

Íslandsbanki
in Society



Message from the CEO

There is a growing realisation that businesses can contribute to a sustainable society based on respect for man and nature.

Since its foundation, Íslandsbanki has intensively explored how it can improve and extend the implementation of CSR in its business operations and strategy.

However companies don't become model citizens overnight. After the full force of the financial crisis hit the Icelandic economy banks and companies have had to reconsider their positions in society. Trust disappeared virtually overnight and rebuilding it is a long term project which requires wide employee participation and engagement.

Since 1904 Íslandsbanki, and its predecessors, has been an important and active participant and contributor in Icelandic society. The Bank takes this role seriously and endeavours to maintain good relationships with its immediate environment and its customers.

Our values, progressive, professional and positive, were collectively chosen by Íslandsbanki's employees. We believe that if we can be guided by those values we can build a responsible, open and reliable bank that plays an active, motivating role in the enhancement of the community and environment in which it operates.

Today, Íslandsbanki adheres to the United Nations' principles for corporate social responsibility; the Global Compact. The compact is about taking responsibility for the impact of your business activities on the rest of the world. Being a supporter of Global Compact, Íslandsbanki has also proudly signed the Women's Empowerment Principles, which offer guidance on how to empower women in the workplace, marketplace and community. They are the result of collaboration between the United Nations Development Fund for Women (UNIFEM, part of UN Women) and the United Nations Global Compact

It is important that Íslandsbanki, which is one of Iceland's largest employers, plays a meaningful role in our society and works in harmony with the communities in which it operates. It is also important that the Bank supports a wide range of projects; from the arts, to sport and innovation – to name a few. A clear aim of the bank is always to do the best that we can for society and to ensure that we leave a genuine, positive legacy.



Íslandsbanki in Society

Íslandsbanki is one of Iceland's leading companies. As a large workplace with a very broad client base, the Bank has made it a priority to maintain a good relationship with its immediate environment and customers.

OPEN, RESPECTFUL AND RESPONSIBLE BANKING

Íslandsbanki endeavours to bring a progressive, professional and positive approach to all its activities and believes that if it can be guided by those values, it can build a responsible, open and reliable bank that plays a proactive role in the enhancement of the community and environment in which it operates.



Íslandsbanki wants to invest in the future and to work towards ensuring that the world is preserved as best as possible for the generations to come. This is why Íslandsbanki has chosen to adhere to the United Nations' principles for corporate social responsibility. Íslandsbanki is proud to be a member of the UN Global Compact strategic policy initiative, an agreement which sets the parameters within which Íslandsbanki works and encourages it to do better.

Íslandsbanki's Corporate Social Responsibility policy provides the basis for the Bank's initiatives in social issues. It shapes the Bank's relationships with its stakeholders: clients, employees, local communities and the environment, and ensures that the interests of these parties always remain the Bank's top priority. The policy covers four key areas: business, human capital, community and environment.

Business

Íslandsbanki endeavours to serve its customers through the efficient provision of information, increased transparency, and non-discrimination against its customers and clear regulations.

One of Íslandsbanki's principal objectives is to ensure its customers' satisfaction and trust in the Bank. The Bank wants to make sure that all its customers get to sit at the same table and that they benefit from equal access to all the information they might need about the Bank and any of its activities that the Bank is able to disclose.

Debt relief for households and companies

In 2010 Íslandsbanki continued to be in the forefront in providing debt relief programmes to households and companies, assisting them to tackle financial distress in the wake of the financial crisis in 2008. Íslandsbanki seeks to provide precise and accurate information on the options it has to offer. This

applies both to individuals with domestic and foreign mortgages and car loans and companies that do business with the Bank.

In order to avoid any potential conflicts of interest, clear working procedures have been established for the administration of companies owned by the Bank, based on the arm's length principle.

Personal finance

Íslandsbanki has set up a special website called Your Finances (www.islandsbanki.is/fjarmalinhin). The goal of the website is to be a financial information provider where the public can search for information relating to personal finance. The aim is to guide people to better understanding so they can make informed decisions regarding their personal finances. On this website customers will find general explanations of financial concepts, articles and an overview of the financial services the Bank provides.

Meniga

Meniga is sophisticated personal finance software that reads and automatically categorises all transactions from users' bank accounts and credit cards. All customers of Íslandsbanki can use the service free of charge. Thousands of customers are currently making use of this service to better monitor their expenses and personal finances.



Íslandsbanki Finance Conferences



Íslandsbanki hosted seven conferences on finances across the country in October and November of 2010. Representatives of companies and individuals doing business with the Bank were invited to lectures on finance and business operations as well as talks on the country's economic prospects.

Transparency policy towards customers

Íslandsbanki has increased transparency in its work toward its customers and other stakeholders by publishing enhanced internal rules and regulations on the Bank's website. Furthermore, the Bank strives to be leading in open and transparent work procedures, i.e. in regards to public display of internal

rules and procedures followed and public offerings and sales processes. As part of this effort the Bank has established a special asset management company, Midengi hf., which is a wholly-owned subsidiary of Íslandsbanki. Midengi's primary activity is the ownership and management of companies or shares in companies acquired by the Bank as part of restructuring, with the goal of a profitably disposing of these assets as soon as possible.

Íslandsbanki continued to be in the forefront in transparent sales processes of companies, which is a part of the Bank's strategy to increase trust in the Bank and its operations.

Human Capital

Íslandsbanki offers its employees good working conditions and enticing opportunities in a variety of ways. Íslandsbanki's objective is to recruit, strengthen and retain skilled and reliable staff.

Being a supporter of Global Compact, Íslandsbanki has signed the Women's Empowerment Principles, which offer guidance on how to empower women in the workplace, marketplace and community. They are the result of collaboration between the United Nations Development Fund for Women (UNIFEM, part of UN Women) and the United Nations Global Compact.



Reflecting the emphasis on equality, Íslandsbanki's CEO, Birna Einarsdóttir, has been an active advocate on the topic in various international conferences and meetings. In 2010, Einarsdóttir participated in the FT Women At The Top Conference in London with women leaders, such as Christine Lagarde and Cherie Blair. The Icelandic Association of Women Entrepreneurs also awarded Íslandsbanki for promoting women's advancement in the Bank in 2010.

Íslandsbanki seeks to create a secure working environment that places an emphasis on non-discrimination, clear vision, transparent working methods and the active participation of its employees in, among other things, the strategy building process of the Bank. Thanks to its clear vision, equal opportunities and good working ethics, Íslandsbanki attracts highly qualified employees who are eager to participate in the development of an outstanding financial services company. The Bank's emphasis on human capital has been rewarded by high levels of job satisfaction. In 2010, job satisfaction among employees was rated 86.4%.

For many years, Íslandsbanki has supported measures to improve the quality of life of its employees and it will continue to do so. The Bank holds the interests and wellbeing of its employees close to its heart and provides, among other things, medical and counselling services, healthy and nourishing food, sports grants, access to many union holiday



Íslandsbanki's CEO Birna Einarsdóttir (left) and former Icelandic president Vigdís Finnbogadóttir at the Bank's 2010 Strategy Summit

homes around the country for a modest fee, and continued education. In 2010, 250 courses of various kinds were offered to employees. In all, 4503 places were filled at these courses, meaning that each employee participated in just over four courses.

Íslandsbanki constantly strives to improve the work practices and framework that its employees follow in their daily work. Through clear objectives, work regulations and codes of conduct, the Bank improves the efficiency of its employees and enhances the transparency of its activities. This process is informed by the Bank's human resources policy, code of ethics and non-discrimination policy.

Strategy Summit

Íslandsbanki held its second Strategy Summit in January. Six hundred and thirty employees attended a successful meeting. Vigdís Finnbogadóttir, former president of Iceland, gave a speech and the management team answered questions from employees. At the meeting, employees were encouraged to come up with ideas for Íslandsbanki's vision, future opportunities and how the objective for an open and responsible bank could be reached. Customers were also contacted for their opinions.



Community

Íslandsbanki strives to work in harmony with the communities in which it operates, by supporting various social, artistic, cultural, and sporting projects as well as innovation and entrepreneurship.

Íslandsbanki is committed to having a positive impact on the Icelandic community. It achieves this not only through grants for sporting, artistic, cultural and charitable activities, but also through the active participation of its staff in worthy causes and projects. Íslandsbanki is also keen to stimulate the creation of dynamic economic activity and supports entrepreneurial companies in a variety of ways. Examples of this include the establishment of Kvosin, an innovation centre for

entrepreneurs which was established in co-operation with Innovation Centre Iceland; a collaboration with the start-up company Meniga ehf.; and the marketing niche strategies of the Bank, which are focused on servicing companies in renewable energy and sustainable fisheries. Through this strategy, the Bank supports the build up of know-how in Iceland, contributes to the development of this knowledge and reinforces the infrastructure of the Icelandic economy.

Íslandsbanki's Entrepreneur and Innovation Fund

Íslandsbanki's Entrepreneur and Innovation fund supports innovative environmental projects with a particular emphasis on renewable energy, sustainable fisheries and the protection of maritime areas. The fund allocates grants on an annual basis. In 2010 the fund supported PM Recycling, which has built up considerable experience in the production of recycled plastic. PM Recycling has developed a method to clean and recycle plastic. The final products are plastic units that are used by both foreign and domestic manufacturers in all sorts of plastic processing.

Kvosin Innovation Centre for Entrepreneurs

Approximately 30 companies are now using Kvosin, which employs about 50 people. Kvosin opened in January 2009 when Íslandsbanki and Innovation Centre Iceland inaugurated the centre for entrepreneurs at one of the Bank's buildings in Reykjavík. Kvosin was created to provide assistance to individuals and groups to work on business ideas and found companies under the professional supervision of experts from Innovation Centre Iceland. Íslandsbanki provides housing and access to all the assistance services. Kvosin is a collaborative venture between Íslandsbanki, Innovation Centre Iceland and the Confederation of Icelandic Bank and Finance Employees. Entrepreneurs that are now located in Kvosin form a diverse group of people working on projects varying from technology to fashion.



The Women of Achievement Fund

The Women of Achievement Fund is a joint initiative of the Bank and the National Olympic and Sports Association of Iceland. The fund sponsors women of achievement in the field of sport and was founded in 2007 with the objective of encouraging sportswomen to excel in their chosen fields. The fund

also evaluates the potential of individuals and groups to excel. The fund advertises and allocates grants twice a year. This year the fund received around 100 applications. The following organisations received grants: the Icelandic Ski Association, the Icelandic Athletics Federation, the Icelandic Gymnastics Federation and the Icelandic Handball Federation. Additionally, three young sportswomen received grants.

Íslandsbanki Reykjavík Marathon

Íslandsbanki has been the principal sponsor of the Reykjavík Marathon since 1997. Íslandsbanki considers the Reykjavík Marathon to be an important public health project in which the entire family can participate and run various distances. An important component of the Íslandsbanki Reykjavík Marathon is the sponsorship raised by the runners themselves. This gives all participants a chance to run for a good cause. In 2010, about ISK 30m was raised for 96 charities.

Special Olympics

Íslandsbanki is the gold sponsor to the Sports Association of the Disabled in consideration of the Special Olympics. Íslandsbanki and the association have had a successful affiliation the past ten years. Thanks to this support, the association has been able to send a group of athletes to the summer and winter Special Olympics. The Special Olympics World Summer Games will be held in Athens in 2011.



Vigdís Finnbogadóttir World Language Centre

Íslandsbanki is a proud key sponsor of World Language Centre which will be an integrated part of the Vigdís Finnbogadóttir Institute of Foreign Languages. The primary purpose of the Centre is to raise awareness of the importance of languages as one of mankind's most precious cultural assets. The World Language Centre will be an information centre for languages and culture with excellent facilities for research, language learning and dissemination. The World Language Centre regards it an honour to develop and continue the pioneering work that Vigdís Finnbogadóttir, former president of Iceland, has carried out as UNESCO.

Various community projects

Several employees volunteered to clear the area around Eyjafjallajökull after and during the volcanic eruption. Thousands of tons of ashes were in the fields surrounding the farms so the farmers were in great need of help.

In 2010, various Íslandsbanki branches supported different organisations and charities in their close communities while the headquarters has emphasised supporting national organisations.



Íslandsbanki also supported the play *What if?*, which is an educational and preventive performance using poetry, music and acting to educate young people about drug use, bullying and suicide. The goal is to show teenagers that they have choices and that one wrong decision can have serious consequences.

In total, Íslandsbanki donated around ISK 100m to various associations in the fields of humanitarian assistance, culture, athletics and education. Grants to associations that assist families in need were prominent in 2010. Íslandsbanki's branches in Reykjavík, Reykjanæsbær and Akureyri donated ISK 10m to Iceland Family Help, a charity that provides food aid to distressed families, and employees also donated to several support funds and aid organisations of this kind.

Environment

Íslandsbanki makes it a priority to work in harmony with the environment, and this is reflected in Bank's management and investments.

Íslandsbanki favours a protective approach when it comes to environmental issues. The Bank also supports investments that promote sustainability. The Bank's approach to environmental issues reflects the core principles of the UN Global Compact agreement.

Íslandsbanki has stressed the social and environmental benefits of investing in renewable energy sources and sustainable fisheries. In this way, the Bank plays a pro-active role in the promotion of eco-friendly solutions and technologies that reduce pollution and energy consumption and support sustainable fisheries.

In the day-to-day running of its activities, Íslandsbanki has taken many steps to reduce its environmental impact by integrating environmental strategies into its management. For example, in Íslandsbanki's canteen, items are sorted and disposed of so as to minimise waste. The Bank places an emphasis on reducing its electricity consumption by, for example, ensuring that lights are turned off in its offices outside office hours.

Íslandsbanki stopped sending annual bank statements to customers at the end of 2010. This action saved about ISK 30 m, as well as thousands of sheets of paper.

Geothermal energy

Geothermal energy is a clean, renewable resource that can be tapped by many countries around the world located in geologically favourable places. Íslandsbanki's sustainable energy team combines years of experience in this field and is focused on providing the global community with sustainable business solutions and research material available for everyone, including reports on the Icelandic, American and Canadian geothermal markets.

Íslandsbanki was one of the main sponsors of a conference on the Icelandic geothermal cluster in November 2010, where Professor Michael Porter of Harvard University discussed his views and some initial findings of cluster work on the Icelandic geothermal energy industry.

Sustainable fishing and the seafood industry

The seafood industry has been an important element of Íslandsbanki's business activities since 1904. As the world's oceans are being exploited, responsible management of fishing stocks is becoming increasingly important. Responsible fish farming is essential to aquaculture as it determines the sustainability of the business. Providing financial and expert advice on sustainability within the fishing industry is an important element of Íslandsbanki's business opportunities.

