



Corporate Sustainability Report

Landsbankinn 2013

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From the Chief Executive Officer



Steinþór Pálsson,
CEO

Dear Reader,

This is Landsbankinn's third Report on Social Responsibility. The Bank's policy on social responsibility, approved in 2011, contains the important declaration that the Bank intends to play an active role in promoting welfare for the future of the Icelandic economy. It places key emphasis on integrating social responsibility in all levels of the Bank's operations, from daily activities to lending and investment.

In order to achieve these goals, Landsbankinn has adopted in its activities various international and recognised standards, first and foremost the principles of the Global Compact. I am pleased to confirm that Landsbankinn will continue to uphold the Global Compact and its principles. In 2013, Landsbankinn became a signatory to the United Nations' Principles for Responsible Investment (PRI) and numerous other projects in the field of social responsibility have been concluded.

Landsbankinn has adopted a decisive equal rights policy that ensures equal pay for compa-

rable jobs to all employees and the Bank has complied with new legal requirements to maintain a gender balance among managers since 2010. From 2010, the executives of Landsbankinn were comprised of women and men in equal number until their numbers were reduced by one man, as managing directors were cut from 8 to 7.

Landsbankinn's strategy from 2010 outlines its ambitious goal to become an exemplary company in 2015. One step along that road is to excel in corporate social responsibility in Iceland. Landsbankinn has placed great emphasis on enacting good corporate governance in accordance with the Guidelines on Corporate Governance published by the Iceland Chamber of Commerce, NASDAQ OMX Iceland hf. and the Confederation of Icelandic Employers. Each year, Landsbankinn reviews compliance with the Guidelines and whether the Bank's governance accords with the Guidelines.

While recent years have been coloured by the consequences of the collapse of the financial sys-

tem, there is increasing room to start rebuilding the economy and shape it for the future. Certainly important tasks remain unfinished, not least the revaluation of illegal loans granted before the collapse.

Landsbankinn contributes to the revitalisation of the economy in various ways. Prudent operation, efficient risk management and a responsible credit policy are central to banking activities. Landsbankinn has also endeavoured to establish collaboration with companies and stakeholders, engender initiative and support diverse approaches to rebuilding in various fields, such as the tourist industry and leveraging inventiveness to increase the pillars supporting Icelandic business and industry. In this manner, the Bank participates in the permanent rebuilding of a welfare community in line with the spirit of its policy on social responsibility.

A handwritten signature in black ink, which appears to be 'Steinþór Pálsson'. The signature is fluid and cursive, written in a professional style.

About the Report

Landsbankinn now publishes its third Report on Social Responsibility based on GRI standards.¹ The first two Reports on Social Responsibility were based on GRI version 3.1. This report is based on GRI version 4.0, released last year. The Report also serves as the Bank's annual Communication on Progress Report to Global Compact.

Landsbankinn follows the GRI standards for the following reasons:

- » GRI is an international, relatively widely accepted standard, and the Report can thus be circulated both domestically and abroad.
- » GRI has compiled special standards for financial undertakings and it is convenient for the Bank to compare itself with other financial firms.
- » The GRI standards and stakeholder analysis combined make a good tool to reduce stakeholder expectations and present Landsbankinn's

policies and performance in an organised manner.

The progress of social responsibility can be followed by comparing the annual reports. Last year, key emphasis was placed on ensuring the quality of information on social responsibility. The data exists but has not been as accessible or presented as clearly as financial information. This year, emphasis has been placed on ensuring the compatibility of information between years. The number of standards reported on has also grown.

Regard was had for the following in determining the scope and approach of the Report:

- » The Report focuses on the activities of the Landsbankinn Group, unless otherwise mentioned. This is a change from the previous year, when subsidiaries were not considered unless in specific cases. In some cases,
- » This may complicate a comparison between years.

- » The Report addresses the same standards as last year with the addition of standards for which information has become available.
- » The selection of standards was based on standards reported by comparable financial undertakings in the Nordic countries, as well as stakeholder views.

Publication of this Report does not imply that the Bank is fully cognisant of its social impact nor that social responsibility has been fully implemented within the Bank. The Report reflects the Bank's knowledge of the subject at the time of its publication. The Report strives to describe the Bank's successes, areas in which improvement is necessary and contentious issues that have arisen during the implementation of social responsibility. The Bank is also hopeful that other companies may benefit from its experience in implementing social responsibility.

¹ Landsbankinn's Reports on Social Responsibility are available on the Bank's website, <http://bankinn.landsbankinn.is/samfelagsleg-abyrgd/skyrslur/>



Reykjavík. Siggi Eggerts (2011).

Quality assurance of information

Information in the Report on Social Responsibility is compiled by the Bank's CSR Expert in collaboration with employees throughout the Bank. The parties have had a varying degree of input.

Rather than repeating information from previous reports and/or repeatedly addressing the same issues, the decision was made to refer to other media and reports from the Bank as applicable.

The quality assurance applied to information in the Report is based on three main factors:

- » Determining the extent to which individual standards apply to Landsbankinn.
- » Identifying the information necessary to meet benchmarks set by the standards.
- » Identifying the parties responsible for the information and determining how to make the information comparable between years.

A Reference File on p. 42 details the extent of discussion of the standards in question. This Report contains detailed discussion of some standards while others are merely reviewed shortly in the Reference File. Where indicators are not discussed in full it

is because information is insufficient or has not been available in comparable form.

All information in the Report is for the calendar year 2013. Landsbankinn encourages readers of the Report to contact the Bank with any comments on the Bank's social involvement as well as comments on possible improvements to the Report.

About Landsbankinn

Landsbankinn hf. was established on 9 October 2008, with roots going back to 1886. Landsbankinn hf. is the largest financial enterprise in Iceland, with the most extensive branch network. The Bank provides individuals, corporations and investors with solid, comprehensive financial services based on long-term business partnerships. Landsbankinn is a conventional deposit and credit institution that also operates a capital markets department,

manages funds through its subsidiary Landsbréf, provides corporate finance, private banking and asset management services and more.

Its head offices are located in Austurstræti 11, Reykjavík, where it has been based since it was established. The Bank does not operate outside of Iceland. No substantial changes were made to the Bank's operations in 2013.

The Bank is owned by the National Treasury of Iceland with a 97.9% share, Landsbankinn hf. holds 1.3% of own shares and around 1,400 current and former employees hold 0.8% of shares in Landsbankinn. Employees were awarded shares in the Bank in accordance with the provisions of an agreement on the financial settlement between Landsbankinn hf. on the one hand and LBI hf. and the State on the other.

Table 1: About Landsbankinn	2012.31.12	2013.31.12	Changes
Retail customers of Landsbankinn	112,500	114,348	1.6%
Corporate customers of Landsbankinn	10,980	11,040	0.5%
Branches and outlets	35	34	-2.9%
Branches and outlets	1,233	1,183	-4.1%

Table2: Key financial ratios (ISK bn)	2012.31.12	2013.31.12	Changes
Net operation Income	49,141	65,581	33.5%
After-tax profit	25,494	28,759	12.8%
ROE after taxes	12.0%	12.4%	3.3%
CAR	25.1%	26.7%	6.4%
Interest margin on average total asset position	3.2%	3.1%	-3.1%
Interest margin + value change as ratio avg. Total asset position	2.8%	4.2%	50.0%
Cost-income ratio	45.00%	42.9%	-4.7%
Total assets	1,084,787	1,151,516	6.2%
Deposits as ratio of lending	158.20%	149.0%	-5.8%

The Bank and its subsidiaries had 1241 employees in 1183 full time equivalent positions at the end of the year.

All employees are members of the Confederation of Icelandic Bank and Finance Employees and are covered by collective bargaining agreements.

Collaborative ventures

Landsbankinn participates in the following collaborative ventures on social responsibility.

- » Festa, a Centre for Corporate Social Responsibility. Landsbankinn was a founding member of Festa in 2011. Landsbankinn's CSR expert

Figure 1: Gender balance based on full-time units



Table 3: Number of employees by modality of employment

Number	Permanent employment	Trial employment	Temporary Employment	Shifts in the Customer Service Centre	Total
Male	437	9	10		456
Female	735	19	29	1	785
Total	1172	28	39	1	1241

is the Vice-chairman of the Board of Directors of Festa.

- » United Nations Global Compact. Landsbankinn is a member of the UN Global Compact and a representative of the Bank participates in a steering group for the Global Compact Nordic Network.

- » United Nations Environmental Program Financial Initiative UNEP FI. Landsbankinn is one of the founding members of UNEP FI.

- » United Nations Principles for Responsible Investment - UNPRI. Landsbankinn signed the United Nations' Principles on Responsible Investment at year-end 2012 and the application was approved in 2013.

In addition to the above, Landsbankinn works with companies, universities, institutions and NGOs on various aspects of social responsibility. Such projects include instruction, advice or collaboration on the implementation of social responsibility.

Corporate governance

Landsbankinn has placed great emphasis on enacting good corporate governance in accordance with the Guidelines on Corporate Governance published by the Iceland Chamber of Commerce, NASDAQ OMX Iceland hf. and the Confederation of Icelandic Employers. Each year, Landsbankinn reviews compliance with the Guidelines and whether the Bank's governance at each time accords with the Guidelines. Based on the audit, the Bank

reveals any deviations from the Guidelines in a special Corporate Governance Statement.

Information on the Bank's current governance structure is available on the Bank's² website and an overview of governance in 2013, along with the Corporate Governance Statement, is presented in the Bank's annual report, on p. 30.

Stakeholders and consultation

Landsbankinn regularly consults with key stakeholders to familiarise itself with their expectations and views on the Bank's operation. Great emphasis is placed on ensuring that such communication is constructive and effective in developing the Bank's services in line with the needs of its customers and the community.

² <http://bankinn.landsbankinn.is/um-bankann/stjornarhaettir/>

Stakeholders are divided into internal and external parties. Internal parties include customers, employees, shareholders, suppliers and the community. External parties are the authorities, regulators, the media, investors, interest and lobbying groups.

Landsbankinn has not compiled a stakeholder analysis based on social responsibility but avails itself of various methods, such as open meetings, comment systems, surveys, focus groups and interviews with employees and customers.

Since the first quarter of 2011, Landsbankinn has surveyed stakeholders' attitude towards social responsibility semi-annually. The survey asks whether the responder considers his/her main commercial bank to be socially responsible. From the first quarter of 2011 to the third quarter 2013, the Bank's average grade rose from 2.6 to 3.0, a little ahead of the average grade of other financial institutions (rose by 0.3). Between September 2012 and September 2013, Landsbankinn's rating rose from 2.8 to 3.0.

While Landsbankinn's rating has trended upward during the period, the grade for the financial system as a whole has fluctuated between measurements.

The grade 3.0 indicates that the public considers Landsbankinn's

Figure 2: Stakeholders



position on social responsibility to be uninspiring. Rather than being disheartened, this result encourages Landsbankinn to strive to become a better bank for its customers and further enhance its dialogue with the community.

In the past two years, Landsbankinn has surveyed employee attitudes towards social responsibility. In 2012, the survey asked about the importance of social responsibility for the Bank on the one hand and about how socially responsible the Bank was. In 2013, the survey only asked about the importance of social responsibility.

Both surveys showed that social responsibility is deemed important, scoring 4.17 and 4.11 out of 5. When employees were asked how socially responsible they considered the Bank, their response was that there was considerable room for improvement, reflected in a score of 3.6. Surveys further indicate that support functions rate social responsibility higher than business segments. There is a certain risk that employees view social responsibility as a tangent, external to the Bank's core purpose, i.e. income generation. It is to be hoped that significant projects, such as responsible investment and industrial sector and strategy standards, will contribute towards a change in attitude.

Strategy, governance and the implementation of social responsibility

The Bank's CSR policy³ was approved in May 2011. Its principal emphasis is on integrating social responsibility throughout the Bank's operation, from daily activities through to lending and investment.

Two of the main characteristics of social responsibility are that it is implemented on each entity's initiative and that it begins where laws and regulations end. That being said, the line between social responsibility and legal obligations is not always clear and views on social responsibility can influence legal interpretation and vice versa. It is also important to Landsbankinn to distinguish between the social role of companies and their social responsibilities. A company may play a very important role in the community yet this in and of itself does not make the company socially responsible. Its operation must comply with the standards of social responsibility regardless of its role in society.

Organisation

CSR is located under Corporate Development & HR in Landsbankinn's organisational chart. The Managing Director of

Corporate Development & HR answers directly to the CEO. The role of CSR is to support other departments in adopting social responsibility in the Bank. Tasks and projects on social responsibility are thus carried out by individual divisions and departments, each responsible for social responsibility within the unit. It is the role of CSR to provide these units with advice. The Marketing Department is responsible for the bulk of the Bank's support for the community; environmental affairs in own activities are the responsibility of the Property Department; personnel issues are the purview of Human Resources; compliance with laws and regulations is under the auspices of Compliance; responsible investment resides with Markets, and Corporate and Personal Banking are charged with ensuring fair business practices. Individual projects linked to social responsibility are thus not carried out by CSR but by other units within the Bank.

Implementation

At the beginning of the year, six steering groups were formed to identify key social responsibility projects for the Bank and su-

pervise their performance⁴. The steering groups identified several dozen larger and smaller projects for the Bank to implement. Some of these projects were already in progress within the Bank without being directly linked to CSR; other projects could be merged and work on still others has now begun or is in the planning stages.

The work of steering groups charged with supervising the implementation of social responsibility across all levels of the Bank's organisational structure proved impractical. The steering groups were discontinued in September 2013 and a special CSR team established, comprised of the Executive Board and the Bank's CSR expert. The team meets 3-4 times per annum to review current projects and emphasise in social responsibility.

When the steering groups were discontinued, work groups were created to supervise individual projects. The lesson learned from the steering group experiment was that such groups are well suited to identify social responsibility tasks the Bank should undertake and then hand implementation off to the relevant parties within the Bank's organisational structure.

³ <http://bankinn.landsbankinn.is/samfelagsleg-abyrgd/samfelagsstefna/>

⁴ For further information, see page 13 of the Report on Social Responsibility for 2012

Disputes and CSR in practice

Transparency is one of the key principles of social responsibility and a company wishing to be socially responsible should disclose both disputed and positive aspects of its operation.

Questions will always be raised about companies and the recalculation of foreign currency loans is the most discussed aspect in the operation of financial undertakings. In 2012, the Bank was criticised for closing down branches and questions were raised about the consistency of these actions with its policy on social responsibility⁵. Last year, the distribution of shares to employees received considerable criticism and was considered in direct opposition to the Bank's professed stance on social responsibility.

Social responsibility should be part of a company's daily activities and as such, it is natural that financial institutions should focus on such issues as access to financial services and financial literacy. Landsbankinn and its predecessor have a long history of support for sports clubs and various NGOs; its current social participation is a natural continuance. In 2011, when the Bank

began to systematically implement social responsibility, its employees were advised by the employees of comparable companies to focus initially on internal operations and environmental issues before looking to the Bank's products, lending and investment. The Bank followed this advice, for the most part. Internal activities were emphasised in 2011 and 2012, e.g. environmental certification of the canteen, transport agreements, governance, financial instruction and environmental issues in general.

These years served to gather information about how comparable companies approach the integration of standards on social responsibility in product development, in lending and investment. Towards the end of 2012, Landsbankinn became a signatory to the United Nations' Principles on Responsible Investment. As internal work on social responsibility becomes more organised and structured, the focus has increasingly moved to the Bank's products.

Shares to employees

Considerable discussion surrounded the distribution of shares in Landsbankinn to its employees in accordance with the provisions of an agreement between Landsbanki Íslands hf. (LBI hf.), the Minister for Finance on behalf of the State and Landsbankinn, dated 15 December 2009.⁶

In the compilation of the balance sheet of new Landsbankinn following the collapse of Landsbanki Íslands hf., it was necessary to put a number to the value of assets and obligations transferred from the old bank to Landsbankinn. As a result, the agreement for the financial settlement provided that Landsbankinn issue a bond and a conditional bond to the old bank as payment for the transferred assets in excess of transferred obligations. The amount of the conditional bond was linked to the valuation by an independent party of these assets and obligations at year-end 2012. The agreement further specified that the State should hold 81.3% of shares in Landsbankinn and that

⁵ The Bank's Report on Social Responsibility 2012

⁶ News release from Landsbankinn on the shareholding of employees, <http://www.landsbankinn.is/frettir/2013/07/17/Starfsmenn-Landsbankans-eignast-taeplega-1-hlut-i-bankanum-i-samraemi-vid-samkomulag-fra-2009/?p=28>.

the old bank should control 18.7% of shares through the company Landskil ehf. Should the assets be valued to a pre-determined amount at year-end 2012, 16.7% of shares held by Landskil ehf. were to be transferred to the State without consideration and around 2% of shares were to be distributed to the employees of Landsbankinn. Landskil would thus cease to hold shares in Landsbankinn.

The distribution of shares to employees does not fall within the scope of the Financial Supervisory Authority's (FME) rules on salary incentive systems; rather, it is based on the provisions of the above-mentioned agreement between Landsbankinn, the Icelandic State and LBI. These reasons notwithstanding, various questions concerning this action have been directed at Landsbankinn. Concern was initially focused on employee rights to acquire shares in the Bank, later, questions were raised about rules set by the Bank to govern the distribution of shares, to whom and to what amount.

In short, the distribution of shares occurred as follows:

- » Shares previously held by LBI hf. were distributed.

- » Just over half of the value of the shareholding in question was paid to the State as taxes.

- » The holding of 1394 current and former employees of Landsbankinn hf. is within 0.8%.

- » Employees are obliged to comply with stringent requirements for the sale of the shares and may not sell their shares for a period of three years from allocation unless the Bank's shares are listed on a stock exchange, at which point employees will be authorised to sell part of their shares.

- » This action did not constitute a salary incentive system in the opinion of the FME, yet regard was had for FME Rule No. 700/2011, on Salary Incentive Systems. Regard was also had for Landsbankinn's Remuneration Policy.

- » Employees of control units did not receive shares but the Bank was required by FME rules to ensure that these employees received equal remuneration through other channels.

- » The shares were allocated to those employees of Landsbankinn who held permanent positions on 31 March 2013 and employees who had retired because of age, disability or terminated due to cost-cutting measures during the period 15 March 2009 to 31 March 2013.

- » The number of shares received by each employee was based on salary and proportion of full-time position during the above-mentioned period.

- » The value increase which created the employee's right to the shares was entirely derived from loans to large companies. Debt restructuring of corporate finances was under the supervision of a special Supervisory Committee for the Ministry of Economic Affairs. The Committee repeatedly confirmed that Landsbankinn had complied with laws and regulations in all respects and not discriminated between companies in any way. In light of this, it can hardly be maintained that employees influenced decisions to write off the debt of certain companies.

The shares constitute taxable wage income liable for income tax and wage-related expenses. This arrangement raised concerns about the impact on employees' finances, i.e. their rights to other payments from the State and re-payment of student loans. This is relevant because employees are forbidden from selling the shares over the next 3 years and because the value of the shares is unclear.

Incentive systems are controversial. Such systems are not contrary to social responsibility standards but it is important to ensure that they are well thought out, that the benefits are in proportion with the gain and go to the persons really responsible for the achievement. The debate about salary incentive systems is important and should be centred on the purpose of such systems and whether they fulfil that purpose.

No incentive or bonus system was in place in Landsbankinn at year-end 2013.

Responsible investment

Landsbankinn signed the United Nations Principles on Responsible Investment⁷ at the beginning of last year. There are six principles:

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.

6. We will each report on our activities and progress towards implementing the Principles.

In September, the Bank approved a policy on responsible investment (PRI). Work is currently under way to adjust the policy based on sector analysis on the one hand, whereby the social risk of certain sectors is mapped, and, on the other hand, on policy guidelines that define the social risk inherent in certain fields. The policy guidelines apply to, for example, certain topics such as governance or climate change.

The intention behind the policy is to establish an active dialogue with the investment environment with the aim to introduce the methodology of responsible investment in decisions. Landsbankinn wishes to avoid, in so far as possible, excluding companies as possible investment options and considers a strategy of exclusion to be contrary to both the interests of the Bank and individual companies. In a nutshell, this means that the Bank wishes to actively communicate about operating issues to encourage

⁷ www.unpri.org

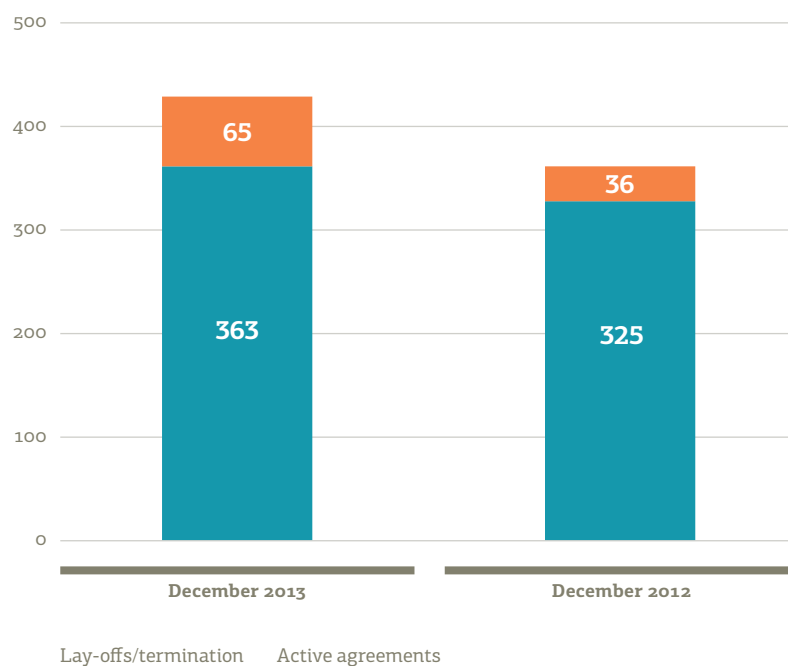
companies to become better investment options.

Landsbankinn is of the opinion that the participation of other financial undertakings and institutions, pension funds and the Icelandic Stock Exchange, is necessary to implement the ideology of responsible investment in Iceland. The Bank's first steps have been to develop collaborative relationships to introduce this ideology in Iceland. For that purpose, the Bank organised a conference on responsible investment in October where a foreign expert, a representative of the Bank, representatives from pension funds and companies presented their views on the subject.⁸

Transportation Agreement

The aim of the Transportation Agreement is to provide employees with more numerous transport options, allowing them to avail themselves of the transport method best suited to each occasion, to take advantage of eco-friendly modes of travel

Figure 3: Number of transport agreements



yet have access to a car when necessary.

The main damper on use of eco-friendly transport methods is the fact that the cost of operating a car, once it has been purchased and all due fees paid, is only a fragment of the total cost. Landsbankinn has therefore empha-

sised ensuring access to vehicles when necessary to prevent employees from having to purchase a car. With that in mind, the Bank offers car sharing in cooperation with Bilaleiga Akureyrar.

The Transportation Agreement provides that employees oblige themselves to use modes of

⁸ Recordings from the meeting are available on Landsbankinn's online discussion forum Umræðan, <http://umraedan.landsbankinn.is/vidburdir/radstefnur/abyrgar-fjarfestingar-2013/>.



Landsbankinn's canteen was certified compliant with the Nordic Swan ecolable in 2013.

transport, other than a private vehicle, to travel to and from work 60% of the time. The Bank reimburses employees for costs up to ISK 84,000 per annum, with ISK 36,000 of that amount earmarked for the refund of an annual pass for public transport.

At year-end 2013, 428 employees had signed the Transportation Agreement. Of that number, 48 individuals have left the Bank's employ and 17 have terminated the Agreement. At the end of the year, 363 employees were active signatories of the Agreement, which is an increase of 38 from the previous year.

Of the active signatories, 229 are women and 134 are men. A ratio

of 63% women is in line with the ratio of female employees of the Bank.

Environmentally certified canteen

Landsbankinn's canteen was certified compliant with the Nordic "Swan" ecolabel in 2013. The Bank's canteen produces around 600 meals each day and the canteen thus qualifies as a relatively large restaurant. The Bank is the first company in Iceland to receive environmental certification of its canteen; previously, one Icelandic restaurant had been certified by the Swan.

The certification covers most aspects of the canteen's operation.

A portion of foodstuffs used must be organic, use of disposable containers and utensils is forbidden, use of packaging material reduced, reduce electricity and water use, limit the use of cleaning agents, increase environmental awareness, sort trash, limit general waste and increase efficiency.

It is hard to gauge whether the certification has contributed directly to increased efficiency. Canteen employees do, however, maintain that the certification has increased efficiency and general employee satisfaction.

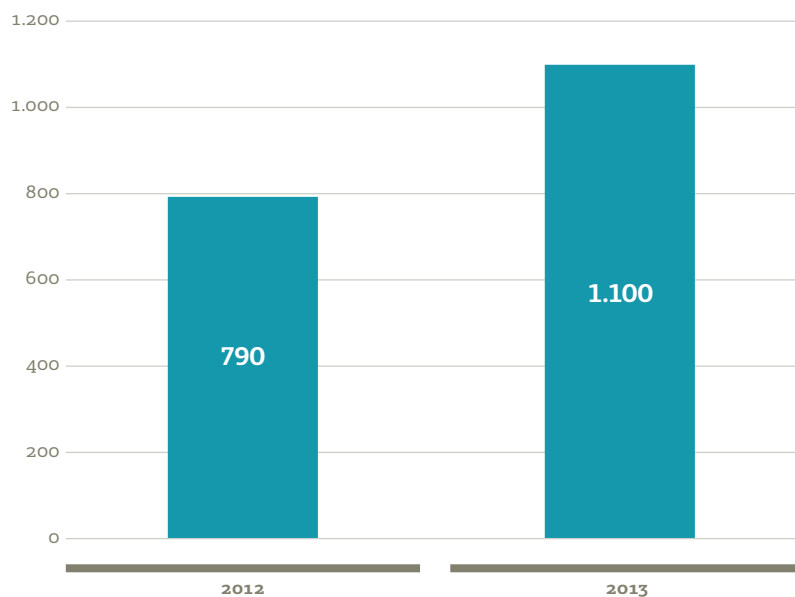
Paper-free Bank

Towards the end of 2013, Landsbankinn created a department responsible for ensuring the efficient management of documents (electronic and paper). The aim is for the Bank to be paper-free and the department is intended to lead the development of efficient processes involving documentation, the digitalising and reduction of forms, introduction of electronic ID, including electronic signatures and simplify documentation within the Bank.

The creation of this department is the result and continuance of projects related to automation, the digitalisation of processes and print management in the Bank's operation, as new print processes adopted early last year reduced use of paper by 50%. Use of the new print management system has had a positive effect, both in terms of cost-efficiency and environmental awareness.

- » Printers now number 160 (5 types), down from 600 (80 types) previously
- » The bulk of printed documents used to be in colour and is now around 85% in grayscale and printed on both sides
- » All printers used by the Bank are environmentally certified

Figure 4: Number of new students – financial instruction



Financial instruction

The Bank's Customer Relations Management department handles financial instruction and advancement of financial literacy. The aim is to ensure good knowledge of the products and services offered by financial undertakings, as well as in-depth knowledge of personal finances.

Financial instruction in upper secondary schools

Landsbankinn has in previous years offered financial instruction to students of upper secondary

schools with the aim of boosting financial literacy and prepare students to take financial decisions in the future. This instruction is available to all upper secondary schools and is carried out in collaboration with the schools' representatives. The Bank does not promote its products or services at these events. Younger employees of Landsbankinn have handled instruction to upper secondary school students in order to take advantage of peer mentoring.

Thursday Finance Seminars

Eleven Thursday Finance Seminars were held last year and participants numbered 470

Rights of pensioners	4 evenings	150-160 participants
The Icelandic stock market	1 evening	over 100 participants
Development of pension savings	1 evening	45 participants
Savings	5 evening	160 participants

Table 4: Raunveruleikurinn

	Number of schools		Number of students	
	2012	2013	2012	2013
Spring 9th grade	39	36	1000	816
Fall 10th grade	42	39	1042	540

Guidance on innovation in upper secondary schools

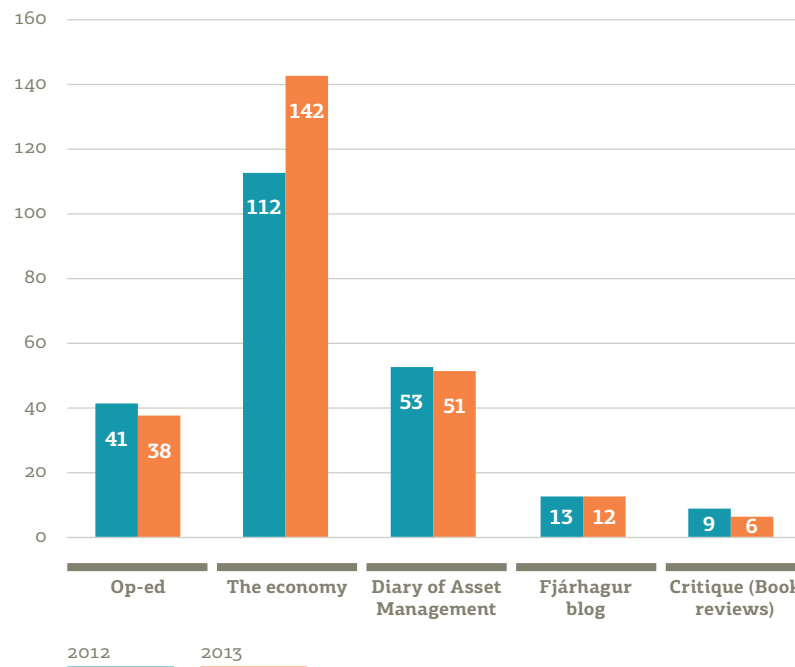
Landsbankinn offered guidance on innovation to students of upper secondary schools for the first time towards the end of 2012. This guidance includes information on the innovation environment in Iceland and instruction clips on various practical aspects of innovation.

Landsbankinn’s objective in offering guidance on innovation is to encourage young people to translate their ideas into action, be it within existing companies, schools or by establishing their own business. In 2013, 60 students participated in innovation instruction in three upper secondary schools.

Raunveruleikurinn

Raunveruleikurinn is an interactive simulation designed to provide financial and consumer

Figure 5: Number of publications on discussion forum



instruction to the upper classes of elementary school. Raunveruleikurinn is played twice each year, once by 9th and once by

10th graders throughout the country. The game provides insight into the decisions a normal individual must take and the

Table 5: Instructions for corporates

	Number of meetings	Number of participants
Lunch meetings	9	790
Instructional meetings	3	320
Breakfast meetings	13	350
Total	25	1460

opportunities and challenges he/she faces. Raunveruleikurinn is a four-week competition.

Umræðan discussion forum

For the past three years, Landsbankinn has maintained the discussion forum Umræðan on its website. Here, internal and external experts post articles on the economy. The aim is for Umræðan to provide an active forum for readers who wish to be up-to-date on financial and economic matters.

Instructions for corporates

As part of its policy, Landsbankinn does its part to increase the offering of training and instruction available to companies. Emphasis is placed on ensuring that customers are well

informed about Landsbankinn's products and services, for example, through instructional events designed to assist customers in utilising the solutions each product offers to make daily activities more effective.

Support for the community

The Marketing Department is responsible for the Bank's support for the community. Landsbankinn supports various causes with direct financial contributions, both from its Community Fund and based on partnership agreements. Financial contributions amounted to around ISK 222 million in 2013.

The Bank supports social ventures, including in culture and the arts, primarily through three

different channels. Firstly, with grants from the Community Fund awarded unconditionally; secondly, based on mutually beneficial partnership agreements; and, finally, through individual branches who support local projects. The Community Fund now awards five types of grants - scholarships, innovation grants, community grants, environmental grants and biennial athletics achievement grants.

Offering service and advice to customers with strong ties to the community is also emphasised. Finally, the Bank aims to actively participate in social projects through advice and employee volunteerism.

Further information on Landsbankinn's social involvement is available on the Bank's website.⁹

⁹ <http://bankinn.landsbankinn.is/samfelagsleg-abyrgd/studningur-vid-samfelagid/>

Table 6: Grants over ISK 1 million in 2013

Þróunarsjóður ferðaþjónustunnar – Ísland allt árið	20,000,000
Innovation grants - 19 grants	15,000,000
Community grants - 34 grants	15,000,000
The Vigdís Finnbogadóttir Institute of Foreign Languages	11,000,000
The Football Association of Iceland	8,000,000
Scholarships - 15 grants	5,400,000
Environmental grants - 15 grants	5,000,000
Á allra vörum – country-wide charity promotion for the support of psychiatric care ward	3,000,000
Reykjavík Cultural Night fund	3,000,000
UMFÍ	3,000,000
Reykjavík Convention City	2,000,000
Umhyggja, association that supports children with long-term illnesses	2,000,000
Weekend seminars on job creation and innovation by Innovit and Landsbankinn	1,850,000
Innovit – Gulleggið	1,850,000
Akureyri Theatre Company	1,500,000
The Night of Lights, community festival in Reykjanesbær	1,500,000
ÚT'ON - Iceland Music Export	1,500,000
University of Akureyri	1,000,000
Gay Pride	1,000,000
Icelandic Church Aid, domestic aid	1,000,000
Mothers' support council, domestic aid	1,000,000
Innovation competition of the elementary schools	1,000,000
Red Cross Iceland, domestic aid	1,000,000
RIFF - international film festival	1,000,000
UNICEF, fundraising for aid to the Philippines	1,000,000
The Icelandic Fencing Association	1,000,000



Recipients of innovation grants from the Community Fund in 2013.

Innovation service Landsbankinn

The aim of Landsbankinn's innovation service is to serve and support entrepreneurs and start-ups, as well as their operating environment.

The website for Landsbankinn's innovations services¹⁰ contains material on how entrepreneurs can realise their ideas and found companies. It includes information on grants and financing options, instructions on preparing business plans, founding companies, financing operations and available support.

Various funds have been established to support innovation and the Bank is involved in numerous such projects.

Matís (Icelandic Food and Biotech R&D) and Landsbankinn hosted an innovation competition for ideas in the food and biotech industries that utilised Icelandic raw materials or design. The top ten business ideas were offered instruction through Landsbankinn and Matís on the development and production process for food and biotech, as well as on budgeting, making business plans and presentations for investors. The best idea received a cash prize.

Landsbankinn has been a supporter and partner of Innovit's Gullegg competition since 2008, as well as a supporter of Innovit's weekly Klak lunch meetings which are a forum for discussion about the future of the Icelandic economy, innovation, job development and value creation, held in 2013.

In 2013, Landsbankinn planned the innovation event UnConference (IIU) in collaboration with the University of Iceland and Massachusetts Technology Leadership Council. Around 200 individuals participated in UnConference 2013 and the aim of this event is to bring together individuals from University, industry and entrepreneurs. UnConference is based primarily on active participation in discussion and private interviews with instructors who are either managers, investors or experts in their fields. Participants shape the agenda and all participants can pose their questions either to discussion groups or in private sessions with experts.

¹⁰ <http://www.landsbankinn.is/fyrirtaeki/nyskopun/>



Social Performance Indicators

Economic Performance Indicators

EC1 – Direct economic value

EC3 - Liabilities for pension payments and bonus plans

In addition to the mandatory contribution to pension plans, Landsbankinn contributes the

equivalent of 2% of an employee's total wages to a private pension insurance scheme during the first three years of employment; this contribution rises to 7% for all subsequent years. The right

Table 7: Direct economic value¹¹

	2012	2013	Change
Revenue	49,141	65,581	33%
Operating cost	9,996	8,907	-11%
Wages and related expenses	13,176	17,304	31%
Dividends to shareholders	0	9,921	n/a
Income tax and special tax	4,125	12,283	198%
Financial sponsorship	214	222	4%
Total economic contribution	27,511	48,637	77%
Economic gain	21,630	16,944	-22%
Proportion of economic contribution of gains	56%	74%	18%

¹¹ Information on a consolidated basis

to this payment is subject to the same rules as other seniority-linked rights accrued for employment with other financial undertakings.

At the end of the year, 0.3% of shares had yet to be distributed to employees and this was finalised on 28 February 2014.

The Bank recognised no other future commitments related to incentive systems or pension payments.

EC4 - Financial assistance received from government

The State Treasury is the Bank's largest owner with a 97.9% share and the endowment capital has not been considered a government grant.

EC6 - Proportion of executives from local communities

Iceland is Landsbankinn's local community. Six of seven members of its Board of Directors are Icelandic, all seven reside in Iceland and all managing directors are Icelandic and domiciled in the country.

EC7 - Investment in social infrastructure and community services

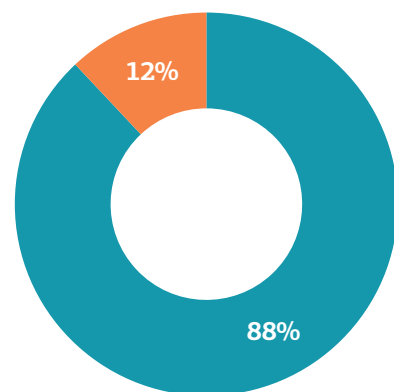
Landsbankinn has supported the development of the Vigdís Finnbogadóttir Institute for Foreign Languages which works under the auspices of the University of Iceland. Landsbankinn has provided financial support for housing construction and the operation of the Institute. The Vigdís Finnbogadóttir Institute for Foreign Languages is supported on an international level, including by the UN.

Landsbankinn and the Ministry of Industries and Innovation (then the Ministry of Industry) founded the development fund "Ísland allt árið" in November 2011 with the aim of supporting product development projects with the potential to extend the tourist season in Iceland. The fund is an important part of the development of the Icelandic travel industry. The Bank has contributed ISK xx million since the fund's inception and also expert advice.

EC9 - Policy and proportion of procurement from local suppliers

Iceland is Landsbankinn's local community and the Bank endeavours to do business with Icelandic suppliers in so far as this is

Figure 6: Number of Icelandic suppliers



Domestic Foreign-denominated

viable. In rural areas, the Bank endeavours to do business with local providers, provided they fulfil the requirements of the Bank's Procurement Policy.

Procurement in Iceland is in Icelandic krónur and accounted for 88% of total purchasing in 2013.

Procurement from abroad is for the most part information technology and main expenditures are as follows:

Table 8: Ration of suppliers by core procurement

	Domestic	Foreign - denominated
Information technology	75%	25%
Real estate operating costs	100%	0%
Marketing costs	99%	1%
Other	89%	11%

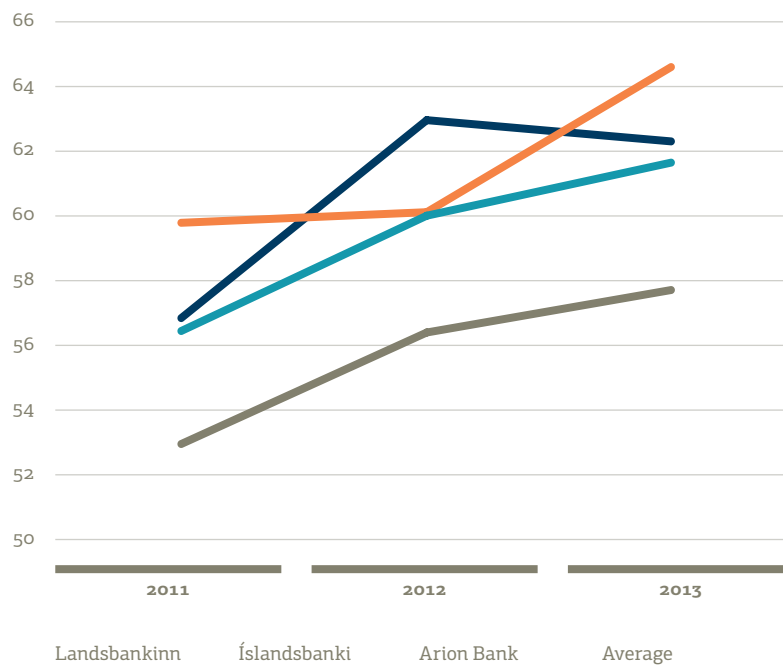
The Customer Performance indicators

PR5 – Customer satisfaction

Customer satisfaction is measured, inter alia, with the Icelandic Performance Satisfaction Index of Capacent ehf. In 2013, the Bank scored 62.3 points as compared with 62.9 points in 2012. At the same time, the average score for banks has risen from 60.0 to 61.6. There was no significant difference between the two highest-scoring banks.

Capacent measures customer loyalty for Landsbankinn four times each year. A random sample of customers responds to questions which provide indication of their emotional connections with their main bank. Average customer loyalty in 2012 went up from 3.43 to 3.55, or by about 0.12.

Figure 7: Satisfaction Index



PR7- Code of ethics and standards observed with respect to marketing and deviations

The Covenant of Ethical Conduct of Landsbankinn stipulates that staff is to act professionally and honestly by seeking information, abiding by law, rules, accepted work procedures and other criteria applying to their work in each instance.

In addition to obeying general legislation on consumer protection and marketing, marketing personnel are subject to guiding ethics of the Society of Icelandic Advertising Agencies¹² and the guidelines of the Consumer Spokesman and Ombudsman for Children on marketing targeting children.¹⁵

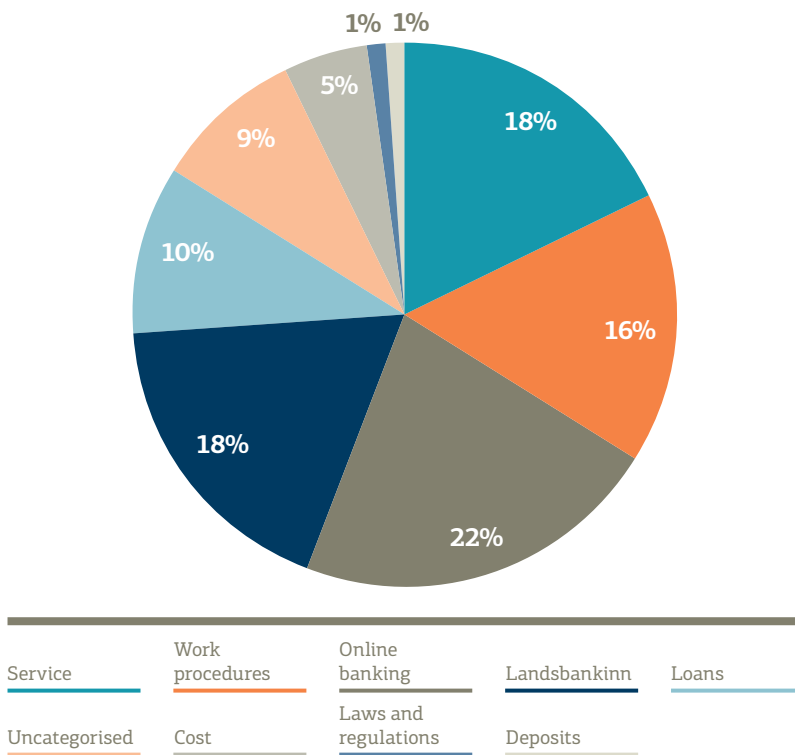
Furthermore, Landsbankinn has regard for the regulation on investor protection and the business conduct of financial undertakings No. 995/2007, the purpose of which is to ensure that information on investment funds is presented clearly and correctly.¹⁴

There were no deviations from the above-mentioned rules in 2013.

PR8 - Number of tips/complaints regarding breaches of confidentiality

Registered complaints from individuals numbered 709, down by 272 from the previous year. Registered complaints from corporates were 39 but such

Figure 8: Complaints by service



complaints were most likely more numerous as the procedure for complaints from corporates was under review and development during the year.

Human Resource Performance Indicators

All responsibility for personnel and instruction and training lies with the Bank's Human Resources department. All main information on human resources, equality, terms of employment and benefits, job development and the Bank's policy is available on its website.¹⁵

LA1 - Age distribution and employee turnover rate

At year-end, employees numbered 1241. Of that number, 46% are university educated.

Of new hirings, 41% were men and 59% women.

Trial employees are beginning their employment at Landsbankinn. They receive permanent employment after 3 to 6 months. In 2013, five trial employees quite before taking up permanent employment with the Bank.

12 <http://www.sia.is/Sidanefnd/Sidareglur/>
 13 http://www.barn.is/barn/upload/files/frettir/undirritud_lokagerd_leidbein_an_adalformala_og_nedanmalsskyringa_28_1_2009x.pdf
 14 <http://www.reglugerd.is/interpro/dkm/WebGuard.nsf/key2/995-2007>
 15 <http://bankinn.landsbankinn.is/mannaudur/>

LA2 - Employee benefits

Landsbankinn employees can receive benefits from the Confederation of Icelandic Bank and Finance Employees, Landsbankinn Employee Association and Landsbankinn hf. The terms vary depending on whether employment is trial or permanent. In some instances trial employees can enjoy the same terms as permanent employees.

All employees, both trial and permanent, have access to a consulting physician, lunch, accident insurance, parental leave as well as a sickness fund.

All permanent employees have life assurance, receive disability payments if needed and are paid a part of the difference between wages and payments from the parental leave fund. A 12% mandatory premium is paid to pension funds. Landsbankinn pays 6% against employees' 4% contributions to a mutual pension insurance scheme. In addition, Landsbankinn pays the equivalent of 2% of employee wages to a personal pension fund for the first three years of employment and 7% for subsequent years.

In addition to the above, employees enjoy various benefits, such as access to summer cottages, sports grants, transportation grants, study grants and hobby grants. Further information on benefits to employees is available on the Bank's website¹⁶ and on pages 37 and 38 of the Report of Social Responsibility for 2012.

Figure 9: Total number of employees by age

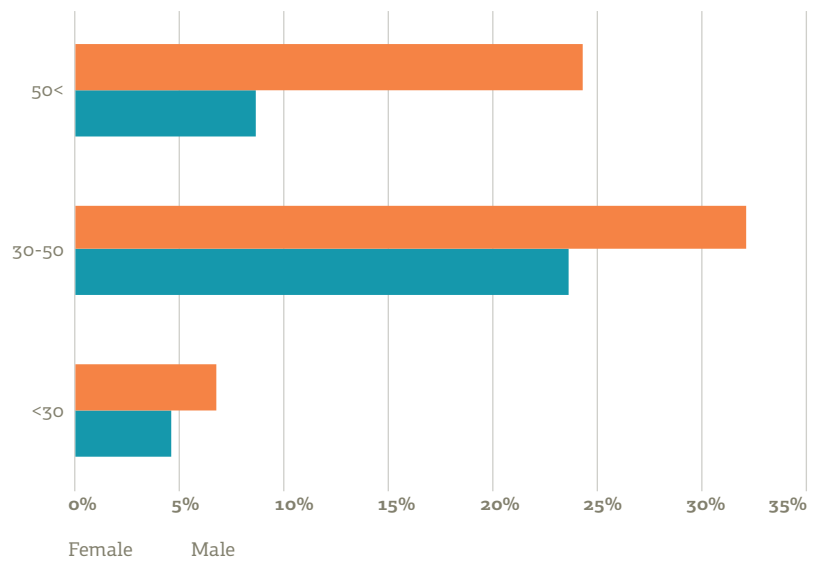
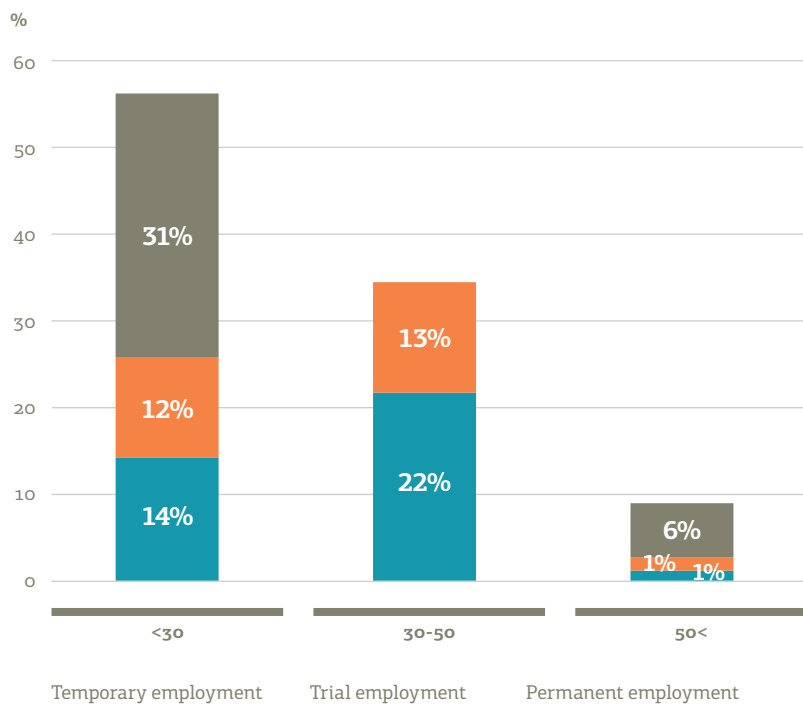


Figure 10: New hirings at year-end 2013



16 <http://bankinn.landsbankinn.is/mannaudur/hvers-vegna-landsbankinn/starfskjoer-og-hlunnindi/>

Table 9: Employees on parental leave	2012	2013	Change
Average number of women on parental leave	16.4	24.4	49%
Average number of men on parental leave	9.3	9.0	-4%
Average number of weeks on parental leave - women	41.9	42.0	0%
Average number of weeks on parental leave - men	24.6	27.3	11%

LA3 - Parental leave

The number of women on parental leave increased by just under 50% during the year while slightly fewer men took parental leave. However, men took more weeks of parental leave in 2013 than 2012. Both genders tend to take parental leave during the summer months and the number of men on parental leave almost triples during summer.

Three employees did not return to work following parental leave.

LA4 - Minimum term of notice

The minimum notice period for employees is as follows:

- » Trial employees – 2 months
- » Permanent employees – 3 months
- » Permanent employees with more than 10 years' work experience at a financial undertaking or at least 45 years of age - 6 months

LA6 - Number of sick days

Employees of financial undertakings have considerably extensive rights in illness. These are linked to length of employment, based on a 12 month period and are as follows:

- » Trial employees have a right to full wages for 30 days and ½ wages for 30 days.
- » Permanent employees have a right to full wages for 3 months and ½ wages for 3 months.

- » After 10 years of employment the right to full wages is for 4 months and ½ wages for 4 months.
- » After 15 years of employment the right to full wages is for 6 months and ½ wages for 6 months.
- » After 20 years of employment the right is 12 months of full wages.

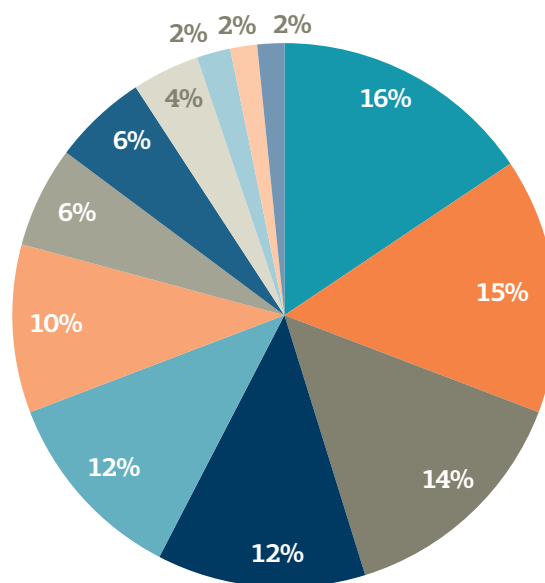
Work related illness is not recorded separately as these are most frequently musculoskeletal problems which may also be caused by other factors than the work environment.

The average number of sick days was 6.91 in 2013 and 6.92 in 2012.

LA9 - Average number of training hours

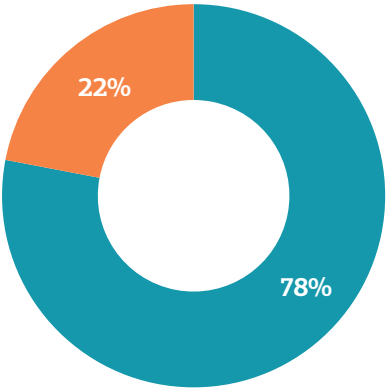
The Bank's educational offering focuses on providing employees with the knowledge and skills necessary to succeed in their

Figure 11: Instructional events – content



Laws and regulations	The Bank's system	Personal skills and health
The Bank's products and services	Finance	Management training
Computer skills	Other	Information technology
Procedures	Training of new employees	Project management

Figure 12: Instructional events – participation



Participated in instr. events
 Did not participate in instr. events

work. Emphasis is placed on empowering the individual and employees are encouraged and receive financial support to attend school and seek instruction outside the Bank.

The average number of training hours per full-time equivalent position in 2013 was 14.7 hours, excluding training for new employees. The number of training hours includes events attended by employees in-house and education sought externally with financial support from the Bank.

LA10 - Knowledge development, continuing education and retirement

Study courses available to front-line employees in branches

From 2012, front-line employees have attended three study courses intended to ensure that they possess the knowledge necessary to their work. The study courses are the Teller, the Retail and the Corporate courses. The aim is for all front-line employees to complete these study courses before year-end 2015.

Figure 13: Average number of hours spent on education by division

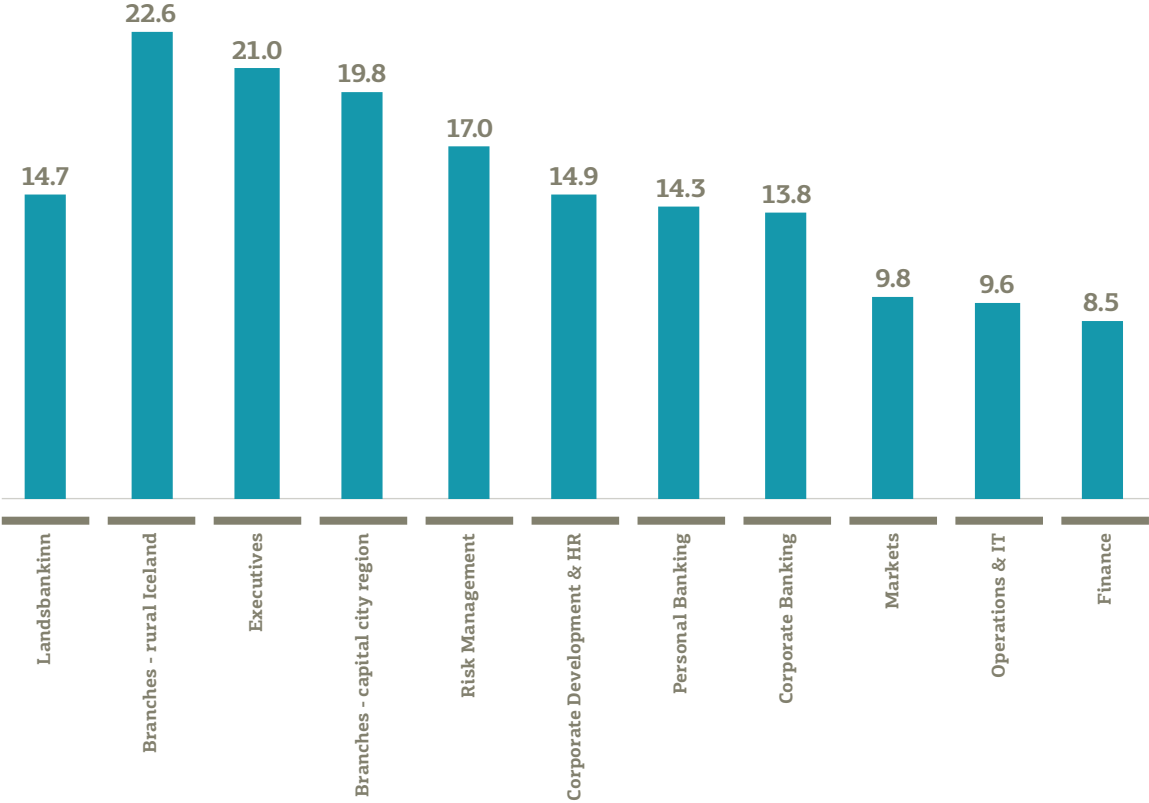
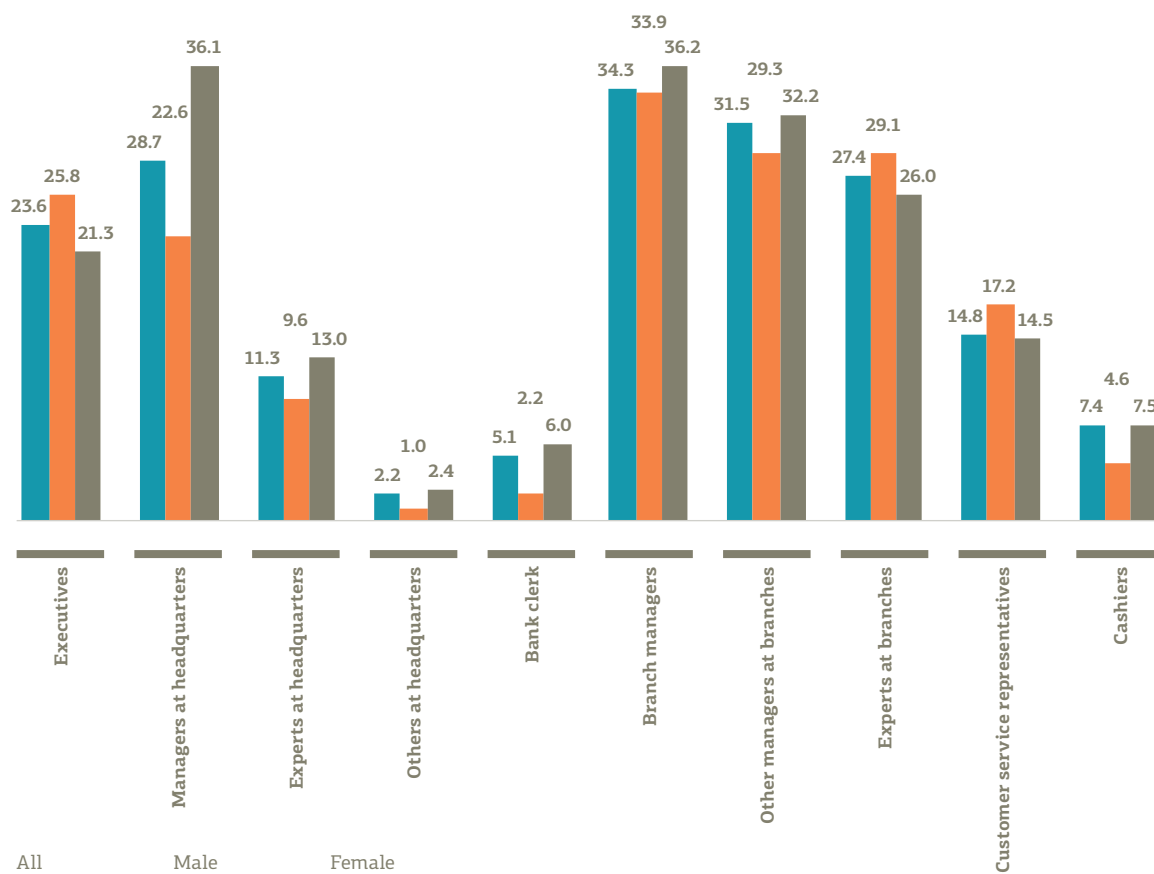


Figure 14: Hours spent on education by gender and position



Certification of financial advisors

Landsbankinn is an active participant in the project Certification of Financial Advisors. The project is under the auspices of the Icelandic Financial Services Association (SFF) and the financial undertakings collaborate with the Ministry of Industries and Innovation, Bifröst University, the School of Business of the University of Iceland and the School of Business of Reykjavik University. In spring 2014, some 40 employees of Landsbankinn will receive certification as financial advisors.

Management training - Exemplary Leadership 2012-2015

In early 2012, Landsbankinn initiated a management training programme under the heading Exemplary Leadership. During the year, managers attended courses in streamlining, performance management, human resources management and efficient work processes, sales and service management and negotiation techniques. Managers are also encouraged to utilise executive coaching in their job development.

Scholarships

Landsbankinn’s employees can apply for grants to seek continuing education and other instruction outside the Bank. In 2013, 235 employees took advantage of such grants. Around 100 employees received grants for studies alongside employment, such as to complete university entrance diplomas, university diplomas or legal certification.

Retirement course

Landsbankinn regularly offers a retirement course. The course is intended for employees who will retire within the next two years. Last year, 32 employees attended the course and around 50 employees have attended the course in the past two years.

LA11 - Performance evaluation

Last year, performance evaluation replaced employee interviews. All employees of Landsbankinn are invited to participate in performance evaluation. In total, 1141 employees underwent such evaluation, or 87% of individuals employed during the period.

LA12- Gender balance among managers and employees

LA13 - Ratio of salary of men to women by employee category

Women's salaries have decrease slightly as a ratio of men's salaries from the previous year. The largest influencing factor is that in 2012, female branch managers were, on average, paid higher wages than men and this trend was reversed in 2013. It is the policy of Landsbankinn to pay individuals the same salary for equally valuable positions.

LA16 - Work procedures and number of comments on human resources issues

Landsbankinn does not maintain a register of disputes linked to human resource issues. In the event of dispute or other problems requiring attention, the proper course is for employees to turn to their immediate superior who is responsible for resolving the matter or escalating the matter to Human Resources if necessary. If the dispute is centred on the relationship between the employee and his/her immediate superior, the employee can turn directly to Human Resources.

Figure 15: Hours spent on education by gender and position

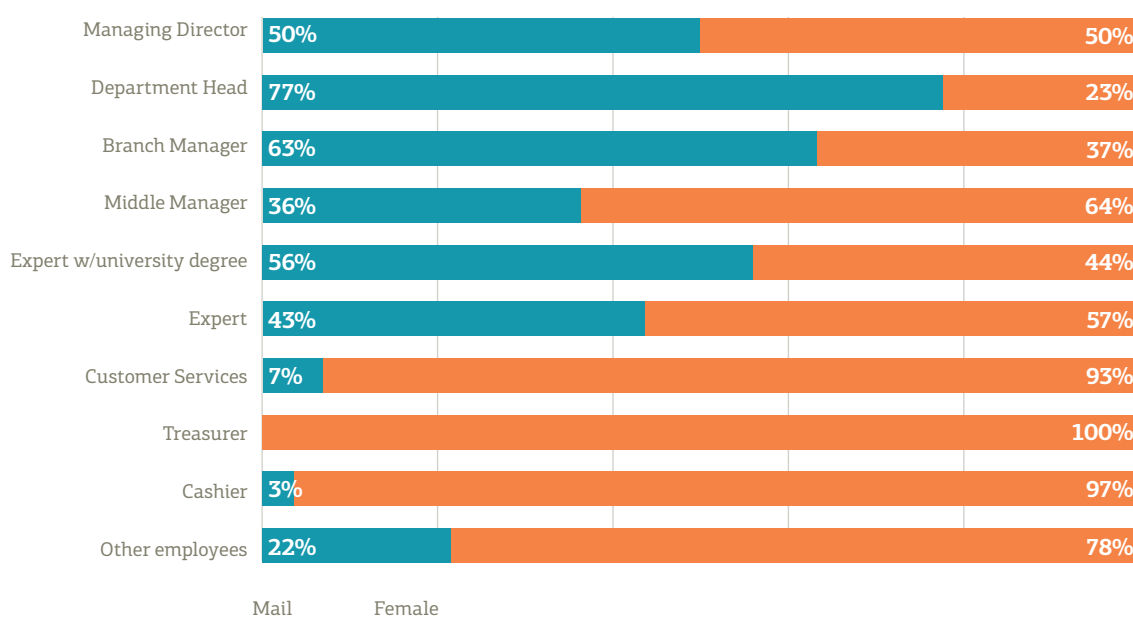
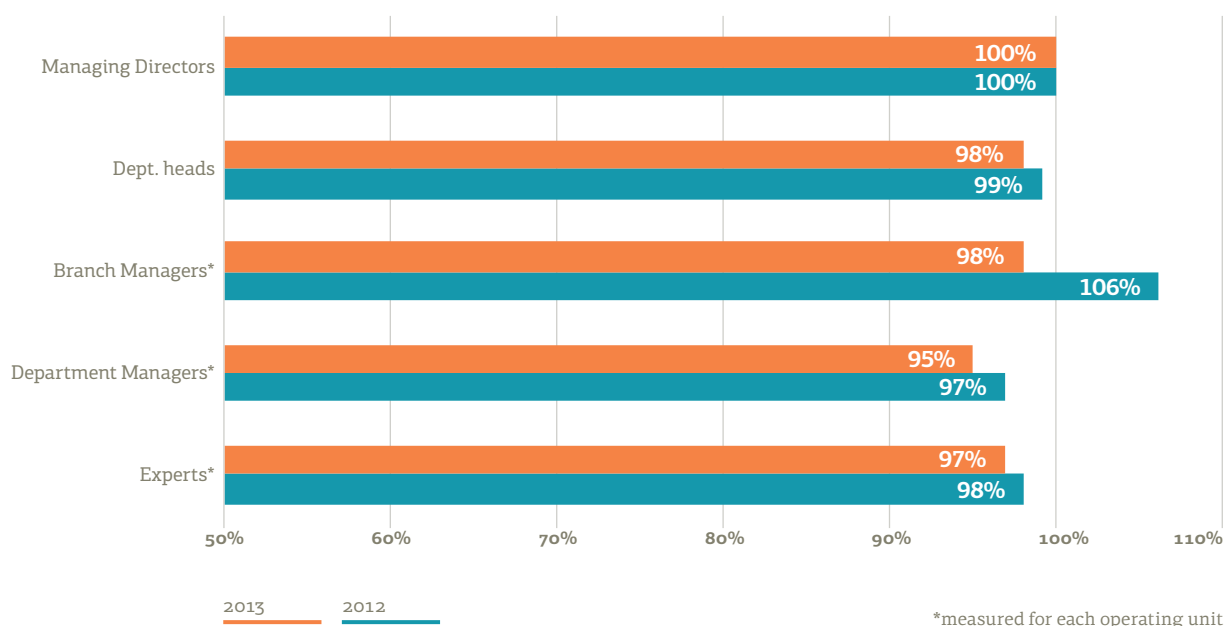


Figure 16: Comparison of wages paid to men and women



Most issues are resolved without involvement by Human Resources and as a result, no information is available on the number of comments of disputes.

An equal rights committee and an ethics committee are active within the Bank and employees can bring matters to the attention of these committees if they are concerned about potential violations of the Code of Ethical Conduct or the Bank's equality policy by other employees or the Bank itself. In 2013, one matter was brought to the attention of each committee.

Social Performance indicators

Most of the social indicators that apply to Landsbankinn have to do with actions, prevention and responses to corruption, conflicts of interest and money laundering. The Bank's Compliance department is responsible for monitoring these issues.

SO 3 - Percentage and total number of business units analysed with respect to corruption

Compliance performed a risk assessment for fraudulent activity

across all segments of the Bank in 2013.

Conflicts of interest

Landsbankinn's rules on the management of operational risk state that "all functions and units shall perform a coordinated risk assessment of operational risk at least every two years". The risk assessment is based on a self-assessment and special methodology used in risk classification.

Conflicts of interest are a known type of operational risk. To ensure that a review of possible conflicts of interest be incorporated into the regular risk assessment,

the decision was taken to include questions on conflicts of interest in the self-assessment as of fall 2012.

Since the review of conflicts of interest became a part of the operational risk assessment, 46 divisions / units of 71 have completed the risk assessment, or 65%.

Measures against money laundering

In 2013, Compliance assessed risk on account of money laundering in all the Bank's divisions.

SO4 - Information disclosure and training in anti-corruption policies and procedures

A new Board of Directors was elected by Landsbankinn's annual general meeting in 2013. Emphasis was placed on ensuring that all Directors received appropriate training and were familiar with corporate governance, Directors' obligations and responsibilities, business ethics, the role and work procedures, as well as legal and financial duties, of Board members.

In addition to the training described in this chapter, there are

regular courses on measures to prevent money laundering and conflicts of interest and these issues are also addressed during the training of new employees.

SO 5 - Actions taken in response to incidents of corruption

Conflicts of interest and misconduct

Landsbankinn's rules on measures to prevent conflict of interest detail Landsbankinn's actions to prevent conflicts of interest from negatively affecting customers. The rules also identify possible conflicts of interest that may arise between customers, between customers and the Bank and within the Bank.

Landsbankinn has set various other special guidelines to prevent conflict of interest, including rules on the separation of operating segments (Chinese walls) and access to facilities, rules on employees' security transactions, rules on insider trading and general rules on work procedures.

There is a set procedure for dealing with employee misconduct. Compliance receives notices of employee misconduct and

handles such cases in cooperation with Internal Audit and the Legal Department.

Landsbankinn has also adopted rules on protection and support to whistle blowers.

In 2013, there was no instance of alleged misconduct and/or corruption. Landsbankinn has not become aware of any such cases related to its suppliers or service providers and has not had to take any action because of such reasons.

Measures against money laundering

Landsbankinn's rules on measures to prevent money laundering and terrorist financing stipulate the main actions taken by the Bank to prevent such practices, such as due diligence checks of customers, the obligation to report any suspicion, instruction to employees and control.

In March 2013, the Financial Supervisory Authority (FME) presented the result of an audit of Landsbankinn's monitoring of money laundering and terrorist financing. It was the conclusion of the FME that Landsbankinn's actions on the whole fulfilled

general requirements provided for in Act No 64/2006, on Actions to Combat Money Laundering and Terrorist Financing, and Guidelines No. 3/2011.

SO6 – Value of contributions to politicians, political parties and related associations

No contributions were paid to politicians, political parties or related associations in 2013 as political organisations and candidates are not authorised to receive contributions from companies where a state or a municipality holds control or a majority share.¹⁷

SO7 - Remarks regarding anti-competitive behaviour, monopoly practices and their outcomes

In 2013, the Icelandic Competition Authority presented its decision on Landsbankinn's purchase of share capital in Ístak hf. The Authority set certain conditions for the Bank's takeover, including on the speedy sale of Ístak and measures to limit possible distortion of competition.

Landsbankinn and the Authority reached an agreement concerning these conditions.

Landsbankinn was not subjected to penalties for competition issues in 2013.

SO8 – Monetary value of fines and number of cases where Landsbankinn has not complied with laws and regulations

Regulatory bodies made no remarks on Landsbankinn's operations in 2013. Remarks here means serious issues that are not considered comments and are published on the FME's website as part of its transparency policy or by another comparable authority.

SO11 - Number of remarks/complaints because of the Bank's social impact

No register is maintain of remarks about "the Bank's social impact", but comments made in the categories "Landsbankinn" and "Unclassified" might fall under the scope of this category. They are 27% of total comments..

Human rights

HR1 - Number and proportion of important investment agreements that contain provisions on or have been assessed based on human rights concerns

Landsbankinn has not compiled statistics on how or to what extent human rights are protected in investment or credit agreements. Following the Bank's signing of the United Nations Principles on Responsible Investment, work has begun on how best to implement such an assessment in relation to investment and lending.

HR 5 – The number of operating units and suppliers identified in which the employee right to exercise freedom of association and collective wage bargaining may be at significant risk, and actions taken to secure these rights

As Landsbankinn operates only in Iceland it is assumed that there is a low risk of violations of employee rights concerning the right to collective wage bargaining and freedom of association.

¹⁷ According to Act No. 162/2006, on the Financial Affairs of Political Organisations and Candidates and Their Duty to Provide Information.

It is not considered likely that domestic suppliers of Landsbankinn are in violation of these provisions but no dedicated analysis has been carried out.

Environmental Performance Indicators

EN1 – Use of office supplies

Financial services make no direct use of raw materials. The main items disclosed by the Bank are employee travels to and from work, paper consumption and the use of printed material and chemicals for cleaning purposes.

Cleaning

ISS handles cleaning of just under 33 m² of the Bank's housing, or around 66.5% of total facilities occupied by the Bank. 228 litres of cleaning agents are used daily and 98% of the agents used are ecolabelled, either by the Nordic Swan or the EU Ecolabel. ISS has been certified by the Nordic Swan.

In addition to daily cleaning, various projects are carried out that do not support ecolabelling or the use of ecolabelled products. These projects necessitated the use of 122.3 litres of cleaning agents, 30 litres of which were ecolabelled.

Use of paper

In early 2013, Landsbankinn took action to minimise the use of paper. Firstly, the Bank stopped sending printed business statements to customers unless especially requested and, secondly, the Bank began using a cloud system to control the printing of employees. These actions resulted in a 50% reduction of paper use between years, from 37.1 tonnes in 2012 to 16.6 tonnes in 2013.

This is the equivalent of:

- » Around 13 kg per full-time equivalent position
- » Around 150 grams per customer, or 30 pages

Printed material

Use of paper in published material amounted to 25.2 tonnes. 14.1 tonnes was printed on ecolabelled paper. The amount of printed material thus amounts to 220 grams per customer.

All printed material published by Landsbankinn was certified by Nordic Ecolabel the Swan.

EN 3 - Energy use

Square metres occupied by Landsbankinn decreased by

56,272 to 49,373 m² and reduced energy use is a result of that change.

Use of electricity

Landsbankinn has access to exhaustive information about use of electricity for 42,608 m² or 86.3% of total square meters occupied. Electricity consumption was 6,987 MWh for these square metres. The Bank does not have adequate information about electricity use in rented housing where electricity is included in the rent or other operating expenses. Total use is estimated at 8.096 MWh, or 164 kWh /m² which is 26 kWh/m² less than in 2012.

Hot water consumption

Information about hot water consumption is subject to the same limitations as information about electricity use as it is sometimes included in rent or other expenses. Heating utilities state consumption in cubic meters of water, not energy content. This impedes any comparison as water temperatures can vary greatly between areas.

Landsbankinn has information about hot water consumption for 28,213 m². Measured hot water consumption was 133,769 m³ or 4.74 per square meter. This is an

Table 10: Fuel consumption

Fuel	Use (dm ³)	Energy content (kWh/dm ³)	Energy consumption (kWh)
Petrol	11,646	8.98	104,634
Diesel oil	24,752	9.92	245,579
Methane	7,076	10.17	71,963
Total			422,176

Table 11: Direct emission of greenhouse gases

Fuel	Use (dm ³)	Carbon dioxide (tonnes)
Petrol	11,646	26.7
Diesel oil	24,752	65.3
Methane	7,076	0
Total		92

increase of 0.64 cubic metres per square metre from the previous year.

Fuel consumption

The Bank operated 24 vehicles and they were driven a total of 440,280 km or an average of 18,345 km per vehicle. Fuel use due to employee driving was as follows:

Fuel use, measured in kWh, has

decreased from 487,085 kWh to 422,176 kWh or by 13.3% between years.

EN15 - Direct emission of greenhouse gases

Direct emission of greenhouse gases is due to fuel consumption, cf. point EN3.

Emission of greenhouse gases has decreased by 20% from the previous year, primarily be-

cause the Bank's vehicle fleet was renewed around mid-year 2012 and more energy-efficient vehicles purchased for urban use. The average emission of carbon dioxide by smaller passenger cars and transport vehicles was 209 grams/km.

Landsbankinn offsets emissions of greenhouse gases for 2013 with Kolviður. The offset amounted to ISK 183,933 which pays for the planting of 863 trees.

EN16 - Indirect emission of greenhouse gases

Indirect emission of greenhouse gases refers to emission from the power production of energy companies. All energy used by Landsbankinn is from district-heating plants (geothermal heat) or hydroelectric power plants. Both sources are renewable energy resources which do not cause the emission of greenhouse gases. Indirect emission of greenhouse gases due to heating and electricity is thus nil.

EN17 - Emission of greenhouse gases due to energy use external to the company

Energy use external to the company refers to energy use directly attributable to the company's operations yet through the agency of other companies. This refers to service purchased from other companies, such as flights and other travel.

Air travel abroad

There has been a considerable increase in the air travel of employees to and from Iceland, increasing from 275 in 2012 to

428 in 2013. These numbers are not fully comparable between years, as figures for 2012 cover flights to and from Iceland while 2013 figures also cover connecting flights abroad.

Total emission of greenhouse gases due to air travel abroad was 215.6 tonnes, which is an increase of 101 tonnes. Average emission also increased from 410 to 503 kg per flight.

Landsbankinn offsets greenhouse gas emission due to air travel with Kolviður. The offset amounted to ISK 449,188 which pays for the planting of 2,072 trees.

Domestic air travel

This is the first time Landsbankinn accounts for the domestic air travel of employees for work purposes. Employees went on a total of 1244 flights in 2013. Greenhouse gas emission from these trips amounted to 95.6 tonnes. The trips are offset and the cost amounted to ISK 191,319 which pays for the planting of 898 trees.

EN18 - Emission of greenhouse gases in proportion to company size

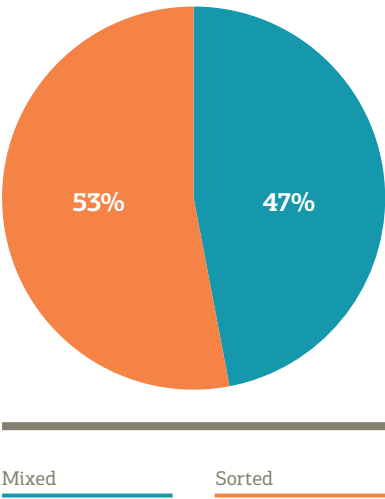
Total emission of greenhouse gases during the year was 403.2 tonnes, or 341.2 kg per employee. This equals 147 litres of petrol per employee.

Landsbankinn offsets this emission and the cost amounted to ISK 824,440 which pays for the planting of 3,833 trees.

EN19 - Measures to reduce the emission of greenhouse gases and results

In addition to renewing the Bank's vehicle fleet in 2012, which led to at least a 20% reduction in carbon dioxide emission in 2013, the Bank is currently experimenting with energy management systems at headquarters with the aim of reducing energy use.

Figure 17: Segregation of waste



EN20 - Emission of compounds that are ozone depleting

Landsbankinn used a total of 5.5 kg of coolants in its operations. These are the hydro fluorocarbons R407C, R404a, R134a and R413a, none of which are ozone depleting. These substances have a relatively high greenhouse effect. Emission of cooling mediums from the Bank is equivalent to the emission of 11 tons of carbon dioxide.

EN22 - Waste volume

Total volume of waste during the year amounted to 216.6 tons, representing an increase of 28 tons from the previous year. This increase is for the most part the result of construction waste from reconstruction of housing in Borgartún and renovation of the Bank’s facilities in Vesturbær.

Some headway has been made in sorting waste during the year, with mixed waste decreasing by 12 tons between years even while total waste increases.

Table 12: Treatment of waste

Mixed waste	96,602
Sorted	120,062
Organic compost	21,910
Sorted	19,460
Construction material	44,676
Data expunction, paper	30,326
Data expunction	2,999
Hazardous material	691



From the signing of the agreement with Kolviður to offset Landsbankinn's carbon emissions.

EN27 - Environmental impact of products and services

The Bank has emphasised three main points concerning the environmental impact of products and services.

Great emphasis has been placed on reducing paper use, both internally and externally. Paper use has decreased by just under 20 tons and work is in progress to digitalise forms to further reduce reliance on paper.

The Bank offers “green” vehicle financing at favourable interest rates and discount on borrowing charges for the purchase of vehicles that emit less than 120 grams of carbon dioxide for each driven kilometre.

In 2013, the Bank introduced its approach to the implementation of PRI, or responsible investment. It involves sector and strategy standards that

take environmental issues into consideration. This policy will be further refined during the course of this year and next.

EN31 - Investment in the environment and cost by type

Landsbankinn has not gathered information on expenses incurred for environmental management. The main expense items are:

- » Renewal of vehicle fleet
- » Offset of carbon emissions
- » Ecolabelling of canteen
- » Implementation of a print management system
- » Waste - sorting, disposal and landfilling
- » Reimbursement under the terms of the Transportation Agreement

In the above-mentioned cases, with the possible exception of carbon offsetting, the projects have led to cost-efficiencies to net expenses. For this reason it is hard to determine the actual cost/benefit of these projects.

Financial indicators

FS13 - Access to banking services

Banking services are constantly developing and all general banking services can now be provided via self-service solutions, ATMs, over the phone or online banking. Landsbankinn is of the opinion that Iceland is fast trending towards becoming cash-free and once that happens, banking services can be provided irrespective of physical location. While cash is still in use, there is a need for minimum service throughout the country. In 2013, Landsbankinn

Table 13: Service visits

Reykjavík	Hrafnista Senior Citizens' Care Home in Reykjavík, once weekly Senior citizens' service block Hæðargarði and Furugerði once monthly
South Iceland	Senior citizens' residents in Selfoss and Kirkjuhvoll, Hvolsvöllur, once weekly
Akranes	Höfði, Senior citizens' residence, once weekly
Grundarfjörður	Fellaskjól, once weekly
West Fjords	Flateyri, Bíludalur, Súðavík and Reykhólahreppur, once weekly
Suðurnes	Vogar once weekly and Garður twice weekly
East Iceland	Eskifjörður, Fáskrúðsfjörður and Stöðvarfjörður once weekly

closed several branches in East Iceland and the West Fjords.

In order to keep providing minimum services, the Bank operates ATMs,¹⁸ or sends employees to make regular visits to the communities that used to have branches. Details about service visits are presented in Table 13.

FSS 14 – Specialised customer service

Landsbankinn has been obliged to restructure operations with measures that have included both the capital area and other areas, in branches and in headquarters. Landsbankinn has, nevertheless, maintained service visits to those

locations where branches have been closed down, and the Bank also visits senior citizens and others unable to leave their homes.

In addition to the locations mentioned above, the Bank visits the hospital at Vopnafjörður and the nursing home at Hornafjörður as needed.

¹⁸ Information on ATMs is available on: <http://www.landsbankinn.is/default.aspx?PageID=d5969bec-c25e-4746-b42b-e90d9f906ab6>

Reference File

The Report is prepared with reference to GRI principles. The Report in its entirety and individual information sources have not been verified by external parties.

In instances where indicators are not reported or partly reported it is because information is missing or has not been available in an accessible/comparable format in the Bank's information systems.

Indicators marked N/A are considered not relevant to Landsbankinn.

The Reference File is available on www.landsbankinn.is/samfelags-skyrslur

