



Annual Report 2013

ANNUAL REPORT 2013

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Supervisory Board and senior officers of the Central Bank of Iceland (photo taken 13 March 2014). Standing from left: Ágúst Ólafur Ágústsson, Auður Hermannsdóttir, Ingibjörg Ingvadóttir, Már Guðmundsson, Governor, Jón Sigurgeirsson, Director of International relations and General Secretariat, Hildur Traustadóttir and Arnór Sighvatsson, Deputy Governor. Sitting from left: Jón Helgi Egilsson, Ólöf Nordal, Chairman, and Ragnar Árnason.

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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. Furthermore, recent statutory amendments emphasise that the Central Bank shall promote financial 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.¹ The Act provides the Bank with full operational independence in the implementation of monetary policy so as to achieve the target. The Act also states that the Bank shall promote the implementation of the Government's economic policy as long as it does not regard this policy to be inconsistent with its main objective of price stability. The Central Bank Act states as well that the Bank is obliged to invest Iceland's foreign exchange reserves and to promote a safe and effective financial system, including domestic and cross-border payment systems. Further provisions require that the Bank report publicly on monetary policy and on 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 2013. *Monetary Bulletin* includes an in-depth analysis of economic and monetary developments and prospects, as well as the Bank's forecast.

A five-member Monetary Policy Committee (MPC) takes decisions on the application of the Bank's monetary policy instruments. These 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 aimed at affecting the exchange rate of the króna. 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, and two other economic and monetary experts appointed by the Minister of Finance and Economic Affairs. In 2013 there were eight interest rate decision dates, four of which were also publication dates for *Monetary Bulletin*. The Committee also held two extraordinary meetings in order to discuss the Bank's policy for foreign currency purchases and foreign exchange market intervention.

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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 financial stability and 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 operating systemically important financial infrastructure and by ensuring that Icelandic payment and settlement systems operate in line with internationally recognised standards, and it publishes its *Financial Market Infrastructure* report to that end.

As authorised by law, the Central Bank has set rules on minimum liquidity of credit undertakings and on their 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

The Central Bank invests Iceland's foreign exchange reserves, which are intended to enhance security in external transactions carried out by Iceland – the Government and Government-guaranteed entities, in particular. The reserves are subject to special rules on investment and safety, which are set by the Governor and confirmed by the Bank's Supervisory Board. The Central Bank is authorised to borrow funds in order to expand the foreign exchange reserves and to participate in international cooperation, 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 autumn 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). Work towards lifting the capital controls is currently underway.

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. It has also taken on new tasks related to payment intermediation and now owns the company Greiðsluveitan ehf., which handles the operational aspects of important payment intermediation systems. In addition, the Bank owns the Central Bank of Iceland Holding Company, which administers assets and claims in the wake of the collapse of the banks.

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%. In addition to its primary objective, monetary policy also attempts to mitigate economic volatility and promote financial stability.

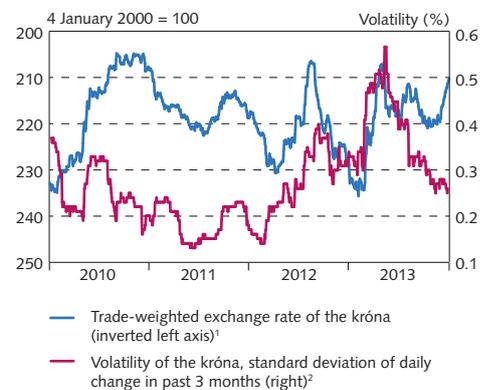
Developments in interest rates, the exchange rate, and inflation in 2013

Early in 2013, after a period of marked ISK depreciation in the final months of 2012, the Central Bank decided to suspend its programme of regular foreign currency purchases. The króna appreciated significantly thereafter. The exchange rate had fluctuated more widely after summer 2012 than in the period immediately preceding it. Because foreign currency mismatches in financial institutions' balance sheets had diminished and the exchange rate was close to the level that, other things being equal, should suffice to bring inflation back to target in the near term, the MPC decided at its May meeting to step up the Bank's intervention in the foreign exchange market.¹ The objective of increased foreign exchange market intervention is to mitigate exchange rate volatility, thereby expediting the adjustment of the domestic price level to the inflation target.

The Bank's intervention policy appears to have contributed to greater exchange rate stability in the latter half of the year (see Chart II-1). During the period from 2 January through 15 May, the day the Bank announced its new intervention policy, the króna appreciated by some 7%. The appreciation over the summer was less pronounced than often before, but towards the end of the year the króna strengthened markedly, different from the years immediately preceding. In terms of the trade-weighted exchange rate index, the króna appreciated by 10.7% in 2013, by 7.1% against the euro and 11.9% against the US dollar.

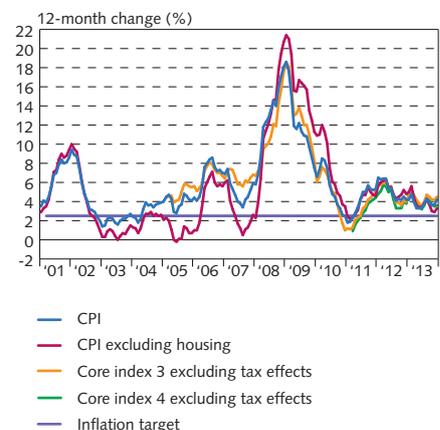
In terms of the consumer price index (CPI), twelve-month inflation measured 4.2% in December 2012, rose to 4.8% in February 2013, fell to 3.3% in April, and remained unchanged until July. For the remainder of the year it fluctuated in the 3.6% to 4.3% range, ending the year at 4.2% (see Chart II-2). When winter sales ended in February 2013, prices rose by 1.6%. Prices rose by 2% from January to April, partly due to wage increases and depreciation of the króna. With the ensuing appreciation of the króna, imported goods prices declined over the remainder of the year, offsetting domestic price increases. Of the 4.2% inflation measured in December, 1.6 percentage points were

Chart II-1
Exchange rate and volatility of the króna
Daily data 4 January 2010 - 31 December 2013



1. Price of foreign currency in terms of króna. Inverted axis shows a stronger króna as a rise. 2. Volatility is measured by standard deviation of daily changes in past 3 months (right).
Source: Central Bank of Iceland.

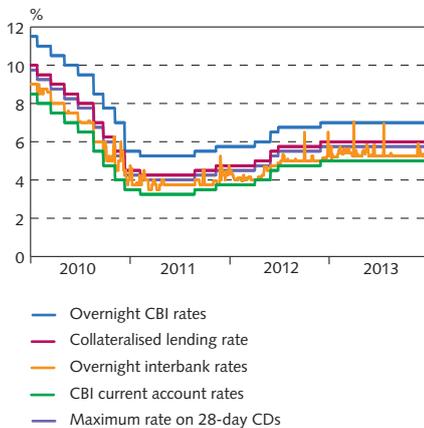
Chart II-2
Various inflation measurements¹
January 2001 - December 2013



1. Core index 3 is the CPI excluding prices of agricultural products, petrol, public services and the cost of real mortgage interest. Core Index 4 excludes the market price of housing as well.
Sources: Statistics Iceland, Central Bank of Iceland.

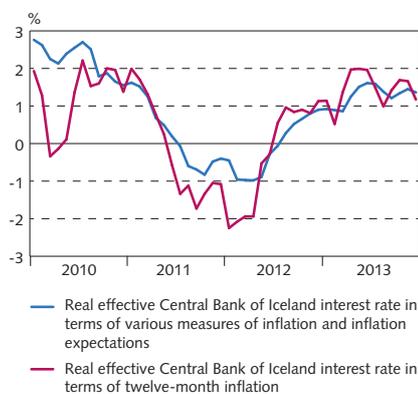
1. According to Article 24 of the Act on the Central Bank of Iceland, no. 36/2001, the Monetary Policy Committee is tasked with taking decisions on the application of the Bank's monetary policy instruments. The Act defines foreign exchange market transactions aimed at affecting the exchange rate of the króna as one of those instruments. Increased foreign exchange market intervention is also in line with the Bank's proposal for improvements to the inflation targeting framework (see, for example, the discussion in "Monetary Policy in Iceland After Capital Controls", Central Bank Special Publication no. 4, December 2010).

Chart II-3
Central Bank of Iceland interest rates and short-term market interest rates
Daily data 1 January 2010 - 31 December 2013



Source: Central Bank of Iceland.

Chart II-4
Real effective Central Bank of Iceland interest rates¹
January 2010 - December 2013



1. Until January 2012, according to twelve-month inflation, one-year business inflation expectations, one-year household inflation expectations, the one-year breakeven inflation rate, and the Central Bank forecast of twelve-month inflation four quarters ahead. From February 2012 onwards, according to the above criteria, plus one-year market inflation expectations based on a quarterly Central Bank survey.

Sources: Capacent Gallup, Statistics Iceland, Central Bank of Iceland.

due to domestic services, 0.6 percentage points to domestic goods, and 1.4 percentage points to housing costs. Underlying twelve-month inflation as measured by core index 3 (excluding volatile food items, petrol, public services, and real mortgage interest expense) net of indirect tax effects fluctuated between 3.5% and 5.1% during the year, measuring 4.5% in December. The twelve-month rise in the CPI excluding the housing component was about a percentage point less, however, or 3.3%.

The MPC did not change the Bank's policy interest rate in 2013. The Bank's current account rate was 5%, the maximum rate on 28-day certificates of deposit (CDs) 5.75%, the seven-day collateralised lending rate 6%, and the overnight lending rate 7%. Owing to abundant financial system liquidity, the simple average of Central Bank current account rates and the maximum rate on certificates of deposit is currently close to being the best measurement of the effect of Central Bank rates on money market rates. The Bank's effective nominal rate was therefore just under 5.4% for the entire year. Even though the Bank's nominal interest rates remained unchanged last year, the monetary stance changed as inflation and inflation expectations changed. The Bank's real rate relative to twelve-month inflation was just over 1% at the beginning of the year, rose to 2% when inflation bottomed out at mid-year, fell to 1% when inflation peaked in August, and ended the year at slightly above 1% (see Chart II-4). In terms of the average of various measures of inflation and inflation expectations, however, the real rate was almost $\frac{1}{2}$ a percentage point higher in December than it had been in January.

According to the joint declaration issued by the Government and the Central Bank, if inflation deviates more than $1\frac{1}{2}$ percentage points from the $2\frac{1}{2}$ % target, the Bank is obliged to send the Government a report stating what it considers the main reasons for the deviation, how it intends to respond, and how long the Bank anticipates that it will take to bring inflation back to target. If inflation is volatile, it can fluctuate widely, both within and outside the tolerance limits. For example, it fell below the upper threshold of 4% in March, rose above it in August, fell to 3.9% in September, and then rose to 4.2% in December. According to the Bank's report to the Government following the inflation spurt in August, the deviation was attributed mainly to increases in housing costs and domestic services prices. It had been foreseen at the time of the MPC's previous interest rate decision and was reflected in that decision, but it alone did not call for a special monetary policy response. The Bank's January 2014 report to the Government described the December deviation as caused primarily by rising housing costs. Excluding the housing component, inflation would have measured 3.3% instead of 4.2%. Furthermore, the Bank's November forecast had assumed that inflation could rise temporarily above the 4% tolerance limit and that this deviation was not in contradiction with the main feature of the forecast that inflation would subside to target in spite of such a spike.

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 explains 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' reasons for their votes. The Central Bank Act also stipulates that the Bank's MPC shall submit a report on its activities to Parliament twice a year 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 MPC 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, transactions with credit institutions other than loans of last resort, decisions on reserve requirements, and foreign exchange market transactions intended to influence the exchange rate of the króna.

The Committee was chaired by Governor Már Guðmundsson, as is provided for by law. Other members were Deputy Governor Arnór Sighvatsson, Chief Economist Thórarinn G. Pétursson, Professor Gylfi Zoëga of the University of Iceland, and Katrín Ólafsdóttir, Assistant Professor at Reykjavík University.

Interest rate decisions 2013

The Central Bank Act requires that the MPC meet at least eight times each year. In addition to its eight regular meetings, the Committee held two extraordinary meetings in order to discuss the Bank's policy for foreign currency purchases and foreign exchange market intervention. The Committee's interest rate decisions were as follows:

6 February: The Governor proposed that the Bank's interest rates be held unchanged. All Committee members voted in favour of the Governor's proposal.

20 March: 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.

15 May: The Governor proposed that the Bank's interest rates be held unchanged. All Committee members voted in favour of the Governor's proposal.

12 June: The Governor proposed that the Bank's interest rates be held unchanged. All Committee members voted in favour of the Governor's proposal.

21 August: The Governor proposed that the Bank's interest rates be held unchanged. All Committee members voted in favour of the Governor's proposal.

2 October: The Governor proposed that the Bank's interest rates be held unchanged. All Committee members voted in favour of the Governor's proposal.

6 November: The Governor proposed that the Bank's interest rates be held unchanged. All Committee members voted in favour of the Governor's proposal.

11 December: The Governor proposed that the Bank's interest rates be held unchanged. All Committee members voted in favour of the Governor's proposal. Thórarinn G. Pétursson would have preferred to raise interest 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.



The Monetary Policy Committee as it was during 2013. 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.

III The financial system

One of the Central Bank of Iceland's legally mandated roles is to promote a safe, effective financial system. With the amendment of the Act on the Central Bank during 2013, the Bank must 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 appropriately. A healthy financial system is a prerequisite for positive economic developments and effective monetary policy.

Emphases in financial stability

The Bank's main tasks in the area of financial stability are to analyse risks in the financial system, to conduct research and draft rules on credit institutions' liquidity and foreign exchange balance, and to conduct monitoring on the basis of these rules. This also entails participating in setting policy on the structure and development of the financial system and formulating further prudential rules for it, as well as interacting with other institutions involved in financial stability – particularly the Financial Supervisory Authority and the Ministry of Finance and Economic Affairs – and participating actively in international cooperation.

To this end, the Bank attempts to have a clear overview of the position of credit institutions, financial markets, and households and businesses. The Bank presents an in-depth analysis of issues related to financial stability in its *Financial Stability* report, published each spring and updated each autumn. The Central Bank published two *Financial Stability* reports in 2013, in April and October.

In the recent past, increased emphasis has been placed on analysing the position of the private sector – i.e., households and businesses – in addition to analysing the external position of the economy. In-depth analyses are prepared based on data available within the Bank, plus a range of external data. Particular attention is paid to developments in private sector debt, which is placed into context with various other economic variables. The analysis of the external position of the economy entails mapping out repayment profiles for foreign debt, projecting capital flows, and assessing refinancing risk.

Prudential rules

New liquidity rules for credit institutions took effect in December 2013. The rules are based on the Basel III framework but adapted to Icelandic conditions, in part through the inclusion of requirements on foreign currency liquidity and the consideration given to risks related to the winding-up of the old banks. The Rules on Liquidity Ratio are intended to ensure that credit institutions always have sufficient liquid assets to cover foreseeable and conceivable payment obligations over a specified period of time. After the collapse of the commercial banks, it became clear that it would be necessary to review the Bank's liquidity rules and adopt revised rules incorporating new requirements for

liquidity ratios in foreign currency. Among other new provisions in the new Rules, liquidity requirements now apply to credit institutions at the group level and extend to off-balance sheet items. Among other things, in their liquidity management, credit institutions are subjected to much tighter requirements concerning their reliance on liquidity lines, which proved extremely unreliable when put to the test in the prelude to the banking collapse of 2008. The purpose of the new rules on foreign currency liquidity is to reduce liquidity risk in foreign currencies, which proved to be one of the most significant risks during the run-up to the 2008 collapse. The amendments to the Act on the Central Bank of Iceland that were passed at the summer legislative session strengthened the Bank's authorisation to set rules on foreign currency liquidity ratios. As is stated in the Bank's 2012 report entitled *Prudential Rules Following Capital Controls*, such rules are part of the prudential framework that must be in place by the time the capital controls are lifted. Further preparatory work on rules concerning credit institutions' minimum net stable funding ratio (NSFR), particularly in foreign currency, lies ahead. Such rules cover a longer horizon than liquidity rules and aim to limit maturity mismatches.

At year-end 2013, 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. Such a temporary authorisation shall remain valid for a maximum of three months at a time. A financial undertaking applying for such an authorisation shall explain why it does not fulfil the requirements of the Rules on Foreign Exchange Balance; furthermore, it shall base its application on a dated schedule specifying how it intends to achieve a foreign exchange balance in compliance with the Rules, including a thorough description of the actions it intends to take. This Temporary Provision expires on 1 January 2015, as will all exemptions granted in accordance with it.

Financial market infrastructure

The Bank's main tasks in relation to financial market infrastructure centre on analysis and assessment of the security, efficiency, and efficacy of systemically important financial market infrastructure; i.e., payment and settlement systems and their operation and the formulation and adoption of rules related to financial market infrastructure. This also entails participation in the formulation of policy on system development, preparation of prudential rules for operators of systemically important financial systems, communication with the Financial Supervisory Authority and with Government ministries, and participation in international cooperation, as appropriate.

In 2013, the Bank launched a specialised publication devoted to financial market infrastructure, a topic previously covered in its *Financial Stability* report. The new *Financial Market Infrastructure* report is to be published annually.

During the year, the Central Bank and the Icelandic Securities Depository (ISD) renewed their cooperation agreement concerning financial settlement of securities transactions, with the aim of enhancing security and efficiency of securities settlement.

Parliament passed two acts of law concerning electronic payment intermediation last year: amendments to the Act on the Security of Transfer Orders in Payment Systems and Securities Settlement Systems, no. 90/1999, on the one hand, and new, comprehensive legislation on electronic money, the Act on the Issuance and Handling of Electronic Money, no. 17/2013.

In the inaugural edition of *Financial Market Infrastructure*, the Bank introduced Icelandic market participants to the new Principles for Financial Market Infrastructures (PFMI), which were issued by the Committee on Payment and Settlement Systems (CPSS) and the International Organization of Securities Commissions (IOSCO) in 2012. The substantive provisions of the PFMI are designed to cover all systemically important financial infrastructure. In the future, the Central Bank will take them into account when assessing the security and efficiency of such infrastructure in Iceland.

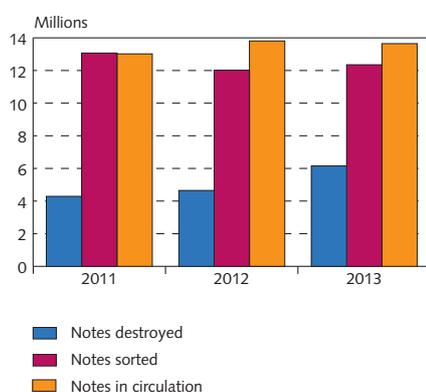
Payment and settlement systems

The Central Bank of Iceland's real-time gross settlement system (RTGS) is used for real-time processing of payments between financial institutions and their customers, subject to a minimum of 10 m.kr. The netting system is used for real-time payments in amounts under 10 m.kr., and the netted amounts are sent to the RTGS system for final settlement. The netting system, the SWIFT system, the authorisation and clearing system for payment card transactions, and the so-called check-free system are operated by Greiðsluveitan ehf., which is owned by the Central Bank of Iceland. Final monetary settlement of securities transactions from the ISD's securities settlement is carried out in the Bank's RTGS system.

As of year-end 2013, participants in the RTGS system were the following: Arion Bank hf., Clearstream Banking s.a., the Housing Financing Fund, Íslandsbanki hf., MP Bank hf., Landsbankinn hf., the Central Bank of Iceland, and Straumur Investment Bank hf. The ISD uses the system for settlement of securities transactions but is not considered a regular system participant. There were no significant interruptions in RTGS system operation during the year. Total turnover in the RTGS system contracted by 2% year-on-year in 2013, to 12,853 b.kr. The number of payment orders increased by 3.6%, to over 92,000.

There was no change in the group of netting system participants in 2013. At the end of the year, direct participants were Arion Bank hf., the Housing Financing Fund, Íslandsbanki hf., MP Bank hf., Landsbankinn hf., and the Central Bank of Iceland. Two incidents interrupted netting system operations in the latter half of the year, but their impact was insignificant. Total system turnover increased by 4.4% year-on-year in 2013, to 3,070 b.kr. The number of transactions fell by 1.3%, to just over 73 million.

Chart III-1
Note sorting and number of notes in circulation
at end of year



Source: Central Bank of Iceland.

Icelandic Securities Depository securities settlement system

The ISD securities settlement system is used to administer listed securities and changes in ownership rights. While the Central Bank of Iceland handles the monetary settlement of securities transactions, the ISD tasks are:

- To handle centralised registration of dematerialised securities for issuers in the Icelandic market.
- To handle centralised custody and settlement of electronic securities for investors.
- To handle corporate actions on behalf of issuers of dematerialised securities.
- To ensure that the operation of the securities settlement system is efficient, effective, and secure, and in compliance with regulatory instruments, best practice in the market, and recognised international standards.

The ISD currently has 27 members: five financial institutions, nine securities companies, seven foreign banks, and six institutional investors.

Table III-1 Market value of securities

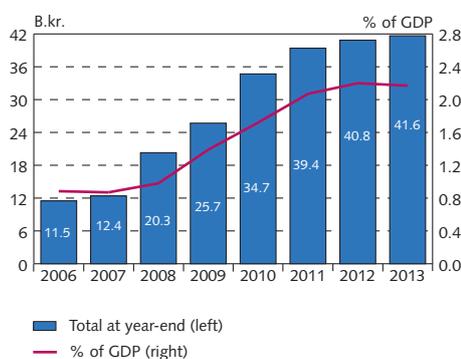
| M.kr. | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|----------------|-------|-------|-------|-------|-------|-------|
| Shares | 880 | 330 | 373 | 387 | 506 | 645 |
| Treasury bonds | 650 | 1,104 | 1,099 | 1,083 | 963 | 988 |
| HFF-bonds | 762 | 774 | 883 | 971 | 986 | 733 |
| Other bonds | 1,070 | 883 | 784 | 949 | 1,103 | 1,378 |
| Total | 3,362 | 3,091 | 3,139 | 3,390 | 3,558 | 3,744 |

Source: Central Bank of Iceland.

The market value of securities held in ISD systems was 3,744 b.kr. as of end-2013, an increase of about 5% year-on-year.

The number of settled exchange transactions rose by 32% between years, to a total of 30,681 in 2013. ISD systems also handled 109,954 other transactions during the year, an increase of 84% over the 2012 total of 59,665.

Chart III-2
Banknotes and coin in circulation 2006-2013



Sources: Statistics Iceland, Central Bank of Iceland.

Banknotes and coin

The Central Bank of Iceland has the exclusive right to issue Icelandic currency. Because of that, the Bank must always have a sufficient supply of banknotes and coin. The Central Bank gives high priority to maintaining the credibility 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. Note processing includes counting, identification of forgeries, and sorting of notes into fit and unfit. In 2013, the note processing department received about 12.4 million notes from commercial banks and savings banks, and destroyed 6.2 million notes. Counterfeiting of Icelandic banknotes is very rare.

Cash in circulation outside deposit institutions and the Central Bank totalled 41.6 b.kr. as of year-end 2013. The increase during the year was 0.8 b.kr., or 1.8%, the smallest since 2000.

In 2004 the Bank began to reduce the number of vaults it operates outside Reykjavík. The last such vault was closed in 2013.

A new 10,000 kr. banknote was put into circulation in October 2013. The purpose of the issue was to facilitate and streamline payment intermediation in Iceland, in part by reducing the number of banknotes in circulation. The launch went smoothly, and by the end of the year, some 550,000 of the new 10,000 kr. banknotes were in use.

Because inflation has historically been high in Iceland, it has often been necessary to adjust the face value of banknotes and coin to a higher price level. It can be argued that coins with a value of 1, 5, and 10 krónur rightly belong to the past. These coins are heavy and bulky, and they are expensive to manufacture relative to their purchasing power. There are several ways to resolve this: reduce the size of the coins and use less expensive alloys to manufacture them, stop circulating them, or change the legislation on Iceland's currency. The advantages and disadvantages of the various options are currently under scrutiny.

As prices rise, low-value banknotes generally give way to coins. When the 500 kr. note was launched in 1981, it was the most valuable banknote in circulation. Now it is the least valuable. Presumably, it will stop circulating in favour of a 500 kr. coin in the near future.

IV Foreign reserves

One of the Central Bank of Iceland's tasks is to invest Iceland's foreign exchange reserves. The reserves limit risk and mitigate the effects of external risks related to changes in access to foreign credit and fluctuations in capital flows to and from Iceland. They enable the Bank to help the Treasury meet its need for foreign currency and fulfil its foreign debt obligations. Sufficiently large reserves create in the market the confidence 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, regulatory provisions 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 2013, the Central Bank's foreign exchange reserves amounted to 488 b.kr., or 27% of GDP¹ (32% in 2012). As of year-end 2013, Iceland's foreign reserves sufficed for 11 months of goods imports² (13 months in 2012), or the equivalent of 30% of M3 (32% in 2012). Furthermore, they are sufficient to service Treasury and Central Bank foreign debt through 2022.

Important changes in the reserves

From 2008 onwards, the Central Bank emphasised expanding 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 reserves³ have nearly trebled in size since end-2008. No loans were taken to expand the reserves in 2013.

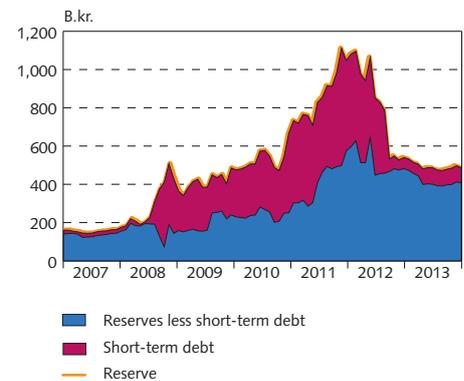
The gross foreign exchange reserves contracted in krónur terms in 2013. They totalled 540 b.kr. at the end of 2012 and 488 m.kr. at the end of 2013. The book value of foreign reserve assets declined by some 52 b.kr., due primarily to the appreciation of the króna. Other causes of the decline are interest payments on Central Bank and Treasury loans and valuation changes in gold and securities held in the reserves. On the other hand, settlement of forward transactions and net foreign exchange transactions in the interbank market increased the reserves during the period.

Investment of foreign exchange reserves

Rules of procedure on the management of the reserves are set by

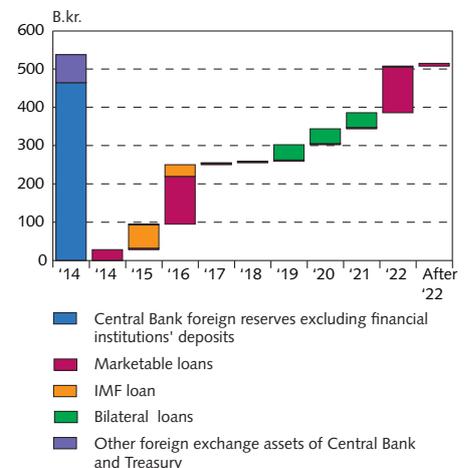
1. Iceland's year-2013 GDP according to Statistics Iceland.
2. Average of five-year monthly imports.
3. Net reserves are defined according to IMF standards as reserves net of short-term liabilities. Short-term liabilities are fixed net disbursements of foreign exchange assets occurring in the next 12 months.

Chart IV-1
Distribution of reserves
January 2007 - December 2013



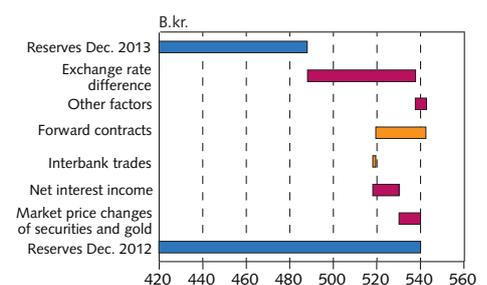
Source: Central Bank of Iceland.

Chart IV-2
Repayment profile of Central Bank and Treasury foreign exchange debt



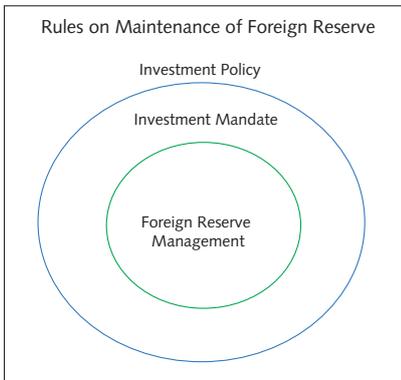
Source: Central Bank of Iceland.

Chart IV-3
Changes in the reserves 2013



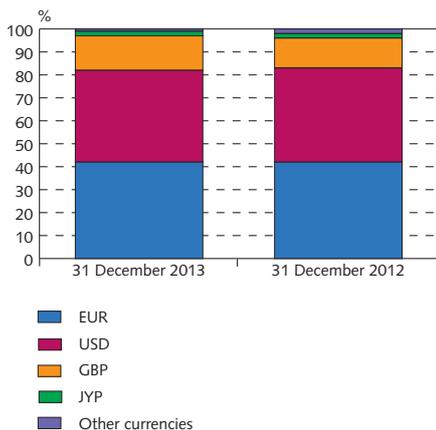
Source: Central Bank of Iceland.

Chart IV-4
Foreign Reserve Management



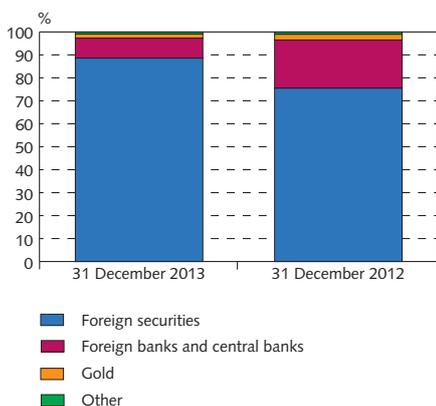
Source: Central Bank of Iceland.

Chart IV-5
Currency composition of foreign exchange balance



Source: Central Bank of Iceland.

Chart IV-6
Asset distribution of reserves



Source: Central Bank of Iceland.

the Governor and approved by the Supervisory Board. The rules define outside limits for acceptable financial risk due to the foreign exchange reserves.⁴ 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. The Central Bank's investment committee meets monthly and formulates overall policy on reserve management by setting an investment policy within the framework of the rules of procedure for the foreign exchange reserves.

The size of the reserves and the requirements concerning the share of liquid reserves at any given time place limitations on investment and management. 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.

To the extent possible, reserve assets must be in the same currency and the same amounts as the Bank's foreign liabilities. The foreign exchange balance⁵ in specified currencies is kept within the limits set forth in the investment policy. The Bank uses derivatives, among other instruments, to manage its foreign exchange balance. Chart IV-5 shows the distribution of the reserves by currency, both at the end of 2013 and in comparison with year-end 2012.

The Bank attempts to ensure that the reserves are maintained and invested in a secure manner. 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). At the end of 2013, about 88.6% of assets were in foreign securities, an increase of 13% over the course of the year. This is due mainly to increased investment in foreign securities.

According to the rules of procedure on reserve maintenance, highly liquid assets include bonds denominated in US dollars, euros, or pounds sterling issued by the sovereign in the sovereign's own currency, and deposits with the central banks in these countries/regions or the Bank for International Settlements. Issuers of sovereign bond in euros must have a minimum credit rating of AA. Highly liquid assets accounted for 47% of the Central Bank's foreign exchange reserves at the end of 2013.

Table IV-1 shows the end-2013 balance of bonds in each currency, the equivalent in billions of krónur, and the return on bonds in each currency in 2013.

Charts IV-6, IV-7, and IV-8 show the end-2013 division of the reserves in comparison with year-end 2012, their geographical distribution, and the credit ratings of reserve assets.

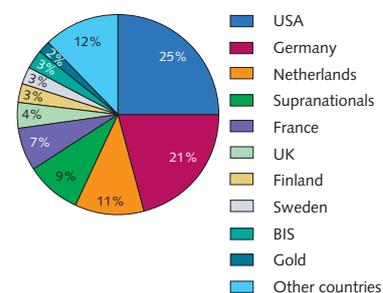
4. Further discussion of the management of the Bank's financial risk can be found in the notes to the financial statements.
5. The foreign exchange balance is the Bank's net foreign currency assets; i.e., assets net of liabilities in foreign currencies.

Table IV-1 Yield on foreign bonds in reserves 2013

| | GBP | USD | EUR | PLN |
|--|-----------------------|------------------|-------------------|------|
| Total amount of bonds at year-end 2013 | 17 | 233 | 173 | 9 |
| Currency composition, % | 4 | 54 | 40 | 2 |
| Returns in bonds 2013, % | -0.13 | 0.04 | 0.20 | 1.43 |
| Benchmark index, % ¹ | 0.33 | -2.40 | 0.022 | 1.43 |
| Returns in excess of benchmark, % | -0.46 | 2.44 | 0.18 | 0.00 |
| | <i>Bond portfolio</i> | <i>Benchmark</i> | <i>Difference</i> | |
| Yield on bonds, total % | 0.30 | -1.50 | 1.80 | |

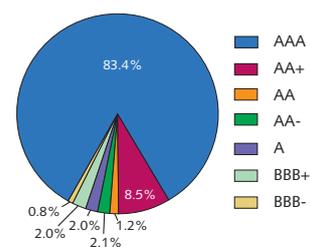
1. Benchmark is made of bonds that the Central Bank would hold in order to carry out its tasks without considering yield and diversification.

Chart IV-7
Geographical distribution of reserves
Year-end 2013

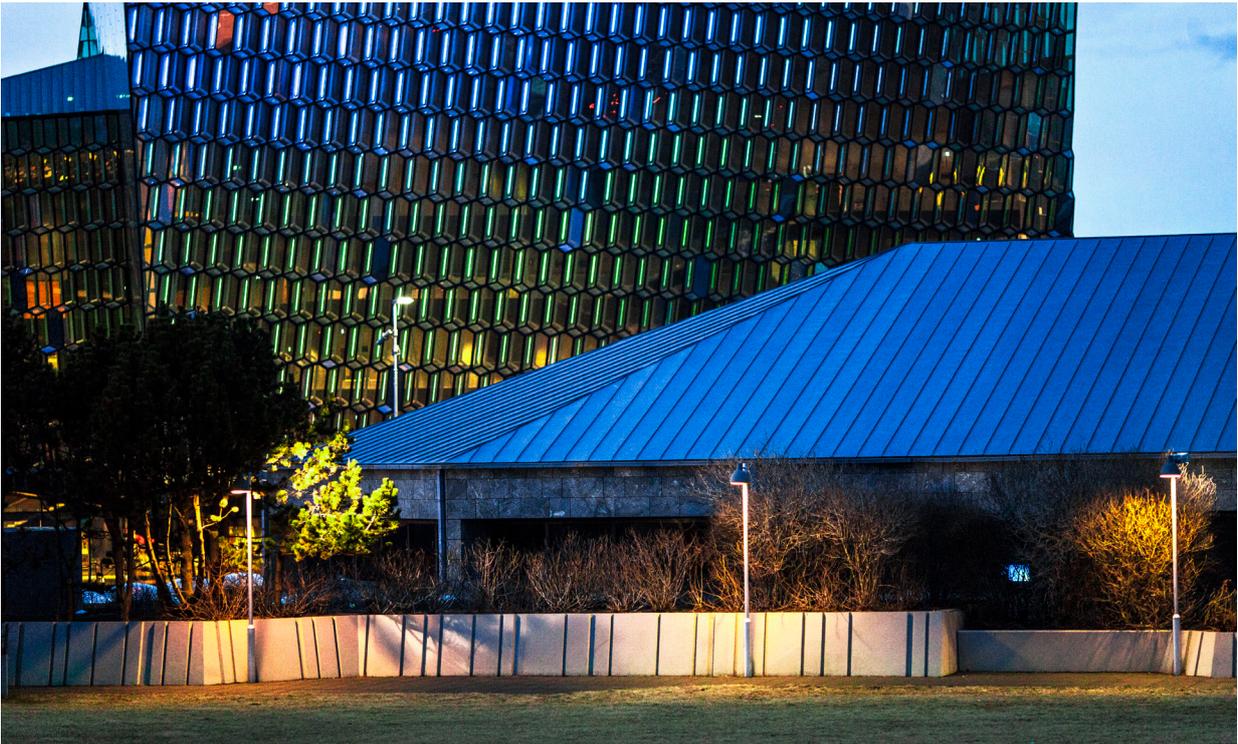


Source: Central Bank of Iceland.

Chart IV-8
Credit ratings of securities assets in reserves
Year-end 2013



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 portfolio management criteria set by the Ministry. It also provides information on Government debt management issues to market agents and the Ministry. 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.

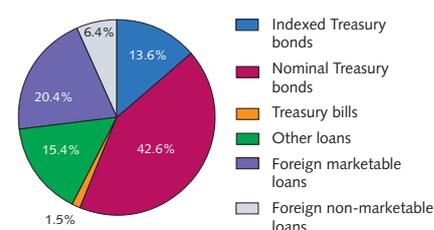
Domestic debt management

At the end of December 2012, the Central Bank, on behalf of the Treasury, published its Government Debt Management *Prospect* for 2013. According to the *Prospect*, Treasury bonds were to be issued for a total of 90 b.kr. in 2013 in order to fund the Treasury's operational deficit and the debt maturing during the year. In 2013, Treasury bond series RIKB 13 0517 matured in the amount of 83 b.kr. Net Treasury bond issuance, including other smaller maturities, was estimated at 7 b.kr. The targeted year-end balance of outstanding Treasury bills was 40 b.kr. nominal value, but the actual balance was 22 b.kr. A new nominal two-year bond, RIKB 15 0408, was issued during the year.

The Medium-Term Debt Management Strategy for 2013-2016 was published by the Ministry of Finance and Economic Affairs 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.

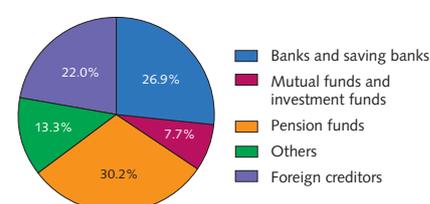
Issuance of the indexed RIKS 33 0321 bond continued, in connection with the Bank's capital account liberalisation strategy. Bonds were sold in the series for 8 b.kr. during the year, and issuance in the year's auctions totalled 95 b.kr. In addition, indexed bonds were issued in the amount of 13 b.kr. in order to improve the Housing Financing Fund's capital position.

Chart V-1
Breakdown of Government debt
Year-end 2013



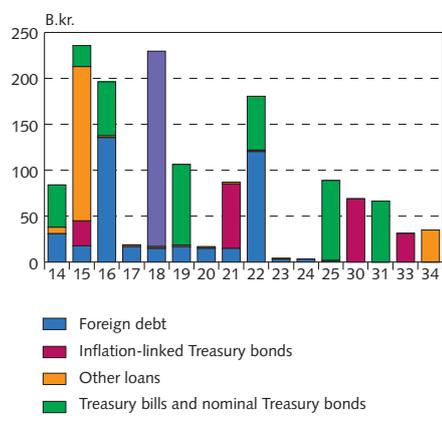
Source: Central Bank of Iceland.

Chart V-2
Redemption profile of Government debt
Year-end 2013



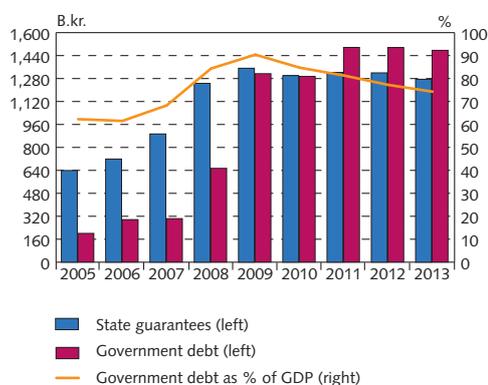
Source: Central Bank of Iceland.

Chart V-3
Redemption profile of Government debt



Source: Central Bank of Iceland.

Chart V-4
Government debt and state guarantees
2005-2013



Source: Central Bank of Iceland.

Foreign debt management

The Treasury's foreign debt totalled 390 b.kr. at year-end 2013. 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 10-year, USD 1 billion bond issued in May 2012. No Treasury foreign loans matured in 2013.

Table V-1 Treasury foreign debt year-end 2013

| M.kr. | Nominal price with accrued interest |
|------------------------|-------------------------------------|
| Non-indexed debt | 640,559 |
| Inflation indexed debt | 421,308 |
| Foreign debt | 389,716 |
| Total | 1,451,583 |

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 2010, and the ceiling now amounts to 5 billion US dollars. At the end of December, three bond issues were outstanding on the basis of the agreement in the total amount of 2.2 billion US dollars, or 263 b.kr.

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. 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 1,264 b.kr. at the end of 2013, as opposed to 1,319 b.kr. at year-end 2012.

Sovereign credit rating of the Republic of Iceland

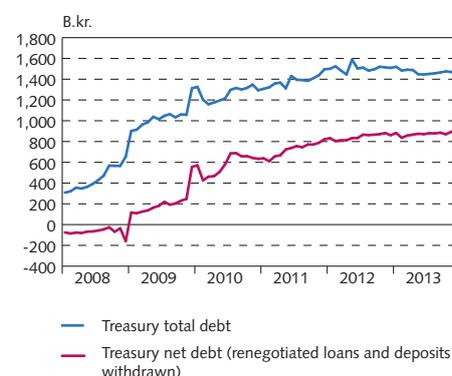
The main agencies that assign the Treasury a credit rating are Standard & Poor's, Moody's Investors Service, and Fitch Ratings. The Central Bank of Iceland communicates regularly with these agencies on behalf of the authorities. Rating agencies have significant influence on terms in the global credit markets, and an entity's credit rating is, among other things, an indicator of the terms it will enjoy as a borrower. All of Iceland's sovereign credit ratings are investment-grade.

At year-end 2013, Moody's rating was Baa3 for long-term foreign and domestic obligations, and P-3 for short-term obligations. The outlook was stable at the year-end. It had been changed from negative in February, following the EFTA Court's 28 January ruling to the effect that liability for the Icesave accounts lay with the Landsbanki Íslands estate and not with the Republic of Iceland.

Standard & Poor's ratings for Iceland's foreign and local long- and short-term obligations were BBB- and A-3. The outlook on the rating was changed from stable to negative in July. The change was attributed to the fiscal risk related to the Government's proposed household debt forgiveness plan, which could possibly lead to an increase in general government debt, in S&P's opinion, and therefore weaken the agency's assessment of the effectiveness and predictability of policymaking.

In February, Fitch Ratings upgraded the Republic of Iceland's credit rating for long-term obligations in foreign currency from BBB- to BBB. The ratings for short-term foreign currency obligations and long-term local currency obligations were affirmed at F3 and BBB+, respectively. The outlook was stable. The agency mentioned several developments in the rationale for its decision: the economy had continued to grow, fiscal consolidation had continued and the public debt-to-GDP ratio had begun to fall, financial sector restructuring and deleveraging were well underway, and the EFTA Court decision in the Icesave case had reduced fiscal risk and "brought normalisation with external creditors a step closer."

Chart V-5
Treasury debt development



Source: Central Bank of Iceland.



VI International cooperation

The Central Bank of Iceland shall communicate and conduct transactions with international institutions in its field 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). An IMF mission visited Iceland in late February and early March, primarily to discuss the status of the capital controls. Another IMF mission visited in June in connection with the Fund's Article IV Consultation. The third phase of the post-programme monitoring of the Stand-By Arrangement from 2008-2011 was also carried out in June. All reports in connection with regular and post-programme monitoring by the IMF are published on the websites of the Central Bank and the Fund. The IMF has provided the authorities with technical assistance and advisory services in recent years. In November 2013, a mission from the Fund visited Iceland and provided technical assistance in relation to fiscal budget preparation in accordance with the International Public Sector Accounting Standards (IPSAS).

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 loans from the Nordic countries, Faroe Islands and Poland, also in connection with the IMF Stand-By Arrangement, in the amount of 1,970 million euros, or 334 b.kr. At the end of 2013, the balance with the IMF was SDR 511 million, or 99.8 b.kr. at the year-end exchange rate, and the balance with the Nordic countries was 735 million euros, or 93.2 b.kr. Interest paid on these loans in 2013 totalled 5.2 b.kr. The IMF loan is due for payment in 2015-2016 and the Nordic loans in 2019-2021. The office of the IMF's resident representative in Iceland was closed in July. The office had been opened in 2009 in order to provide assistance with the implementation of the Government-IMF programme. The Fund's resident representative in Iceland was Franek Rozwadowski.

Iceland collaborates with the Nordic and Baltic countries at the IMF and forms a Constituency with them. These countries jointly elect one representative to the Fund's 24-member Executive Board. In 2013, the Constituency's permanent representative on the IMF Executive Board in Washington was Audun Grønn from Norway. Twice a year, the Nordic-Baltic office publishes a summary of the salient issues on the agenda of the Fund and the Executive Board, including the Constituency's views on them. The report can be found on the Central Bank's website. Also available on the Bank's website are the joint Nordic-Baltic speeches presented to the International Monetary and Financial Committee (IMFC) and the IMF Annual Meeting.

The spring meeting of the IMFC was held on 19-21 April. Deputy Governor Arnór Sighvatsson attended on behalf of the Central Bank. Swedish Minister of Finance Anders Borg was the Constituency's rep-

representative on the Committee. The Annual Meeting of the IMF and the autumn meeting of the IMFC were held in Washington, DC, on 11-13 October. Már Guðmundsson, 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 Ardo Hansson, Governor of Eesti Pank, Estonia's central bank. The Constituency's representative on the IMFC was Lithuanian Minister of Finance Rimantas Šadžius.

The Executive Board of the IMF agreed in 2012 to divide 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. In the first allocation, Iceland received SDR 305,000. In the second allocation, Iceland received SDR 864,602 plus interest, or about 153.3 m.kr. Upon receipt of Parliamentary approval in December 2013, the second allocation was deposited to the PRGT fund, as the first had been.

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 well 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 regular central bank governors' meetings held by the BIS.

Organisation for Economic Co-operation and Development (OECD)

Central Bank representatives participate on a regular basis in the work of various OECD committees and groups. OECD experts also come to Iceland on a regular basis to keep abreast of economic developments, and they issue periodic reports setting forth the Organisation's opinion of economic affairs in the country.

Co-operation with other central banks and financial supervisors

The Central Bank of Iceland cooperates extensively with other central banks, particularly in the Nordic region. 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 Bank, Central Bank of Iceland Asset Management ehf. (Sölvhóll) merged with ESÍ at the beginning of 2013, whereupon ESÍ took over its role. Sölvhóll was an operating company whose role was to maximise the value of ESÍ's assets and divest them when market conditions permitted, with the approval of the ESÍ board. This arrangement has provided the Bank with an effective means of separating the operations and assets related to the banking crisis from its conventional activities. ESÍ has one subsidiary, Hilda ehf., which it took over in mid-2011.

Towards the end of the year, it was announced that ESÍ, Hilda, Drómi hf. (the asset portfolio of SPRON and Frjálsi Investment Bank), and Arion Bank had reached an agreement concerning ESÍ/Hilda's takeover of specified Drómi assets and liabilities and the settlement of Arion Bank's claim against Drómi, including Drómi and Hilda's household loans. Hilda acquired Drómi's corporate loans and appropriated assets.

It was also announced at the end of the year that, in the first half of 2014, ESÍ would begin selling indexed bonds in the amount of about 100 b.kr. The bonds will be sold in stages over the next five years.

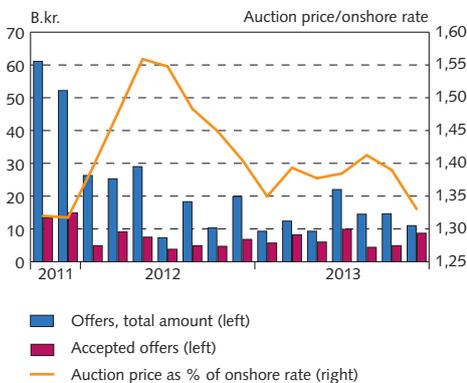
The ESÍ board is chaired by Jón Þ. Sigurgeirsson. Other board members are Ingibjörg Guðbjartsdóttir and Sturla Pálsson. Members of the Hilda ehf. board are chairman Haukur C. Benediktsson, Birgir Birgisson, and Eva Benediktsdóttir.

At year-end 2013, ESÍ's balance sheet totalled 295 b.kr., and its assets had declined by 31 b.kr. since year-end 2012, primarily due to asset recovery and reduction of debt to the Central Bank. The company's after-tax profit amounted to 14.5 b.kr.

Capital Controls Surveillance Unit

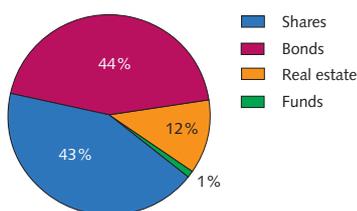
The Central Bank of Iceland's Capital Controls Surveillance Unit (CCSU) was formally established as a separate department within the Bank in September 2009. In 2012, the department was divided into three units focusing on exemptions, surveillance, and investigation. The Exemption Unit's main tasks in 2013 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

Chart VII-1
Foreign currency auctions
Purchase of krónur



Source: Central Bank of Iceland.

Chart VII-2
Distribution by investment



Source: Central Bank of Iceland.

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 processing of requests for confirmation, 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 2013, the main tasks of the Investigation Unit centred on investigation of alleged violations of the Foreign Exchange Act and associated rules.

In 2013, a total of 142 new cases involving alleged violations of the Foreign Exchange Act were recorded by the Investigation Unit. Of that total, 33 were referred by the Surveillance Unit and 35 were referred by the Exemption Unit. During the year, 85 investigations were concluded, including 67 that were referred to the police and 18 that were concluded at the administrative level through settlement, administrative fines, or cancellation of the case.

The CCSU received 883 requests for exemptions from the Foreign Exchange Act, no. 87/1992, in 2013. During the year, 880 requests were processed by the Exemption Unit: 526 were approved, 26 approved in part, 86 rejected, and 242 withdrawn or concluded through issuance of guidelines or in another manner.

During the year, the Central Bank received 293 notifications of new investment (cf. Article 13(m) of the Foreign Exchange Act) in the total amount of 10.1 b.kr. As in the previous year, a considerable share of registered new investments were related 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 2013 were foreign exchange auctions according to the so-called Treasury bond option, in which foreign currency was purchased in exchange for Treasury bonds. The table shows the highlights of the auctions:

Table VII-1 Purchase of foreign currency

| Key figures | Total 2013 | Treasury bond option | Investment programme |
|--------------------------------|------------|----------------------|----------------------|
| Number of auctions | 14 | 7 | 7 |
| Number of offers | 631 | 168 | 463 |
| Total amount (EUR millions) | 261.6 | 59.2 | 202.4 |
| Accepted offers (EUR millions) | 216.1 | 35.7 | 180.4 |

In 2013, total investment under the Investment Programme amounted to 360.8 million euros, or just over 68 b.kr., the equivalent of 4% of year-2012 GDP. An analysis of the investments by amount

shows that 40% of participation in the Investment Programme was due to domestic investors, while foreign investors accounted for the other 60%. 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 table shows the highlights of the króna purchase auctions:

Table VII-2 Purchases of krónur

| Key figures | 2013 |
|-------------------------|------|
| Number of auctions | 7 |
| Number of offers | 257 |
| Total amount (b.kr.) | 93.1 |
| Accepted offers (b.kr.) | 47.8 |

Jóhannes Nordal cultural heritage grants

The second allocation of the cultural heritage grant in the name of former Central Bank Governor Jóhannes Nordal took place on 5 April 2013. A total of 38 applications were received, and grants were awarded to Bjarki Þór Jónsson and Margrét Gunnarsdóttir, each of whom received one million Icelandic krónur.

Bjarki Þór received a grant for work on a project on the origin, development, and conservation of Icelandic computer games. The project centres on the storage of data related to Icelandic computer games and computer game design from their inception.

Margrét's project, *Icelanders' Clothing Through the Centuries*, centres on completing a study of Icelanders' clothing through the centuries and linking it to the cultural and historical development of the country, as well as publishing an illustrated work containing the research findings.

Selection committee members were: Hildur Traustadóttir, representing the Central Bank of Iceland Supervisory Board, who chaired the committee; Ásta Magnúsdóttir, Permanent Secretary at the Ministry of Education, Science, and Culture; and Guðrún Nordal, Director of the Árni Magnússon Institute for Icelandic Studies.



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." The current rules, set in 2013, include one major change: the contribution to the Treasury shall be calculated based on the profit for the year according to the profit and loss account, less unrealised calculated income and expense due to valuation changes in foreign securities and gold held in the foreign exchange reserves. In addition, minor changes have been made in the presentation of individual items. These changes are explained in the notes to the consolidated financial statements.

Operating results and balance sheet

According to its profit and loss account, the Central Bank of Iceland recorded a net loss of 8,293 m.kr. in 2013, compared with a profit of 14,323 m.kr. in the previous year. Excluding exchange rate differences and income tax, the Bank's operations generated a profit of 15,895 m.kr. in 2013, as opposed to a profit of 12,124 m.kr. in 2012. The Central Bank of Iceland is exempt from income tax, but companies owned by it are not. The table illustrates the changes in the principal items of the Bank's profit and loss account. The contribution to the Treasury was 6,517 m.kr. for year-2013 and will be paid in 2014. The exchange rate loss for the year totalled 12,250 m.kr., as compared with a gain of 4,719 m.kr. in 2012. It was due to the substantial appreciation of the króna during the year and the fact that the Bank's foreign-nominated assets exceed its foreign-denominated liabilities.

The Bank's operating performance deteriorated by 22,616 m.kr. between years. Net interest income rose by 21,434 m.kr. year-on-year, due primarily to positive revaluation changes in the securities held by companies owned by the Bank. Other operating income declined by 13,876 m.kr. year-on-year. This steep decline is due to revaluation changes in foreign securities and gold. Revaluation changes in foreign securities were negative in the amount of 10,645 m.kr., and the revaluation change in gold was negative by 4,446 m.kr. Impairment of claims amounted to 8,037 m.kr. in 2013, as opposed to 4,858 m.kr. in 2012. Service charges declined by 498 m.kr. year-on-year and are due largely to companies owned by the Bank. Exchange rate gains from foreign exchange transactions rose by 767 m.kr. year-on-year, owing to the Bank's foreign exchange market intervention during the year. The Bank's operating expenses rose by 608 m.kr. between years. Salaries and related expenses rose between years, primarily because of contractual pay increases and increased staffing levels. Some of the increase is due as well to the printing of the new 10,000 kr. banknote launched during the year. The Bank's assets totalled 1,002,185 m.kr.

Table VIII-1 Profit and loss account highlights

| (Figures in ISK millions) | 2013 | 2012 | Change |
|------------------------------------|---------|--------|---------|
| Performance for the year | -8,293 | 14,323 | -22,616 |
| <i>Changes specify as follows:</i> | | | |
| Net interest income | 36,112 | 14,678 | 21,434 |
| Other revenues | -8,446 | 5,430 | -13,876 |
| Operating expenses | -3,734 | -3,126 | -608 |
| Loan impairment | -8,037 | -4,858 | -3,179 |
| Contrib. to the Treasury | -6,517 | -2,186 | -4,331 |
| Exchange rate difference | -12,250 | 4,719 | -16,969 |
| Income tax | -5,421 | -334 | -5,087 |

Table VIII-2 Balance sheet highlights

(Figures in ISK millions) 2013 2012 Change

| | | | |
|------------------------------------|---------|---------|---------|
| Equity: | 89,807 | 98,100 | -8,293 |
| <i>Changes specify as follows:</i> | | | |
| Assets: | | | |
| Gold | 8,817 | 13,757 | -4,940 |
| Foreign assets | 473,368 | 502,669 | -29,301 |
| FX balance with the IMF | 3,326 | 3,710 | -384 |
| Domestic financial assets | 473,368 | 502,669 | -29,301 |
| Fixed and liquid assets | 4,852 | 4,963 | -111 |
| Other assets | 35,278 | 11,415 | 23,863 |
| Liabilities: | | | |
| Banknotes and coin | 47,016 | 45,142 | 1,874 |
| Foreign debt | 123,016 | 135,971 | -12,955 |
| Counterpart to IMF | 19,898 | 22,214 | -2,316 |
| Deposits of financial institutions | 77,168 | 72,606 | 4,562 |
| Other deposits | 473,766 | 569,693 | -95,927 |
| Domestic financial liabilities | 141,078 | 113,953 | 27,125 |
| Other liabilities | 23,919 | 8,232 | 15,687 |
| Unpaid contribution to Treasury | 6,517 | 2,186 | 4,331 |
| Equity | 89,807 | 98,100 | -8,293 |

at year-end 2013, as opposed to 1,068,097 m.kr. at the end of 2012. Foreign assets declined by 55 b.kr. during the year, owing to the appreciation of the króna. The Central Bank of Iceland Holding Company (ESÍ), Hilda ehf., Drómi hf., and Arion Bank reached an agreement concerning ESÍ/Hilda's takeover of specified Drómi assets and liabilities and the settlement of Arion Bank's claim against Drómi. The year-on-year increase in appropriated assets and other assets is due to this agreement. The Bank's equity totalled 89,807 m.kr. at year-end 2013, and its equity ratio is 9%.

At year-end 2013, the Bank's foreign assets constituted 48% of its total assets, as opposed to 50% 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. At the beginning of 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. A new Supervisory Board was elected by Parliament on 5 July 2013. The new Board is chaired by Ólöf Nordal. Other members are Jón Helgi Egilsson, Ingibjörg Ingvadóttir, Ragnar Árnason, Ágúst Ólafur Ágústsson, Björn Valur Gíslason, and Auður Hermannsdóttir.

Governor and Deputy Governor

During the year, Már Guðmundsson served as Governor of the Central Bank. He was appointed for a term of five years beginning on 20 August 2009. Arnór Sighvatsson served as Deputy Governor. He was reappointed for a five-year term beginning on 1 July 2013.

Central Bank organisation

The Bank's activities 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 Governors, 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.

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 balance sheet, handles the custody and investment of the foreign reserves, and oversees Government debt affairs, Treasury guarantees, and Treasury relending. The Department also oversees communications with the foreign financial institutions with which the Central Bank and the Treasury interact.

The Capital Control Surveillance Unit's function 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 Financial Market Infrastructures Department oversees and supervises systemically important financial market infrastructure, with a particular eye to enhancing security and efficiency. It also administers the Central Bank-owned company Greiðsluveitan ehf., which operates the financial market infrastructure elements owned by the Bank. In 2013, three Bank employees and one independent member sat on the board of Greiðsluveitan: Guðmundur Kr. Tómasson, Chairman, Tómas Örn Kristinsson, Gerður Ísberg, and Finnur Sveinbjörnsson. The Financial Market Infrastructures Department also handles the issuance and administration of banknotes and coin and operates the Bank's vaults, as well as overseeing the publication of the *Financial Market Infrastructure* report.

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

The Operations and Human Resources Department is divided into six service units: Asset Administration and Services, Internal Information Services, Cafeteria and Food Services, Operational and Office Services, Human Resources, and Information Technology. The

department's defined objectives are to provide an environment and equipment that enable the Central Bank to carry out its tasks as well as possible at all times; to use the funds intended for the Bank's operations as economically as possible, as regards staffing, operations, and reputation; and to enforce the Bank's human resources and education policies as well as possible at all times.

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 cross-border payment intermediation through 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 Back 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, prepare 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 and whose aim is 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 issues

The Bank's staff numbered 151 at the beginning of 2013, in addition to the Governor and Deputy Governor and nine part-time custodial employees. One employee was hired as a substitute during another's sick leave, bringing the total to 163. At the end of the year, there were 168 employees, in addition to the Governor and Deputy Governor and nine part-time custodial employees, bringing the total to 179. During the year, 30 employees were hired and 13 left the Bank. Twelve summer staff members were employed by the Bank in 2013.

As of year-end 2013, 18 employees worked for companies owned by the Bank, including 13 employed by Greiðsluveitan ehf. and five by the Central Bank of Iceland Holding Company ehf. The employees of both companies moved their offices to the Central Bank's main premises at Kalkofnsvegur 1 during the year.

The gender ratio became even more even in 2013. At the beginning of the year, the Bank employed 83 men and 80 women, and at the end of the year there were 90 men and 89 women. The

gender ratio among directors remained unchanged at five men and five women.

The Bank's staff grew by 11 during the year. Four new positions were created in IT Services, two in Operational and Office Services, two in Finance, one in the Capital Controls Surveillance Unit, one in Financial Stability, and one in Finance Management. In addition to the increase in staffing because of these new positions, six employees were hired as substitutes for employees on maternity/paternity leave.

Particular emphasis was placed on employee health and wellbeing during the year. Employees were encouraged to take care of their own health and pursue a health lifestyle and were encouraged by the Bank in a number of ways, in accordance with the Bank's health policy. For example, stronger emphasis was placed on the Bank's transportation policy, whose objective is to encourage employees to use economical, environment-friendly, and healthy modes of transportation. By the end of the year, 27 employees had made a special transportation agreement with the Bank.

Central Bank of Iceland 31 December 2013

Supervisory Board

Principal members

Ólöf Nordal, Chairman
 Jón Helgi Egilsson, Deputy Chairman
 Ágúst Ólafur Ágústsson
 Ingibjörg Ingvadóttir
 Ragnar Árnason
 Björn Valur Gíslason
 Auður Hermannsdóttir

Alternates

Ingvi Hrafn Óskarsson
 Sigrún Elsa Smáradóttir
 Linda Björk Bentsdóttir
 Heiðrún Lind Marteinsdóttir
 Hildur Traustadóttir
 Leó Löve
 Sunna Jóhannsdóttir

Governor

Már Guðmundsson

Deputy Governor

Arnór Sighvatsson

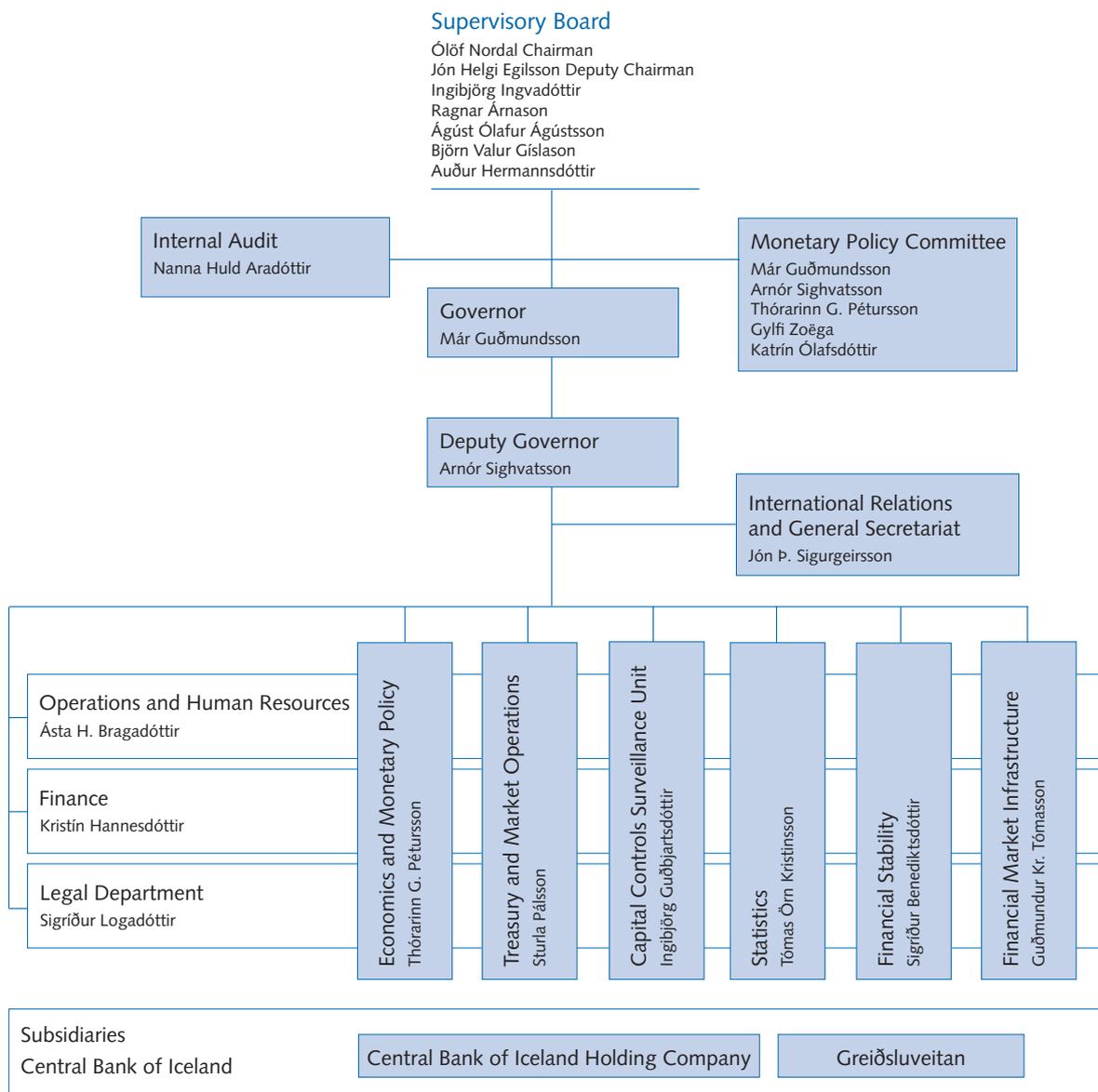
Principal Officers

| | |
|--|--|
| International Relations and General Secretariat: | Jón Þ. Sigurgeirsson, Director |
| Finance: | Kristín Hannesdóttir, Director |
| Financial Market Infrastructure: | Guðmundur Kr. Tómasson, Director |
| Financial Stability: | Sigríður Benediktsdóttir, Director |
| Statistics: | Tómas Örn Kristinsson, Director |
| Capital Controls Surveillance Unit: | Ingibjörg Guðbjartsdóttir, Director |
| Economics and Monetary Policy: | Þórarinn G. Pétursson, Chief Economist |
| Legal Department: | Sigríður Logadóttir, General Counsel |
| Treasury and Market Operations: | 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 |
| Central Bank of Iceland Holding Company ehf. (ESÍ) | Haukur C. Benediktsson, Director |

The organisational chart of the Central Bank of Iceland





CONSOLIDATED ANNUAL ACCOUNTS 2013

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 2013. 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 financial statements

Management is responsible for the preparation and presentation of the consolidated financial statements, in accordance with the Annual Accounts Act. That Act requires that management organise, implement, and maintain internal monitoring pertaining to the preparation and presentation of the consolidated annual accounts so as to obtain a reasonable assurance that they are free of material misstatement, whether due to fraud or error. Management's responsibility also includes ensuring that appropriate financial reporting methods are used and that accounting evaluations are appropriate under the circumstances.

Auditor's responsibility

Our responsibility is to render an opinion on the consolidated annual accounts based on our audit. The audit was carried out in accordance with international auditing standards. Those standards and provisions require that we follow a set code of conduct and that we plan and perform the audit so as to obtain reasonable assurance that the annual accounts are free of material misstatement.

The audit entails measures taken to confirm amounts and explanatory notes in the consolidated annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement in the accounts, whether it may be the result of fraud or error. The risk assessment takes account of the Central Bank of Iceland's internal monitoring as it pertains to the preparation and presentation of the consolidated annual accounts and to the selection of appropriate audit procedures, but not to the issue of an opinion on the effectiveness of the organisation's internal monitoring. The audit also includes evaluating the appropriateness of the accounting principles used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the 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 2013, the financial position as at 31 December 2013, 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, 27 March 2014

Deloitte ehf.

Benóní Torfi Eggertsson
Auditor

Jón Rafn Ragnarsson
Auditor

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 annual financial statements for the year 2013 with their signatures.

Reykjavík, 20 March 2014

Confirmation by the Supervisory Board

*Jón Helgi Egilsson
Ágúst Ólafur Ágústsson
Ingibjörg Ingvadóttir*

*Ólöf Nordal
Chairman*

*Auður Hermannsdóttir
Hildur Traustadóttir
Ingvi Hrafn Óskarsson*

Confirmation by the Governor

Már Guðmundsson

Confirmation by the Minister of Finance and Economic Affairs

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

Reykjavík, 27 March 2014

Bjarni Benediktsson

Profit and Loss Account for the year 2013

| | Notes | 2013 | 2012 |
|---|-------|--|---------------------|
| Interest income | | | |
| From domestic assets | | 49,995,204 | 33,376,241 |
| From foreign assets | | 6,495,539 | 8,283,280 |
| | 1 | <u>56,490,743</u> | <u>41,659,521</u> |
| Interest expense | | | |
| From domestic liabilities | | (17,110,835) | (20,679,535) |
| From foreign liabilities | | (3,268,051) | (6,302,241) |
| | 2 | <u>(20,378,886)</u> | <u>(26,981,776)</u> |
| | | Net interest income | 14,677,746 |
| | | 36,111,856 | 14,677,746 |
| Operating revenues | | | |
| Service revenues | 3 | 1,247,994 | 1,414,176 |
| Service expenses | 4 | (917,610) | (1,415,627) |
| Revenues from shareholdings | 5 | 65,663 | 78,454 |
| Revaluation of foreign securities | 6 | (6,186,528) | 4,458,541 |
| Revaluation of gold | 7 | (3,672,694) | 773,775 |
| Exchange rate gains on foreign exchange transactions .. | 8 | 887,584 | 120,959 |
| System sale | 9 | 129,400 | |
| | | <u>(8,446,191)</u> | <u>5,430,278</u> |
| | | Net operating revenues | 20,108,024 |
| | | 27,665,665 | 20,108,024 |
| Operating expenses | | | |
| Salaries and related expenses | 10 | (2,065,222) | (1,821,446) |
| Other operating expenses | 11 | (1,147,833) | (1,037,233) |
| Expense due to banknotes and coin | 12 | (313,795) | (96,674) |
| Depreciation of property and equipment | 27 | (207,082) | (170,658) |
| Impairment of claims | 13 | (8,036,762) | (4,858,429) |
| | | <u>(11,770,694)</u> | <u>(7,984,440)</u> |
| | | Profit for the year before taxes | 12,123,584 |
| | | 15,894,972 | 12,123,584 |
| Income tax | 15 | <u>(5,420,761)</u> | <u>(333,959)</u> |
| | | Profit w/o exchange rate differences and contrib. Treasury | 11,789,625 |
| | | 10,474,211 | 11,789,625 |
| Transfer to the Treasury | 16 | <u>(6,516,660)</u> | <u>(2,185,769)</u> |
| Exchange rate difference | 14 | <u>(12,250,192)</u> | <u>4,718,657</u> |
| | | (Loss) Profit for the year | 14,322,512 |
| | | <u>(8,292,641)</u> | <u>14,322,512</u> |

Amounts are in ISK thousands

Balance Sheet 31 December 2013

| Assets | Notes | 2013 | 2012 |
|---|-------|----------------------|----------------------|
| Gold | 17 | 8,816,672 | 13,757,459 |
| Foreign assets | 18-21 | 476,543,770 | 531,582,836 |
| FX balance with the IMF | 22 | 3,326,298 | 3,710,222 |
| Domestic financial assets | 23-26 | 473,368,092 | 502,669,107 |
| Fixed operational assets | 27 | 4,852,419 | 4,962,531 |
| Appropriated assets and real estate held for sale | 29 | 11,488,826 | 1,748,836 |
| Other assets | 30 | 20,046,700 | 2,630,952 |
| Deferred tax asset | 28 | 3,742,341 | 7,034,895 |
| Assets | | <u>1,002,185,117</u> | <u>1,068,096,838</u> |
| Equity and liabilities | | | |
| Capital | | 57,501,000 | 57,501,000 |
| Revaluation reserve on fixed assets and real estate | | 4,397,000 | 4,449,711 |
| Other equity | | 27,909,014 | 36,148,944 |
| Equity | 39 | <u>89,807,014</u> | <u>98,099,655</u> |
| Banknotes and coin | 32 | 47,015,508 | 45,142,048 |
| Foreign liabilities | 33 | 123,016,341 | 135,971,231 |
| Counterpart to IMF allocations | 22 | 19,898,237 | 22,213,920 |
| Deposits of financial institutions | 34 | 77,168,373 | 72,605,932 |
| Other deposits | 35 | 473,765,713 | 569,693,223 |
| Domestic financial liabilities | 36 | 141,078,441 | 113,952,726 |
| Deferred tax liability | 28 | 36,523 | 20,174 |
| Pension obligations | 37 | 316,448 | 318,117 |
| Other liabilities | 38 | 23,565,861 | 7,894,044 |
| Unpaid transfer to Treasury | 16 | 6,516,660 | 2,185,769 |
| Liabilities | | <u>912,378,104</u> | <u>969,997,184</u> |
| Equity and liabilities | | <u>1,002,185,117</u> | <u>1,068,096,838</u> |

Statement of Cash Flows 2013

| | 2013 | 2012 |
|---|---------------------|----------------------|
| Operating activities | | |
| Collected interest income | 24,456,830 | 25,160,995 |
| Paid interest expense | (23,338,838) | (21,710,466) |
| Net collected interest income | 1,117,992 | 3,450,529 |
| Collected service revenues | 1,339,243 | 1,429,596 |
| Paid-out service expense | (846,444) | (1,370,047) |
| Paid-in dividends on shareholdings | 192,151 | 78,454 |
| Collected net operating revenues | 1,802,942 | 3,588,532 |
| Paid operating expense | (3,522,451) | (2,774,953) |
| Cash and cash equivalents w/o taxes and contribution to Treasury | (1,719,509) | 813,579 |
| Paid income tax | (2,231,839) | (5,052,568) |
| Paid contribution to the Treasury | (2,185,769) | (3,463,692) |
| Net cash (to operating activities) from operating activities | (6,137,117) | (7,702,682) |
| Investment activities | | |
| Collateralised loans and overnight loans, decrease (increase) | 12,350,000 | (12,350,000) |
| Purchased property and equipment | (152,943) | (185,869) |
| Capital shares sold | (47,850) | 2,420,404 |
| Treasury bonds sold | 6,773,214 | 4,440,590 |
| Securities purchased | 0 | (3,323,957) |
| Securities sold | 292,716 | 3,476,603 |
| Instalments on securities, etc. | 19,538,024 | 12,104,667 |
| Securities purchased in foreign reserves | (168,562,897) | (278,298,973) |
| Securities sold in foreign reserves | 97,266,219 | 177,077,127 |
| Subsidiaries' investment tax (increase) decrease | (148,625) | 28,604 |
| Swap agreements | 1,662,999 | 0 |
| Special Drawing Rights (SDR) with the International Monetary Fund | 629,895 | 87,931,479 |
| Net cash (to investment activities) from investment activities | (30,399,248) | (6,679,327) |
| Financing activities | | |
| Banknotes and coin in circulation, increase | 1,873,460 | 1,937,402 |
| Loan from IMF (instalments) | 0 | (170,239,769) |
| Loans from Nordic central banks (instalments) | 0 | (45,550,750) |
| Certificates of deposit, increase | 27,600,000 | 14,895,864 |
| FX deposits (decrease) | (2,983,899) | (380,603,352) |
| DMB deposits, (decrease) increase | (1,571,293) | 31,197,782 |
| Other deposits, increase (decrease) | 45,927 | (7,870,098) |
| Central government deposits (decrease) | (51,873,541) | (2,900,953) |
| Net cash (to financing activities) from financing activities | (26,909,346) | (559,133,874) |
| Changes in cash position | | |
| Foreign bank deposits, decrease | (63,445,710) | (573,515,883) |
| Exchange rate difference on bank deposits | (7,217,530) | 14,613,528 |
| Foreign deposit balance at beginning of year | 113,241,556 | 672,143,912 |
| Foreign cash balance at year-end | 42,578,316 | 113,241,556 |

Amounts are in ISK thousands

Summary of main accounting principles

Basis 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).

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 subsidiaries' 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 companies. 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 subsidiaries in excess of the ownership share are only

| | <i>Average exchange rate for the year</i> | | <i>Year-end exchange rate</i> | |
|----------------------------|---|-------------|-------------------------------|-------------|
| | <i>2013</i> | <i>2012</i> | <i>2013</i> | <i>2012</i> |
| Euro (EUR)..... | 162.38 | 160.73 | 158.50 | 169.80 |
| US dollar (USD)..... | 122.23 | 125.05 | 115.03 | 128.74 |
| Pound sterling (GBP)..... | 191.22 | 198.16 | 190.21 | 208.15 |
| Canadian dollar (CAD)..... | 118.72 | 125.11 | 108.07 | 129.36 |
| Danish krone (DKK)..... | 21.77 | 21.59 | 21.25 | 22.76 |
| Norwegian krone (NOK)..... | 20.83 | 21.50 | 18.92 | 23.04 |
| Swedish krona (SEK)..... | 18.76 | 18.47 | 17.95 | 19.76 |
| Swiss franc (CHF)..... | 131.91 | 133.35 | 129.19 | 140.64 |
| Japanese yen (JPY)..... | 1.26 | 1.57 | 1.10 | 1.50 |
| Polish zloty (PLN)..... | 38.69 | 38.43 | 38.21 | 41.54 |

charged if the company 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 2013. Revenues and expenses in foreign currency are converted using the exchange rate on the transaction date.
- Indexed assets and liability are entered with accrued indexation as of year-end 2013, using the index value of January 2014, which reflects year-end 2013 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 been 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.
- The cost of issuing banknotes and coin 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.
- 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

Foreign currencies

Indexed assets and liabilities

Securities

Entry of revenues and expenses

Banknotes and coin

Taxation

Fixed operational assets

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 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 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.

Gold

Obligations

Explanatory notes to consolidated financial statements

Interest income

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

| | 2013 | 2012 |
|--|-------------------|-------------------|
| <i>Interest income on domestic assets:</i> | | |
| Interest income on overnight loans | 2,494 | 6,383 |
| Interest income on collateralised loans | 14,205 | 213,081 |
| Interest income on marketable securities | 832,125 | 1,626,524 |
| Interest income on indexed securities | 41,770,438 | 19,083,528 |
| Interest income on other domestic assets | 7,375,941 | 12,446,725 |
| | <u>49,995,204</u> | <u>33,376,241</u> |
| <i>Interest income on foreign assets:</i> | | |
| Interest income on bank accounts | 58,151 | 1,553,551 |
| Interest income on securities | 6,435,677 | 6,705,609 |
| Interest income on other foreign assets | 1,711 | 24,120 |
| | <u>6,495,539</u> | <u>8,283,280</u> |

- Interest income on domestic assets rose by 16.6 b.kr. from the year 2012, or by 50%.
- Interest income on overnight loans declined from 6.4 m.kr. in 2012 to 2.5 m.kr. in 2013, or by 61%. In 2013, 13 overnight loans were granted, in the amount of 13 b.kr. In 2012, 13 overnight loans were granted, in the amount of 33 b.kr. The average interest rate on overnight loans in 2013 was 6%, as opposed to 6.4% in 2012.
- Interest income on collateralised loans declined by 93.3% during the year because fewer loans were granted. No collateralised loans were outstanding at year-end 2013. The average interest rate in 2013 was 6%, as compared with 5.5% in 2012. In 2013, 3 collateralised loans were granted, in the amount of 4 b.kr. In 2012, 19 collateralised loans were granted, in the amount of 217 b.kr.
- Interest income on marketable securities declined by 794 m.kr., or 49%, between years because of the retirement of marketable bonds in May 2013.
- Interest income on indexed securities rose by 22.7 b.kr. between years. The increase is due to positive revaluation changes in the securities held by companies owned by the Bank. Indexation due to indexed securities is recognised as interest income. The Consumer Price Index rose by 3.1% in 2013, as compared with 5.2% in 2012.
- Interest income on domestic assets declined by 5.0 b.kr. between years.
- Interest income on foreign bank accounts declined by 96%, or by 1,5 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 declined by 270 m.kr. between years. Foreign securities holdings rose by 24.5 b.kr. in 2013, with most of the increase concentrated in the latter half of the year.

Interest expense

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

| | 2013 | 2012 |
|--|-------------------|-------------------|
| <i>Interest expense on domestic liabilities:</i> | | |
| Interest expense on certificates of deposit | 7,084,365 | 5,717,565 |
| Interest expense on current accounts | 3,570,733 | 3,153,237 |
| Interest expense on Treasury current accounts | 5,617,609 | 6,459,610 |
| Interest expense on foreign-currency accounts | 207,102 | 4,659,523 |
| Interest expense on other domestic liabilities | 631,026 | 689,600 |
| | <u>17,110,835</u> | <u>20,679,535</u> |
| <i>Interest expense on foreign liabilities</i> | | |
| Interest expense on balance with IMF | 1,846,257 | 3,987,503 |
| Interest expense on foreign borrowings | 1,421,794 | 2,314,738 |
| | <u>3,268,051</u> | <u>6,302,241</u> |

- Interest expense on domestic liabilities declined by 3.6 b.kr., or 17.3%.
- Interest expense on certificates of deposit rose by 1.4 b.kr., or 24%. The average interest rate in 2013 was 5.74%, as compared with 5.11% in 2012.
- Interest expense on current accounts rose by 417.5 m.kr., or 13.2%. The average interest rate on current accounts was 5% in 2013, as opposed to 4.4% in 2012.
- Interest expense on Treasury current accounts declined by 842 m.kr., or 13%. The balance of Treasury current accounts declined by 52 b.kr. between years, or 37%. The average interest rate on current accounts was 5% in 2013, as opposed to 4.4% in 2012.
- Interest expense on foreign liabilities contracted by 3 b.kr., or 48%, due to the payments taking place in 2012.

Service revenues

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

| | 2013 | 2012 |
|--|------------------|------------------|
| Revenues from payment intermediation | 1,080,689 | 1,212,207 |
| Revenues from market transactions | 135,387 | 130,909 |
| Other service revenues | 31,918 | 71,060 |
| | <u>1,247,994</u> | <u>1,414,176</u> |

Service expenses

4. Service expense specifies as follows (in ISK thousands):

| | 2013 | 2012 |
|---|----------------|------------------|
| Expenses from payment intermediation | 473,362 | 618,756 |
| Expenses due to foreign currency auctions | 82,648 | 110,047 |
| Borrowing expense | 25,798 | 29,563 |
| Expenses due to securities transactions | 78,086 | 121,274 |
| Asset management expense | 121,299 | 166,411 |
| Operating expense for appropriated assets | 126,796 | 308,014 |
| Other service expenses | 9,620 | 61,561 |
| | <u>917,610</u> | <u>1,415,627</u> |

Revenues from shareholdings

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

| | 2013 | 2012 |
|--|---------------|---------------|
| Dividend income from Bank for Int. Settlements | 62,751 | 62,431 |
| Other dividends | 2,912 | 16,023 |
| | <u>65,663</u> | <u>78,454</u> |

Revaluation of foreign securities

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

| | 2013 | 2012 |
|--|--------------------|------------------|
| Foreign securities, change in fair value | <u>(6,186,528)</u> | <u>4,458,541</u> |
| | <u>(6,186,528)</u> | <u>4,458,541</u> |

| <i>Nominal value of foreign securities, by currency:</i> | 2013 | 2012 |
|--|---------------|---------------|
| EUR | 1,035,000,000 | 762,000,000 |
| GBP | 94,000,012 | 110,368,918 |
| PLN | 204,129,000 | 204,129,000 |
| USD | 2,022,000,000 | 1,744,418,155 |

Revaluation of gold

7. The decrease in the Bank's gold reserves, at constant exchange rates, totalled 3.7 b.kr. in 2013, as opposed to increase of 774 m.kr. in 2012. The market price of gold was 1,201.64 US dollars per ounce at year-end 2013, as compared with 1,675.35 US dollars per ounce at the beginning of the year, decline of 28% year-on-year.

Exchange rate gains on foreign exchange transactions

8. Exchange rate gains on foreign exchange transactions totalled 887,6 m.kr. in 2013, as opposed to 120,9 m.kr. in 2012.

- This is primarily realised gains on derivatives transactions made in foreign currencies with financial institutions. The Bank uses derivative instruments to steer its foreign exchange balance and to hedge against other items in its balance sheet.
- Exchange rate gains from foreign exchange transactions in which the Bank sold foreign currency and bought it back are recognised as profit.

| | 2013 | 2012 |
|---|----------------|----------------|
| Exchange rate gains on FX transactions (ISK thousands): | 887,584 | 120,959 |
| | <u>887,584</u> | <u>120,959</u> |

System sale

9. Greiðsluveitan and the Icelandic Banks' Data Centre (RB) concluded an agreement for RB's purchase of the payables pool from Greiðsluveitan. The system was transferred to Greiðsluveitan at the end of 2010.

Salaries and related expenses

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

| | 2013 | 2012 |
|---|------------------|------------------|
| Wages and salaries | 1,639,902 | 1,430,760 |
| Pension fund | 228,318 | 196,458 |
| Salary-related expenses | 150,211 | 150,113 |
| Contribution to pension obligations..... | 46,792 | 44,115 |
| | <u>2,065,222</u> | <u>1,821,446</u> |
| Number of full-time position equivalents at year-end..... | 197 | 178 |

- In 2013, total remuneration to the Governor and the Supervisory Board amounted to 35.6 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 2013 specifies as follows (in ISK millions):

| | 2013 | 2012 |
|---|-------------|-------------|
| <i>Governor</i> | | |
| Már Guðmundsson | 22.5 | 18.2 |
| <i>Supervisory Board</i> | | |
| Lára V. Júlíusdóttir | 1.6 | 2.8 |
| Ólöf Nordal | 1.4 | 0.0 |
| Other Supervisory Board members and alternates..... | 10.1 | 9.8 |
| | <u>35.6</u> | <u>30.8</u> |

Other operating expense

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

| | 2013 | 2012 |
|---|------------------|------------------|
| Outsourced services | 762,840 | 690,271 |
| Operation of property and liquid assets | 215,852 | 207,951 |
| Sundry operational items..... | 169,140 | 139,011 |
| | <u>1,147,833</u> | <u>1,037,233</u> |

Expense due to banknotes and coin

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

| | 2013 | 2012 |
|-------------------------|----------------|---------------|
| Banknote printing..... | 299,329 | 88,160 |
| Distribution costs..... | 129 | 1,685 |
| Equipment..... | 14,337 | 6,829 |
| | <u>313,795</u> | <u>96,674</u> |

- A new 10,000 kr. banknote was put into circulation in October 2013. The increase in banknote printing costs is due to this new issue.

Impairment of claims

13. Expensed claim impairment amounted to 8 b.kr. in 2013, as opposed to 4.9 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.

Exchange rate difference

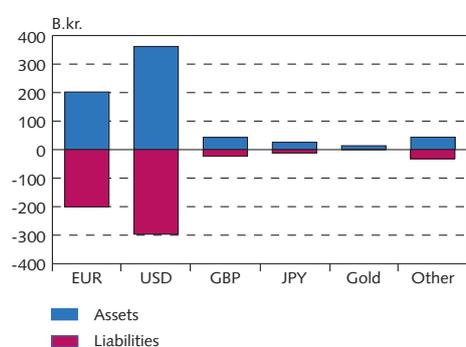
14. Exchange rate difference specifies as follows (in ISK thousands):

| | 2013 | 2012 |
|-----------------------------------|---------------------|------------------|
| Gold..... | (1,268,093) | 735,026 |
| International Monetary Fund | 1,745,690 | 2,429,988 |
| Foreign bank deposits | (7,217,530) | 14,613,528 |
| Foreign securities..... | (40,258,273) | 20,528,005 |
| Foreign current liabilities | 10,735,414 | (7,880,663) |
| Foreign loans, FX accounts | 33,579,105 | (25,164,358) |
| Derivatives | (5,509,740) | (1,085,740) |
| Other..... | (4,056,764) | 542,870 |
| | <u>(12,250,192)</u> | <u>4,718,657</u> |

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

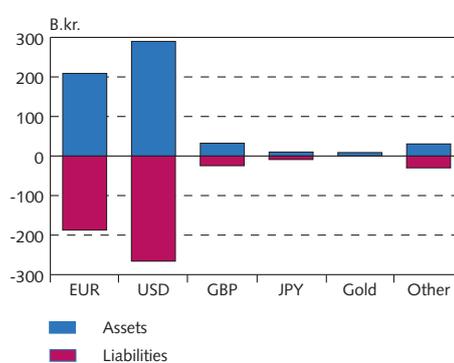
| | 2013 | 2012 |
|-----------|-------|------|
| USD | -10.7 | 4.9 |
| EUR | -6.7 | 6.9 |
| GBP | -8.6 | 9.9 |
| NOK | -17.9 | 12.9 |
| DKK | -6.6 | 6.5 |
| SEK | -9.2 | 11.1 |
| JPY | -26.7 | -5.7 |
| CAD | -16.5 | 7.6 |
| XDR | -10.4 | 5.1 |

Total assets and liabilities in foreign currency 2013



Source: Central Bank of Iceland.

Total assets and liabilities in foreign currency 2012



Source: Central Bank of Iceland.

Income tax

15. 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):

| | 2013 | 2012 |
|---|--------------------|------------------|
| Sölvhóll ehf. | | (545) |
| Central Bank of Iceland Holding Company ehf. (EÍ) | (5,374,563) | (296,293) |
| Greiðsluveitan ehf. | (46,198) | (37,121) |
| | <u>(5,420,761)</u> | <u>(333,959)</u> |

- Income tax payable in 2014 amounts to 2,133 m.kr.

| Effective inc. taxes specify as follows (ISK thous.): | 2013 | | 2012 | |
|---|--------------------|--------------|------------------|-------------|
| | Amount | % | Amount | % |
| Profit of companies owned by the Bank | 20,096,575 | | 6,083,766 | |
| Tax rates | (4,019,315) | -20 | (1,216,753) | -20 |
| Non-deductible expenses | (8) | 0 | (18,589) | 0 |
| Share in earnings of companies owned by the Bank not entered as income tax credit | 446,668 | 2.2 | 339,639 | 5.6 |
| Taxable income from bond collection | (1,869,453) | -9.3 | | |
| Change in write-down of income tax | | | 561,745 | 9.2 |
| Change in tax base for the year | 21,347 | 0.1 | | |
| Income tax according to profit and loss | <u>(5,420,761)</u> | <u>-27.0</u> | <u>(333,959)</u> | <u>-5.5</u> |

Unpaid transfer to the Treasury

16. The transfer to the Treasury, pursuant to Article 34 of the Act on the Central Bank of Iceland, no. 36/2001, is calculated as $\frac{2}{3}$ of 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 transfer shall equal $\frac{1}{3}$. The Bank's equity was below this threshold at year-end 2013; therefore, the transfer is calculated as $\frac{1}{3}$ of net profits, according to the Rules on the Central Bank of Iceland's Accounting and Annual Accounts.
- The transfer to the Treasury is 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 calculated 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.

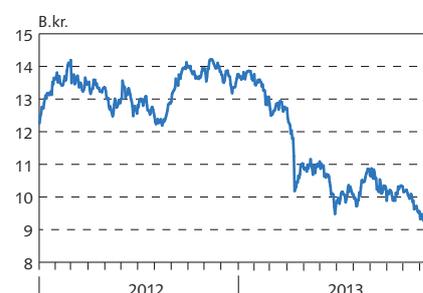
The transfer to the Treasury specifies as follows (in ISK thousands):

| | 2013 | 2012 |
|--|-------------|-------------|
| Profit for the year excluding transfer to Treasury | 10,474,211 | 11,789,625 |
| Unrealised revaluation of foreign securities | 5,403,075 | (4,458,541) |
| Unrealised revaluation of gold | 3,672,694 | (773,775) |
| Profit for calculation of transfer to Treasury | 19,549,980 | 6,557,308 |
| Transfer to the Treasury | (6,516,660) | (2,185,769) |

Gold

17. The Bank's holdings in gold amounted to 63,785.1 ounces at year-end 2013. Holdings in gold, entered at fair value as of year-end 2013, were valued at 1,201.64 US dollars, or 138,225 kr., per ounce. Thus the Bank's holdings in gold were valued at 8.8 b.kr. as of year-end 2013.

Development of gold holdings



Source: Central Bank of Iceland.

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

| | 2013 | 2012 |
|------------------------------------|-------------|------------|
| Balance at beginning of year | 13,757,459 | 12,248,658 |
| Revaluation | (3,672,694) | 773,775 |
| Exchange rate difference | (1,268,093) | 735,026 |
| Balance at year-end | 8,816,672 | 13,757,459 |

Foreign assets

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

| | 2013 | 2012 |
|---|--------------------|--------------------|
| Foreign bank deposits | 42,578,316 | 113,241,556 |
| Foreign securities | 431,765,493 | 407,285,699 |
| Special drawing rights with the IMF | 953,074 | 1,767,095 |
| Foreign assets not held in reserves | 1,246,886 | 9,288,486 |
| | <u>476,543,770</u> | <u>531,582,836</u> |

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

| | 2013 | 2012 |
|--|-------------------|--------------------|
| Balance in foreign central banks and the BIS | 33,835,332 | 102,224,039 |
| Balance in other foreign banks | 8,742,984 | 11,017,517 |
| | <u>42,578,316</u> | <u>113,241,556</u> |
| Deposits available for disbursement | 33,304,234 | 52,600,911 |
| Term deposits, available within 3 months | 9,274,082 | 60,640,645 |
| | <u>42,578,316</u> | <u>113,241,556</u> |

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

| | 2013 | 2012 |
|--|--------------------|--------------------|
| Balance at beginning of year | 407,285,698 | 272,072,067 |
| Purchases during the year | 164,995,614 | 288,604,017 |
| Sold and collected during the year | (94,071,018) | (178,376,932) |
| Revaluation | (6,186,528) | 4,458,541 |
| Exchange rate difference | (40,258,273) | 20,528,005 |
| | <u>431,765,493</u> | <u>407,285,699</u> |

21. Foreign assets not held in reserves

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

| | 2013 | 2012 |
|--|------------------|------------------|
| Shareholdings in the Bank for International Settlements .. | 184,486 | 184,486 |
| Other assets not held in reserves | 1,062,400 | 9,104,000 |
| | <u>1,246,886</u> | <u>9,288,486</u> |

FX balance with the IMF

22. Iceland's quota with the International Monetary Fund (IMF) totalled SDR 117.6 million at year-end 2013. 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; cf. the table below. The Bank's borrowings in the form of Fund allocations in SDR totalled SDR 112.2 million. The Bank's debt to the Fund amounts to SDR 513.5 m.

| <i>Assets (thousands):</i> | <i>SDR</i> | <i>ISK</i> |
|--|----------------|--------------------|
| Central Bank of Iceland quota | 117,600 | 20,855,184 |
| IMF deposit with Central Bank of Iceland | (98,852) | (17,530,490) |
| Central Bank's FX balance with IMF | 18,757 | 3,326,298 |
| Central Bank's deposit balance with IMF | 5,374 | 953,074 |
| | <u>24,131</u> | <u>4,279,372</u> |
| <i>Liabilities (thousands):</i> | | |
| Counterpart to IMF allocations | 112,204 | 19,898,237 |
| IMF current account with Central Bank of Iceland | 7 | 1,203 |
| Loan from IMF | 513,548 | 91,072,534 |
| | <u>625,758</u> | <u>110,971,974</u> |

Domestic financial assets

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

| | 2013 | 2012 |
|--|--------------------|--------------------|
| Financial institutions | 201,370,791 | 209,476,756 |
| Treasury | 181,508,210 | 187,826,464 |
| Financial institutions in winding-up proceedings | 57,128,898 | 56,472,249 |
| Other parties | 33,360,194 | 48,893,638 |
| | <u>473,368,092</u> | <u>502,669,107</u> |

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

| | 2013 | 2012 |
|------------------------------------|--------------------|--------------------|
| Repurchase agreements | | 12,346,471 |
| Derivatives | 356,644 | 5,445,944 |
| Deposits | 3,028,799 | 1,437,651 |
| Housing Financing Fund bonds | 8,100,831 | 8,759,258 |
| Housing Authority bonds | 47,696 | 89,587 |
| Municipal bonds | 105,265 | 108,651 |
| Loans | 189,731,554 | 181,289,194 |
| | <u>201,370,791</u> | <u>209,476,756</u> |

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

| | 2013 | 2012 |
|--|--------------------|--------------------|
| Bonds | 172,034,789 | 170,865,296 |
| Treasury bonds | 9,169,167 | 16,665,751 |
| Foreign-denominated Government bonds | 304,253 | 295,417 |
| | <u>181,508,210</u> | <u>187,826,464</u> |

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

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Balance at beginning of year | 170,865,296 | 173,073,569 | 164,388,389 | 161,141,868 | 270,005,388 |
| Principal..... | 139,283,206 | 146,651,654 | 146,651,654 | 146,651,654 | 270,005,388 |
| Indexation..... | 36,429,875 | 31,475,711 | 25,358,795 | 16,726,965 | 23,303,301 |
| Accrued interest..... | 1,085,139 | 106,379 | 1,063,120 | 1,009,770 | 1,833,179 |
| Payment..... | (4,763,431) | (7,368,448) | | | (134,000,000) |
| Balance at year-end..... | <u>172,034,789</u> | <u>170,865,296</u> | <u>173,073,569</u> | <u>164,388,389</u> | <u>161,141,868</u> |

- On 30 December 2013, the Treasury and the Central Bank entered into an agreement to amend the bond so that it matures on 1 January 2015 instead of 1 January 2014. In addition, the interest terms were changed, and indexation is no longer applied. The bond bears non-indexed interest based on the rate applied to financial institutions' current accounts with the Central Bank.

26. Loans due and payable amount to 57.1 b.kr. at year-end 2013, as compared with 56.5 b.kr. at year-end 2012.

Loans due and payable specify as follows

(in ISK thousands):

| | 2013 | 2012 | 2011 | 2010 |
|--|-------------------|-------------------|-------------------|--------------------|
| Balance at beginning of year..... | 56,472,249 | 53,682,450 | 101,951,118 | 490,614,019 |
| Takeover of past-due collat. loans during the year | 86,829 | 2,935,149 | | |
| Appropriation of assets..... | | (34,497,885) | (264,931,242) | |
| Price adjustments..... | 569,820 | (145,349) | (3,515,636) | (16,516,643) |
| Instalments and exchange rate differential..... | | | (10,255,147) | (107,215,016) |
| Balance at year-end..... | <u>57,128,898</u> | <u>56,472,249</u> | <u>53,682,450</u> | <u>101,951,118</u> |

Fixed operational assets

27. 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 2013 specify as follows (amounts in ISK thousands):

| | <i>Land</i> | <i>Real estate</i> | <i>Liquid assets</i> | <i>Libraries and collections</i> | <i>Total</i> |
|--|-------------|--------------------|----------------------|----------------------------------|--------------|
| <i>Cost price and valuation</i> | | | | | |
| 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 | 24,000 | 4,666,307 | 496,460 | 245,126 | 5,431,893 |
| Capitalised during the year | | | 242,444 | | 242,444 |
| Sold (cost price) | | | (2,040) | | (2,040) |
| Cost price at beginning of year 2013 ... | | 90,976 | 704,137 | 8,126 | 803,239 |
| Valuation at beginning of year 2013 ... | 24,000 | 4,575,331 | 32,726 | 237,000 | 4,869,057 |
| Total at beginning of year 2013 | 24,000 | 4,666,307 | 736,863 | 245,126 | 5,672,296 |
| Capitalised during the year | | | 97,970 | | 97,970 |
| Sales and disp. dur. the year (cost price) | | | (4,724) | | (4,724) |
| Cost price at year-end 2013 | | 90,976 | 797,383 | 8,126 | 896,485 |
| Valuation at year-end 2013 | 24,000 | 4,575,331 | 32,726 | 237,000 | 4,869,057 |
| Total at year-end 2013 | 24,000 | 4,666,307 | 830,108 | 245,126 | 5,765,541 |
| <i>Depreciation</i> | | | | | |
| Cost price at beginning of year 2012 ... | | 4,474 | 169,538 | | 174,012 |
| Valuation at beginning of year 2012 ... | | 341,442 | 25,692 | | 367,135 |
| Total at beginning of year 2012 | 0 | 345,917 | 195,230 | 0 | 541,147 |
| Depreciation for the year at cost price | | 951 | 117,496 | | 118,447 |
| Depr. for the year at valuation price ... | | 48,944 | 3,267 | | 52,211 |
| Sold (cost price) | | | (2,040) | | (2,040) |
| Cost price at beginning of year 2013 ... | | 5,426 | 284,993 | | 290,419 |
| Valuation at beginning of year 2013 ... | | 390,387 | 28,959 | | 419,346 |
| Total at beginning of year 2013 | 0 | 395,812 | 313,952 | 0 | 709,764 |
| Depreciation for the year at cost price | | 685 | 153,830 | | 154,514 |
| Depr. for the year at valuation price ... | | 49,301 | 3,267 | | 52,567 |
| Sales and disp. dur. the year (cost price) | | | (3,724) | | (3,724) |
| Cost price at year-end 2013 | | 6,110 | 435,099 | | 441,209 |
| Valuation at year-end 2013 | | 439,687 | 32,226 | | 471,913 |
| Total at year-end 2013 | 0 | 445,797 | 467,325 | 0 | 913,122 |
| <i>Book value</i> | | | | | |
| Book value at beginning of year 2012 ... | 24,000 | 4,320,390 | 301,229 | 245,126 | 4,890,746 |
| Book value at beginning of year 2013 ... | 24,000 | 4,270,495 | 422,910 | 245,126 | 4,962,531 |
| Book value at end of year 2013 | 24,000 | 4,220,510 | 362,784 | 245,126 | 4,852,419 |
| Annual depreciation rates | 0% | 1-3% | 10-33% | 0% | |

28. Deferred tax

| <i>Deferred tax specifies as follows (in ISK thousands):</i> | <i>Asset</i> | <i>Liability</i> | <i>Total</i> |
|--|--------------|------------------|--------------|
| Balance at beginning of 2012 | 5,062,286 | (5,348) | 5,056,938 |
| 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 2012 | 2,230,331 | 22,855 | 2,253,186 |
| Balance at beginning of 2013 | 7,034,895 | (20,174) | 7,014,721 |
| Calculated income tax for year 2013 | (5,374,563) | (46,198) | (5,420,761) |
| Corrected tax base for prior year | (21,347) | 0 | (21,347) |
| Income tax for payment in 2013 | 2,103,356 | 29,849 | 2,133,205 |
| Year-end balance 2013 | 3,742,341 | (36,523) | 3,705,818 |

Appropriated assets and real estate held for sale

29. Appropriated assets and real estate held for sale specify as follows
(in ISK thousands):

| | 2013 | 2012 |
|---|-------------|-----------|
| Balance at beginning of year | 1,748,836 | 1,457,739 |
| Appropriated during the year | 515,285 | 531,315 |
| Taken over during the year | 10,162,590 | |
| Sold during the year | (1,180,097) | (343,292) |
| Valuation changes during the year | 242,212 | 103,074 |
| Year-end balance | 11,488,826 | 1,748,836 |

- At the end of 2013, the Central Bank of Iceland Holding Company (ESÍ), Hilda ehf. (an ESÍ subsidiary), Drómi hf., and Arion Bank reached an agreement concerning ESÍ/Hilda's takeover of specified Drómi assets and liabilities and the settlement of Arion Bank's claim against Drómi. The settlement is to be paid with household loans, and Hilda will acquire Drómi's corporate loans and appropriated assets.

30. Other assets

| <i>Other assets specify as follows (in ISK thousands):</i> | 2013 | 2012 |
|--|------------|-----------|
| Equities | 624,742 | 458,350 |
| Investment tax withheld | 2,104,623 | 1,626,105 |
| Other assets | 17,317,335 | 546,497 |
| | 20,046,700 | 2,630,952 |

31. 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> |
|---|-----------------|------------------------|----------------------|---------------------------|
| Central Bank of Iceland | | | | |
| Holding Company ehf. (ESÍ) | Iceland | 100% | 1,001,000 | Holding company |
| Greiðsluveitan ehf. | Iceland | 100% | 20,000,000 | Payment system operations |
| Hilda ehf. | Iceland | 100% | 4,000,000,000 | Holding company |

- At the beginning of 2013, Sölvhóll ehf. was merged with the Central Bank of Iceland Holding Company ehf. (ESÍ).
- At the end of 2013, ESÍ acquired shares in subsidiaries upon the takeover of Drómi's assets and liabilities. One group of subsidiaries is excluded from the Central Bank of Iceland's consolidated annual accounts, in accordance with Article 70, Item 3 of the Annual Accounts Act.

Banknotes and coin

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

| | | |
|----------------------|--------------------------|--------------------------|
| <i>Banknotes:</i> | 2013 | 2012 |
| 10,000 krónur | 5,535,000 | |
| 5,000 krónur | 33,311,000 | 37,138,500 |
| 2,000 krónur | 294,000 | 389,000 |
| 1,000 krónur | 3,927,000 | 3,826,000 |
| 500 krónur | 1,178,750 | 1,180,250 |
| Total | <u>44,245,750</u> | <u>42,533,750</u> |
| <i>Coin</i> | | |
| 100 krónur | 1,624,600 | 1,519,600 |
| 50 krónur | 482,890 | 453,890 |
| 10 krónur | 450,120 | 429,320 |
| 5 krónur | 107,434 | 103,434 |
| 1 króna | 104,714 | 102,054 |
| Total | <u>2,769,758</u> | <u>2,608,298</u> |
| Total in circulation | <u><u>47,015,508</u></u> | <u><u>45,142,048</u></u> |

- A new 10,000 kr. banknote was put into circulation on 24 October 2013. The new note accounted for 12.5% of the value of banknotes in circulation in 2013. The purpose of the issue was to facilitate and streamline payment intermediation in Iceland, in part by reducing the number of banknotes in circulation.

Foreign liabilities

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

| | | |
|-----------------------------|--------------------|--------------------|
| | 2013 | 2012 |
| Loan from IMF | 91,064,553 | 101,693,652 |
| Loan from Norges Bank | 31,544,167 | 33,798,462 |
| Other liabilities | 407,621 | 479,117 |
| | <u>123,016,341</u> | <u>135,971,231</u> |

- There were eight disbursements from the IMF in connection with the Stand-By Arrangement with the Icelandic authorities: the first tranche of the loan amounted to SDR 560 million, the next four were SDR 105 million each, and the last three 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 of SDR 1,400 million. In 2012, payments were made on the loan in the amount of SDR 888 million. This shifts the remaining loan payments to 2015.

- 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):

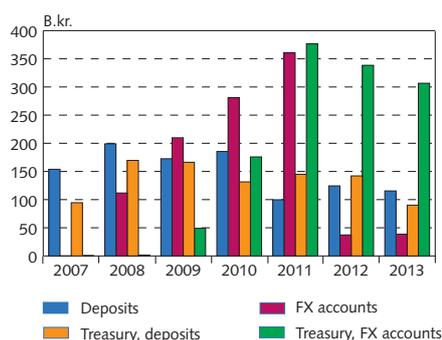
| | <i>Loan from IMF</i> | <i>Loan from Norges Bank</i> | <i>Total</i> |
|----------------------------|----------------------|------------------------------|--------------------|
| Instalments 2014 | | | |
| Instalments 2015 | 60,517,275 | | 60,517,275 |
| Instalments 2016 | 30,259,524 | | 30,259,524 |
| Instalments 2017 | | | |
| Instalments 2018 | | | |
| Instalments later | | 31,541,500 | 31,541,500 |
| Total long-term debt | <u>90,776,799</u> | <u>31,541,500</u> | <u>122,318,299</u> |

Deposits of financial institutions

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

| | 2013 | 2012 |
|--|-------------------|-------------------|
| Current accounts of deposit money banks | 51,642,653 | 53,214,781 |
| Current accounts of other financial institutions | 18,272,781 | 14,886,801 |
| Foreign exchange accounts | 7,252,939 | 4,504,351 |
| | <u>77,168,373</u> | <u>72,605,932</u> |

Development in deposits and FX accounts



Source: Central Bank of Iceland.

- 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 2013, RTGS system collateral securities had a total market value of 21.9 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.

Other deposits

35. Other deposits specify as follows (in ISK thousands):

| | 2013 | 2012 |
|--|--------------------|--------------------|
| Treasury | 88,022,275 | 141,051,607 |
| Government institutions | 2,156,661 | 1,068,253 |
| Treasury, FX accounts | 306,635,669 | 338,490,974 |
| Non-residents with domestic deposits | 29,438,619 | 35,941,927 |
| Term FX deposits of financial institut. in winding-up proc. | 9,193,712 | 8,899,482 |
| FX accounts of financial institut. in winding-up proc. | 14,132,840 | 13,831,955 |
| Domestic deposits of other parties | 24,185,937 | 30,409,025 |
| | <u>473,765,713</u> | <u>569,693,223</u> |

- Deposits held at the Bank by other parties decreased by 17%, to 473.8 b.kr. at year-end 2013, as opposed to 569.7 b.kr. at year-end 2012. The decline is due in large part to the appreciation of the króna and to payments of interest on Treasury foreign debt, which was charged to its current account instead of to its foreign exchange account.

Domestic financial liabilities

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

| | 2013 | 2012 |
|--|--------------------|--------------------|
| Certificates of deposit | 133,109,736 | 105,374,346 |
| Foreign-denominated Treasury bonds | 7,891,275 | 8,578,380 |
| Swap agreement | 77,430 | |
| | <u>141,078,441</u> | <u>113,952,726</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

37. 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

316.4 m.kr. as of year-end 2013. Payments related to these obligations totalled 48.5 m.kr. in 2013 and reduce the previously entered obligation. Increases in the Bank's obligations, after adjusting for payments, totalled 46.8 m.kr. in 2013 and are expensed.

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

| | 2013 | 2012 |
|--|----------------|----------------|
| Pension obligations at beginning of year | 318,117 | 321,113 |
| Paid due to retirement | (48,461) | (47,111) |
| Increase during the year | 46,792 | 44,115 |
| Pension obligations at year-end | <u>316,448</u> | <u>318,117</u> |

Other liabilities

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

| | 2013 | 2012 |
|---|-------------------|------------------|
| Treasury share in foreign exchange transactions | 1,093,413 | 3,879,773 |
| Unpaid taxes | 2,133,205 | 2,253,186 |
| Other liabilities | 20,339,242 | 1,761,085 |
| | <u>23,565,861</u> | <u>7,894,044</u> |

Itemisation of equity and developments in the Bank's profit

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

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|--|---------------|---------------|---------------|---------------|---------------|
| Equity at beginning of year (excl. revaluation) | 93,650 | 79,275 | 64,825 | 78,271 | 77,387 |
| Profit before financial expenses | 15,895 | 12,124 | 11,539 | (5,697) | (2,523) |
| Transfer to the Treasury | (6,517) | (2,186) | (3,464) | | |
| Depreciation of revalued assets | 52 | 52 | 52 | 52 | 384 |
| Exchange rate difference for the year | (12,250) | 4,719 | 7,471 | (6,933) | 3,023 |
| Calculated income tax of subsidiaries | (5,421) | (334) | (1,148) | (869) | |
| Equity at year-end (without revaluation) | <u>85,409</u> | <u>93,650</u> | <u>79,275</u> | <u>64,825</u> | <u>78,271</u> |
| Reval. of fixed assets and real est. at beginning of year | 4,450 | 4,502 | 4,555 | 4,607 | 4,991 |
| Depreciation of revalued fixed assets and real estate .. | (52) | (52) | (52) | (52) | (384) |
| Equity at year-end | <u>89,807</u> | <u>98,100</u> | <u>83,778</u> | <u>69,379</u> | <u>82,878</u> |
| <i>Stock figures/ratios at year-end (in ISK millions):</i> | | | | | |
| Total assets | 1,002.2 | 1,068.1 | 1,580.7 | 1,277.6 | 1,178.1 |
| Equity (w/o asset revaluation) | 85.4 | 93.6 | 79.3 | 64.8 | 77.9 |
| Equity ratio | 9.0% | 9.2% | 5.3% | 5.4% | 7.0% |

Treasury

40. Net interest income from interest-bearing assets and debts to the Treasury specify as follows (in ISK thousands):

| | 2013 | 2012 |
|--|-------------------|-------------------|
| Interest income on bond | 4,356,883 | 4,428,307 |
| Indexation on bond..... | 6,189,581 | 7,752,851 |
| Interest income on Treasury bonds | 501,942 | 781,249 |
| Interest income on foreign securities | 93,218 | 82,820 |
| | <u>11,141,624</u> | <u>13,045,227</u> |
| Interest expense on current accounts..... | 5,618,609 | 6,459,610 |
| Interest expense on foreign-currency accounts..... | 196,914 | 4,325,797 |
| Interest expense on foreign-denominated term bond..... | 443,908 | 450,672 |
| | <u>6,259,432</u> | <u>11,236,079</u> |

Net interest-bearing assets and liabilities specify as follows (in ISK thousands):

| | 2013 | 2012 |
|--|--------------------|--------------------|
| Bonds | 172,034,789 | 170,865,296 |
| Treasury bonds..... | 9,169,167 | 16,665,751 |
| Foreign-denominated Government bonds | 304,253 | 295,417 |
| | <u>181,508,210</u> | <u>187,826,464</u> |
| Treasury..... | 88,022,275 | 141,051,607 |
| Government institutions..... | 2,156,661 | 1,068,253 |
| Treasury, FX accounts | 306,635,669 | 338,490,974 |
| Foreign-denominated term Treasury bonds..... | 7,891,275 | 8,578,380 |
| | <u>404,705,881</u> | <u>489,189,214</u> |

Guarantees, off-balance sheet assets, and other matters

41. 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 2013, the Bank had access to loan facilities from BIS in the form of repurchase agreements amounting to 400 million US dollars, or 46 b.kr. The Bank did not use these facilities in 2013.
- Kortafjónustan has filed suit against Greiðsluveitan, Borgun, and Valitor, for alleged losses sustained by Kortafjónustan due to incidents discussed in Competition Authority Decision no. 4/2008. Kortafjónustan's claims are based on a valuation prepared by court-appointed assessors. The defendants intend to request a superior assessment and lodge a defence in the case.
- The winding-up committee of Saga Capital hf. has filed suit because of the refinancing of Saga Capital's debt to the Central Bank and the financial restructuring of Saga Capital in 2010. The

amount of the claim is 14,294 m.kr., and management is of the opinion that the suit will not lead to capital outflows.

- At a meeting of the Central Bank of Iceland Supervisory Board on 13 March 2014, it was decided to ask the Icelandic National Audit Office to carry out an appraisal of the payment of the Governor's legal expenses related to his lawsuit against the Bank.

Derivatives

42. Derivatives are classified according to whether the derivative is listed in the foreign exchange reserves – that is, whether the contract is made with a foreign counterparty and in a foreign currency – or not. The value of derivatives is entered as a net amount; that is, assets less liabilities.

- Forward foreign exchange agreements (FX forwards) are entered based on the forward principal, which is multiplied by the difference between the settlement exchange rate and the spot exchange rate (contract exchange rate) on the date of the transaction. The difference between the exchange rate on the date of the transaction and the contract exchange rate is recognised through profit and loss.
- Forward foreign exchange swap agreements (FX swaps) are recognised as a spot transaction, on the one hand, and as a forward transaction, on the other. The spot transaction is entered as an FX spot transaction, and the forward transaction is entered as an FX forward transaction.
- Gains on FX forwards and swaps are entered as exchange rate gains on foreign exchange transactions.

Risk management

43. 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 claims risk, liquidity risk, and market risk. Claims risk is the risk of loss due to counterparties' or issuers' inability to fulfil their financial obligations at the designated time. Claims 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, claims 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. (ESI).

Foreign exchange reserves

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

Claims risk

- 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 | 2013 | 2012 |
|---|-------|-------|
| Treasuries | 49.9% | 40.3% |
| Government institutions | 25.3% | 23.1% |
| International institutions | 8.9% | 6.2% |
| Federal states | 2.1% | 1.8% |
| Covered bonds | 1.0% | 1.0% |
| Financial institutions | 1.8% | 2.1% |
| Money market funds | 0.0% | 0.9% |
| Deposits with central banks and BIS | 6.9% | 18.9% |
| Deposits with IMF | 0.9% | 1.0% |
| Deposits with financial institutions | 1.5% | 2.1% |
| Gold | 1.8% | 2.6% |

- Credit rating of issuers and counterparties in reserves.

Distribution of securities in the foreign exchange reserves, by credit rating (issuer risk, 88.6% of reserves):

| Rating | 2013 | 2012 |
|------------|-------|-------|
| AAA | 83.4% | 87.0% |
| AA+ | 8.5% | 7.0% |
| AA | 1.2% | 2.0% |
| AA- | 2.1% | 2.0% |
| A+ | 0.0% | 0.0% |
| A | 0.0% | 2.0% |
| A- | 2.0% | |
| BBB+ | 2.1% | |
| BBB | 0.0% | |
| BBB- | 0.8% | |

- Deposits with central banks and the Bank for International Settlements in the foreign exchange reserves comprise 6.9% 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 1.5% 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 | Credit rating | 2013 | 2012 |
|---|---------------|-------|-------|
| United States | AAA | 24.7% | 27.4% |
| Germany | AAA | 21.3% | 19.7% |
| Netherlands | AAA | 10.8% | 10.4% |
| International institutions ¹ | AAA | 8.9% | 5.7% |
| United Kingdom | AAA | 4.0% | 4.5% |
| Sweden | AAA | 2.8% | 1.6% |
| Finland | AAA | 3.4% | 2.7% |
| France | AA+ | 6.7% | 2.8% |
| Norway | AAA | 2.2% | 2.2% |
| Canada | AAA | 2.4% | 2.1% |
| Denmark | AAA | 1.8% | 1.6% |
| Bank for International Settlements (BIS) ² | . | 2.6% | 12.3% |
| Poland | A- | 1.8% | 1.8% |
| Austria | AAA | 1.0% | 1.1% |
| Italy | BBB+ | 1.5% | |
| Australia | AAA | 0.2% | 0.3% |
| Japan | AA- | 0.1% | 0.1% |
| Switzerland | AAA | 0.0% | 0.1% |
| Belgium | AA | 0.0% | 0.1% |
| Ireland | BBB+ | 0.4% | |
| Spain | BBB- | 0.7% | |

1. All of the international institutions in which investments are made have AAA ratings. 2. Gold constituted 1.8% of the foreign exchange reserves in 2013 and 2.6% in 2012. The FX balance with the IMF was 0.9% in 2013 and 1.0% in 2012. The Bank for International Settlements is owned by a large number of central banks and is therefore not classified under a given country.

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 claims 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 with central banks, and deposits with the Bank for International Settlements.

- 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. Figures are in ISK millions.

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

| <i>M.ISK.</i> | <i>Matured on demand</i> | <i>Payable</i> | <i>Less than</i> | <i>3-12</i> | <i>1-5 yr.</i> | <i>Over</i> | <i>Total</i> |
|--|--------------------------|------------------|------------------|--------------|-----------------|-----------------|------------------|
| | | | <i>3 mo.</i> | <i>mo.</i> | | <i>5 yr.</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 |
| Other assets | 21 | | | | | | 21 |
| <i>ISK-denominated assets</i> | | | | | | | |
| Domestic financial assets | 56,472 | 13,784 | | | 294,598 | 67,806 | 432,660 |
| Fixed assets and liquid 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>380,746</u> | <u>67,806</u> | <u>1,068,097</u> |
| <i>Foreign-denominated liabilities</i> | | | | | | | |
| Foreign liabilities | | | 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>ISK-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 | 226 | 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>101,764</u> | <u>42,603</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>76,021</u> |
| Domestic maturity gap | <u>56,472</u> | <u>(290,123)</u> | <u>112,724</u> | <u>(689)</u> | <u>301,563</u> | <u>67,580</u> | <u>22,080</u> |
| Total balance | <u>56,493</u> | <u>(213,670)</u> | <u>(48,218)</u> | <u>(689)</u> | <u>278,982</u> | <u>25,204</u> | <u>98,100</u> |

Outstanding balances of assets and liabilities in domestic and foreign currency 2013:

| <i>M.ISK.</i> | <i>Matured</i> | <i>Payable on demand</i> | <i>Less than 3 mo.</i> | <i>3-12 mo.</i> | <i>1-5 yr.</i> | <i>Over 5 yr.</i> | <i>Total</i> |
|--|----------------|--------------------------|------------------------|-----------------|-----------------|-------------------|------------------|
| <i>Foreign-denominated assets</i> | | | | | | | |
| Gold | | 23 | 8,793 | | | | 8,817 |
| Foreign assets | | 466,208 | 9,274 | | 1,062 | | 476,544 |
| FX balance with the IMF | | 3,326 | | | | | 3,326 |
| Domestic financial assets | | 3,029 | | | 69,562 | | 72,590 |
| Other assets | | 2 | | | | | 2 |
| <i>ISK-denominated assets</i> | | | | | | | |
| Domestic financial assets | 57,129 | | | 181,508 | 128,780 | 33,360 | 400,778 |
| Fixed assets and liquid assets | | 4,852 | | | | | 4,852 |
| Other assets | | 29,429 | | 2,105 | 3,742 | | 35,276 |
| | <u>57,129</u> | <u>506,869</u> | <u>18,067</u> | <u>183,613</u> | <u>203,146</u> | <u>33,360</u> | <u>1,002,185</u> |
| <i>Foreign-denominated liabilities</i> | | | | | | | |
| Foreign liabilities | | | 408 | | 91,065 | 31,544 | 123,016 |
| Counterpart to IMF | | 19,898 | | | | | 19,898 |
| Deposits of financial institutions | | 7,253 | | | | | 7,253 |
| Other deposits | | 359,401 | | | | | 359,401 |
| Domestic financial liabilities | | | | | | 7,969 | 7,969 |
| Other liabilities | | 127 | | | | | 127 |
| <i>ISK-denominated liabilities</i> | | | | | | | |
| Banknotes and coin | | 47,016 | | | | | 47,016 |
| Deposits of financial institutions | | 69,915 | | | | | 69,915 |
| Other deposits | | 114,365 | | | | | 114,365 |
| Domestic financial liabilities | | | 133,110 | | | | 133,110 |
| Income tax obligation | | | | | 37 | | 37 |
| Pension obligations | | | | 40 | 48 | 229 | 316 |
| Other liabilities | | | 21,306 | 8,650 | | | 29,956 |
| | <u>0</u> | <u>617,975</u> | <u>154,823</u> | <u>8,690</u> | <u>91,149</u> | <u>39,741</u> | <u>912,378</u> |
| Foreign maturity gap | <u>0</u> | <u>85,909</u> | <u>17,660</u> | <u>0</u> | <u>(20,441)</u> | <u>(39,513)</u> | <u>43,615</u> |
| Domestic maturity gap | <u>57,129</u> | <u>(197,014)</u> | <u>(154,415)</u> | <u>174,923</u> | <u>132,438</u> | <u>33,132</u> | <u>46,192</u> |
| Total balance | <u>57,129</u> | <u>(111,105)</u> | <u>(136,756)</u> | <u>174,923</u> | <u>111,997</u> | <u>(6,381)</u> | <u>89,807</u> |

Market risk

44. 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 exchange rate risk exposure of the Bank's net foreign exchange assets (foreign exchange balance) is then kept in balance with a given currency composition. The Bank uses derivatives to manage its exchange rate risk.

- 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 Central Bank's foreign exchange balance was as follows at year-end 2012 and 2013:

Currencies in financial assets and liabilities 2012 (M.ISK.):

| Assets: | Euro | US dollar | Pound sterling | Yen | Other currencies | Gold | Total |
|------------------------------------|----------------|----------------|----------------|---------------|------------------|---------------|----------------|
| Gold | | | | | | 13,757 | 13,757 |
| Foreign assets | 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> |
| <i>Liabilities:</i> | | | | | | | |
| Foreign liabilities | 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 financial 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> |

Currencies in financial assets and liabilities 2013 (M.ISK.):

| Assets: | Euro | US dollar | Pound sterling | Yen | Other currencies | Gold | Total |
|------------------------------------|----------------|----------------|----------------|---------------|------------------|--------------|----------------|
| Gold | | | | | | 8,817 | 8,817 |
| Foreign assets | 207,198 | 250,695 | 24,908 | 2,288 | 10,585 | | 495,673 |
| FX balance with the IMF | 1,258 | 1,424 | 396 | 249 | | | 3,326 |
| Domestic financial assets | 377 | 37,774 | 7,015 | 7,564 | 20,036 | | 72,765 |
| Other assets | 2 | | | | | | 2 |
| | <u>208,832</u> | <u>289,892</u> | <u>32,320</u> | <u>10,100</u> | <u>30,620</u> | <u>8,817</u> | <u>580,584</u> |
| <i>Liabilities:</i> | | | | | | | |
| Foreign liabilities | 66,587 | 39,709 | 10,842 | 6,807 | 19,767 | | 143,712 |
| Counterpart to IMF | 7,523 | 8,519 | 2,369 | 1,487 | | | 19,899 |
| Deposits of financial institutions | 4,971 | 731 | 375 | 255 | 922 | | 7,253 |
| Other deposits | 108,294 | 216,943 | 10,806 | 308 | 1,421 | | 337,772 |
| Domestic financial liabilities | | | | | 7,891 | | 7,891 |
| Other liabilities | | | 127 | | | | 127 |
| | <u>187,376</u> | <u>265,902</u> | <u>24,519</u> | <u>8,857</u> | <u>30,001</u> | <u>0</u> | <u>516,654</u> |
| Net ISK assets | <u>21,456</u> | <u>23,990</u> | <u>7,800</u> | <u>1,244</u> | <u>620</u> | <u>8,817</u> | <u>63,929</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 2013, 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 1.8% 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 claims 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 (ESÍ) ehf.

- Claims risk: ESÍ 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 ESÍ 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. Hilda ehf.'s assets consist primarily of real estate and real estate-backed corporate loans. ESÍ'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. ESÍ's claims

against operating financial institutions are largely backed by collateral, through collateralised loan agreements, mortgage bonds, or covered bonds. In all, about $\frac{2}{3}$ of ESÍ's assets were collateralised, directly or indirectly. About 20% of ESÍ's assets are unsecured claims, the majority 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 claims 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 2013

| | 2013 | 2012 |
|---|---------------------|---------------------|
| Interest income | | |
| From domestic assets | 17,867,108 | 21,652,433 |
| From foreign assets | 6,495,539 | 8,283,280 |
| | <u>24,362,648</u> | <u>29,935,714</u> |
| Interest expense | | |
| From domestic liabilities | (17,667,123) | (21,134,645) |
| Interest expense on foreign liabilities | (3,268,051) | (6,302,241) |
| | <u>(20,935,174)</u> | <u>(27,436,887)</u> |
| Net interest income | 3,427,473 | 2,498,827 |
| Operating revenues | | |
| Service revenues | 400,698 | 395,244 |
| Service expenses | (181,781) | (208,736) |
| Revenues from shareholdings | 62,751 | 65,128 |
| Revaluation of foreign securities | (6,186,528) | 4,458,541 |
| Revaluation of gold | (3,672,694) | 773,775 |
| Exchange rate gains on foreign exchange transactions | 887,584 | 120,959 |
| | <u>(8,689,970)</u> | <u>5,604,912</u> |
| Net operating revenues | (5,262,522) | 8,103,739 |
| Operating expenses | | |
| Salaries and related expenses | (1,832,733) | (1,628,576) |
| Other operating expenses | (819,111) | (738,041) |
| Expense due to banknotes and coin | (312,405) | (96,674) |
| Depreciation of property and equipment | (86,805) | (83,464) |
| Impairment of claims | (558) | (97,685) |
| | <u>(3,051,637)</u> | <u>(2,644,439)</u> |
| Share in earnings of subsidiaries | 14,731,581 | 5,787,455 |
| Profit w/o exchange rate differences and transfer to Treasury | 6,417,447 | 11,246,755 |
| Exchange rate difference | (8,193,428) | 5,261,527 |
| (Loss) Profit w/o transfer to Treasury | (1,775,981) | 16,508,281 |
| Transfer to the Treasury | (6,516,660) | (2,185,769) |
| (Loss) Profit for the year | <u>(8,292,641)</u> | <u>14,322,512</u> |

Balance Sheet 31 December 2013

| | 2013 | 2012 |
|---|----------------------|----------------------|
| Assets | | |
| Gold | 8,816,672 | 13,757,459 |
| Foreign assets | 475,481,370 | 522,478,836 |
| FX balance with the IMF | 3,326,298 | 3,710,222 |
| Domestic financial assets | 486,184,754 | 519,550,494 |
| Fixed operational assets | 4,599,982 | 4,614,770 |
| Other assets | 25,367,781 | 10,841,844 |
| | <u>1,003,776,855</u> | <u>1,074,953,624</u> |
| Equity and liabilities | | |
| Capital | 57,501,000 | 57,501,000 |
| Revaluation reserve and liquid assets | 4,397,000 | 4,449,711 |
| Other equity | 27,909,014 | 36,148,944 |
| Equity | <u>89,807,014</u> | <u>98,099,655</u> |
| Banknotes and coin | 47,015,508 | 45,142,048 |
| Foreign liabilities | 123,016,341 | 135,971,231 |
| Counterpart to IMF allocation | 19,898,237 | 22,213,920 |
| Deposits of financial institutions | 77,168,373 | 72,605,932 |
| Other deposits | 495,643,424 | 579,296,418 |
| Domestic financial liabilities | 141,078,441 | 113,952,726 |
| Pension obligations | 316,448 | 318,117 |
| Other liabilities | 3,316,410 | 5,167,808 |
| Unpaid transfer to Treasury | 6,516,660 | 2,185,769 |
| Liabilities | <u>913,969,842</u> | <u>976,853,970</u> |
| Equity and liabilities | <u>1,003,776,855</u> | <u>1,074,953,624</u> |

Amounts are in ISK thousands

Central Bank of Iceland Holding Company ehf. (ESÍ)

Profit and Loss Account for the year 2013

| | 2013 | 2012 |
|--|--------------------------|-------------------------|
| Interest income | 18,284,165 | 20,372,967 |
| Interest expense | (6,501,047) | (8,201,432) |
| Net interest income | 11,783,118 | 12,171,535 |
| Service revenues | 182 | |
| Salaries and related expenses | (72,439) | |
| Revenues from shareholdings | 2,912 | 13,326 |
| Valuation changes in securities | 20,673,577 | (5,915) |
| Other operating expenses | (271,201) | (120,432) |
| Impairment of claims | (8,036,204) | (4,760,437) |
| Service expenses | (157,611) | (859,554) |
| | <u>12,139,217</u> | <u>(5,733,013)</u> |
| Profit without exchange rate difference | 23,922,335 | 6,438,522 |
| Exchange rate difference | (4,056,731) | (543,141) |
| Profit before tax | 19,865,604 | 5,895,382 |
| Income tax | (5,374,563) | (296,293) |
| Profit | <u>14,491,042</u> | <u>5,599,088</u> |

Balance Sheet 31 December 2013

| | 2013 | 2012 |
|--|--------------------|--------------------|
| Assets | | |
| Fixed assets | | |
| Equity shareholdings | 624,742 | 458,350 |
| Bond holdings and other long-term claims | 159,704,575 | 224,322,329 |
| Collateralised claims against fin. instit. in winding-up proceedings | 23,006,419 | 24,622,946 |
| General claims against fin. instit. in winding-up proceedings | 34,122,479 | 31,849,303 |
| Appropriated assets and real estate held for sale | 11,488,826 | 1,748,836 |
| Deferred tax asset | 3,742,341 | 7,034,895 |
| | <u>232,689,382</u> | <u>290,036,660</u> |
| Current assets | | |
| Next year's instalments on bonds and long-term claims | 11,354,315 | 14,807,407 |
| Marketable securities | 7,449,060 | 8,607,333 |
| Other current receivables | 19,300,773 | 2,323,797 |
| Bank deposits | 24,177,746 | 10,535,677 |
| | <u>62,281,894</u> | <u>36,274,214</u> |
| Assets | <u>294,971,275</u> | <u>326,310,874</u> |
| Equity and liabilities | | |
| Equity | | |
| Share capital | 1,001 | 1,000 |
| Statutory reserves | 250 | 250 |
| Retained earnings | 24,330,366 | 9,822,781 |
| | <u>24,331,617</u> | <u>9,824,031</u> |
| Long-term liabilities | | |
| Debt to related parties | 250,497,662 | 313,512,439 |
| | <u>250,497,662</u> | <u>313,512,439</u> |
| Current liabilities | | |
| Unpaid tax | 2,103,356 | 2,230,331 |
| Other liabilities | 18,038,640 | 744,073 |
| | <u>20,141,996</u> | <u>2,974,404</u> |
| Liabilities | <u>270,639,658</u> | <u>316,486,842</u> |
| Equity and liabilities | <u>294,971,275</u> | <u>326,310,874</u> |

Amounts are in ISK thousands

Greiðsluveitan ehf.

Profit and Loss Account for the year 2013

| | 2013 | 2012 |
|-------------------------------------|-----------|-----------|
| Operating revenues | 909,974 | 1,055,933 |
| System operation | (448,252) | (579,463) |
| Salaries and related expenses | (153,209) | (124,558) |
| Other operating expenses | (55,716) | (53,512) |
| Depreciation | (150,376) | (124,842) |
| Profit before financial expenses | 102,420 | 173,558 |
| Financial income | 34,064 | 24,935 |
| Financial expenses | (9,246) | (12,908) |
| Capital gain on sales | 103,732 | |
| Profit before tax | 230,971 | 185,585 |
| Income tax | (46,198) | (37,121) |
| Profit | 184,773 | 148,464 |

Balance Sheet 31 December 2013

| | 2013 | 2012 |
|---|-------------------------|-------------------------|
| Assets | | |
| Fixed assets | | |
| Fixed operational assets | 309,615 | 460,706 |
| | <u>309,615</u> | <u>460,706</u> |
| Current assets | | |
| Accounts receivable | 105,749 | 152,714 |
| Other current receivables | 31,182 | 13,460 |
| Cash and cash equivalents | 728,764 | 468,035 |
| | <u>865,696</u> | <u>634,210</u> |
| Assets | <u><u>1,175,311</u></u> | <u><u>1,094,915</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 | 450,000 | 300,000 |
| Retained earnings | 349,094 | 314,321 |
| Equity | <u>932,334</u> | <u>747,561</u> |
| Long-term liabilities and obligations | | |
| Debt to financial institutions | 25,600 | 51,200 |
| Debt to related parties | 21,400 | 42,800 |
| Deferred tax liability | 36,523 | 20,174 |
| | <u>83,523</u> | <u>114,174</u> |
| Current liabilities | | |
| Accounts payable | 49,827 | 108,156 |
| Next year's instalments on long-term debt | 47,000 | 82,271 |
| Unpaid tax | 29,849 | 22,295 |
| Other current liabilities | 32,778 | 20,458 |
| | <u>159,454</u> | <u>233,180</u> |
| Liabilities | <u>242,977</u> | <u>347,354</u> |
| Equity and liabilities | <u><u>1,175,311</u></u> | <u><u>1,094,915</u></u> |

Amounts are in ISK thousands

APPENDICES

Press releases from the Central Bank of Iceland 2013

| | | |
|-------|-------------------|---|
| No. 1 | 4 January 2013 | Central Bank temporarily suspends foreign currency purchases |
| – 2 | 5 February 2013 | Results of foreign currency auctions |
| – 3 | 6 February 2013 | Statement of the Monetary Policy Committee 6 February 2013 |
| – 4 | 12 February 2013 | Central Bank of Iceland to hold foreign currency auction |
| – 5 | 19 February 2013 | Central Bank conducts foreign exchange transaction |
| – 6 | 25 February 2013 | Sigríður Benediktsdóttir appointed to Danish Systemic Risk Council |
| – 7 | 4 March 2013 | Balance of payments in the fourth quarter of 2012 and the external position |
| – 8 | 18 March 2013 | Underlying external position and balance of payments |
| – 9 | 19 March 2013 | Results of foreign currency auctions |
| – 10 | 20 March 2013 | Statement of the Monetary Policy Committee 20 March 2013 |
| – 11 | 22 March 2013 | Central Bank of Iceland to hold foreign currency auction |
| – 13 | 16 April 2013 | Arnór Sighvatsson reappointed Deputy Governor |
| – 14 | 30 April 2013 | Results of foreign currency auction |
| – 15 | 7 May 2013 | Central Bank of Iceland to hold foreign currency auction |
| – 16 | 15 May 2013 | Statement of the Monetary Policy Committee 15 May 2013 |
| – 17 | 3 June 2013 | Balance of payments in the first quarter of 2013 and the external position |
| – 18 | 3 June 2013 | Underlying external position of the economy at the end of the first quarter of 2013 |
| – 19 | 11 June 2013 | Results of foreign currency auctions |
| – 20 | 12 June 2013 | Statement of the Monetary Policy Committee 12 June 2013 |
| – 21 | 12 June 2013 | Memorandum of understanding concerning the assets of Dromi |
| – 22 | 26 June 2013 | Bank for International Settlements Annual General Meeting |
| – 23 | 28 June 2013 | Central Bank of Iceland closes last vault outside Reykjavík |
| – 24 | 2 July 2013 | Auction calendar |
| – 25 | 23 July 2013 | Central Bank of Iceland to hold foreign currency auction |
| – 26 | 21 August 2013 | Statement of the Monetary Policy Committee 21 August 2013 |
| – 27 | 2 September 2013 | Balance of payments in the second quarter of 2013 and the external position |
| – 28 | 2 September 2013 | The underlying external position of the economy at the end of the second quarter of 2013 |
| – 29 | 3 September 2013 | Results of foreign currency auctions |
| – 30 | 4 September 2013 | Central Bank of Iceland to hold foreign currency auction |
| – 31 | 25 September 2013 | New 10,000 kr. banknote |
| – 32 | 30 September 2013 | The People's Bank of China and the Central Bank of Iceland have renewed their bilateral currency swap agreement |
| – 33 | 2 October 2013 | Statement of the Monetary Policy Committee |
| – 34 | 15 October 2013 | Results of foreign currency auctions |
| – 35 | 22 October 2013 | Central Bank of Iceland to hold foreign currency auction |
| – 36 | 6 November 2013 | Settlement of foreign exchange transactions with financial institutions |
| – 37 | 6 November 2013 | Statement of the Monetary Policy Committee 6 November 2013 |
| – 38 | 2 December 2013 | New liquidity rules for credit institutions |
| – 39 | 2 December 2013 | Balance of payments in the third quarter of 2013 and the external position |
| – 40 | 2 December 2013 | The underlying external position of the economy at the end of the third quarter of 2013 |
| – 41 | 3 December 2013 | Results of foreign currency auctions |
| – 42 | 11 December 2013 | Statement of the Monetary Policy Committee 11 December 2013 |
| – 43 | 16 December 2013 | Announcement on arrangements for the listing and sale of ESI assets |
| – 44 | 16 December 2013 | Announcement concerning planned sale of ESI assets |
| – 45 | 19 December 2013 | Central Bank of Iceland to hold foreign currency auction |
| – 46 | 23 December 2013 | Settlement of foreign exchange transactions with financial institutions |

- 47 30 December 2013 Financial interactions between the Central Bank of Iceland and the Treasury
- 48 31 December 2013 Drómi, ESI, and Arion Bank conclude settlement agreements - Drómi settles with Arion, which acquires Drómi's and Hilda's household loans
- 49 31 December 2013 Use of new 10,000 kr. banknote in 2013

Publications by the Central Bank of Iceland 2013

In Icelandic:

Ársskýrsla 2012.

Fjármálastöðugleiki 2013, two issues.

Peningamál 2013, four issues.

Hagvísar 2013, six issues.

Sérrit nr. 9: Undirliggjandi erlend staða og greiðslujöfnuður, March 2013.

Upplýsingarit nr. 1.2: Væntingakönnun markaðsaðila, November 2013.

In English:

Annual Report 2012.

Financial Stability 2013, two issues.

Monetary Bulletin 2013, four issues.

Economic Indicators 2013, six issues.

Special Publication No. 9: Iceland's underlying external position and balance of payments, March 2013.

Informational report nr. 1.2: Market expectations survey, November 2013.

Central Bank of Iceland Working Papers No. 60, The production and export structure of the Icelandic economy: An international comparison by Bjarni G. Einarsson, Guðjón Emilsson, Svava J. Haraldsdóttir, Ólafur Ö. Klemensson, Þórarinn G. Pétursson and Rósa B. Sveinsdóttir (January 2013).

Central Bank of Iceland Working Papers No. 61, Capital Investment and Equilibrium Unemployment by Jósef Sigurðsson (February 2013).

Central Bank of Iceland Working Papers No. 62, The Icelandic banking collapse: was the optimal policy path chosen? By Þorsteinn Þorgeirsson and Paul van den Noord (March 2013).

Central Bank of Iceland Working Papers No. 63, On our own? The Icelandic business cycle in an international context by Bjarni G. Einarsson, Guðjón Emilsson, Svava J. Haraldsdóttir, Þórarinn G. Pétursson and Rósa B. Sveinsdóttir (March 2013).

Central Bank of Iceland Working Papers No. 64, How „natural“ is the natural rate? Unemployment hysteresis in Iceland by Bjarni G. Einarsson and Jósef Sigurðsson (July 2013).

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

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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 ³ | 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. 3. Interest rates were unchanged from 14 November 2012 until the end of 2013.

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 | | |
| 1998 | 112.8 | | 96.2 | 96.7 | 95.7 | 93.8 | 1.8 | 93.8 | 4.6 |
| 1999 | 112.6 | 108.8 | 96.0 | 96.5 | 95.6 | 96.3 | 2.6 | 97.7 | 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 | 86.9 | -13.1 |
| 2002 | 131.4 | 125.7 | 112.0 | 111.7 | 112.0 | 91.7 | 5.1 | 89.8 | 3.3 |
| 2003 | 123.5 | 120.2 | 105.3 | 104.8 | 105.4 | 96.0 | 4.7 | 94.0 | 4.7 |
| 2004 | 121.0 | 118.9 | 103.1 | 102.4 | 103.5 | 98.1 | 2.2 | 90.6 | -3.6 |
| 2005 | 108.6 | 106.9 | 92.6 | 91.9 | 93.0 | 111.4 | 13.5 | 103.4 | 14.1 |
| 2006 | 121.3 | 119.5 | 103.4 | 102.6 | 104.0 | 104.2 | -6.4 | 100.7 | -2.7 |
| 2007 | 118.3 | 117.6 | 100.9 | 99.9 | 101.5 | 108.6 | 4.2 | 108.5 | 7.7 |
| 2008 | 166.4 | 166.8 | 141.9 | 140.9 | 142.4 | 85.5 | -21.2 | 82.1 | -24.3 |
| 2009 | 216.0 | 223.3 | 191.0 | 190.0 | 191.4 | 70.0 | -18.2 | 59.4 | -27.7 |
| 2010 | | 216.3 | 185.0 | 184.4 | 185.0 | 74.4 | 6.4 | 67.0 | 12.7 |
| 2011 | | 216.8 | 183.5 | 183.0 | 183.3 | 75.2 | 1.0 | 69.1 | 3.1 |
| 2012 | | 221.8 | 189.0 | 188.6 | 188.8 | 75.8 | 0.8 | 71.1 | 2.9 |
| 2013 | | 219.0 | 186.3 | 185.9 | 186.1 | 78.8 | 3.9 | 73.0 | 2.8 |

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

| | 2009 | | 2010 | | 2011 | | 2012 | | 2013 | |
|---------------|---------------|-------|---------------|-------|---------------|-------|---------------|-------|---------------|-------|
| | ISK thousands | % |
| <i>Notes:</i> | | | | | | | | | | |
| 10,000 kr. | | | | | | | | | 5,535,000 | 12.5 |
| 5,000 kr. | 22,445,000 | 84.1 | 31,402,500 | 87.4 | 35,558,500 | 87.3 | 37,138,500 | 87.3 | 33,311,000 | 75.3 |
| 2,000 kr. | 504,000 | 1.9 | 618,000 | 1.7 | 699,000 | 1.7 | 389,000 | 0.9 | 294,000 | 0.7 |
| 1,000 kr. | 2,776,000 | 10.4 | 2,896,500 | 8.1 | 3,366,500 | 8.3 | 3,826,000 | 9.0 | 3,927,000 | 8.9 |
| 500 kr. | 957,000 | 3.6 | 994,500 | 2.8 | 1,095,500 | 2.7 | 1,180,250 | 2.8 | 1,178,750 | 2.7 |
| Total | 26,682,000 | 100.0 | 35,911,500 | 100.0 | 40,719,500 | 100.0 | 42,533,750 | 100.0 | 44,245,750 | 100.0 |
| <i>Coin:</i> | | | | | | | | | | |
| 100 kr. | 1,318,600 | 57.9 | 1,359,600 | 57.7 | 1,435,600 | 57.8 | 1,519,600 | 58.3 | 1,624,600 | 58.7 |
| 50 kr. | 392,390 | 17.2 | 412,390 | 17.5 | 436,390 | 17.6 | 453,890 | 17.4 | 482,890 | 17.4 |
| 10 kr. | 377,620 | 16.6 | 392,920 | 16.7 | 413,720 | 16.6 | 429,320 | 16.5 | 450,120 | 16.3 |
| 5 kr. | 95,434 | 4.2 | 97,934 | 4.2 | 100,934 | 4.1 | 103,434 | 4.0 | 107,434 | 3.9 |
| 1 kr. | 91,634 | 4.0 | 95,134 | 4.0 | 98,502 | 4.0 | 102,054 | 3.9 | 104,714 | 3.8 |
| Total | 2,275,678 | 100.0 | 2,357,978 | 100.0 | 2,485,146 | 100.0 | 2,608,298 | 100.0 | 2,769,758 | 100.0 |

Table 4 Summary of the accounts of deposit money banks¹

| <i>M.kr. at year-end</i> | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <i>Assets:</i> | | | | | | | |
| Domestic assets, total | 4,977,887 | 3,553,638 | 2,669,001 | 2,479,284 | 2,577,455 | 2,583,132 | 2,623,577 |
| Cash and cash balances with Central Bank | 163,798 | 206,586 | 132,705 | 117,766 | 121,303 | 159,955 | 184,092 |
| Receivables on domestic institutions | 209,168 | 131,224 | 104,875 | 27,960 | 15,571 | 11,659 | 7,605 |
| Domestic credit | 3,827,402 | 2,194,381 | 2,100,844 | 2,068,280 | 2,174,111 | 2,181,084 | 2,202,848 |
| Lending ² | 3,148,054 | 1,933,727 | 1,652,721 | 1,676,648 | 1,761,938 | 1,778,431 | 1,858,781 |
| Redeemed liabilities | 134 | 894 | 2,090 | 2,016 | 531 | 270 | 176 |
| Overdrafts | 214,527 | 139,331 | 145,122 | 149,462 | 152,939 | 164,152 | 175,969 |
| Bills | 11,248 | 35,973 | 1,772 | 840 | 386 | 186 | 116 |
| Nominal bonds | 517,150 | 198,815 | 250,696 | 331,278 | 547,619 | 576,316 | 648,622 |
| Indexed bonds | 844,956 | 534,939 | 511,864 | 531,305 | 701,849 | 754,449 | 791,515 |
| Foreign currency-linked bonds | 1,518,618 | 1,302,065 | 974,854 | 866,281 | 466,220 | 404,830 | 326,458 |
| Foreign currency-linked overdrafts | 41,421 | 59,169 | 31,684 | 31,909 | 26,209 | 19,023 | 19,550 |
| Provisions | ... | -337,458 | -265,360 | -236,442 | -133,816 | -140,795 | -103,624 |
| Leasing contracts | 38,126 | 30,374 | 26,291 | 27,637 | 30,388 | 33,548 | 34,665 |
| Debt instruments | 388,628 | 187,816 | 410,690 | 353,616 | 345,054 | 333,885 | 266,844 |
| Treasury bills | 3,401 | 1,764 | 2,647 | 731 | 0 | 0 | 197 |
| Equities | 252,593 | 42,464 | 11,142 | 10,379 | 36,731 | 35,219 | 42,558 |
| Derivatives | 266,126 | 90,461 | 14,078 | 1,508 | 1,245 | 1,066 | 2,390 |
| Share in associates | 23,352 | 11,487 | 12,868 | 8,324 | 14,575 | 13,817 | 24,255 |
| Share in affiliated undertakings | 188,610 | 213,816 | 106,606 | 92,566 | 118,830 | 124,419 | 112,321 |
| Other assets | 299,431 | 705,683 | 197,025 | 162,880 | 131,820 | 91,132 | 90,067 |
| Foreign assets, total ³ | 4,721,174 | 630,592 | 287,161 | 284,134 | 358,326 | 376,612 | 450,387 |
| Foreign credit and equities | 2,867,835 | 399,904 | 136,662 | 133,893 | 183,755 | 191,714 | 266,851 |
| Foreign lending | 1,996,874 | 329,293 | 92,502 | 87,229 | 98,849 | 103,051 | 102,346 |
| Marketable bonds and bills | 576,504 | 28,786 | 40,134 | 43,350 | 81,593 | 83,331 | 163,054 |
| Equities | 294,457 | 41,825 | 4,026 | 3,314 | 3,313 | 5,332 | 1,451 |
| Foreign receivables | 788,952 | 25,131 | 68,730 | 87,921 | 102,800 | 73,231 | 94,099 |
| Derivatives | 134,180 | 1,524 | 962 | 23 | 315 | 1,227 | 864 |
| Share in associates | 76,560 | 0 | 0 | 1,367 | 0 | 3,945 | 0 |
| Share in affiliated undertakings | 560,542 | 138,744 | 25,523 | 2,528 | 1,726 | 1,914 | 1,340 |
| Other assets | 293,106 | 65,289 | 55,285 | 58,401 | 69,729 | 104,580 | 87,232 |
| Assets, total | 9,699,061 | 4,184,230 | 2,956,162 | 2,763,418 | 2,935,781 | 2,959,743 | 3,073,964 |
| <i>Liabilities:</i> | | | | | | | |
| Domestic liabilities, total | 2,552,524 | 3,083,620 | 2,334,955 | 2,137,733 | 2,334,431 | 2,329,676 | 2,376,207 |
| Central Bank facilities | 281,360 | 358,916 | 12,997 | 41,844 | 0 | 12,508 | 0 |
| Deposits of residents, total | 1,217,856 | 1,604,159 | 1,580,825 | 1,412,306 | 1,533,803 | 1,489,172 | 1,552,036 |
| Current accounts | 351,059 | 492,711 | 450,351 | 430,042 | 436,730 | 385,894 | 386,688 |
| Current accounts in foreign currency | 47,310 | 29,540 | 37,837 | 40,969 | 30,002 | 42,363 | 58,709 |
| Money market rate accounts | 173,076 | 109,537 | 190,901 | 119,053 | 110,023 | 101,575 | 121,725 |
| Sight deposits | 111,144 | 372,798 | 360,044 | 341,679 | 321,398 | 290,977 | 283,048 |
| Indexed deposits | 114,572 | 255,554 | 227,133 | 213,420 | 223,018 | 219,437 | 210,213 |
| Holiday pay accounts | 6,809 | 7,492 | 6,745 | 6,733 | 7,462 | 7,922 | 8,446 |
| Supplementary pension deposits | 36,850 | 62,302 | 74,057 | 80,769 | 86,327 | 89,010 | 93,750 |
| Other time deposits | 250,592 | 106,928 | 95,966 | 93,446 | 141,653 | 198,268 | 221,211 |
| Foreign currency accounts | 126,444 | 167,298 | 137,792 | 86,195 | 177,190 | 153,726 | 168,245 |
| Deposits from credit institutions | 110,570 | 171,038 | 172,741 | 144,117 | 66,198 | 70,418 | 133,815 |
| Bond issue | 409,489 | 87,238 | 19,643 | 4,596 | 131,533 | 150,962 | 175,207 |
| Subordinated loans | 39,991 | 31,066 | 33,208 | 48,846 | 55,358 | 58,966 | 55,022 |
| Direct borrowing | 234,257 | 552,492 | 434,162 | 404,194 | 450,992 | 418,802 | 334,646 |
| Derivatives | 51,154 | 5,520 | 2,251 | 1,267 | 5,363 | 8,017 | 3,098 |
| Other liabilities ³ | 207,847 | 273,191 | 79,128 | 80,563 | 91,183 | 120,831 | 122,383 |
| Foreign liabilities, total | 6,224,485 | 731,539 | 311,467 | 210,568 | 156,425 | 121,549 | 146,129 |
| Deposits from foreign credit institutions | 388,858 | 203,429 | 180,259 | 160,489 | 107,438 | 63,451 | 57,966 |
| Deposits from foreign parties, other than credit institutions | 1,297,271 | 103,706 | 80,729 | 45,850 | 44,205 | 57,786 | 67,362 |

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

| M.kr. at year-end | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Derivatives | 125,841 | 11,564 | 0 | 807 | 1,692 | 142 | 128 |
| Bond issue | 2,496,270 | 0 | 0 | 0 | 0 | 0 | 18,294 |
| Subordinated loans | 418,388 | 17,046 | 0 | 0 | 0 | 0 | 0 |
| Direct borrowing | 1,493,533 | 395,787 | 50,340 | 2,961 | 3,090 | 0 | 2,202 |
| Other foreign liabilities | 4,325 | 8 | 140 | 462 | 0 | 170 | 177 |
| Total equity and minority interest | 922,051 | 369,070 | 309,740 | 415,117 | 444,925 | 508,519 | 551,627 |
| Total liabilities and equity | 9,699,061 | 4,184,230 | 2,956,162 | 2,763,418 | 2,935,781 | 2,959,743 | 3,073,964 |

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 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Foreign assets, total ² | 4,884,759 | 1,060,082 | 772,292 | 950,570 | 1,405,795 | 916,558 | 938,011 |
| Foreign credit and equities | 3,006,157 | 619,363 | 375,267 | 358,529 | 459,558 | 605,294 | 704,788 |
| Other foreign assets | 1,878,602 | 440,720 | 397,025 | 592,041 | 946,237 | 311,264 | 233,223 |
| Foreign liabilities, total ² | 6,226,198 | 973,521 | 515,456 | 490,781 | 556,212 | 315,197 | 318,482 |
| Foreign bond issue | 2,496,270 | 0 | 0 | 0 | 0 | 0 | 18,294 |
| Other foreign liabilities | 3,729,928 | 973,521 | 515,456 | 490,781 | 556,212 | 315,197 | 300,188 |
| Domestic assets, total | 4,855,562 | 3,571,505 | 3,195,101 | 2,927,099 | 2,995,865 | 2,944,978 | 2,950,789 |
| Domestic credit ³ | 3,877,504 | 2,480,809 | 2,269,375 | 2,241,808 | 2,369,138 | 2,369,260 | 2,385,160 |
| Treasury and Government institutions | 6,610 | 273,890 | 168,440 | 173,383 | 194,197 | 188,434 | 181,395 |
| Municipalities | 11,645 | 11,019 | 11,067 | 18,857 | 16,971 | 14,945 | 12,257 |
| Non-bank financial companies | 131,126 | 34,618 | 14,330 | 12,549 | 142,280 | 144,179 | 138,385 |
| Companies | 1,316,380 | 1,245,311 | 1,162,071 | 1,128,607 | 1,038,041 | 1,040,562 | 1,001,133 |
| Households | 836,672 | 593,789 | 527,238 | 545,529 | 535,928 | 607,084 | 694,124 |
| Holding companies | 928,020 | 425,824 | 226,200 | 231,157 | 186,978 | 141,465 | 149,240 |
| Other | 647,051 | 233,815 | 425,390 | 368,168 | 388,558 | 373,386 | 312,250 |
| Provisions | 0 | -337,458 | -265,360 | -236,442 | -133,816 | -140,795 | -103,624 |
| Derivatives | 266,126 | 90,461 | 14,078 | 1,508 | 1,245 | 1,066 | 2,390 |
| Share in associates | 23,352 | 11,487 | 12,868 | 8,324 | 14,575 | 13,817 | 24,255 |
| Share in affiliated undertakings | 188,610 | 213,816 | 106,606 | 92,566 | 118,830 | 124,419 | 112,321 |
| Other domestic assets | 499,970 | 774,932 | 792,175 | 582,892 | 492,078 | 436,416 | 426,663 |
| Bond money and bonds (M4) | 1,640,954 | 1,713,390 | 1,628,236 | 1,453,563 | 1,706,759 | 1,683,001 | 1,770,98 |
| Domestic bond issue | 409,489 | 87,238 | 19,643 | 4,596 | 131,533 | 150,962 | 175,207 |
| Broad money (M3) | 1,231,465 | 1,626,153 | 1,608,593 | 1,448,967 | 1,575,226 | 1,532,038 | 1,595,774 |
| Time deposits | 583,079 | 543,454 | 596,845 | 523,433 | 570,516 | 618,216 | 657,467 |
| Money and sight deposits (M2) | 648,385 | 1,082,699 | 1,011,747 | 925,533 | 1,004,710 | 913,822 | 938,307 |
| Sight deposits | 237,588 | 540,097 | 497,835 | 427,874 | 498,588 | 444,703 | 451,293 |
| Money supply (M1) | 410,797 | 542,602 | 513,912 | 497,659 | 506,122 | 469,119 | 487,014 |
| Demand deposits | 398,369 | 522,250 | 488,187 | 462,994 | 466,731 | 428,257 | 445,397 |
| Banknotes and coin in circulation | 12,429 | 20,352 | 25,725 | 34,666 | 39,391 | 40,862 | 41,617 |
| Other domestic borrowing | 4,148 | 402,633 | 396,621 | 394,882 | 446,284 | 415,347 | 333,128 |

1. The latest data are preliminary. The data represents only DMBs that are operating at any given time. 2. Foreign party means that the counterpart 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 2013 | 4.50 | 6.75 | 3.75 | 13.00 |
| 1 February 2013 | 4.50 | 6.75 | 3.75 | 13.00 |
| 1 March 2013 | 4.50 | 6.75 | 3.50 | 13.00 |
| 1 April 2013 | 4.50 | 6.75 | 3.50 | 13.00 |
| 1 May 2013 | 4.50 | 6.75 | 3.50 | 13.00 |
| 1 June 2013 | 4.50 | 6.75 | 3.50 | 13.00 |
| 1 July 2013 | 4.50 | 6.75 | 3.50 | 13.00 |
| 1 August 2013 | 4.50 | 6.75 | 3.50 | 13.00 |
| 1 September 2013 | 4.50 | 6.75 | 3.50 | 13.00 |
| 1 October 2013 | 4.50 | 6.75 | 3.50 | 13.00 |
| 1 November 2013 | 4.50 | 6.75 | 3.50 | 13.00 |
| 1 December 2013 | 4.50 | 6.75 | 3.50 | 13.00 |
| Average 2013 | 4.50 | 6.75 | 3.55 | 13.00 |
| Average 2012 | 3.95 | 5.92 | 3.78 | 12.38 |

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> | |
| 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 |
| 2013 | 13.2 | 9.2 | 11.5 | 7.5 | 13.0 | 9.0 | 3.7 |

1. Weighted average of DMBs' interest rates on general non-indexed bonds from 2002 to 2009. Two payment dates per year are assumed. Simple average of interest rates from 2010 to 2013. 2. Weighted average of DMBs' interest rates on new indexed loans. Simple average of interest rates from 2010 to 2013. 3. Between January values.

Table 9 Balance Sheet of the Central Bank of Iceland¹

| M.kr. | Year-end | | | | | |
|---|----------------|------------------|------------------|------------------|------------------|------------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Assets: | 476,859 | 1,187,460 | 1,178,082 | 1,328,240 | 1,585,775 | 1,074,954 |
| <i>Foreign assets</i> | 163,585 | 429,491 | 485,131 | 666,436 | 1,047,469 | 539,947 |
| Gold | 3,305 | 6,653 | 8,664 | 10,426 | 12,249 | 13,757 |
| SDR | 11 | 53 | 18,161 | 13,079 | 87,295 | 1,767 |
| Currency balance with the IMF | 1,823 | 3,462 | 3,649 | 3,322 | 3,525 | 3,710 |
| Foreign deposits | 19,338 | 207,257 | 222,894 | 420,098 | 672,144 | 113,242 |
| Foreign securities | 138,322 | 211,855 | 231,574 | 217,821 | 272,072 | 407,286 |
| Other reserve assets | ... | ... | ... | ... | ... | ... |
| Other foreign assets | 787 | 211 | 190 | 1,690 | 184 | 184 |
| Counterpart to IMF deposits | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>Domestic assets</i> | 313,273 | 757,969 | 692,952 | 661,804 | 538,306 | 535,007 |
| <i>Deposit money banks</i> | 258,165 | 466,540 | 28,869 | 90,037 | 4,312 | 17,792 |
| Other claims | 0 | 231,024 | 6,722 | 0 | 0 | 0 |
| Collateralised loans | 258,165 | 72,352 | 9,249 | 40,825 | 0 | 12,346 |
| Overnight loans | 0 | 37,982 | 1,700 | 995 | 0 | 0 |
| Other claims in foreign currency | 0 | 125,181 | 11,197 | 48,217 | 4,312 | 5,446 |
| <i>Other financial institutions</i> | 50,102 | 16,423 | 3,133 | 3,004 | 3,122 | 3,050 |
| Listed securities | 1,447 | 2,757 | 3,133 | 3,004 | 3,122 | 3,050 |
| Collateralised loans | 44,554 | 13,666 | 0 | 0 | 0 | 0 |
| Overnight loans | 4,102 | 0 | 0 | 0 | 0 | 0 |
| <i>Central Government</i> | 0 | 270,005 | 165,398 | 170,525 | 191,905 | 185,126 |
| Listed securities | 0 | 0 | 0 | 0 | 18,582 | 13,965 |
| Bonds receivable | 0 | 270,005 | 165,398 | 170,525 | 173,323 | 171,161 |
| <i>Other sectors</i> | 131 | 117 | 490,665 | 391,617 | 334,320 | 324,423 |
| Sundry accounts | 55 | 117 | 0 | 93 | 5,037 | 10,911 |
| Securities | 76 | 0 | 490,665 | 391,524 | 329,283 | 313,512 |
| <i>Properties</i> | 4,520 | 4,470 | 4,420 | 4,370 | 4,320 | 4,270 |
| <i>Other assets</i> | 356 | 413 | 467 | 2,252 | 327 | 344 |
| Liabilities and capital: | 476,859 | 1,187,460 | 1,178,082 | 1,328,240 | 1,585,775 | 1,074,954 |
| <i>Foreign liabilities</i> | 1,712 | 267,842 | 203,989 | 280,213 | 399,787 | 193,648 |
| Short-term | 100 | 160,262 | 36,752 | 67,004 | 37,043 | 35,942 |
| Long-term | 0 | 104,521 | 145,266 | 193,238 | 341,604 | 135,492 |
| IMF SDR allocation | 1,613 | 3,058 | 21,970 | 19,971 | 21,141 | 22,214 |
| IMF deposits | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>Domestic liabilities</i> | 384,143 | 837,240 | 891,215 | 978,648 | 1,102,211 | 783,206 |
| <i>Banknotes and coin</i> | 15,735 | 24,436 | 28,958 | 38,269 | 43,205 | 45,142 |
| <i>Deposit money banks</i> | 152,112 | 378,743 | 152,664 | 170,537 | 118,114 | 158,377 |
| Sight deposits | 152,112 | 90,618 | 87,607 | 55,660 | 31,286 | 53,215 |
| Time deposits | 0 | 0 | 6,657 | 0 | 0 | 0 |
| Certificates of deposit | 0 | 167,600 | 29,702 | 60,957 | 70,015 | 100,658 |
| Other claims | 0 | 16,519 | 9,409 | 47,903 | 0 | 0 |
| Sight deposits in foreign currency | 0 | 104,005 | 19,290 | 6,017 | 16,813 | 4,504 |
| <i>Other financial institutions</i> | 1,425 | 22,008 | 245,418 | 316,915 | 358,224 | 42,334 |
| Sight deposits | 1,425 | 4,415 | 35,412 | 36,916 | 13,898 | 14,887 |
| Time deposits | 0 | 0 | 669 | 0 | 0 | 0 |
| Certificates of deposit | 0 | 9,827 | 0 | 4,505 | 8,511 | 4,716 |
| Sight deposits in foreign currency | 0 | 7,766 | 56,196 | 22,515 | 157,557 | 13,832 |
| Time deposits in foreign currency | 0 | 0 | 153,142 | 252,979 | 178,258 | 8,899 |
| <i>Central Government</i> | 211,177 | 403,246 | 446,668 | 424,648 | 528,816 | 489,189 |
| Treasury current accounts | 93,971 | 168,723 | 166,050 | 130,050 | 143,851 | 141,052 |
| Government institutions, current accounts | 536 | 895 | 282 | 1,427 | 1,111 | 1,068 |
| Treasury sight deposits in foreign currency | 89,855 | 2,376 | 49,129 | 175,842 | 376,466 | 338,491 |
| Treasury time deposits in foreign currency | 0 | 169,404 | 179,998 | 106,328 | 7,388 | 8,578 |
| Time deposits | 26,815 | 61,849 | 51,210 | 11,000 | 0 | 0 |
| <i>Other liabilities</i> | 3,694 | 8,807 | 17,507 | 28,279 | 53,852 | 48,163 |
| <i>Capital and reserves</i> | 91,003 | 82,378 | 82,878 | 69,379 | 83,777 | 98,100 |

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

End of month 2013

| January | February | March | April | May | June | July | August | Sept. | Oct. | Nov. | Dec. |
|-----------|-----------|-----------|---------|-----------|---------|---------|---------|---------|---------|-----------|-----------|
| 1,053,720 | 1,036,049 | 1,027,399 | 997,695 | 1,004,640 | 994,093 | 981,356 | 978,207 | 988,439 | 994,589 | 1,007,652 | 1,003,777 |
| 532,481 | 514,813 | 505,454 | 480,101 | 487,139 | 486,487 | 474,677 | 472,005 | 478,365 | 484,407 | 496,756 | 487,624 |
| 13,451 | 12,679 | 12,701 | 11,020 | 10,867 | 9,708 | 10,081 | 10,668 | 10,263 | 10,159 | 9,560 | 8,817 |
| 1,745 | 1,202 | 1,177 | 1,114 | 712 | 718 | 1,872 | 1,430 | 1,463 | 1,459 | 986 | 953 |
| 3,663 | 3,572 | 3,499 | 3,311 | 3,450 | 3,478 | 3,385 | 3,406 | 3,483 | 3,474 | 3,443 | 3,326 |
| 89,485 | 72,555 | 62,475 | 52,523 | 45,244 | 50,206 | 48,217 | 49,491 | 47,209 | 50,862 | 71,837 | 42,578 |
| 423,495 | 424,421 | 425,264 | 411,879 | 426,348 | 421,942 | 410,939 | 406,825 | 415,762 | 418,212 | 410,725 | 431,765 |
| 459 | 199 | 153 | 70 | 334 | 251 | 0 | 0 | 0 | 57 | 20 | 0 |
| 184 | 184 | 184 | 184 | 184 | 184 | 184 | 184 | 184 | 184 | 184 | 184 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 521,239 | 521,237 | 521,945 | 517,595 | 517,501 | 507,606 | 506,679 | 506,203 | 510,074 | 510,182 | 510,896 | 516,153 |
| 4,363 | 3,551 | 2,555 | 502 | 888 | 1,499 | 525 | 372 | 1,297 | 1,118 | 1,711 | 53,327 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4,363 | 3,551 | 2,555 | 502 | 888 | 1,499 | 525 | 372 | 1,297 | 1,118 | 1,711 | 53,327 |
| 3,022 | 2,944 | 3,114 | 2,874 | 2,912 | 2,913 | 2,951 | 2,863 | 2,863 | 2,787 | 2,782 | 2,782 |
| 3,022 | 2,944 | 3,114 | 2,874 | 2,912 | 2,913 | 2,951 | 2,863 | 2,863 | 2,787 | 2,782 | 2,782 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 184,560 | 185,451 | 188,702 | 188,408 | 182,290 | 182,399 | 182,621 | 182,498 | 183,504 | 183,274 | 183,544 | 179,531 |
| 14,114 | 14,216 | 14,283 | 14,377 | 7,546 | 7,372 | 7,418 | 7,388 | 7,418 | 7,323 | 7,219 | 7,192 |
| 170,445 | 171,235 | 174,419 | 174,031 | 174,744 | 175,028 | 175,202 | 175,110 | 176,086 | 175,951 | 176,325 | 172,339 |
| 324,674 | 324,672 | 322,952 | 321,184 | 326,776 | 316,189 | 315,963 | 315,845 | 317,807 | 318,388 | 318,236 | 275,912 |
| 11,066 | 12,704 | 11,127 | 11,213 | 14,333 | 11,160 | 11,227 | 10,856 | 10,479 | 10,325 | 10,464 | 25,415 |
| 313,609 | 311,968 | 311,825 | 309,971 | 312,443 | 305,029 | 304,736 | 304,989 | 307,328 | 308,063 | 307,772 | 250,498 |
| 4,270 | 4,270 | 4,270 | 4,272 | 4,274 | 4,250 | 4,250 | 4,250 | 4,237 | 4,237 | 4,237 | 4,226 |
| 349 | 349 | 351 | 354 | 362 | 357 | 369 | 374 | 366 | 378 | 386 | 374 |
| 1,053,720 | 1,036,049 | 1,027,399 | 997,695 | 1,004,640 | 994,093 | 981,356 | 978,207 | 988,439 | 994,589 | 1,007,652 | 1,003,777 |
| 193,381 | 190,188 | 186,182 | 176,868 | 185,674 | 185,303 | 180,396 | 180,779 | 183,160 | 183,673 | 181,578 | 172,353 |
| 36,599 | 38,131 | 37,705 | 35,749 | 38,821 | 37,194 | 35,768 | 35,549 | 34,442 | 34,830 | 34,337 | 29,845 |
| 134,852 | 130,681 | 127,539 | 121,310 | 126,215 | 127,301 | 124,377 | 124,855 | 127,882 | 128,062 | 126,648 | 122,610 |
| 21,930 | 21,376 | 20,938 | 19,809 | 20,638 | 20,807 | 20,251 | 20,375 | 20,835 | 20,780 | 20,593 | 19,898 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 766,458 | 752,664 | 745,346 | 729,488 | 728,556 | 722,824 | 714,591 | 713,116 | 718,722 | 723,307 | 740,194 | 741,617 |
| 43,034 | 42,701 | 43,048 | 42,607 | 42,824 | 44,136 | 44,766 | 44,871 | 43,967 | 43,977 | 44,074 | 47,016 |
| 144,688 | 125,027 | 132,444 | 130,248 | 175,338 | 173,411 | 171,343 | 158,472 | 171,706 | 147,873 | 183,161 | 185,662 |
| 39,812 | 25,979 | 41,852 | 27,408 | 32,986 | 39,108 | 33,210 | 24,851 | 29,846 | 31,611 | 30,330 | 51,643 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 99,089 | 93,485 | 80,873 | 92,332 | 132,617 | 126,250 | 131,119 | 129,925 | 138,281 | 108,377 | 145,028 | 126,689 |
| 0 | 0 | 0 | 1,139 | 0 | 0 | 288 | 117 | 0 | 0 | 0 | 77 |
| 5,788 | 5,562 | 9,719 | 9,369 | 9,735 | 8,052 | 6,725 | 3,579 | 3,579 | 7,885 | 7,803 | 7,253 |
| 49,230 | 46,890 | 44,737 | 38,959 | 47,648 | 49,358 | 52,644 | 51,933 | 46,929 | 42,466 | 49,999 | 48,020 |
| 20,688 | 19,987 | 18,809 | 13,964 | 21,421 | 21,973 | 27,102 | 23,093 | 20,134 | 15,100 | 20,032 | 18,273 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5,911 | 5,011 | 4,412 | 4,419 | 4,155 | 4,107 | 2,453 | 5,518 | 2,660 | 3,256 | 5,962 | 6,420 |
| 13,960 | 13,445 | 13,160 | 12,644 | 13,821 | 14,362 | 14,474 | 14,593 | 14,648 | 14,619 | 14,501 | 14,133 |
| 8,672 | 8,447 | 8,357 | 7,932 | 8,251 | 8,915 | 8,615 | 8,729 | 9,487 | 9,492 | 9,504 | 9,194 |
| 477,556 | 486,722 | 473,961 | 464,445 | 412,355 | 411,371 | 406,233 | 413,813 | 412,739 | 441,226 | 411,161 | 404,706 |
| 131,966 | 147,957 | 144,017 | 152,073 | 85,311 | 81,657 | 85,072 | 91,390 | 84,396 | 111,618 | 84,302 | 88,022 |
| 1,407 | 564 | 780 | 1,025 | 1,168 | 1,313 | 1,848 | 1,620 | 1,770 | 2,304 | 2,008 | 2,157 |
| 335,682 | 329,935 | 321,177 | 303,591 | 318,008 | 320,511 | 311,354 | 312,820 | 318,353 | 319,250 | 316,898 | 306,636 |
| 8,501 | 8,266 | 7,987 | 7,756 | 7,869 | 7,891 | 7,959 | 7,983 | 8,220 | 8,055 | 7,954 | 7,891 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 51,949 | 51,324 | 51,155 | 53,230 | 50,391 | 44,549 | 39,605 | 44,028 | 43,382 | 47,765 | 51,798 | 56,213 |
| 93,881 | 93,198 | 95,871 | 91,339 | 90,410 | 85,966 | 86,369 | 84,312 | 86,556 | 87,609 | 85,880 | 89,807 |

