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Highlights from the Central Bank of Iceland Balance Sheet

The following data are from the Central Bank of Iceland's Balance Sheet as at the end of December 2003 with comparative figures for the end of December 2002 and changes within the month and from the beginning of 2003.

Since the accounts and audit for the year have not been completed, the figures for the end of December 2003 are provisional and may be subject to change.

The Central Bank's foreign reserves increased by 0.3 b.kr. and amounted to 58.1 b.kr. at the end of December (equivalent to 819 m. US dollars at the exchange rate at the end of the month). The Bank now has no foreign short-term liabilities in connection with its foreign reserves; at the beginning of the year these liabilities amounted to just over 16 b.kr.

In December, the Central Bank purchased currency in the domestic interbank market for 3.7 b.kr., which is consistent with the measures to strengthen its external position as described inter alia in the May 2003 issue of the Bank's *Monetary Bulletin*. The Central Bank has purchased currency in the domestic interbank market for 43.2 b.kr. over the year. The Icelandic króna strengthened by 1.4% in December and by 1.2% over the year as a whole.

Market value of listed securities in the Bank's portfolio was 3.9 b.kr. at the end of December. Of this figure, listed Treasury securities amounted to 0.7 b.kr.

Central Bank claims on deposit money banks decreased by 17.6 b.kr. in December and amounted to 24 b.kr. at the end of the month. Claims on other financial institutions rose slightly and stood at 4 b.kr. at the end of the month.

Deposits of DMBs decreased by 16.7 b.kr. during the month. In December, the minimum reserve requirement was lowered, sight deposits were converted to deposits with reserve provisions, and special reserve accounts were closed.

Net claims on central government increased by 3.1 b.kr. in December and the Treasury's net deposit at the end of the month stood at 22.1 b.kr.

Base money decreased by 11.6 b.kr. during the month and amounted to 21.7 b.kr. at the end of December.

For further information, contact the Governors of the Central Bank of Iceland and Erla Árnadóttir, Chief Accountant, tel. (+354) 569-9600.

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In m.kr.

	End of period		Changes in 2003	
	December 2002	December 2003	From beginning of year	In December
<u>Assets :</u>				
Foreign reserves	37,194	58,115	20,920	335
Gold	1,727	1,873	147	2
Foreign exchange	33,418	54,279	20,861	375
SDR	12	3	-8	0
Reserve position in the IMF	2,038	1,959	-79	-42
Listed securities	5,260	3,939	-1,322	16
Treasury	1,816	715	-1,100	9
Other	3,445	3,223	-221	7
Claims on DMBs	69,141	24,038	-45,102	-17,632
Claims on other financial institutions	8,227	4,193	-4,034	551
<u>Liabilities:</u>				
Foreign short-term liabilities	16,499	124	-16,375	-15
Notes and coin	9,590	10,583	994	636
Deposits of DMBs	23,001	6,616	-16,385	-16,695
Certificates of deposit	0	4,500	4,500	4,500
Deposits of other financial institutions	1,333	75	-1,258	-582
<u>Memorandum items:</u>				
External reserve, net	20,696	57,991	37,295	349
Claims on central government, net	-20,846	-22,147	-1,301	3,129
Other claims, total	77,454	28,313	-49,142	-17,099
Base money	32,590	21,699	-10,891	-11,559

Definitions

Foreign reserves: Total currency assets of the Central Bank. *Foreign exchange:* The Central Bank's deposits with foreign banks and its foreign securities portfolio. *Reserve position in the IMF:* Net reserve in the IMF. *Listed securities, Treasury:* Assets in the form of Treasury bonds, Treasury bills and Treasury notes. *Listed securities, Other:* Housing bonds and housing authority bonds. *Claims on DMBs:* The Bank's net claims on deposit money banks. *Claims on other financial institutions:* Net claims. *Foreign short-term liabilities:* Deposits in foreign currency accounts in the Central Bank. *Notes and coin:* Total notes and coins in circulation outside the Central Bank. *Deposits of DMBs and other financial institutions:* Sight deposits and required reserves with the Central Bank. *Certificates of deposit:* Issued by the Central Bank.

Memorandum items. *External reserve, net:* Foreign current assets less foreign current liabilities. *Claims on central government, net:* i.e. liabilities of these entities towards the Central Bank less their deposits with it. *Other claims, total:* Total claims on other institutions than central government. *Base money:* Notes and coin in circulation, and deposits and reserves of DMBs with the Central Bank.