

1. General

Name

Banking system accounts

Supervisor of statistics

Central Bank of Iceland, IT & Statistics

Purpose

Data are collected for the purpose of monitoring developments in the banking system. They are used for general statistical reporting and are also part of domestic credit market accounting and financial accounts. In addition, the Central Bank uses the data in its operations.

Sources

Banking system accounts are prepared from monthly balance sheets submitted by commercial banks, savings banks and the Central Bank. Postgiro was classified with deposit-taking corporations until its abolition in June 2004 and credit cooperatives until June 2017.

Statutory authority

Data collection is carried out on the basis of [Article 32 of the Act on the Central Bank of Iceland, no. 92/2019](#). In accordance with Article 41 the Central Bank is authorised to exchange information with public entities concerning matters falling under the scope of this Act if the exchange of information is consistent with the legally mandated role of the Central Bank or the recipient.

2. Methodology

The methodology used by the Central Bank in statistical reporting on the domestic banking system is based on the International Monetary Fund (IMF) standards for monetary and financial statistics, the Monetary and Financial Statistics Manual (MFSM). Also consulted are the international standards for national accounts, [SNA2008](#), and the European standards, [ESA2010](#).

Valuation of assets and liabilities

Assets and liabilities are assessed at market value/fair value or nominal value with accrued interest and indexation.

Series	Valuation
Banknotes and coins	Nominal value
Deposits	Nominal value (with accrued interest and indexation)
Marketable bonds	Market value or fair value
Loan	Nominal value (with accrued interest and indexation)
Equities and investment fund unit shares	Market value or fair value (assets); nominal value (liabilities)
Insurance and pension obligations	Market value or fair value, except prepayments of insurance premiums, which are at nominal value
Derivatives and purchase options	Market value or fair value
Accounts receivable / payable	Nominal value with accrued interest

Concepts and definitions

The **banking system** consists of the Central Bank and deposit-taking corporations. Deposit-taking corporations have permission to accept funds for deposit. They operate in accordance with [the Act on Financial Undertakings, no.161/2002](#). The Central Bank operates on the basis of [the Act on the Central Bank of Iceland, no. 92/2019](#).

Domestic assets are equal to the sum of all assets that deposit-taking corporations and the Central Bank own with resident entities, net of assets and liabilities between deposit-taking corporations and the Central Bank.

According to the definition in [the Foreign Exchange Act, no 87/1992](#), a **resident** is any individual permanently resident in Iceland in accordance with the provisions of the Act on Legal Domicile, irrespective of nationality. The same shall apply to an Icelandic national (and his dependants residing abroad) who is employed abroad by the Icelandic State with an embassy, permanent delegation, or consulate, and who accepts remuneration from the Icelandic Treasury, or is employed by an international organisation to which Iceland is party. The term resident also refers to any legal entity registered as legally domiciled in Iceland, stated to be resident in Iceland in its articles of association, or in effect managed in Iceland. Icelandic branches of legal entities domiciled outside Iceland are regarded as residents.

Non-residents are all those not falling under the above definition of a resident.

Domestic lending and marketable securities are loans granted by the Central Bank and deposit-taking corporations to resident entities; asset financing agreements between deposit-taking corporations and resident entities; and Treasury bills, marketable bonds, equity securities, and unit shares issued by resident entities and owned by the Central bank and deposit-taking corporations.

- **Marketable securities** are transferable securities (bonds, equities or mutual fund units) offered for sale to individuals and/or legal entities in an offering in which all the main features of the instruments in each class are the same, including the name of the issuer (debtor), first interest date, and provisions concerning prepayment, interest rate, and calling, as appropriate. Examples of marketable securities are Treasury

savings bonds, Treasury bonds, Treasury bills, Housing Bonds, Housing Authority Bonds, Housing Financing Fund (HFF) bonds, and equities listed on the Nasdaq Iceland Exchange.

- Marketable bonds are transferable bonds offered for sale to individuals and/or legal entities in an offering in which all the main features of the instruments in each class are the same, including the name of the issuer (debtor), first interest date, and provisions concerning prepayment, interest rate, and calling, as appropriate. Marketable bonds can be indexed (i.e., their principal changes in accordance with a specified index value), non-indexed (nominal), or foreign-denominated. Marketable bills also fall into this category.
- Equity securities are a shareholder's claim on a given shareholding in a public limited company. The undertaking issues a document (share certificate) confirming that the owner of the certificate (shareholder) holds a share in the company's assets and annual profit. Equity securities are generally negotiable instruments; i.e., they may be bought and sold as is specified in the company's Articles of Association.
- Unit shares are financial instruments that confirm the right of all persons with a holding in a fund for collective investment, or individual division of it, to the fund's securities assets. All owners of unit shares shall have the same right to the fund's income and assets, or those of the division concerned, in proportion to their share of total issued unit share certificates.
- **Loans** are financial assets with fixed, calculable payments that are not listed on an active market and are generally not traded in the secondary market. Loans in banking system accounts are net of write-downs. Write-downs are precautionary entries made by lenders in connection with recoveries on loans. When the FME took over Iceland's three large commercial banks in October 2008, only a portion of their loan portfolios were transferred to the new banks established on the foundations of the old ones.

Other domestic assets are deposit-taking corporations' assets with resident entities, other than loans and marketable securities. These include assets such as derivatives, banknotes and coins, affiliates and subsidiaries, real estate, liquid assets, and accounts receivable. Assets and

liabilities between deposit-taking corporations and the Central Bank are netted out in this item.

Foreign assets are equal to the sum of all foreign assets held by deposit-taking corporations and the Central Bank.

The Central Bank's foreign securities are marketable securities issued by non-resident entities and owned by the Central Bank.

Deposit-taking corporations' foreign lending and marketable securities includes loans to non-residents and marketable securities issued by non-residents and owned by deposit-taking corporations.

Other foreign assets are claims, other than bonds and other securities, that deposit-taking corporations have against foreign credit institutions, and foreign banknotes and coins.

Domestic liabilities are deposit-taking corporations' domestic debt to entities other than the Central Bank and the Central Bank's domestic debt to entities other than deposit-taking corporations.

The money supply compilations include the deposits of all entities other than the Central Bank, deposit-taking institutions, the Treasury, and non-residents.

Money supply (M1) is the total of banknotes and coins in circulation and the current account deposits.¹

- **Current account balances** are deposits that can be used for payment to a third party via debit card, cheque, or other direct payment mechanism. They can be denominated in Icelandic krónur or foreign currencies.
- **Banknotes and coins in circulation** consists of banknotes and coins circulated outside deposit-taking corporations and the Central Bank.

The money stock and general savings (M2) is the sum of M1 and general savings account balances.¹

¹ The money supply compilations include the deposits of all entities other than the Central Bank, deposit-taking institutions, the Treasury, and non-residents.

- **General saving account balances** includes deposits that are not tied or subject to restrictions on access to them. They can be denominated in Icelandic krónur or foreign currencies.

The money stock and savings (M3) is the sum of M2 and term deposits.¹

- **Term deposits** are deposits to which access is restricted for a short or long period of time and which depositors cannot withdraw whenever they choose. They can be denominated in Icelandic krónur or foreign currencies.

Deposit-taking corporations' securities issuance consists of bonds and bills issued by deposit-taking corporations for procurement of funding in the domestic financial market.

Other liabilities are debts to resident entities other than securities issuance and deposits in the money stock. This includes Treasury deposits, deposit-taking corporations' deposits, loans from resident entities such as credit institutions and pension funds, and loans between deposit-taking corporations (including subordinated loans). Deposit-taking corporations' debt to the Central Bank is not included, as it is netted out against their assets with the Central Bank under the item "other domestic assets".

Foreign liabilities include the foreign debt of deposit-taking corporations and the Central Bank. Included in deposit-taking corporations' foreign liabilities are direct foreign borrowings, securities issuance abroad, and deposits owned by non-residents and held in Icelandic banks.

Non-residents' deposits in deposit-taking corporations are deposits that non-resident entities own in domestic commercial and savings banks.

Deposit-taking corporations' foreign securities issuance consists of bonds and bills issued by deposit-taking corporations for procurement of funding in the foreign financial market.

Other foreign liabilities are borrowings from non-residents, including subordinated loans, derivative liabilities vis-à-vis non-residents, and non-residents' deposits with the Central Bank.

3. Data integrity

Deposit-taking corporations submit monthly balance sheet summaries to the Central Bank. The balance sheet summaries contain classifications, by type and sector, of loans, marketable bonds, equity securities, deposits, and asset financing agreements as of each month-end. The Central Bank submits a balance sheet summary and breakdown of accounts.

4. Revision of data

Year-end figures according to the monthly balance sheet for December are revised when deposit-taking corporations have audited their annual accounts. When the Central Bank's annual accounts have been prepared, the monthly data are reprocessed and republished.

5. Publication

Data are published monthly on the [Statistics page of the Central Bank of Iceland website](#). Year-end tables are also published in the Central Bank's annual report. Time series are available from September 2003.

6. Other

The metadata for deposit-taking corporations and the Central Bank explain more fully the changes in the number of deposit-taking corporations at any given time, as well as explaining changes in classification and breaks in time series.