7	1 March 2012	Balance of payments in the fourth quarter of 2011 and the external position.
–	8	1 March 2012	Central Bank of Iceland survey of market expectations, Q1/2012.
–	9	6 March 2012	Central Bank sells foreign currency in interbank market.
–	10	14 March 2012	Central Bank of Iceland offers to purchase euros and Icelandic krónur.
–	11	15 March 2012	Repayment of Treasury and Central Bank debt.
–	12	21 March 2012	Statement of the Monetary Policy Committee 21 March 2012.
–	13	27 March 2012	The Capital Controls Surveillance Unit of the Central Bank conducts search of premises.
–	14	28 March 2012	Results of auctions for purchase of euros and Icelandic krónur.
–	15	17 April 2012	Central Bank of Iceland holds foreign currency auction.
–	16	9 May 2012	Results of foreign currency auctions.
–	17	16 May 2012	Statement of the Monetary Policy Committee 16 May 2012.
–	18	21 May 2012	Auction calendar, Q3/2012.
–	19	22 May 2012	Central Bank of Iceland to hold foreign currency auctions.
–	20	23 May 2012	Survey of market expectations.
–	21	1 June 2012	Balance of payments in the first quarter of 2012 and the external position.
–	22	13 June 2012	Statement of the Monetary Policy Committee 13 June 2012.
–	23	18 June 2012	Treasury and Central Bank prepay foreign loans.
–	24	20 June 2012	Results of foreign currency auctions.
–	25	29 June 2012	Annual meeting of the Bank for International Settlements and Governor's speech.
–	26	20 July 2012	Cooperative resolution achieved on Eurosystem lending.
–	27	25 July 2012	Auction calendar August – December 2012.
–	28	26 July 2012	Central Bank of Iceland to hold foreign currency auction.
–	29	30 July 2012	Central Bank increases regular purchases of foreign currency.
–	30	22 August 2012	Statement of the Monetary Policy Committee 22 August 2012.
–	31	27 August 2012	Prudential rules after capital controls.
–	32	29 August 2012	Results of foreign currency auctions.
–	33	3 September 2012	Balance of payments in the second quarter of 2012 and the external position.
–	34	5 September 2012	Central Bank of Iceland to hold foreign currency auction.
–	35	17 September 2012	Special Publication no. 7: Iceland's currency and exchange rate policy options.
–	36	3 October 2012	Statement of the Monetary Policy Committee 3 October 2012.
–	37	3 October 2012	Results of foreign currency auctions.
–	38	10 October 2012	Central Bank of Iceland to hold foreign currency auction.
–	39	16 October 2012	Special Publication no. 8: Financial Stability: The Role of the Central Bank.
–	40	7 November 2012	Results of foreign currency auctions.
–	41	14 November 2012	Statement of the Monetary Policy Committee 14 November 2012.
–	42	20 November 2012	Central Bank of Iceland to hold foreign currency auction.
–	43	3 December 2012	Balance of payments in the third quarter of 2012 and the external position.
–	44	12 December 2012	Statement of the Monetary Policy Committee 12 December 2012.
–	45	18 December 2012	Results of foreign currency auctions.
–	46	21 December 2012	Central Bank of Iceland to hold foreign currency auction.

Publications by the Central Bank of Iceland 2012

In Icelandic:

Ársskýrsla 2011.

Fjármálastöðugleiki 2012, two issues.

Peningamál 2012, four issues.

Hagvísar 2012, nine issues.

Sérrit 6: *Varúðarreglur eftir fjármagnshöft*, August 2012.

Sérrit 7: *Valkostir Íslands í gjaldmiðils- og gengismálum*, September 2012.

Sérrit 8: *Fjármálastöðugleiki og hlutverk Seðlabanka Íslands*, October 2012.

Upplýsingarit 1.1: *Væntingakönnun markaðsaðila*, May 2012.

Upplýsingarit 2: *Erlend verðbréfaeign innlendra aðila í árslok 2011*, August 2012.

In English:

Annual Report 2011.

Financial Stability 2012, two issues.

Monetary Bulletin 2012, four issues.

Economic Indicators 2012, nine issues.

Economy of Iceland 2012, October 2012.

Special Publication no. 6: *Prudential rules following capital controls*, August 2012.

Special Publication no. 7: *Iceland's currency and exchange rate policy options*, September 2012.

Special Publication no. 8: *Financial Stability: The Role of the Central Bank of Iceland*, October 2012.

Informational report 1.1: *Market expectations survey*, May 2012.

Central Bank of Iceland Working Papers No. 57, *A Variance Decomposition of Index-Linked Bond Series*, by Francis Breedon (January 2012).

Central Bank of Iceland Working Papers No. 58, *Mandatory pension savings, private savings, homeownership and financial stability*, by Ásgeir Daníelsson (May 2012).

Central Bank of Iceland Working Papers No. 59, *Households' position in the financial crisis in Iceland*, by Thorvarður Tjörvi Ólafsson and Karen Áslaug Vignisdóttir (June 2012).

All of these publications are also posted on the Central Bank of Iceland website.

TABLES

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Table 1 Selected Central Bank interest rates¹

	<i>Bank's current accounts</i>	<i>Non-indexed certificates of deposit, 90-day</i>	<i>Required deposits, nominal terms</i>	<i>O/N loans discount rates</i>	<i>Yield on collateral loan auctions</i>	<i>Collateral loans (nominal rate)</i>	<i>Yield on certificates of deposit, 7-day</i>	<i>28-day certificates of deposit (max. rate)²</i>
21 February 2005	6.75	8.25	7.75	10.75	8.75	.	.	.
29 March 2005	7.25	8.50	8.00	10.75	9.00	.	.	.
7 June 2005	8.00	9.00	8.75	11.00	9.50	.	9.35	.
4 October 2005	8.75	9.75	9.50	11.75	10.25	.	10.10	.
11 December 2005	9.00	10.00	9.75	12.00	10.50	.	10.35	.
1 February 2006	9.25	10.25	10.00	12.25	10.75	.	10.60	.
1 April 2006	10.00	11.00	10.75	13.00	11.50	.	11.35	.
21 May 2006	10.75	11.75	11.50	13.75	12.25	.	12.10	.
11 June 2006	11.50	.	12.00	14.25	13.00	.	12.85	.
21 August 2006	12.00	.	12.25	14.50	13.50	.	13.35	.
21 September 2006	12.50	.	12.75	15.00	14.00	.	13.85	.
21 December 2006	12.75	.	13.00	15.25	14.25	.	14.10	.
20 June 2007	12.75	.	13.00	15.25	14.25	.	14.10	.
21 June 2007	12.75	.	13.00	15.25	.	13.30	13.20	.
1 November 2007	13.25	.	13.25	15.25	.	13.75	13.65	.
25 March 2008	14.50	.	14.50	16.50	.	15.00	14.75	.
10 April 2008	15.00	.	15.00	16.50	.	15.50	15.25	.
15 October 2008	11.50	.	11.50	14.00	.	12.00	11.75	.
28 October 2008	17.50	.	17.50	20.00	.	18.00	17.75	.
18 December 2008	15.00	.	15.00	22.00	.	18.00	15.25	.
19 March 2009	14.00	.	14.00	21.00	.	17.00	14.25	.
8 April 2009	12.50	.	12.50	19.50	.	15.50	12.75	.
7 May 2009	9.50	.	9.50	17.00	.	13.00	9.75	.
4 June 2009	9.50	.	9.50	16.00	.	12.00	9.75	.
24 September 2009	9.50	.	9.50	14.50	.	12.00	9.75	9.50-10.00 ²
5 November 2009	9.00	.	9.00	13.00	.	11.00	.	9.50-10.25 ²
10 December 2009	8.50	.	8.50	11.50	.	10.00	.	9.75
27 January 2010	8.00	.	8.00	11.00	.	9.50	.	9.25
17 March 2010	7.50	.	7.50	10.50	.	9.00	.	8.75
5 May 2010	7.00	.	7.00	10.00	.	8.50	.	8.25
23 June 2010	6.50	.	6.50	9.50	.	8.00	.	7.75
18 August 2010	5.50	.	5.50	8.50	.	7.00	.	6.75
22 September 2010	4.75	.	4.75	7.75	.	6.25	.	6.00
3 November 2010	4.00	.	4.00	7.00	.	5.50	.	5.25
8 December 2010	3.50	.	3.50	5.50	.	4.50	.	4.25
2 February 2011	3.25	.	3.25	5.25	.	4.25	.	4.00
17 August 2011	3.50	.	3.50	5.50	.	4.50	.	4.25
2 November 2011	3.75	.	3.75	5.75	.	4.75	.	4.50
21 March 2012	4.00	.	4.00	6.00	.	5.00	.	4.75
16 May 2012	4.50	.	4.50	6.50	.	5.50	.	5.25
13 June 2012	4.75	.	4.75	6.75	.	5.75	.	5.50
14 November 2012	5.00	.	5.00	7.00	.	6.00	.	5.75

1. Rates on published day, except for current accounts and required deposits, which change on the 1st, 11th, or 21st of each month. 2. Shows minimum and maximum rates on 28-day certificates of deposit.

Table 2 Exchange rate indices

	Official exchange rate ¹ 31 Dec. 1991 = 100	Narrow trade index ² 31. Dec. 1991 = 100	Average exchange rate index ³ 31 Dec. 1994 = 100			Real exchange rate ⁴ 2000 = 100			
			Average	Based on import weights	Based on export weights	Based on relative prices		Based on unit labour cost	
						Index	% change ⁵	Index	% change ⁵
1997	114.7		97.7	98.3	97.2	92.2	1.0	89.8	1.4
1998	112.8		96.2	96.7	95.7	93.8	1.8	93.8	4.5
1999	112.6	108.8	96.0	96.5	95.6	96.3	2.6	97.6	4.1
2000	112.7	107.7	96.1	96.3	95.7	100.0	3.9	100.0	2.4
2001	135.4	128.7	115.4	115.1	115.3	87.3	-12.7	87.1	-12.9
2002	131.4	125.7	112.0	111.7	112.0	91.7	5.1	90.1	3.5
2003	123.5	120.2	105.3	104.8	105.4	96.0	4.7	95.9	6.3
2004	121.0	118.9	103.1	102.4	103.5	98.1	2.2	92.3	-3.7
2005	108.6	106.9	92.6	91.9	93.0	111.4	13.5	105.4	14.2
2006	121.3	119.5	103.4	102.6	104.0	104.2	-6.4	103.2	-2.1
2007	118.3	117.6	100.9	99.9	101.5	108.6	4.2	111.6	8.2
2008	166.4	166.8	141.9	140.9	142.4	85.5	-21.2	85.0	-23.8
2009	216.0	223.3	191.0	190.0	191.4	70.0	-18.2	61.8	-27.3
2010		216.3	185.0	184.4	185.0	74.4	6.4	70.0	13.3
2011		216.8	183.5	183.0	183.3	75.2	1.0	72.5	3.5
2012		221.8	189.0	188.6	188.8	75.8	0.8	73.3	1.1

1. The index shows the average exchange rate of foreign currencies against the Icelandic króna for each period. From 6 September 1995, the trade-weighted basket (goods and services) of 16 currencies replaced the former basket of US dollar (18%), ECU (76%) and Japanese yen (6%) 2. The index has been recalculated so that as of 2 January 2009 it was assigned a value equivalent to that of the now-discontinued Exchange Rate Index. 3. The index shows the average exchange rate of foreign currencies against the Icelandic króna for each period. Weights are based on trade in goods and services. 4. Based on quarterly information on prices (consumer prices), wages, employment and output in main trading partner countries. 5. Year-on-year.

Table 3 Banknotes and coin in circulation by denomination

	2008		2009		2010		2011		2012	
	ISK thousands	%	ISK thousands.	%						
<i>Notes:</i>										
5,000 kr.	18,000,000	80.8	22,445,000	84.1	31,402,500	87.4	35,558,500	87.3	37,138,500	87.3
2,000 kr.	617,000	2.8	504,000	1.9	618,000	1.7	699,000	1.7	389,000	0.9
1,000 kr.	2,696,500	12.1	2,776,000	10.4	2,896,500	8.1	3,366,500	8.3	3,826,000	9.0
500 kr.	952,750	4.3	957,000	3.6	994,500	2.8	1,095,500	2.7	1,180,250	2.8
Total	22,266,250	100.0	26,682,000	100.0	35,911,500	100.0	40,719,500	100.0	42,533,750	100.0
<i>Coin:</i>										
100 kr.	1,256,600	57.9	1,318,600	57.9	1,359,600	57.7	1,435,600	57.8	1,519,600	58.3
50 kr.	373,640	17.2	392,390	17.2	412,390	17.5	436,390	17.6	453,890	17.4
10 kr.	359,520	16.6	377,620	16.6	392,920	16.7	413,720	16.6	429,320	16.5
5 kr.	92,434	4.3	95,434	4.2	97,934	4.2	100,934	4.1	103,434	4.0
1 kr.	87,994	4.1	91,634	4.0	95,134	4.0	98,502	4.0	102,054	3.9
Total	2,170,188	100.0	2,275,678	100.0	2,357,978	100.0	2,485,146	100.0	2,608,298	100.0

Table 4 Summary of the accounts of deposit money banks¹

<i>M.kr. at year-end</i>	2006	2007	2008	2009	2010	2011	2012
<i>Assets:</i>							
Domestic assets, total	3,314,826	4,977,887	3,553,638	2,669,001	2,479,284	2,577,455	2,570,074
Cash and cash balances with Central Bank	47,359	163,798	206,586	132,705	117,766	121,303	159,430
Receivables on domestic institutions	196,396	209,168	131,224	104,875	27,960	15,571	11,668
Domestic credit	2,969,617	3,827,402	2,194,381	2,100,844	2,068,280	2,174,111	2,177,558
Lending ²	2,407,176	3,148,054	1,933,727	1,652,721	1,676,648	1,761,938	1,769,800
Redeemed liabilities	276	134	894	2,090	2,016	531	280
Overdrafts	198,986	214,527	139,331	145,122	149,462	152,939	162,242
Bills	4,762	11,248	35,973	1,772	840	386	184
Nominal bonds	329,420	517,150	198,815	250,696	331,278	547,619	577,447
Indexed bonds	780,351	844,956	534,939	511,864	531,305	701,849	749,040
Foreign currency-linked bonds	1,077,672	1,518,618	1,302,065	974,854	866,281	466,220	408,650
Foreign currency-linked overdrafts	15,710	41,421	59,169	31,684	31,909	26,209	19,206
Provisions	-337,458	-265,360	-236,442	-133,816	-147,249
Leasing contracts	28,380	38,126	30,374	26,291	27,637	30,388	33,040
Debt instruments	275,620	388,628	187,816	410,690	353,616	345,054	339,549
Treasury bills	2,770	3,401	1,764	2,647	731	0	0
Equities	255,670	252,593	42,464	11,142	10,379	36,731	35,168
Derivatives	...	266,126	90,461	14,078	1,508	1,245	1,066
Share in associates	21,125	23,352	11,487	12,868	8,324	14,575	12,215
Share in affiliated undertakings	80,329	188,610	213,816	106,606	92,566	118,830	116,117
Other assets	...	299,431	705,683	197,025	162,880	131,820	92,021
Foreign assets, total ³	3,031,477	4,721,174	630,592	287,161	284,134	358,326	375,427
Foreign credit and equities	1,284,133	2,867,835	399,904	136,662	133,893	183,755	191,862
Foreign lending	817,046	1,996,874	329,293	92,502	87,229	98,849	103,127
Marketable bonds and bills	227,456	576,504	28,786	40,134	43,350	81,593	83,331
Equities	239,631	294,457	41,825	4,026	3,314	3,313	5,404
Foreign receivables	...	788,952	25,131	68,730	87,921	102,800	73,214
Derivatives	...	134,180	1,524	962	23	315	1,227
Share in associates	1,714	76,560	0	0	1,367	0	2,703
Share in affiliated undertakings	329,305	560,542	138,744	25,523	2,528	1,726	1,889
Other assets	1,416,326	293,106	65,289	55,285	58,401	69,729	104,532
Assets, total	6,346,303	9,699,061	4,184,230	2,956,162	2,763,418	2,935,781	2,945,501
<i>Liabilities:</i>							
Domestic liabilities, total	1,545,990	2,552,524	3,083,620	2,334,955	2,140,694	2,337,521	2,318,181
Central Bank facilities	120,388	281,360	358,916	12,997	41,844	0	12,360
Deposits of residents, total	774,714	1,217,856	1,604,159	1,580,825	1,412,306	1,533,803	1,488,688
Current accounts	184,425	351,059	492,711	450,351	422,025	429,380	376,193
Current accounts in foreign currency	15,651	47,310	29,540	37,837	40,969	30,002	42,363
Money market rate accounts	...	173,076	109,537	190,901	127,070	117,373	111,278
Sight deposits	80,031	111,144	372,798	360,044	341,679	321,398	290,517
Indexed deposits	148,061	114,572	255,554	227,133	213,420	223,018	219,412
Holiday pay accounts	...	6,809	7,492	6,745	6,733	7,462	7,922
Supplementary pension deposits	31,713	36,850	62,302	74,057	80,769	86,327	89,010
Other time deposits	243,310	250,592	106,928	95,966	93,446	141,653	198,268
Foreign currency accounts	71,523	126,444	167,298	137,792	86,195	177,190	153,726
Deposits from credit institutions	...	110,570	171,038	172,741	144,117	66,198	70,418
Bond issue	252,498	409,489	87,238	19,643	7,557	134,623	150,962
Subordinated loans	30,668	39,991	31,066	33,208	48,846	55,358	58,965
Direct borrowing	188,684	234,257	552,492	434,162	404,194	450,992	407,544
Derivatives	...	51,154	5,520	2,251	1,267	5,363	8,017
Other liabilities ³	179,038	207,847	273,191	79,128	80,563	91,183	121,226
Foreign liabilities, total	4,234,096	6,224,485	731,539	311,467	207,607	153,335	121,549
Deposits from foreign credit institutions	...	388,858	203,429	180,259	160,489	107,438	63,451
Deposits from foreign parties, other than credit institutions	364,595	1,297,271	103,706	80,729	45,850	44,205	57,786

Table 4 Summary of the accounts of deposit money banks (cont.)¹

M.kr. at year-end	2006	2007	2008	2009	2010	2011	2012
Derivatives	...	125,841	11,564	0	807	1,692	142
Bond issue	2,814,959	2,496,270	0	0	0	0	0
Subordinated loans	360,588	418,388	17,046	0	0	0	0
Direct borrowing	693,954	1,493,533	395,787	50,340	0	0	0
Other foreign liabilities	...	4,325	8	140	462	0	170
Total equity and minority interest	566,217	922,051	369,070	309,740	415,117	444,925	505,772
Total liabilities and equity	6,346,303	9,699,061	4,184,230	2,956,162	2,763,418	2,935,781	2,945,501

1. The latest data are preliminary. The data represents only DMBs that are operating at any given time. 2. In these figures, the loans of Arion Banki hf., Íslandsbanki hf., and NBI hf. are assessed at purchase value; that is, the price at which these parties purchased the loan portfolio from Kaupthing Bank hf., Glitnir Bank hf., and Landsbanki Íslands hf. The purchase value is the amount that is expected to be collected on the loans. The value of the loan portfolio therefore does not reflect customers' debt position. The loan portfolios are revalued on a regular basis and could lead to an increase or decrease in the value of specific loans. 3. Foreign party means that the counterparty is a non-resident according to the Foreign Exchange Act, no. 87/1992.

Table 5 Summary of the accounts of the banking system¹

M.kr. at year-end	2006	2007	2008	2009	2010	2011	2012
Foreign assets, total ²	3,199,547	4,884,759	1,060,082	772,292	950,570	1,405,795	915,315
Foreign credit and equities	1,405,600	3,006,157	619,363	375,267	358,529	459,558	605,624
Other foreign assets	1,793,948	1,878,602	440,720	397,025	592,041	946,237	309,691
Foreign liabilities, total ²	4,235,969	6,226,198	973,521	515,456	487,820	553,122	315,668
Foreign bond issue	2,814,959	2,496,270	-	-	-	-	-
Other foreign liabilities	1,421,010	3,729,928	973,521	515,456	487,820	553,122	315,668
Domestic assets, total	3,468,598	4,855,562	3,571,505	3,195,101	2,927,099	2,995,865	2,926,059
Domestic credit ³	3,118,026	3,877,504	2,480,809	2,269,375	2,241,808	2,369,138	2,365,132
Treasury and Government institutions	24,855	6,610	273,890	168,440	173,383	194,197	187,849
Municipalities	11,828	11,645	11,019	11,067	18,857	16,971	15,012
Non-bank financial companies	281,719	131,126	34,618	14,330	12,549	142,280	144,155
Companies	1,137,030	1,316,380	1,245,311	1,162,071	1,128,607	1,038,041	1,034,499
Households	707,531	836,672	593,789	527,238	545,529	535,928	609,015
Holding companies	719,829	928,020	425,824	226,200	231,157	186,978	143,559
Other	235,233	647,051	233,815	425,390	368,168	388,558	378,2892
Provisions	...	-	-337,458	-265,360	-236,442	-133,816	-147,247
Derivatives	...	266,126	90,461	14,078	1,508	1,245	-
Share in associates	21,125	23,352	11,487	12,868	8,324	14,575	12,215
Share in affiliated undertakings	80,329	188,610	213,816	106,606	92,566	118,830	116,117
Other domestic assets	249,118	499,970	774,932	792,175	582,892	492,078	432,595
Bond money and bonds (M4)	1,037,629	1,640,954	1,713,390	1,628,236	1,456,524	1,709,849	1,682,516
Domestic bond issue	252,498	409,489	87,238	19,643	7,557	134,623	150,962
Broad money (M3)	785,131	1,231,465	1,626,153	1,608,593	1,448,967	1,575,226	1,531,554
Time deposits	423,084	583,079	543,454	596,845	523,433	577,866	627,895
Money and sight deposits (M2)	362,047	648,385	1,082,699	1,011,747	925,533	997,361	903,659
Sight deposits	150,498	237,588	540,097	497,835	427,874	498,588	444,242
Money supply (M1)	211,549	410,797	542,602	513,912	497,659	498,772	459,417
Demand deposits	200,077	398,369	522,250	488,187	462,994	459,381	418,556
Banknotes and coin in circulation	11,472	12,429	20,352	25,725	34,666	39,391	40,861
Other domestic borrowing	199,480	4,148	402,633	396,621	394,882	446,284	404,098

1. The latest data are preliminary. The data represents only DMBs that are operating at any given time. 2. Foreign party means that the counterparty is non-resident according to the Foreign Exchange Act, no. 87/1992. 3. In these figures, the loans of Arion Banki hf., Íslandsbanki hf., and NBI hf. are assessed at purchase value; that is, the price at which these parties purchased the loan portfolio from Kaupthing Bank hf., Glitnir Bank hf., and Landsbanki Íslands hf. The purchase value is the amount that is expected to be collected on the loans. The value of the loan portfolio therefore does not reflect customers' debt position. The loan portfolios are revalued on a regular basis and could lead to an increase or decrease in the value of specific loans.

Table 6 Liquidity and reserve ratios in %¹

<i>Effective date:</i>	<i>Reserve requirement ratio:</i>	<i>Effective date:</i>	<i>Reserve requirement ratio</i>
1 June 1979	28.0	1 January 1992	7.0
17 April 1985	18.0	1 November 1992	6.0
1 March 1987	13.0	1 December 1992	5.0
1 August 1988	12.0	1 November 1993	4.0 (2.5) ²
1 March 1989	11.0	21 May 1998	4.0 (1.5) ²
1 May 1990	10.0	21 March 2003	3.0 (1.0) ²
1 June 1990	7.0	21 December 2003	2.0 (0.0) ³
31 October 1991	6.0		

1. Percentage of bank total deposits as of 1 June 1979, of domestic disposable funds as of 1 March 1989, and of all disposable funds as of 21 May 1998. 2. Figure in parentheses refers to the reserve ratio for bond issues and term deposits. 3. Figure in parentheses refers to the reserve ratio for deposits and bond issues with an original maturity of more than two years, and securities eligible as collateral for transactions with the Central Bank.

Table 7 Main interest rates announced pursuant to Article 10, Paragraph 2, and Temporary Provision III of the Act on Interest and Price Indexation, no. 38/2001

	<i>General interest rates, rates on damage claims, and penalty interest, in % per annum</i>			
	<i>General interest, damage claims</i>	<i>General interest, non-indexed loans</i>	<i>General interest, indexed loans</i>	<i>Monetary claims, ISK, penalty interest</i>
1 January 2012	3.60	5.40	3.90	11.75
1 February 2012	3.60	5.40	3.90	11.75
1 March 2012	3.60	5.40	3.75	11.75
1 April 2012	3.60	5.40	3.75	12.00
1 May 2012	3.77	5.65	3.75	12.00
1 June 2012	3.77	5.65	3.75	12.50
1 July 2012	4.10	6.15	3.75	12.75
1 August 2012	4.27	6.40	3.75	12.75
1 September 2012	4.27	6.40	3.75	12.75
1 October 2012	4.27	6.40	3.75	12.75
1 November 2012	4.27	6.40	3.75	12.75
1 December 2012	4.27	6.40	3.75	13.00
Average 2012	3.95	5.92	3.78	12.38
Average 2011	3.54	5.31	4.40	11.40

Table 8 Selected annual nominal yields of deposit money banks and penalty rates in % per annum

	<i>Non-indexed loans¹</i>		<i>New (long) indexed securities²</i>		<i>Penalty rates</i>		<i>Credit terms index, 12-month change³</i>
	<i>Nominal</i>	<i>Real</i>	<i>Nominal</i>	<i>Real</i>	<i>Nominal</i>	<i>Real</i>	
	2001	18.8	9.4	19.7	10.2	23.7	13.9
2002	16.0	13.7	12.3	10.1	21.3	18.9	2.0
2003	12.4	9.4	12.0	9.1	17.3	14.2	2.7
2004	12.6	8.3	10.5	6.3	17.3	12.9	3.9
2005	15.3	10.7	10.3	5.9	20.3	15.5	4.2
2006	18.6	10.9	13.4	6.1	22.5	14.6	6.9
2007	20.2	13.5	12.9	6.6	25.0	18.0	5.9
2008	21.6	4.5	24.7	7.1	25.8	8.1	16.4
2009	20.2	10.6	15.7	6.5	21.2	11.6	8.6
2010	15.4	12.5	11.5	8.7	15.1	12.2	2.6
2011	13.8	8.2	11.1	5.6	11.4	5.9	5.2
2012	13.6	8.7	11.5	6.6	12.4	7.5	4.5

1. Weighted average of DMBs' interest rates on general non-indexed bonds from 1995 to 2009. Two payment dates per year are assumed. Simple average of interest rates in 2010 and 2012. 2. Weighted average of DMBs' interest rates on new indexed loans. Simple average of interest rates in 2010 and 2012. 3. Between January values.

Table 9 Balance Sheet of the Central Bank of Iceland¹

M.kr.	Year-end					
	2006	2007	2008	2009	2010	2011
Assets:	321,842	476,859	1,187,460	1,178,082	1,328,240	1,585,775
<i>Foreign assets</i>	168,070	163,585	429,491	485,131	666,437	1,047,469
Foreign deposits	41,650	19,338	207,257	222,894	420,098	672,144
Gold	2,934	3,305	6,653	8,664	10,426	12,249
Foreign securities	121,467	138,322	211,855	231,574	217,821	272,072
Other foreign assets	0	787	211	190	1,690	184
SDR	8	11	53	18,161	13,079	87,295
Currency balance with the IMF	2,010	1,823	3,462	3,649	3,322	3,525
Counterpart to IMF deposits	0	0	0	0	1	0
<i>Domestic assets</i>	153,772	313,273	757,969	692,952	661,804	538,306
<i>Deposit money banks</i>	119,863	258,165	466,540	28,869	90,037	4,312
Other claims	0	0	231,024	6,722	0	0
Collateralised loans	119,863	258,165	72,352	9,249	40,825	0
Overnight loans	0	0	37,982	1,700	995	0
Other claims in foreign currency	0	0	125,181	11,197	48,217	4,312
<i>Other financial institutions</i>	28,547	50,102	16,423	3,133	3,004	3,122
Listed securities	1,473	1,447	2,757	3,133	3,004	3,122
Collateralised loans	27,074	44,554	13,666	0	0	0
Overnight loans	0	4,102	0	0	0	0
<i>Central Government</i>	0	0	270,005	165,398	170,525	191,905
Listed securities	0	0	0	0	0	18,582
Bonds receivable	0	0	270,005	165,398	170,525	173,323
<i>Other sectors</i>	499	131	117	490,665	391,617	334,320
Sundry accounts	404	55	117	0	93	5,037
Securities	95	76	0	490,665	391,524	329,283
<i>Properties and equipment</i>	4,479	4,520	4,470	4,420	4,370	4,320
<i>Other assets</i>	385	356	413	467	2,252	327
Liabilities and capital:	321,842	476,859	1,187,460	1,178,082	1,328,240	1,585,775
<i>Foreign liabilities</i>	1,873	1,712	267,842	203,989	280,213	399,401
Short-term	95	100	160,262	36,752	67,004	36,656
Long-term	0	0	104,521	145,266	193,238	341,604
IMF SDR allocation	1,779	1,613	3,058	21,970	19,971	21,141
IMF deposits	0	0	0	1	0	0
<i>Domestic liabilities</i>	271,633	384,143	837,240	891,215	978,648	1,102,597
<i>Banknotes and coin</i>	14,513	15,735	24,436	28,958	38,269	43,205
<i>Deposit money banks</i>	45,006	152,112	378,743	152,664	170,537	118,114
Sight deposits	43,228	152,112	90,618	87,607	55,660	31,286
Time deposits	0	0	0	6,657	0	0
Certificates of deposit	1,777	0	167,600	29,702	60,957	70,015
Other claims	0	0	16,519	9,409	47,903	0
Sight deposits in foreign currency	-	-	104,005	19,290	6,017	16,813
<i>Other financial institutions</i>	131	1,425	22,008	245,418	316,915	358,224
Sight deposits	131	1,425	4,415	35,412	36,916	13,898
Time deposits	0	0	0	669	0	0
Certificates of deposit	0	0	9,827	0	4,505	8,511
Sight deposits in foreign currency	0	0	7,766	56,196	22,515	157,557
Time deposits in foreign currency	0	0	0	153,142	252,979	178,258
<i>Central Government</i>	211,036	211,177	403,246	446,668	424,648	528,816
Treasury current accounts	80,110	93,971	168,723	166,050	130,050	143,851
Government institutions, current accounts	605	536	895	282	1,427	1,111
Treasury sight deposits in foreign currency	97,235	89,855	2,376	49,129	175,842	376,466
Treasury time deposits in foreign currency	0	0	169,404	179,998	106,328	7,388
Time deposits	33,085	26,815	61,849	51,210	11,000	0
<i>Other liabilities</i>	948	3,694	8,807	17,507	28,279	54,238
<i>Capital and reserves</i>	48,336	91,003	82,378	82,878	69,379	83,777

1. Based on the Central Bank of Iceland annual accounts.

End of month 2012

January	February	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.
1,621,204	1,638,738	1,547,036	1,509,952	1,614,676	1,401,729	1,362,420	1,316,552	1,051,432	1,070,968	1,051,103	1,074,954
1,081,474	1,095,204	976,983	942,381	1,063,042	852,467	829,804	786,371	532,751	547,983	527,324	539,947
678,761	666,873	634,608	595,808	693,476	481,178	471,263	413,054	172,936	164,274	126,517	113,242
13,616	13,493	13,457	13,364	13,014	12,763	12,464	13,157	13,979	13,937	13,742	13,757
297,023	336,605	306,442	310,818	349,255	351,472	339,319	354,258	339,773	363,558	381,549	407,286
184	184	184	184	184	184	184	184	184	184	184	184
88,323	74,409	18,626	18,553	3,415	3,297	3,155	2,243	2,306	2,365	1,721	1,767
3,567	3,640	3,667	3,653	3,696	3,573	3,418	3,474	3,572	3,663	3,611	3,710
0	0	0	0	0	0	0	0	0	0	0	0
539,730	543,534	570,053	567,571	551,634	549,262	532,616	530,181	518,681	522,986	523,778	535,007
4,689	4,920	27,334	23,434	6,443	4,539	2,457	2,984	4,455	5,465	5,341	17,792
0	0	0	0	0	0	0	0	0	0	0	0
0	0	21,993	18,192	26	0	0	0	0	0	0	12,346
0	0	0	0	0	0	0	0	0	0	990	0
4,689	4,920	5,341	5,242	6,417	4,539	2,457	2,984	4,455	5,465	4,351	5,446
3,160	3,168	3,086	3,061	3,036	3,010	3,111	2,991	2,996	3,041	2,989	3,050
3,160	3,168	3,086	3,061	3,036	3,010	3,111	2,991	2,996	3,041	2,989	3,050
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
190,758	191,619	193,756	194,907	196,453	196,677	196,917	192,501	192,627	193,101	194,093	185,126
17,551	17,562	17,567	17,606	17,394	17,300	17,393	13,902	13,921	13,849	13,913	13,965
173,207	174,057	176,189	177,300	179,058	179,377	179,524	178,598	178,707	179,253	180,180	171,161
336,475	339,181	341,229	341,522	341,054	340,388	325,484	327,057	314,012	316,787	316,765	324,423
5,062	4,972	5,185	4,948	4,982	5,552	5,604	5,689	5,106	5,089	5,117	10,911
331,413	334,209	336,044	336,574	336,072	334,836	319,880	321,368	308,906	311,698	311,648	313,512
4,320	4,320	4,320	4,320	4,320	4,320	4,320	4,320	4,264	4,264	4,264	4,270
327	327	327	327	327	327	327	327	327	327	327	344
1,621,204	1,638,738	1,547,036	1,509,952	1,614,676	1,401,729	1,362,420	1,316,552	1,051,432	1,070,968	1,051,103	1,074,954
409,642	395,752	323,669	325,252	316,747	212,561	198,879	197,296	201,852	205,812	190,060	193,648
41,540	34,521	32,260	34,761	40,154	34,502	28,645	37,439	37,150	36,411	36,857	35,942
346,711	339,473	269,418	268,592	254,439	156,646	149,749	139,034	143,295	147,445	131,574	135,492
21,390	21,757	21,989	21,897	22,153	21,413	20,486	20,822	21,408	21,955	21,629	22,214
2	2	2	2	0	0	0	0	0	0	0	0
1,124,170	1,154,819	1,132,844	1,092,136	1,201,530	1,098,171	1,073,709	1,029,446	760,122	772,584	768,922	783,206
41,415	40,659	40,825	40,963	41,504	42,131	42,727	42,667	41,790	41,407	41,875	45,142
123,625	128,842	155,095	151,765	124,117	127,852	129,771	149,593	154,889	149,606	162,733	158,377
30,126	61,837	42,674	35,086	33,603	33,680	26,632	38,649	29,063	30,312	26,586	53,215
0	0	0	0	0	0	0	0	0	0	0	0
79,691	62,845	109,553	113,618	87,147	90,428	100,003	106,813	124,603	118,543	135,406	100,658
0	0	0	0	0	0	0	0	0	0	0	0
13,808	4,160	2,869	3,062	3,367	3,743	3,135	4,131	1,223	751	741	4,504
378,848	370,146	368,570	363,800	366,575	352,229	346,645	316,629	48,122	44,161	42,807	42,334
18,394	18,585	15,405	14,421	21,933	15,206	25,997	28,713	21,419	18,675	19,058	14,887
0	0	0	0	0	0	0	0	0	0	0	0
7,808	8,015	6,512	6,914	7,555	8,108	4,111	5,007	5,417	3,507	1,806	4,716
125,310	124,619	338,308	334,101	328,284	320,422	316,538	274,616	12,753	13,215	13,295	13,832
227,336	218,928	8,345	8,363	8,803	8,492	0	8,294	8,533	8,765	8,648	8,899
519,298	563,300	514,179	474,963	602,477	515,327	491,724	466,442	469,743	488,727	472,882	489,189
128,721	161,701	161,741	154,459	153,398	162,084	153,952	123,501	124,203	133,867	125,360	141,052
1,088	908	1,357	1,721	1,824	1,724	2,055	2,165	779	656	737	1,068
381,543	392,246	342,577	310,390	439,464	343,633	327,992	332,904	336,500	346,038	338,607	338,491
7,946	8,447	8,503	8,394	7,791	7,886	7,726	7,872	8,261	8,166	8,178	8,578
0	0	0	0	0	0	0	0	0	0	0	0
60,984	51,873	54,175	60,645	66,857	60,633	62,842	54,115	45,578	48,683	48,625	48,163
87,392	88,167	90,523	92,564	96,399	90,997	89,831	89,811	89,459	92,573	92,120	98,100

