



# Ársskýrsla

2010

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Stefna

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# Landsbankinn þinn

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Framtíðarsýn

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## Landsbankinn er til fyrirmyndar

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Einkunnarorð

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## Hlustum, lærum og þjónum


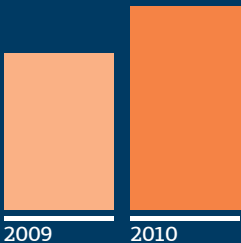
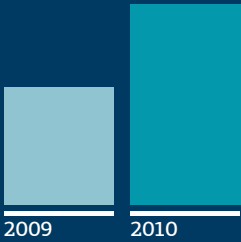

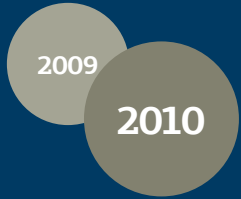
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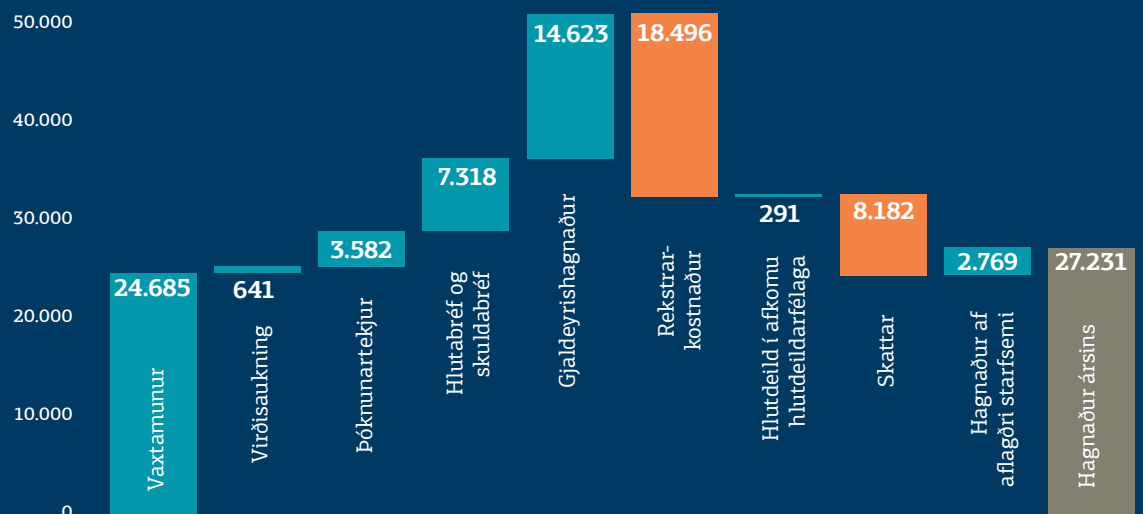
Landsbankinn er stærsta fjármálafyrirtækið á Íslandi

Einstaklingar í viðskiptum við Landsbankann	<b>97.000</b>
Fyrirtæki í viðskiptum við Landsbankann	<b>7.300</b>
Útibú og afgreiðslur í árslok 2010	<b>34</b>
Útibú og afgreiðslur eftir sameiningu við Spkef (1. apríl 2011)	<b>45</b>
Stöðugildi í árslok 2010	<b>1.146</b>

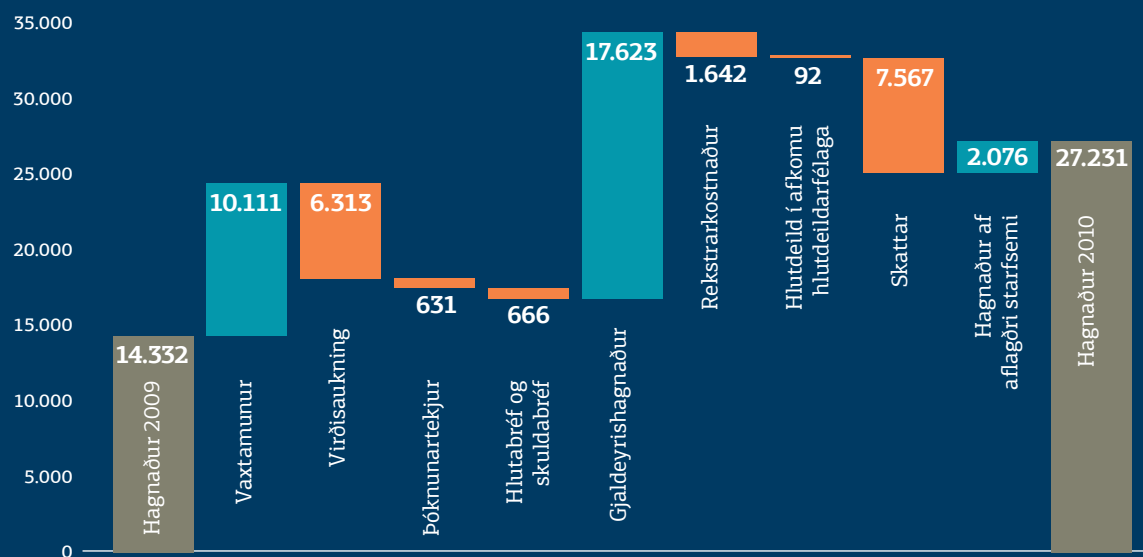
## Lykiltölur

<b>Heildareignir</b>	Heildareignir jukust lítillega á árinu 2010 eða um 2% þrátt fyrir að stærsti eignaliðurinn, útlán til viðskiptavina, hafi lækkað.		<b>1.081.133 M. KR</b>
<b>Eiginfjárlutfall (CAD)</b>	Eiginfjárlutfall bankans er 19,5% og hefur hækkað um 31% á árinu 2010. Eiginfjárlutfallið er vel yfir 16% lágmarki FME.		<b>19,5%</b>
<b>Arðsemi eigin fjár</b>	Arðsemiskrafa eigenda bankans var 12% fyrir árið 2010 og arðsemi því vel umfram hana.		<b>17,3%</b>
<b>Kostnaðarhlutfall</b>	Kostnaðarhlutfall á árinu 2010 var vel undir áætlun sem skýrist af gengishagnaði gjaldyris. Framtíðarmarkmið bankans er að kostnaðarhlutfall sé ávallt lægra en 50%.		<b>36,4%</b>
<b>Hagnaður</b>	Afkoma af kjarnastarfsemi bankans er góð og rekstrargrundvöllur til framtíðar er traustur.		<b>27.231 M. KR.</b>

## Afkoma 2010



## Samanburður á afkomu 2009 og 2010



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# 2010 í hnotskurn



## Fyrsti ársfjórðungur

### Janúar

- Landsbankinn býður lántakendum fasteignalána í erlendri mynt og íslenskum krónum að færa þau niður í 110% af markaðsvirði eignar.
- Nýjar lausafjárreglur settar.

### Febrúar

- Fasteignagrunnur, reikningur fyrir þá sem vilja spara fyrir húsnæðis kaupum, kynntur.
- Vestia, dótturfélag Landsbankans, fer með allt hlutfé í Icelandic Group.
- Skilvísir viðskiptavinir fá endurgreiddan hluta vaxtagreiðslna íbúðalána 2009.
- Fráfarandi Bankaráð samþykkir tillögu um jafnan hlut kvenna í forystusveit bankans.
- Nýtt Bankaráð tekur til starfa. Formaður er kjörinn Gunnar Helgi Hálfðanarson.

### Mars

- Landsbankinn selur allt hlutfé bílaleigunnar Hertz á Íslandi að afloknu opnu sölufarli.
- Sameiginlegar reglur um fjárhagslega endurskipulagningu fyrirtækja samþykktar.
- Landsbankinn auglýsir stöðu bankastjóra lausa til umsóknar.



## Annar ársfjórðungur

### Apríl

- Reginn ehf., dótturfélag Landsbankans, auglýsir verslunarmiðstöðina Smáralind til sölu.

### Mái

- Landsbankinn auglýsir dreifingarfyrtækið Parlogis til sölu.
- Steinþór Pálsson ráðinn bankastjóri Landsbankans.
- Landsbankinn tilkynnir um 8,3 milljarða króna hagnað á fyrsta ársfjórðungi.
- Fyrirtækjum og einstaklingum með lán í erlendri mynt býðst 25% höfuðstólslækkun.

### Júní

- Ásmundur Stefánsson lætur af störfum. Steinþór Pálsson tekur við.
- Dómur fellur í máli SP-Fjármögnunar í Hæstarétti. Lánið sem um var fjallað er talið vera íslenskt lán og gengistrygging þess dæmd ólögæt.
- Fjárhagur, fjármálablogg Landsbankans, opnað.



## Þriðji ársfjórðungur

### Júlí

- Vinna við stefnumótun bankans hefst.
- Landsbankinn selur Parlogis ehf. að loknu opnu útboði.
- Landsbankinn býður greiðendum fasteignalána í erlendri mynt að greiða 5.000 krónur af hverri milljón til 1. nóvember.

### Ágúst

- Tilkynnt um kaup Framtakssjóðs Íslands á Vestia af Landsbankanum.
- Nýtt skipurit Landsbankans kynnt starfsmönnum.
- Störf allra framkvæmdastjóra auglýst laus til umsóknar.
- Landsbankinn lokar afgreiðslu á Stöðvarfirði og sameinar útibú á Hellissandi og Ólafsvík.

### September

- Límtré Vírnet auglýst til sölu.
- Hæstiréttur sker úr um hvernig reikna beri vexti erlendra lána sem teljast gengistryggð íslensk lán en ekki lán í erlendri mynt.
- Landsbankinn leggur fram nýjar lausnir fyrir fyrirtæki í skuldavanda.
- Söluferli verslunarmiðstöðvarinnar Smáralindar lýkur án árangurs.
- Landsbankinn tilkynnir um 9,4 milljarða hagnað á fyrri hluta ársins.
- Ráðgjafastofa einstaklinga stofnsett.
- Útlánastefna, útlánaferli og útlánareglur endurskoðaðar.



## Fjórði ársfjórðungur

### Október

- Ný stefna lögð fram á 1000 manna starfsmannafundi í Háskólabíói.
- Átta framkvæmdastjórar ráðnir, jafn margar konur og karlar. Fjórir koma nýir að bankanum.
- Nýtt skipurit tekur gildi.
- Samfélag í nýjan búning – nýtt verkefni um stuðning við samfélagið kynnt.

### Nóvember

- Reginn ehf. boðar skráningu fasteignafélags í Kauphöll.
- Landsbankinn selur Límtré Vírnet hópi fjárfesta sem heimamenn í Borgarbyggð hafa haft forystu um að ná saman.
- Landsbankinn tilkynnir um 3,5 milljarða króna hagnað á þriðja ársfjórðungi.
- Kaup Framtakssjóðs Íslands á Vestia frágengin, með fyrirvara um samþykki Samkeppniseftirlitsins.

### Desember

- Skrifað undir samkomulag um margvíslegar aðgerðir vegna skuldavanda heimilanna. Ríkisstjórn, lífeyrissjóðir, Íbúðalánasjóður og fjármálafyrirtæki eiga aðild að samkomulaginu.
- Skrifað undir samkomulag um úrræði fyrir lítil og meðalstór fyrirtæki í skuldavanda. Til verður Beina brautin, leið fyrir fyrirtæki með skuldir allt að 1.000 milljónir króna.
- Landsbankinn kaupir meirihluta í Rose Invest, rekstrarfélagi verðbréfasjóða.
- Sérfræðingur í málefnum samfélagslegrar ábyrgðar ráðinn til bankans.
- Endurútreikningur á gengistryggðum fasteignalánunum birtur í Einkabankanum.





# Ávarp formanns Bankaráðs og bankastjóra

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## Stoðirnar treystar

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Í lok árs 2008 dundi áfall yfir íslensku þjóðina sem markar upphaf dýpsta samdráttarskeiðs í íslensku efnahagslífi í áratugi. Hlutfall fjárfestinga er í sögulegu lágmarki, atvinnuleysi er hátt og áhrif samdráttarins á efnahag heimila og fyrirtækja eru á margan hátt mun djúpstæðari en á fyrri samdráttarskeiðum, m.a. vegna hárrar skuldsetningar. Hvar sem borið er niður eru stór verkefni framundan í íslensku efnahagslífi. Að auki bætist við óvissa er tengist yfirstandandi dómsmálum í fjármálakerfinu og skipan mikilvægra mála til framtíðar, t.d. fiskveiðistjórnunarkerfisins og orkuöflunar og -nýtingar.

Þrátt fyrir þetta allt eru þó vísbendingar um að það versta sé að baki og flestir eru sammála um að langtímahorfur í efnahagsmálum séu góðar. Margt bendir til þess að hagvöxtur sé tekinn að glæðast á ný. Þó verður að hafa í huga að skuldsetning margra viðskiptalanda Íslendinga er mikil og staða sumra þeirra alvarleg. Þetta hefur áhrif á vöxt og viðgang hér á landi. Ekki er einsýnt á þessari stundu hvernig unnið verður úr þeim málum.

### Ár uppbyggingar og umbóta

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Landsbankinn hefur unnið markvisst allt árið 2010 að því að treysta stoðir sínar til að mæta þeim áskorunum sem við blasa í erfiðu umhverfi. Það starf hefur verið leitt af nýju Bankaráði sem tók við á árinu, svo og nýjum bankastjóra. Þá var skipulagi bankans breytt og mikil endurnýjun varð í framkvæmdastjórn, hvoru tveggja til að tryggja sem best framgang nýrrar stefnu og nýrrar hugsunar.

Fyrir Landsbankann hefur það verið ærið verkefni að takast á við afleiðingar

hrunsins og byggja upp innviði og traust að nýju, innanlands og utan. Þá hafa reglur og eftirlit með fjármálafyrirtækjum tekið töluverðum breytingum með það að markmiði að tryggja hagfella starfsemi til framtíðar.

Landsbankinn er stærsta fjármálafyrirtæki landsins með vel yfir 100.000 viðskiptavinum, eða um þriðjung markaðshlutdeild og sterka stöðu í öllum greinum atvinnulífsins. Ábyrgð bankans er því mikil og þær kröfur sem gerðar eru til hans eru einnig miklar. Eignarhald Landsbankans er skýrt og það er kostur. Ríkissjóður er eigandi að



Gunnar Helgi Hálfðanarson, formaður Bankaráðs

„Landsbankinn er stærsta fjármála-fyrirtæki landsins með vel yfir 100.000 viðskiptavinum eða um þriðjung markaðshlutdeild og sterka stöðu í öllum greinum atvinnulífsins. Ábyrgð bankans er því mikil og þær kröfur sem gerðar eru til hans eru einnig miklar.“

stærstum hluta og Bankasýsla ríkisins fer með þann hlut. Landsskil ehf. fer með hlut Landsbanka Íslands hf. Þetta er nokkuð ólíkt eignarhaldi annarra stórra fjármálafyrirtækja hérlendis sem eru að mestu í eigu erlendra kröfuhafa. Nálægð Landsbankans við ríkisvaldið er þó ekki vandalaus og getur haft truflandi áhrif ef þess er ekki nægjanlega vel gætt að bankinn starfar á samkeppnismarkaði. Tryggja þarf að sömu leikreglur eigi við um alla á markaði og er óviðunandi ef ríkisvaldið setur Landsbankanum þrengri skorður í lögum en öðrum bönkum.

Skýra þarf sem fyrst hvernig eigendastefnu ríkisins um að koma bankanum í dreift eignarhald fyrir 2015 verður framfylgt og jafnframt hvernig ríkisvaldið hyggst beita sér við hagræðingu á fjármálamarkaði á næstu árum.

### Ný stefna – Landsbankinn þinn

Landsbankinn markaði sér stöðu á síðasta ári með því að setja sér framsækna og metnaðarfulla stefnu sem kynnt var í október.

Stefna bankans, Landsbankinn þinn, hvílir á fjórum meginstöðum sem saman mynda órofa heild og ramma inn hlutverk bankans í samfélaginu. Sú fyrsta vísar til starfsmanna og samtakamáttar þeirra undir heitinu „öflug liðsheild“, önnur til betri rekstrar, traustari stýringar og betri eigna og nefnist „traustir innviðir“, sú þriðja snýr að viðskiptavinum og samskiptum við þá undir heitinu „ánægðir viðskiptavinir.“ Þar verður endurskipulagning skulda heimila og fyrirtækja enn um sinn eitt stærsta og mikilvægasta verkefni bankans og er mikið kapp lagt á að hraða þeirri vinnu sem mest þó margt í henni

hafi verið mótdrægt og úrvinnsla mála ekki gengið eins hratt og menn hefðu helst kosið. Fjórða stoðin snýr að samfélaginu þar sem lögð er áhersla á almennan ávinning af rekstri bankans undir yfirskriftinni „ávinningur samfélags og eigenda“. Landsbankinn er þjónustufyrirtæki og hann vill setja viðskiptavininn í öndvegi. Bankinn vill koma fram af hógvæð og einkunnarorð starfsmanna eru, *hlustum, lærum og þjónum*. Með þeim hætti telur bankinn að hann geti sinnt því mikilvæga hlutverki sínu að vera traustur samherji viðskiptavina í fjármálum og sannanlega Landsbankinn þinn.



Steinþór Pálsson, bankastjóri

„Landsbankinn hefur markvisst unnið að því að byggja upp og bæta áhættustýringu bankans og tryggja sjálfbæran rekstur til þess að geta betur tekist á við óvissu og hin ýmsu úrlausnarefni sem við blasa til framtíðar. Aukin hagkvæmni, sala fullnustueigna og sterk lausafjárstaða, í íslenskum krónum og erlendri mynt, eykur getu bankans til að taka þátt í brýnni endurskipulagningu á íslenskum fjármálamarkaði og getu hans til að bjóða samkeppnishæf kjör og þjónustu til hagsbóta fyrir viðskiptavini.“

## Sterkur banki

Hagnaður Landsbankans árið 2010 nam 27,2 milljörðum króna og arðsemi eigin fjár var 17,3%. Áhættuvegið eiginfjárlutfall Landsbankans í lok árs 2010 er 19,5% en var í ársbyrjun 15%. Þessar tölur sýna mikinn og vaxandi styrk bankans og góða arðsemi fyrir hluthafa. Landsbankinn hefur markvisst unnið að því að byggja upp og bæta áhættustýringu bankans og tryggja sjálfbæran rekstur til þess að geta betur tekist á við óvissu og hin ýmsu úrlausnarefni sem við blasa til framtíðar. Aukin hagkvæmni, sala fullnustueigna og sterk lausafjár-

staða í íslenskum krónum og erlendri mynt eykur getu bankans til að taka þátt í brýnni endurskipulagningu á íslenskum fjármálamarkaði og getu hans til að bjóða samkeppnishæf kjör og þjónustu til hagsbóta fyrir viðskiptavini.

Landsbankinn er öflugasti banki landsins, hann hefur sterka markaðshlutdeild í öllum atvinnugreinum og rekur víðfeðmt útibúanet sem nær til langflestra Íslendinga. Bankinn byggir hag sinn á stórum og ört stækkandi hópi viðskiptavina. Mannauðurinn er einn helsti styrkleiki bankans. Starfsfólk hefur verið undir miklu álagi í ljósi þeirrar stöðu sem

við hefur blasað og staðið sig sérstaklega vel. Það hefur tekið fullan þátt í að móta stefnu bankans til framtíðar og lagt sig fram við að læra af mistökum sem gerð voru fyrir hrun. Það er mikilvægt að hlúa vel að starfsfólkinu og tryggja að bankinn geti laðað til sín og haldið metnaðarfullu og öflugum starfsfólki, m.a. með því að greiða samkeppnishæf laun. Þann mikla mátt sem býr í bankanum vilja stjórnendur Landsbankans nýta til góðra verka. Við viljum nýta bankann sem hreyfiafl til að flýta fyrir endurreisn íslensks efnahagslífs. Það er kominn tími til að horfa fram á veg og efla umfjöllun um tækifæri og styrkleika.

## Þakkir

Öllu starfsfólki bankans, bankaráðsmönnum, starfsfólki dótturfélaga og stjórnnum þeirra auk hluthafa, viðskiptavina og öðrum hagsmunaaðilum eru færðar bestu þakkir fyrir árangursríkt samstarf og jákvæð skref við að byggja upp Landsbankann í anda nýrrar stefnu 2010.

# Þróun efnahagsmála

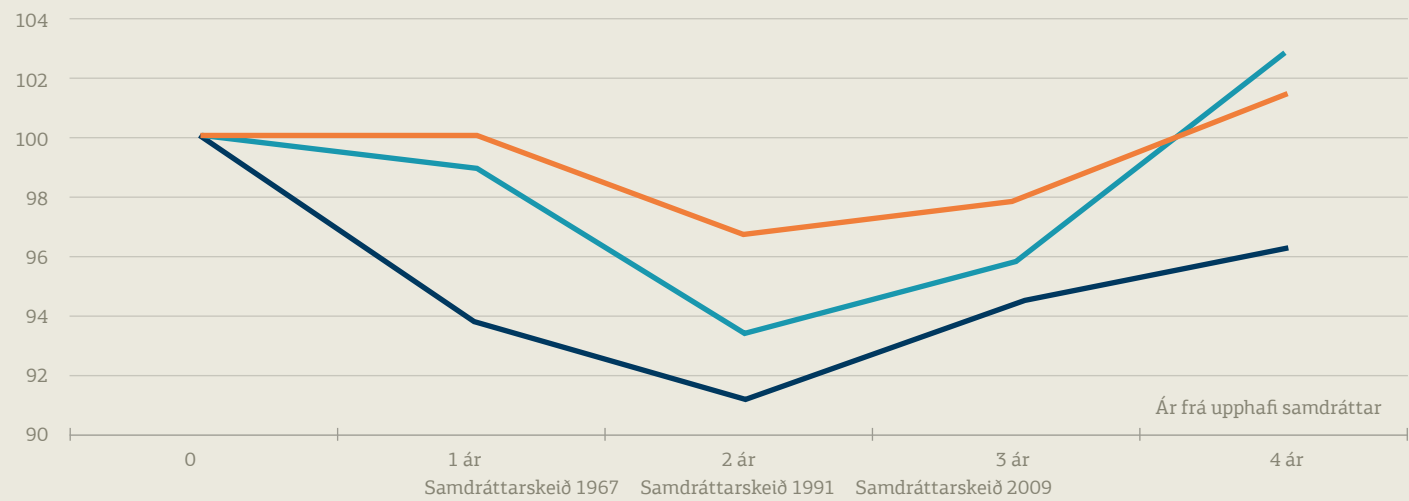
**Starfsskilyrði og afkoma banka** markast ekki síst af því efnahagssumhverfi sem þeir búa við. Nú er ljóst að efnahagsáfallið sem dundi á íslensku þjóðinni undir lok árs 2008 markaði upphaf lengsta og dýpsta samdráttarskeiðs í hagkerfinu frá stofnun lýðveldisins.

Í byrjun árs 2008 stefndi efnahagslífið hraðbyri í átt að gjaldeyriskreppu eftir að gengi krónunnar hafði fallið um ríflega fjórðung á stuttum tíma. Í október 2008 hrundi svo íslenska fjármálakerfið til grunna, krónan veiktist um ríflega fjórðung til viðbótar og gjaldeyriskreppan ágerðist. Á sama tíma hófst samdráttur í heimsbúskapnum sem stóð fram á mitt ár 2009. Þessi þrjú áföll möggnuðu hvert annað upp og réðu því að óhjákvæmilegur samdráttur í kjölfar langs þenslutímabils sem hófst árið 2003 hefur orðið mun dýpri og lengri en ella.

## Efnahagsbati á fyrri samdráttarskeiðum

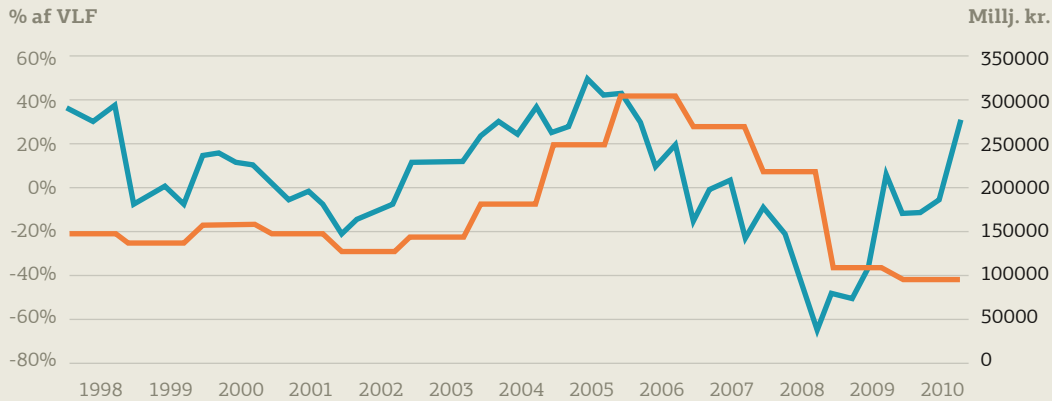
Heimild: Seðlabanki Íslands

Vísitala VLF síðasta ár fyrir samdrátt = 100



## Fjármunamyndun

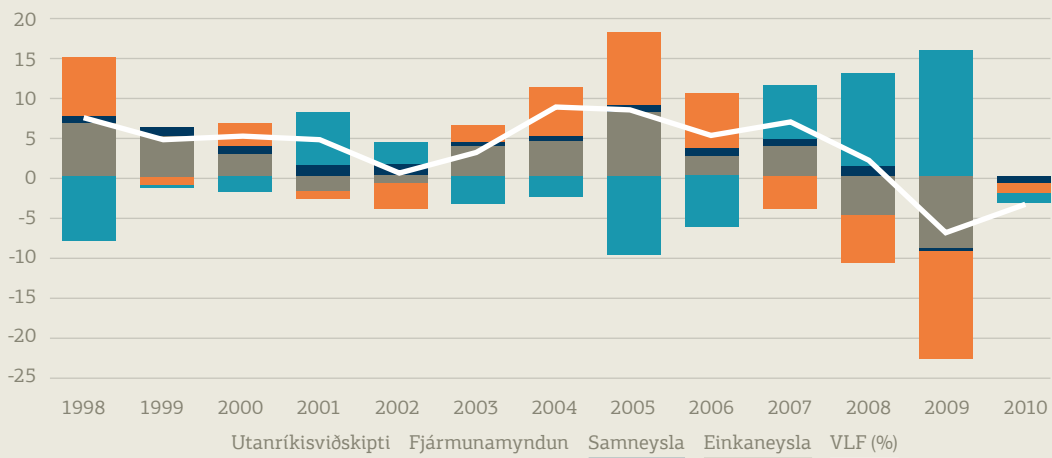
Heimild: Hagstofa Íslands



Fjármunamyndun, margbreyting frá sama fjórðungi fyrra árs (v. ás) Fjármunamyndun á föstu verðlagi (h-ás)

## Landsframleiðsla

Heimild: Hagstofa Íslands



Áhrif efnahagssamdráttarins á efnahag heimila og fyrirtækja eru einnig á margan hátt mun djúpstæðari en á fyrri samdráttarskeiðum. Það stafar meðal annars af því að skuldsetning var almennt há og miklu fleiri en áður höfðu tekið lán í erlendri mynt og lán með verðtryggingu. Mikil veiking krónunnar og verðbólguþryggingu í kjölfarið olli því að höfuðstóll lána hækkaði verulega á sama tíma og eignaverð lækkaði. Eiginfjárstaða margra heimila og fyrirtækja breyttist því snögglega til hins verra án þess að fólk

fengi rönd við reist. Fjárfesting hefur minnkað jafnt og þétt síðastliðin fjögur ár eftir að hafa aukist fjögur árin þar á undan. Mestur var samdrátturinn árið 2009 þegar fjárfesting dróst saman um 50% milli ára en alls nemur samdrátturinn 68% að raunvirði frá árinu 2006. Hlutfall fjárfestingar í landsframleiðslu er um þessar mundir í sögulegu lágmarki. Einkaneyslan, sá liður landsframleiðslunnar sem þyngst vegur, hefur dregist verulega saman samfara minnkandi kaupmætti. Einkaneysla minnkaði um

22% á árunum 2008 og 2009 en stóð í stað á árinu 2010. Framlag utanríkisviðskipta til landsframleiðslunnar var jákvætt á árunum 2007 til 2009 og skýrist af aukinni framleiðslugetu í málmframleiðslu og samdrætti í innflutningi. Útflutningsdrifnum hagvexti eru skorður settar þar sem framleiðslugeta í málmframleiðslu er nú fullnýtt og afkastageta sjávarútvegsins takmarkast af stærð fiskistofna. Hagvöxtur á komandi árum er því háður því að fjárfesting aukist, ekki síst í útflutningsatvinnugreinum.

## Heimili landsins glíma enn við afleiðingar hrunsins

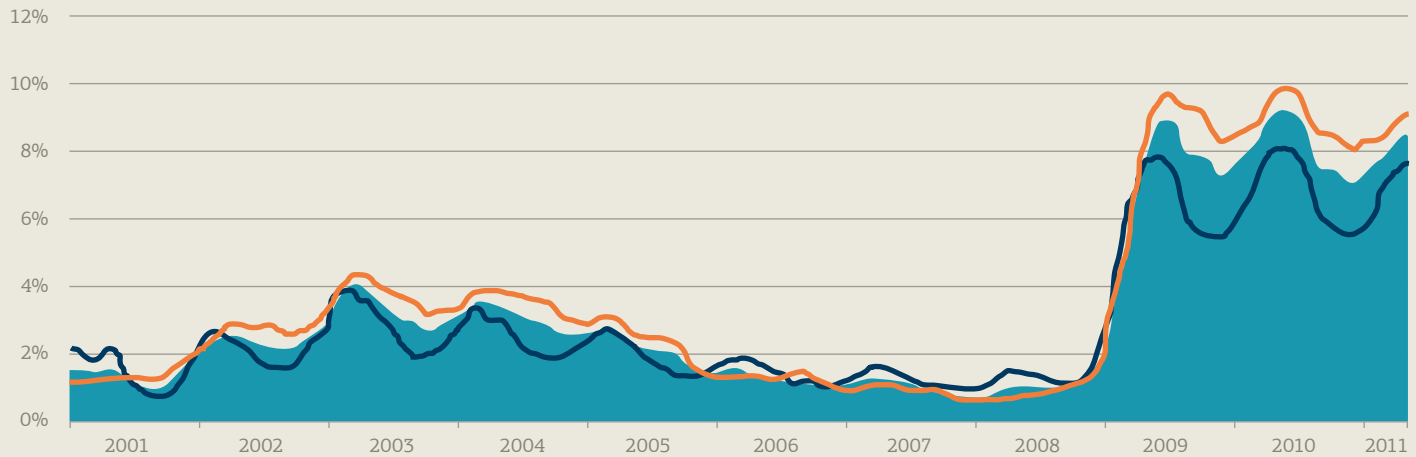
Heimilin í landinu hafa fundið verulega fyrir efnahagssamdrættinum. Alvarlegasta birtingarmyndin er aukið atvinnuleysi. Fækkun starfa er mun meiri en á fyrri samdráttarskeiðum og ein helsta skýringin er að atvinnuvegafjárfesting hefur náð sögulegu lágmarki. Atvinnuleysið er mest á höfuðborgarsvæðinu og í nágrennasveitarfélögum, þar sem áhrifa þenslunnar gætti hvað mest. Langtímaatvinnuleysi hefur að auki skotið rötum að því er best verður séð, í byrjun árs 2011 hafði meira en helmingur atvinnulausra verið án vinnu í 6 mánuði eða lengur.

Kaupmáttaraukning undan-gengins áratugar þurrkaðist út í kjölfar hrunsins og á sama tíma hækkuðu skattar og álögur á heimilin sem eðlilega hafði mjög neikvæð áhrif á ráðstöfunartekjur þeirra. Þessi áföll gerðu heimilunum enn erfiðara að standa undir aukinni greiðslubyrði hækkanði lána auk þess sem umtalsvert dró úr einkaneyslu. Tímabundnar aðgerðir stjórnvalda sem fólu í sér heimild til útgreiðslu séreignarlífeyris-sparnaðar komu þó að öllum líkindum í veg fyrir enn frekari samdrátt í einkaneyslu. Gera má ráð fyrir að bati á vinnumarkaði verði í samræmi við reynslu annarra landa í kjölfar fjármálakreppa. Lækkun atvinnuleysis hefst jafnan um ári eftir að landsframleiðslan byrjar að vaxa.

## Þróun atvinnuleysis

Heimild: Vinnuálastofnun

Hlutfall af mannafla



Atvinnuleysi Höfuðborgarsvæðið Landsbyggðin

Gangi sú þróun eftir hér á landi má búast við því að störfum fari aftur að fjölga á síðari helmingi ársins í takt við aukinn hagvöxt.

### Rekstrarumhverfi fyrirtækja mjög erfitt

Hátt vaxtastig í kjölfar efnahagssamdráttarins var um langt skeið afar letjandi fyrir nýfjárfestingu og eftirspurn eftir lánsfé til nýrra

verkefna hefur verið afar lítil undanfarin tvö ár. Með lækkanði verðbólgu hafa vextir Seðlabanka Íslands hinsvegar lækkað jöfnum skrefum undanfarið og eru nú í sögulegu lágmarki. Við það hafa aðstæður til fjárfestingar í uppbyggingu efnahagslífsins batnað til muna.

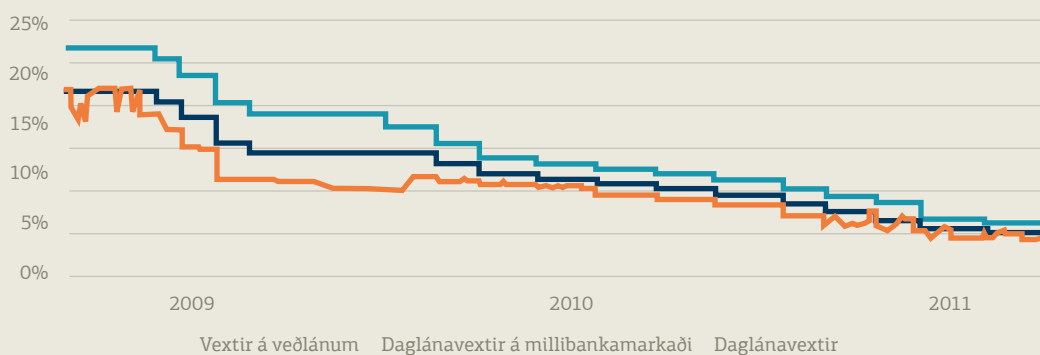
Eftir stendur að enn eru við lýði veruleg gjaldeyris-

höft. Þeim var komið á í lok árs 2008 og áttu að vera ákveðin neyðarráðstöfun til að stemma stigu við falli krónunnar. Æ sterkari vísbendingar eru um að höftin hafi neikvæð áhrif á fjárfestingu í landinu. Undir lok marsmánaðar birti Seðlabankinn endurskoðaða áætlun um afnám haftanna sem gerir ráð fyrir að fengin verði lagaheimild til fram- lengingar þeirra til allt að

fjögurra ára, umfram það sem gert var ráð fyrir upphaflega. Fyrstu skref þessarar áætlunar beinast að því að draga úr svokölluðum aflandskrónuvanda með því að beina krónueignum erlendra aðila í langtímafjárfestingar. Fyrst um sinn verður fjárfestingu beint í langtímaskuldabréf ríkissjóðs en því næst verður opnuð leið til fjárfestingar í raunhagkerfinu. Óskandi hefði verið að afnám haftanna gengi hraðar fyrir sig. Engu að síður er jákvætt að stjórnmöld leggi fram mótaða áætlun um lausn vandans og dragi þar með úr þeirri óvissu sem skapast hefur um áhrif afnáms haftanna á gengi krónunnar. Rekstrarumhverfi innlendra fyrirtækja í alþjóðlegum rekstri verður þó eftir sem áður erfitt meðan höftin eru við lýði.

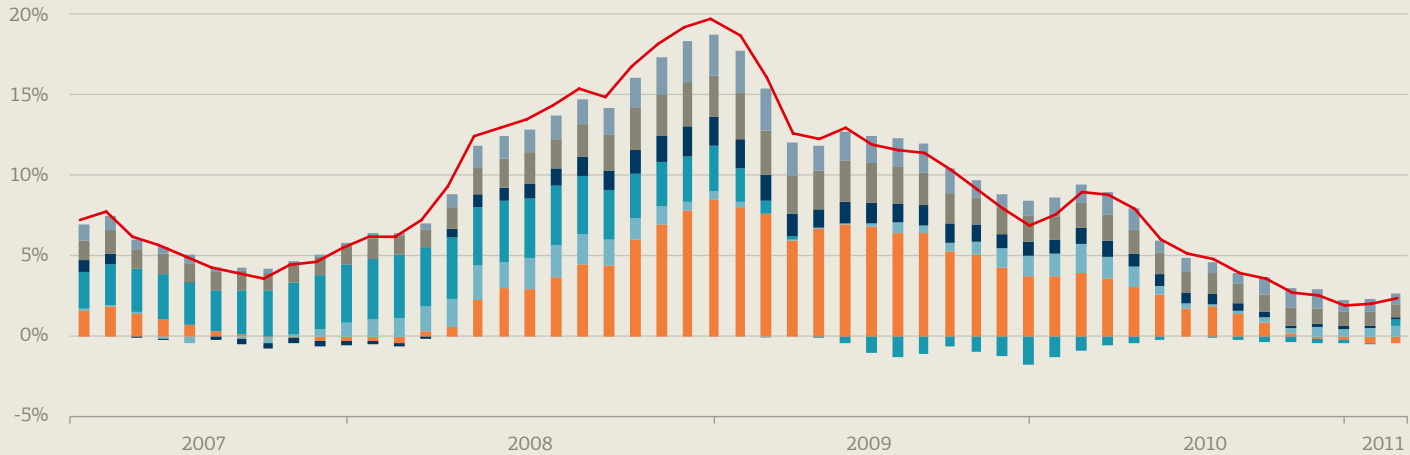
## Vextir Seðlabanka og skammtíma vextir

Heimild: Seðlabanki Íslands





Framlag til 12 mánaða verðbólgu



Innfluttar vörur án áfengis, tóbaks og bensíns   Bensín   Húsnæði   Innlendar vörur án búv. og grænmetis   Almenn þjónusta   Aðrir liðir   Vísitala neysluverðs

### Böndum komið á verðbólguna

Verðbólgan hefur hjaðnað hraðar en spár gerðu ráð fyrir. Í byrjun árs 2010 var ársverðbólgan 7,5% en í lok árs var verðbólga komin í 2,5% og verðbólguþéttunni í höfn. Í upphafi árs 2011 hjaðnaði verðbólgan frekar og fór undir verðbólguþéttunni Seðlabankans. Það hefur ekki gerst frá vorinu 2004 og því um töluverð tímamót að ræða. Lágt verðbólguþéttunni er fyrst og fremst frekari birtingarmynd þess mikla slaka sem ríkir í hagkerfinu. Þrýstingur á verðlag er nú aðallega vegna hækkunar erlends hrávöruverðs og eldsneytis.

### Jafnvægi náð og hagvöxtur í sjónmáli

Þjóðarþúinu var skjót aðlögun óhjákvæmileg

í kjölfar falls bankanna. Langvarandi halli á vöruþéttunni við útlönd snerist hratt í myndarlegan afgang. Þrotabú gömlu bankanna eru undir stjórn skilaneftnda og slitastjórna sem leitast við að hámarka endurheimtur kröfuhafa. Útlit er fyrir að þegar upp er staðið verði hrein erlend skuldastaða þjóðarþúsins mun lægri en fyrir hrún. Afgangur er á undirliggjandi viðskiptajöfnunni og áætlað er að jafnvægi verði komið á fjármál ríkissjóðs innan tveggja ára. Fall gengis krónunnar stöðvaðist um mitt ár 2009 og gengið styrktist umtalsvert á liðnu ári.

Fyrsta mat Hagstofunnar á landsframleiðslunni árið 2010 bendir ekki til þess að hagvöxtur sé hafinn að ráði. Lítilsháttar vöxtur mældist á fjórða ársfjórðungi og er það í fyrsta skipti síðan um

mitt ár 2008. Seðlabankinn og Hagstofan spá því að hagvöxtur á árinu 2011 verði á bilinu 2% – 2,8% og aukist svo lítillega næstu tvö árin. Gert er ráð fyrir að vöxturinn byggist fyrst og fremst á vexti einkaneyslu en þegar á liður spátímabilið er reiknað með því að vægi fjárfestingar í hagvextinum vegi þyngra.

Ytra umhverfi þjóðarþúsins hefur þróast til betri vegar undir það síðasta eftir þá kröftugu alþjóðlegu niðursveiflu sem fylgdi síðustu fjármálakreppu. Hagvöxtur virðist hafa tekið við sér í helstu viðskiptalöndum Íslands en efnahagsbatinn er víða veikburða. Mörg viðskiptalanda Íslands glíma sjálf við skuldavanda, þurfa að sýna aðhald í þjóðarþúskap sínum og reyna að auka útflutning til þess að örva hagvöxt. Slíkar aðgerðir

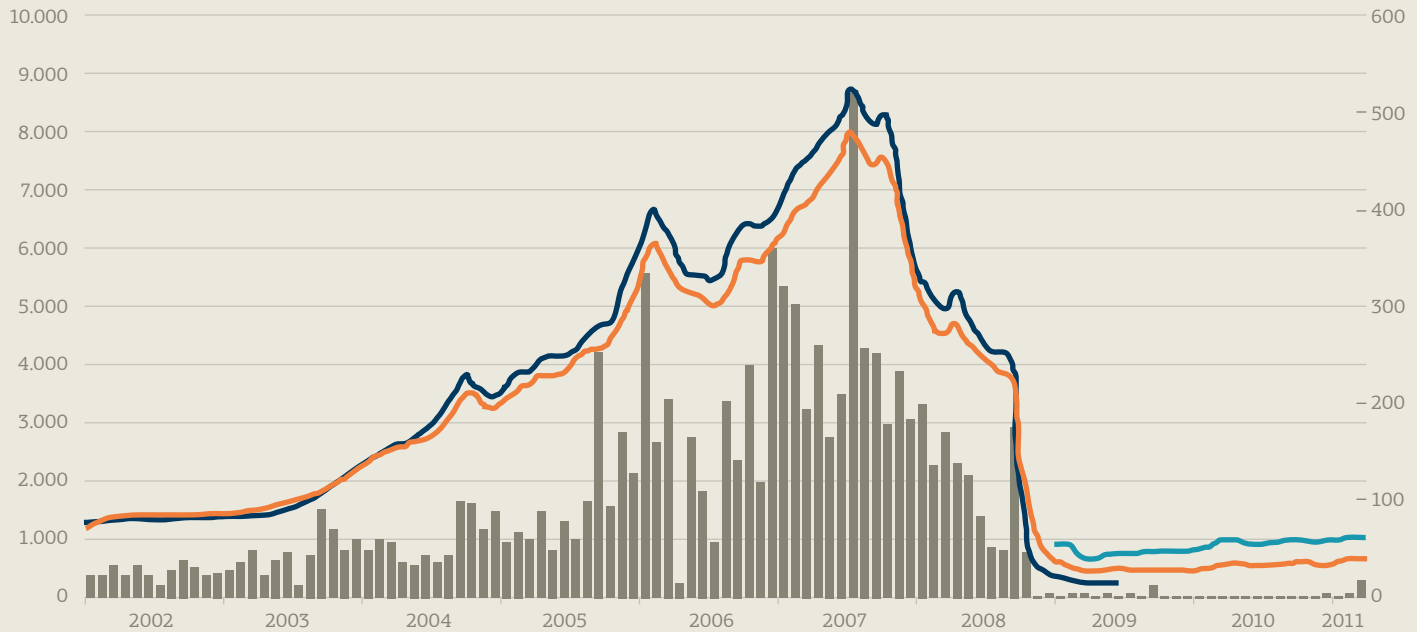
stuðla oft að veikingu gjaldmiðils viðkomandi lands og þá lækkar kaupmáttur almennings sem valdið getur verðlækkun á íslenskum útflutningi.

### Óvissa varðandi framtíðarfyrirkomulag peningastefnunnar

Þann stöðugleika sem náðst hefur í fjármálum ríkisins, gengi krónunnar og verðbólgu að undanförunni má að stórum hluta rekja til efnahagsáætlunar stjórnvalda með stuðningi Alþjóða gjaldeyrissjóðsins (AGS) og þeirra gjaldeyrishafta sem komið var á eftir fall bankakerfisins. Að öllu óbreyttu mun formlegu samstarfi við AGS um endurreisn íslenska hagkerfisins ljúka á seinni hluta árs 2011. Eins er ljóst að núverandi fyrirkomulag hafta á fjármagnsflutningum til og frá landinu

31.des.1997 = 100

Ma. kr.



Heildarvelta (h. ás)    Úrvalsvísitala aðallista (v. ás)    Heildarvísitala aðallista (v. ás)    Úrvalsvísitala verðvísitala (OMX16) (v. ás)

var aðeins skammtímalausn því til lengri tíma litið eru þau á skjön við alþjóðlegar skuldbindingar Íslands, t.d. EES-samninginn. Ólíklegt má hinsvegar telja að horfið verði til óbreytts fyrirkomulags í stjórnun peningamála í lok þessa haftatímabilsins í ljósi reynslunnar.

Í desember 2010 birti Seðlabankinn skýrslu til efnahags- og viðskiptaráðaherra þar sem reifaðar eru hugmyndir um framtíðarfyrirkomulag peningastefnunnar eftir höft. Megin niðurstaða skýrslunnar er að núverandi fyrirkomulag peningastefnu með verðbólguþröskulmiði sé ekki fullnægjandi eitt og sér. Bent er á að horfa þurfi til fleiri þátta en verðlagsþró-

unar til skemmri tíma við framkvæmd stefnunnar. Sérstaklega sé nauðsynlegt að huga að undirliggjandi ójafnvægi sem birtist í miklum sveiflum í útlánavexti, skuldsetningu og eignaverði.

Seðlabankinn leggur áherslu á að eigi hann að geta brugðist við slíkum hættumerkjum sé æskilegt að bankinn ráði yfir fleiri stjórnþækjum en nú er. Þessum tækjum myndi hann beita sjálfur eða aðrir í samræmi við til-mæli bankans. Í skýrslunni er nánar fjallað um ýmis-konar útfærslur á slíkum tækjum, þar á meðal tækjum sem kalla mætti „þjóðhags-varúðartæki“ (e. macro-prudential tools) og miða að því að tryggja stöðugleika

alls fjármálakerfisins en ekki aðeins stakra eininga þess. Meðal þess sem sérstaklega er fjallað um eru reglur um breytileg hámarksveð- og eiginfjárhlutaföll og takmarkanir á lausafjár- og gengis-áhættu. Jafnframt bendir Seðlabankinn á að til við-bótar þessum reglum myndi bankinn oftast en áður grípa inn í á gjaldeyrismarkaði til að vinna gegn óhóflegu fjármagnsinnstreymi með tilheyrandi gengissveiflum. Aukinheldur kæmi til álita að breyta viðmiðun verðbólguþröskulmiðsins og miða við aðra verðvísitölu til samræmis við önnur Evrópuríki.

### Krefjandi rekstrar-umhverfi fyrir banka

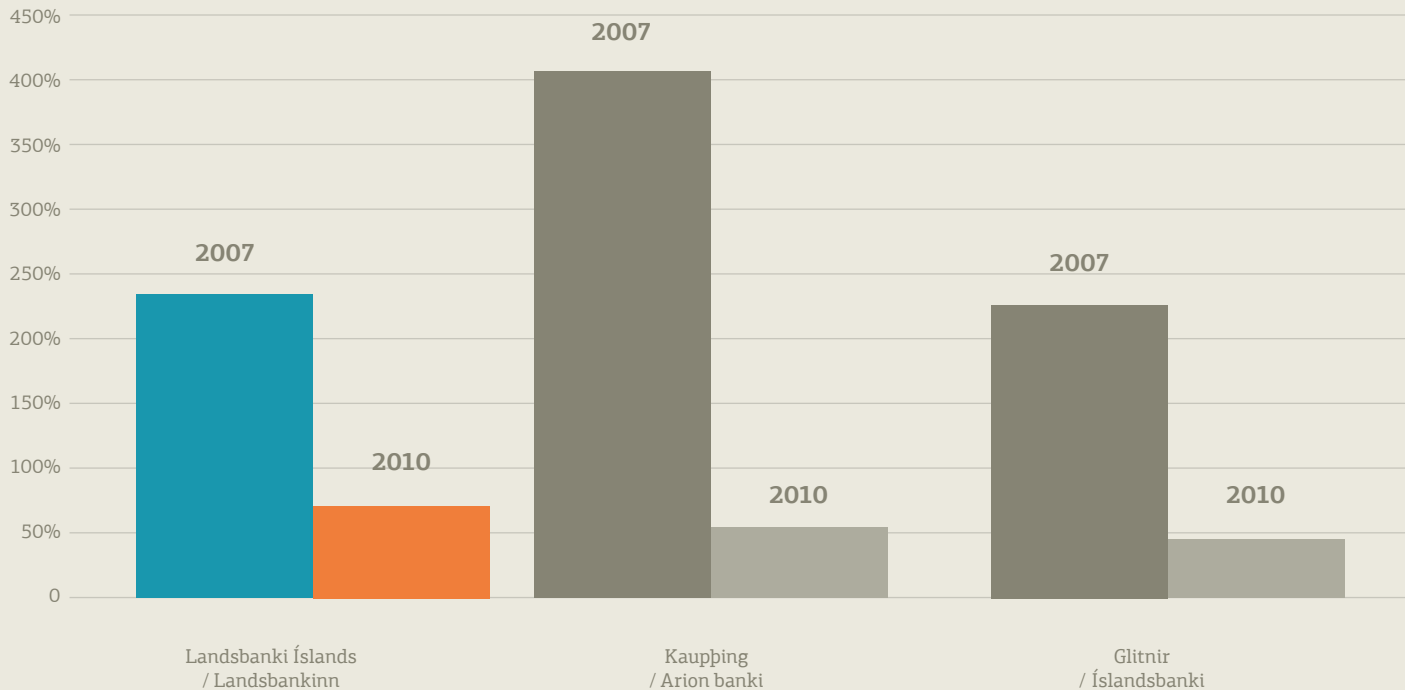
Að ofangreindu er ljóst að rekstrar- og samkeppnisumhverfi viðskiptabanka hefur breyst mikið í kjölfar hruns fjármálakerfisins. Útlánavöxtur og lánsfjáreftirspurn er í lágmarki vegna skuldsetningar heimila og fyrirtækja. Hrun hlutabréfa- og fyrirtækjaskuldabréfamarkaðarins, gjaldeyrishöft og mikil óvissa í efnahagslífinu hefur haft lamandi áhrif á fjárfestingu og lánsfjáreftirspurn. Fjármögnunarleiðir innlánastofnanna eru takmarkaðar og óvissa ríkir um framkvæmd ýmissa mikilvægra stjórnvaldsáðgerða, svo sem um breytingar á fiskveiðistjórnunarkerfinu



## Heildareignir stærstu viðskiptabankanna fyrir og eftir hrun

Heimild: Ársreikningar og Hagstofa Íslands

Í hlutfalli af VLF 2007 og 2010



og framtíðarfyrirkomulag peningamála. Gríðarlegt verðfall varð á íslenskum hlutabréfamarkaði í hruninu og aðdraganda þess. Þetta verðfall skýrist að mestu leyti af því að hlutfé íslensku bankanna varð verðlaust með falli þeirra, en hlutfé þeirra var um og yfir 90% af heildarmarkaðsvirði íslenska hlutabréfamarkaðarins.

Stærð bankakerfisins dróst verulega saman í hruninu. Í lok árs 2007 námu heildareignir innlánastofnanna samtals rúmlega ellefufaldri landsframleiðslu Íslands. Þetta hlutfall var augljóslega geysihátt enda höfðu stærri ákvarðanir hvers og eins þeirra mikil áhrif í efnahags-

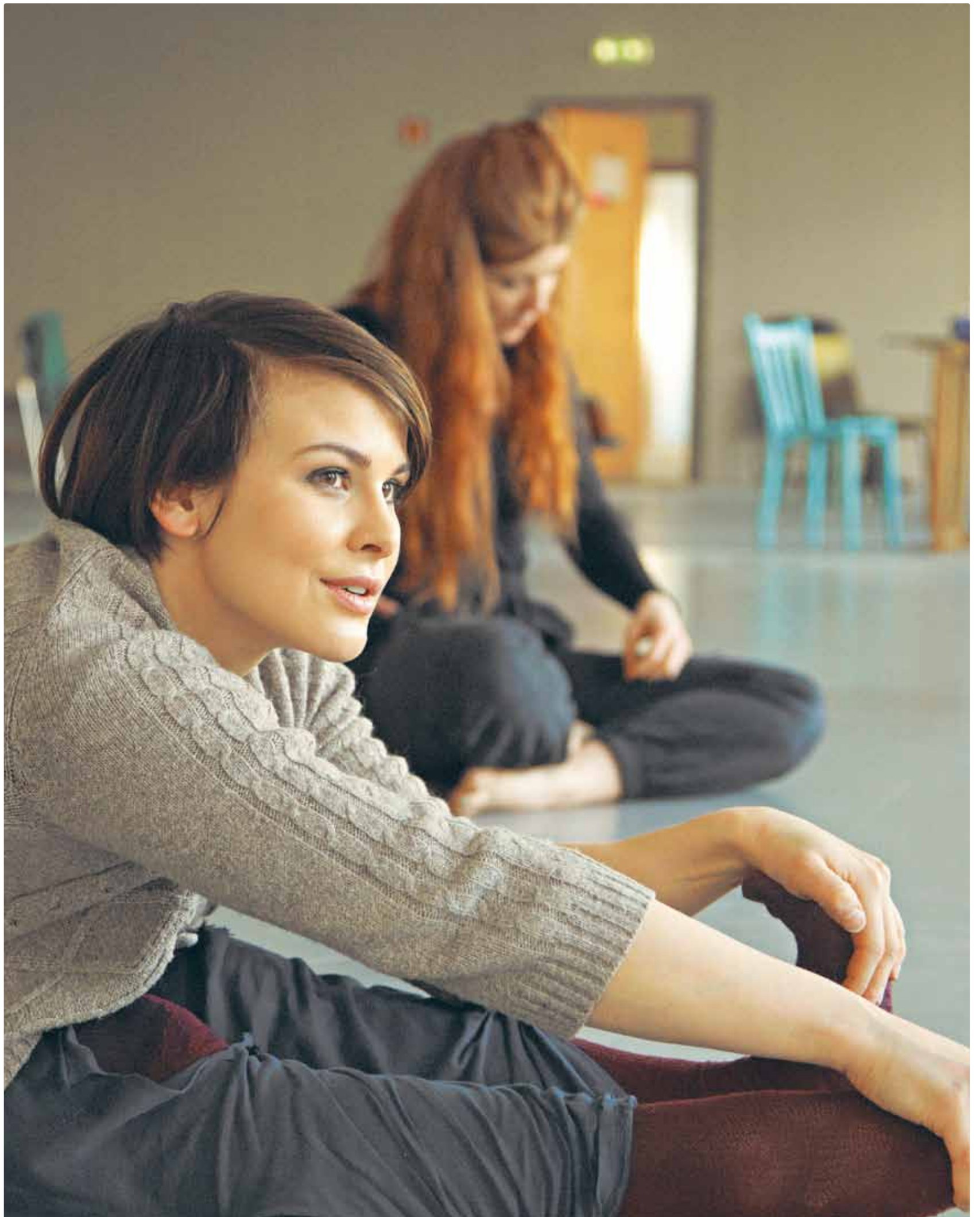
lífinu, t.d. á gengi krónunnar. Segja má að eftir hrun sé stærð þeirra í betra samræmi við stærð hagkerfisins og þarfir þess. Efnahagsáætlun stjórnvalda og Alþjóðagjald-eyrissjóðsins hefur skilað árangri í formi stöðugleika en ekki hefur tekist að skapa nægilega hagstæðar aðstæður til að koma hjólum atvinnulífsins á hreyfingu.

Á því eru fjölmargar skýringar. Verulegar tafir hafa orðið á framkvæmd áætlunarinnar. Aðgengi ríkissjóðs að erlendu fjármagni hefur tafist vegna skilyrða Norðurlandanna um lausn Icesave-deilunnar. Frágangur á stofnefnahagsreikningum nýju bankanna tók mun lengri tíma en gert

var ráð fyrir. Talsverðar tafir urðu einnig á frágangi samræmdrar aðgerðaáætlunar til að takast á við skuldavanda heimilanna, m.a. vegna slæmrar stöðu Íbúðalánasjóðs. Dómur Hæstaréttar um ólögsmæti erlendra lána ýtti undir óvissu um stöðu bankakerfisins.

Seðlabankanum hefur hinsvegar tekist, í krafti efnahagsáætlunarinnar og fjármögnunar hennar, að draga verulega úr óvissu varðandi greiðsluhæfi ríkissjóðs á erlendum skuldbindingum sínum. Það endurspeglast m.a. í lækun skuldatryggingarálags en öfugt við þróunina í öðrum skuldbindingum Evrópuríkjum þá lækkaði skuldatryggingarálag ís-

lenska ríkisins verulega á árinu 2010. Eftir stendur að ríkissjóður verður að sýna fram á aðgengi að lánsfjármörkuðum. Velheppnað skuldabréfaútböð ríkissjóðs á erlendum fjármálamörkuðum er grundvöllur þess að eðlilegur markaðsaðgangur opnast fyrir íslensk fyrirtæki og fjármálastofnanir.



# Landsbankinn þinn

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**Ný stefna Landsbankans** var samþykkt af Bankaráði í lok september. Þann 2. október var hún kynnt starfsfólki á fjölmennum fundi í Háskólabíói. Stefnan var unnin í nánun samstarfi við starfsfólk bankans. Fundir voru haldnir með öllum útibúum og deildum til að leita eftir samhljómi um framtíðarmarkmið Landsbankans. Einnig var hlustað grannt á raddir viðskiptavina og voru sérstakir fundir haldnir með breiðum hópi einstaklinga sem eru í viðskiptum við bankann.

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Landsbankinn hefur sett sér metnaðarfull markmið og kröftuga framtíðarsýn. Landsbankinn ætlar sér að vera alhliða banki í forystu á fjármálamarkaði, banki sem er til fyrirmyndar og hliðstæður bestu bönkum á Norðurlöndum. Landsbankinn ætlar sér að vera eftirsóknarverður vinnustaður og traustur samherji í fjármálum sem viðskiptavinir sjá sér hag í að skipta við.

Einkunnarorðin *hlustum, lærum og þjónum* eiga að styðja við þessa nálgun.

Metnaðarfullur og samheldinn hópur starfsmanna er algert skilyrði fyrir því að þessi markmið náist. Styrkleiki Landsbankans felst í víðfeðmu útibúaneti, nálægð við viðskiptavinir og breiðu vöruúrvali. Staða bankans á íslenska fjármálamarkaðnum er einstök. Landsbankinn er með fleiri viðskiptavinir en nokkur annar banki hér á landi og markaðshlutdeild bankans er há í öllum atvinnugreinum.

Yfirskrift stefnunnar er Landsbankinn þinn og fram-

tíðarsýnin markast af orðunum Landsbankinn er til fyrirmyndar. Stefnan byggir á fjórum meginstoðum. Sú fyrsta er „öflug liðsheild“, þar sem lögð er áhersla á öflugan hóp starfsmanna sem kemur fram sem ein heild og vinnur ötullega að sama markmiði eftir skilgreindum leiðum. „Traustir innviðir“ vísa til þess markmiðs að ná fram hagfelldu hlutfalli á milli kostnaðar og tekna, að allir ferlar séu traustir og gæði eigna mikil. Þriðja yfirmarkmiðið er „ánægðir viðskiptavinir“ og undir það flokkast

m.a. úrvinnsla skuldamála fyrirtækja og heimila.

Síðast en ekki síst er fjórða yfirheitið, „ávinningur fyrir eigendur og samfélagið“, og undir það fellur traust, samfélagsleg ábyrgð, arðsemi og uppgjör við Landsbanka Íslands hf. Öll markmið eru sett þannig upp að hægt sé að mæla árangurinn með reglubundnum hætti.

# Innleiðing stefnunnar

**Markmið Landsbankans** byggja á stefnumótun bankans og eru ófrá-víkjanlegur hluti hennar. Bankinn hefur útbúið vegvísi sem er ætlað að tryggja stefnumiðaða stjórnun. Vegvísirinn inniheldur markmið til ársins 2013 og segir til um hvaða lykilverkefnum bankinn ætlar sér að vinna að til að styðja við meginstoðir stefnunnar, **öfluga liðs-heild, trausta innviði, ánægða viðskiptavini og ávinning samfélags og eigenda**. Áhersla verður lögð á aðhald og eftirfylgni með reglu-bundnum mælingum til að fylgjast með árangrinum.

## Öflug liðsheild

### Ánægja starfsmanna

Til að ná settum markmið-um er mikilvægt að starfs-menn hafi skýra sýn og vinni sem ein liðsheild. Frá árinu 2006 hefur Landsbankinn mælt ánægju starfsmanna í vinnustaðagreiningu með

samræmdum mælingum. Fram til ársins 2008 mæld-ist ánægja starfsmanna 4,4 á mælikvarðanum 1–5, en árið 2009 lækkaði starfsánægjan niður í 4,0.

Landsbankinn hefur sett sér það markmið að auka starfsánægju fram til ársins 2013 og vera þá kominn með 4,4 í mælingum

á starfsánægju starfs-manna. Bankinn ætlar sér að ná fyrri styrk með öflugri liðsheild, faglegum vinnubrögðum og góðum viðskiptaháttum. Reynslu-mikið og hæft starfsfólk er lykillinn að því að bankinn nái árangri. Til að laða að og halda öflugum starfsfólki þarf að umbuna og greiða samkeppnishæf laun og

er það stefna bankans að tryggja að svo sé án þess þó að vera leiðandi á því sviði. Samhliða auknum kröfum viðskiptavina og eftirlits-stofnana um þekkingu og kunnáttu starfsmanna fjár-málafyrirtækja verður lögð aukin áhersla á fjölbreytta fræðslu fyrir starfsmenn bankans og verður fræðslu-framboð endurskoðað.

Markmið	Lykilmæling	2010	2011	2012	2013
Ánægja starfsmanna	Vinnustaðagreining	4,1	4,2	4,3	4,4

## Traustir innviðir

### Hagkvæmni

Bankinn hefur sett sér markmið um að til lengri tíma verði kostnaðarhlutfall ávallt undir 50%. Kostnaðarhlutfall er skilgreint sem hlutfall rekstrargjalda af rekstrartekjum. Hlutfallið var vel undir markmiðum á árinu 2010 og reiknaðist 36,4%. Að hluta til skýrist lágt kostnaðarhlutfall á árinu 2010 af gengishagnaði.

Sé horft framhjá honum var kostnaðarhlutfallið 51,1% á árinu 2010 í samanburði við 53% á árinu 2009 og er bankinn þannig að nálgast langtímamarkmið sín.

Fjárhagsáætlun bankans til næstu þriggja ára gerir ráð fyrir að markmið um kostnaðarhlutfall bankans náist. Bankinn gerir ráð fyrir að rekstrarkostnaður verði stöðugur næstu 3 árin, en að teknu tilliti til verðlagsþækkana muni hann hækka lítillega að raungildi.

Landsbankinn, sem stærsti banki landsins, mun gegna lykilhlutverki við endurreisn fyrirtækja og einstaklinga á næstunni og hefur sett sér metnaðarfull markmið þar um. Þegar sér fyrir endann á endurreisnarstarfinu mun kostnaður lækka í tengslum við þau verkefni, en á móti munu áherslur færast yfir á verkefni sem styðja við aukinn hagvöxt í landinu.

Langtímamarkmið bankans um hagkvæmni og kostnaðarhlutfall byggja á því að

árangursríkt endurreisnarstarf ýti undir hagvöxt og auki tekjumyndun. Samsetning starfa og þar með samsetning kostnaðar mun breytast með aukinni áherslu á markaðssókn umfram úrvinnslu erfiðra lánamála. Aukin tekjumyndun á móti stöðugum rekstrarkostnaði mun styrkja kostnaðarhlutfall bankans til lengri tíma.

Markmið	Lykilmæling	2010	2011	2012	2013
Hagkvæmni	Kostnaðarhlutfall	36,4*	<50%	<50%	<50%

\* 51,1% án gengismunar

## Traustir innviðir

### Gæði eigna

Lykilmælikvarði bankans á gæði eigna er þróun vanskila eldri en 90 daga. Í kjölfar bankahrunsins í október 2008 jukust vanskil stórlega og nema þau 24% af bókfærðri stöðu útlána í

ársbyrjun 2011 í samanburði við 5% á fjórða ársfjórðungi 2008. Landsbankinn hefur sett sér markmið um að ná hlutfallinu niður fyrir 5% í lok árs 2013. Til þess að þau markmið náist hefur bankinn gripið til margþáttaðra aðgerða. Þar sem skipulagsbreytingar þar sem áhættustýring var eflað til muna og stofnað nýtt svið

um endurskipulagningu eigna.

Unnið er að margvíslegum verkefnum sem ætlað er að auka gæði eigna og tryggja árangursríka viðreisn fyrirtækja og heimila í landinu.

#### Sem dæmi má nefna:

- Efling áhættustýringar og eftirlits með útlánnum.

- Nýjar útlánareglur.
- Innleiðing á vöktunarkerfi um útlán sem eiga á hættu að lenda í vanskilum.
- Endurhönnun verkferla.
- Skilvirkar leiðir fyrir endurskipulagningu fyrirtækja og einstaklinga í skuldavanda.

Markmið	Lykilmæling	2010	2011	2012	2013
Gæði eigna	>90 daga vanskil	24%	<14%	<8%	<5%



## Ánægðir viðskiptavinir

### Viðskiptatengsl

Landsbankinn hefur lengi mælt ímynd með aðferð sem byggir á því að mæla tilfinningaleg tengsl viðskiptavina (e. emotional engagement) við bankann, þar sem tilfinningar ráða meiru um viðhorf

og hegðun viðskiptavina en rökhusun. Þessi aðferð er að þessu leyti ólík öðrum aðferðum sem áður hafa verið notaðar til þess að mæla upplifun viðskiptavina af þjónustu.

Greiningin á tengslum viðskiptavina við bankann (CE11) byggir á ellefu spurningum sem mæla ánægju og

tryggð viðskiptavina. Landsbankinn hefur einsett sér að styrkja tengsl við viðskiptavini á næstu árum. Í desember 2010 mældust viðskiptavatengsl bankans 3,1 af 5, en stefnt er að því að viðskiptatengslin verði komin í 4 á árinu 2013. Lögð verður áhersla á að tryggja viðskiptavinum, jafnt einstaklingum sem fyrir-

tækjum, hagfellda og persónulega þjónustu og styrkja tengsl viðskiptavini með markvissum aðgerðum með einkunnarorð bankans, *hlustum, lærum og þjónum* að leiðarljósi.

Markmið	Lykilmæling	2010	2011	2012	2013
Viðskiptatengsl	CE11 vísitala	3,1	>3,4	3,7	4,0

## Ánægðir viðskiptavinir

### Markaðshlutdeild

Frá árinu 2003 til ársins 2008 var Landsbankinn stærsti viðskiptabankinn á einstaklingsmarkaði. Staðan breyttist árið 2009 þegar Arion banki tók yfir meginstarfsemi SPRON, en á sama tíma tapaði Landsbankinn markaðshlutdeild. Þeirri þróun hefur nú verið

snúið við og í lok árs 2010 er bankinn með tæplega 29% markaðshlutdeild og mælist jafn stór Arion banka. Landsbankinn hefur einnig verið með mesta markaðshlutdeild allra banka á fyrirtækjamarkaði frá upphafi mælinga. Mest var hlutdeildin árið 2007, rúm 37%, en árið 2010 var markaðshlutdeildin 31,4%.

Landsbankinn ætlar sér að viðhalda markaðshlutdeild

sinni á árunum 2011–2013 og verður það m.a. gert með persónulegri þjónustu og vöruframboði sem mætir þörfum viðskiptavina. Lögð verður lykiláhersla á að vinna að skjótri úrlausn á greiðsluvanda einstaklinga og fyrirtækja, en um leið er mikilvægt að treysta viðskiptasambandið við þá sem eiga ekki við greiðsluferfðleika að stríða. Unnið er að því að bæta ferla til að auka faglega meðhöndlun kvart-

ana, hrósa og ábendinga frá viðskiptavinum og tryggja að endurgjöf til viðskiptavina sé í góðum farvegi. Hafin verður sókn til að afla nýrra viðskiptavina og lögð áhersla á að taka vel á móti nýjum viðskiptavinum til að stuðla að ánægju og tryggð strax í upphafi viðskiptasambands.

Markmið	Lykilmæling	2010	2011	2012	2013
Markaðshlutdeild	Hlutfall einstaklinga	28,3%	29%	>30%	>30%
Markaðshlutdeild	Hlutfall fyrirtækja	31,4%	33,5%	>34%	>34%

## Ánægðir viðskiptavinir

### Viðreisn

Mikil áhersla verður lögð á að tryggja farsælan framgang fjárhagslegrar endurskipulagningar einstaklinga og fyrirtækja í samræmi við samkomulag

stjórnvalda, stofnana og fjármálafyrirtækja. Markmiðið er að hraða úrvinnslu og afgreiðslu mála. Útibúin verða virkjuð í þeim tilgangi og samvinna eflð milli útibúa og eininga eða sviða sem að málum koma, m.a. Endurskipulagningar eigna og Ráðgjafastofu einstaklinga.

Endurskipulagning eigna er nýtt svið sem mun tímabundið annast úrlausn erfiðra lánamála fyrirtækja. Ráðgjafastofa einstaklinga er einnig ný eining sem styður útibúin og aðra starfsmenn í framlínu við það mikilvæga verkefni að endurskipuleggja fjármál heimila.

Landsbankinn hefur sett sér það markmið að á árinu 2011 verði búið að leysa úr yfir 75% mála og að á árinu 2012 ljúki viðreisn vegna skuldavanda einstaklinga og fyrirtækja.

Markmið	Lykilmæling	2010	2011	2012	2013
Viðreisn	Úr greiðsluferðleikum	Á ekki við	>75% leyst	Lokið	

## Ávinningur samfélags og eigenda

### Traust

Landsbankinn hefur mælt ímynd bankans og helstu samkeppnisaðila hans á

markaði um nokkurra ára skeið. Eitt af því sem er mælt er hversu mikið traust svarendur bera til síns aðalviðskiptabanka. Traust til stóru viðskiptabankanna hefur verið svipað frá því síðla árs 2008, en traust til Sparisjóðanna sýnu mest.

Landsbankinn hefur sett sér metnaðarfull markmið og stefnir að því að traust viðskiptavina fari úr því að vera 3,1 af 5 árið 2010 í 4 árið 2013. Forsenda þess að markmiðið náist er að vel takist til við að ná öðrum lykilmarkmiðum bankans.

Markmið	Lykilmæling	2010	2011	2012	2013
Traust	Ímyndarmæling	3,1	3,4	3,7	4,0

## Ávinningur samfélags og eigenda

### Arðsemi

Bankasýsla ríkisins sem fer með eignarhlut ríkisins í Landsbankanum hefur sett bankanum arðsemismarkmið upp á 5,25% ávöxtun umfram áhættulausa vexti. Arðsemiskrafan miðast við afkomu fyrir skatta og aðrar

sértækar álögur á fjármála-fyrirtæki. Áhættulausir vextir eru nú um 6% og er arðsemiskrafan því 11,25%. Forsendur ávöxtunarkröfu taka mið af því að eigin-fjárhlutfall bankans sé 16%. Afkoma og arðsemi bankans á árinu 2010 var góð og styrktist eiginfjárhlutfall bankans verulega á árinu, eða um 5 prósentustig, og reiknaðist það 19,5% í árslok 2010.

Áætlanir gera ráð fyrir að markmið um arðsemi eigin fjár náist fyrir árin 2011–2013. Möguleikar bankans um að auka arðsemi felast annað hvort í því að auka útlán, og þá um leið áhættu, eða að lækka eigið fé með arðgreiðslum eða beinni endurgreiðslu á eigin fé til hluthafa. Á meðan atvinnulífið tekur ekki við sér ávaxtar bankinn laust fé á lægri vöxtum en sem

nemur ávöxtunarkröfu eigin fjár. Forsendur fyrir því að bankinn auki arðsemi sína eru því þær að atvinnulífið taki við sér og fjárfesting í atvinnutækifærum aukist.

Markmið	Lykilmæling	2010	2011	2012	2013
Arðsemi fyrir skatta	Hagnaður f. skatta/eigið fé	20,7%*	5,25% + áhættulausir vextir	5,25% + áhættulausir vextir	5,25% + áhættulausir vextir

\*Fyrir skatta og án áhrifa af aflagðri starfsemi

## Ávinningur samfélags og eigenda

### Uppgjör vegna gamla bankans

Samkvæmt samningum við Landsbanka Íslands hf. er hluti af því lánasafni sem keypt var í október 2008 árangurstengt með þeim

hætti að virðisaukning skilar sér til gamla bankans í formi skilyrts skuldabréfs. Skuldabréfið getur að hámarki orðið 92 milljarðar króna. Hvernig bankanum tekst til í endurreisnarstarfi sínu er lykilforsenda þess að markmiðið náist að fullu. Það er hins vegar svo að bankinn hefur ekki alla þræði í hendi sér í þessum efnunum. Miklu máli

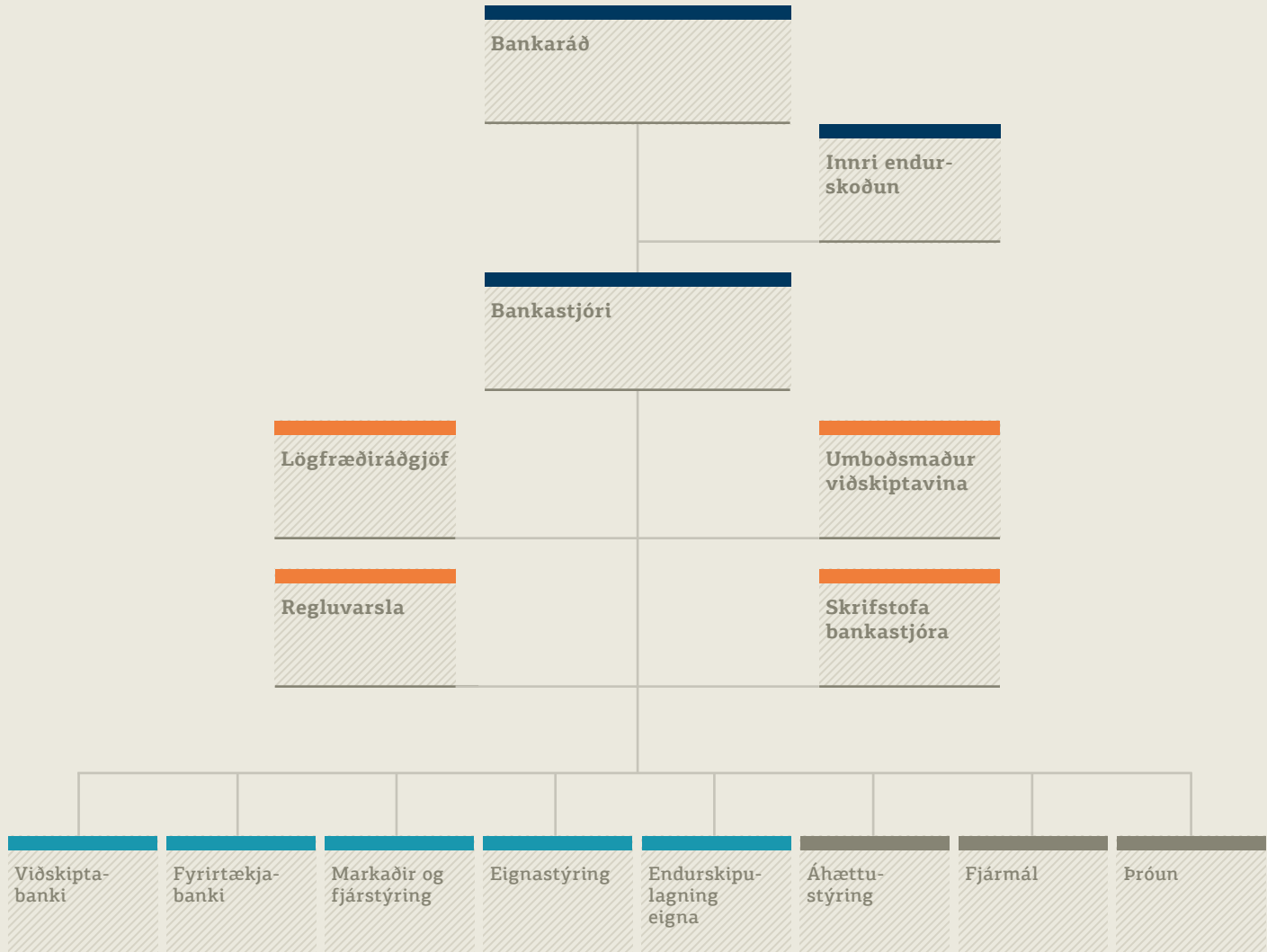
skiptir hvernig til tekst með að glæða efnahagslíf þjóðarinnar og þar koma margir að borðinu, m.a. stjórnvöld, stofnanir, önnur fjármála-fyrirtæki, lífeyrissjóðir og launþegasamtök.

Í ljósi þeirrar óvissu sem ríkir um framgang efnahagsmála er erfitt að áætla hvernig til muni takast við að ná að auka

virði eigna bankans sem tengjast skilyrta skuldabréfinu og þá um leið hver fjárhæð þess bréfs verður. Markmiðið er að ná virðisaukanum að fullu fyrir árslok 2012. Bankinn mun þó endurskoða þessi markmið reglulega á samningstímanum.

Markmið	Lykilmæling	2010	2011	2012	2013
Uppgjör v. gamla bankans	Skilyrt skuldabréf	29%	67%	100%	Lokið



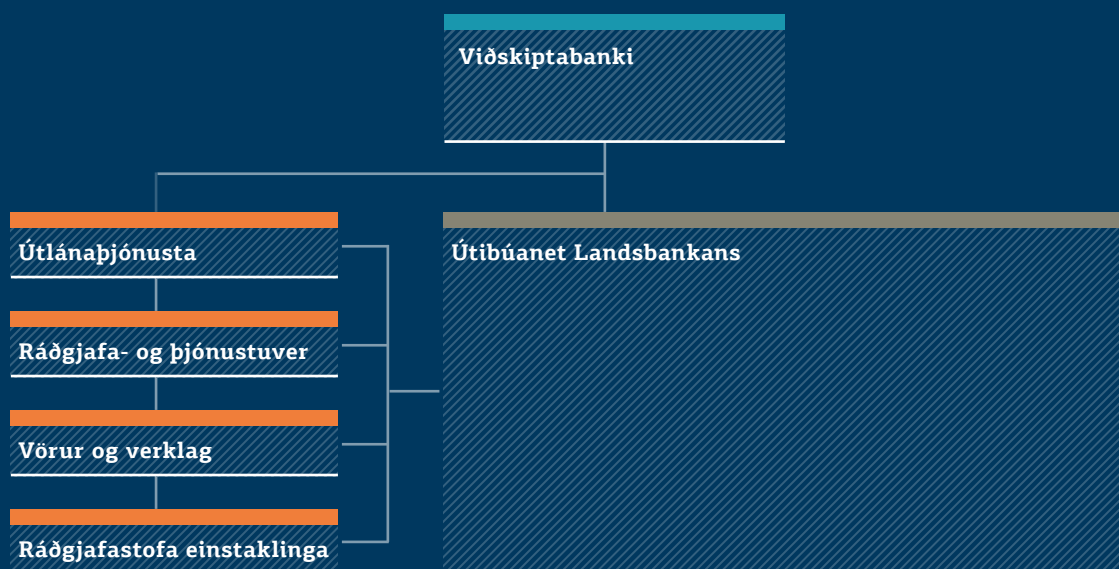


Nýju skipuriti bankans er ætlað að endurspegla stefnu hans og áherslur. Viðskipta- og afkomueiningar fá aukið vægi, þar sem lykiláhersla er lögð á þjónustu við viðskiptavinum, en við þær styðja öflugar miðlægar einingar. Viðskiptasviðin eru fimm talsins: Viðskiptabanki, Fyrirtækjebanki, Markaðir og fjárstýring, Eignastýring og Endurskipulagning eigna. Hin megin sviðin eru Áhættustýring, Fjármál og Þróun. Með þessum hætti vilja forsvarsmenn Landsbankans leggja áherslu á þann vilja sinn að Landsbankinn verði hreyfiafl sem vinnur náið með einstaklingum, fyrirtækjum og stofnunum að uppbyggingu íslensks samfélags.

# Viðskiptabanki

**Viðskiptabanki Landsbankans** var settur á stofn með skipulagsbreytingum í október 2010. Með breytingunni var alhliða bankaþjónusta við einstaklinga og minni og meðalstór fyrirtæki sett undir einn hatt. Með þessu var leitast við að tryggja þeim mikilvæga hópi viðskiptavina sem er í tíðum viðskiptum við útibú bankans um land allt samræmda, framúrskarandi þjónustu og árangursríkt viðskiptasamband til framtíðar.

## Skipurit Viðskiptabanka



Lykilverkefni Viðskiptabanka á árinu 2010 var að koma starfsemi þessarar nýju viðskiptaeiningar á skrið, sem og að samþætta og samstillja þá starfsemi sem fram fer í útibúum Landsbankans. Viðskiptabankinn er stærsta svið Landsbankans og í árslok störfuðu þar 537 starfsmenn, þar af 414 í útibúum bankans um land allt.

Skipulag Viðskiptabanka byggir á þeirri hugsun að viðskiptaeiningarnar, útibú bankans, séu í forgrunni. Útibúin eru þær einingar bankans sem eru í mestri snertingu við viðskiptavinum og hlutverk þeirra er eftir því mikilvægt.

Aðrar starfseiningar Viðskiptabanka gegna því hlutverki að þjónusta og aðstoða útibú bankans. Bifreiða- og tækjafjármögnun Landsbankans til einstaklinga og fyrirtækja fer fram í dótturfélagi bankans, SP-Fjármögnun hf.

## Viðskiptavinirnir

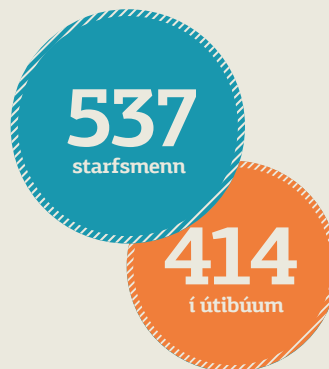
Um 97 þúsund einstaklingar eru í viðskiptum við Landsbankann og um 6 þúsund lítil og meðalstór fyrirtæki. Útibú bankans annast þjónustu við þessa viðskiptavini. Á síðustu árum hefur bankinn styrkt aðrar dreifileiðir sínar, bæði Ráðgjafa- og þjónustuver og netbanka fyrir einstaklinga og fyrirtæki.

Árangur af starfsemi Viðskiptabanka byggir á því að viðskiptavinir hans séu ánægðir með þjónustu og vörur bankans og líti á Landsbankann sem traustan samherja í fjármálum. Markmið Viðskiptabanka er að bæta enn um betur í þessum efnunum. Sá meirihluti viðskiptavina banka og sparisjóða, sem ekki hefur þurft á skuldavandaúræðum að halda undanfarin ár, hefur verið afskiptur og mikilvægt er að hlustað sé á þarfir þessa hóps og

framúrskarandi þjónusta við hann tryggð.

Samkeppni á bankamarkaði er hörð þrátt fyrir að helstu verkefni allra banka og sparisjóða hafi undanfarið tengst skuldavandaúræðum, sem eiginleg samkeppni

veitendur alhliða bankaþjónustu og það hafa líka gert smærri fjármálafyrirtæki, með sérhæfðara vöruframboð. Ljóst er að breytinga er að vænta og munu þær verða knúnar áfram af kröfum um hagræðingu á markaði, sem og nýjum tæknilausnum. Landsbankinn hyggst vera fullur þátttakandi í þeim breytingum.



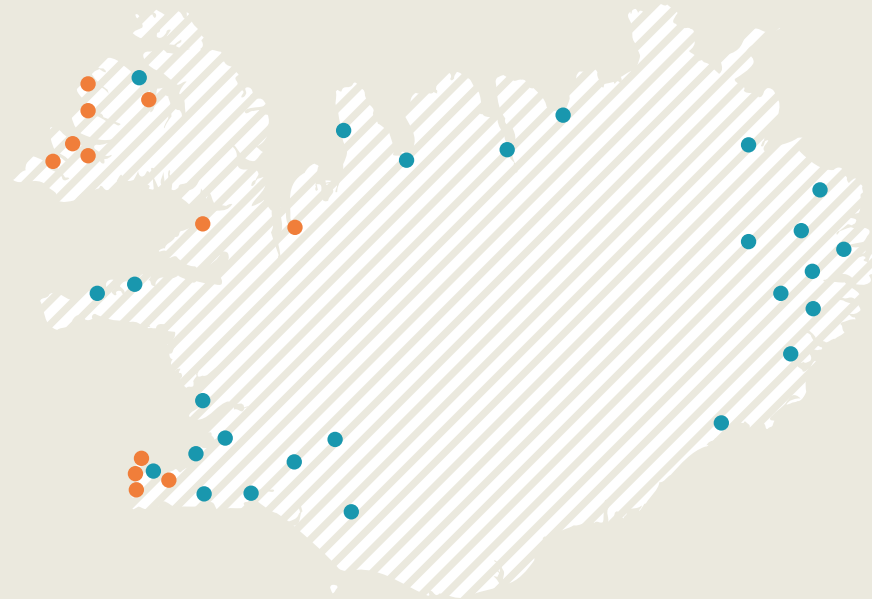
## Víðfeðmasta útibúanetið

Grundvallarþáttur í starfsemi Viðskiptabanka felst í útibúaneti Landsbankans og hefur sú stefna verið mörkuð að efla og styrkja starfsemi útibúanna. Í árslok 2010 starfrækti bankinn 34 útibú og afgreiðslur um allt land, en útibúanet Landsbankans er það víðfeðmasta á Íslandi. Markaðssvæði bankans er landið allt og ætlunin er að þjónusta viðskiptavinum með besta mögulega hætti, hvar sem þeir eru búsettir

## Vegvísir um viðskiptatengsl úr nýrri stefnu bankans (sjá nánar í kafla 4)

Markmið	Lykilmæling	2010	2011	2012	2013
Viðskiptatengsl	CE11 vísitala	3,1	>3,4	3,7	4,0

Landsbankinn rekur víðfeðmasta útibúanetið. Eftir sameiningu við **Spkef** í mars 2011 eru útibú og afgreiðslur 45 talsins um land allt.



á landinu. Í öllum útibúum og afgreiðslum bankans er veitt almenn bankaþjónusta og í stærri útibúum er veitt sérhæfðari þjónusta til afmarkaðri hópa viðskiptavina, s.s. sérhæfð fyrirtækjaþjónusta, þjónusta við bændur og þjónusta við félög og samtök. Á síðustu árum hefur útibúum og afgreiðslum Landsbankans fækkað, m.a. með það að markmiði að efla starfseiningarnar. Með stærri og öflugri útibúum fæst dýpri þekking á mál efnum viðskiptavina og færi til sérhæfðari þjónustu. Þá gengur vel að manna stærri útibú hæfu starfsfólki þar

sem fjölbreytt og umfangsmikil starfsemi er líklegri til að laða að sér hæfileikaríka starfsmenn. Áfram verður unnið að sameiningu og breytingum á útibúa- og afgreiðsluneti bankans, en hugað verður að því að slíkar breytingar nái fram að ganga viðskiptavinum bankans til ávinnings og með sem mildilegustum hætti gagnvart starfsmönnum.

### Skuldavandi heimilanna og úrvinnsla hans

Mikil áhersla hefur verið lögð á það innan Landsbankans að leysa úr mál efnum þeirra sem glíma við skulda- og/eða greiðsluvanda. Landsbankinn hefur verið þátttakandi í öllum opinberum aðgerðum skuldsettum heimilum til handa og leitast við að leggja sitt lóð á vogarskálarnar. Það sem einkenndi úrvinnslu fram undir árslok 2010 voru misvísandi skilaboð, skortur á samhæfingu úrræða og bið viðskiptavina eftir frekari

úrræðum. Lykilþáttur í úrvinnslu skuldavanda heimilanna á árinu 2011 verður að hvetja viðskiptavini sem þurfa á úrræðum að halda til að leita sér upplýsinga og fá úrlausn sinna mála. Á seinni hluta árs 2010 hóf Landsbankinn, fyrstur banka á Íslandi, að endurútreikna erlend lán viðskiptavina til samræmis við niðurstöðu dómstóla og til samræmis við lög sem samþykkt voru á Alþingi í árslok 2010. Landsbankinn endurútreiknar um 2.700 erlend húsnæðislán viðskiptavina sinna þar sem meðallækkun eftirstöðva lánanna er 41% en aldrei

### Vegvísir um markaðshlutdeild úr nýrri stefnu bankans (sjá nánar í kafla 4)

Markmið	Lykilmæling	2010	2011	2012	2013
Markaðshlutdeild	Hlutfall einstaklinga	28,3%	29%	>30%	>30%
Markaðshlutdeild	Hlutfall fyrirtækja	31,4%	33,5%	>34%	>34%

## Ferli fjárhagslegrar endurskipulagningar fyrir heimili

### Almenn úrræði

- 1 Mat á greiðslugetu skv. greiðsluferfamati.
- 2 Ákvörðun í lánanefnd.
- 3 Viðskiptavininn kynnt tillaga að úrlausn í útibúi.
- 4 Umsýsla og undirritun.
- 5 Breyting framkvæmd.

### 25% höfuðstólslækkun erlendra lána

- 1 Tillögu stillt upp og ákvörðun tekin í útibúi.
- 2 Ákvörðun í Lánanefnd.
- 3 Umsýsla og undirritun.
- 4 Breyting framkvæmd.

### 110% aðlögun íbúðalána

- 1 Tillögu stillt upp.
- 2 Yfirferð umsóknar.
- 3 Ákvörðun í Fagráði.
- 4 Viðskiptavininn kynnt niðurstaða.
- 5 Umsýsla og lækkun eftirstöðva.

### Sértæk skuldaaðlögun

- 1 Mat á greiðslugetu skv. greiðsluferfðleikamati.
- 2 Ráðgjafastofa einstaklinga útfærir úrræði.
- 3 Viðskiptavininn kynnt úrræði.
- 4 Uppstilling máls skv. sértækri skuldaaðlögun.
- 5 Samþykkið kröfuhafa aflagð.
- 6 Ákvörðun í Fagráði.
- 7 Viðskiptavininn kynnt niðurstaða.
- 8 Umsýsla og greiðslumiðlun.

lægri en 25%. Með þessari aðgerð eru erlend húsnæðislán viðskiptavina færð til þeirrar stöðu, sem þau hefðu verið í væru þau í íslenskum krónum frá upphafi og fá viðskiptavinir val um hvort miðað sé við verðtryggða eða óverðtryggða vexti við endurútreikninginn. Til samræmis við samkomulag um samstillt átak fjármála-fyrirtækja, Íbúðalánasjóðs, lífeyrissjóða og ríkissjóðs, er nú unnið að því að aðlagja húsnæðislán viðskiptavina Landsbankans að verðmæti eigna þeirra með svokallaðri 110% leið. Mikill fjöldi viðskiptavina hefur að auki nýtt sér almennari og skilyrðislausari úrræði Landsbankans, s.s. 25% höfuðstóls-

leiðréttingu erlendra lána, annarra en húsnæðislána, skilmálabreytingar sem felast í aðlögun á greiðslubyrði sem og sértækari leiðri til aðlögunar á greiðslubyrði lána.

Fyrirsjáanlegt er að mikla áherslu þarf áfram að leggja á þennan þátt í starfsemi Viðskiptabanka og úrlausn á skuldavanda heimila og fyrirtækja er eitt af lykilverkefnum ársins 2011. Beiting almennra greiðslu- og skuldaleiðréttinga fyrir einstaklinga, s.s. 110% leiðinni, er í höndum útibúa bankans, en sértækari úrræðum er beitt af Ráðgjafastofu einstaklinga sem stofnuð var á haustmánuðum 2010.

### Landsbankinn til fyrirmyndar

Í nýrri stefnu Landsbankans er það framtíðarsýn hans að vera til fyrirmyndar. Viðskiptabanki hyggst leggja sitt af mörkum til að þeirri framtíðarsýn verði náð. Til framtíðar er það markmið Viðskiptabanka og starfs-eininga hans að auka hag viðskiptavina, ánægju með Landsbankann og traust samfélagsins á starfsemi hans. Til að ná þessu markmiði er unnið að fjölda umbótaverkefna, t.d. endurskoðun á Vörðunni, stærstu vildarþjónustu bankans. Þjónustustefna Landsbankans er ennfremur í sífelldri

endurskoðun og hún byggist m.a. á því að hlusta grannt eftir þörfum og óskum viðskiptavina. Starfsmenn Viðskiptabanka munu eiga 33 þúsund þjónustusamtöl við viðskiptavinina sína á hverju ári og halda reglulega fundi með litlum og meðalstórum fyrirtækjum. Með þessu og því að leita sífellt leiða í vöruframboði bankans til að tryggja viðskiptavinum umbeðna þjónustu á samkeppnishæfu verði, mun Landsbankinn verða til fyrirmyndar.

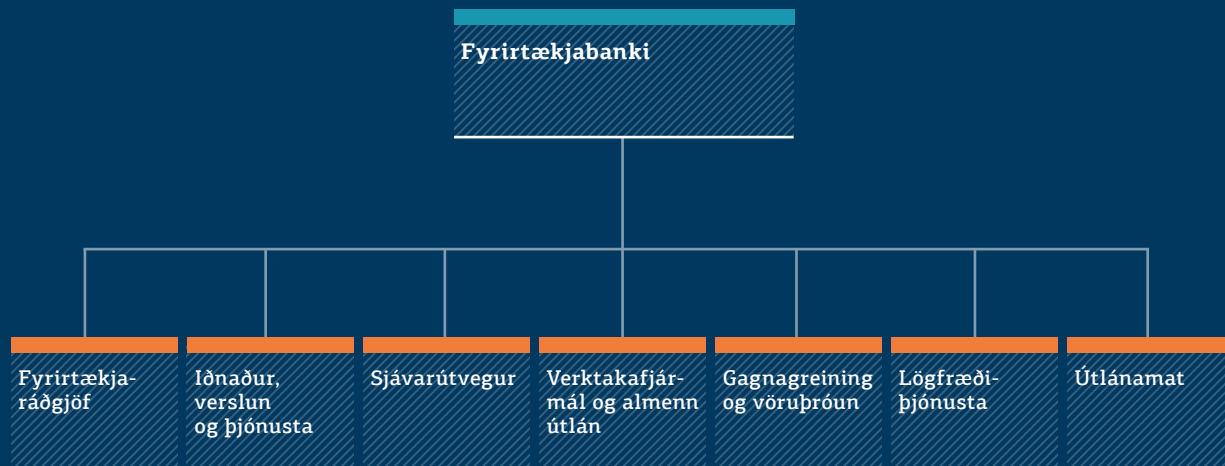
### Vegvisir um viðskiptavininn í greiðsluferfðleikum úr nýrri stefnu bankans (sjá nánar í kafla 4)

Markmið	Lykilmæling	2010	2011	2012	2013
Viðreisn	Úr greiðsluferfðleikum	Á ekki við	>75% leyst	Lokið	

# Fyrirtækjabanki

**Fyrirtækjabanki varð til eftir skipulagsbreytingar** í október 2010. Þá var umsjón með viðskiptum bankans við fyrirtæki skipt upp með þeim hætti að Fyrirtækjabanka var falin ábyrgð á viðskiptum við stærstu viðskiptavini bankans úr hópi fyrirtækja, sveitarfélaga og stofnana, en ábyrgð á viðskiptum annarra fyrirtækja er hjá Viðskiptabanka.

## Skipurit Fyrirtækjabanka



Til viðskiptavina Fyrirtækjabanka teljast m.a. fyrirtækjasamstæður sem skulda yfir 500 m. kr., sjávarútvegsfélög sem skulda yfir 300 m. kr. í bankanum, sveitarfélög með yfir 1.500 íbúa, nýfjárfestingar sjávarútvegsfyrirtækja umfram 50 m. kr. og nýfjárfestingar í byggingaframkvæmdum umfram 100 m. kr. Fyrirtækjabanki hefur sterka stöðu meðal stærstu fyrirtækja og stofnana á Íslandi og er markaðshlutdeild bankans á fyrirtækjamarkaði um 31%. Starfsmenn Fyrirtækjabanka voru 37 í lok árs 2010.

### Viðskiptastjórar

Öllum viðskiptavinum Fyrirtækjabanka er úthlutaður viðskiptastjóri, en þeir bera ábyrgð á samskiptum við viðskiptavini og eru tengiliðir þeirra við bankann. Þeir sjá m.a. um að meta og leggja fram lánabeiðnir, beiðnir um opnun ábyrgða og önnur viðskipti. Þeim er einnig falið að viðhalda langtímasambandi við viðskiptavini Fyrirtækjabanka. Viðskiptastjórar skiptast í þrjá hópa, að hluta til miðað við atvinnugreinaskiptingu og að hluta til vegna sam-

keppnissjónarmiða. Einn hópur hefur umsjón með viðskiptum við verktaka, fasteignafélög, sveitarfélög og ýmis fyrirtæki í verslun og þjónustu. Annar hópur ber ábyrgð á viðskiptum við flutningafélög, orkuiðnað og fyrirtæki í almennum iðnaði. Þriðji hópurinn hefur umsjón með viðskiptum við stærri viðskiptavini Landsbankans í sjávarútvegi. Fyrirtækjaráðgjöf Landsbankans veitir ráðgjöf til fyrirtækja og fjárfesta og leggur áherslu á þjónustu er varðar umbreytingu fyrirtækja, m.a. samruna og yfirtökur, kaup og sölu fyrirtækja, ráðgjöf um fjármögnun verkefna og skráningu fyrirtækja á hlutabréfamarkað.

### Markaðsumhverfi

Markaðsumhverfi Fyrirtækjabanka tekur mið af stöðu og horfum í rekstri og fjárfestingum stærstu fyrirtækja og opinberra aðila hérlendis. Vaxtabroddar í íslensku atvinnulífi eru vissulega til og Fyrirtækjabanki hefur lagt áherslu á að taka þátt í nýfjárfestingum í arðbærum verkefnum. Þau tækifæri verður að mati

sérfræðinga Landsbankans einkum að finna í gjaldeyris- skapandi atvinnugreinum, t.d. í ferðaþjónustu og orkufrekum iðnaði. Árið 2010 einkenndist af biðstöðu þar sem úrræði vegna endurskipulagningar fyrirtækja voru ekki fullmótuð. Óvissa um lögmæti erlendra lána og rekstrargrundvöll fyrirtækja réði miklu um hraða endurskipulagningar og vinna með fyrirtækjum dró dóm af þessari stöðu. Óvissuþáttum fækkaði eftir því sem leið á árið og forsvarsmenn fyrirtækja gátu betur áttað sig á þeim leiðum sem þeim stóðu til boða við fjárhagslega endurskipulagningu. Enn er þó beðið niðurstöðu Hæstaréttar um lögmæti erlendra lána bankanna.

### Fyrirtækjaráðgjöf

Fyrirtækjaráðgjöfin hefur alla jafna umsjón með sölu eigna úr eignasafni bankans. Á árinu 2010 fylgdi bankinn þeirri stefnu sinni að selja eignir sem hann hefur þurft að taka yfir, eins hratt og kostur er. Landsbankinn hefur sett sér skýrar reglur um hvernig staðið skuli að sölu eigna, þar með talið

fyrirtækja sem hann kann að eignast. Öll söluferli hefst með auglýsingu í fjölmiðlum. Með því er tryggt að allir fjárfestar hafi jafnt aðgengi að og eigi kost á að nálgast sömu upplýsingar. Þeir þurfa þó að uppfylla skilyrði um hæfilegan fjárhagslegan styrkleika og geta sýnt fram á nægilega þekkingu á fjárfestingum eða viðkomandi rekstri. Fjárfestar leggja svo fram kaup-tilboð sín á grundvelli þeirra gagna sem lögð eru fram um viðkomandi fyrirtæki eftir ítarlega skoðun.

### Verkefnin framundan

Meiri bjartsýni er ríkjandi á þessu ári en á árinu 2010. Fjárhagsleg úrræði til endurskipulagningar skulda fyrirtækja liggja nú fyrir í endanlegri mynd. Landsbankinn og viðskiptavinir vita því betur hver staðan er og hvaða grundvöllur er til sóknar. Verkefni ársins 2011 verða fyrst og fremst fólgin í því að finna og nýta þau tækifæri sem viðskiptavinum okkar gefast til nýfjárfestinga í þeim atvinnugreinum sem hafa mesta vaxtamöguleika.

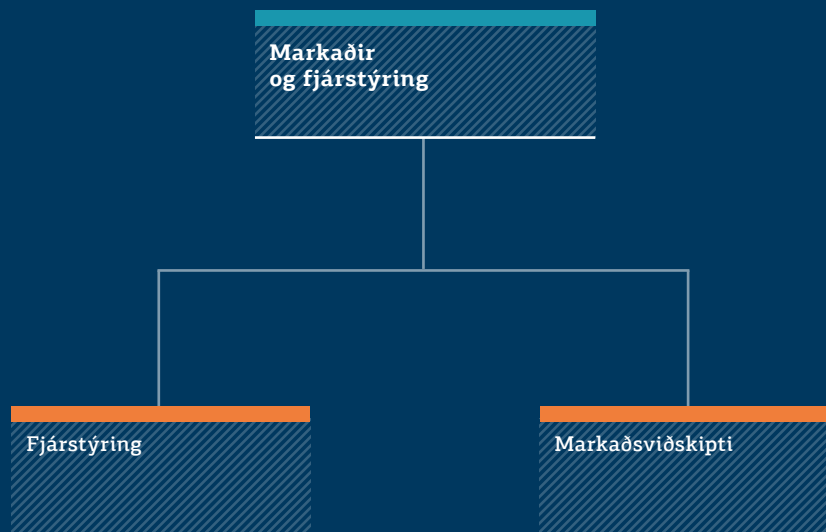
### Vegvisir um markaðshlutdeild fyrirtækja úr nýrri stefnu bankans (sjá nánar í kafla 4)

Markmið	Lykilmæling	2010	2011	2012	2013
Markaðshlutdeild	Hlutfall fyrirtækja	31,4%	33,5%	>34%	>34%

# Markaðir og fjárstýring

**Á sviði Markaða og fjárstýringar** starfar öflugur hópur sérfræðinga sem annast meðal annars lausafjárstýringu og fjármögnun bankans og miðlun gjaldeyris og verðbréfa á markaði. Sviðið skiptist í tvær deildir, annars vegar Fjárstýringu og hins vegar Markaðsviðskipti. Í lok árs 2010 var fjöldi starfsmanna 23.

## Skipurit Markaða og fjárstýringar







Áfram verður unnið að því að styrkja tengsl við erlenda banka með það fyrir augum að láns hæfi Landsbankans verði metið á alþjóðlegum fjármálamörkuðum í fyllingu tímans.

Fjárstýring sér um lausafjárstýringu og fjármögnun bankans, stýrir markaðs-áhættu og annast viðskipta-vakt á gjaldeyrismarkaði, peningamarkaði og með skráð verðbréf. Deildin gerir tillögur að breytingum á vaxtatöflu bankans, ákvarðar sérkjör á reikningum og stjórnar innri verðlagningu á fjármagni milli sviða. Ennfremur sér Fjárstýring um samskipti við Seðlabankann, innlendar og erlendar fjármálastofnanir og matsfyrirtæki. Í Markaðsviðskiptum fer fram miðlun á markaði með gjaldeyri og

aðra fjármálagerninga, svo sem skuldabréf, hlutabréf og afleiðusamninga til fagfjárfesta.

#### Ytri þættir

Ytri þættir, s.s. gjaldeyrishöft, takmörkuð viðskipti við erlenda banka, lítt virkur millibankamarkaður og fækkun skráðra félaga í kauphöll hafa áhrif á viðskiptamöguleika sviðsins. Þessir þættir hafa áhrif á gjaldeyrisstýringu, skuldabréfaviðskipti við erlenda

aðila auk þess að hafa áhrif á samskipti við erlenda banka.

#### Helstu verkefni

Helstu verkefni Markaða og fjárstýringar einkennast af langtímahugsun við þær aðstæður sem nú ríkja. Miklu máli skiptir fyrir Landsbankann að viðhalda sterku lausafjárhlutfalli, draga úr áhættu vegna gjaldeyris-misvægis og auka þóknana-tekjur vegna markaðsviðskipta, svo dæmi séu nefnd. Áfram verður unnið að því

á styrkja tengsl við erlenda banka með það fyrir augum að láns hæfi Landsbankans verði metið á alþjóðlegum fjármálamörkuðum í fyllingu tímans.

Unnið verður að því að koma á virkari markaði með fjármálagerninga og fjölga þeim fjárfestingarkostum sem í boði eru og verða með því það hreyfiafl á markaðnum sem Landsbankinn hefur einsett sér að vera.

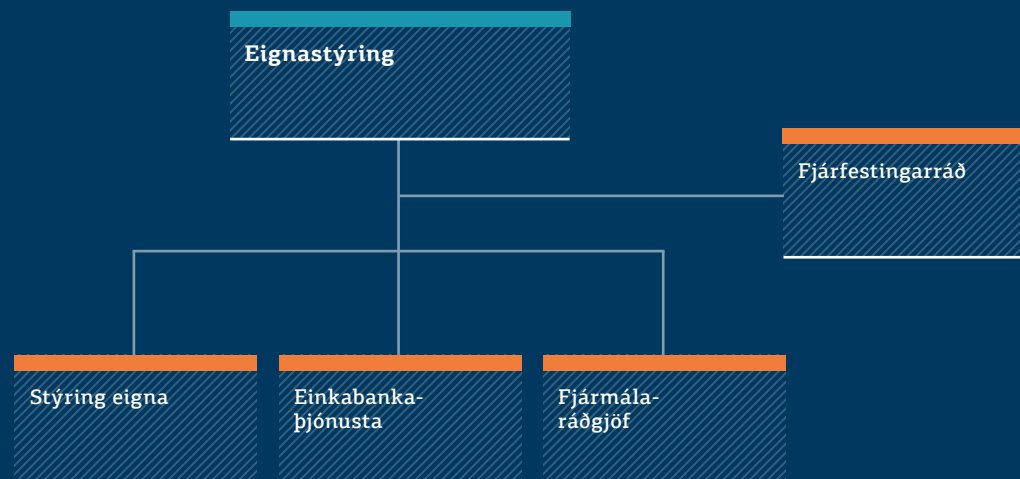
#### Vegvísir um uppgjör vegna gamla bankans úr nýrri stefnu bankans (sjá nánar í kafla 4)

Markmið	Lykilmæling	2010	2011	2012	2013
Uppgjör v. gamla bankans	Skilyrt skuldabréf	29%	67%	100%	Lokið

# Eignastýring

**Eignastýring** veitir alhliða eignastýringarþjónustu, sem felur í sér ráðgjöf við val á sparnaðarleiðum og uppbyggingu og stýringu eignasafna, allt eftir stöðu og markmiðum viðskiptavinarins. Starfsemi Eignastýringar á árinu 2010 hefur tekið mið af þeim breytingum sem orðið hafa í samfélaginu og hefur árið verið nýtt til undirbúnings og breytinga á skipulagi og markmiðum.

## Skipurit Eignastýringar



Viðskiptavinir Eignastýringar eru af mjög fjölbreyttum toga, allt frá einstaklingum til lífeyrissjóða, stofnana, sveitarfélaga og fyrirtækja. Lífeyrissjóðir í fullri umsjón bankans eru fjölmargir, en þar er langstærstur Íslenski lífeyrissjóðurinn. Sjóðurinn er einnig stærsti einstaki viðskiptavinur Eignastýringar. Hluti af framboði Eignastýringar felst í verðbréfa- og fjárfestingarsjóðum sem reknir eru af Landsvaka, sjálfstæðu dótturfélagi bankans.

Starfsmenn sviðsins voru 26 í árslok og veita þeir viðskiptavinum bankans ráðgjöf og þjónustu á sviði sparnaðar, fjárfestinga og lífeyrismála. Fræðsluhlutverk sviðsins er mikilvægt og felst bæði í fræðslu til annarra starfsmanna bankans um verðbréfavíðskipti sem eru í eðli sínu sérhæfð og einnig fræðslu til viðskiptavina, t.d. með námskeiðum um lífeyrissparnað og reglubundinn sparnað. Í Einkabankaþjónustu er efnameiri viðskiptavinum bankans veitt sérhæfð þjónusta, sem felst í stýringu eignasafna auk almennrar bankaþjónustu. Þannig er öll þjónusta til þeirra á einum stað.

Á fjórða ársfjórðungi ársins tók nýr framkvæmdastjóri til starfa. Áhersla var lögð á greiningu á stöðu eignastýringar bankans og hvaða lærdóm menn gætu dregið af fortíðinni til árangurs til framtíðar. Ljóst var að ýmislegt mátti bæta og hefur markvisst verið unnið að úrbótum, t.d. með því að skerpa á aðskilnaði ráðgjafar og sjóðastýringar. Innri verkferlar hafa verið endurskoðaðir, upplýsingagjöf til viðskiptavina bætt og fræðsla til starfsmanna sviðsins aukin til að ráðgjöf og þjónusta við viðskiptavini verði sem best.

Samfara þessum breytingum var skipulagi sviðsins breytt með það að markmiði að tryggja bæði fagmennsku og góða þjónustu við viðskiptavini.

### Sjóðir Landsvaka

Eignastýring er helsti söluadili sjóða Landsvaka, sjálfstæðs dótturfélags bankans. Landsvaki annast rekstur á þrenns konar sjóðum: Verðbréfasjóðum, fjárfestingarsjóðum og fagfjárfestingarsjóðum. Í lok árs 2010 var 21 sjóður í rekstri félagsins og

nam hrein eign þeirra 53.628 milljónum króna, sem var aukning um 21% frá árinu áður.



Undanfarin tvö ár hefur Landsvaki lagt áherslu á að auka framboð ríkisskuldabréfasjóða til að mæta þörfum markaðarins. Í dag eru sex ríkisskuldabréfasjóðir í boði, tveir stofnaðir árið 2009 og tveir á árinu 2010.

Ávöxtun á ríkisskuldabréfamarkaði reyndist góð á síðastliðnu ári. Hins vegar var órói á skuldabréfamarkaði töluverður síðastliðið haust, en fram að því höfðu verðhækkningar verið miklar. Ávöxtun skuldabréfasjóða Landsvaka var góð á árinu. Ávöxtun sjóðanna Sparibréf

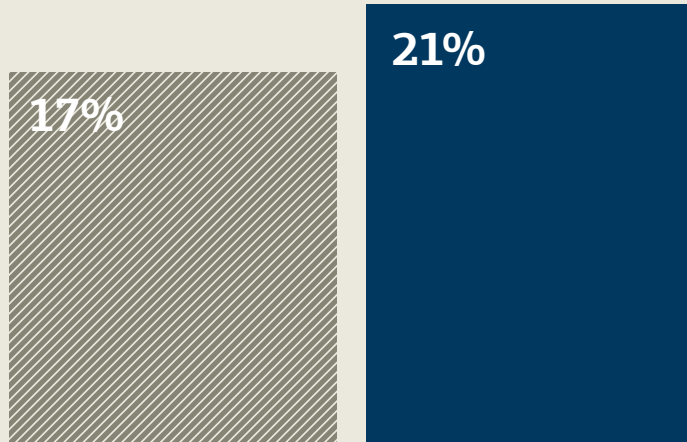
löng, Markaðsbréf meðallöng og Sparibréf meðallöng var ein sú besta á markaði árið 2010 þegar miðað er við aðra sambærilega sjóði. Innlendir hlutabréfamarkaður hefur átt erfitt uppdráttar síðustu ár, en nú eru vísbendingar um að breyting geti orðið þar á. Sem dæmi má nefna að Úrvalsbréfasjóður Landsvaka stækkaði um 148% á árinu 2010. Landsvaki rekur þrjá hlutabréfasjóði og var ávöxtun þeirra mjög góð á árinu 2010.

Heimsvísitala hlutabréfa hækkaði um rúm 17% í evrum og Global Equity sjóður Landsvaka hækkaði um tæp 21% í sömu mynt. Hlutabréf skráð í innlandri kauphöll hækkuðu einnig. Vísitala Kauphallarinnar hækkaði um tæp 15% á árinu en Úrvalsbréf Landsbankans hækkuðu um 27%.

### Erlendir samstarfsaðilar

Eignastýring býður upp á úrval erlendra sjóða, en bankinn er í samstarfi við þekkt erlend sjóðastýringarfyrirtæki líkt og AllianceBernstein, Carnegie og Jupiter. Vegna gjaldeyrishafta hafa viðskiptavinir ekki tækifæri

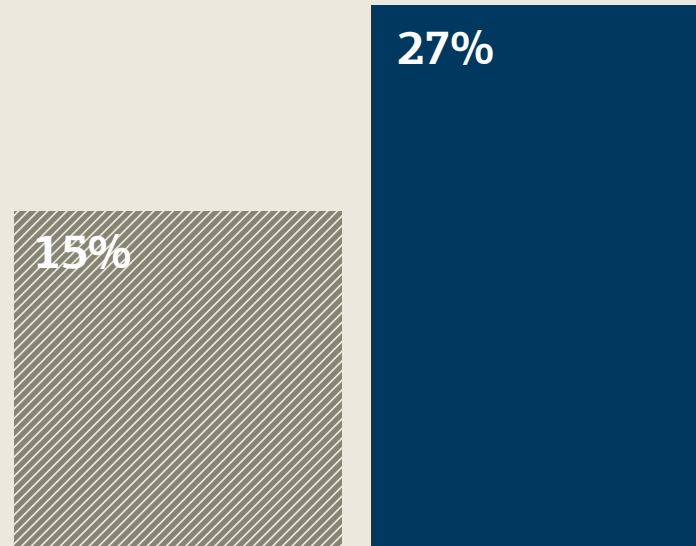
## Vöxtur Global Equity í samanburði við heimsvísitölu



Heimsvísitala hlutabréfa

Global Equity sjóður Landsvaka

## Vöxtur Úrvalsbréfa í samanburði við vísitölu Kauphallar



Vísitala Kauphallarinnar

Úrvalsbréf Landsbankans

til nýrra fjárfestinga erlendis, en þeir viðskiptavinir sem þegar eiga fé í erlendum sjóðum geta átt viðskipti milli sjóða. Því er veitt öflug fræðsla og ráðgjöf varðandi val á sparnaðarleiðum. Landsbankinn telur mikilvægt að viðhalda traustu sambandi við erlend sjóðastýringarfyrirtæki þannig að viðskiptavinir njóti ávaxtanna um leið og gjald-eyrishöftum verður aflétt.

### Fjárfestingarráð

Fjárfestingarráð er miðlægur vettvangur Eignastýringar og þar fara fram formlegar umræður um strauma,

stefnur og fjárfestingartækifæri. Ráðið hittist reglulega og er skipað helstu sérfræðingum bankans á sviði eignastýringar.

Ráðið tekur ákvarðanir um ráðstöfun eignasafna í stýringu til samræmis við þá stefnu sem áður hefur verið mörkuð í samvinnu við viðskiptavini.

### Framtíðarhorfur

Starfsfólk Eignastýringar horfir björtum augum fram á veginn. Ljóst er að umhverfið er krefjandi og gjaldeyrishöft skerða þá möguleika sem bjóðast í eignastýringu.

Á móti kemur að mjög er horft til uppbyggingar á innlendum verðbréfamarkaði. Spennandi verður að fylgjast með breytingum á innlendum skuldabréfa- og hlutabréfamarkaði, en þangað munu fyrirtæki sækja sér fjármagn og skapa þannig tækifæri fyrir fjárfesta sem vilja auka breidd sinna eignasafna.

Starfsfólk Eignastýringar mun áfram kappkosta að veita viðskiptavinum sínum persónulega þjónustu og bankinn ætlar sér leiðandi hlutverk í vandaðri ráðgjöf sem byggir á öflugri fræðslu og upplýsingagjöf. Fyrir dyrum standa frekari tækifæri til að auka enn

sjálfstæði Eignastýringar, en þar má nefna samning við IFS Greiningu, óháðan greiningaraðila, sem mun veita starfsmönnum sviðsins þjónustu á sviði óháðrar greiningar og ráðgjafar á verðbréfamarkaði.

Einnig verður horft til þess möguleika að Landsbankinn geti bæði boðið viðskiptavinum sínum úrval sjóða í rekstri dótturfélags bankans og aðila sem skara fram úr í sjóðastýringu jafnt hérlendis sem erlendis.

## Íslenski lífeyrissjóðurinn

Íslenski lífeyrissjóðurinn er almennur lífeyrissjóður sem starfar skv. lögum nr. 129/1997 um skyldutryggingu lífeyrisréttinda og starfsemi lífeyrissjóða. Íslenski lífeyrissjóðurinn hefur frá upphafi verið með rekstrarsamning við Landsbankann sem sér um daglegan rekstur sjóðsins. Sjóðurinn hefur þannig notið

ávinninga af góðu samstarfi við Landsbankann sem veitir sjóðfélögum aðgang að öflugri þjónustu bankans og útibúaneti hans. Íslenski lífeyrissjóðurinn hefur allt frá stofnun árið 1990 veitt sjóðfélögum þjónustu á sviði viðbótarlífeyrissparnaða. Við breytingu á lögum um lífeyrissjóði árið 1998 hóf hann að bjóða

móttöku iðgjalda til öflunar lögbundinna lífeyrisréttinda. Þessu til samræmis eru starfrættar tvær deildir í Íslenska lífeyrissjóðnum, séreignardeild og samtryggingardeild. Íslenski lífeyrissjóðurinn hefur lagt áherslu á sveigjanleika þegar kemur að lögbundnu framlagi til öflunar lífeyrisréttinda með samspili samtryggingar,

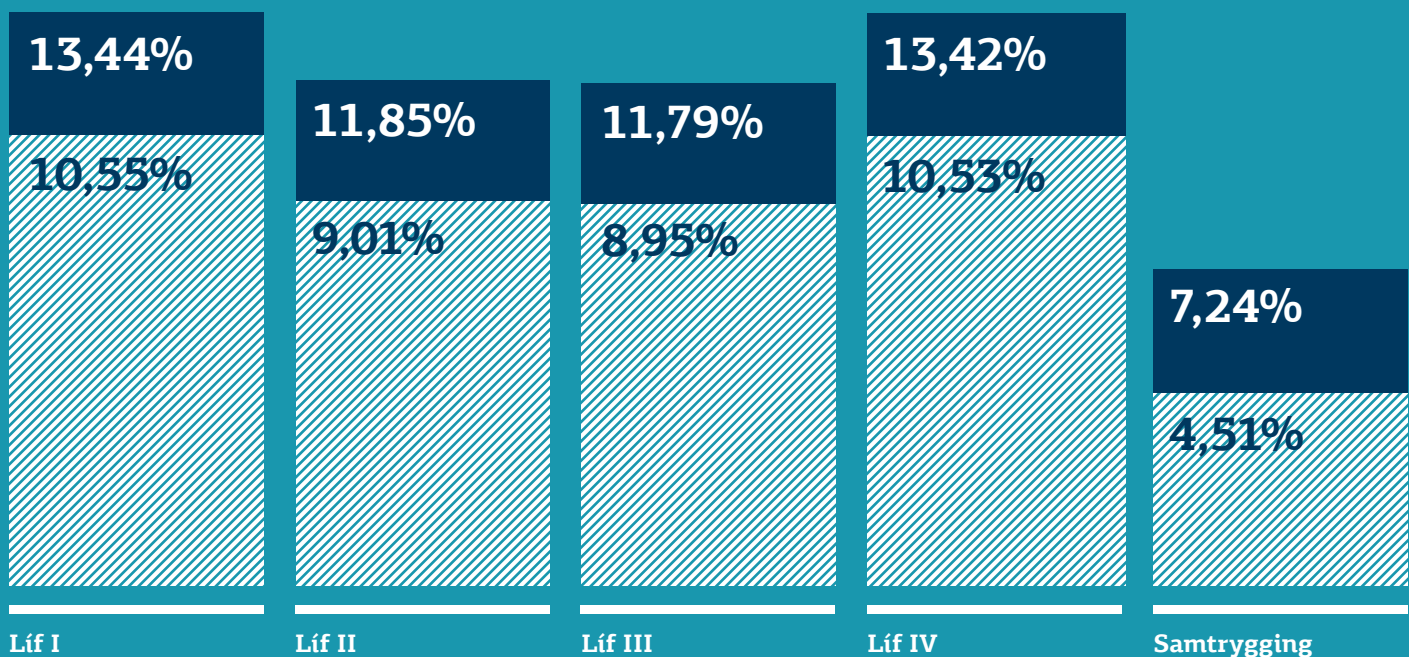
bundinnar séreignar og frjálsrar séreignar.

Í lok árs 2010 var heildarstærð Íslenska lífeyrissjóðsins tæpir 31 milljarðar króna og heildarfjöldi sjóðfélaga tæplega 27 þúsund. Ávöxtun sjóðsins var mjög góð á síðasta ári og langt umfram viðmið hans.

Íslenski lífeyrissjóðurinn hefur allt frá stofnun árið 1990 veitt sjóðfélögum þjónustu á sviði viðbótarlífeyrissparnaða. Við breytingu á lögum um lífeyrissjóði árið 1998 hóf hann að bjóða móttöku iðgjalda til öflunar lögbundinna lífeyrisréttinda.

### Ávöxtun sjóðsins 2010

■ Raunávöxtun ■ Nafnávöxtun





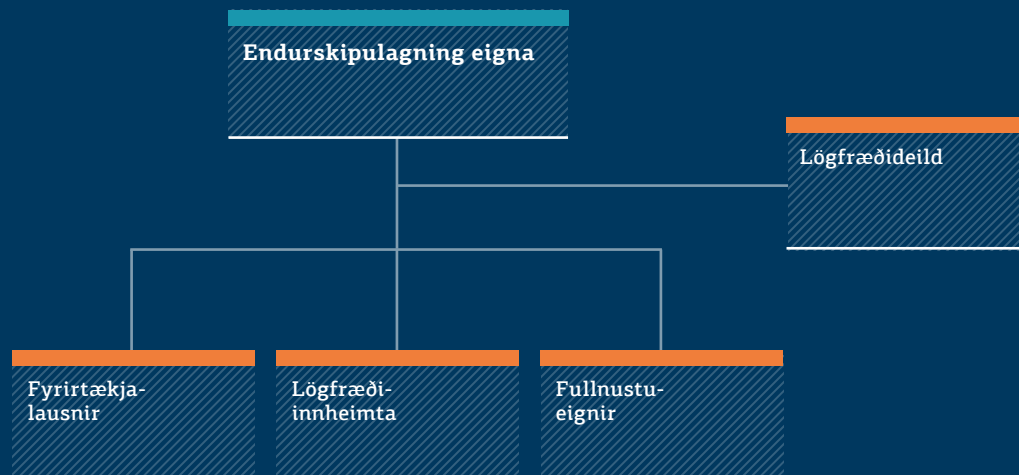


# Endurskipulagning eigna

**Endurskipulagning eigna er nýtt svið í Landsbankanum.**

Það var sett á fót sérstaklega með það að markmiði að vinna úr skuldavanda fyrirtækja. Innan sviðsins eru fjórar deildir: Fyrirtækjalausnir, Lögfræðiinnheimta, Fullnustueignir og Lögfræðideild.

## Skipurit Endurskipulagningar eigna





Fyrirtækjalausnir annast úrvinnslu skulda fyrirtækja í skuldavanda, Fullnustueignir eru undir merkjum dótturfélagsins Hamla ehf., Lögfræðideildin annast alla lögfræðivinnu fyrir Fyrirtækjalausnir og Fullnustueignir og starfar einnig með Lögfræðihúsinu í ákveðnum málum. Starfsmenn Endurskipulagningar eigna voru 63 í árslok 2010.

Árið 2010 einkenndist af skipulagsbreytingum í bankanum og var sjónum m.a. beint að fyrirkomulagi við endurskipulagningu fjármála viðskiptavina bankans. Úrvinnsla fjárhagsvanda fyrirtækja var sameinuð á einu sviði og lausnir mótaðar. Í september samþykkti Bankaráð útfærslu þeirra leiða sem fyrirtækjum standa til boða við fjárhagslega endurskipulagningu og skrifað var undir samkomulag um Beinu brautina í desember. Þegar vinna við endurskipulagningu skulda fyrirtækja hófst fyrst, var mest áhersla lögð á úrvinnslu mála stærstu fyrirtækjanna

sem mörg hver, sérstaklega eignarhaldsfélög, fóru beint í gjaldþrotaferli. Úrvinnsla mála rekstrarfélaga hófst einnig fljótlega en af ýmsum ástæðum gekk sú vinna hægar en vonir stóðu til. Geta bankans til að leggja fram leiðir til úrlausnar fyrir skuldug fyrirtæki var háð því að bankinn þekkti eigin stöðu sem ekki varð ljós fyrr en í árslok 2009. Fleira hefur tafið, svo sem tregða eigenda og stjórnenda fyrirtækja til samninga þar sem margir hafa á hverjum tíma talið að betri lausn væri væntanleg síðar. Þessi vandamál eru að mestu úr sögunni. Eftir stendur þó ágreiningur um það hvort erlend lán séu erlend eða gengistryggð. Í mörgum tilvikum felur endurskipulagning skulda þó í sér að skuldir fyrirtækja lækka meira en væru erlend lán dæmd ólöglegt og endurútreiknuð.

Í lok árs var búið að endurskipuleggja skuldir 193 fyrirtækja og 378 lífvænleg fyrirtæki voru í vinnslu, þar af 69 í skjálagerð.

### Ýmis úrræði

Landsbankinn býður fyrirtækjum sem glíma við greiðslu- og eða skuldavanda ýmis úrræði. Þau einföldustu fela í sér skilmálabreytingar eins og lengingu lána eða lækkun afborgana til skamms tíma og eru þessi úrræði til þess fallin að mæta greiðsluvanda. Aðrar leiðir fela í sér niðurfellingu skulda með eða án eiginfjárframlagi og er þá miðað við verðmæti fyrirtækisins út frá eignaeða rekstrarvirði, hvort sem hærra reynist að meðtöldu tryggingarvirði. Í sumum tilvikum er sala eða yfirtaka bankans á eignum ótengdum starfsemi félagsins hluti af lausn mála. Þar sem kröfuhafar eru fleiri, er úrvinnsluferlið oft erfiðara og tímafrekara. Bankinn hefur einnig boðið viðskiptavinum sínum með erlend lán en tekjur í krónum 25% höfuðstólslækkun, en sú leið var í boði til 1. apríl 2011. Beina brautin er nýjasta lausnaformið. Með frekari útfærslu á henni í byrjun

ársins 2011 er lausnamengi bankans orðið fullnægjandi þannig að hægt er að ljúka endurskipulagningu skulda lífvænlegra fyrirtækja.

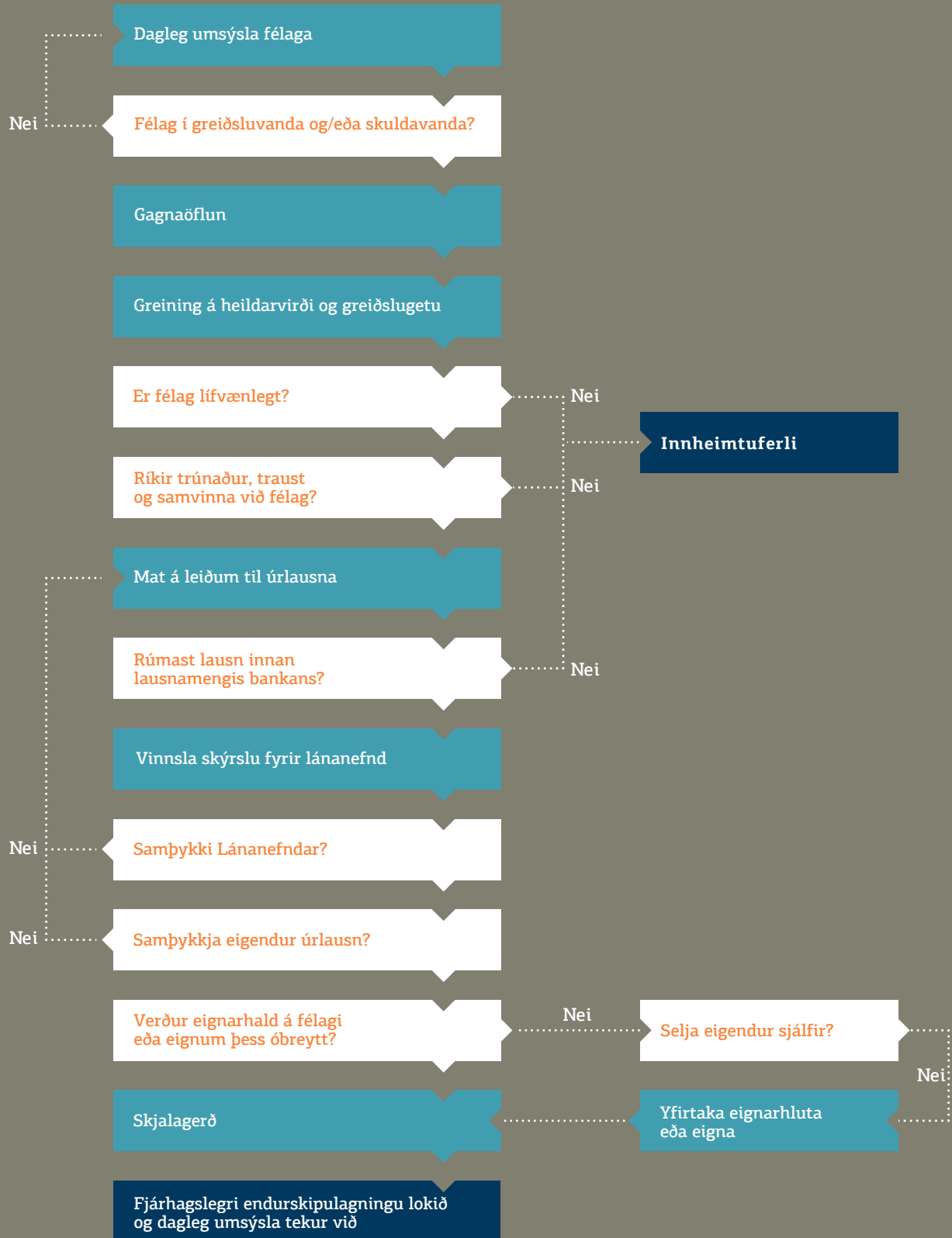
### Helstu verkefni framundan

Beina brautin og samkomulagið um hana var gríðarlega mikilvægt skref. Aðkoma atvinnulífsins og stjórnvalda að því samkomulagi var mjög mikils virði og gerði það að verkum að vilji fyrirtækja til að leita lausna sinna mála jókst stórlega.

Á árinu 2011 er stefnt að því að gera öllum fyrirtækjum sem uppfylla skilyrði um Beinu brautina tilboð um lausn sinna mála fyrir 1. júní 2011. Einnig er ætlunin að ljúka úrvinnslu mála 75% þeirra fyrirtækja sem þarfnast endurskipulagningar á árinu 2011.



## Ferli fjárhagslegrar endurskipulagningar

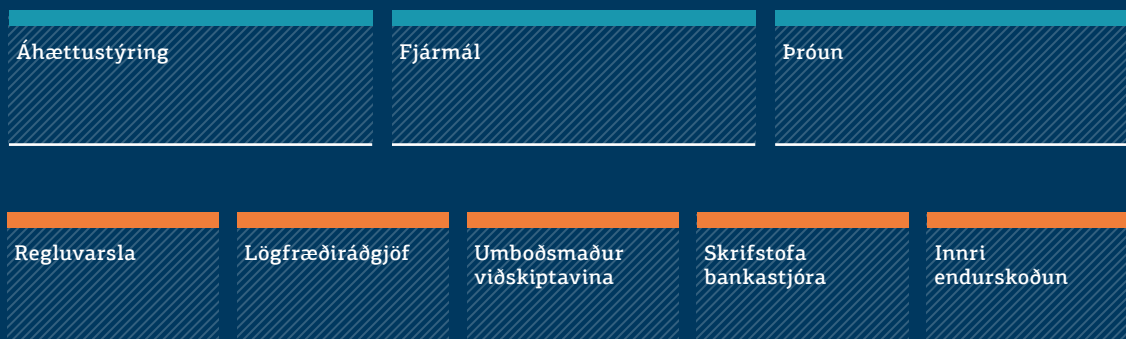




# Stoðsvið og stoðdeildir

Landsbankinn er með þrjú stoðsvið sem veita tekjusviðum bankans öflugan stuðning. Stoðsviðin eru Áhættustýring, Fjármál og Þróun. Auk þess heyra nokkrar deildir beint undir bankastjóra og sjá þær um að veita sviðum bankans almenna þjónustu. Þessar deildir eru Regluvarsla, Lögfræðiráðgjöf, Umboðsmaður viðskiptavina og Skrifstofa bankastjóra. Innri endurskoðun heyrir beint undir Bankaráð.

## Stoðsvið og stoðdeildir



# Áhættustýring

Landsbankinn hefur lagt verulega áherslu á að efla áhættustýringu bankans á árinu. Sú vinna fólst jafnt í því að endurskoða starfsemi og uppbyggingu sviðsins sem og að endurskoða regluverk og starfshætti í bankanum sjálfum og þær aðferðir sem notaðar eru til greiningar, mælingar, stýringar og varna áhættuþátta sem eru hluti af rekstri fjármálafyrirtækja. Fjöldi starfsmanna var 41 í lok árs 2010.

Á vormánuðum hófst endurskipulagning á starfsemi sviðsins með það að leiðarljósi að færa starfsemi nær því sem best gerist í Evrópu og að skýra starfsemi

og ábyrgð hvernar einingar innan sviðsins. Áhættustýring skiptist í sjö deildir, þar af fjórar áhættudeildir sem byggja á meginþáttum Pillar I í Basel staðlinum og þrjár stoðdeildir.

Útlánaáhætta er greind og metin hjá tveimur deildum, Útlánastýringu og Útlánaeftirliti, en starfsemi deildanna er órjúfanlegur hluti útlánaferlis bankans. Deildirnar bera sameiginlega ábyrgð á útlánaferli bankans, útlánaeignum og afskriftarreglum.

Markaðsáhætta er greind og metin hjá Eigna- og skuldaáhættu, sem hefur jafnframt eftirlit með lausafjárstöðu,

vaxtaáhættu og gjaldeyrisáhættu í eignasafni bankans. Rekstraráhætta er sér deild innan Áhættustýringar sem greinir og metur rekstrar- og tapsatvik innan bankans sem og ber ábyrgð á gerð rekstrarsamfellaáætlana.

Þrjár stoðdeildir veita áhættumatsdeildum stuðning í greiningu og mati á áhættu.

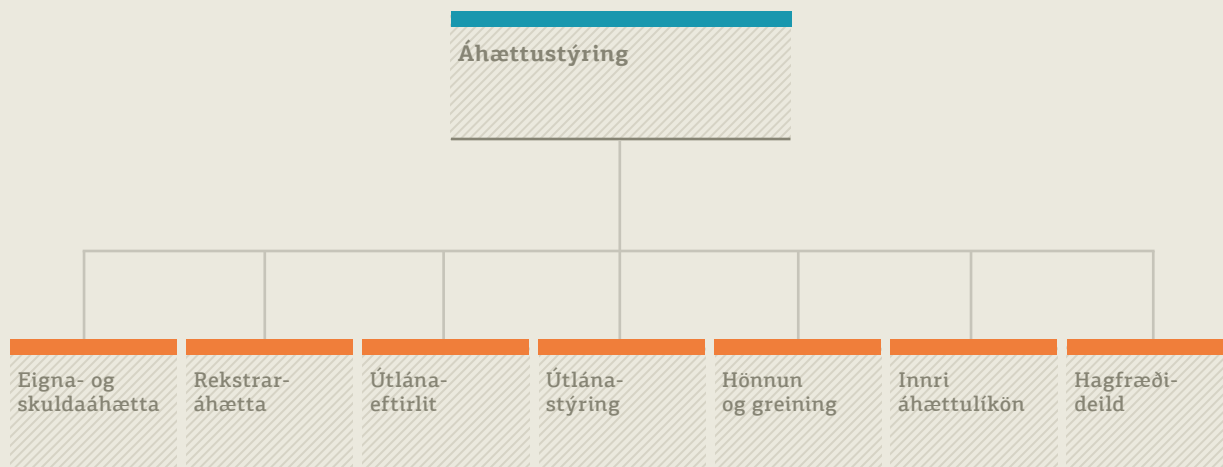
Innri áhættulíkön ber ábyrgð á að þróa, uppfæra og innleiða láns hæfiseinkunnir viðskiptavina, þróa og viðhalda áhættulíkönunum og tekur virkan þátt í virðismati viðskiptavina. Deildin var stofnuð á árinu 2010 til að efla þennan hluta starfsemi

Áhættustýringar með tilliti til Basel II staðalsins.

Hagfræðideild var stofnuð innan Áhættustýringar á árinu. Deildin greinir áhættuþætti í ytra umhverfi bankans, jafnt innanlands sem erlendis og ber ábyrgð á gerð sviðsmynda í álagsprófum bankans. Deildin er sjálfstæð innan Áhættustýringar.

Hönnun og greining ber ábyrgð á skýrslugerð til innri og ytri aðila og greiningu gagna um útlánasafn bankans. Deildin ber einnig ábyrgð á safnagreiningu Áhættustýringar og er helsta tenging Áhættustýringar við Upplýsingatækni.

## Skipurit Áhættustýringar



# Fjármál

Á sviðinu eru starfandi fjórar deildir: Fjárhagsdeild, Reikningshald, Lánavinnsla og Viðskiptaumsjón. Starfsmenn Fjármála voru 169 í árslok 2010.

Fjárhagsdeild hefur umsjón með gerð viðskipta- og fjárhagsáætlana sem eru eitt af stýritækjunum við rekstur bankans. Deildinni er ætlað að greina niðurstöður í rekstri bankans með tilliti til þeirrar áætlunar sem liggur til grundvallar á hverjum tíma hjá viðkomandi sviði/deild. Þá mun Fjárhagsdeild hafa umsjón með gjaldskrár- og vaxtamálum ásamt hefðbundinni

kostnaðarstýringu og greiðslu kostnaðarreikninga.

Viðskiptaumsjón sinnir mjög víðtæku hlutverki innan bankans, bæði sem þjónusta við tekjusvið bankans og einnig beint við viðskiptavini hans. Í starfsemi felst m.a. erlend greiðslumiðlun, öll verðbréfaþjónusta eða uppgjör verðbréfa og gjaldeyrisviðskipta, svo og öll vörsluþjónusta verðbréfa. Einnig fer þar fram sjóðausýsla, bæði fyrir verðbréfasjóði og lífeyrissjóði, svo og bakvinnsla fyrir lífeyrisparnað bankans. Mikil samskipti eru við erlenda banka vegna samninga bankans

um kaup á þjónustu, bæði vegna greiðslumiðlunar og vörslu og uppgjörþjónustu.

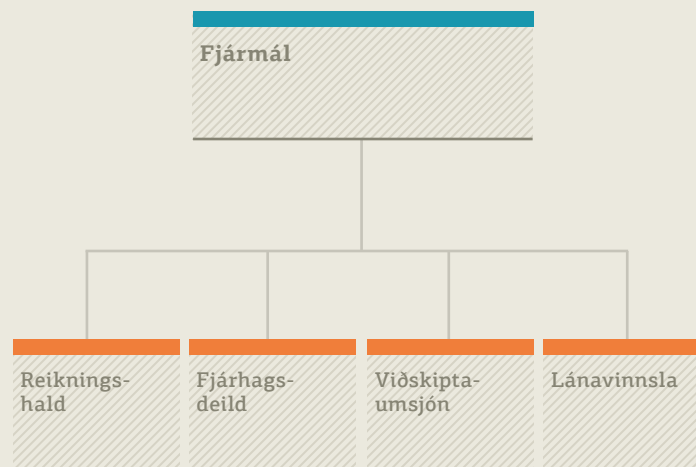
Ýmis lög og reglur gilda um þessa starfsemi og er starfsemin undir opinberu eftirliti sem innifelur meðal annars regluleg skýrsluskil til FME og SÍ. Einnig er regluleg upplýsingagjöf til annarra hagsmunaaðila. Innra eftirlit er hluti af daglegri starfsemi og lögð er sífellt meiri áhersla á þann hluta.

Reikningshald sér um gerð fjárhagslegra upplýsinga, s.s. árs- og árshlutareikninga auk utnumhalds um

þjónustusamninga innan bankans og við dótturfélög hans. Einnig sér Reikningshald um uppgjör á skuldbindingum við Landsbanka Íslands hf. og skattamál.

Lánavinnsla bankans sér um skjalagerð sem tengist lánasamningum við viðskiptavini bankans. Einnig sér Lánavinnsla um þinglýsingar og vörslu frumskjala, auk þess sem útborganir lána eru á hennar höndum.

## Skipurit Fjármála





# Þróun

Þróun er nýtt svið sem var sett á stofn þegar skipulagsbreytingar voru gerðar í bankanum haustið 2010.

Þróun hefur það hlutverk að vera leiðandi í framþróun og breytingum innan bankans. Í því síbreytilega umhverfi sem bankinn starfar er nauðsynlegt að brugðist sé hratt við, en þó þannig að fagmennskan víki hvergi. Með því að setja undir eitt svið þær deildir bankans sem standa að baki framþróun

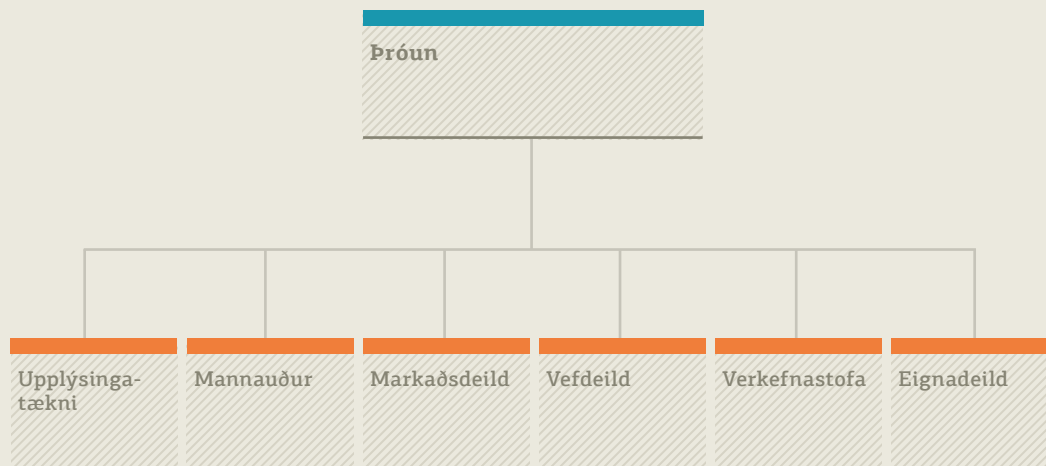
og nýbreytni verður til öflug skipulagsheild til að mæta þessum kröfum.

Innan Þróunar eru sex deildir: Eignadeild, Mannauður, Markaðsdeild, Vefdeild, Verkefnastofa og Upplýsingatækni. Í lok árs 2010 störfuðu þar 206 starfsmenn. Starfseiningarnar mynda innviði bankans og eiga það flestar sam-eiginlegt að koma á einn eða annan hátt að málum þegar

breytingar verða á starfsemi, óháð því hvers eðlis þær eru. Saman mynda þær slagkraft til að keyra áfram breytingar þvert á bankann með skipulegum hætti og af fagmennsku. Landsbankinn hefur einn banka nýtt sér þessa leið til að sameina hæfni sína í breytingum á einu sviði. Þetta fyrirkomulag skapar bankanum mikil tækifæri í samkeppni þar sem viðbragðstími styttest án þess að fagmennska

víki. Með virku og góðu samstarfi við önnur svið bankans verður þannig hægt að leiða starfsemina áfram og tryggja stöðu bankans í síbreytilegu umhverfi, viðskiptavinum og starfsmönnum til hagsbóta.

## Skipurit Þróunar



# Regluvarsla

Regluvarsla er ein af grunnstoðum fyrirtækjameningar Landsbankans. Bankaráð og yfirstjórn styðja við þá fyrirtækjameningu sem stefnt er að með góðu fordæmi. Regluvarsla snertir alla starfsemi bankans og er órjúfanlegur hluti af rekstri hans. Í Regluvörslu voru starfsmenn níu í lok árs, þar af fjórir í skjalastjórnun.

Regluvörsluáhættu má skilgreina sem áhættuna á lagalegum viðurlögum, fjárhagslegu tjóni eða skaða á ímynd bankans vegna brota gegn lögum, reglugerðum, siðareglum og því sem teljast góðir starfshættir. Regluvörsluáhætta er undir-

flokkur rekstraráhættu þar sem áherslan er á svik, misferli, aðgerðir gegn peningabætti og fjármögnun hryðjuverka, persónuvernd, siðareglur, reglur um hagsmunaárekstra og bestu framkvæmd.

Landsbankinn hefur sett á stofn sjálfstæða og skilvirka Regluvörslu er heyrir beint undir bankastjóra.

Regluvarsla skal fyrst og fremst bera ábyrgð á og vinna á virkan hátt að því að:

1. Fylgjast með og meta reglulega virkni þeirra ráðstafana sem gerðar hafa verið til að koma á og viðhalda viðeigandi reglum og

ferli til að greina hvers konar hættu á misbrestum hjá bankanum á því að uppfylla skyldur samkvæmt lögum um verðbréfavíðskipti.

2. Aðstoða, styðja og ráðleggja stjórnendum við störf þeirra. Veita starfsmönnum bankans, sem eru ábyrgir fyrir framkvæmd verðbréfavíðskipta, nauðsynlega fræðslu, ráðgjöf og aðstoð til að þeir geti uppfyllt skyldur fyrirtækisins samkvæmt lögum um verðbréfavíðskipti.

3. Framfylgja ákvæðum laga um aðgerðir gegn peningabætti og fjármögnun hryðjuverka og sjá til þess að mótaðar séu samræmdar starfsaðferðir er stuðla að góðri framkvæmd laganna.

4. Greina, meta og fylgjast með áhættu tengdri regluvörslu í starfsemi bankans.

Regluvarsla bankans hefur verið styrkt á síðustu tveimur árum, m.a. með því að gera hana sjálfstæðari með breyttu skipuriti. Þá hefur aðgengi Regluvörslu að upplýsingum verið bætt og starfsmönnum fjölgað.

## Lögfræðiráðgjöf

Lögfræðiráðgjöf Landsbankans heyrir beint undir bankastjóra og hefur yfirmensjón með lögfræðilegum verkefnum bankans og lögfræðilegum samskiptum innan sem utan hans. Starfsmenn deildarinnar voru 13 í lok árs. Lögfræðiráðgjöf veitir Bankaráði, bankastjóra, höfuðstöðvum og útibúum bankans lögfræðipjónustu

um hvaðeina er varðar starfsemina. Einnig veitir deildin dótturfélögum bankans ráðgjöf á grundvelli þjónustusamnings. Þá annast deildin samskipti við stjórnvöld og eftirlitsstofnanir, þ.m.t. Fjármálaeftirlit og Samkeppniseftirlit. Deildin hefur umsjón með gerð staðlaðra eyðublaða bankans.

Lögfræðiráðgjöf annast samræmingu á túlkun innan bankans á lagalegum álitaefnum sem kunna að rísa í starfseminni. Þá annast deildin flutning dómsmála og rekstur úrskurðarmála. Lögfræðiráðgjöf styður við innra eftirlit og vinnur að því markmiði að lágmarka lagalega áhættu í starfsemi bankans.

Í því skyni kemur Lögfræðiráðgjöf með virkum hætti að ákvarðanatöku bankans í mikilvægum málum frá upphafi.



# Umboðsmaður viðskiptavina

Allir viðskiptavinir Landsbankans, sem telja á sig hallað í viðskiptum sínum við bankann, eiga rétt á því að hafa samband við umboðsmann viðskiptavina um sín mál. Umboðsmaður starfar samkvæmt tilmælum Samkeppniseftirlitsins og ríkisstjórnar Íslands frá því í árslok 2008 um að skipaður yrði óháður umboðsmaður viðskiptavina í hverjum banka. Í framhaldi af því réði Landsbankinn Eggert Á. Sverrisson í starf umboðsmanns viðskiptavina og hóf hann störf 1. febrúar 2009.

Umboðsmaður viðskiptavina starfar sjálfstætt en hefur aðsetur hjá Lögfræðiráðgjöf bankans. Þá á umboðsmaður viðskiptavina náði samstarf við þá deild Viðskiptabanka sem sér um kvartanir.

Umboðsmaður viðskiptavina starfar í vinnuhópi innan bankans um úrlausn á fjárhagsvanda viðskiptavina.

## Fjöldi mála 2009 2010

Greiðslumiðlun	23	13
Lánamál einstaklinga	146	235
Lánamál fyrirtækja	31	25
Lífeyrissjóðir	20	6
Verðbréfasjóðir	22	11
Verklag	22	36
Annað	61	45

**325 371**

Það er mat forsvarsmanna Landsbankans að staða umboðsmanns feli í sér mikilvægan farveg innan bankans fyrir mál viðskipta-

vina. Umboðsmaður er talsmaður viðskiptavina þó hann sé hlutlaus í afstöðu sinni og mati. Öll mál sem koma til umboðsmanns viðskiptavina eru skráð í málakerfi bankans. Þar er haldið utan um öll gögn og samskipti varðandi hvert mál. Verkferlar varðandi þjónustubátt starfsins hafa verið kortlagðir af starfsmönnum Regluvörslu bankans.

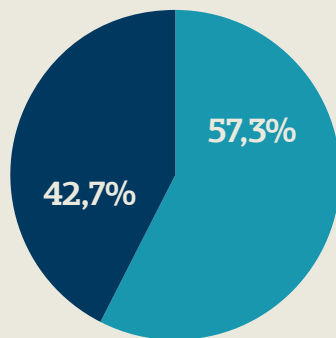
## Niðurstaða afgreiddra mála

Niðurstaða mála er skráð á þrjú vegu, samþykkt, synjað og hlutlaus. Þar sem mál eru ólík, getur verið erfitt að skilgreina nákvæmlega niðurstöðu þeirra. Mál eru skilgreind samþykkt ef við-

skiptavinur hefur fengið jákvæða úrlausn sinna mála á einhvern hátt þó það hafi ekki nauðsynlega verið „samþykkt“ af hálfu bankans. Mál sem hefur verið synjað felur í sér að viðskiptavinur hefur ekki fengið úrlausn sinna mála í samræmi við óskir sínar, t.d. óskir um niðurfellingu skulda, lækkun vaxtaálags við endurnýjun lánasamninga, mál sem tilheyra skilanevnd gamla bankans, lánveitingar sem hefur verið hafnað og ýmis mál þar sem viðskiptavinur er ekki sáttur við afgreiðslu bankans en mál verið afgreidd í samræmi við verklagsreglur engu að síður. Þá eru í þriðja lagi mál sem skráð eru hlutlaus. Slík mál fela m.a. í sér almenna upplýsingamiðlun.

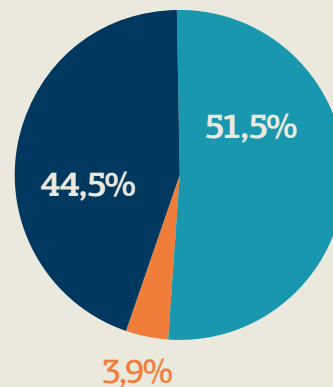
## Niðurstaða afgreiddra mála

2009



Synjað

2010



Hlutlaust

Samþykkt

# Skrifstofa bankastjóra

Skrifstofa bankastjóra vinnur náið með bankastjóra og styður hann í störfum sínum. Á skrifstofu bankastjóra eru fjórir starfsmenn: Aðstoðarmaður bankastjóra, ritari, upplýsingafulltrúi og sér-

fræðingur í samfélagslegri ábyrgð. Skrifstofa bankastjóra sér um að fylgja eftir stefnu bankans, annast innri og ytri samskipti bankans og sinnir m.a. samskiptum við stofnanir, opinber fyrirtæki

og ýmsa hagsmunaaðila. Skrifstofa bankastjóra ber einnig ábyrgð á að innleiða samfélagsleg, umhverfisleg og siðferðileg gildi í rekstur og stefnumótun bankans og framfylgja stefnu um sam-

félagslega ábyrgð. Ennfremur hefur skrifstofan umsjón með störfum og ákvörðunum Bankaráðs Landsbankans og framkvæmdastjórnar og fylgir þeim eftir.

## Innri endurskoðun

Innri endurskoðun Landsbankans er hluti af skipulagi Landsbankans og þáttur í eftirlitskerfi bankans samanber ákvæði 16. gr. laga nr. 161/2002 um fjármálafyrirtæki. Hlutverk Innri endurskoðunar er að veita óháða og hlutlæga staðfestingu á virkni innra eftirlits, áhættustýringar og stjórnskipulags Landsbankans á samstæðugrunni. Innri endurskoðun nær til allra starfseininga bankans, þar á meðal dótturfélaga, en auk þess hefur deildinni verið falin innri endurskoðun á lífeyrissjóðum í rekstri og stýringu Landsbankans.

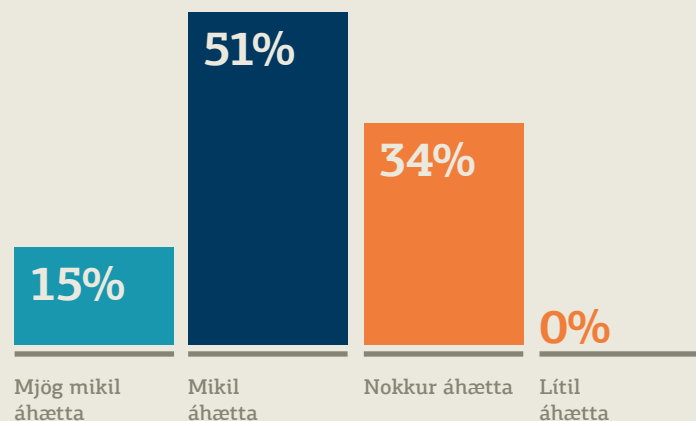
Markmiðið með starfi Innri endurskoðunar er að stuðla að skilvirkum og gagnsæjum rekstri og efla áhættustýringu Landsbankans þannig að virðisauki skapist.

Innri endurskoðandi er ráðinn af og ábyrgur gagnvart Bankaráði Landsbankans. Hann veitir Innri endurskoðun bankans forstöðu, en starfsmenn deildarinnar voru 8 á liðnu ári. Samkvæmt áhættumiðaðri endurskoðunar-áætlun, sem samþykkt var af Endurskoðunar- og áhættunefnd, var á árinu 2010 lögð höfuðáhersla á úttektir sem vörðuðu áhættustýringu, útlánaferlið og rekstur útibúa bankans. Einnig var kappkostað að efla tölvuendurskoðun. Á árinu var samþykkt að fela Innri endurskoðun að sinna úttektum á stjórnkerfi upplýsingaöryggis, en bankinn er vottaður samkvæmt ISO 27001 staðli. Í meðfylgjandi súluriti má sjá hvernig rauntími starfsmanna skiptist á milli verkefna með hliðsjón

af þeim áhættuþáttum sem einkenndi þau. Við úttektir fylgir deildin formlegu og mótuðu verklagi líkt og alþjóðlegir staðlar um innri endurskoðun kveða á um.

Nýtt skjalastjórnunarkerfi sem styður við verklagið var tekið í notkun á árinu. Rekstraráhætta deildarinnar var metin og ráðstafanir gerðar til að draga úr mestu áhættuþáttum í starfsemi deildarinnar.

### Hlutfallsleg skipting tíma með hliðsjón af áhættu



# Dótturfélög

**Dótturfélög Landsbankans** teljast þau félög sem bankinn á meira en 50% eignarhlut í. Helstu dótturfélög Landsbankans eru nú Horn fjárfestingarfélag hf., Hömlur ehf., Landsvaki hf., Reginn ehf. og SP-Fjármögnun hf. Það sem af er árinu 2011 hefur Landsbankinn eignast tvö dótturfélög til viðbótar, Rose Invest, rekstrarfélag sjóða, og Avant hf. Þá hefur Landsbankinn selt sitt stærsta dótturfélag, Vestia ehf., en Samkeppniseftirlitið samþykkti þá sölu í janúar 2011.

Til hlutdeildarféлага bankans teljast þau félög sem Landsbankinn hefur fjárfest í til langs tíma og þar sem eignarhlutur er umtalsverður en þó aldrei meiri en 50%. Eignarhlutur hlutdeildarféлага er færður í samræmi við hlutdeild bankans í eigin fé þeirra og hlutdeild í rekstrarafkomu er færð með sama hætti. Úthlutaður arður er færður til lækkunar á eignarhlut bankans í viðkomandi félagi.



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## Reginn ehf.

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Reginn tók til starfa vorið 2009 og fer með eignarhald á þeim eignum sem bankinn eignast í kjölfar fullnustuaðgerða eða annars konar skuldaskila. Félagið ber ábyrgð á umsýslu og ráðstöfun fasteigna og fasteignafélaga. Þær eignir sem um ræðir eru uppbyggingar- og þróunarverkefni, skipulögð byggingasvæði, umfangsmeiri íbúðarbyggingar og atvinnuhúsnæði, hvort sem er fullgert eða ófullgert, fasteignarþróunarverkefni og eignarhlutir í fasteignafélögum. Í þessu felst að félagið mun m.a. leigja út og/ eða selja fasteignir, auk þess að vinna að uppbyggingu

einstakra verkefna. Reginn hefur stofnað dótturfélög sem sérhæfa sig í einstökum greinum, s.s. atvinnuhúsnæði, íbúðarhúsnæði og þróunarverkefnum. Gert er ráð fyrir að félagið muni m.a. koma að uppbyggingu þróunarverkefna og áframhaldandi framkvæmdum á ókláruðum verkefnum. Félagið leitast við að bjóða út hvers kyns þjónustu tengda rekstri fasteigna. Sama á við um stærri framkvæmdir við fasteignir félagsins. Öll stærri verk eru boðin út sérstaklega.

Markmið Regins er að varðveita og hámarka þau verðmæti sem bundin eru í fasteignum og fasteignafélögum. Félagið selur ein-

stakar eignir eða félög á markaði og er áhersla á að sölufærli sé opið og gagnsætt.

Helgi S. Gunnarsson er framkvæmdastjóri Regins. Helgi er verkfræðingur með MS gráðu frá DTU – Danmarks Tekniske Universitet. Hann var framkvæmdastjóri hjá Eignarhaldsfélaginu Portus ehf. á árunum 2006 – 2009 og framkvæmdastjóri félagsins Nýsir Fasteignir ehf. 2005 – 2006. Hann var sviðsstjóri og einn af eigendum VSÓ Ráðgjafar ehf. árin 1989 – 2005. Helgi hefur reglulega verið gestafyrirlsari og leiðbeinandi við Háskólann í Reykjavík og Háskóla Íslands. Frá 1990 hefur Helgi verið meðdómari og dómkvaddur matsmaður

í fjölda mála hjá Héraðsdómi Reykjavíkur og Reykjaness. Helgi var ráðinn framkvæmdastjóri Regins í maí 2009.

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## SP-Fjármögnun hf.

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SP-Fjármögnun hf. hefur starfsleyfi sem eignaleigufyrirtæki sbr. lög nr. 61/2002. Félagið var stofnað hinn 10. febrúar 1995. Starfsemi félagsins er í megin dráttum tvíþætt. Annars vegar er um að ræða fjármögnun á vélum, tækjum og öðrum rekstrarfjárfestingum fyrir fyrirtæki, stofnanir og aðra rekstraraðila. Hins vegar fjármögnun bíla, vagna og annarra ökutækja fyrir

einstaklinga og fyrirtæki, stofnanir og rekstraraðila. Starfsmenn í lok árs 2010 voru 53 í 50 stöðugildum.

Félagið var stofnað af Sparisjóðabankanum og nokkrum sparisjóðum, en í nóvember árið 2002 varð breyting á hluthafahópi SP þegar Landsbankinn keypti 51% hlut í félaginu. Í mars 2009 eignaðist Landsbankinn SP-Fjármögnun að fullu.

Framkvæmdastjóri SP-Fjármögnunar hf. er Kjartan Georg Gunnarsson. Kjartan er viðskiptafræðingur, cand. oecon., frá Háskóla Íslands. Kjartan hefur langa reynslu af störfum á fjármálamarkaði. Hann var framkvæmdastjóri eignaleigufélagsins Féfangs hf. frá árinu 1989 til 1995 og hefur starfað sem framkvæmdastjóri SP-Fjármögnunar frá stofnun félagsins árið 1995.

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## Landsvaki

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Landsvaki var stofnað árið 1994 og er sjálfstætt starfandi fjármálafyrirtæki sem annast rekstur verðbréfasjóða, fjárfestingarsjóða og fagfjárfestasjóða. Landsvaki starfar sem rekstrarfélag samkvæmt starfsleyfi frá Fjármálaeftirlitinu. Samkvæmt lögum skal sjóðastýringarfyrirtæki vera

óháð móðurfélagi í daglegri starfsemi. Starfsemi félagsins er í aðskildu húsnæði og meirihluti stjórnarmanna Landsvaka er ótengdur Landsbankanum. Landsvaki útvistar þó hluta af rekstri sínum til Landsbankans, svo sem ráðgjöf og vörslu.

Ari Skúlason er framkvæmdastjóri Landsvaka hf. Ari er með viðskiptapróf frá Háskóla Íslands og meistarapróf í hagfræði frá Háskólanum í Árósum. Hann hefur einnig lokið prófi í verðbréfavíðskiptum. Ari hóf starfsferil sinn hjá Kjarrannsóknarnefnd og vann svo sem hagfræðingur hjá Árósaborg. Hann starfaði hjá ASÍ frá 1988 til 2001, fyrst sem forstöðumaður hagdeildar og alþjóðafulltrúi og síðan sem framkvæmdastjóri frá 1994. Frá 2001-2004 var hann framkvæmdastjóri Aflvaka, atvinnuþróunarfélags Reykjavíkurborgar. Hann hóf störf hjá Landsbankanum í upphafi árs 2005 og var ráðinn framkvæmdastjóri Landsvaka hf. í maí 2009.

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## Horn fjárfestingarfélag hf.

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Horn fjárfestingarfélag er alhliða fjárfestingarfélag sem fjárfestir jafnt í skráðum sem óskráðum verðbréfum í flestum atvinnugreinum.

Horn er dótturfélag Landsbankans og var stofnað í lok árs 2008. Meðal markmiða Horns er að styðja við uppbyggingu á íslenskum hlutabréfamarkaði.

Starfsmenn Horns annast fjárfestingu og umsýslu hlutabréfasafns félagsins sem er vel dreift jafnt í skráðum og óskráðum eignum. Mikil áhersla er lögð á vandaða greiningu á þeim félögum og þeim mörkuðum sem eru í eignasafni Horns á hverjum tíma. Markmið með stofnun félagsins er að aðgreina umsýslu fjárfestinga í hlutabréfum frá meginstarfsemi Landsbankans.

Hermann Már Þórisson er framkvæmdastjóri Horns fjárfestingarfélags hf. Hermann er með BS gráðu í fjármálum frá Háskóla Íslands. Hann hóf störf hjá Horni við stofnun félagsins árið 2008 og varð framkvæmdastjóri 2009. Á árunum 2006–2008 starfaði Hermann sem sérfræðingur hjá Verðbréfasviði Landsbanka Íslands hf.

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## Hömlur ehf.

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Hömlur og dótturfélög þess bera ábyrgð á eignum sem bankinn eignast við uppboð, skuldaskilasamninga eða við gjaldþrot og ætlaðar eru

til sölu á næstu 12-18 mánuðum og/eða ef verðmæti fasteignar er undir 300 m. kr. Dýrari fasteignir enda að jafnaði hjá Reginn ehf.

Hömlur ehf. hafa umsjón með íbúðarhúsnæði, atvinnuhúsnæði sem metið er á minna en 300 m. kr., skipum og bátum, sumarústöðum, jörðum og lóðum, bifreiðum, yfirteknum vörubirgðum og yfirteknum viðskiptakröfum. Þar er einnig haldið utan um eignarhluti í félögum sem bankinn kann að eignast en ætlar ekki að eiga lengi. Landsbankinn á einnig fullnustueignir erlendis sem Hömlur sjá um.

Friðrik S. Halldórsson er framkvæmdastjóri Hamla ehf. Friðrik er viðskiptafræðingur frá Háskóla Íslands og hefur starfað hjá Landsbankanum frá árinu 2008, fyrst á Viðskiptabankasviði en síðan á Lögfræðisviði við verkefni tengd endurskipulagningu útlána og fullnustueigna. Friðrik hefur unnið við banka- og fjármálastarfsemi frá árinu 1988 og hefur víðtæka þekkingu á sviði bankarekstrar.

# Mannauður

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**Landsbankinn er þekkingarfyrirtæki** þar sem sérmenntað starfsfólk starfar á öllum sviðum. Starfsfólkið er stærsta og mikilvægasta auðlind bankans. Af þeim sökum eru gerðar miklar kröfur til bankans um starfsumhverfi, aðbúnað og krefjandi verkefni frá degi til dags.

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Árið 2010 var kynnt ný stefna og nýtt skipurit þar sem umfangsmiklar skipulagsbreytingar voru gerðar á starfsemi Landsbankans.

Öflug liðsheild er ein af meginstoðum nýrrar stefnu og mikil áhersla er lögð á starfsánægju, þjálfun og fræðslu starfsmanna.

Unnið er að fjölmörgum verkefnum sem styðja stefnuna og í raun má segja að hlutverk nýrrar stefnu sé

endurskoðun og nýsköpun fyrirtækjamenningar bankans.

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## Breytingar á starfsmannahópi

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Gríðarlegar breytingar hafa orðið á starfsmannahópi Landsbankans frá árinu 2008. Þá starfaði bankinn um allan heim, en nú aðeins á Íslandi. Verkefni bankans hafa líka breyst mikið, mörg verkefni sem áberandi voru á

uppgangstímum hafa legið í láginni um hríð og áherslan færst á endurskipulagningu skulda fyrirtækja og heimila. Breytingar á starfsmannahópi endurspeglar þessar áherslubreytingar.

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## Fræðsla fyrir starfsmenn

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Landsbankinn býr að langri hefð í fræðslu fyrir starfsmenn. Fjölbreytni einkennir framboð námskeiða, en á

hverju ári er boðið upp á fjölmörg námskeið, fyrirlestra eða erindi sem nýtast innan starfs og utan.

Á árinu 2010 voru skráðir fræðsluatburðir 218 og sótti hver starfsmaður að jafnaði meira en 3 námskeið á árinu. Kennarar á námskeiðum eru ýmist starfsmenn eða sérfræðingar utan hans. Vorið 2010 gengust allir starfsmenn undir próf í málefnum er varða peningaþvætti og fjármögnun hryðjuverka.



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## Stjórnendabjálfun

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Stjórnendabjálfun er sem stendur eitt af lykilverkefnum Landsbankans. Sú stefna hefur verið mótuð að styðja betur við stjórnendur, bæði með bjálfun og skýrari upplýsingagjöf til langs og skamms tíma. Þetta er eitt þeirra atriða sem hvað mestu skipta um framgang bankans og farsælan rekstur til framtíðar. Í mótun er frammistöðumatskerfi sem

mun skerpa á kröfum um árangur og forgangsröðun, auk þess að tryggja sameiginlega sýn stjórnenda og starfsfólks á helstu verkefni hverrar starfseiningar.

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## Vottun fjármálaráðgjafa

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Víðsvegar um lönd hafa verið teknar upp aðferðir til að votta kunnáttu og færni þeirra sem starfa við að veita almenningi ráðgjöf

í fjármálum. Fjármála-fyrirtækin á Íslandi hafa tekið höndum saman á vettvangi Samtaka fjármálafyrirtækja, SFF, og vinna nú að sameiginlegri fræðsludagskrá í þessum tilgangi.

Þau námskeið sem þar verða í boði eru sérstaklega ætluð framlínustarfsfólki og er þar meðal annars horft til þess að starfsmenn Landsbankans muni standa stöðugt vottun fjármálaráðgjafa þegar sú

vottun verður tekin upp hérlandis.

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## Hlustum, lærum, þjónum

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Einkunnarorð nýrrar stefnu eru *hlustum, lærum og þjónum*. Með þeim er staðfestur sá skilningur að Landsbankinn er þjónustufyrirtæki og að meginmarkmiðið með starfseminni er að þjónusta viðskiptavinum.



Framkvæmdastjórar



Forstöðumenn



Deildarstjórar

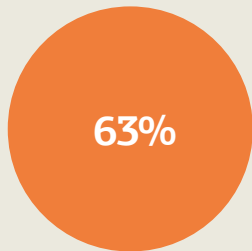


Útibússtjórar

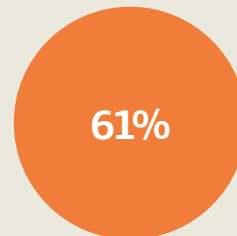


Laun kvenna sem hlutfall af launum karla.

Kynjahlutfall í nýráðningum 2010



Kynjahlutfall allra starfsmanna



Unnið hefur verið að innleiðingu einkunnarorðanna á ýmsa vegu. Fyrirlestraröðin „Heyrðu“ byggir á þrettán utanaðkomandi fyrirlesurum sem fjalla um mikilvægi hlustunar frá margvíslegum sjónarhornum. Þá hefur umfangsmikil fræðsludagskrá undir heitinu „Við lærum“ staðið starfsmönnum til boða. Innri og ytri þjónustukannanir eru orðnar veigamikill hluti af menningu Landsbankans og veita mikilsverða endurgjöf á frammistöðu starfsmanna.

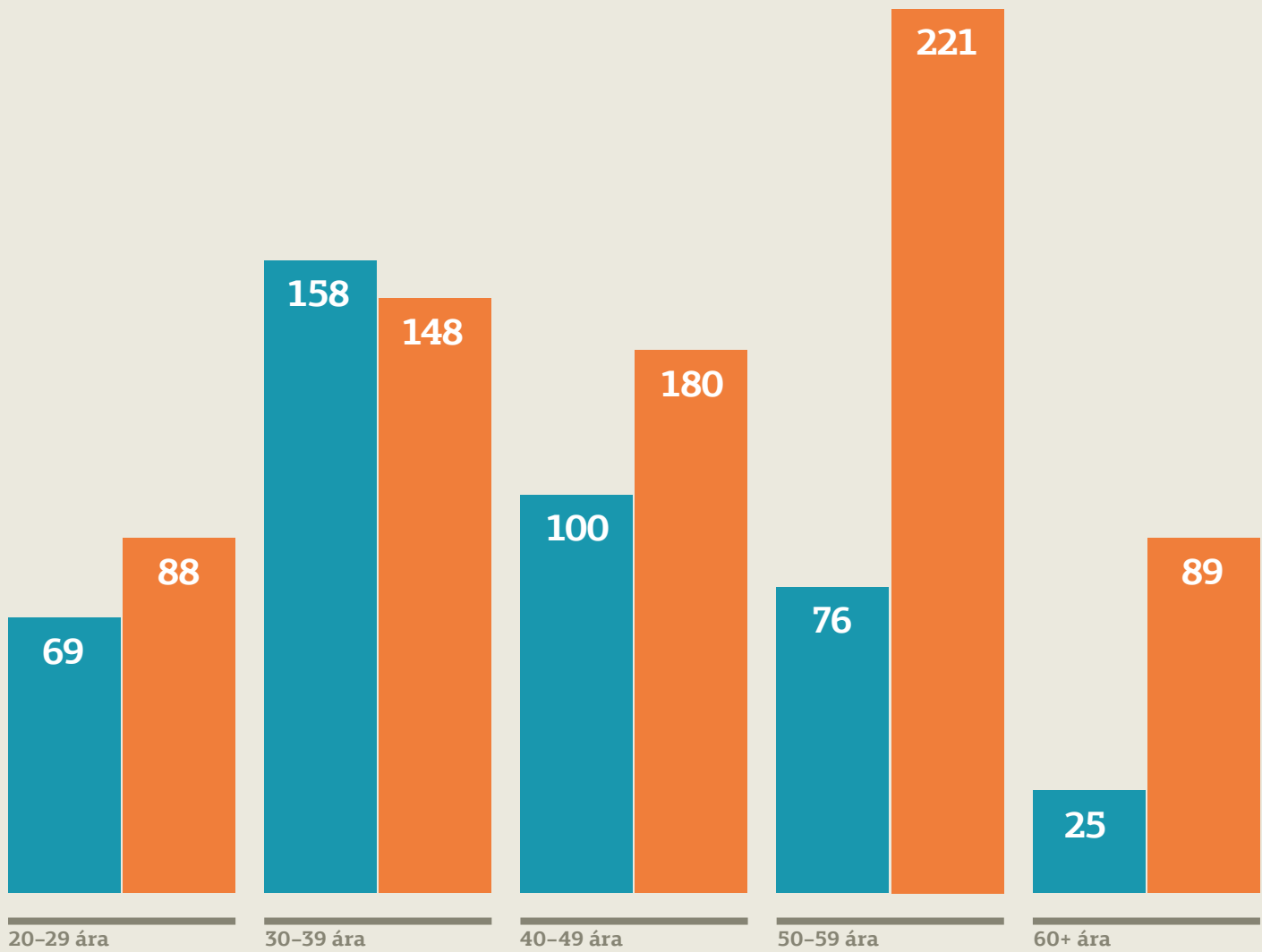
Nýjar siðareglur voru innleiddar í byrjun árs 2011 og munu allir starfsmenn skrifa undir siðasáttmála fyrir 1. júní næstkomandi.

**Jafnrétti og jafnræði**

Innan Landsbankans skal ríkja jafnrétti. Allir starfsmenn skulu njóta jafnra tækifæra til launa, stöðuhækkana og starfspróunar. Landsbankinn hefur þegar jafnað kynjahlutföll í

framkvæmdastjórn bankans og stjórnnum dótturfélaga og stefnir að jafnari kynjaskiptingu í stjórnunarstörfum innan bankans. Þess má geta að undanfarna mánuði hafa 5 stöður útibússtjóra verið auglýstar og hafa konur þar verið 27% umsækjenda. Í þessar 5 stöður voru 4 karlar og ein kona ráðin. Þá má og geta þess að Bankaráð Landsbankans skipa nú 3 konur og 2 karlar. Í framkvæmdastjórn er enginn launamunur á körlum

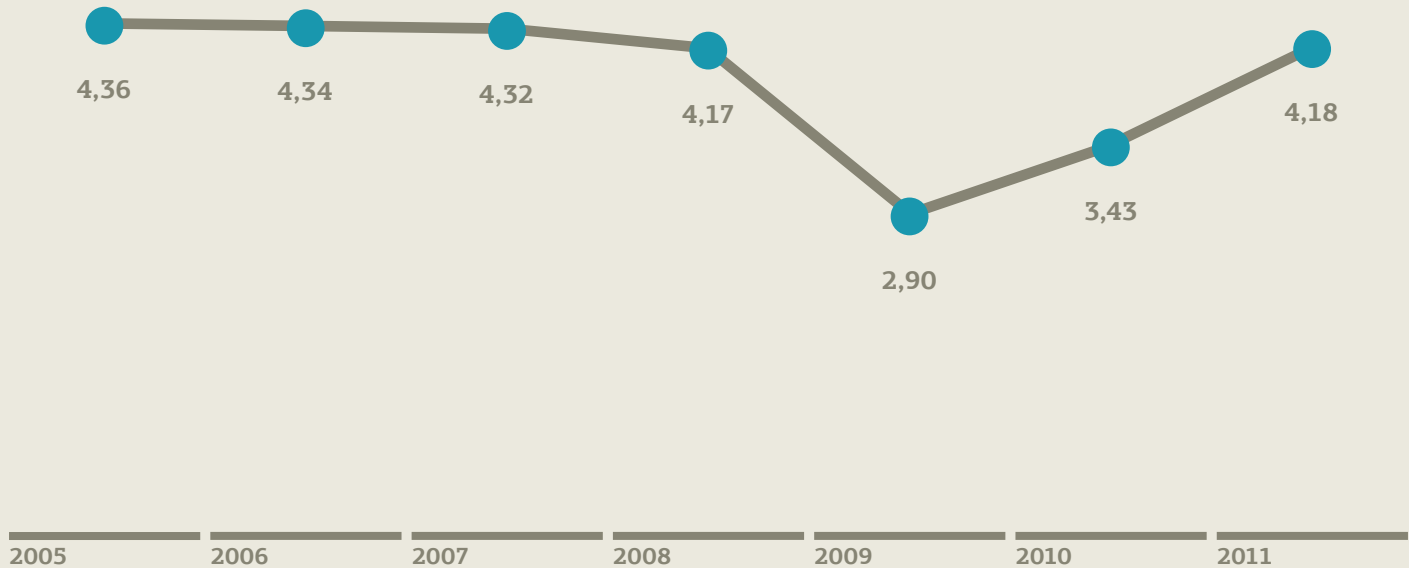
og konum og meðal útibússtjóra eru konur launahærri en karlar. Þáverandi Bankaráð Landsbankans samþykkti á fundi sínum 17. febrúar 2010, tillögu þess efnis að fyrirtækið skuli tryggja fyrir árslok 2013 að hlutur hvors kyns verði ekki undir 40% í forystusveit bankans og dótturfélaga hans. Með því hefur bankinn sett sér sömu markmið og sett voru í samstarfssamningi Félags kvenna í atvinnu-



Vegvísir um ánægju starfsmanna úr nýrri stefnu bankans (sjá nánar í kafla 4)

Markmið	Lykilmæling	2010	2011	2012	2013
Ánægja starfsmanna	Vinnustaðagreining	4,1	4,2	4,3	4,4

## Vinnustaðagreining: Landsbankinn hefur skýra framtíðarsýn



rekstri, Samtaka Atvinnulífs og Viðskiptaráðs Íslands frá maí 2009. Sá samningur er að auki undirritaður af fulltrúum stjórnaráðgjafanna sem eiga sæti á Alþingi.

Landsbankinn leggur mikla áherslu á rökræðu og jafnræði starfsmanna í henni. Stefna bankans er sú að bestu rökin ráði í hvert skipti, óháð því hver setur þau fram. Með þeim hætti telja stjórnendur bankans að jafnrétti einstaklinga og jafnræði þeirra verði best tryggt til lengri tíma.

### Nýráðningar og starfsmannavelta

Starfsmönnum fækkar um 16 milli ára, en alls var ráðið í 142 stöðugildi á árinu. Starfsmannavelta er um 14% á árinu. Meðalaldur nýrra starfsmanna er 32 ár.

### Vinnustaðagreining

Landsbankinn lætur á hverju ári framkvæma ítarlega vinnustaðagreiningu. Sú greining er eitt mikilvægasta viðmið stjórnenda við umbætur á bankanum.

Í viðskiptaáætlun bankans er gerð grein fyrir þeim markmiðum sem sett hafa verið um starfsánægju til ársins 2013. Ánægðir og stoltir starfsmenn eru lykillinn að árangri og öflug liðsheild er ein af þeim fjórum meginstöðum sem stefna bankans hvílir á.

Í nýrri vinnustaðagreiningu sem gerð var í mars 2011, eykst heildarstarfsánægja lítillega. Stolt starfsmanna mælist hins vegar nú 3,78 í stað 3,50 fyrir ári síðan. Áberandi er að starfsmenn telja Landsbankann nú hafa mun skýrari framtíðarsýn en áður.

### Starfsmannafélag Landsbankans

Félag starfsmanna Landsbankans á Íslandi (FSLÍ) var stofnað 7. mars 1928. Verkefni félagsins er að koma fram fyrir hönd starfsmanna Landsbankans með því að gæta hagsmuna og samninga um hlunnindi og réttindi þeirra. Félagið sinnir málefnum starfsmanna með mjög myndarlegum hætti og hefur mikilvægu hlutverki að gegna við mótnun starfsanda í bankanum.



# Samfélagsleg ábyrgð

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**Landsbankinn hyggst skilgreina samfélagslega ábyrgð sína á árinu 2011 og móta sér stefnu um þátttöku bankans í samfélaginu. Ráðning sérfræðings í þessum málaflokki markar fyrstu skrefin á þessari leið.**

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Á árinu 2010 var unnið að undirbúningi stefnumótunar í samfélagslegri ábyrgð. Þar má meðal annars nefna siðasáttmála Landsbankans sem kynntur var samkvæmt áætlun á fyrsta fjórðungi 2011. Lögð verður rík áhersla á innleiðingu siðasáttmálans og að allir starfsmenn skilji hvað í honum felst. Bankinn hefur í aðgerða-áætlun sinni tilgreint ýmis markmið sem á að ná á fyrstu sex mánuðum ársins 2011 og sex þeirra snerta samfélagslega ábyrgð beint.

Í lok ársins 2010 var ráðinn sérfræðingur á skrifstofu bankastjóra sem á að þróa nánar stefnu bankans varðandi samfélagslega ábyrgð og vera starfsmönnum allra

deilda og sviða innan handar við innleiðingu hennar.

Landsbankinn ætlar sér að

vera virkur þátttakandi í alþjóðastarfi á sviði samfélagslegrar ábyrgðar. Það er hluti af stefnu bankans að

innleiða tíu meginviðmið úr Global Compact sáttmála Sameinuðu þjóðanna í starfsemi bankans.

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## Markmið samfélagslegrar ábyrgðar fyrstu sex mánuði ársins 2011

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- Ný og heilsteypt stefna um samfélagslega ábyrgð, ásamt lykilverkefnum.
- Opinber birting upplýsinga um stjórnarhætti bankans.
- Jöfnun kynjahlutfalls í stjórnnum dótturfyrirtækja bankans, líkt og þegar hefur verið gert í framkvæmdastjórn.
- Kynning nýrrar innkaupastefnu sem er aðgengileg, skýr og með samfélagslegum áherslum.
- Aukin áhersla á fjármálalæsi ungs fólks.
- Viðameira og víðfeðmara hlutverk nýrra samfélagssjóða Landsbankans.

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## Ný stefna

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Samfélagsleg ábyrgð er mjög mikilvægur hluti nýrrar stefnu Landsbankans og þar er lögð áhersla á eftirfarandi:

- Ábyrga lánastarfsemi
- Stuðning við samfélagið
- Að bankinn sé umhverfisvænn
- Skýrt stjórnskipulag og opinbert regluverk
- Virka þátttöku í fjármálaumræðu
- Gott siðferði
- Jafnrétti



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## Meginþættir samfélagslegrar ábyrgðar

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### Stjórnarhættir

Stjórnarhættir fyrirtækja lúta að því hvernig hluthafar, stjórn og framkvæmdastjórn tekur og innleiðir ákvarðanir í samræmi við stefnu og markmið bankans. Í víðari skilningi nær hugtakið einnig til sambands bankans og annarra aðila sem starfsemi bankans hefur áhrif á, s.s. starfsmenn, lánadrottna og samfélagið.

Stjórnarhættir bankans þurfa að styðja við innleiðingu annarra meginflokka samfélagslegrar ábyrgðar. Því skal haga skipulagi og ákvörðunarferlum þannig að stefna, markmið og mælikvarðar endurspegli viðhorf bankans til samfélagslegrar ábyrgðar og leitast verður við að nýta fjármagn, mannauð og umhverfi á hagkvæman hátt.

### Mannauður og vinnuvernd

Ábyrg framkoma í garð starfsmanna er nauðsynleg svo tryggja megi félagslegt jafnrétti, stöðugleika og almenna sátt.

Löggjöf á íslenskum vinnumarkaði er vel mótuð og reglur og samskipti aðila á vinnumarkaði í föstum skorðum, enda byggð á því að aðilar eigi sameiginlegra hagsmuna að gæta. Landsbankinn mun tryggja að starfsemi bankans sé í samræmi við lög, reglur og samninga vinnumarkaðar.

Til að skapa aðlaðandi starfsumhverfi og aukna



*Menningarnótt í Austurstrætinu.*



Steinþór Pálsson kynnr verkefnið Samfélag í nýjan búning.

starfsánægju ætlar bankinn m.a. að tryggja sanngjarnar starfsaðstæður með tilliti til launa, vinnutíma, hvíldar, heilsu og öryggis, og möguleika á að samræma vinnu og einkalíf.

### Umhverfismál

Fjármálaþjónusta hefur ekki mikil bein umhverfisáhrif. Landsbankinn getur hins vegar skilgreint samfélagslegt hlutverk sitt þannig að hann vilji hafa áhrif á viðskiptavinum og birgja með virkri innkaupa-, innlána- og síðast en ekki síst útlána-stefnu.

### Sanngjarnir starfshættir

Sanngjarnir starfshættir lýsa því hvernig bankinn vinnur með hagsmunaaðilum í samfélaginu.

Sanngjarnir starfshættir fela í sér að sporna gegn spillingu. Þeir fela í sér ábyrga og opna þátttöku í almennri umræðu til hagsbóta fyrir samfélagið í heild en ekki sérhagsmuna eingöngu. Þeir taka til heiðarlegrar samkeppni og innkaupastefnu sem tekur tillit til hagkvæmasta tilboðs en ekki endilega lægsta verðs.

### Viðskiptavinurinn

Þjónustuframboð bankans skiptir því miklu máli og ekki síður að bankinn leitist við að veita viðskiptavinum réttar og nákvæmar upplýsingar sem þeir geta byggt ákvarðarnir sínar á.

Landsbankanum ber að upplýsa viðskiptavininn um raunverulegt verð/raunveruleg kjör, áhættu tengda viðskiptunum og

### Styrkir yfir 1.000.000 krónum til málefna annarra en íþrótt- og æskulýðsmála

Stofnun Vigdísar Finnbogadóttur í erlendum tungumálum	10.000.000
Jólaaðstoð 2010	6.000.000
Samfélag í nýjan búning – 10 málefni	5.000.000
Bókamessan í Frankfurt	5.000.000
Námsstyrkir – 14 einstaklingar	4.150.000
Menningarnæturjóður	2.500.000
Sjónarhóll	2.500.000
Leikfélag Akureyrar	2.200.000
Félag heyrnarlausra – afmælisstyrkur	1.600.000
Innovit	1.500.000
Umhyggja – afmælisstyrkur	1.000.000
ÚTÓN – Útflutningsskrifstofa tónlistarinnar	1.000.000

hvort eða hvernig viðskiptavinurinn getur tryggt sig gegn áhættu. Honum ber að ástunda sanngjarna markaðssetningu, þar sem upplýsingar eru settar fram á skiljanlegan og óhlutdrægan hátt og ekki síður að hlusta á viðskiptavininn og taka tillit

til athugasemda hans.

### Þátttaka í samfélaginu og þróun þess

Heilbrigður banki þrífst einungis í heilbrigðu samfélagi. Grundvallaratriði samfélagslegrar ábyrgðar er að starfsemi bankans auki hag





Sigurveggarar í Raunveruleiknum.

og virði bankans og samfélagsins. Í hefðbundnum fyrirtækjarekstri er hagur skilgreindur sem hagnaður. Samtímis eru félagasamtök og opinberir aðilar óvön að hugsa um hagnað á sama hátt og fyrirtæki. Þar eru mælikvarðar sem farið er eftir yfirleitt ávinningur (án tillits til kostnaðar) eða það fjármagn sem lagt er í viðkomandi málaflokk (oft án tillits til nýtingar).

### Stuðningur við samfélagið 2010

Bankinn lítur á sig sem hluta samfélagsins og hagur hans helst í hendur við þróun þess. Heilbrigður banki þrífst einungis í heilbrigðu samfélagi. Grundvallaratriði samfélagslegrar ábyrgðar er að starfsemi bankans auki hag og virði bæði bankans og samfélagsins.

Landsbankinn er mikilvægur þátttakandi í samfélaginu og getur haft veruleg samfélagsleg áhrif.

Bankinn ætlar sér að hlusta og læra af samfélaginu til að geta þjónað því sem best, hann gerir sér grein fyrir mikilvægi samvinnu og hann miðlar af reynslu og þekkingu þannig að hún nýtist sem best.

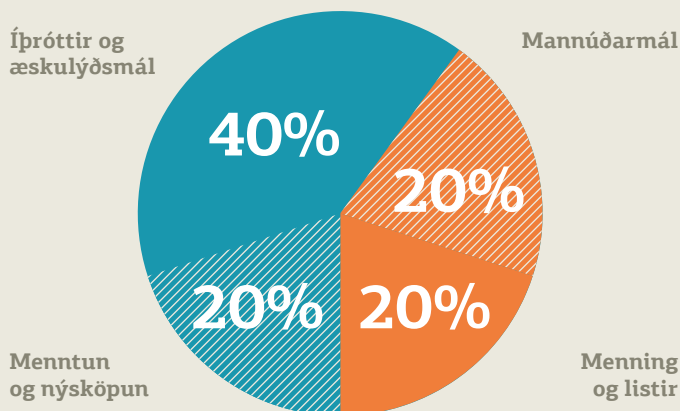
### Nýr Samfélagssjóður

Frá og með árinu 2011 mun nýr Samfélagssjóður Landsbankans (áður Menningarsjóður) sjá um stærstu úthlutanir til samfélagsmála. Hægt verður að sækja um styrki í fjórum sjóðum.

- **Samfélagssjóður**  
Almennir styrkir til menningar og mannúðarmála.
- **Námsstyrkir**  
Styrkir til námsmanna eins og síðustu tuttugu ár.
- **Sprotasjóður**  
Nýr sjóður stofnaður til að styrkja nýsköpunar- og sprotaverkefni.
- **Umhverfissjóður**  
Styrkir til umhverfismála.

### Beinn samfélagsstuðningur

Heildarstuðningur Landsbankans við samfélagsmál nam rúmlega 100 milljónum króna árið 2010.



Fjölskyldufólk á Menningarnótt í útibúinu við Austurstræti.

## Menningarnótt

Landsbankinn hefur verið virkur þátttakandi í Menningarnótt frá upphafi og hefur opnað dyr sínar fyrir gestum og gangandi og verið bakhjarl hátíðarinnar alla tíð. Það hefur verið bankanum kappsmál að fjárstuðningur hans renni beint til listamanna og hópa sem skipuleggja viðburði á Menningarnótt. Veittir eru margir hóflegir styrkir þannig að sem flestir fái notið góðs af. Landsbankinn hefur ennfremur styrkt margar aðrar bæjarhátíðir um land allt í gegnum útibúanet bankans.

## Samstarf við íþróttafélög

Landsbankinn kappkostar að styðja íslenskt íþróttalíf. Það gera útibú bankans með samstarfssamningum við íþróttafélög. Samstarfið við íþróttafélögin hefur verið mjög farsælt og stendur víða traustum fótum eftir margra ára samleið. Í slíku samstarfi leggur bankinn mikla áherslu á að styðja barna- og

unglingastarf og að stuðningur nýttist jafnt íþróttum kvenna og karla.

## Samfélag í nýjan búning

Samfélag í nýjan búning er yfirskrift nýrrar stefnu sem Landsbankinn hefur sett um stuðning bankans við

er nýstárleg; Landsbankinn afsalar sér öllum merkingum á búningum samstarfsfélaga og býður íþróttafélögum að velja gott málefni til að setja á búninga sína.

## Verkefni með samfélagslega tengingu

Önnur hlið á samfélags-

## Landsbankinn kolefnisjafnar flugferðir og ökuferðir starfsmanna

Árið 2010 fóru starfsmenn Landsbankans 259 ferðir með flugi til og frá landinu og öku 23 bifreiðum Landsbankans 441.000 km. Samkvæmt reiknilíkani kolefnisjöfnunarsjóðsins Kolviðs samsvaraði aksturinn meðallosun koltvísýrings 0,27 kg/km á hvern bíl og losun koltvísýrings vegna flugferðanna var um 121 tonn af CO<sub>2</sub>.

Landsbankinn mun kolefnisjafna þessar ferðir og nemur sá jöfnuður 481.000 kr. Upphæðin mun renna til Kolviðs, sjóðs sem miðar að því að binda kolefni í gróðri og jarðvegi í þeim tilgangi að draga úr styrk koltvísýringsdíoxíðs (CO<sub>2</sub>) í andrúmslofti.

íþróttafélög. Markmiðið er að tengja saman stuðning bankans við íþróttir og mannúðarmál. Hugmyndafræði stefnunnar

stuðningi bankans er ýmis þjónusta og ráðgjöf við viðskiptavinum sem hafa skýra samfélagslega tengingu.

## Raunveruleikurinn

Raunveruleikurinn er gagnvirkur hermileikur, sem fer fram á netinu og er ætlaður sem fjármála- og samfélagsfræðsla í lífsleiknitímum 10. bekkjar grunnskóla. Með Raunveruleikum eiga nemendur að fá innsýn í þær ákvarðanir sem venjulegur þjóðfélagsþegn þarf að taka í lífi sínum og þau tækifæri sem hann stendur frammi fyrir í lífinu. Árið 2005 hlaut Raunveruleikurinn verðlaun norrænu ráðherranefndarinnar sem besta námsefnið um neytendamál.



Merki Sjálfsbjargar prýðir nú Þróttaragallann.



## Leggðu góðu málefni lið

Í netbönkum Landsbankans geta einstaklingar og fyrirtæki gerst áskrifendur að góðu málefni. Hægt er að velja á milli 80 góðra málefna. Í lok árs 2010 höfðu tæplega 25 milljónir króna safnast í gegnum Leggðu góðu málefni lið með yfir tíu þúsund greiðslum frá viðskiptavinum.

## Fimmtudagskvöld eru fjármálakvöld

Landsbankinn leggur mikla áherslu á almenna fjármálaráðgjöf til viðskiptavina sinna og almennings. Frá árinu 2006 hafa verið skipulögð fræðslukvöld undir heitinu Fimmtudagskvöld eru fjármálakvöld. Þau hafa verið haldin mjög reglulega um land allt.

## Fjárhagur

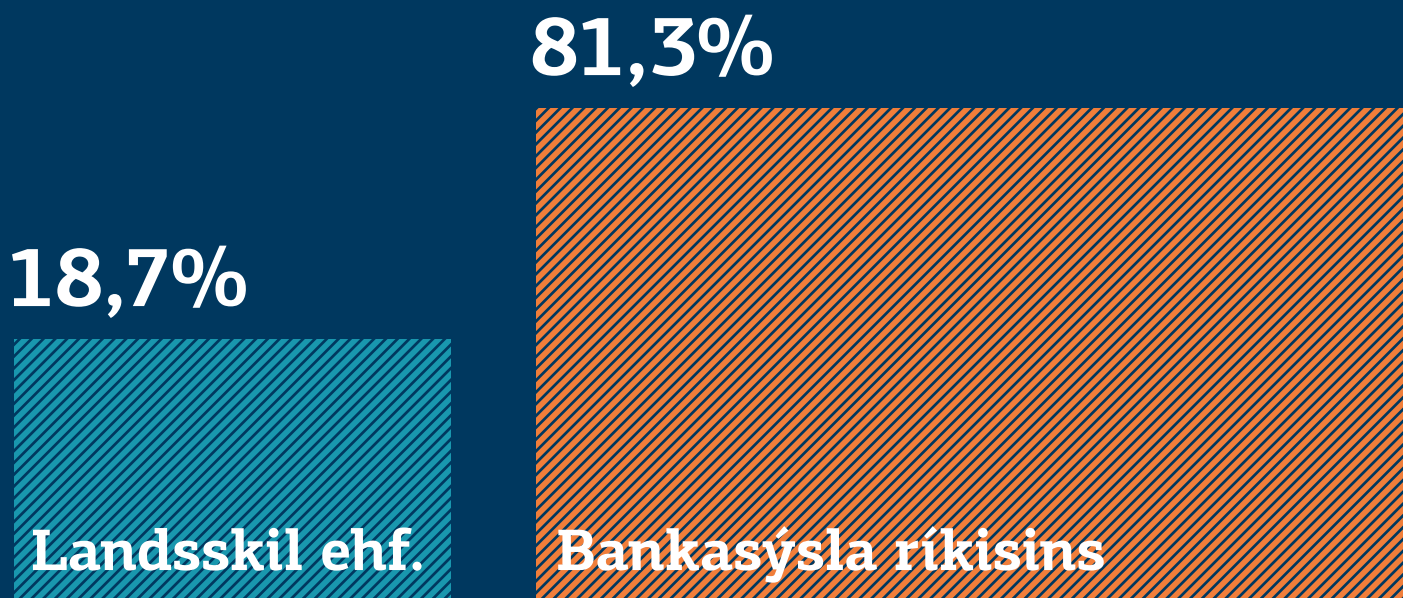
Fjárhagur er vefsvæði á vef Landsbankans. Þar miðla starfsmenn af þekkingu sinni og reynslu um málefni er snerta fjármál heimilisins og efnahagsmál. Á vefsvæðinu má einnig finna ýmis konar verkfæri sem geta hjálpað til við skipulag fjármála heimilisins.





# Stjórn og stjórnendur bankans

## Eigendur Landsbankans



**Eigendur Landsbankans** eru tveir. Bankasýsla ríkisins fer með 81,3% hlut fyrir hönd ríkissjóðs og Landsskil ehf. fer með 18,7% hlut fyrir hönd Landsbanka Íslands hf.

Bankasýsla ríkisins er ríkisstofnun með sjálfstæða stjórn sem heyrir undir fjármálaráðherra. Hún tók til starfa í janúar 2010. Bankasýslan fer með eignarhluti ríkisins í fjármálafyrirtækjum, í samræmi við lög, góða stjórnsýslu- og viðskiptahætti og eigendastefnu

ríkisins á hverjum tíma, og leggur þeim til fé fyrir hönd ríkisins á grundvelli heimilda í fjárlögum.

Bankasýsla ríkisins kýs fjóra af fimm stjórnarmönnum á hluthafafundum. Sérstök valnefnd velur stjórnarmenn fyrir hönd ríkisins og til-

nefnir þá til starfsins til Bankasýslunnar. Landsskil ehf. eru í eigu Landsbanka Íslands hf. sem nú er í slita-meðferð. Landsskil eignaðist hlut sinn í Landsbankanum þegar stofnefnahagsreikningur Landsbankans var samþykktur 16. desember 2009. Þá sömdu Lands-

bankinn og LBI um uppgjör vegna mismunar á eignum og innlendum innistæðum sem færðar voru til Landsbankans. Uppgjörið fólst í því að Landsbankinn gaf út skuldabréf í erlendri mynt til 10 ára. Að auki eignaðist LBI tæplega 18,7% hlut í bankanum.

# Bankaráð Landsbankans

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**Bankaráð Landsbankans** fer með æðsta vald í málefnum félagsins á milli hluthafafunda, mótar almenna stefnu bankans og skal annast um að skipulag og starfsemi bankans sé jafnan í réttu horfi.

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Bankaráð hefur einnig með höndum almennt eftirlit með rekstri bankans og sér til þess að nægilegt eftirlit sé haft með bókhaldi og meðferð fjármuna félagsins. Bankaráð hefur yfirumsjón með starfsemi bankans í samræmi við lög, reglugerðir og samþykktir. Bankaráð er kjörið á aðalfundi til árs í senn og eru kjörnir fimm aðalmenn og fimm til vara.

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## **Gunnar Helgi Hálfðanarson, formaður**

Gunnar Helgi er viðskiptafræðingur frá Háskóla Íslands og er með meistara-próf í rekstrarhagfræði frá McMaster University í Kanada. Gunnar Helgi var forstjóri Landsbréfa hf. á árunum 1989-1999 og framkvæmdastjóri Eignastýringar Landsbanka Íslands hf. frá 1997 til 1999. Hann var framkvæmdastjóri hjá bandaríska sjóðastýringarfyrirtækinu AllianceBernstein Investments á Norðurlöndunum

með aðalskrifstofu í Stokk-hólmi, á árunum 1999-2009. Þar voru helstu verkefni hans þróun viðskiptasambanda við stærstu banka Norðurlandanna og íslenska lífeyrissjóði.

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## **Sigríður Hrólfsdóttir, varaformaður**

Sigríður er viðskiptafræðingur frá Háskóla Íslands og með meistara-gráðu í rekstrarhagfræði frá Berkeley í Kaliforníu. Sigríður starfaði á fjárstýringar-sviði Íslandsbanka á árunum

1994-1998 og síðan hjá Eim-skip frá 1998 til 2004, upphaflega sem forstöðumaður fjárreiðudeildar en síðan sem framkvæmdastjóri fjármála-sviðs frá árinu 2000. Hún var framkvæmdastjóri fjárfestinga- og fjármálasviðs Tryggingamiðstöðvarinnar 2007-2008 og starfaði sem framkvæmdastjóri Árvakurs frá 2009-2010.

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## **Guðríður Ólafsdóttir**

Guðríður er viðskiptafræðingur frá Háskóla Íslands, með meistara-gráðu í heim-speki og fjölmiðlafræðum frá Háskólanum í Osló og hefur lokið námi í kennsluréttindum frá Háskólanum á Akureyri. Hún tók til starfa sem sérfræðingur á Fyrirtækjasviði Landsbanka Íslands hf. árið 2008 og hafði þá starfað hjá Lýsingu hf. á árunum 1993 til 2007, m.a. sem framkvæmdastjóri fyrirtækjasviðs. Á árunum 2008 til 2009 vann Guðríður fyrir Landsbanka Íslands



Frá vinstri: Ólafur Helgi Ólafsson, Guðríður Ólafsdóttir, Gunnar Helgi Hálfðanarson (formaður), Þórdís Ingadóttir, Sigríður Hrólfsdóttir (varaformaður).

hf. og síðar Landsbankinn (NBI hf.), en er nú sjálfstætt starfandi.

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### Þórdís Ingadóttir

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Þórdís er lögfræðingur (cand. juris) frá lagadeild Háskóla Íslands og með LL.M gráðu í alþjóðalögum frá New York University School of Law. Þórdís er dósent við lagadeild Háskólans í Reykjavík og sinnir þar kennslu jafnt sem rannsókn- um. Á árunum 1999-2003 starfaði hún hjá New York University og á árinu 2004

hjá lagaskrifstofu dóms- og kirkjumálaráðuneytis. Þórdís hefur gegnt margvíslegum trúnaðarstörfum, m.a. fyrir stjórnvöld, alþjóðastofnanir, háskóla og félagasamtök.

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### Ólafur Helgi Ólafsson

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Ólafur Helgi er viðskiptafræðingur frá Háskóla Íslands og á að baki langan feril í íslensku atvinnulífi. Lengst af var hann framkvæmdastjóri Lýsingar, eða í 15 ár, en áður var hann fjármálastjóri sama félags, fjármálastjóri Orkubús

Vestfjarða, deildarstjóri tölvudeildar Heimilistækja og deildarstjóri tölvudeildar Ísal. Frá árinu 2007 hefur Ólafur rekið eigið ráðgjafafyrirtæki. Hann situr í stjórn nokkurra fyrirtækja, m.a. Eimskips, Urriðaholts ehf. og VSB verkfræðistofu ehf.

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### Andri G. Arinbjarnarson

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Fyrsti varamaður er Andri G. Arinbjarnarson og situr hann alla fundi Bankaráðs. Andri er verkfræðingur frá Háskóla Íslands og með meistaraáráðu í verkfræði

frá Tækniháskólanum í Lyngby. Hann hefur einnig lokið MBA frá Stanford University, Graduate School of Business, í Bandaríkjunum. Hann á og rekur fyrirtækið AGA Partners, en var áður framkvæmdastjóri sænsk-bandaríska ráðgjafafyrirtækisins Search Value. Þar áður var hann einn eigenda og lykilstarfsmanna ráðgjafa- og ráðningafyrirtækisins Whitehead Mann í Lundúnum.



# Framkvæmdastjórn

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**Hlutverk framkvæmdastjórnar** er að stýra daglegum rekstri Landsbankans í umboði eigenda og í samræmi við stefnu Bankaráðs. Framkvæmdastjórn leggur áherslu á skilvirka stjórnun og markvissa innleiðingu á stefnu bankans.

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## Steinþór Pálsson, bankastjóri

Steinþór Pálsson hefur langa reynslu af stjórnunarstörfum við banka og framleiðslufyrirtæki bæði innanlands og erlendis og mikla reynslu af breytingastjórnun og stefnumótun.

Steinþór er viðskiptafræðingur frá Háskóla Íslands og með MBA gráðu frá Edinborgarháskóla. Á árum áður gegndi hann stöðu framkvæmdastjóra lánasviðs Verzlunarbanka Íslands og varð síðar starfsmaður

Íslandsbanka, m.a. sem forstöðumaður lánadeildar, fjárfestingarlána útibúaþjónustu, áhættustýringar og fyrirtækjaþjónustu, auk þess sem hann var virkur í stefnumótunarstarfi Íslandsbanka og samrunaferli forvera hans. Hann var um hríð fjármála- og rekstrarstjóri líftæknifyrirtækisins Urður, Verðandi og Skuld, en síðustu átta árin starfaði hann hjá Actavis. Fyrst sem framkvæmdastjóri Actavis á Möltu, þá sem framkvæmda-

stjóri Actavis í Bandaríkjunum og á árunum 2008 – 2010 sem framkvæmdastjóri Actavis samstæðunnar á Íslandi á sviði stefnumótunar.

Steinþór er stjórnarformaður Horns hf., Hamla ehf. og situr í stjórn Samtaka fjármálafyrirtækja.

Steinþór er formaður framkvæmdastjórnar, Áhættu- og fjármálanefndar og Lána- nefndar.





### Helgi Teitur Helgason, Viðskiptabanki

Helgi lauk embættisprófi í lögum frá Háskóla Íslands 1998 og hóf þá störf sem lögfræðingur og síðar lögmaður í Landsbankanum, þar sem hann annaðist almenn lögfræðistörf, innheimtu, ráðgjöf og málflytning. Helgi leiddi opnun skrifstofu

Intrum og Lögheimtunnar á Akureyri vorið 2001 og starfaði þar sem svæðisstjóri og lögmaður á Norðurlandi til vorsins 2004, auk þess að veita stéttarfélögum á Akureyri og félagsmönnum þeirra lögmannsþjónustu. Helgi var útibússtjóri Landsbankans á

Akureyri frá árinu 2004 til 2010.

Helgi er stjórnarformaður SP-Fjármögnunar. Hann á sæti í framkvæmdastjórn og Lánanefnd.



### Árni Þór Þorbjörnsson, Fyrirtækjabanki

Árni er lögfræðingur frá Háskóla Íslands og hefur starfað í Landsbankanum frá 1996. Á fyrstu árunum annaðist hann öll almenn lögfræðistörf, ráðgjöf og málflytning.

2008, en við stofnun nýja bankans tók Árni við sem framkvæmdastjóri Fyrirtækjasviðs og við skipulagsbreytingarnar í október 2010 tók hann við Fyrirtækjabankanum.

sveitarfélaga. Sviðið sinnir einnig stærri fjármögnunarverkefnum.

Árni situr í stjórnnum Hamla ehf. og Mótus ehf. Hann á sæti í framkvæmdastjórn og Lánanefnd.

Árni var yfirlögfræðingur Fyrirtækjasviðs til ársins

Fyrirtækjabankinn sér um málefni stórra fyrirtækja og



### Hreiðar Bjarnason, Markaðir og fjárstýring

Hreiðar er viðskiptafræðingur frá Háskóla Íslands, með MSc gráðu í fjármálafræðum frá London Business School og hefur lokið prófi í verðbréfavíðskiptum.

Hreiðar hefur starfað í Landsbankanum frá árinu 1998, fyrst sem sérfræðingur í Markaðsviðskiptum og síðar í Fjárstýringu. Hann tók við sem framkvæmda-

stjóri sviðs Markaða og fjárstýringar snemma árs 2010.

Hreiðar á sæti í framkvæmdastjórn og Áhættu- og fjármálanefnd.



### Hrefna Ösp Sigfinnsdóttir, Eignastýring

Hrefna er viðskiptafræðingur frá Háskóla Íslands en hefur einnig lokið prófi frá Tryggingaskólanum og stundaði MS nám í stjórnun við Háskóla Íslands.

áður en hún gekk til liðs við Landsbankann.

Fjárvangi og var starfsmaður á peningamálasviði Seðlabanka Íslands.

Hrefna starfaði sem sjóðsstjóri hjá Arev Verðbréfafyrirtæki frá árinu 2007,

Þá starfaði Hrefna sem forstöðumaður skráningar-sviðs og sérfræðingur á því sviði hjá Kauphöll Íslands frá 1998-2006. Áður gegndi hún starfi forstöðumanns einstaklingsþjónustu hjá

Hrefna er fulltrúi Landsbankans í stjórn Framtaks-sjóðs Íslands. Hún á sæti í framkvæmdastjórn og Fjárfestingarráði Eignastýringar.



### Hjördís Dröfn Vilhjálmstöðttir, Endurskipulagning eigna

Hjördís er með gráðu í hagfræði frá Háskóla Íslands. Hún var sérfræðingur á hagfræðisviði Seðlabanka Íslands frá 1999-2005, hagfræðingur hjá Glitni á árunum 2006-2008 og ráðgjafi fjármálaráðherra frá árinu 2009 við verkefni sem féllu

fjármálaráðuneytinu í skaut við fall bankanna haustið 2008.

Hjördís hefur setið í samstarfsnefnd stjórnvalda um fjármálastöðugleika fyrir hönd fjármálaráðuneytisins og var í samninganefnd um

lán ríkisins frá Norðurlöndunum og Póllandi svo dæmi séu nefnd.

Hjördís situr í stjórn Hamla ehf. Hún á sæti í framkvæmdastjórn og Lánanefnd bankans.



### Perla Ösp Ásgeirsdóttir, Áhættustýring

Perla er með MSc gráðu í fjármálum frá Háskólanum í Reykjavík. Hún starfaði hjá Seðlabanka Íslands á árabílinu 2005-2010 og hjá Rannsóknarnefnd Alþingis árið 2009.

Perla sinni m.a. eftirliti með fjármálaþyrtingum og -mörkuðum hjá Seðlabanka Íslands og annaðist gerð áhættulíkana fyrir íslenskan fjármálamarkað. Perla var ráðin forstöðumaður Áhættustýringar

Landsbankans í apríl 2010 og framkvæmdarstjóri í október.

Perla á sæti í framkvæmdastjórn og í Áhættu- og fjármálanefnd.



### Frans Páll Sigurðsson, Fjármál

Frans er viðskiptafræðingur frá Háskóla Íslands með endurskoðun sem sérsvið.

Frans kom til Landsbankans frá GlaxoSmithKline, en hann var fjármálastjóri fyrirtækisins á Íslandi og í Noregi þar sem hann hafði

aðsetur. Frans tók þátt í uppbyggingu starfs GlaxoSmithKline á Íslandi frá 2004 sem fjármálastjóri og yfirmaður dreifingarmála. Áður starfaði Frans sem ráðgjafi hjá PricewaterhouseCoopers, og sem meðeigandi hjá PWC Consulting og

síðar hjá IBM Business Consulting Services.

Frans er stjórnarmaður í Horni ehf., SP-Fjármögnun og er stjórnarformaður Regins ehf. Hann á sæti í framkvæmdastjórn og Áhættu- og fjármálanefnd.



### Jensína Kristín Böðvarsdóttir, Þróun

Jensína er með BS gráðu í auglýsingafræðum frá San Jose State University í Kaliforníu, Bandaríkjunum, og lauk MBA prófi með áherslu á neytendahæðun og markaðsfræði frá University of San Diego árið 1995. Jensína starfaði áður hjá Símanum þar sem hún var forstöðumaður

sölu á Einstaklingssviði frá árinu 2007. Jensína gegndi stöðu markaðsstjóra Globus frá árinu 2004-2007, var framkvæmdastjóri mannaúðssviðs IMG á árunum 2002-2004, framkvæmdastjóri viðskiptaþróunar IMG frá 2001, starfsmannastjóri Norðurljósa 1999-2001 og tók þátt í mótun og upp-

byggingu ráðningarþjónustu Gallup á árunum 1997-1999.

Jensína er stjórnarformaður Reiknistofu bankanna hf. og stjórnarmaður í Frumtaki GP ehf. Hún á sæti í framkvæmdastjórn og er formaður Öryggisnefndar, auk þess að starfa með Starfskjaranefnd bankans.

# Stjórnarhættir

**Það er markmið Landsbankans** að efla góða stjórnarhætti bankans í þágu heildarhagsmuna bankans sjálfs, hluthafa, viðskiptavina og samfélagsins alls. Góðir stjórnarhættir stuðla að traustum samskiptum hluthafa, bankaráðsmanna, stjórnenda, starfsmanna og annarra hagsmunaaðila, og eru leiðarljós í því að styrkja hlutlægni, heilindi og ábyrgð í stjórnun bankans. Landsbankinn endurskoðar með reglubundnum hætti hvort viðeigandi og viðteknum leiðbeiningum um stjórnarhætti sé fylgt og hvort stjórnarhættir bankans á hverjum tíma séu í samræmi við þær leiðbeiningar.

Landsbankinn stefnir að því að stjórnarhættir bankans séu á hverjum tíma í samræmi við bestu framkvæmd að því er varðar leiðbeiningar um stjórnarhætti fjármálafyrirtækja og í samræmi við lög á hverjum tíma, sbr. 3. mgr. 19. gr. laga nr. 161/2002 um fjármálafyr-

irtæki, sbr. lög nr. 75/2010. Í þeim efnum eru lagðar til grundvallar Leiðbeiningar um stjórnarhætti fyrirtækja sem gefnar voru út í júní 2009 af Viðskiptaráði Íslands, Nasdaq OMX Iceland hf. og Samtökum atvinnulífsins (3. útg.). Jafnframt telur bankinn rétt að taka

tillit til viðmiðanna sem Basel-nefndin um bankaeftirlit gaf út í október 2010 um bættu stjórnarhætti banka (e. Principles for enhancing corporate governance).

Þá tekur bankinn tillit til eigendastefnu ríkisins um fjármálafyrirtæki sem fjár-

málaráðuneytið gaf út 1. september 2009, samþykktu bankans og starfsreglna fyrir Bankaráð. Með vísan til alls þessa birti Landsbankinn á vefsíðu sinni þann 15. apríl 2011 skjal um stjórnarhætti Landsbankans þar sem finna má yfirlit um þau viðmið sem Landsbankinn fylgir.

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## Innra eftirlit og áhættustýring

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Bankaráð ber ábyrgð á því að koma á fót virku kerfi innra eftirlits. Í því felst m.a. að fyrirkomulag innra eftirlits sé formlegt, skjalfest og að virkni þess sé reglubundið sannreynnd. Bankaráð og bankastjóri skulu taka mið af niðurstöðum Innri endurskoðunar, ytri endurskoðanda bankans, Regluvörslu, Áhættustýringar og annarra deilda hans sem sjá um innra eftirlit. Þar sem Landsbankinn er móðurfélag í samstæðu ber Bankaráð ábyrgð á því að tryggja fullnægjandi stjórnarhætti á samstæðugrunni og enn fremur ábyrgð á því að tryggja að viðhafðir séu stjórnarhættir í ljósi skipulags, starfsemi og áhættu samstæðunnar og einstakra félaga innan hennar. Landsbankinn starfrækir virkt innra eftirlitskerfi og áhættustýringu sem hefur nægilegar heimildir, færni, sjálfstæði, sérhæfingu og aðgang að Bankaráði og bankastjóra.

## Gildi félagsins, siðareglur og stefna um samfélagslega ábyrgð

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Þann 2. október 2010 kynnti Landsbankinn og birti á vefsíðu sinni stefnu sína um einkunnarorðin „hlusta, læra og þjóna“. Þessi stefna var birt á vefsíðu bankans.

Bankinn setti sér siðareglur þann 1. mars 2011. Siðareglurnar eru í formi sáttmála sem allir starfsmenn bankans skulu skrifa undir fyrir 1. júní 2011. Siðasáttmálann er að finna á vefsíðu Landsbankans. Starfsmenn skrifa undir og endurnýja siðasáttmálann árlega í starfsmannaviðtölum. Nýr siðasáttmáli Landsbankans myndar grunnviðmið fyrir góða viðskiptahætti og siðferði starfsmanna. Sáttmálinn er hornsteinn í nýrri stefnu Landsbankans og jafnframt leiðbeinandi um hvernig bregðast skuli við siðferðilegum álitamálum. Siðareglurnar eru skrifaðar frá sjónarhorni starfsmanna og lýsa því hvernig þeir vinna og koma fram. Þetta er gert til að á rétta ábyrgð hvers og eins.

Í almennri stefnu Landsbankans er fjallað um samfélagslega ábyrgð og ávinn-ing samfélags og eigenda. Gert er ráð fyrir að stefna bankans um samfélagslega ábyrgð liggi fyrir eigi síðar en 1. maí 2011. Landsbankinn hefur á að skipa sérfræðingi í samfélagslegri ábyrgð.

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## Samsetning og starfsemi Bankaráðs, bankastjóra og undirnefnda Bankaráðs

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Bankaráð hefur yfirumsjón með því að starfsemi bankans sé í samræmi við lög, reglugerðir og samþykktir sem um fjármálastarfsemi gilda. Bankaráð mótir almenna stefnu bankans og annast um að skipulag og starfsemi bankans sé jafnan í réttu horfi. Bankaráð hefur einnig með höndum almennt eftirlit með rekstri bankans og gætir þess að fullnægjandi eftirlit sé haft með bókhaldi og meðferð fjármuna bankans. Hver sá sem valinn er til setu í Bankaráði Landsbankans skal vera þeim kostum gæddur að geta rækt skyldur sínar sem bankaráðsmaður

og hafa möguleika á að verja þeim tíma til sem slík seta krefst. Sjálfstæð dómgreind er skilyrði allrar ákvarðanatöku, hvort sem bankaráðsmenn teljast óháðir eður ei.

Bankaráð ræður bankastjóra til að annast daglegan rekstur bankans og skal hann í þeim efnum fara eftir þeirri stefnu og fyrirmælum sem Bankaráð hefur gefið.

Innan Bankaráðs starfa fimm starfsnefndir sem undirbúa umfjöllun innan Bankaráðs á tilteknum starfssviðum og annast nánari athugun á málum sem þeim tengjast. Nánar tiltekið er um að ræða Stjórnarháttanefnd, Endurskoðunar- og áhættunefnd, Starfskjarnanefnd og tvær lánanefndir. Stofnun starfsnefnda er til þess fallin að bæta starfshætti Bankaráðs og gera störf þess markvissari. Þeir bankaráðsmenn sem sinna störfum í slíkum sérhæfðum nefndum geta einbeitt sér betur að þeim verkefnum sem þeim eru falin heldur en þegar allt Bankaráð er saman komið. Mikilvægt er að starfsnefndir geri Bankaráði reglulega grein fyrir helstu niðurstöðum úr starfi sínu, enda starfa

sérstakar nefndir í umboði Bankaráðs og skulu a.m.k. árlega veita því skýrslu um störf sín. Bankaráð ber ábyrgð á skipun og störfum starfsnefnda. Bankaráð setur starfsnefndunum erindisbréf til að auðvelda þeim og öðrum að skilja hlutverk

sitt og ábyrgð. Þar skal gera ráð fyrir því að nýir nefndarmenn fái nauðsynlega leiðsögn og upplýsingar um störf og starfshætti viðkomandi nefndar. Undirnefndir skulu jafnframt stuðla að góðum samskiptum við stjórnendur bankans. Starfs-

nefndir Bankaráðs skulu tryggja að bankaráðsmenn fái reglulega nákvæmar upplýsingar um helstu störf nefndanna. Upplýsingar þessar þurfa að vera á því formi og af þeim gæðum sem Bankaráð kýs. Upplýsingar og gögn eiga að vera

aðgengileg bankaráðsmönnum tímanlega fyrir fundi Bankaráðs, og á milli þeirra, og skulu allir bankaráðsmenn fá sömu upplýsingar. Upplýsingar skulu jafnframt vera til staðar þegar þörf krefur og vera eins nýjar og nákvæmar og unnt er.

## Fundarsókn bankaráðsmanna

41 bankaráðsfundir voru haldnir á árinu 2010	Starfstími á árinu 2010	Bankaráð	Lánanefndir	Endurskoðunar- og áhættunefnd	Stjórnarháttanefnd
<b>Núverandi bankaráðsmenn</b>					
Gunnar Helgi Hálfðanarson	18.2 - 31.12	35	7	0	1
Sigríður Hrólfsdóttir	18.2 - 31.12	33	7	12	
Guðríður Ólafsdóttir	18.2 - 31.12	33	6	0	1
Þórdís Ingadóttir	18.2 - 31.12	22	5	11	
Ólafur Helgi Ólafsson	25.11 - 31.12	3	1	0	
Andri Geir Arinbjarnarson, varamaður	18.2 - 31.12	23	3	0	
Þorsteinn Garðarsson, varamaður	25.11 - 31.12				
<b>Fyrri bankaráðsmenn</b>					
Haukur Halldórsson	1.1 - 30.4	15	1	2	
Erlendur Magnússon	1.1 - 7.2	1		1	
Salvör Jónsdóttir	1.1 - 18.2	6		1	
Stefanía K. Karlsdóttir	1.1 - 18.2	6		1	
Ása Richardsdóttir, varamaður	1.1 - 18.2	6		1	
Eva H. Einarsdóttir, varamaður	1.1 - 18.2	5		0	
Friðrik Pálsson	18.2 - 30.04	10		1	
Guðrún Ragnarsdóttir, varamaður	18.2 - 26.10	3		0	
Loftur Árnason, varamaður	18.2 - 7.5	2		0	
Lárentsínus Kristjánsson	18.2 - 25.11	13	3	0	
Melrós Eysteinsdóttir*	1.1 - 31.12			8	

\*Situr eingöngu fundi í Endurskoðunar- og áhættunefnd

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## Skipun nefndarmanna undirnefnda

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Stjórnarháttanefnd er skipuð þremur bankaráðsmönnum. Með Stjórnarháttanefnd starfar Starfsnefnd um góða stjórnarhætti sem skipuð er starfsmönnum bankans. Forstöðumaður Lögfræðiráðgjafar bankans leiðir vinnu Starfsnefndarinnar en í henni sitja jafnframt framkvæmdastjóri Áhættustýringar og regluvörður.

Bankaráð skipar í Endurskoðunar- og áhættunefnd og í henni sitja að minnsta kosti þrjú nefndarmenn, þar af tveir úr hópi bankaráðsmanna. Formaður Bankaráðs skal ekki vera í nefndinni. Einn nefndarmaður, að minnsta kosti, skal hafa staðgóða þekkingu og reynslu

á sviði reikningsskila. Auk nefndarmanna sækja að öllu jöfnu fundi nefndarinnar bankastjóri, innri endurskoðandi og framkvæmdastjóri Áhættustýringar. Þá situr framkvæmdastjóri Fjármála fundi nefndarinnar þegar fjallað er um verkefni sem varða reikningsskil og uppgjör bankans. Formaður nefndarinnar getur boðað ytri endurskoðendur, stjórnendur Landsbankans og aðra sérfræðinga á fundi nefndarinnar

Starfskjaranefnd er skipuð þremur bankaráðsmönnum, þeim sömu og skipaðir eru í Stjórnarháttanefnd, og starfa bankastjóri, mannauðsstjóri og framkvæmdastjóri Þróunar jafnframt með nefndinni.

Lánanefndir eru skipaðar öllum bankaráðsmönnum. Auk þess situr fulltrúi skilanefndar Landsbanka Íslands hf. fundi annarrar nefndarinnar. Áheyrnarfulltrúar eru bankastjóri, fyrsti varamaður í Bankaráði, framkvæmdastjóri Fyrirtækjabanka, og framkvæmdastjóri Áhættustýringar.

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## Fjöldi stjórnarfunda og fundir undirnefnda

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Á árinu 2010 voru haldnir 41 bankaráðsfundir, 12 fundir Endurskoðunar- og áhættunefndar, 7 fundir lánanefnda og einn fundur í Starfskjaranefnd. Taflan hér á undan sýnir mætingu einstakra nefndaraðila. Þess ber að geta að breytingar urðu á skipan Bankaráðs á árinu.

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## Starfsreglur Bankaráðs

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Starfsreglur Bankaráðs má finna á vefsíðu Landsbankans.

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## Upplýsingar um hvaða bankaráðsmenn eru óháðir félaginu og stórum hluthöfum

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Allir bankaráðsmenn og varamenn þeirra eru óháðir Landsbankanum. Banksýsla ríkisins skipar fjóra bankaráðsmenn og eru þeir sjálfstæðir í störfum sínum. Landsskil ehf. skipar einn bankaráðsmann og annan til vara og eru þeir óháðir skilanefnd Landsbanka Íslands hf.

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## Helstu þættir í árangursmati Bankaráðs

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Bankaráð hefur ekki framkvæmt eigið árangursmat fyrir árið 2010. Bankaráð mun framkvæma slíkt árangursmat á árinu 2011.

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## Upplýsingar um bankastjóra og lýsing á helstu skyldum hans

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Bankastjóri annast daglegan rekstur bankans og skal í þeim efnum fara eftir þeirri stefnu og fyrirmælum sem Bankaráð hefur gefið. Bankastjóri skal ávallt starfa af heilindum með hagsmunum bankans að leiðarljósi. Bankastjóri fer með ákvörðunarvald í öllum málefnum bankans sem ekki

eru falin öðrum með lögum, samþykktum bankans eða ákvörðunum Bankaráðs. Hinn daglegi rekstur tekur ekki til ráðstafana sem eru óvenjulegar eða hafa veruleg áhrif á efnahag og rekstur bankans. Slíkar ráðstafanir getur bankastjóri aðeins framkvæmt samkvæmt sérstakri heimild Bankaráðs nema ekki sé unnt að bíða ákvörðunar Bankaráðs án verulegs óhagræðis fyrir bankann. Í slíkum tilvikum skal Bankaráði tafarlaust tilkynnt um ráðstöfunina. Bankastjóri sér um að rekstur bankans sé í öllum greinum samkvæmt lögum, reglugerðum, samþykktum og ákvörðunum Bankaráðs. Bankastjóri hefur heimild til að skuldbinda bankann og tekur ákvarðanir um heimildir einstakra starfsmanna til að skuldbinda bankann

í samræmi við reglur sem Bankaráð setur. Bankastjóra ber að veita bankaráðsmönnum og endurskoðendum bankans allar þær upplýsingar um rekstur bankans sem þeir kunna að óska og veita ber samkvæmt lögum. Bankastjóri skal tryggja að starfsemi bankans sé í samræmi við stefnu hans, áhættuvilja og stefnur sem Bankaráð hefur samþykkt. Bankastjóri skal jafnframt þekkja og skilja starfsskipulag bankans og tengdar áhættur og taka við störf sín mið af niðurstöðum Innri endurskoðunar, ytri endurskoðanda, Áhættustýringar, Regluvörslu og annarra deilda sem sjá um innra eftirlit.



# Sala eigna

**Í kjölfar bankahrunsins** var ljóst að nýju bankarnir myndu eignast fjölda eigna, bæði fyrirtæki og fasteignir. Á árinu 2009 stofnaði Landsbankinn eignaumsýslufélögin Reginn ehf. og Vestia ehf. sem annast skyldu umsýslu eigna sem bankinn eignaðist. Að auki á Landsbankinn dótturfélagið Hömlur ehf. sem hýsir smærri eignir.

## Reginn

Reginn ehf. annast umsýslu stærri fasteigna og fasteignaverkefna eða þróunarverkefna þar sem bankinn hefur eignast hálfkláraðar byggingar sem þarf að ljúka. Á árinu 2010 og í upphafi ársins 2011 seldi Reginn sjö fasteignir fyrir um 1.517 milljónir króna. Tvær tilraunir voru gerðar til að selja fasteignafélög sem eru á bókum Regins, en ekkert viðunandi tilboð barst. Allar upplýsingar um eignir Regins ehf. má nálgast á vef félagsins, [www.reginnehf.is](http://www.reginnehf.is).

## Vestia

Eignarhaldsfélagið Vestia var stofnað til að bera ábyrgð á umsýslu og ráðstöfun eignarhalds í atvinnufyrirtækjum sem bankinn tók yfir í kjölfar fjárhagslegrar endurskipulagningar sem fóll í sér að kröfum bankans var breytt í hlutafé. Sala félagsins kemur ekki inn í bækur Landsbankans fyrr en á árinu 2011, þó að hún væri að öllu leyti frágengin árið 2010, að undanskildu tilskyldu samþykki Samkeppniseftirlitsins sem fékkst í janúar 2011. Vestia átti hluti í nokkrum fyrirtækjum sem rétt þótti að selja af ýmsum ástæðum. Salan var harðlega gagn-

rýnd en það er mat forsvarsmanna Landsbankans að sú gagnrýni eigi ekki við rök að styðjast. Það var nauðsynlegur þáttur í áhættumati og áhættuvörnum Landsbankans að losa Vestia og tengd fyrirtæki frá bankanaum m.a. vegna yfirvofandi gengisdóma.

## Sala eigna í opnu ferli

Landsbankinn hefur sett sér þá stefnu að selja eignir eins hratt og kostur er. Þeirri stefnu hefur verið fylgt í hvívetna.

Í lok árs 2010 átti bankinn eitt íslenskt rekstrarfélag,

Björgun ehf., en hafði selt þrjú á árinu, bíla-leiguna Hertz á Íslandi, dreifingarfyrirtækið Parlogis og iðnfyrirtækið Límtré Vírnet.

Það er stefna bankans að selja öll fyrirtæki í opnu ferli þar sem allir geta lagt inn tilboð, að uppfylltum skilyrðum reynslu af rekstri og fjárfestingum annars vegar og fjárhagslegan styrk hins vegar.

Fasteignir í eigu Landsbankans eru í umsjá Hamla ehf. Hömlur halda líka utan um smærri hluti í fyrirtækjum og aðrar eignir sem bankinn þarf að leysa til sín. Meðfylgjandi tafla sýnir yfirlit yfir fasteignir í eigu Hamla.

## Hömlur – smærri fasteignir

Tegund	Fjöldi 31.12.2010	Verðmat 31.12.2010	Seldar eignir á árinu 2010
Íbúðarhúsnæði	177	3.947	73
Iðnaðar/skrifstofuhúsnæði	143	5.145	47
Sumarhús	21	229	13
Sumarhúsalóðir	147	248	0
Lóðir aðrar	36	1.790	11
Annað (m.a. jarðir)	7	380	0
Samtals	531	11.739	144

## Söluferli eigna

### Undirbúningur 4–8 vikur

- Greining á fjárhagsstöðu, viðskiptaáætlun, fjárfestingaþörf og verðmat framkvæmt.
- Kynningarefni undirbúið.
  - Stutt kynning
  - Trúnaðaryfirlýsing
  - Fjárfestaform
  - Sölu kynning
  - Tilboðsform
  - Gagnahebergi
  - Stjórnendakynningar
  - Kaupsamningur

### Fyrra sölustig 4–6 vikur

- Tilkynnt um söluferli í fjölmiðlum og á vef Landsbankans.
- Lýsing á söluferli og skilgreining á skilyrðum fyrir þátttöku í söluferlinu. Skilyrðin geta meðal annars snúið að:
  - Fjárhagslegum styrkleika
  - Samkeppnissjónarmiðum
- Upplýsingar veittar um hvernig fjárfestar geta komist inn í ferlið.
- Fjárfestum veittur aðgangur að sölugögnum á fyrsta stigi (sölu kynning og tilboðsform) gegn undirritun trúnaðaryfirlýsingar.
- Fjárfestar skila inn óskuldbindandi tilboðum.
- Fjárfestar valdir inn á síðara sölustig byggt á tilboðunum og fjárhagslegum styrkleika.

### Síðara sölustig 4–6 vikur

- Fjárfestum veittur aðgangur að sölugögnum síðara stigs (opnun gagnahebergis og drög að kaupsamningi).
- Fjárfestum gefinn kostur á að framkvæma áreiðanleikakönnun.
- Fjárfestar skila inn skuldbindandi tilboðum.

### Samningar 2 vikur

- Gengið frá kaupsamningi.
- Greiðsla og afhending hluta.
- Lok verkefnisins.





# Áhættustýring

**Áhættustýring** er sjálfstætt svið innan bankans og eru skýr skil á milli Áhættustýringar og viðskiptaæininga bankans. Sviðið ber ábyrgð á að tryggja að bankinn starfi í samræmi við innri og ytri lög og reglur, sem og innri ferla svo áhættutaka sé í samræmi við áhættuvilja bankans. Til að Áhættustýring geti rækt hlutverk sitt sem best greinir hún, mælir og stýrir áhættu eins og frekast er kostur.

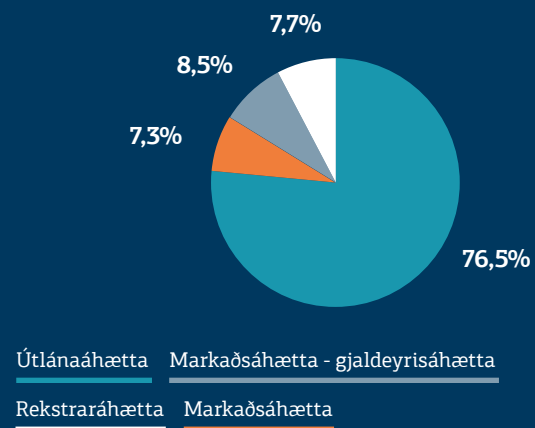
## Starfsemi Áhættustýringar

Starfsemi Áhættustýringar hefur að leiðarljósi þrjá megin áhættuþætti sem skilgreindir eru skv. Basel II staðlinum:

- 1 Útlánaáhætta (útlánastýring, útlánaeftirlit)
- 2 Eigna- og skuldaáhætta, þ.m.t. markaðsáhætta
- 3 Rekstraráhætta

Sértækar og aðgreindar aðferðir eru notaðar til að greina, mæla og stýra hverjum þessara áhættuþátta. Öll stýring, mörk, mæling og skýrslugjöf Áhættustýringar tekur mið af áhættuvilja bankans.

## Skipting á áhættu samstæðunnar



# Áhættustýring

Áhættuvilji bankans er ákvarðaður í almennum áhættu- og útlánareglum sem Bankaráð samþykkir. Bankastjóri ákvarðar áhættumörk fyrir hverja starfseiningu. Áhættu- og fjármálanefnd endurskoðar áhættuvilja bankans árlega og leggur niðurstöður sínar fyrir Bankaráð til samþykktar. Lágmarks eiginfjárkröfur eru lykilmælikvarði á áhættu bankans. Viðskiptaeiningum er úthlutað fjármagni árlega samkvæmt áhættuvilja bankans. Áhættuvilji og langtímamarkmið eru hluti af viðskiptaáætlun bankans. Bankinn einsetur sér að fara í öllu að lögum og reglum, jafnt innri sem ytri.

Áhættuviljinn tekur mið af því en hann tengist eigin fé á tvo vegu:

1) Í gegnum áhættu á greiðsluþroti.

2) Í gegnum áhættu á að eigið fé falli undir lágmarks eiginfjárkröfur.

Áhættuvilji í tengslum við greiðsluþrot markast af öryggisbili og tímamörkum sem notuð eru til að reikna út innri eiginfjárkröfur. Öryggisbilið er 99,9% og tímamörkin eru eitt ár, en miðað er við

að eiginfjárgrunnur bankans byggir á sama öryggisbili og tímamörkum og reglubundin eiginfjárfkrafa eftirlitsaðila. Áhættuvilji tekur mið af láns hæfiseinkunn sem samræmist langtímamarkmiðum bankans.

Áhættuviljinn mótast af eiginfjárstöðu á hverjum tíma ásamt framtíðarmarkmiðum um eigið fé. Markmið bankans er að eigið fé sé aldrei lægra en lágmarks eiginfjárgrunnur segir til um og er ICAAP-ferlið (innra matsferli bankans fyrir eiginfjárþörf) notað til að tryggja samkvæmni við þetta markmið. Langtímamarkmið bankans er að eiginfjárþáttur A sé yfir markaðsmeðaltali, ef gert er ráð fyrir að Fjármálaeftirlitið falli frá eiginfjárkröfum umfram lögbundið lágmark.

## Áhættu- og eiginfjástýring

Áhættu- og eiginfjástýring bankans byggir á fimm megin áhættuflokkum sem lýst er í almennum áhættu- og útlánareglum bankans en þær eru samþykktar af Bankaráði.

- Útlánaáhætta er áhættan á tapi verði gagnaðili ófær um að inna af hendi greiðslur í tengslum við lán, ábyrgðir og aðrar skuldbindingar.
- Markaðsáhætta er áhættan á að verðbreytingar á mörkuðum hafi áhrif á gangvirði og framtíðargreiðsluflæði fjármálagerninga.
- Gjaldreyrisáhætta er áhættan á að gengisbreytingar gjaldmiðla hafi áhrif á fjárhagsstöðu og sjóðstreymi tengdu fjármálagerningum.
- Lausafjáraáhætta er skilgreind sem áhættan á að bankinn lendi í erfiðleikum við að uppfylla fjárhagslegar skuldbindingar sem gerðar eru upp með afhendingu reiðufjár eða annarra fjárhagslegra eigna, eða að slíku uppgjöri fylgi óhóflegur kostnaður. Áhættuna má rekja til hugsanlegs misvægis í tímasetningum greiðsluflæðis.
- Í rekstraráhættu felast óvæntar sveiflur í afkomu vegna mistaka eða svika starfsmanna, bilana í innri kerfum eða ytri atburða og lagalegra viðurlaga.

Önnur áhætta felur í sér alla áhættuþætti sem ekki falla í einn fimm ofangreindra flokka. Önnur áhætta sem talin er geta haft veruleg áhrif á bankann er orðsporsáhætta og viðskiptaáhætta.

Áhætta er ávallt til staðar í starfsemi bankans. Henni er stýrt með stöðugri greiningu, mati, mælingu og eftirliti sem tekur mið af áhættumörkum og öðrum stjórnþættum. *Áhættugreining* felst í að greina uppruna og eðli hugsanlegra áhættuþátta í starfsemi og framkvæmd bankans. *Áhættumat* felur í sér greiningu á alvarleika greindra áhættuþátta. *Áhættumæling* felur í sér videigandi mælingar á greindum áhættuþáttum til að hægt sé að stýra áhættu og fjármagnsþörf. Síðast en ekki síst felur *áhættustýring* í sér notkun reglna og verkferla til að hafa eftirlit með og takmarka áhættu sem bankinn tekur og tryggja að hún sé í samræmi við áhættuvilja og -stefnur.

Áhætta	Útlána- áhætta	Markaðs- áhætta	Rekstrar- áhætta	Lausa- fjár- áhætta	Önnur áhætta	Óveruleg áhætta
Markaðsáhætta		√				
Útlánaáhætta, þ.m.t. matsáhætta	√					
Rekstraráhætta, þ.m.t. áhætta vegna reglu- vörslu og áhættan á lagalegum viðurlögum			√			
Verðbréfunaráhætta	√					√
Afgangsáhætta í vörnum gegn útlánaáhættu	√					√
Verðbólguáhætta*						√
Samsöfnunaráhætta	√					
Fjármögnunaráhætta				√		√
Vaxtaáhætta í bankabók		√				
Upplýsingatækniáhætta			√			√
Lausafjáraáhætta				√		
Orðsporsáhætta					√	
Uppgjörsáhætta						√
Skipulagsáhætta					√	
Greiðslumiðlunaráhætta						√
Vanmat á útlánaáhættu í tengslum við valda matsaðferð (líkanaáhætta)						√
Sölutryggingaráhætta						√
Veikir punktar í vörnum gegn útlánaáhættu						√

\*Áhætta önnur en eftirlitsskyld áhætta

### Útlánaáhætta

Bankinn stýrir útlánaáhættu í samræmi við ákveðnar reglur og ferla. Helstu reglurnar eru almennar áhættu- og útlánareglur. Nákvæmar útlánareglur og reglur um stórar áhættuskuldbindingar og mörk samsöfnunaráhættu, sem og nákvæmari áhættumörk, eru ákvarðaðar af Áhættu- og fjármálanefnd bankans.

Almennar áhættu- og útlánareglur eru ákvarðaðar af Bankaráði. Þessar reglur og útlánastefna bankans leggja grunn að útlánareglum bankans. Bankastjóri setur útlánareglur í samræmi við útlánastefnuna og almennar áhættu- og útlánareglur. Bankastjóri stendur vörð um hagsmuni bankans í ákvörðunum er fela í sér útlánaáhættu og tryggir að fjárhagslegur styrkur bankans bíði

ekki skaða af og að ákvarðanir séu í fullu samræmi við reglur.

Áhættustýring fylgist með áhættuskuldbindingum til að greina merki um veikleika í tekjum og lausafjárstöðu viðskiptamanna. Á grunninn upplýsinga frá viðskiptamönnum hefur samstæðan þróað fjölda lánshæfismatslíkana til að spá fyrir um líkur á því að viðskiptamenn

standi ekki við skuldbindingar sínar gagnvart samstæðunni, í samræmi við skilgreiningar innramatsaðferðar (e. internal ratings based approach) Basel II. Viðskiptamönnum er úthlutað lánshæfiseinkunn á innri lánshæfiskvarða út frá metnum líkum á vanefndum. Vinna við að sannreyna og bæta innra matskerfi samstæðunnar hófst árið 2010 og heldur áfram 2011.

Til viðbótar við lánshæfis-einkunnir notar samstæða bankans flokkunarkerfi til að fylgjast með viðskiptamönnum með lánaskuldbindingar yfir 500 milljónum króna. Hannað var einfalt flokkunarkerfi sem byggir á þremur útlánaáhættuflokkum (grænum, gulum og rauðum) og var þetta kerfi notað frá stofnun bankans árið 2008 og til ársins 2010. Í kjölfar breytinga á skipulagi Áhættustýringar á haustmánuðum 2010 og innleiðingu EWS-vöktunarkerfis útlánaáhættu (Early Warning System) var litaflokkun-

inni breytt og eftirfarandi flokkar teknir upp:

- Grænir viðskiptavinir eru taldir standa undir skuldbindingum sínum vandkvæðalaust.
- Gulir viðskiptavinir eru á vöktunarlista 1, geta átt við tímabundna erfiðleika að stríða og kunna að þurfa að fá frestun á afborgunum eða breytingar á lánstíma eða skilmálum.
- Rauðgulir viðskiptavinir eru á vöktunarlista 2.

Þessir viðskiptavinir eru enn í umsjá sinnar viðskiptaeyningar en líklegt er að endurskipulagning láns eða frestun afborgana reynist nauðsynleg.

- Rauðir viðskiptavinir eru undir eftirliti Endurskipulagningar eigna og þarfnast fjárhagslegrar endurskipulagningar, afskrifta eða umbreytingar skulda í hlutafé. Mögulegt er að samstæða Landsbankans taki við stjórn á starfsemi viðskiptavinar við fullnustu krafna. Í sumum tilvikum

er gengið að veðum eða ábyrgðum og/eða starfsemin seld. Hópar lántaka með lánaskuldbindingar undir 500 milljónum króna verða flokkaðir í útlánaáhættuflokkana grænan, gulan, rauðgulan og rauðan á árinu 2011.

Taflan hér að neðan sýnir flokkun útlána og fyrirgreiðslna til viðskiptavina út frá útlánaáhættuflokkum:

#### Bókfært verð

Hópar lántaka með lánaskuldbindingar yfir 500 milljónum	2010	2009
Grænn	197,331	199,521
Gulur	21,669	16,399
Rauðgulur	23,982	20,008
Rauður	51,867	113,711
Hópar lántaka með lánaskuldbindingar undir 500 milljónum	298,105	317,483
Samtals	<b>592,954</b>	<b>667,122</b>

Þar sem því var komið við var ytra lánshæfismat notað til viðmiðunar við stýringu á útlánaáhættu skuldabréfa. Að öðrum kosti notaði samstæðan gangvirðismat miðað við tiltækar upplýsingar og eigið mat.



### Markaðsáhætta

Markaðsáhætta er tilkomin vegna opinna staða í gjaldmiðlum, hlutabréfum og vaxtaberandi gerningum, en þessir fjármálagerningar eru næmir fyrir almennum og sértækum markaðsbreytingum og flökti í markaðsgengi og -verði á borð við vexti, skuldatryggingarálagi, gengisbreytingum gjaldmiðla og hlutabréfaverði. Bankastjóri hefur sett ítarlegar reglur um markaðsáhattuþætti, stöður og vikmörk. Markmið stýringar markaðsáhattu er að greina, staðsetja og hafa eftirlit með opnum stöðum, framkvæma

greiningar og sinna upplýsingagjöf til viðeigandi aðila. Bankinn fylgist með hagvísum og merkjum sem geta veitt vísbendingu um aukna áhættu á framtíðartapi. Lykiláhættuvísar þurfa að vera nákvæmir, þá þarf að tilkynna tímanlega, skilaboðin þurfa að vera skýr og undirstrika samsöfnunaráhættu í bókum bankans. Vegna þess hversu seinkun hefur mikil áhrif á gildi upplýsinga um daglega áhættu þarf skýrslugjöf um markaðsáhattu að vera tímanleg, tíð og endurspeglu núverandi áhættustöður. Áhættuskýrslur sýna heildaráhættu

bankans og veita yfirlit yfir samsöfnunaráhættu í einstökum starfseiningum, eignaflokkum og löndum.

### Hlutabréf

Gengisáhætta hlutabréfa er áhættan á sveiflum í virði hlutabréfa vegna opinna staða í fjármálagerningum sem byggja á hlutabréfum. Hlutabréfasafni bankans er stýrt af Fjárfestingafélaginu Horni, sem er dótturfélag í eigu bankans. Hlutabréfastaða bankans í árslok 2010 nam 29,4 milljörðum króna og vóg 4,8% af áhættugrunni hans.

### Vextir

Vaxtaberandi afurðir fela í sér vaxtaáhættu. Vaxtaáhætta er áhættan á tapi vegna breytinga í markaðsverði vaxtaberandi fjármálagerninga. Skuldabréfastaða bankans í árslok 2010 nam 161,6 milljörðum króna og vóg 2,5% af áhættugrunni hans.

## Hluta- og skuldabréfastaða samstæðunnar

Í milljörðum króna

### Hlutabréf

Innlend	
Skráð	10,328
Óskráð	10,023
	<b>20,351</b>
Erlend	
Skráð	8,871
Óskráð	206
	<b>9,077</b>
<b>Samtals</b>	<b>29,428</b>

### Skuldabréf

Innlend	
Skráð	137,026
Óskráð	12,484
	<b>149,510</b>
Erlend	
Skráð	10,679
Óskráð	1,370
	<b>12,049</b>
	<b>161,559</b>

## Gjaldeyrishætta

Bankinn starfar í samræmi við reglur Seðlabankans nr. 950/2010 um gjaldeyrisjöfnuð. Reglurnar kveða á um að gjaldeyrisjöfnuður stofnana (hvort sem er til skamms eða langs tíma) skuli ávallt vera innan ákveðinna marka í hverri mynt.

Við mat á gjaldeyrisáhættu bankans hefur hann tekið tillit til þess að hluti viðskiptavina hans er með stóran hluta eða allar tekjur sínar í erlendri mynt á meðan aðrir viðskiptavinir hafa litlar eða engar tekjur í erlendri mynt. Einnig horfir bankinn á tryggingastöðu sína gagnvart viðskiptavinum. Bankinn metur gjaldeyrisstuðul sem er reiknaður út frá meðalteygni lána í erlendri mynt gagnvart gengisbreytingum. Bankinn færir áhrif gengisbreytinga erlendra lána sem breytingu á virði lána. Sá

hluti gengisbreytinga sem veldur breytingu á virði láns veltur á því hvernig geta lántaka til að endurgreiða lánið breytist vegna viðkomandi gengisbreytingar. Af því leiðir að gengisfall krónunnar hefur meiri áhrif á viðskiptamenn með litlar eða engar erlendar tekjur en þá sem hafa hluta eða allar sínar tekjur í erlendri mynt. Þetta gildir svo einnig í hina áttina, þ.e. við styrkingu krónunnar.

Á árinu 2011 voru áhrif gengismunar gjaldeyris jákvæð um 14 milljarða króna. Áhrifin eru að langmestu leyti til komin vegna misvægis í myntsamsetningu eigna og skulda bankans. Eignir bankans í erlendum myntum eru að stórum hluta í CHF og JPY en skuldir bankans í erlendum myntum eru að langstærstum hluta í EUR, GBP og USD. Við ákvörðun á myntsamsetningu skuldabréfsins til gamla Landsbankans var

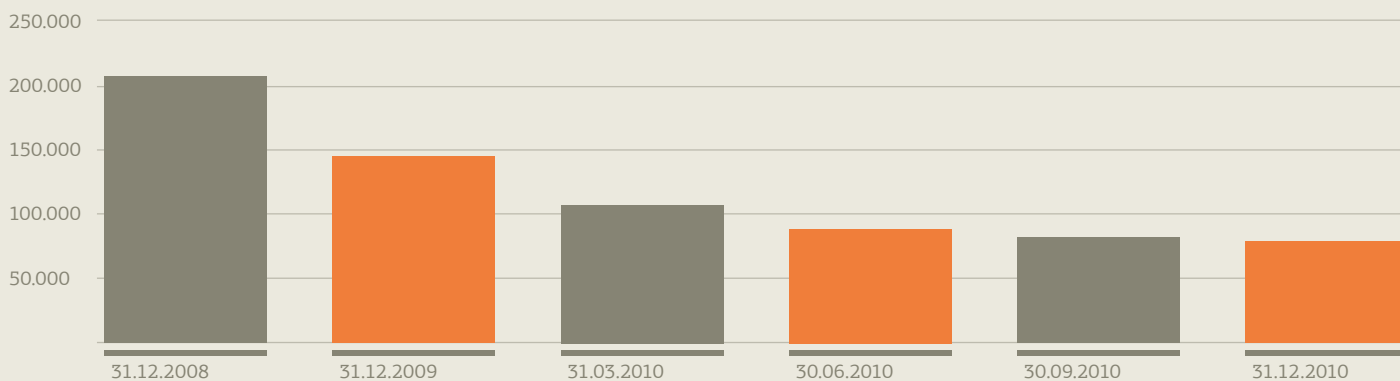
horft til tekjumynta viðskiptavina bankans. Margir af viðskiptavinum bankans eru skuldsettir í CHF og JPY en með tekjur í öðrum myntum. Stefna bankans er að viðskiptavinir með erlend lán hafi tekjur í sömu myntum og höfuðstóll sömu lána. Þegar þessir viðskiptavinir fara í gegnum endurskipulagningu eða óska eftir endurfjármögnun er misvægið leiðrétt og lán veitt í tekjumyntum viðskiptavina. Bankinn hefur jafnframt gert gjaldeyrisvarnarsamninga við erlenda banka til að lágmarka áhættu meðan endurskipulagningarferlið stendur yfir.

Óvissa um túlkun gengisbundinna lána getur haft áhrif á gjaldeyrisáhættu bankans. Í kjölfar úrskurðar Héraðsdóms Reykjavíkur þann 23. febrúar 2011 er óvissa um stöðu þeirra erlendu lána sem greidd voru út í íslenskum krónum. Í uppgjöri bankans fyrir

árið 2010 var litið svo á að umrædd lán væru í raun lán í íslenskum krónum og niðurfærsla gerð vegna þessara lána. Að því gefnu að dómur héraðsdóms verði staðfestur í Hæstarétti hefur það engin áhrif á gjaldeyrisjöfnuð bankans. Ef Hæstiréttur staðfestir hins vegar að lánin séu gengisbundin hækka gjaldeyris eignir um 124,7 milljarða króna og heildarstaða verður 93,7 milljarðar króna miðað við árslok 2010. Gjalddeyrisjöfnuður að teknu tilliti til gjaldeyrisstuðuls (FX-delta) verður þá 23,6 milljarðar króna. Varðandi frekar upplýsingar um áhrif fyrrnefnds dóms er vísað til skýringar nr. 4 (i) og 78 í ársuppgjöri bankans.

Í árslok 2010 var gjaldeyrisáhætta um 8,5% af áhættugrunni, en var 13,7% í lok árs 2009.

## Þróun gjaldeyrisáhættu



## Vaxtaáhætta utan veltubókar

Vaxtaáhætta er áhættan á að vaxtabreytingar á mörkuðum hafi áhrif á gangvirði og framtíðarsjóðstreymi fjármálagerninga. Vaxtabreytingar á eignum eða skuldum bankans utan veltubókar hafa áhrif á vaxtabil. Áhættuna má aðallega rekja til mismunar á lengd vaxtatímabila á milli eigna og skulda. Vaxtaáhættu er fyrst og fremst stýrt með því að fylgjast með vaxtamun og er það gert miðlægt innan bankans af Fjárfstýringu undir eftirliti Eigna- og skuldaáhættudeildar. Í núverandi efnahagsumhverfi hefur bankinn ekki aðgang að neinum afleiðugerningum eða öðrum tækjum sem nota má til að stýra vaxtaáhættu.

## Lausafjárahætta

Landsbankinn hefur sett bankanum og dótturfélögum lausafjárstýringarstefnu. Tilgangur stefnunnar er að tryggja nægjanlegt lausafé og fjármögnunarstyrk til að standa straum af fjárhagslegum skuldbindingum tímanlega og með hóflegum tilkostnaði, jafnvel við álagsaðstæður. Tilgangurinn er enn fremur að lágmarka lausafjárveiflur og tryggja að bankinn hafi ávallt aðgang að nægilegu fjármagni til að greiða skuldbindingar sínar. Áætlanir bankans innihalda m.a. álagspróf, viðlagaáætlanir vegna lausafjárstöðu og samskiptaáætlun.

Það er stefna bankans að lausafjárstaða hans nægi til að standa tímanlega straum af skuldbindingum samkvæmt samningum og geta mætt úttektum á innlánum ef, af einhverjum ástæðum, viðskiptavinir glata trausti á bankanum.

Auk þess er til staðar viðbragðsáætlun sem setur fram leiðir til að greina lausafjratburð með fyrirfram ákveðnum hættumerkjum og aðgerðir til að koma í veg fyrir tímabundinn eða langtíma lausafjárskort. Áhættu- og fjármálanefnd bankans mótar stefnuna en Fjárfstýring annast framkvæmd hennar í samstarfi við Eigna- og skuldaáhættudeild.

## Mæling lausafjár og álagsprófanir

Helsti mælikvarðinn sem bankinn notar til að fylgjast með lausafjárahættu er hlutfall grunnlausafjár og innlána. Þessi stuðull sýnir hlutfall þeirra innlána sem bankinn gæti greitt út fyrirvaralaust án verulegs taps vegna kostnaðarsamra aðgerða.

Lausafjárstaða bankans er gríðarlega sterk og hefur ofangreint hlutfall hækkað milli ára úr 36% í lok árs 2009 í 46% í árslok 2010.

Eigna- og skuldaáhættudeild framkvæmir álagsprófanir til að tryggja að lausafjárstaða bankans sé nógu góð til að þola ýmis atvik og aðstæður sem upp geta komið án þess að valda honum miklum vandkvæðum.

Hver álagsprófun byggir á mismunandi forsendum til að meta áhrif mismunandi markaðsaðstæðna, sér í lagi áhrif afléttingar gjald-eyrishafta á innstæðugrunn bankans.

## Vegvísir um gæði eigna úr nýrri stefnu bankans (sjá nánar í kafla 4)

Markmið	Lykilmæling	2010	2011	2012	2013
Gæði eigna	>90 daga vanskil	24%	<14%	<8%	<5%

### Rekstraráhætta

Rekstraráhætta er skilgreind sem hættan á fjárhagslegu tapi afleiðdu af svikum, mistökum, vanrækslu, óhagræði, kerfisbilunum eða utanaðkomandi atvikum. Áhætta vegna regluvörslu, þ.e. hættan á lagalegum viðurlögum og upplýsingatækniáhætta, falla í þennan flokk. Brot gegn lögum og reglum, sem og bilanir í upplýsingakerfum geta valdið bankanum umtalsverðu tjóni. Bankastjóri setur ítarlegar reglur um stýringu rekstraráhættu og ábyrgðarsvið.

Rekstraráhættudeild ber ábyrgð á að bankinn viðhaldi og þróa skilvirkt rekstraráhættustýringarferli sem er í samræmi við lagalegar kröfur og rekstraráhættustefnu bankans. Þá hefur deildin það hlutverk að viðhalda rekstrarsamfelliáætlunum og styður aðrar deildir bankans í innleiðingu þeirra. Stýring rekstraráhættu er á ábyrgð viðkomandi forstöðumanns. Upplýsingaöryggi, almennt öryggi, fræðsla og þjálfun eru mikilvægir hlutar stýringar rekstraráhættu og því er unnið náið með þeim deildum sem að þessum þáttum koma.

Atvikaskýrslur, endurskoðun og eftirfylgni eru einnig mikilvægir hlutar stýringar rekstraráhættu, enda draga greining og úrbótaráðstafanir úr tapi sem hlýst af ófullnægjandi ferlum.

Bankinn notar grunnbendistærðir (e. basic indicator approach) við útreikning á eiginfjárförf í tengslum við rekstraráhættu á samstæðugrunni. Bankinn fylgir tilskipun Evrópuþingsins og ráðsins nr. 2005/60/EB frá 14. júní 2006 og vísar í það skjal, sérstaklega viðauka 10, fyrsta hluta, um útreikning á eiginfjárförf í tengslum við rekstraráhættu. Landsbankinn tekur einnig mið af reglum Fjármálaeftirlitsins nr. 215/2007, um eiginfjárförf og áhættugrunn fjármálafyrirtækja.

### Samsöfnunaráhætta

Samsöfnunaráhætta er skilgreind sem: (i) samsöfnun tengdra einstakra áhættuskuldbindinga og (ii) meiriháttar áhættuskuldbindingar gagnvart hópum gagnaðila þar sem áhætta á greiðslufalli er drifin af sameiginlegum undirliggjandi þáttum, s.s. atvinnugeira, hagkerfi, landfræðilegri staðsetningu, tækjakosti o.s.frv. Innanhúslíkan er

notað til að mæla viðbótar eiginfjárförf útlánaáhættu vegna samsöfnunar í lánasafninu út frá atvinnugeirum.

### Álagsprófun á eiginfjárförf og aðgengi að fjármagni

Innri álagspróf eru mikilvæg áhættustýringartæki og eru notuð í ICAAP-ferlinu og við gerð áætlana um eiginfjárförf til að ákvarða hversu veruleg áhrif breytingar í þjóðhagslegu umhverfi hafa á eiginfjárförf bankans. Álagspróf leiða í ljós hvernig eiginfjárförf flóktir við mismunandi sviðsmyndir þar sem breytingar eru gerðar á ársreikningum, eiginfjárförf og eiginfjárfhúlfalli.

### Álagsprófanir skiptast í eftirfarandi hluta:

- Sviðsmyndaþróun og samþykki
- Yfirfærslu sviðsmyndar á eignasafn bankans
- Útreikninga
- Greiningu og skýrslugerð

Í ICAAP-skýrslu bankans fyrir 2010 voru greindar fjórar megin áfallasviðsmyndir. Sviðsmyndirnar byggja í grunninn á þjóðhagsspa Seðlabanka Íslands en lýsa ólíklegum en mögulegum efnahagsáfallum sem líkleg eru til að hafa neikvæð áhrif á afkomu bankans á hverjum tíma. Sviðsmyndirnar gera stjórnendum bankans kleift að móta framsýnar viðbragðsáætlanir við áföllum í samræmi við niðurstöður greininganna til að tryggja að lágmarkskröfum um eiginfjárfhúlfall og lausafé sé fullnægt.

# Samantekt úr ársreikningi

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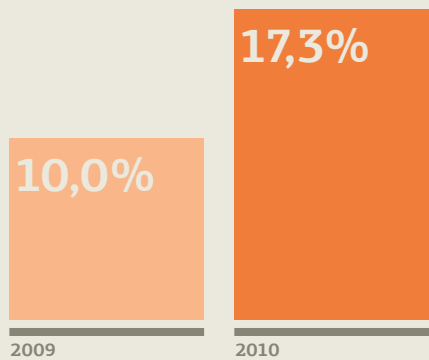
**Afkoman á árinu 2010 var góð** og bankinn stendur sterkum fótum. Þrengingar og óvissa í efnahagsmálum eru viðvarandi og því er mikilvægt að Landsbankinn búi yfir miklum styrk, þannig að hann geti veitt öfluga fjármálaþjónustu og verið það hreyfiafl í samfélaginu sem starfsmenn hans hafa einsett sér að hann verði.

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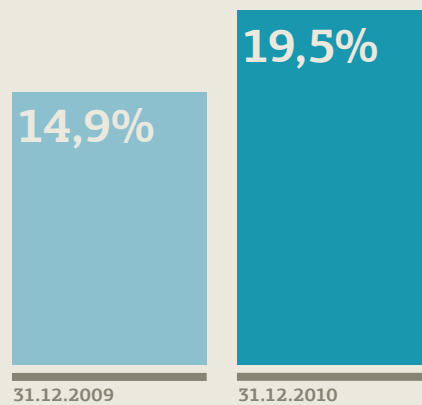
**Steinþór Pálsson**, bankastjóri  
Úr fréttatilkynningu 1. apríl 2011

Lykiltölur	31.12.2010	31.12.2009
Hreinar rekstrartekjur	50.849	30.725
Hagnaður eftir skatta	27.231	14.332
Arðsemi eigin fjár eftir skatta	17,3%	10,0%
Arðsemi eigin fjár eftir skatta án tillits til skilyrts skuldabréfs	25,7%	15,9%
Eiginfjárlutfall (CAD)	19,5%	14,9%
Vaxtamunur í hlutfalli af meðalstöðu heildareigna	2,3%	1,4%
Vaxtamunur og virðisbreytingar í hlutfalli af meðalstöðu heildareigna	2,4%	2,1%
Kostnaðarlutfall	36,4%	54,9%
Kostnaðarlutfall án gengismunar	51,1%	53,0%
Heildareignir	1.081.133	1.061.101
Útlán í hlutfalli við innlán viðskiptavina	159,6%	147,4%
Stöðugildi í árslok	1.146	1.161

#### Arðsemi



#### Eiginfjárlutfall (CAD)

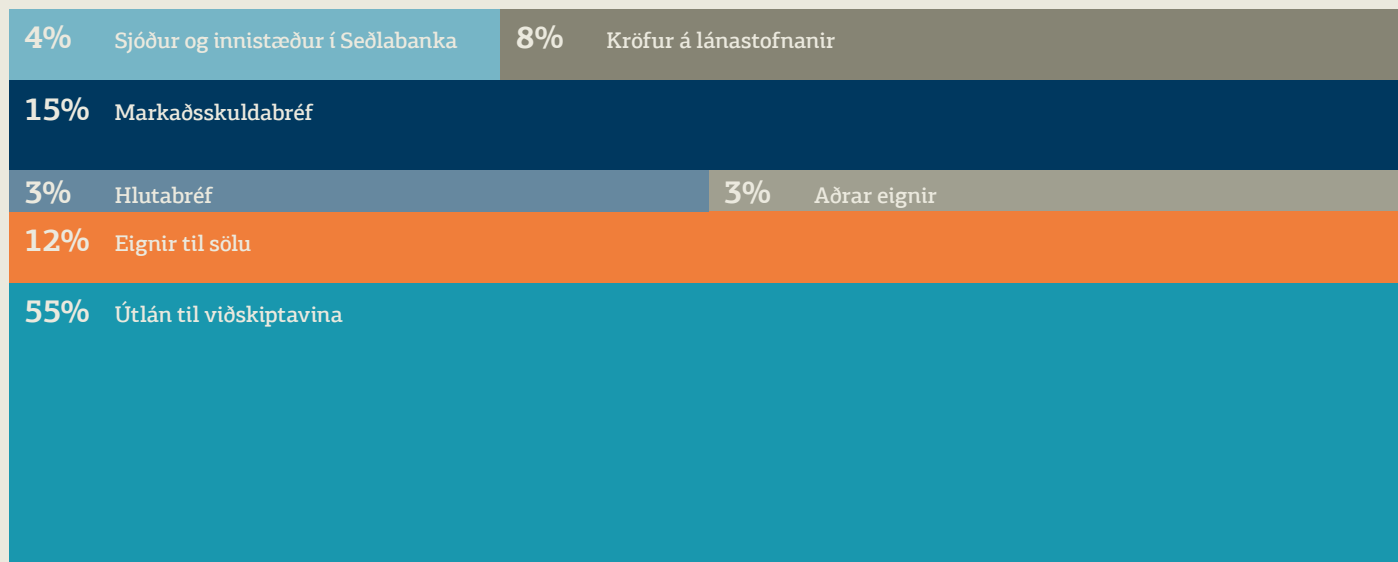




Efnahagsreikningur – eignir	31.12.2010	31.12.2009	Breyting 2010	%
Sjóður og innistæður í Seðlabanka	47.777	26.174	21.603	83%
Kröfur á lánastofnanir	91.882	83.129	8.753	11%
Markaðsskuldabréf	161.559	165.721	-4.162	-3%
Hlutabréf	29.429	23.411	6.018	26%
Útlán til viðskiptavina	592.954	667.122	-74.168	-11%
Aðrar eignir	28.743	31.666	-2.923	-9%
Eignir til sölu	128.789	63.878	64.911	102%
<b>Samtals</b>	<b>1.081.133</b>	<b>1.061.101</b>	<b>20.032</b>	<b>2%</b>

## Heildareignir bankans jukust lítillega á árinu 2010 eða um 2%.

### Eignir

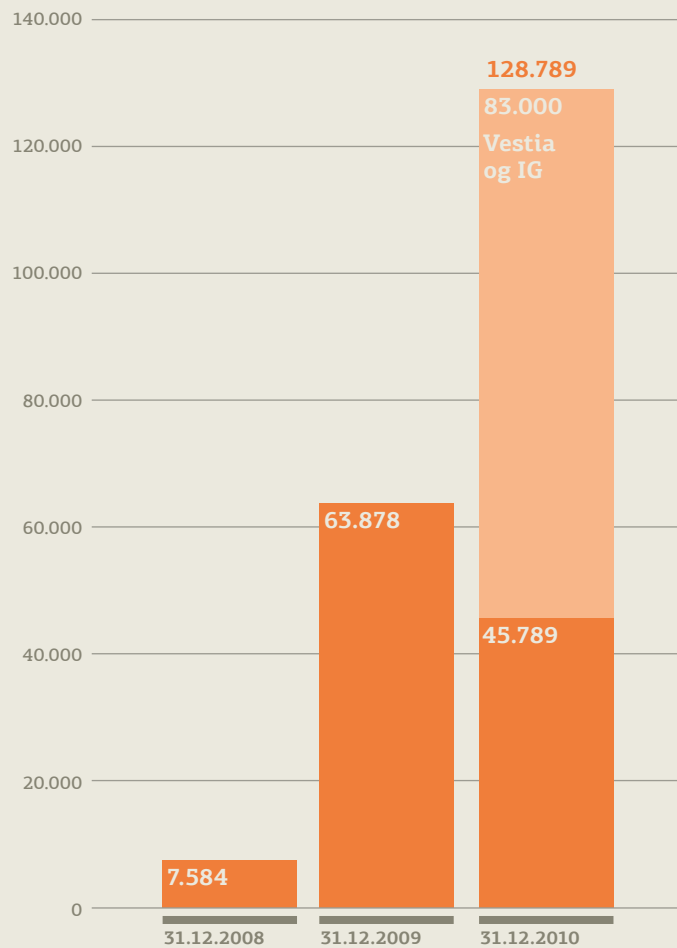


Stærsti eignaliðurinn, *Útlán til viðskiptavina*, lækkaði um 74 milljarða króna eða 11% á árinu. Það á sér þrjár megin skýringar:

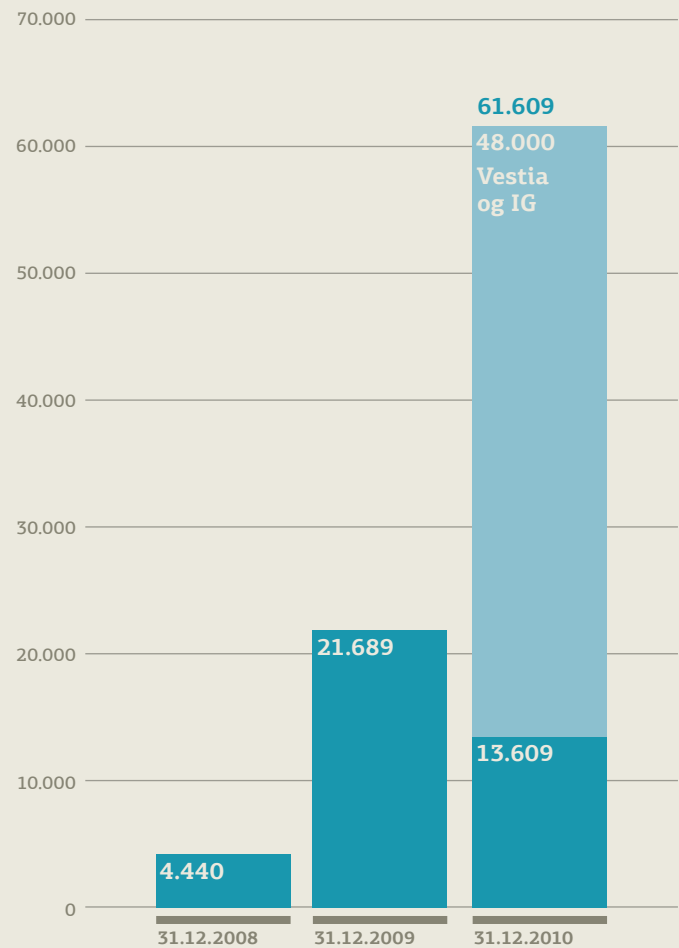
- 1 Við fullnustu eigna færast fjárhæðir úr liðnum útlán yfir í liðinn eignir til sölu. Á árinu færðust rúmlega 20 milljarðar króna milli þessara liða vegna fyrirtækja sem bankinn tók yfir.
- 2 Uppgreiðsla útlána hjá fyrirtækjum með sterkt sjóðflæði. Þetta á einkum við fyrirtæki í sjávarútvegi og öðrum útflutningsiðnaði.
- 3 Eftirspurn eftir nýjum útlánnum er lítil og útlánatækifæri fá. Nýjar lánveitingar eru því í lágmarki.

**Verðmæti eigna til sölu tvöfaldaðist á árinu 2010** og skýrist það einkum af tveimur félögum sem bankinn var með í sölumeðferð, Eignarhaldsfélaginu Vestia ehf. og Icelandic Group hf. Sölu á þeim eignum lauk í byrjun árs 2011 og þá færast eignir og skuldir þessara félaga út úr samstæðunni.

Eignir til sölu



Skuldir tengdar eignum til sölu



Lausafjäreignir	Lausafjárvirði 31.12.2010	Lausafjárvirði 31.12.2009	Breyting 2010	%
Lausafé hjá seðlabönkum	47.777	26.174	21.603	83%
Lán til fjármálastofnana (styttra en 7 dagar)	69.709	57.965	11.744	20%
Skuldabréf hæf til endurhverfra viðskipta	119.196	114.058	5.138	5%
<b>Lausafjäreignir samtals</b>	<b>236.682</b>	<b>198.197</b>	<b>38.485</b>	<b>19%</b>

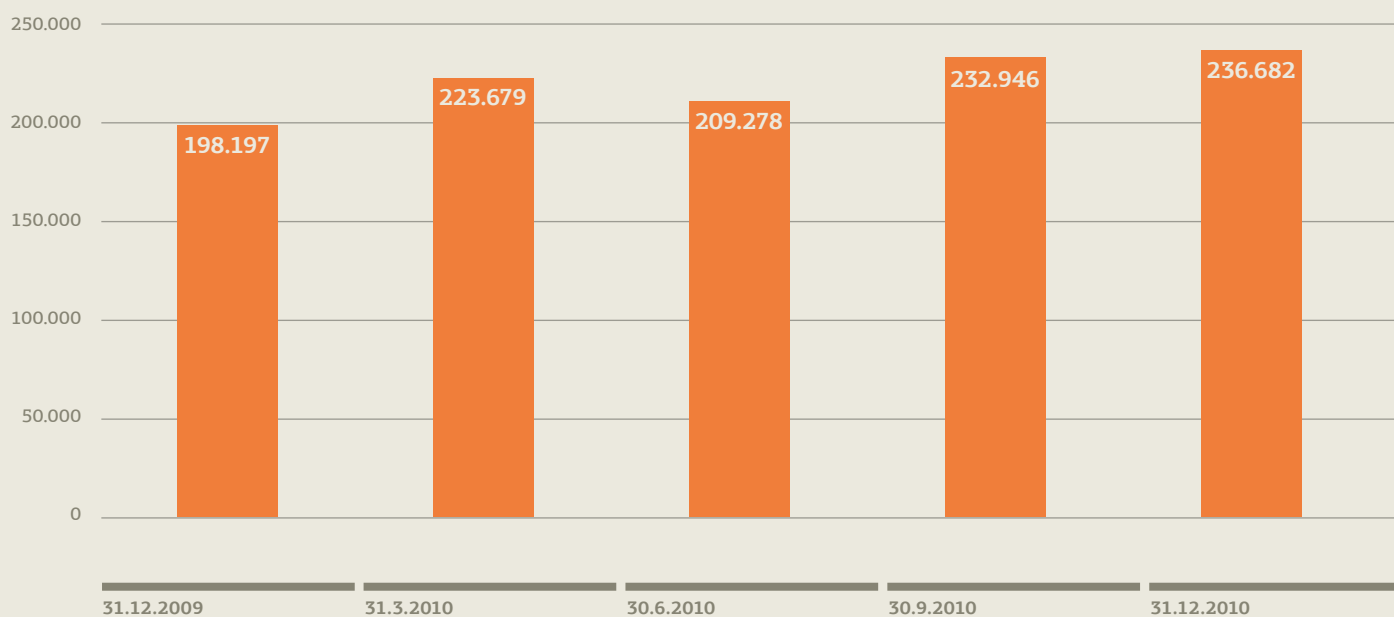
**Lausafjárstaða bankans er mjög sterk** og námu lausafjäreignir bankans 237 milljörðum króna í árslok 2010. Greiðslugetuhlutfall innlána, þ.e. laust fé sem hlutfall af heildarinnlánunum, var 45,6% þann

31.12.2010. Fjármálaeftirlitið gerir kröfu um að hlutfallið sé að lágmarki 5%, en bankinn hefur sett sér sjálfur markmið um að hlutfallið fari ekki niður fyrir 20%.

Þann 7. mars 2011 var ákveðið að sameina rekstur Landsbankans og Spkef. Við þennan samruna mun lausafjárhlutfall Landsbankans lækka en áhrifin verða óveruleg þar sem gert er ráð fyrir að eiginfjár-

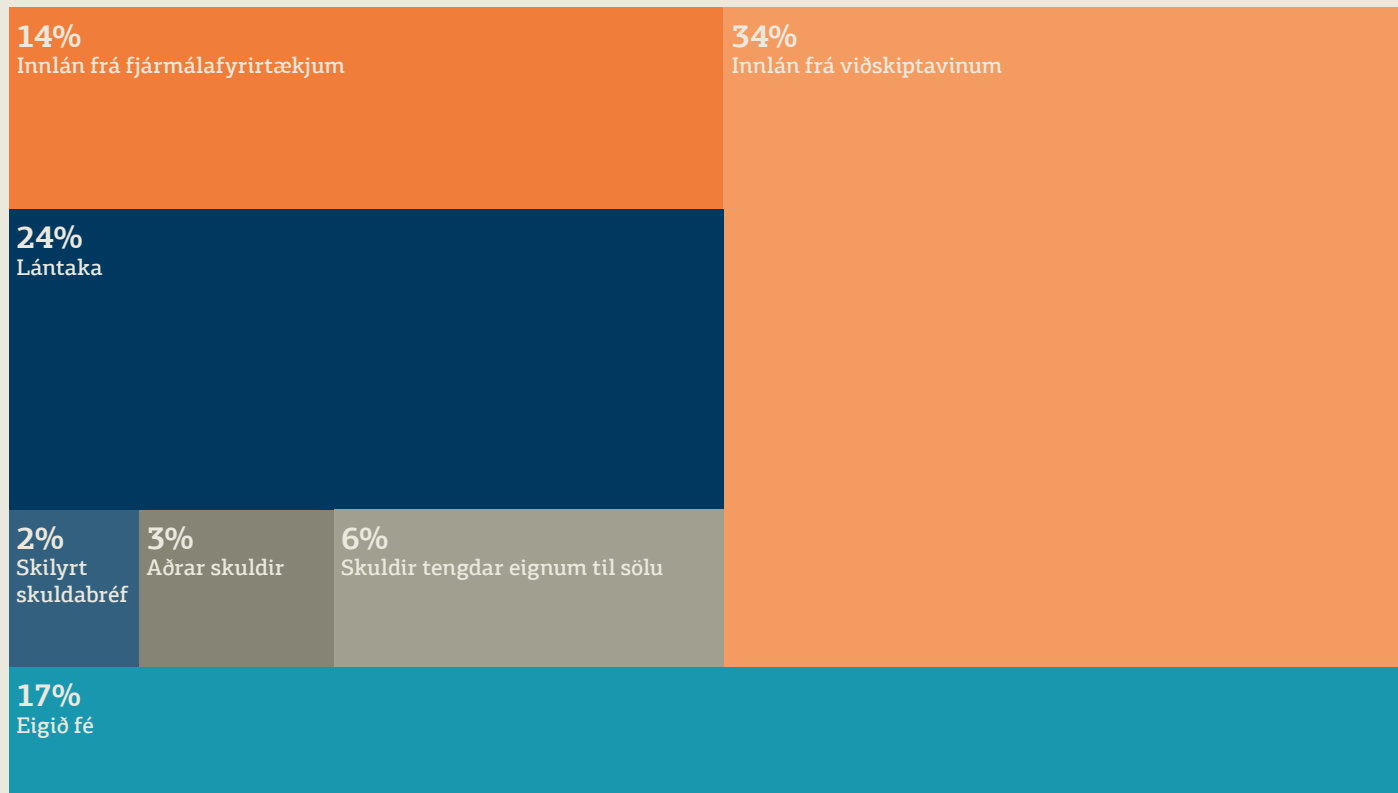
framlag vegna Spkef verði í formi eigna sem teljast laust fé.

#### Þróun á lausafjäreignum árið 2010

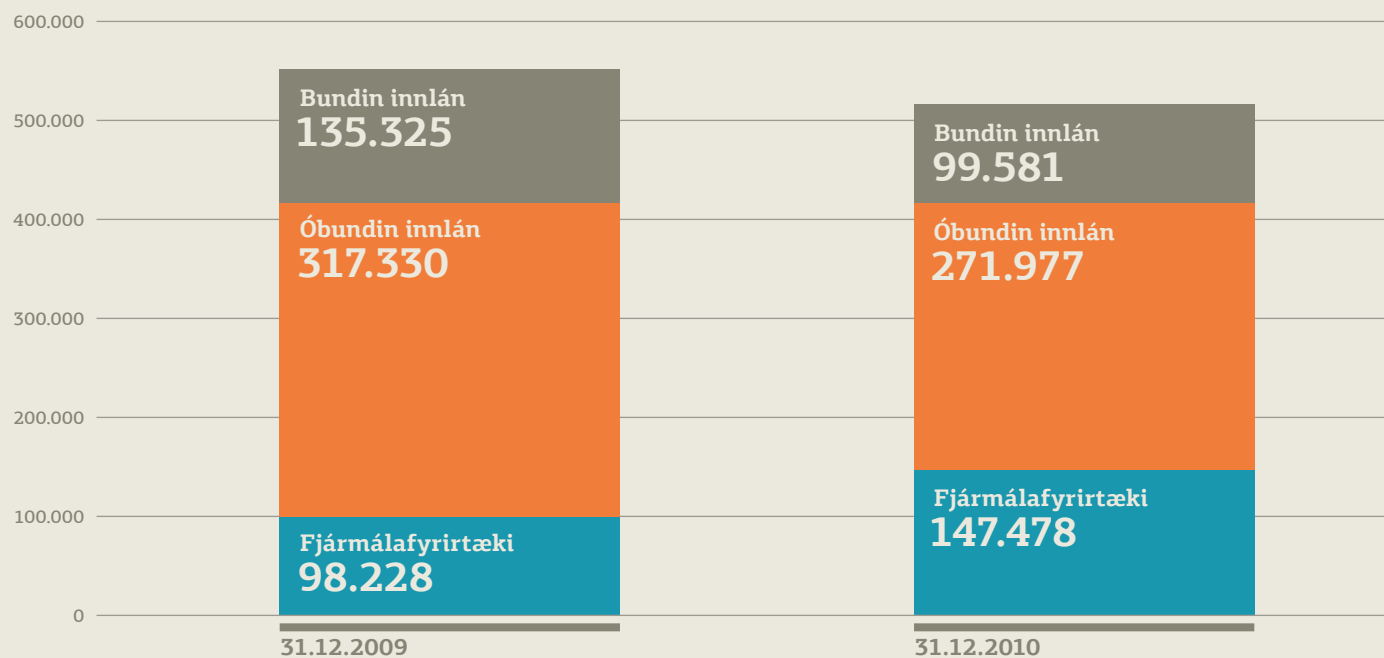


Efnahagsreikningur – skuldir	31.12.2010	31.12.2009	Breyting 2010	%
Innlán frá fjármálafyrirtækjum	147.478	98.228	49.250	50%
Innlán frá viðskiptavinum	371.558	452.655	-81.097	-18%
Lántaka	261.313	306.493	-45.180	-15%
Skilyrt skuldabréf	26.510	10.241	16.269	159%
Aðrar skuldir	27.800	14.203	13.597	96%
Skuldir tengdar eignum til sölu	61.609	21.689	39.920	184%
Eigið fé	184.866	157.592	27.274	17%
<b>Samtals</b>	<b>1.081.133</b>	<b>1.061.101</b>	<b>20.032</b>	<b>2%</b>

## Skuldir



## Samsetning innlána



## Innlánaþróun - helstu breytingar

### Innlán fjármálafyrirtækja jukust um 49 milljarða eða 50% á árinu.

Erlend fjármálafyrirtæki hafa lagt inn á innlánsreikninga í framhaldi af innlausn á ríkisskuldabréfum á árinu.

Landsbanki Íslands hf. hefur gengið að innlánsveðum viðskiptavina sinna og vistað sem innlán hjá bankanum.

### Innlán viðskiptavina lækkuðu um 81 milljarð króna eða 18% á árinu.

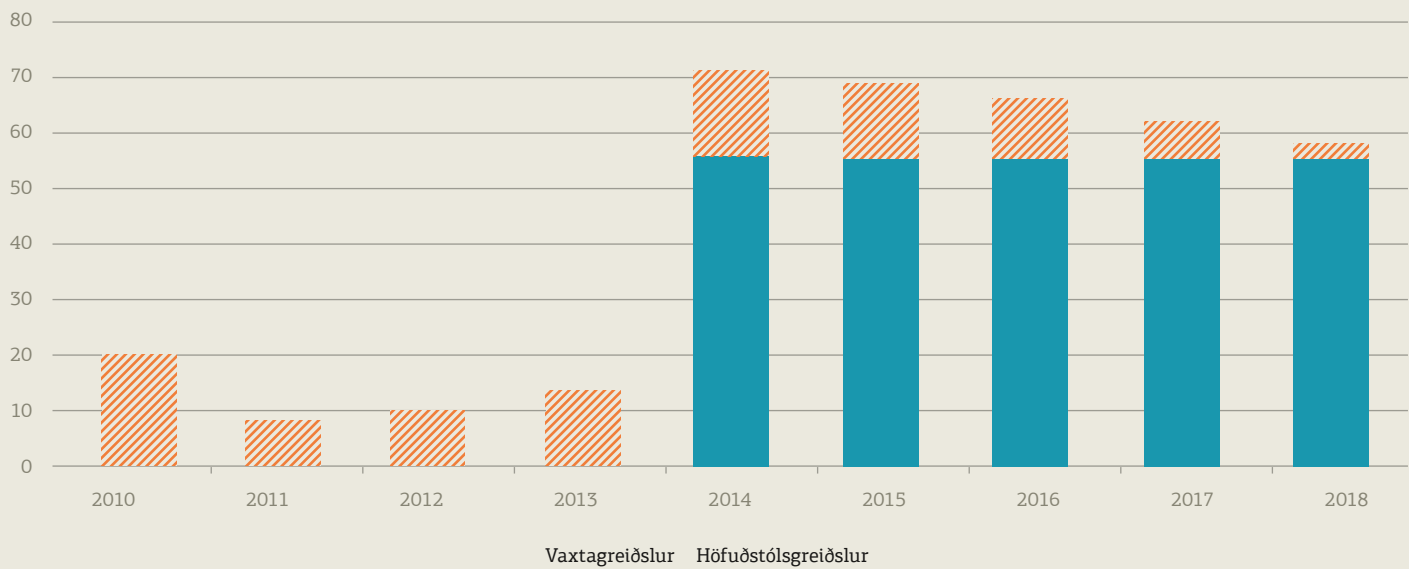
Gengisbundin innlán hafa lækkað vegna styrkingar íslensku krónunnar.

Innlán eignarhaldsfélaga í slitameðferð lækkuðu á árinu vegna útgreiðslna til kröfuhafa þeirra.

Einstaklingar hafa leitað annarra ávöxtunarleiða fyrir sparifé sitt vegna lágra innlánsvaxta auk þess að nýta sparnað til að standa í skilum og greiða upp lán.

## Lántaka - áætlað greiðsluflæði af skuldabréfi til Landsbanka Íslands hf.

ISK milljarðar



**Skuldabréf til Landsbanka Íslands hf. stóð í 261 milljarði króna í árslok 2010 og lækkaði um 45 milljarða króna á árinu. Skuldabréfið er í erlendum myntum sem veiktust gagnvart íslensku krónunni. Skuldabréfið lækkar því á árinu í krónum talið.**

Þann 16. desember 2009 sömdu Landsbankinn og Landsbanki Íslands hf. (LBI) um uppgjör vegna mismunar á eignum og innlendum innistæðum sem færðar voru til Landsbankans. Gefið var út skuldabréf í erlendum myntum til 10 ára og er skuldabréfið afborgunarlaust fyrstu fimm

árin. Að auki fékk LBI 18,7% eignarhlut í bankanum.

Landsbankinn og LBI sömdu jafnframt um að ákveðinn hluti af lánasafni bankans yrði sérmerkt (e. ring-fenced) og virðisaukning af þeim lánum myndi skipast 15%/85% milli Landsbankans og LBI.

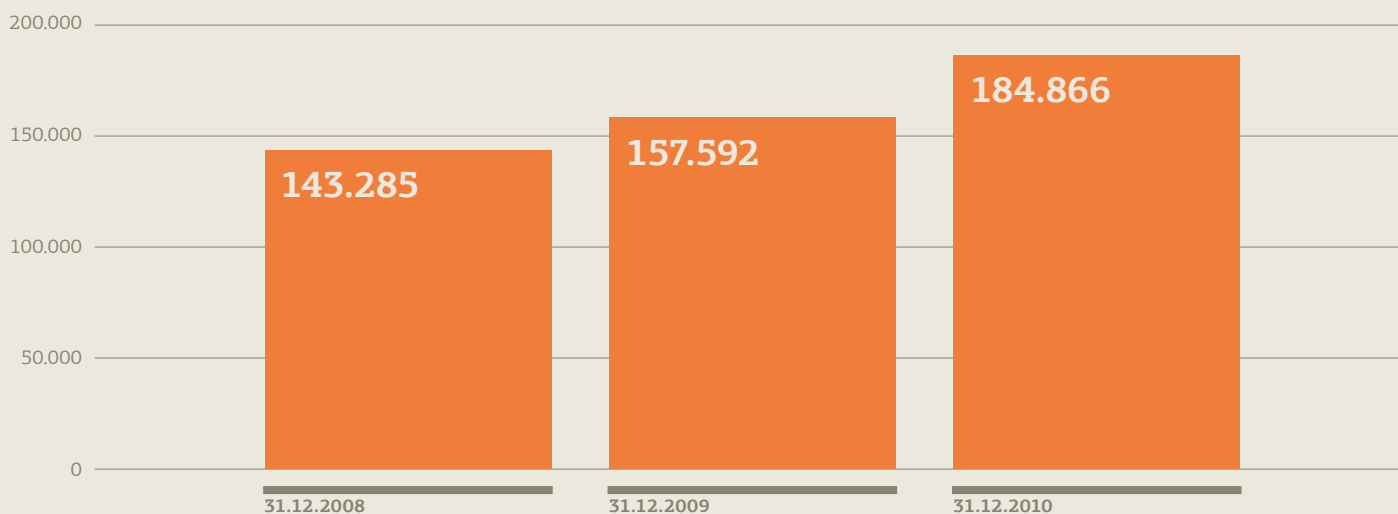
Virðismatið mun fara fram í lok árs 2012 og í framhaldinu mun bankinn gefa út 5 ára skuldabréf til LBI að því gefnu að virðisaukning hafi orðið í lánasafninu.

Viðbótarskuldabréfið getur að hámarki orðið 92 milljarðar króna. Verði bréfið gefið út

að fullu mun LBI láta allan eignarhlut sinn af hendi til Bankasýslu ríkisins. Hlutfallslegt virði skuldabréfsins hefur áhrif á hversu stóran eignarhlut LBI lætur af hendi í lok árs 2011.



## Eigið fé



## Eiginfjárstaða bankans er mjög sterk og jókst eigið fé bankans um rúma 27 milljarða króna eða 17% á árinu 2010.

Skilyrta skuldabréfið til LBI stendur í 26,5 milljörðum króna. Ef lokavirði bréfsins yrði eins og staðan er nú þá myndi LBI afhenda Bankasýslu ríkisins u.þ.b. 5% hlut í bankanum og Bankasýsla ríkisins færi því með rúmlega 86% af hlutfé bankans. Ef miðað er við innra

virði Landsbankans þá er virði hlutarins í dag um 160 milljarðar króna. Eignarhlutur ríkisins hefur því hækkað um 38 milljarða króna frá stofnun bankans. Á sama tíma var fjármagnskostnaður ríkisins af eiginfjárframlaginu, sem bankanum var upphaflega lagt

til, um 27 milljarðar króna. Virði eignarhlutar ríkisins hefur því hækkað um 11 milljarða króna umfram fjármögnunarkostnað.

Eiginfjárhlutfall (CAD) Landsbankans er nú 19,5% og hefur hækkað um 31% á árinu.

Í byrjun árs var eiginfjárhlutfallið 14,9%. Núverandi eiginfjárhlutfall er vel umfram það 16% lágmark sem Fjármálaeftirlitið gerir kröfu um.

Rekstrarreikningur	2010	2009	Breyting	%
Hreinar vaxtatekjur	24.685	14.574	10.111	69%
Virðisbreyting útlána	641	6.954	-6.313	-91%
<b>Hreinar vaxtatekjur eftir virðisbreytingu útlána</b>	<b>25.326</b>	<b>21.528</b>	<b>3.798</b>	<b>18%</b>
Hreinar þjónustutekjur	3.582	4.213	-631	-15%
Gjaldeyrisingismunur	14.623	-3.000	17.623	587%
Aðrar rekstrartekjur	7.318	7.984	-666	-8%
<b>Afkoma fyrir rekstrarkostnað</b>	<b>50.849</b>	<b>30.725</b>	<b>20.124</b>	<b>65%</b>
Laun og tengd gjöld	9.331	8.468	863	10%
Önnur rekstrargjöld	7.312	6.064	1.248	21%
Afskriftir rekstrarfjármuna	1.311	1.278	33	3%
Kostnaður tengdur yfirtöku eigna frá LBI	542	1.044	-502	-48%
<b>Rekstrarkostnaður</b>	<b>18.496</b>	<b>16.854</b>	<b>1.642</b>	<b>10%</b>
Hlutdeild í afkomu hlutdeildarféлага, að frádregnum skatti	291	383	-92	-24%
<b>Hagnaður (tap) fyrir skatta</b>	<b>32.644</b>	<b>14.254</b>	<b>18.390</b>	<b>129%</b>
Áætlaður tekju- og bankaskattur	8.182	615	7.567	1230%
<b>Hagnaður af reglulegri starfsemi</b>	<b>24.462</b>	<b>13.639</b>	<b>10.823</b>	<b>79%</b>
Hagnaður (tap) af aflagðri starfsemi, að frádregnum skatti	2.769	693	2.076	300%
<b>Hagnaður tímabilsins</b>	<b>27.231</b>	<b>14.332</b>	<b>12.899</b>	<b>90%</b>

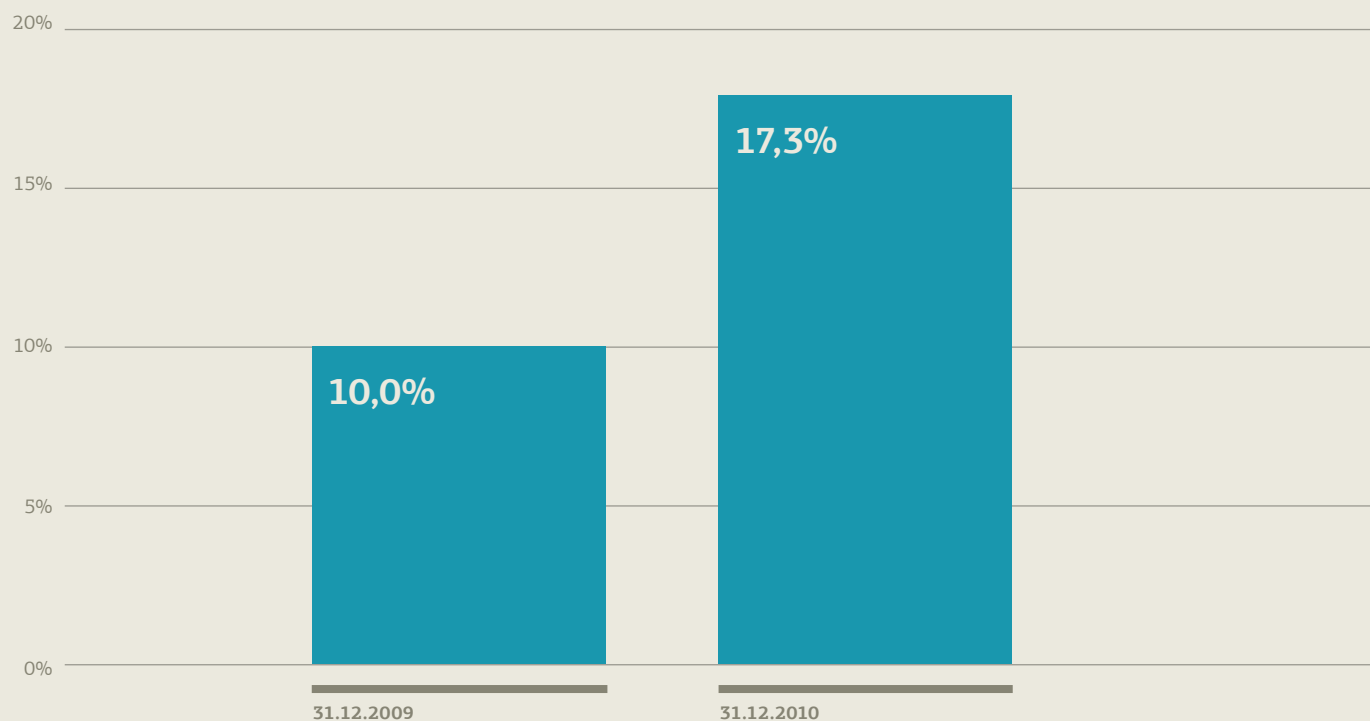
**Sérstök gjaldfærsla er í rekstrarreikningi til að mæta dómum sem fallið hafa á árinu 2010 og snemma árs 2011 um lögmæti lánasamninga erlendra lána hjá bæði einstaklingum og fyrirtækjum. Fjárhæð gjaldfærslunnar nemur 18,1 milljarði króna.**

Vegvísir um kostnaðarlutfall úr nýrri stefnu bankans (sjá nánar í kafla 4)

Markmið	Lykilmæling	2010	2011	2012	2013
Hagkvæmni	Kostnaðarlutfall	36,4*	<50%	<50%	<50%

\* 51,1% án gengismunar

## Arðsemi eigin fjár



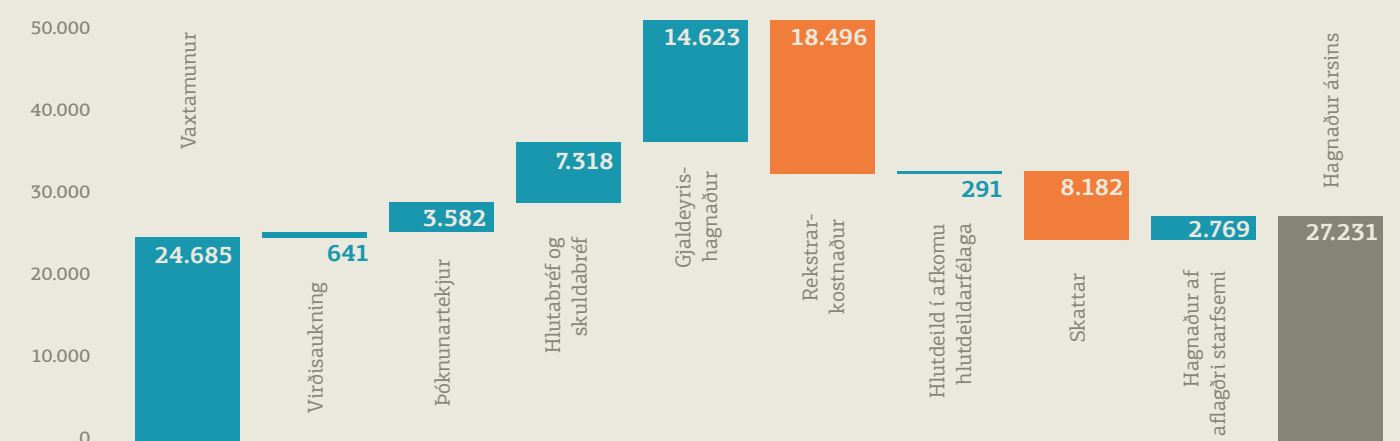
**Arðsemi eigin fjár á árinu 2010 nam 17,3% samanborið við 10% á árinu 2009. Hækkunin nemur 7,3 prósentustigum milli ára. Arðsemiskrafa eigenda bankans er 12% fyrir árið 2010 og er bankinn því að skila mun meiri arðsemi en reiknað var með á árinu. Til framtíðar er miðað við að arðsemi bankans nemi áhættulausri fjárfestingu að viðbættu álagi upp á 5,25%.**

**Vegvísir um arðsemi úr nýrri stefnu bankans** (sjá nánar í kafla 4)

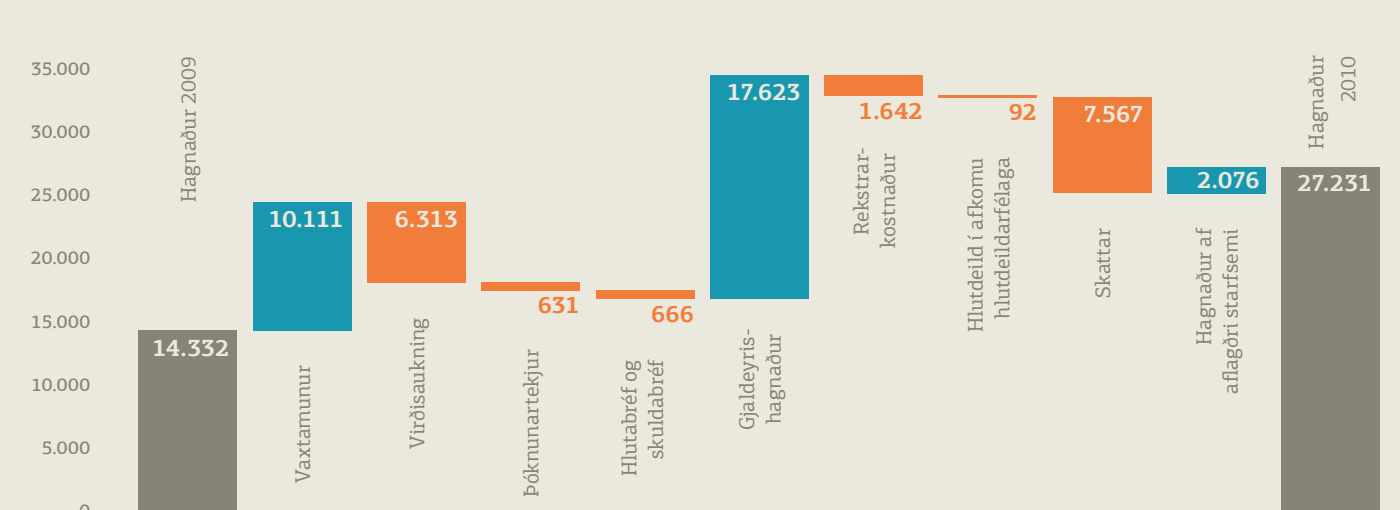
Markmið	Lykilmæling	2010	2011	2012	2013
Arðsemi fyrir skatta	Hagnaður f. skatta/eigið fé*	20,7%	5,25% + áhættulausir vextir	5,25% + áhættulausir vextir	5,25% + áhættulausir vextir

\*Fyrir skatta og án áhrifa af aflagðri starfsemi

## Afkoma 2010



## Samanburður á afkomu 2009 og 2010



Afkoma af kjarnastarfsemi bankans er góð þar sem stærsti liðurinn í hagnaðinum er vaxtamunur. Vaxtamunur sem hlutfall af meðalstöðu heildareigna á árinu 2010 var 2,3% samanborið við 1,4% á árinu 2010. Aukning í vaxtamun skýrist af því að ávöxtunarkrafa bankans á stóran hluta útlána sem keypt voru af LBI er föst.

Hagnaður af markaðsverðbréfum bankans nam 7,3 milljörðum króna á árinu 2010.

Rekstrarkostnaður bankans nam 18,5 milljörðum króna og hækkaði um 1,6 milljarða króna eða 10% frá árinu 2009.

## Gjaldeyrisjöfnuður og gengismunur

	EUR	GBP	USD	JPY	CHF	Annað	Alls
31.12.2009	-101.988	-39.961	939	49.966	62.049	32.945	3.950
31.12.2010	-45.352	-27.158	-303	17.433	9.191	15.566	-30.623
<b>Meðalstaða</b>	<b>-73.670</b>	<b>-33.560</b>	<b>318</b>	<b>33.700</b>	<b>35.620</b>	<b>24.256</b>	<b>-13.337</b>
Gengi 31.12.2009	180	202	125	1,35	121	21	
Gengi 31.12.2010	154	178	115	1,41	123	20	
Gengisbreyting	-14,50%	-11,47%	-7,89%	4,64%	1,36%	-7,96%	
<b>Gengishagnaður</b>	<b>10.681</b>	<b>3.850</b>	<b>-25</b>	<b>1.563</b>	<b>485</b>	<b>-1.931</b>	<b>14.623</b>

Annar stærsti liðurinn í jákvæðri afkomu bankans er gengishagnaður. Hann er að mestu tilkominn vegna innbyrðis gengishreyfinga erlendra mynta. Evra, dollar og pund hafa veikt gagnvart svissneskum franka og japönsku jeni og hefur það jákvæð áhrif í rekstrarreikningi bankans.

## Virðisbreyting útlána

Flokkur	Virðisbreyting útlána	Gengisdómur	Virðisbreyting útlána eftir gengisdóm
Einstaklingar	-1.755	-4.729	-6.484
Fyrirtæki	36.823	-13.429	23.394
	<b>35.068</b>	<b>-18.158</b>	<b>16.910</b>

## Heildaráhrif

Virðisbreyting útlána eftir gengisdóm	16.910
Gangvirðisbreyting skuldabréfs	-16.269
	<b>641</b>

**Virðisaukning af útlánasafni bankans var 641 milljón króna að teknu tilliti til gjaldfærslna vegna gengisdóma upp á 18,2 milljarða króna og 16,3 milljarða króna virðisaukningar sem rennur til LBI.**

Virðisaukning útlánasafns byggist á betri endurheimtum af lánnum til fyrirtækja. Skýrist það af því að fyrirtæki standa betur undir endurgreiðslum lána en ráð var gert fyrir þegar lánin voru færð á milli Landsbankans og LBI. Nemur virðisaukningin 23,4 milljörðum króna að teknu tilliti til áhrifa gengisdóma.

Virðislækkun bankans af lánasafni einstaklinga var 6,5 milljarðar króna eftir gengisdóma sem jafngildir því að Landsbankinn hefur fært eða mun færa niður skuldir einstaklinga um sömu fjárhæð.





# Landsbankinn

## Consolidated Financial Statements 2010

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## Endorsement and Statement by the Board of Directors and the CEO

The Consolidated Financial Statements of NBI hf. (hereafter "Landsbankinn" or the "Bank") for the financial year 2010 include the Bank and its subsidiaries (collectively referred to as the "Group").

Landsbankinn was founded by the Ministry of Finance on 7 October 2008 and had initial capital of ISK 775 million, paid in cash. The Bank commenced operations on the basis of a decision by the Financial Supervisory Authority (FME) on 9 October 2008. Originally the Bank was named New Landsbanki Íslands hf., but at a shareholders' meeting held on 21 October 2008 a resolution was passed to change the name to NBI hf. The Bank has nevertheless operated under the trade name of Landsbankinn. The Group's primary lines of business are corporate and retail banking, investment banking, asset management and leasing services.

Landsbankinn is currently owned by two entities: Landsskil, which is owned by Landsbanki Íslands hf. and wields 18.7% of voting rights; and Icelandic State Financial Investments (ISFI), which wields 81.3% of voting rights.

In February 2010, a new Board of Directors was elected. The new Board engaged Steinþór Pálsson to replace Ásmundur Stefánsson as CEO of the Bank as of 1 June 2010.

All positions of managing directors of Landsbankinn were advertised for application and filled in October of 2010.

### Operations in 2010

Consolidated profit amounted to ISK 27,231 million for the financial year 2010. The Board of Directors proposes that no dividend will be paid. Consolidated total equity amounted to ISK 184,866 million at the end of the year, including share capital amounting to ISK 24,000 million. The capital adequacy ratio of the Group, calculated according to the Act on Financial Undertakings, was 19.5% at year-end 2010.

The year 2010 can rightly be described as a year of preparation and restructuring. Foundations in the form of revised and new processes have been laid for the Bank to become a force for change in the Icelandic economy. Focus has been placed on internal rebuilding and renewal and a new strategy implemented to guide powerful participation in the economic recovery of Iceland.

Landsbankinn announced its new strategy on 1 October 2010, setting out its goals and vision for 2010 through 2015. At the same time, a new organisational chart entered into effect.

On 16 June 2010 the Supreme Court of Iceland ruled in two separate cases that foreign currency linked lease agreements constituted obligations in ISK indexed to foreign currencies, which is not permitted under the law.

On 23 February 2011 the District Court of Reykjavik ruled in a case involving a foreign currency loan agreement of NBI hf. that the loan is in fact denominated in Icelandic Krona bearing from inception the lowest interest rates on unindexed ISK denominated loans as published by the Central Bank of Iceland.

Based on the rulings of the Icelandic Courts and on the guidelines from the Financial Supervisory Authority in Iceland (FME), the Group has changed during the year 2010 the accounting for all types of foreign currency lease agreements which are within the scope of law no. 38/2001 and for certain types of foreign currency loan agreements. Accordingly, the Group accounts for these agreements as denominated in Icelandic Krona (ISK) bearing from inception the lowest interest rates on unindexed ISK denominated loans as published by the Central Bank of Iceland. Future legal processes and government actions may, however, lead to different outcomes, which could necessitate material adjustments to the carrying amounts of assets and liabilities within the next financial year.

### Outlook

According to the financial budget, the Bank's results will meet profitability targets for the period 2011 - 2013.

Due to restrictions on movement of capital between Iceland and other countries the Group has limited ability to mitigate the risk from ISK related currency fluctuations. However, the Group has taken various measures to decrease its overall currency risk and expects future currency risk levels to be within acceptable limits.

Restructuring of the finances of households and companies remains Landsbankinn's key task for the next year. Various remedies were put in place in 2010 to ensure that goals will be met in this area.

As investment and economic growth still leave something to be desired the outlook for the Icelandic economy remains uncertain. Despite this, many economic indicators show that a turnaround can be expected in 2011.

## Risk Management

It is the view of the Board of Directors that sound risk management is a strategic tool to enhance value generation. Internal control should ensure effective operations and prudent management of risks that could otherwise prevent the Bank from attaining its business targets.

The Bank has significantly improved the framework and policies in 2010, bringing them to a level with international best practices. To this end the Bank has re-evaluated the credit process, established a credit underwriting unit within the Risk Management division, designed and implemented an Early Warning System and enhanced risk modelling. The Bank aims to further strengthen the risk management process in the coming year. Further description of the Bank's risk management is provided in Notes 44-79.

According to a legislation passed in 2009 the salary of the CEO of Landsbankinn is determined by the Compensation Council ("Kjararáð"). The Council determines remuneration and terms of employment of high level government employees, including CEOs of companies in which the government holds a majority of shares. It is a great concern of the Board that the decision of Kjararáð regarding the salary of the CEO of Landsbankinn is not set at a competitive level.

## Statement by the Board of Directors and the CEO

The Consolidated Financial Statements for the year ended 31 December 2010 have been prepared on a going concern basis in accordance with International Financial Reporting Standards as adopted by the EU.

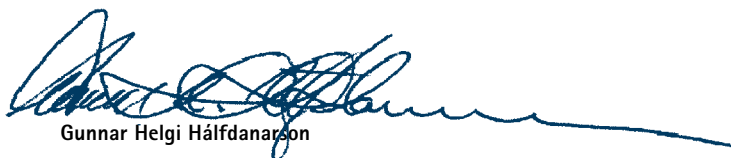
In our opinion the Consolidated Financial Statements give a true and fair view of the consolidated financial performance of the Group for the year 2010, its consolidated financial position as at 31 December 2010 and its consolidated cash flows for the year 2010.

Furthermore, in our opinion, the Consolidated Financial Statements and Endorsement of the Board of Directors and CEO give a fair view of the development and performance of the Group's operations and its position and describes the principal risks and uncertainties faced by the Group.

The Board of Directors and the CEO have today discussed the Consolidated Financial Statements of NBI hf. for the year 2010 and confirm them by their signatures. The Board of Directors and the CEO recommend that the Consolidated Financial Statements be approved at the Annual General Meeting of NBI hf.

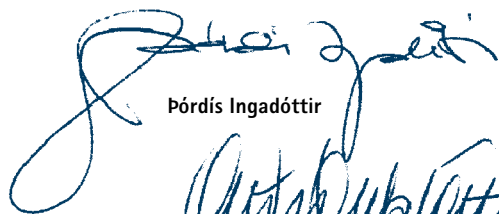
Reykjavík, 31 March 2011.

### Board of Directors



Gunnar Helgi Hálfðanarson

Chairman



Þórdís Inga dóttir



Sigríður Hrólfsdóttir

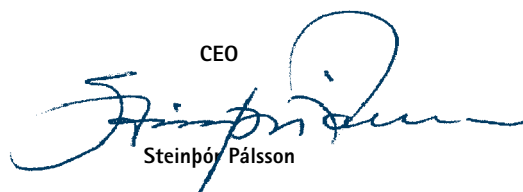


Guðriður Ólafsdóttir



Ólafur Helgi Ólafsson

CEO



Steinþór Pálsson



## **Independent Auditor's Report**

To the Board of Directors and Shareholders of NBI hf.

We have audited the accompanying consolidated financial statements of NBI hf., which comprise the consolidated statement of financial position as at December 31, 2010, the consolidated income statement, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of NBI hf. as at December 31, 2010, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

### **Report on the Board of Directors report**

Pursuant to the legal requirement under Article 106, Paragraph 1, Item 5 of the Icelandic Financial Statement Act No. 3/2006, we confirm that, to the best of our knowledge, the report of the Board of Directors accompanying the financial statements includes the information required by the Financial Statement Act if not disclosed elsewhere in the Financial Statements.

Reykjavík, 31 March 2011.

KPMG ehf.



Reynir Stefán Gylfason



Helgi F. Arnarson

## Consolidated Statement of Financial Position as at 31 December 2010

Notes		2010	2009
<b>Assets</b>			
7	Cash and balances with Central Bank	47,777	26,174
6, 8	Bonds and debt instruments	161,559	165,721
6, 8	Equities and equity instruments	29,429	23,411
6, 9	Derivative instruments	23	971
10	Loans and advances to financial institutions	91,882	83,129
11, 37	Loans and advances to customers	592,954	667,122
12	Investments in associates	3,340	2,945
13	Property and equipment	5,016	6,030
14	Intangible assets	878	1,058
21	Deferred tax assets	1,522	6,682
15	Other assets	17,965	13,980
		<b>952,344</b>	<b>997,223</b>
16	Assets classified as held for sale	128,789	63,878
	<b>Total assets</b>	<b>1,081,133</b>	<b>1,061,101</b>
<b>Liabilities</b>			
17	Due to financial institutions and Central Bank	147,478	98,228
18	Deposits from customers	371,558	452,655
6, 9	Derivative instruments and short positions	7,119	5,943
21	Tax liabilities	1,979	83
19, 37	Secured bonds	261,313	306,493
6,20,37	Contingent bond	26,510	10,241
22	Other liabilities	18,702	8,177
		<b>834,659</b>	<b>881,820</b>
	Liabilities associated with assets classified as held for sale	61,609	21,689
	<b>Total liabilities</b>	<b>896,268</b>	<b>903,509</b>
23	<b>Equity</b>		
	Share capital	24,000	24,000
	Share premium	123,898	123,898
	Statutory reserve	2,932	741
	Retained earnings	31,828	6,791
	<b>Total equity attributable to owners of the Bank</b>	<b>182,658</b>	<b>155,430</b>
	Non-controlling interests	2,207	2,162
	<b>Total equity</b>	<b>184,866</b>	<b>157,592</b>
	<b>Total liabilities and equity</b>	<b>1,081,133</b>	<b>1,061,101</b>

The accompanying notes are an integral part of these consolidated financial statements.

## Consolidated Income Statement for the Year ended 31 December 2010

Notes	2010	2009	
	Interest income	61,060	81,476
	Interest expense	(36,374)	(66,902)
24	<b>Net interest income</b>	<b>24,685</b>	<b>14,574</b>
25	Net adjustments to loans and advances acquired at deep discount	49,702	23,772
4(i), 25	Loss from foreign currency linkage of loans and advances to customers	(18,158)	-
25, 61	Net impairment loss on loans and advances	(14,636)	(6,577)
6, 20	Fair value change of contingent bond	(16,269)	(10,241)
	<b>Net adjustments in valuation</b>	<b>641</b>	<b>6,954</b>
	<b>Net interest income after adjustments in valuation</b>	<b>25,326</b>	<b>21,528</b>
	Fee and commission income	6,292	6,835
	Fee and commission expense	(2,710)	(2,622)
26	<b>Net fee and commission income</b>	<b>3,582</b>	<b>4,213</b>
27, 29	Net gain on financial assets designated as at fair value through profit or loss	6,359	4,020
28, 29	Net gain on financial assets and liabilities held for trading	2,536	3,062
30	Net foreign exchange gain (loss)	14,623	(3,000)
31	Other income and expenses	(1,577)	902
	<b>Other net operating income</b>	<b>21,941</b>	<b>4,984</b>
	<b>Total operating income</b>	<b>50,849</b>	<b>30,725</b>
32	Salaries and related expenses	9,331	8,468
33	Other operating expenses	7,312	6,064
13	Depreciation and amortisation	1,311	1,278
34	Acquisition-related costs	542	1,044
	<b>Total operating expenses</b>	<b>18,496</b>	<b>16,854</b>
12	Share of profit of associates, net of income tax	291	383
	<b>Profit before tax</b>	<b>32,644</b>	<b>14,254</b>
35	Income tax expense	(7,782)	(615)
22	Tax on liabilities of financial institutions	(400)	-
	<b>Profit for the year from continuing operations</b>	<b>24,462</b>	<b>13,639</b>
	Profit for the year from discontinued operations, net of income tax	2,769	693
	<b>Profit for the year</b>	<b>27,231</b>	<b>14,332</b>
	<b>Profit (loss) for the year attributable to:</b>		
	<b>Owners of the Bank</b>		
	Profit for the year from continuing operations	24,462	13,639
	Profit for the year from discontinued operations	2,766	838
	<b>Profit for the year attributable to owners of the Bank</b>	<b>27,228</b>	<b>14,477</b>
	<b>Non-controlling interests</b>		
	Profit for the year from continuing operations	-	-
	Profit (loss) for the year from discontinued operations	3	(145)
	<b>Profit (loss) for the year attributable to non-controlling interests</b>	<b>3</b>	<b>(145)</b>
	<b>Profit for the year</b>	<b>27,231</b>	<b>14,332</b>

\* Certain comparative amounts have been changed in conformity with current year presentation (see Note 2 – Changes in presentation).

## Consolidated Statement of Changes in Equity for the Year ended 31 December 2010

### Notes

	Attributable to owners of the Bank					Non-	
	Share capital	Share premium	Statutory reserve	Retained earnings	Total	controlling interests	Total
<b>Change in equity for the year 2009</b>							
Balance at 1 January 2009	24,000	125,898	-	(6,945)	142,953	332	143,285
Profit for the year				14,477	14,477	(145)	14,332
Transfer to statutory reserve			741	(741)	0		0
Deemed capital distribution		(2,000)			(2,000)		(2,000)
Changes in ownership interests in subsidiaries that do not result in loss of control					0	1,975	1,975
<b>Balance at 31 December 2009</b>	<b>24,000</b>	<b>123,898</b>	<b>741</b>	<b>6,791</b>	<b>155,430</b>	<b>2,162</b>	<b>157,592</b>
<b>Change in equity for the year 2010</b>							
Balance at 1 January 2010	24,000	123,898	741	6,791	155,430	2,162	157,592
Profit for the year				27,228	27,228	3	27,231
Transfer to statutory reserve			2,191	(2,191)	0		0
Changes in ownership interests in subsidiaries that do not result in loss of control					0	43	43
<b>Balance at 31 December 2010</b>	<b>24,000</b>	<b>123,898</b>	<b>2,932</b>	<b>31,828</b>	<b>182,658</b>	<b>2,208</b>	<b>184,866</b>

The accompanying notes are an integral part of these consolidated financial statements.

## Consolidated Statement of Cash Flows for the Year ended 31 December 2010

Notes	2010	2009
<b>Operating activities</b>		
Profit for the year	27,231	14,332
Adjustments for non-cash items included in profit for the year	(39,329)	(25,654)
Changes in operating assets and liabilities	(11,300)	(29,770)
Interest received	98,601	94,024
Interest paid	(43,397)	(56,303)
Dividends received	583	785
Income tax paid	(470)	(461)
<b>Net cash from (used in) operating activities</b>	<b>31,919</b>	<b>(3,047)</b>
<b>Investing activities</b>		
Acquisition of additional shares in associates	-	(44)
13 Purchase of property and equipment	(91)	(299)
13 Proceeds from sale of property and equipment	79	129
14 Acquisition of intangible assets	(104)	(112)
<b>Net cash used in investing activities</b>	<b>(116)</b>	<b>(326)</b>
<b>Financing activities</b>		
Proceeds from issue of share capital in subsidiaries	-	88
<b>Net cash from financing activities</b>	<b>0</b>	<b>88</b>
Net change in cash and cash equivalents	31,803	(3,285)
Cash and cash equivalents at the beginning of the year	21,166	22,897
Effect of exchange rate changes on cash and cash equivalents held	(314)	1,554
<b>Cash and cash equivalents at 31 December</b>	<b>52,654</b>	<b>21,166</b>
<b>Investing and financing activities not affecting cash flows</b>		
Settlement of capital contribution through receipt of Icelandic government bonds	-	121,225
Settlement of capital contribution through offset against provisional liability due to Landsbanki Íslands hf.	-	28,000
Settlement of interest on capital contribution through offset against provisional liability due to Landsbanki Ísland	-	4,270
Settlement of provisional liability due to Landsbanki Íslands hf. through borrowings	-	312,168

The accompanying notes are an integral part of these consolidated financial statements.

## Consolidated Statement of Cash Flows for the Year ended 31 December 2010

Notes	2010	2009	
<b>Adjustments for non-cash items included in profit for the year</b>			
24	Net interest income	(24,685)	(14,574)
25	Net adjustments to loans and advances acquired at deep discount	(49,702)	(23,772)
4(i)	Loss from foreign currency linkage of loans and advances to customers	18,158	-
25, 61	Net impairment loss on loans and advances	14,636	6,577
6, 20	Fair value change of contingent bond	16,269	10,241
13	Depreciation and amortisation	1,311	1,278
35	Income tax	7,782	615
22	Tax on liabilities of financial institutions	400	-
12	Share of profit of associates, net of income tax	(291)	(383)
27	Net (gain) loss on financial assets designated as at fair value through profit or loss	(6,359)	(4,020)
28	Net gain on financial assets held for trading	(2,536)	(3,062)
30	Net foreign exchange loss (gain)	(14,308)	1,446
		<b>(39,329)</b>	<b>(25,654)</b>
<b>Changes in operating assets and liabilities</b>			
	Change in reserve requirement with Central Bank	3,400	(719)
	Change in bonds and equities	(5,455)	8,829
	Change in loans and advances to financial institutions	(4,514)	(21,895)
	Change in loans and advances to customers	23,117	(6,172)
	Change in other assets	200	5,003
	Change in assets classified as held for sale	(9,612)	-
	Change in due to financial institutions and Central Bank	51,560	(31,019)
	Change in deposits from customers	(80,954)	24,493
	Change in tax liability	(3,667)	-
	Change in repossessed collateral	2,152	(4,419)
	Change in other liabilities	3,069	(3,871)
	Change in liabilities associated with assets classified as held for sale	9,406	-
		<b>(11,300)</b>	<b>(29,770)</b>
<b>Cash and cash equivalents is specified as follow:</b>			
7	Cash and unrestricted balances with Central Bank	45,810	16,538
10	Bank accounts with financial institutions	6,844	4,628
	<b>Cash and cash equivalents at 31 December</b>	<b>52,654</b>	<b>21,166</b>

The accompanying notes are an integral part of these consolidated financial statements.



## Notes to the Consolidated Financial Statements

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## Notes to the Consolidated Financial Statements

### 1. Reporting entity

NBI hf. (hereinafter referred to as the "Bank") was founded on 7 October 2008 by the Ministry of Finance on behalf of the Icelandic State Treasury. The Bank is a limited liability company incorporated and domiciled in Iceland. The Bank operates based on Act No. 161/2002, on Financial Undertakings. The Bank has a license to operate based on Act No. 125/2008, on the Authority for Treasury Disbursements due to Unusual Financial Market Circumstances and it is supervised by the Financial Supervisory Authority of Iceland. The registered address of the Bank's office is Austurstræti 11, 155 Reykjavík. The consolidated financial statements of the Bank for the year ended 31 December 2010 include the Bank and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group's primary lines of business are corporate and retail banking, investment banking and asset management. The Group operates solely in Iceland.

The issue of these consolidated financial statements was authorised by the Board of Directors of the Bank on 31 March 2011.

### 2. Basis of preparation

#### Statement of compliance

These Consolidated Financial Statements for the year ended 31 December 2010 have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

#### Going concern

The Bank's management has assessed the Group's ability to continue as a going concern and it is satisfied that the Group has the resources to continue its operations. Accordingly, these consolidated financial statements have been prepared on a going concern basis. However, there are certain risk factors inherent in the Group's assets and liabilities that may hinder the ability of the Bank or its subsidiaries to continue as a going concern.

It is the view of the Bank's management that the Group is sufficiently capitalised to continue as a going concern (see further Notes 42 and 43). Of critical importance is the Group's access to funding to fulfill the maturity of existing short-term liabilities and to continue financing the Group's assets. Further information regarding the nature and extent of risks arising from the Group's financial assets and liabilities and from off-balance sheet exposures is provided in Notes 36 and 44-79.

The uncertainty about borrowers' ability to pay back their loans to the Group is rather high, due to current economic conditions in Iceland. The uncertainty regarding the currencies of denomination and interest rates of lease and loan agreements has decreased as a result of the rulings of the Supreme Court of Iceland and new legislation as described in Note 4(i).

As described in Note 78 the Group is exposed to currency risk that may increase fluctuation in the Group's profit and loss. Due to restrictions on movement of capital between Iceland and other countries the Group has limited ability to mitigate the risk from currency fluctuations.

#### Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for:

- Financial assets and liabilities classified as at fair value through profit or loss, which are measured at fair value;
- Non-current assets and disposal groups classified as held for sale, which are measured at the lower of carrying amount or fair value less costs to sell.

#### Functional and presentation currency

Items included in the financial statements of each individual Group entity are measured using the currency of the economic environment in which the respective entity operates (its functional currency). All amounts are presented in Icelandic Krona (ISK), which is also the Bank's functional currency, rounded to the nearest million unless otherwise stated.

#### Use of estimates and judgements

The preparation of financial statements requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Note 4 discusses estimates and assumptions which involve a substantial risk which could result in material adjustments to the carrying amounts of assets and liabilities during the next financial year.

## Notes to the Consolidated Financial Statements

### 2. Basis of preparation (continued)

#### Changes in presentation

The Group made the following changes in presentation of items in the consolidated financial statements during the year 2010:

The Group has changed the presentation in the income statement of the adjustments to the carrying amount of loans and advances acquired at deep discount which are due to changes in estimated future cash flows (see Note 25), other than those resulting from unbinding foreign currency linkage (see Note 4(i)). The net adjustments are now presented in a separate line on the face of the income statement called "Net adjustments to loans and advances acquired at deep discount" but they were previously included in the line item "Interest income" in the income statement. The comparison amounts for the year 2009 in the income statement have been adjusted in accordance with the new presentation. Accordingly, the amount of "Interest income" disclosed for the year 2009 decreased by ISK 23,772 million.

The Group has changed the presentation of the change in fair value of the contingent bond in the income statement. The change in fair value is now presented in a separate line on the face of the income statement but it was previously included in the line "Interest expense" in the income statement. The comparison amounts for the year 2009 in the income statement have been adjusted in accordance with the new presentation. Accordingly, the amount of "Interest expense" disclosed for the year 2009 decreased by ISK 10,241 million.

The Group has changed the presentation in the income statement of net foreign exchange differences arising from OTC currency options, which the Bank has bought to economically hedge its foreign currency imbalance (see Note 9). The net foreign exchange difference is now presented in the line "Net foreign exchange gain (loss)" in the income statement but it was previously included in the line "Net (loss) gain on financial assets and liabilities held for trading". The comparison amounts for the year 2009 in the income statement have been adjusted in accordance with the new presentation as follows:

- "Net gain on financial assets and liabilities held for trading" increased by ISK 186 million;
- "Net foreign exchange gain (loss)" decreased by ISK 186 million.

The Group has changed the name of the line "Borrowings" in the statement of financial position into "Secured bonds" due to the fact that the Bank has issued the secured bonds to Landsbanki Íslands hf. on 12 October 2010 (see Note 19) in accordance with the settlement agreement signed on 15 December 2009 in respect of the transfer of assets and liabilities from Landsbanki Íslands hf. on 9 October 2008.

#### Other accounting developments

The new standards and amendments to standards which became effective for the Group from 1 January 2010 had no effect on the accounting policies applied by the Group. The revised standard IFRS 3 *Business Combinations* (revised 2008) and the amendments to IAS 27 *Consolidated and Separate Financial Statements* (2008) have been early adopted by the Group in its consolidated financial statements for the period ended 31 December 2008.

The Group has early adopted the whole revised standard IAS 24 *Related Party Disclosures* (revised 2009) in these consolidated financial statements. The revised standard amended the definition of a related party and introduced a partial exemption from the general disclosure requirements in IAS 24 in respect of related party transactions with government and government-related entities. The adoption of the revised IAS 24 has impacted only the disclosures provided by the Group in respect of transactions with government and government-related entities as the Group chose to apply the partial exemption provided in IAS 24 (see Note 40). The Group has applied the revised IAS 24 retrospectively, in accordance with its transitional provisions.

## Notes to the Consolidated Financial Statements

### 3. Significant accounting policies

These consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. The accounting policies have been applied consistently to all periods presented. As explained in Note 2 certain changes were made during 2010 to the presentation of certain items in the income statement and statement of financial position. There were no items of revenue or expense that the Group had to recognise in other comprehensive income during the years 2010 and 2009.

The principal accounting policies used in preparing these consolidated financial statements are set out below.

#### Consolidation

##### (a) Subsidiaries

Subsidiaries are entities over which the Group has the power to govern financial and operating policies so as to obtain benefits from their activities, generally accompanied by a shareholding of over half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls an entity. Subsidiaries are fully consolidated from the date on which control is obtained, and are de-consolidated from the date on which control ceases.

The acquisition method is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred, except for costs related to the issue of debt and equity instruments. Identifiable assets acquired and liabilities assumed in a business combination are initially measured at their fair value on the acquisition date. A contingent liability of an acquiree is only recognised in a business combination if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably. More information about how the Group accounts for goodwill acquired in a business combination is disclosed further in this note.

Inter-company transactions, balances, and unrealised gains on transactions between Group entities are eliminated in the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. The accounting policies of subsidiaries have been changed where this was necessary to ensure consistency with the accounting policies adopted by the Group.

##### (b) Non-controlling interests

Non-controlling interests represent the portion of profit or loss and equity not owned, directly or indirectly, by the Bank; such interests are presented separately in the consolidated income statement and are included in equity in the consolidated statement of financial position, separately from equity attributable to owners of the Bank. The Group chooses on an acquisition-by-acquisition basis whether to measure non-controlling interests in an acquiree at fair value or according to the proportion of non-controlling interests in the acquiree's net assets. Changes in the Bank's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Bank.

##### (c) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Investments in associates are accounted for using the equity method as of the date on which significant influence is obtained and are initially recognised at cost. Goodwill relating to an associate is included in the carrying amount of the investment. Amortisation of goodwill is not permitted. Any excess of the Group's share of net fair value of the associate's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Group's share of the associate's profit or loss in the period which the investment is acquired.

Because goodwill included in the carrying amount of an investment in an associate is not recognised separately, it is not separately tested for impairment according to the requirements for goodwill impairment testing in IAS 36 *Impairment of Assets*. Instead, the entire carrying amount of the investment is tested for impairment under IAS 36 by comparing its recoverable amount with its carrying amount, whenever application of the requirements in IAS 39 *Financial Instruments: Recognition and Measurement* indicates the investment may be impaired.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of movements in their reserves is recognised in the Group's equity reserves. Cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associates have been changed where this was necessary to ensure consistency with the accounting policies adopted by the Group.

## Notes to the Consolidated Financial Statements

### 3. Significant accounting policies (continued)

#### Foreign currency translation

Transactions in foreign currencies are translated into the functional currency of the respective Group entity at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are measured at amortised cost or fair value, as applicable, in their respective foreign currencies and are retranslated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are first measured at fair value in their respective foreign currencies and then retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. All foreign currency differences arising on retranslation are recognised in the income statement.

Due to varying customer financial strength, the Group has assessed the increase in credit risk due to exchange fluctuations in the foreign currency denominated loan portfolio. While some customers have part of or all of their income in foreign currency, other customers have very limited or no income in foreign currency. In many instances, customers with limited or no income in foreign currency will encounter difficulty in meeting their obligations if the ISK depreciates. Therefore, for customers who have limited or no income in foreign currency, the foreign exchange differences arising through loans and advances to these customers is presented in the income statement net of the amount of foreign exchange difference deemed to be uncollectible.

#### Financial assets and liabilities

##### (a) Recognition

The Group initially recognises loans and advances, deposits and debt securities issued on the date at which they are originated. All other financial assets and liabilities are initially recognised on the date at which the Group becomes a party to contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on the date at which the Group committed itself to purchasing or selling the asset.

A financial asset or financial liability is initially measured at fair value plus, for an item not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

##### (b) Classification

The Group classifies all financial assets either as loans and receivables or as at fair value through profit or loss. The Group classifies all financial liabilities either as at fair value through profit or loss or at amortised cost.

A financial asset or liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Financial assets held for trading consist of debt, equity and derivative instruments. Financial liabilities held for trading consist of derivative liabilities and short positions, i.e. obligations to deliver financial assets borrowed by the Group and sold to third parties.

The Group designates certain financial assets upon initial recognition as at fair value through profit or loss when the financial assets are part of a portfolio of financial instruments which is risk managed and reported to senior management on a fair value basis.

Loans and advances are financial assets with fixed or determinable payments that are not quoted in an active market which the Group originates or acquires with no intention of trading them.

##### (c) Derecognition

The Group derecognises a financial asset when the contractual rights to cash flows from the asset expire, or when the Group transfers the rights to receive contractual cash flows relating to the financial asset in a transaction which substantially transfers all the risks and rewards of owning that asset. Any interest in transferred financial assets created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets, or a portion of them. In cases where all or substantially all of the risks and rewards are retained, then transferred assets are not derecognised. Asset transfers whereby all or substantially all risks and rewards are retained include, for example, securities lending and repurchase transactions.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or when they expire.

##### (d) Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off these amounts and intends either to settle on a net basis or to realise the asset and simultaneously settle the liability.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

## Notes to the Consolidated Financial Statements

### 3. Significant accounting policies (continued)

#### Financial assets and liabilities (continued)

##### (e) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount of the financial asset or liability, as measured at initial recognition, minus principal repayments, plus or minus cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

##### (f) Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction at the measurement date.

The Group measures the fair value of an instrument using quoted prices in an active market for that instrument, if available. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. Where available, the relevant market's closing price determines the fair value of financial assets held for trading and of assets designated at fair value through profit or loss; this will generally be the last trading price.

If a market for a financial instrument is not active, the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties, if available, reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates every factor that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Bank has a valuation committee which estimates fair value by applying models and incorporating observable market information and professional judgement. The Group calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available, observable market data.

Should the transaction price differ from the fair value of other observable, current market transactions in the same instrument or be based on a valuation technique whose variables include only data from observable markets, the Group immediately recognises the difference between the transaction price and fair value (a Day 1 profit or loss). In cases where fair value is determined using data which is not observable, the difference between the transaction price and the model value is recognised in the income statement depending on the individual circumstances of the transaction but not later than when the inputs become observable, or when the instrument is derecognised.

##### (g) Impairment of financial assets

###### *Impairment of loans and advances*

At each reporting date, the Group assesses whether there is any objective evidence that a loan or loan portfolio is impaired. A loan or loan portfolio is considered impaired and impairment losses are incurred only when there is objective evidence of impairment as a result of one or more events occurring after initial recognition of the asset ("loss events") and these loss events impact future cash flows that can be estimated reliably for the loan or group of loans. Objective evidence of impairment includes observable data on the following loss events:

- significant financial difficulties of the borrower;
- a breach of contract, such as defaulting on instalments or on interest or principal payments;
- the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a refinancing concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter into bankruptcy or undergo other financial reorganisation; or
- observable data indicate a measurable decrease in estimated future cash flows from a group of loans since the initial recognition of those assets, even if the decrease cannot yet be identified with individual financial assets within the group, including adverse changes in the payment status of borrowers in the group or a general deterioration of economic conditions connected to that group of loans.

The Group defines loans that are individually significant and assesses first whether objective evidence of their impairment exists, and then makes individual or collective assessments for loans and advances that have not been defined as individually significant. If the Group determines that no objective evidence of impairment exists for a significant loan, it includes this loan in a group of loans with similar credit risk characteristics and collectively assesses them for impairment. Individual significant assets for which an impairment loss is recognised are not included in collective impairment assessments.

If there is objective evidence that an impairment loss has been incurred on loans or advances, the amount of the loss is measured as the difference between the asset's carrying amount and its recoverable value. The recoverable value is the present value of estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced by the amount of impairment, using an allowance account, and the amount of the loss is recognised in the line item "Net impairment loss on loans and advances" in the income statement. In the case of loans with variable interest rates, the discount rate for measuring impairment losses is the current effective interest rate.

## Notes to the Consolidated Financial Statements

### 3. Significant accounting policies (continued)

#### Financial assets and liabilities (continued)

##### (g) Impairment of financial assets (continued)

###### *Impairment of loans and advances (continued)*

The present value calculated for estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure, less the costs involved in obtaining and selling the collateral, whether or not foreclosure is probable.

In order to conduct a collective evaluation of impairment, loans are grouped on the basis of similar credit risk characteristics on the basis of the Group's grading process, which considers asset type, collateral type, industry, past-due status and other relevant factors. These characteristics are appropriate for estimating future cash flows in groups of such loans by indicating the debtors' ability to pay every amount due according to contractual terms.

Groups of loans are collectively evaluated for impairment on the basis of expected cash flows and of peer review regarding assets with similar credit risk characteristics. Such peer review is also adjusted on the basis of current observable data, in order to reflect the effects of current conditions that did not affect the period on which peer review was originally based and to remove the effects of previous loss factors which no longer exist.

Estimates of changes in future cash flows in groups of assets are consistent with changes in observable data from period to period, for example changes in property prices, payment status, or other factors indicative of trends in the probability and magnitude of Group losses. The Group regularly reviews its methodology and assumptions for estimating future cash flows in order to minimise discrepancies between estimated losses and actual loss experience.

When a loan is uncollectible, it is written off against the provision for loan impairment in the statement of financial position. Loans are written off after all the necessary procedures have been completed, as set out in Group lending policies, and the amount of loss has been determined. Any subsequent recovery of an amount previously written off is recognised in the income statement in the line item "Net impairment loss on loans and advances".

If the amount of the impairment loss decreases in the subsequent period and the decrease can be related objectively to an event occurring after the original impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of reversal is recognised in the income statement in the line item "Net impairment loss on loans and advances".

###### *Renegotiated loans*

Where possible, the Group seeks to restructure loans rather than to take possession of collaterals. This may involve extending the payment arrangements and an agreement of new loan terms. Loans which are impaired and whose terms are renegotiated are not considered to be new loans. Once the terms have been renegotiated these loans are no longer considered past due and any subsequent impairment is measured using the original effective interest rate as calculated before the modification of terms. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. These loans continue to be subject to individual or collective impairment assessment. Loans which are not individually impaired and whose terms are renegotiated are accounted for as new loans. Accordingly, the original loans are derecognised and the renegotiated loans are recognised as new loans.

#### Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents are defined as cash, unrestricted balances with the Central Bank and unrestricted balances with financial institutions.

#### Bonds and equities

Bonds and equities which are classified as at fair value through profit or loss are recognised at fair value in the statement of financial position both initially and subsequently to initial recognition. Transaction costs are recognised directly in the income statement. Gains and losses arising from changes in fair value are recognised directly in the consolidated income statement in the line items "Net gain on financial assets and liabilities held for trading" and "Net gain on financial assets designated as at fair value through profit or loss", respectively. The gains and losses include interest income on bonds but exclude foreign exchange gains and losses, which are included in the line item "Net foreign exchange gain (loss)".

Bonds which are classified as loans and receivables are initially measured at fair value plus directly attributable transaction costs, and are subsequently measured at amortised cost using the effective interest method. Accrued interest is included in the carrying amount of the bonds and it is recognised in the line item "Interest income" in the income statement.



## Notes to the Consolidated Financial Statements

### 3. Significant accounting policies (continued)

#### Derivative instruments

Derivatives are initially recognised in the statement of financial position at fair value, with transaction costs being recognised in the income statement. Subsequently, derivatives are carried at fair value, with all fair value changes recognised in the line item "Net gain on financial assets and liabilities held for trading" in the income statement, except for fair value changes of derivative currency forwards and net foreign exchange differences arising from OTC currency options, which are included in the line item "Net foreign exchange gain (loss)" in the income statement. In the statement of financial position, derivatives with positive fair values are recognised as assets and derivatives with negative fair values are recognised as liabilities. The Group does not apply hedge accounting.

#### Loans and advances

Loans and advances are initially measured at fair value plus directly attributable transaction costs, and are subsequently measured at amortised cost using the effective interest method. Accrued interest is included in the carrying amount of loans and advances. Interest income on loans and advances is recognised in the line item "Interest income" in the income statement and foreign exchange differences in the line item "Net foreign exchange gain (loss)".

#### *Loans and advances acquired at deep discount*

The Bank acquired loans and advances from Landsbanki Íslands hf. at deep discount that reflected credit losses which were already incurred at acquisition date. The deep discount was included in the fair value of these loans and advances estimated at initial recognition. The deep discount is also included in the estimated future cash flows used by the Group to calculate the amortised cost and effective interest rate of these loans and advances.

At each reporting date, the Group assesses the current status of these loans and advances and whether there is any objective evidence of changes in expected cash flows, for example due to differences in estimated and actual payments, changes in the value of collaterals and improvement in the financial situation of debtors. If there is any change in expected cash flows, the Group recalculates the carrying amount of these loans and advances as the present value of the revised estimated future cash flows, using their effective interest rate. The difference between the revised carrying amount of the loans and their current carrying amount, which includes accrued interest, indexation, foreign exchange differences and actual payments received by the Group, is recognised on a portfolio basis as follows:

- Positive differences are recognised in the income statement in the line "Net impairment loss on loans and advances" in order to reverse any negative differences recognised by the Group as impairment of the corresponding loan portfolio in previous accounting periods. The excess amount, if any, is recognised in the income statement in the line "Net adjustments to loans and advances acquired at deep discount".
- Negative differences are recognised in the income statement in the line "Net adjustments to loans and advances acquired at deep discount" in order to reverse any positive differences recognised in respect of the corresponding loan portfolio in previous accounting periods. The excess amount, if any, is recognised in the income statement in the line "Net impairment loss on loans and advances".

The Group recognises interest and indexation on these loans and advances based on their carrying amount and only to the extent that the interest and indexation are deemed to be collectible. The interest and indexation are recognised in the income statement in the line "Interest income".

Due to varying customer financial strength, the Group has assessed the increase in credit risk due to exchange fluctuations in the foreign currency denominated loan portfolio. While some customers have part of or all of their income in foreign currency, other customers have very limited or no income in foreign currency. In many instances, customers with limited or no income in foreign currency will encounter difficulty in meeting their obligations if the ISK depreciates. Therefore, for customers who have limited or no income in foreign currency, the foreign exchange differences arising through loans and advances to these customers is presented in the income statement net of the amount of foreign exchange difference deemed to be uncollectible.

The amount of foreign exchange difference deemed to be uncollectible is calculated based on the estimated FX-delta on the FX loan book. The Bank implemented the FX-delta methodology during the valuation process of the loans acquired from Landsbanki Íslands hf. During that process the Bank analysed its largest corporate customers in great detail and estimated the FX-delta by analysing major customers which have loans denominated in foreign currency. Industry specialists performed this estimate by reviewing financial strength, collaterals and the currency composition of cash flows. The Group estimated the ability of customers to raise income in foreign currencies and to fulfil their obligations in regard to foreign currency dominated loans. The Group revises its estimated FX-delta at each reporting date if changes occur in the circumstances on which the FX-delta is based or as a result of new information or more experience.

## Notes to the Consolidated Financial Statements

### 3. Significant accounting policies (continued)

#### Property and equipment

All property and equipment is recognised at cost, less accumulated depreciation and accumulated impairment losses. The cost includes expenditures directly attributable to acquiring these assets.

Subsequent costs are included in an asset's carrying amount only if it is probable that future economic benefits associated with the item will flow to the Group and if these costs can be reliably measured. All other repairs and maintenance are charged to the income statement of the financial period in which their costs are incurred.

Depreciation of any property and equipment is calculated using the straight-line method. This method is applied to the depreciable amount of the assets, which is their cost less their residual value over their estimated useful lives, as follows:

Buildings	25-50 years
Computer hardware	3 years
Other equipment and motor vehicles	3-10 years

The assets' residual values and useful lives are reviewed annually and adjusted where appropriate.

Gains and losses on disposals are determined by comparing the sale price of an asset with its carrying amount on the date of sale. Gains and losses are included in the item "Other income and expenses" in the consolidated income statement.

#### Intangible assets

##### (a) Computer software licenses

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring them into service. Computer software licenses recognised as intangible assets are amortised over their useful life, which is estimated to be 3 - 5 years.

The costs associated with maintaining computer software are recorded as expenses at the time they are incurred.

##### (b) Goodwill

Goodwill is recognised as an asset only if acquired in a business combination. It is recognised as of the acquisition date and measured as the aggregate of (a) the fair value of the consideration transferred, (b) the recognised amount of any non-controlling interest in the acquiree, and (c) the fair value of any previously held equity interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. The consideration transferred includes the fair value of assets transferred, liabilities incurred and equity interests issued by the Group. In addition, consideration transferred includes the fair value of any contingent consideration.

Following initial recognition, goodwill is measured at cost, less any accumulated impairment losses. Goodwill is generally reviewed for impairment annually, but more frequently if events or changes in circumstances indicate a potential impairment of the carrying amount. For the purpose of impairment testing, goodwill is allocated as of the acquisition date to each of the Group's cash-generating units (CGUs) or group of CGUs which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit to which this goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Where goodwill is attached to a particular unit of a CGU (or of a group of CGUs) and part of the operations within that unit is disposed of, the goodwill that is associated with the operations disposed of is included in the carrying amount of these operations when determining the gain or loss incurred upon disposing of the operations.

##### Impairment of non-financial assets

Assets with an indefinite useful life are not subject to amortisation but are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is either an asset's fair value less selling costs or its value in use, whichever is higher. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). With the exception of goodwill, non-financial assets are reviewed at each reporting date for any possible reversal of impairment.

## Notes to the Consolidated Financial Statements

### 3. Significant accounting policies (continued)

#### Deferred income tax

Deferred tax assets are recognised when it is probable that future taxable profit will be available against which deductible temporary differences can be utilised.

Deferred income tax is recognised in full as a liability, based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not recognised if it arises from the initial recognition of an asset or liability in a transaction other than a business combination, which at the time of the transaction affects neither the Group's accounting nor its taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from fair value changes in various financial assets and liabilities and the difference between the fair values of acquired assets and their tax base.

#### Assets and liabilities classified as held for sale

The Group classifies non-current assets (or groups of assets together with related liabilities) as held for sale when their carrying amount will be recovered principally through a sale transaction. This is usually the case with collateral foreclosed by the Group which it holds as security for loans and advances, including assets and liabilities of subsidiaries over which the Group obtains control through foreclosure of collateral and/or financial restructuring.

A non-current asset (or group of assets together with related liabilities) is considered to be recovered principally through a sale transaction when the asset's sale is highly probable and it is available for immediate sale in its present condition, subject to ordinary and customary terms on the sale of such assets. Management must be committed to the sale and must actively market the asset for sale at a price that is reasonable in relation to its current fair value. A further condition is that the sale is expected to qualify for recognition as completed within one year from the date of classification.

Assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and their fair value less costs to sell. Additional net assets that become part of a disposal group, for example due to profits generated by the disposal group, increase the carrying amount of the disposal group but not in excess of the fair value less costs to sell of the disposal group as determined at each reporting date.

In the case of single assets classified by the Group as held for sale the Group determines their fair value less costs to sell by reference to the current market price at each reporting date. In the case of subsidiaries classified as held for sale, the Group determines the fair value of disposal groups based on discounted cash flows methodologies. Costs to sell are deemed to be only the costs which are incremental and directly attributable to the disposal of the disposal groups, excluding finance costs and income tax expense.

#### Deposits and secured bonds

The Group's sources of debt funding consist of deposits, loans from financial institutions and debt securities.

When the Group sells a financial asset and simultaneously enters into an agreement to repurchase the asset or a similar asset at a fixed price on a future date ("repo"), this arrangement is accounted for as an amount due to financial institutions or the Central Bank, and the underlying asset continues to be recognised in the Group's financial statements.

The Group classifies financial instruments as financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset or an equity instrument.

Deposits and borrowings are initially measured at fair value plus any directly attributable transaction costs. Subsequently, they are measured at their amortised cost using the effective interest method. The fair value of a financial liability with a demand feature such as a demand deposit, is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

#### Contingent bond

The contingent bond is a contingent obligation of the Bank to issue a bond to Landsbanki Íslands hf. on 31 March 2013 as an additional consideration for the assets and liabilities transferred from Landsbanki Íslands hf. on 9 October 2008. The issue of the bond and its nominal amount are contingent on the excess of the value of certain pools of assets, to be determined as at 31 December 2012, over the future value of the acquisition price of those assets as at 9 October 2008, subject to specified adjustments.

The contingent obligation of the Bank is classified as a financial liability and measured initially at fair value. Subsequently, it is measured at fair value, with any resulting gain or loss recognised in the line item "Fair value change of contingent bond" in the income statement.

## Notes to the Consolidated Financial Statements

### 3. Significant accounting policies (continued)

#### Short positions

Short positions are obligations of the Group to deliver financial assets borrowed by the Group and sold to third parties. These obligations are initially recognised in the statement of financial position at fair value, with transaction costs being recognised in the income statement. Subsequently, they are carried at fair value, with all fair value changes recognised in the income statement in the line item "Net gain on financial assets and liabilities held for trading".

#### Financial guarantee contracts

Financial guarantee contracts are contracts requiring the issuer to make specified payments to reimburse the holder for a loss it will incur if a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are issued by the Group to banks, financial institutions or other parties on behalf of Group customers so that they can secure loans, overdrafts and other banking facilities.

Financial guarantees issued by the Group are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liability under such a guarantee is determined as the initial measurement, less amortisation of fee income earned on a straight line basis over the life of the guarantee, or the best estimate for settling any financial obligation that has arisen through the guarantee by the reporting date, whichever is higher. These estimates are determined on the basis of experience with similar transactions and the history of past losses, supplemented by management judgement.

#### Contingent liabilities and provisions

The Group does not recognise contingent liabilities as liabilities in the statement of financial position, other than contingent liabilities which are assumed in a business combination and which have a fair value that can be measured reliably. A contingent consideration transferred by the Group in a business combination is recognised at its acquisition-date fair value. The Group classifies the obligation to pay contingent consideration as liability or equity and accounts for changes in fair value in accordance with applicable IFRSs.

Provisions for expenditures such as those related to legal claims or restructuring are recognised as incurred when (i) the Group has as a result of past events a present legal or constructive obligation to pay, (ii) it is more likely than not that an outflow of resources will be required to settle the obligation, and (iii) the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected for settling the obligation. A pre-tax rate is used which reflects current market assessments of the time value of money and the risks specific to the obligation. Any increase in the provision due to the passage of time is recognised as interest expense.

#### Employee benefits

All Group entities have defined contribution plans, with the entities paying a fixed contribution to publicly or privately administered pension plans on a mandatory and contractual basis. The Group has no further payment obligations once these contributions have been paid. The contributions are recognised as an expense when they become due. The Group has no defined benefit pension plan.

#### Share capital

##### (a) Share issue costs

Costs directly attributable to the issue of new shares are presented separately in equity as a deduction from share premium, net of any related income tax benefits.

##### (b) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity during the period in which they are approved by the Bank's shareholders' meeting.

#### Fiduciary activities

The Group acts as a custodian, holding or placing assets on behalf of individuals, institutions and pension funds, including various mutual funds managed by the Group. These assets, together with the income arising from them, are excluded from these financial statements, since they are not assets of the Group.

## Notes to the Consolidated Financial Statements

### 3. Significant accounting policies (continued)

#### Interest income and expense

The interest income and expense presented in the income statement include:

- Interest on financial assets and liabilities measured at amortised cost, calculated on an effective interest rate basis;
- Interest on unpaid capital contribution, calculated on an accrual basis;
- Interest on provisional liabilities, calculated on an accrual basis.

Interest income and expense on financial assets and liabilities measured at amortised cost are recognised in the income statement using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument and it does not consider any future credit losses. The calculation of the effective interest rate includes all fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

#### Net impairment loss on loans and advances

Impairment charges relating to loans and advances to financial institutions and customers are presented in the consolidated income statement under the item "Net impairment loss on loans and advances". After impairment has been recognised, interest income is recognised at the rate of interest used for discounting future cash flows when measuring impairment losses.

#### Fee and commission income and expense

Fees and commissions are generally recognised on an accrual basis as the related services are performed. Arrangement fees are generally deferred together with related direct costs and recognised as an adjustment to the effective interest rate on the loan. Commissions and fees for participation in negotiating a transaction for a third party – such as arrangement of transactions with equities or other securities or the purchase or sale of businesses – are recognised upon completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportioned basis. Asset management fees related to investment funds are recognised rateably over the period when the service is provided. The same principle for reporting income is applied to other custody services that are continuously provided over an extended period of time.

#### Net gain on financial assets designated as at fair value through profit or loss

The net gain on financial assets designated as at fair value through profit or loss relates to financial assets designated by the Group as at fair value through profit or loss and includes:

- All realised and unrealised changes in fair value;
- Interest income on an accrual basis; and
- Dividend income, which is recognised when the Group's right to receive payment is established.

#### Net gain on financial assets and liabilities held for trading

The net gain on financial assets and liabilities held for trading relates to financial assets and liabilities classified by the Group as held for trading and includes:

- All realised and unrealised changes in fair value;
- Interest income on an accrual basis;
- Dividend income, which is recognised when the Group's right to receive payment is established; and
- Foreign exchange gains and losses arising from derivative financial assets and liabilities, except for changes in fair value of derivative currency forwards and net foreign exchange differences arising from OTC currency options, which are included in the line item "Net foreign exchange gain (loss)" in the income statement.

#### Net foreign exchange gain (loss)

Net foreign exchange gain (loss) includes all gains and losses arising from settlement of transactions in foreign currencies and translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, including non-derivative financial assets and liabilities classified as held for trading and financial assets designated as at fair value through profit or loss. Foreign exchange gains and losses arising from derivative financial assets and liabilities are included in the line item "Net gain on financial assets and liabilities held for trading", except for fair value changes of derivative currency forwards and net foreign exchange differences arising from OTC currency options, which are included in the line item "Net foreign exchange gain (loss)" in the income statement.

#### Other income and expenses

Other income and expenses include revenue arising from recharging agreements and gains and losses on repossessed collateral and property and equipment.

## Notes to the Consolidated Financial Statements

### 3. Significant accounting policies (continued)

#### Leases

##### (a) When a Group entity is the lessee

The leases into which the Group enters are primarily operating leases. Over the period of the lease, payments for operating leases are charged to the income statement on a straight-line basis, in the line item "Other operating expenses".

If an operating lease is terminated before the lease period has expired, any payment to the lessor required by way of penalty is recognised as an expense in the period in which termination occurs.

##### (b) When a Group entity is the lessor

When assets are held subject to a finance lease, the present value of lease payments is recognised as a receivable, under loans and advances to customers. Finance income from such a lease is recognised over the term of the lease, using a method that reflects a constant periodic rate of return on the Group's net investment in the lease.

#### Discontinued operations

The Group presents discontinued operations in a separate line of the consolidated income statement if an entity or a component of an entity has been disposed of or is classified as held for sale and:

- Represents a major separate line of business;
- Is a part of a single co-ordinated plan to dispose of a major separate line of business; or
- Is a subsidiary acquired exclusively with a view to resale.

The profit from discontinued operations disclosed in the consolidated income statement consists of (a) post-tax profit or loss from discontinued operations and (b) post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or the disposal groups constituting the discontinued operation. A component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting, from the rest of the Group's operations and cash flows.

#### New standards, amendments to standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2010, and have not been applied in preparing these consolidated financial statements. None of them will have an effect on the consolidated financial statements of the Group, with the exception of:

The amendment to IFRS 7 *Financial Instruments: Disclosures* included in the *Improvements to IFRSs* (May 2010), according to which the Group will be required to disclose a quantification of the extent to which collateral and other credit enhancements mitigate the credit risk arising from financial assets. The amendment becomes mandatory for the Group's 2011 consolidated financial statements, with retrospective application required.

The amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*, according to which the Group will be required to disclose information that enables users of financial statements (i) to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities; and (ii) to evaluate the nature of, and risks associated with, an entity's continuing involvement in derecognised financial assets. If endorsed by the EU, these amendments will become mandatory for the Group's 2012 consolidated financial statements, with earlier application permitted. The disclosures will not be required for any periods presented that begin before the date of initial application of the amendments. The amendments will impact only the disclosures made in the notes to consolidated financial statements in respect of transfers of financial assets.

## Notes to the Consolidated Financial Statements

### 3. Significant accounting policies (continued)

#### New standards, amendments to standards and interpretations not yet adopted (continued)

IFRS 9 *Financial instruments*, which replaces those parts of IAS 39 *Financial Instruments: Recognition and Measurement* relating to the classification and measurement of financial assets and financial liabilities. The key features of IFRS 9 are the following:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest. All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There will be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- Derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not to be separated; instead the hybrid financial instrument is to be assessed in its entirety as to whether it should be measured at amortised cost or fair value.
- IFRS 9 (2010) generally requires that the amount of change in fair value attributable to changes in the credit risk of liabilities designated by an entity as at fair value through profit or loss be presented in other comprehensive income, with only the remaining amount of the total gain or loss included in profit or loss. The amounts presented in other comprehensive income may not be subsequently reclassified to profit or loss but may be transferred within equity. However, if the recognition of gains and losses in other comprehensive income creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change must be presented in profit or loss. Additionally, all fair value gains and losses continue to be included in profit or loss for loan commitments and financial guarantee contracts designated as fair value through profit or loss.

Currently, IASB has issued two versions of IFRS 9. The first version was issued in 2009 and the second version was issued in 2010. The 2010 version includes all the requirements of the 2009 version without amendment, but in addition, it also includes the requirements with respect to the classification and measurement of financial liabilities and the derecognition of financial assets and financial liabilities. The 2010 version supersedes the 2009 version. However, for annual periods beginning before 1 January 2013, an entity may elect to apply the 2009 version rather than the 2010 version.

If endorsed by the EU, IFRS 9 will become mandatory for the Group's 2013 consolidated financial statements, with retrospective application required with certain exceptions. Earlier application of the standard is permitted and prior periods need not be restated if the Group adopts the standard for reporting periods beginning before 1 January 2012. The Group is currently in the process of evaluating the potential effect of this standard and the timing of its adoption by the Group. Given the nature of the Group's operations, the standard is expected to have a pervasive impact on the consolidated financial statements of the Group.

### 4. Critical accounting estimates and judgements in applying accounting policies

#### (a) Effective interest rate on loans and advances

The Bank acquired loans and advances from Landsbanki Íslands hf. at a deep discount, reflecting incurred credit losses. The effective interest rate is computed for these loans by estimating their future cash flows and comparing it with their acquisition prices. Estimating the cash flows involves management judgements about the debtors' financial situation and ability to pay their debts, the net realisable value of any underlying collateral and the timing of any potential cash flows. These estimates have a significant risk of resulting in material adjustments to the carrying amounts of loans within the next financial year.

#### (b) Impairment losses on loans and advances

To assess impairment, the Group reviews its loan portfolios on at least a quarterly basis. To determine whether an impairment loss should be recognised, the Group judges whether there is any observable data indicating a measurable decrease in estimated future cash flows from a portfolio of loans, before any decreases in individual loans become identifiable within that portfolio. The evidence may include either observable data indicating that an adverse change has occurred in the payment status of the borrowers in a group, or national or local economic conditions correlating with defaults on assets in the group. In order to schedule its future cash flows, management uses estimates based on historical loss experience, together with objective evidence of impairment in homogenous portfolios. The methodology and assumptions for estimating both the amount and timing of future cash flows are reviewed regularly in order to reduce potential discrepancies between loss estimates and actual loss experience.



## Notes to the Consolidated Financial Statements

### 4. Critical accounting estimates and judgements in applying accounting policies (continued)

#### (c) Foreign exchange gains and losses on loans and advances

Due to varying customer financial strength, the Bank needs to assess risk increases occurring in the foreign currency denominated loan portfolio through foreign exchange fluctuation. Some Bank customers have partial or full income in foreign currencies, while other customers have very limited or no income in foreign currency. Customers with limited or no income in foreign currency will in many instances encounter difficulties in meeting their obligations, should the ISK depreciate. Therefore, concerning customers with limited or no income in foreign currency, the foreign exchange difference arising from loans and advances is presented in the income statement net of the amount of foreign exchange difference deemed to be uncollectible.

#### (d) Valuation of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair value, they are validated and periodically reviewed by qualified personnel who are independent of the area that created them. All models are certified before use, and calibrated to ensure that the outputs reflect actual data and comparative market prices. Wherever practical, models are confined to observable data; however, areas such as volatility, correlation and credit risk, whether own or counterparty, require management to make estimates. Changing assumptions on these factors could affect the reported fair value of financial instruments.

#### (e) Financial asset and liability classification

The Group's accounting policies provide scope for assets and liabilities to be classified at initial recognition into different categories in certain circumstances:

- Where financial assets or liabilities have been classified as "held for trading", the Group has determined that they meet the description of such assets and liabilities set out in its accounting policies.
- Where financial assets have been designated as at fair value through profit or loss, the Group has determined that they meet the criteria set out in the accounting policies.
- Where financial assets have been classified as loans and receivables, the Group has determined that they meet the criteria set out in the accounting policies.

#### (f) Assets classified as held for sale

The Group classifies assets and groups of assets together with related liabilities as held for sale if such assets or disposal groups are immediately available for sale in their present condition, subject to terms that are usual and customary for selling such assets or disposal groups, if management is committed to selling such assets and is actively looking for a buyer, if the assets are being actively marketed at a reasonable sales price in relation to their fair value, if completion of the sale is expected within one year and if sale is considered highly probable. However, events and circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete the sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the Group's control and the Group remains committed to its plan to sell the asset (or disposal group).

When classifying assets as held for sale the Group has determined that the classification criteria have been met.

#### (g) Deferred tax assets

Deferred tax assets are recognised in the consolidated statement of financial position. In respect of tax losses carried forward, they are recognised to the extent that it is probable that taxable profits will be available against which to utilise the losses. Judgement is required to determine the amount of deferred tax assets that may be recognised, based upon the likely timing and level of future taxable profits, as well as tax-planning strategies.

#### (h) Liquidity

The key measure used by the Group for monitoring liquidity risk is the ratio of core liquid assets to deposits. The calculation of this ratio requires judgement as to which assets to consider liquid. Furthermore, the maturity of some assets included in the maturity analysis of the financial assets and liabilities disclosed in the notes, such as loans acquired from Landsbanki Íslands hf., is based on expected future cash flows rather than contractual maturities. The estimation of the amount and timing of the cash flows from these financial assets involves management judgements about the debtors' financial situations and their abilities to repay their debts, the net realisable value of any underlying collateral and the timing of any possible cash flows.

## Notes to the Consolidated Financial Statements

### 4. Critical accounting estimates and judgements in applying accounting policies (continued)

#### (i) Denomination currencies and interest rates of lease and loan agreements

On 16 June 2010 the Supreme Court of Iceland ruled in two separate cases that the foreign currency linked lease agreements that were under dispute were in fact loan agreements which fall under the scope of law no. 38/2001 on interest and indexation. The Supreme Court ruled that the agreements are in fact obligations in Icelandic Krona which are indexed to foreign currencies, which is not permitted by the law. Accordingly, the Supreme Court ruled that the foreign currency provisions of those lease agreements are unbinding. In addition, on 16 September 2010 the Supreme Court ruled that the interest rate applicable to the agreement is the same as the interest rate published by the Central Bank of Iceland based on the lowest interest rates on new unindexed loans offered by commercial banks in Iceland.

On 18 December 2010 the Parliament of Iceland passed a bill (law no. 151/2010) which amended, among other things, the law no. 38/2001 on interest and indexation. According to the amendments, certain types of foreign currency linked agreements are considered as denominated in Icelandic Krona. Furthermore, if the term of the agreements does not exceed 5 years, they are considered to bear from inception the lowest interest rates on unindexed ISK denominated loans as published by the Central Bank of Iceland. If the term of the agreements exceed 5 years, the borrowers can choose whether the agreements bear from inception the lowest interest rates on indexed or unindexed ISK denominated loans as published by the Central Bank of Iceland. The amendments also clarify that borrowers are entitled to reimbursement of payments which are in excess of the amount of their obligations calculated in accordance with the provisions of the law.

On 23 February 2011 the District Court of Reykjavik ruled in a case involving a foreign currency loan agreement of NBI hf. that the loan is in fact denominated in Icelandic Krona bearing from inception the lowest interest rates on unindexed ISK denominated loans as published by the Central Bank of Iceland.

#### *Changes in the denomination currencies and interest rates of lease and loan agreements*

Based on the rulings of the Icelandic Courts and on the guidelines from the Financial Supervisory Authority in Iceland (FME), the Group has changed during the year 2010 the accounting for all types of foreign currency lease agreements which are within the scope of law no. 38/2001 and for certain types of foreign currency loan agreements. Accordingly, the Group accounts for these agreements as denominated in Icelandic Krona (ISK) bearing from inception the lowest interest rates on unindexed ISK denominated loans as published by the Central Bank of Iceland. Previously, the Group accounted for these agreements as loans and advances to customers denominated in foreign currencies, whereby the Group estimated their cash flows, among other things, based on their contractual interest rates in foreign currencies. The change in the accounting for these agreements has led to a decrease in their carrying amount in the consolidated statement of financial position from ISK 173,303 million to ISK 162,327 million. The decrease of ISK 10,976 million is accounted for as a change in accounting estimate and it is recognised in the consolidated income statement in the line „Loss from foreign currency linkage of loans and advances to customers“. Part of this decrease, ISK 8,193 million, was recognised in the last quarter of 2010.

The law no. 151/2010 did not have any effect on the Group's consolidated financial statements for the year 2010 since by the time the law was passed by the Parliament of Iceland the Group had already accounted for the agreements falling under the scope of the law as agreements denominated in Icelandic Krona.

#### *Provision for excess payments*

The Group has recognised a provision in respect of those lease and loan agreements for which the Group changed its accounting as described above. The provision is a liability of the Group arising from the legal obligation of the Group to repay the cash it received from customers in excess of the payments that they should have paid based on the rulings of the Icelandic courts and law no. 151/2010. The provision amounted to ISK 7,182 million as at 31 December 2010 and it is recognised in the consolidated statement of financial position among „Other liabilities“. Part of this amount, ISK 1,714 million, was recognised in the last quarter of 2010.

The provision is measured at the amount that represents the management's best estimate of the expenditure required to settle the excess payment obligation. However, the amount and timing of the payments that the Group will ultimately have to settle is uncertain as the claims may be subject to further legal processes. The Group has recognised the amount of the provision as an expense in the consolidated income statement in the line item „Loss from foreign currency linkage of loans and advances to customers“.

#### *Nature and extent of financial risks arising from lease and loan agreements*

The changes in the currencies and interest rates of lease and loan agreements described above have resulted in changes in the nature and extent of financial risks arising from those agreements since they were disclosed in the consolidated financial statements for the year 2009. In particular, the change in respect of the denomination currency of those agreements has affected the extent of currency risk disclosed by the Group in respect of loans and advances to customers. This is because previously to the change, the carrying amount of those agreements were disclosed in Note 78 as financial assets denominated in foreign currencies but after the change they are no longer included in that disclosure. Prior to the change, the carrying amount of those agreements was specified by currency as follows:

	EUR	GBP	USD	JPY	CHF	Other	Total
Carrying amount	34,942	3,180	12,791	60,203	56,856	5,332	173,303

## Notes to the Consolidated Financial Statements

### 4. Critical accounting estimates and judgements in applying accounting policies (continued)

#### (i) Denomination currencies and interest rates of lease and loan agreements (continued)

The changes in the currencies and interest rates of lease and loan agreements described above have also resulted in the increase in the FX-delta (see Note 78) when compared to the FX-delta disclosed in the consolidated financial statements for the year 2009, as follows:

	EUR	GBP	USD	JPY	CHF	Other
<b>Absolute increase in FX-delta</b>	20%	6%	15%	21%	18%	5%

In respect of interest rate risk arising from those agreements, the change in interest rates has led to a change in the nature of interest rate risk disclosed, from interest rates in foreign currencies to interest rates on unindexed ISK denominated loans. The borrowers' choice between unindexed and indexed interest rates based on law no. 151/2010 could affect the interest repricing gap as disclosed in Note 72 and the CPI indexation balance as disclosed in Note 75. The borrowers are required to confirm their choice during the first quarter of 2011.

The financial risk disclosures made in these consolidated financial statements are based on the assumptions about the denomination currencies and interest rates of lease and loan agreements as described in this note. The resolution of the uncertainties surrounding these agreements could have a significant impact on the nature and extent of the financial risks arising from these agreements.

#### *Estimation uncertainty*

As described above, all types of foreign currency lease agreements which are within the scope of law no. 38/2001 and certain types of foreign currency loan agreements are accounted for as being denominated in Icelandic Krona (ISK) and bearing unindexed ISK interest rates while other types are accounted for as being denominated in foreign currencies, bearing interest rates in the respective foreign currencies.

The carrying amount of all foreign currency loan agreements which the Group accounts for as denominated in foreign currencies and bearing interest rates in the respective foreign currencies as at 31 December 2010 amounted to ISK 163,084 million. These types of loan agreements are not currently under legal disputes and it is the view of the management of the Bank that there is limited legal uncertainty about the currencies of denomination and interest rates of these loan agreements.

The accounting treatment of the lease and loan agreements is based on the latest available information. Therefore, future legal processes and government actions may lead to different conclusions, which could lead to material adjustments to the carrying amounts of the assets and liabilities within the next financial year. For example, if the Supreme Court of Iceland confirms during the year 2011 that the types of loan agreements which are currently under legal dispute are in fact foreign currency loan agreements, it will result in the Group having to change the accounting for these types of loan agreements, from being currently accounted for as ISK denominated to being accounted for as foreign currency denominated. The total carrying amount of these types of loan agreements would increase from ISK 118,329 million to ISK 124,747 million as at 31 December 2010, with an equivalent before tax positive effect on profit or loss. In addition, the carrying amount of the provision for excess payments would decrease from ISK 7,182 million to ISK 5,481 million as at 31 December 2010, with an equivalent before tax positive effect on profit or loss. The confirmation of the Supreme Court of Iceland would also impact the nature and extent of financial risks arising from these types of loan agreements as disclosed in these consolidated financial statements. In respect of currency risk, the carrying amount of these types of loan agreements would be included in the carrying amount of loans and advances to customers disclosed in Note 78 as at 31 December 2010 as follows:

	EUR	GBP	USD	JPY	CHF	Other	Total
<b>Carrying amount</b>	28,986	3,141	9,949	38,733	38,897	5,042	124,747

The FX-delta disclosed currently in Note 78 would decrease as follows:

	EUR	GBP	USD	JPY	CHF	Other
<b>Absolute decrease in FX-delta</b>	8%	2%	5%	21%	19%	3%

The net effective currency position disclosed currently in Note 78 would be as follows:

<b>At 31 December 2010</b>	EUR	GBP	USD	JPY	CHF	Other	Total
<b>Net effective currency position</b>	(26,816)	(25,559)	5,389	29,052	22,024	19,525	23,616

The Bank's management expects the Supreme Court of Iceland to rule on most of the legal issues surrounding foreign currency linked lease and loans agreements during the year 2011.

## Notes to the Consolidated Financial Statements

### 5. Operating segments

On 26 August 2010 the CEO of the Bank presented a new organisational chart for the Group which became formally effective from 1 October 2010. Management of the Bank has already started the implementation of the necessary changes of the infrastructure in order to have the Group fully operational in line with the new organisational chart from 1 January 2011.

The organisational chart is structured around the following eight main divisions: Retail Banking, Corporate Banking, Markets & Treasury, Asset Management, Risk Management, Finance, Corporate Development and Asset Restructuring. Commercial and profit-generating divisions are given increased prominence in order to sharpen the Group's focus and improve its services to customers.

From the foundation of the Bank on 7 October 2008, the financial information available for evaluation by management in deciding how to allocate resources and assess performance is that of the business as a whole. For this reason the Group had a single reportable segment during the years 2010 and 2009.

## Notes to the Consolidated Statement of Financial Position

### 6. Classification and fair value of financial assets and liabilities

According to IAS 39, financial assets and liabilities must be classified into specific categories which affect how they are measured after initial recognition. Each category's basis of subsequent measurement is specified below:

- Loans and receivables, measured at amortised cost;
- Financial assets and liabilities held for trading, measured at fair value;
- Financial assets designated as at fair value through profit or loss, measured at fair value;
- Other financial liabilities, measured at amortised cost.

The following table shows the classification of the Group's financial assets and liabilities according to IAS 39 and their fair values as at 31 December 2010:

	Loans and receivables	Held for trading	Designated as at fair value	Liabilities at amortised cost	Other liabilities at fair value*	Total carrying amount	Fair value
<b>Financial assets</b>							
Cash and balances with Central Bank	47,777	-	-	-	-	47,777	47,777
Bonds and debt instruments	100,244	43,734	17,580	-	-	161,559	161,559
Equities and equity instruments	-	3,178	26,251	-	-	29,429	29,429
Derivative instruments	-	23	-	-	-	23	23
Loans and advances to financial institutions	91,882	-	-	-	-	91,882	91,882
Loans and advances to customers	592,954	-	-	-	-	592,954	620,403
Other financial assets	7,070	-	-	-	-	7,070	7,070
<b>Total</b>	<b>839,927</b>	<b>46,936</b>	<b>43,831</b>	<b>0</b>	<b>0</b>	<b>930,693</b>	<b>958,143</b>
<b>Financial liabilities</b>							
Due to financial institutions and Central Bank	-	-	-	147,478	-	147,478	147,478
Deposits from customers	-	-	-	371,558	-	371,558	371,558
Derivative instruments and short positions	-	7,119	-	-	-	7,119	7,119
Secured bonds	-	-	-	261,313	-	261,313	261,313
Contingent bond	-	-	-	-	26,510	26,510	26,510
Other financial liabilities	-	-	-	4,237	-	4,237	4,237
<b>Total</b>	<b>0</b>	<b>7,119</b>	<b>0</b>	<b>784,585</b>	<b>26,510</b>	<b>818,215</b>	<b>818,215</b>

\* The contingent bond was recognised in the year 2009 as part of the settlement for the assets acquired and liabilities assumed from Landsbanki Íslands hf. The bond is a financial liability which the Group is required to measure at fair value in accordance with IFRS 3 (2008), with any resulting gain or loss to be recognised in income statement.

## Notes to the Consolidated Financial Statements

### 6. Classification and fair value of financial assets and liabilities (continued)

The following table shows the classification of the Group's financial assets and liabilities according to IAS 39 and their fair values as at 31 December 2009:

	Loans and receivables	Held for trading	Designated as at fair value	Liabilities at amortised cost	Other liabilities at fair value	Total carrying amount	Fair value
<b>Financial assets</b>							
Cash and balances with Central Bank	26,174	-	-	-	-	26,174	26,174
Bonds and debt instruments	100,661	32,305	32,755	-	-	165,721	165,721
Equities and equity instruments	-	1,615	21,796	-	-	23,411	23,411
Derivative instruments	-	971	-	-	-	971	971
Loans and advances to financial institutions	83,129	-	-	-	-	83,129	83,129
Loans and advances to customers	667,122	-	-	-	-	667,122	684,118
Other financial assets	6,990	-	-	-	-	6,990	6,990
<b>Total</b>	<b>884,076</b>	<b>34,891</b>	<b>54,551</b>	<b>0</b>	<b>0</b>	<b>973,518</b>	<b>990,514</b>
<b>Financial liabilities</b>							
Due to financial institutions and Central Bank	-	-	-	98,228	-	98,228	98,228
Deposits from customers	-	-	-	452,655	-	452,655	452,655
Derivative instruments and short positions	-	5,943	-	-	-	5,943	5,943
Secured bonds	-	-	-	306,493	-	306,493	306,493
Contingent bond	-	-	-	-	10,241	10,241	10,241
Other financial liabilities	-	-	-	2,138	-	2,138	2,138
<b>Total</b>	<b>0</b>	<b>5,943</b>	<b>0</b>	<b>859,514</b>	<b>10,241</b>	<b>875,698</b>	<b>875,698</b>

The fair value of financial assets and liabilities was determined based on the following methods and assumptions. For all financial assets and liabilities the foreign currency exchange rates used are from observable markets both for spot and forward contracts and futures in the world's major currencies.

#### Balances with Central Bank

The carrying amount of balances with Central Bank is a reasonable approximation of their fair value.

#### Bonds and debt instruments

Quoted prices are generally available for government bonds and certain corporate securities. Where this information is not available, fair value is estimated by adding credit spreads to quoted market rates for similar bonds or relevant interest rate curves.

For bonds issued by defaulting or greatly distressed parties recovery values are used for estimating the fair value. These are published by the defaulting issuers resolution committee or equivalent, estimated based on statement of financial position information or expert opinion.

Interest rates are principally benchmark interest rates such as the London Inter-Bank Offered Rate (LIBOR) and quoted interest rates in the swap, bond and futures markets.

Where available, credit spreads are derived from prices of credit default swaps (CDS) or other credit based instruments, such as debt securities. For others, credit spreads are obtained from pricing services. Counterparty credit spreads are estimated based on the creditworthiness of the counterparty when differing from the assumed counterparty in the market.

#### Equities and equity instruments

Quoted prices are generally readily available for equity shares listed on the world's major stock exchanges and for major indices on such shares. When this information is not available the fair value is estimated based on market prices and earning multiples from similar securities, recent transactions or by using discounted cash flow methods.

#### Derivative instruments

The fair value of derivative instruments is determined using valuation methods whose most significant inputs is volatility, which are obtained from broker quotations, pricing services or derived from option prices.

#### Loans and advances to financial institutions

Loans and advances to banks include inter-bank placements and items in the course of collection. The carrying amount of floating rate placements and overnight deposits is a reasonable approximation of their fair value.

## Notes to the Consolidated Financial Statements

### 6. Classification and fair value of financial assets and liabilities (continued)

#### Loans and advances to customers

The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received based on future recovery of the loans. The recovery rates and loss given default are used as input to valuation models as an indicator of severity of losses on default. The loans are grouped by type and for each loan the estimated cash flows to be received during each month until end of 2011 are estimated and payments after 2011 are estimated to be received at the end of June each year. Expected cash flows are discounted at current market rates to determine fair value. Interest rates are principally benchmark interest rates such as London Inter-Bank Offered Rate (LIBOR), quoted interest rates in the swap, bond and future markets or the Group's current rates for new loans.

#### Due to financial institutions and Central Bank

Amounts due to financial institutions and Central Bank are repriced at least monthly and therefore their estimated fair value is the same as their carrying amount.

#### Deposits from customers

Deposits from customers are repriced at least monthly in accordance to changes in interest rates set by the Bank's treasury. The estimated fair value of the deposits is therefore the same as their carrying amount.

#### Short positions

The short positions are in Icelandic government bonds with readily available quoted market prices.

#### Secured bonds

The fair value of the secured bonds equals their carrying amount as the bonds have been discounted upon initial recognition at market rate and no significant changes have occurred in the market rate for these secured bonds since initial recognition.

#### Contingent bond

The fair value of the contingent bond is based on the expected value of the underlying loan portfolios and on how much it will exceed its expected return which is defined as 400 basis points over the relevant interbank rate. The estimate of the expected value is based on log-normal distribution where the minimum payment is ISK 0 and maximum payment is ISK 92 billion. Key input and assumptions used in the valuation model at 31 December 2010 include expected volatility for the loan portfolio of 15.0% (2009: 7%) and a risk free rate of 2.8% (2009: 7.6%). However, the issue and amount of the bond is subject to considerable outperformance of the underlying loan portfolios.

#### Fair value hierarchy

The Group has used a valuation hierarchy for disclosure of inputs to valuation used to measure fair value. This hierarchy prioritises the inputs into three broad levels as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Valuation technique using observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Valuation technique with significant unobservable inputs for the asset or liability that are not based on observable market data (unobservable inputs). Level 3 includes all instruments that are valued according to quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect the differences between instruments.

A financial assets or liability's classifications within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

## Notes to the Consolidated Financial Statements

### 6. Classification and fair value of financial assets and liabilities (continued)

The following table shows the level in the hierarchy into which the fair value of financial assets and liabilities, carried at fair value in the consolidated statement of financial position, are categorised as at 31 December 2010:

Financial assets	Level 1	Level 2	Level 3	Total
Bonds and debt instruments	20,340	26,933	14,042	61,315
Equities and equity instruments	16,027	2,925	10,477	29,429
Derivative instruments	-	23	-	23
<b>Total</b>	<b>36,367</b>	<b>29,881</b>	<b>24,519</b>	<b>90,766</b>
<b>Financial liabilities</b>				
Derivative instruments	-	1,445	-	1,445
Short positions	5,675	-	-	5,675
Contingent bond	-	-	26,510	26,510
<b>Total</b>	<b>5,675</b>	<b>1,445</b>	<b>26,510</b>	<b>33,629</b>

The following table shows the level in the hierarchy into which the fair value of financial assets and liabilities, carried at fair value in the consolidated statement of financial position, are categorised as at 31 December 2009:

Financial assets	Level 1	Level 2	Level 3	Total
Bonds and debt instruments	6,303	21,386	37,371	65,060
Equities and equity instruments	6,154	13,702	3,555	23,411
Derivative instruments	-	971	-	971
<b>Total</b>	<b>12,457</b>	<b>36,059</b>	<b>40,926</b>	<b>89,442</b>
<b>Financial liabilities</b>				
Derivative instruments	-	675	-	675
Short positions	5,268	-	-	5,268
Contingent bond	-	-	10,241	10,241
<b>Total</b>	<b>5,268</b>	<b>675</b>	<b>10,241</b>	<b>16,184</b>

During the year 2010 there were transfers into Level 1 from Level 2 and Level 3 because quoted prices in active markets became observable during the year 2010.

The following tables show the reconciliation for fair value measurement in Level 3 for the years 2010 and 2009:

	Bonds and debt instruments	Equities and equity instruments	Total financial assets	Contingent bond
<b>1 January – 31 December 2010</b>				
Carrying amount at 1 January 2010	37,371	3,555	40,926	(10,241)
Total losses recognised in income statement	(1,342)	11	(1,331)	(16,269)
Purchases	6,433	4,260	10,693	-
Sales	(7,851)	(531)	(8,382)	-
Settlements	(15,368)	3,313	(12,055)	-
Transfers into Level 3	375	-	375	-
Transfers out of Level 3	(5,576)	(131)	(5,707)	-
<b>Carrying amount at 31 December 2010</b>	<b>14,042</b>	<b>10,477</b>	<b>24,519</b>	<b>(26,510)</b>
<b>1 January – 31 December 2009</b>				
Carrying amount at 1 January 2009	26,746	5,007	31,753	-
Total gains (losses) recognised in income statement	8,572	202	8,774	(10,241)
Purchases	20,313	3,144	23,457	-
Sales	(17,000)	(5,361)	(22,361)	-
Settlements	(1,697)	-	(1,697)	-
Transfers into Level 3	962	563	1,525	-
Transfers out of Level 3	(525)	-	(525)	-
<b>Carrying amount at 31 December 2009</b>	<b>37,371</b>	<b>3,555</b>	<b>40,926</b>	<b>(10,241)</b>



## Notes to the Consolidated Financial Statements

### 6. Classification and fair value of financial assets and liabilities (continued)

The following tables show the line items in the consolidated income statement where the total gains (losses) were recognised during the years 2010 and 2009, for fair value measurements in Level 3:

	Bonds and debt instruments	Equities and equity instruments	Contingent bond	Total
<b>1 January – 31 December 2010</b>				
Interest expense	-	-	(16,269)	(16,269)
Net gain on financial assets designated as at fair value through profit or loss	350	185	-	535
Net foreign exchange gain (loss)	(1,692)	(174)	-	(1,866)
<b>Total</b>	<b>(1,342)</b>	<b>11</b>	<b>(16,269)</b>	<b>(17,600)</b>

	Bonds and debt instruments	Equities and equity instruments	Contingent bond	Total
<b>1 January – 31 December 2009</b>				
Interest expense	-	-	(10,241)	(10,241)
Net gain on financial assets designated as at fair value through profit or loss	7,733	174	-	7,907
Net gain on financial assets and liabilities held for trading	665	28	-	693
Net foreign exchange gain (loss)	174	-	-	174
<b>Total</b>	<b>8,572</b>	<b>202</b>	<b>(10,241)</b>	<b>(1,467)</b>

The following table shows the line items in the consolidated income statement where gains (losses), relating only to financial assets and liabilities held by the Group at 31 December 2010 and categorised in Level 3, were recognised:

	Bonds and debt instruments	Equities and equity instruments	Contingent bond	Total
Fair value change of contingent bond	-	-	(16,269)	(16,269)
Net gain on financial assets designated as at fair value through profit or loss	(868)	246	-	(622)
Net foreign exchange gain (loss)	(1,592)	(134)	-	(1,726)
<b>Total</b>	<b>(2,460)</b>	<b>112</b>	<b>(16,269)</b>	<b>(18,617)</b>

Although the Group believes that its estimates of fair value are appropriate, the use of different valuation methodologies and assumptions could lead to different measurements of fair value. The following table shows how profit before tax would have been affected if one or more of the inputs for fair value measurements in Level 3 were changed to reasonably possible alternatives:

	Effect on profit before tax	
	Favourable	Unfavourable
<b>Financial assets</b>		
Bonds and debt instruments	4,016	(2,948)
Equities and equity instruments	1,048	(1,048)
<b>Total</b>	<b>5,064</b>	<b>(3,996)</b>
<b>Financial liabilities</b>		
Contingent bond	3,600	(1,800)

The effect on profit was calculated using methods suitable for the models used. For equities valued using comparables or recent transactions the price was changed by +/-10%. For bonds issued by defaulting or greatly distressed parties the recovery value was changed by +/-500 basis points. For the contingent bond the volatility of the value of the underlying assets was changed by +/-500 basis points.

## Notes to the Consolidated Financial Statements

### 7. Cash and balances with Central Bank

	2010	2009
Cash on hand	2,059	1,506
Reverse repurchase agreements with Central Bank	43,270	-
Unrestricted balances with Central Bank	482	15,032
<b>Total cash and unrestricted balances with Central Bank</b>	<b>45,810</b>	<b>16,538</b>
Restricted balances with Central Bank	1,967	9,636
<b>Total cash and balances with Central Bank</b>	<b>47,777</b>	<b>26,174</b>

The Group has entered into short-term reverse repurchase agreements with the Central Bank of Iceland according to which the Group acquired certificates of deposit issued by the Central Bank and committed to resell the certificates to the Central Bank at a fixed price at the end of the contractual period. The Group does not recognise the certificates of deposit as its assets because the Group does not bear substantially all the risks and rewards of ownership of the certificates. However, the Group derecognised the cash transferred to the Central Bank and recognised a receivable from the Central Bank, including accrued interest.

The Bank holds a mandatory reserve deposit account with the Central Bank of Iceland. The average balance of this account for each month must be equivalent to at least mandatory reserve deposits, which amounted to ISK 6,328 million for December 2010. Any excess balance is available for use by the Group. Other cash and balances with the Central Bank are available for the Group's immediate use.

### 8. Bonds and equities

	2010			Total	2009			Total
	Loans and receivables	Held for trading	Designated as at fair value		Loans and receivables	Held for trading	Designated as at fair value	
<b>Bonds and debt instruments</b>								
<b>Domestic</b>								
Listed	100,244	34,745	2,036	137,026	-	10,953	9,272	20,225
Unlisted	-	-	12,484	12,484	100,661	21,352	17,761	139,774
	<b>100,244</b>	<b>34,745</b>	<b>14,521</b>	<b>149,510</b>	<b>100,661</b>	<b>32,305</b>	<b>27,033</b>	<b>159,999</b>
<b>Foreign</b>								
Listed	-	8,989	1,690	10,679	-	-	3,958	3,958
Unlisted	-	-	1,370	1,370	-	-	1,764	1,764
	<b>0</b>	<b>8,989</b>	<b>3,060</b>	<b>12,049</b>	<b>0</b>	<b>0</b>	<b>5,722</b>	<b>5,722</b>
<b>Total bonds and debt instruments</b>	<b>100,244</b>	<b>43,734</b>	<b>17,580</b>	<b>161,559</b>	<b>100,661</b>	<b>32,305</b>	<b>32,755</b>	<b>165,721</b>
<b>Equities and equity instruments</b>								
<b>Domestic</b>								
Listed	-	199	10,129	10,328	-	774	9,198	9,972
Unlisted	-	-	10,023	10,023	-	-	2,864	2,864
	<b>0</b>	<b>199</b>	<b>20,152</b>	<b>20,351</b>	<b>0</b>	<b>774</b>	<b>12,062</b>	<b>12,836</b>
<b>Foreign</b>								
Listed	-	2,979	5,892	8,871	-	841	9,482	10,323
Unlisted	-	-	206	206	-	-	252	252
	<b>0</b>	<b>2,979</b>	<b>6,099</b>	<b>9,078</b>	<b>0</b>	<b>841</b>	<b>9,734</b>	<b>10,575</b>
<b>Total equities and equity instruments</b>	<b>0</b>	<b>3,178</b>	<b>26,251</b>	<b>29,429</b>	<b>0</b>	<b>1,615</b>	<b>21,796</b>	<b>23,411</b>
<b>Total bonds and equities</b>	<b>100,244</b>	<b>46,913</b>	<b>43,831</b>	<b>190,988</b>	<b>100,661</b>	<b>33,920</b>	<b>54,551</b>	<b>189,132</b>

Bonds and equities are classified as "domestic" or "foreign" according to the country of incorporation of the issuer.

Bonds and debt instruments classified as loans and receivables as at 31 December 2010 and 2009 consist of part of the government bonds which the Bank received in settlement of the capital contribution in 2009. The bonds were listed on the OMX stock exchange in Iceland during 2010.

## Notes to the Consolidated Financial Statements

### 9. Derivative instruments and short positions

	2010			2009		
	Notional amount	Fair value		Notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
<b>Foreign exchange derivatives</b>						
Currency forwards	22,359	20	769	9,323	262	1
Cross-currency interest rate swaps	1,897	-	659	2,415	-	672
OTC currency options	20,424	-	-	59,703	700	-
	<b>44,680</b>	<b>20</b>	<b>1,428</b>	<b>71,441</b>	<b>962</b>	<b>673</b>
<b>Interest rate derivatives</b>						
Interest rate swaps	3,294	3	17	3,318	9	2
	<b>3,294</b>	<b>3</b>	<b>17</b>	<b>3,318</b>	<b>9</b>	<b>2</b>
<b>Short positions - listed bonds</b>	-	-	<b>5,675</b>	-	-	<b>5,268</b>
<b>Total</b>	<b>47,974</b>	<b>23</b>	<b>7,119</b>	<b>74,759</b>	<b>971</b>	<b>5,943</b>

The Group uses derivatives both for hedging and trading purposes. The Bank has bought the OTC currency options in order to economically hedge its foreign currency imbalance against excessive adverse movements in some of the major foreign currencies. The delta of these options at 31 December 2010 is nil (2009: ISK 9,989 million).

### 10. Loans and advances to financial institutions

	2010	2009
Bank accounts with financial institutions	6,844	4,628
Money market loans	63,549	58,488
Overdrafts	6,844	6,247
Other loans	16,823	14,493
Less: Allowance for impairment	(2,178)	(727)
<b>Total</b>	<b>91,882</b>	<b>83,129</b>

### 11. Loans and advances to customers

	2010	2009
Public entities	13,928	10,582
Individuals	166,069	177,561
Corporations	434,080	486,739
Less: Allowance for impairment	(21,122)	(7,760)
<b>Total</b>	<b>592,954</b>	<b>667,122</b>

During the reporting period the Group was not permitted to sell or repledge any collateral in absence of default by the owner of the collateral.

Further disclosures on loans and advances are provided in the risk management section of the notes.

## Notes to the Consolidated Financial Statements

### 12. Investments in associates

	2010	2009
Carrying amount at the beginning of the year	2,945	2,518
Acquisitions	103	44
Share of profit of associates, net of income tax	291	383
<b>Total</b>	<b>3,340</b>	<b>2,945</b>

	Total assets	Total liabilities	Profit (loss)	Ownership interest	Share of profit of associates	Carrying amount
<b>At 31 December 2010</b>						
Valitor Holding hf.	6,165	7	1,014	38%	385	2,340
Kredikort hf.	7,206	6,654	(299)	20%	(60)	110
Borgun hf.	15,394	14,188	191	20%	38	241
Reiknistofa bankanna	1,699	248	-	34%	-	515
Intrum hf.	615	293	7	33%	(1)	96
Auðkenni hf.	222	51	4	20%	(71)	37
<b>Total</b>	<b>31,079</b>	<b>21,389</b>	<b>913</b>		<b>291</b>	<b>3,340</b>

	Total assets	Total liabilities	Profit (loss)	Ownership interest	Share of profit of associates	Carrying amount
<b>At 31 December 2009</b>						
Valitor Holding hf.	37,699	32,554	1,008	38%	383	1,955
Kredikort hf.	8,365	7,514	2	20%	-	170
Borgun hf.	15,340	14,325	177	20%	34	206
Reiknistofa bankanna	1,772	254	-	34%	-	515
Intrum hf.	795	506	(108)	33%	(34)	99
<b>Total</b>	<b>63,971</b>	<b>55,153</b>	<b>1,079</b>		<b>383</b>	<b>2,945</b>

All associates are unlisted companies.

### 13. Property and equipment

	2010			2009		
	Buildings	Fixtures, equipment and vehicles	Total	Buildings	Fixtures, equipment and vehicles	Total
Carrying amount at the beginning of the year	3,447	2,583	6,030	3,422	3,442	6,864
Additions during the year	5	86	91	125	174	299
Sold during the year	(75)	(4)	(79)	(24)	(105)	(129)
Depreciation	(78)	(948)	(1,026)	(76)	(928)	(1,004)
<b>Carrying amount at 31 December</b>	<b>3,299</b>	<b>1,717</b>	<b>5,016</b>	<b>3,447</b>	<b>2,583</b>	<b>6,030</b>

Gross carrying amount	3,458	3,786	7,244	3,529	3,521	7,050
Accumulated depreciation	(159)	(2,070)	(2,228)	(82)	(938)	(1,020)
<b>Carrying amount at 31 December</b>	<b>3,299</b>	<b>1,717</b>	<b>5,016</b>	<b>3,447</b>	<b>2,583</b>	<b>6,030</b>

Depreciation rates: 2-4% 10-33% 2-4% 10-33%

	2010	2009
<b>Official assessment value of buildings at 31 December</b>		
Official assessment value used for tax purposes	3,732	3,913
Replacement value used for insurance purposes	7,142	7,179

	2010	2009
<b>Depreciation and amortisation presented in the income statement consists of:</b>		
Depreciation of property and equipment	1,026	1,004
Amortisation of intangible assets	285	274
<b>Total</b>	<b>1,311</b>	<b>1,278</b>

## Notes to the Consolidated Financial Statements

### 14. Intangible assets

<b>Computer software licenses</b>	<b>2010</b>	<b>2009</b>
Carrying amount at the beginning of the year	1,058	1,220
Additions	104	112
Amortisation	(285)	(274)
<b>Carrying amount at 31 December</b>	<b>878</b>	<b>1,058</b>
Amortisation rates	20-33%	20-33%
Gross carrying amount	1,431	1,335
Accumulated amortisation	(554)	(277)
<b>Carrying amount at 31 December</b>	<b>878</b>	<b>1,058</b>

### 15. Other assets

	<b>2010</b>	<b>2009</b>
Claims on Landsbanki Íslands hf.	687	5,167
Legally disputed collections	3,669	-
Unsettled securities trading	3,168	1,089
Accounts receivable and prepayments	3,214	734
Sundry assets	7,227	6,990
<b>Total</b>	<b>17,965</b>	<b>13,980</b>

### 16. Assets and liabilities classified as held for sale

<b>Assets classified as held for sale</b>	<b>2010</b>	<b>2009</b>
Repossessed collateral	43,831	27,317
Assets of disposal groups classified as held for sale	84,959	36,561
<b>Total</b>	<b>128,789</b>	<b>63,878</b>

Repossessed collateral consists mainly of property and equipment resulting from collateral foreclosed by the Group as security for loans and advances. The Group's policy is to pursue timely realisation of the repossessed collateral in an orderly manner. The Group generally does not use the non-cash repossessed collateral for its own operations.

<b>Repossessed collateral</b>	<b>2010</b>	<b>2009</b>
Carrying amount at the beginning of the year	27,317	2,150
Repossessed during the period	25,465	27,270
Disposed during the period	(8,951)	(2,103)
<b>Carrying amount at 31 December</b>	<b>43,831</b>	<b>27,317</b>

#### Disposal groups classified as held for sale

Disposal groups classified as held for sale consist of the assets and liabilities of subsidiaries acquired by the Group exclusively with a view to resale. Because these subsidiaries meet the definition of discontinued operations in IFRS 5, the Group presents the results of their operations as discontinued in the consolidated income statement, as required by IFRS 5 and IAS 1.

In 2010 the Bank negotiated the sale of its shares in the subsidiary Eignarhaldsfélagið Vestia ehf. (Vestia) and Icelandic Group hf. (IG) to Framtakssjóður Íslands slhf. (FSÍ). The initial agreement between the Bank and FSÍ was announced on 20 August 2010, subject to several conditions precedent being fulfilled. A final agreement was reached in November 2010 following a due diligence process but still subject to the sale being approved by the Icelandic Competition Authority. The final agreement specifies the sale of 100% shareholding in Vestia (comprising a 62% shareholding in Teymi hf., 100% shareholding in Húsasmiðjan ehf. and 100% shareholding in Plastprent ehf.) and 81% shareholding in IG. The sale price for the shares in Vestia amounted to ISK 4,250 million and for the shares in IG amounted to ISK 11,250 million. FSÍ also has the option to acquire the Bank's remaining 19% shareholding in IG at the same price per share within 12 months from delivery of the 81% shareholding.

## Notes to the Consolidated Financial Statements

### 16. Assets and liabilities classified as held for sale (continued)

The subsidiaries Vestia and IG are included in these consolidated financial statements because the sale was still subject to approval by the Icelandic Competition Authority at year-end 2010. The Icelandic Competition Authority approved the transaction on 14 January 2011, with certain conditions. The Bank has delivered the shares to FSÍ on 20 January 2011. The sale of the shareholding in the subsidiaries Vestia and IG is recognised by the Group in the first quarter of 2011. The sale will result in the derecognition of approximately ISK 83 billion from assets classified as held for sale and ISK 48 billion from liabilities associated with assets classified as held for sale, and the recognition of loans and receivables amounting to ISK 23 billion, the remaining 19% shareholding in IG amounting to ISK 3 billion, deposits amounting to ISK 2 billion and other assets amounting to ISK 1 billion. The Group will recognise a gain of approximately ISK 5 billion on the disposal of these shares in the first quarter of 2011.

As part of the agreement with FSÍ, the Bank committed itself to invest ISK 15.5 billion in FSÍ. This amount will be callable during the years 2011-2016 as needed to fund investments by FSÍ, in proportion to the Bank's holding in FSÍ. The maximum amount that the Bank can invest in FSÍ is 25% of total outstanding commitments of all investors in FSÍ. At the time these financial statements were authorised for issue the Bank had invested in FSÍ ISK 4,868 million representing 27.5% of called in commitments (ISK 17,642 million). FSÍ is required to redeem its shareholders with the proceeds from sales of assets.

The above changes will result in increase in the Group's capital adequacy ratio from 19.9% to 21.1%, assuming all other factors remain unchanged.

### 17. Due to financial institutions and Central Bank

	2010	2009
Loans and repurchase agreements with Central Bank	80	66
Loans and deposits from financial institutions	147,398	98,162
<b>Total</b>	<b>147,478</b>	<b>98,228</b>

### 18. Deposits from customers

	2010	2009
Demand deposits	271,977	317,330
Time deposits	99,581	135,325
<b>Total</b>	<b>371,558</b>	<b>452,655</b>

The total decrease of ISK 81.1 billion in deposits is mostly comprised of ISK 27.8 billion reduction in deposits from households, ISK 27.6 billion reduction in deposits from holding companies and ISK 16.7 billion reduction in deposits from pension funds.

### 19. Secured bonds

Secured bonds	Foreign currency	Nominal amount		Contractual interest rate (%)	Carrying amount	
		2010	2009		2010	2009
EUR	871 million	133,960	156,519	EURIBOR + 1.75/2.90	130,963	158,573
GBP	275 million	49,250	55,316	LIBOR + 1.75/2.90	48,132	56,086
USD	734 million	84,179	91,456	LIBOR + 1.75/2.90	82,218	91,834
<b>Total</b>		<b>267,388</b>	<b>303,291</b>		<b>261,313</b>	<b>306,493</b>

On 12 October 2010 the Bank issued secured bonds to Landsbanki Íslands hf. as part of the acquisition price for its Icelandic operations. These bonds are denominated in EUR, GBP and USD and carry interest from October 2008. The carrying amount of the bonds as at 31 December 2010 includes the effective interest of EURIBOR/LIBOR+2,90% which accrued since October 2010. The bonds are secured by pools of loans to customers (see Note 37).

The bonds mature in October 2018 and do not have instalment payments during the first 5 years. The interest rates are 3 months EURIBOR for the EUR-denominated bond and 3 months LIBOR for the GBP and USD-denominated bonds, plus a margin of 1.75% for the first 5 years and a margin of 2.90% for the remaining 5 years. The first interest payment date was on 12 October 2010. From 30 June 2010, bondholders have had the right to require the Bank to convert the bonds into Eurobonds. Upon such conversion, the Bank will make reasonable endeavours to list such Eurobonds on a qualified stock exchange, as soon as feasible following conversion. The bondholders have not yet exercised their right to require the Bank to convert the bonds into Eurobonds.

## Notes to the Consolidated Financial Statements

### 20. Contingent bond

According to the provisions of the settlement agreement signed on 15 December 2009, the Bank might have to issue to Landsbanki Íslands hf. a bond on 31 March 2013 as an additional consideration for the assets and liabilities transferred from Landsbanki Íslands hf. on 9 October 2008. The contingent bond can have a nominal amount of up to ISK 92 billion, with the amount being contingent on whether the value of certain pools of assets, to be determined as at 31 December 2012, exceeds the future value of the acquisition price of those assets agreed for as at 9 October 2008, subject to specified adjustments. The value will be determined by a third-party valuation agent based on agreed-upon valuation procedures. The additional value at year-end 2012 that might exceed the future value of the 2008 acquisition price would be divided between Landsbanki Íslands hf., which would be assigned 85% (though no higher than ISK 92 billion) and the Bank, 15%. If issued, this bond would be denominated in EUR or such other currencies as may be agreed between the Bank and Landsbanki Íslands hf., whereby the ISK nominal amount would be converted into EUR using the exchange rate at 31 December 2012. The bond would bear floating interest rate and it would mature in October 2018 with quarterly instalments starting in 2014.

The contingent obligation of the Bank is classified as a financial liability and measured initially at fair value. Subsequently, it is measured at fair value, with any resulting gain or loss recognised in the line item "Fair value change of contingent bond" in the consolidated income statement.

### 21. Tax assets and liabilities

Tax assets and liabilities are specified as follows:

<b>Tax assets</b>	<b>2010</b>	<b>2009</b>
Deferred tax assets	1,522	6,682
<b>Tax liabilities</b>		
Current tax liabilities	1,979	83
Deferred tax liabilities	-	-
<b>Total</b>	<b>1,979</b>	<b>83</b>

Recognised deferred tax assets and liabilities are attributable to the following:

	<b>2010</b>			<b>2009</b>		
	<b>Assets</b>	<b>Liabilities</b>	<b>Net</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Net</b>
Property and equipment	-	(1,943)	(1,943)	-	(2,342)	(2,342)
Investments in associates	-	(101)	(101)	-	(140)	(140)
Loans and advances to customers	4,301	-	4,301	6,382	-	6,382
Other assets	-	(43)	(43)	-	(68)	(68)
Deferred foreign exchange differences	-	(1,714)	(1,714)	357	-	357
Other items	-	(168)	(168)	-	(253)	(253)
Tax losses carried forward	1,190	-	1,190	2,746	-	2,746
	<b>5,491</b>	<b>(3,969)</b>	<b>1,522</b>	<b>9,485</b>	<b>(2,803)</b>	<b>6,682</b>
Set-off of deferred tax assets together with liabilities of the same taxable entities	(3,969)	3,969	-	(2,803)	2,803	-
<b>Total</b>	<b>1,522</b>	<b>0</b>	<b>1,522</b>	<b>6,682</b>	<b>0</b>	<b>6,682</b>

The deferred tax assets and liabilities are measured based on the tax rates and tax laws enacted by the end of 2010, according to which the domestic corporate income tax rate was 20%. In December 2010 the corporate income tax rate was increased from 18% to 20%. This change is effective for the fiscal year starting on 1 January 2011.



## Notes to the Consolidated Financial Statements

### 21. Tax assets and liabilities (continued)

The movements in temporary differences during the period were as follows:

	Recognised in income statement			Balance 31.12.2010
	Balance 1.1.2010	Tax (expense) income	Changes from prior year	
<b>2010</b>				
Property and equipment	(2,342)	399	-	(1,943)
Investments in associates	(140)	39	-	(101)
Loans and advances to customers	6,383	(2,081)	-	4,302
Other assets	(68)	25	-	(43)
Deferred foreign exchange differences	357	(2,071)	-	(1,714)
Other items	(253)	85	-	(168)
Tax losses carried forward	2,745	(2,198)	642	1,189
<b>Total</b>	<b>6,682</b>	<b>(5,802)</b>	<b>642</b>	<b>1,522</b>

	Recognised in income statement			Balance 31.12.2009
	Balance 1.1.2009	Tax (expense) income	Changes from prior year	
<b>2009</b>				
Property and equipment	(173)	(2,169)	-	(2,342)
Equities and equity instruments	(45)	45	-	-
Investments in associates	(57)	(83)	-	(140)
Loans and advances to customers	-	6,383	-	6,383
Other assets	441	(509)	-	(68)
Derivative instruments and short positions	112	(112)	-	-
Deferred foreign exchange differences	(83)	458	(18)	357
Other items	(102)	(119)	(32)	(253)
Tax losses carried forward	7,171	(4,426)	-	2,745
<b>Total</b>	<b>7,264</b>	<b>(532)</b>	<b>(50)</b>	<b>6,682</b>

The aggregate amount of temporary differences associated with the Bank's investments in subsidiaries for which no deferred tax liability is recognised in the consolidated financial statements amounted to ISK 4,031 million at year-end 2010 (2009: ISK 3,882 million). If the Bank were to sell its subsidiaries at their carrying amounts the gains from their sale would have been used to offset any tax losses carried forward by the Bank in the year of sale. However, according to current tax legislation, the gains are tax-exempt if the Bank has not incurred a tax loss in the year of sale or it has no tax loss carried forward at the time.

## Notes to the Consolidated Financial Statements

### 22. Other liabilities

	2010	2009
Unsettled securities trading	2,730	872
Withholding tax	2,893	3,927
Excess payments on lease and loan agreements (see Note 4(i))	7,182	-
Accounts payable	826	586
Unpaid contribution to the Depositors' and Investors' Guarantee Fund	680	680
Tax on liabilities of financial institutions	400	-
Sundry liabilities	3,991	2,112
<b>Total</b>	<b>18,702</b>	<b>8,177</b>

Unsettled securities trading were settled in less than three days from the reporting date.

#### *Unpaid contribution to the Depositors' and Investors' Guarantee Fund*

According to Act No. 98/1999 on Deposit Guarantees and Investor Compensation Schemes, the Bank must, by 1 June of each year, contribute to the Depositors' and Investors' Guarantee Fund ("the Fund") an amount equivalent to 0.15% of the average of guaranteed deposits in the Bank, in the event of total Fund assets not equalling a minimum of 1% of the average amount of guaranteed deposits in commercial banks and savings banks during the preceding year. At the same time, the Bank must also submit to the Fund a declaration of liability whereby the Bank undertakes to render a special contribution to the Fund should the Fund become obliged to refund deposits to customers. This declaration of liability covers the proportion of the amount required to make up the minimum 1% of the average amount of guaranteed deposits. However, demands for contributions to the Fund based on declarations of liability may not exceed the equivalent of one-tenth of the Fund's minimum total assets.

The Bank's management has concluded that the amount to be recognised as a liability in respect of the 0.15% yearly contribution shall only equal the amount that the Bank has no realistic alternative but to settle at each reporting date in accordance with the Act. This is the amount of the 0.15% contribution to be made by the Bank during the following calendar year, in respect of the current calendar year. Other regular contributions to be made by the Bank to the Fund in future years do not exist independent of the Bank's future actions and therefore do not represent a present obligation of the Bank at the reporting date. Accordingly, they are not recognised as part of the liability towards the Fund. Therefore, the amount recognised as liability as at 31 December 2010 amounts to ISK 680 million to be paid no later than 1 June 2011 (31 December 2009: ISK 680 million, paid to the Fund in March 2010).

In respect of the declaration of liability of the Bank, the management of the Bank has concluded that a liability should be recognised in the statement of financial position in respect of its declaration outstanding at each reporting date only if an outflow of Bank resources is at the respective reporting date deemed more likely than not to occur. The Bank issued its first declaration of liability to the Fund in November 2009, for a maximum amount of ISK 3,769 million, of which no more than ISK 1,610 million may be requested as a special contribution to the Fund according to the Act. The Bank issued in 2010 a new declaration of liability to the Fund for a maximum amount of ISK 3,851 million, of which no more than ISK 1,611 million may be requested as a special contribution to the Fund according to the Act. The Bank did not issue a new declaration of liability between the end of the current reporting period and the date when these consolidated financial statements are authorised for issue. The Group did not recognise any liability in these consolidated financial statements in respect of the declarations of liability outstanding at year-end 2010 and 2009.

The Government of Iceland is currently working on changing the Act and a bill has been presented for approval by the Icelandic Parliament. Based on the current draft of this bill, the Bank's management expects its yearly contributions to increase as a result of changes in legal requirements.

#### *Tax on liabilities of financial institutions*

On 27 December 2010 the Parliament of Iceland passed a bill (Act no. 155/2010 on special tax on financial institutions) according to which certain types of financial institutions must pay annually a tax calculated as 0.041% of the carrying amount of their liabilities as determined for tax purposes.

## Notes to the Consolidated Financial Statements

### 23. Equity

#### *Share capital*

The total number of ordinary shares authorised and issued by the Bank at year-end 2010 and 2009 was 24 billion shares, with par value of ISK 1 per share. One vote is attached to each share of one ISK and the holders of ordinary shares are entitled to one vote per share at general meetings of the Bank. All issued shares are fully paid.

#### *Restriction of dividend payments*

As part of the acquisition price for the Icelandic operations of Landsbanki Íslands hf., the Bank issued senior secured bonds (see Notes 19 and 37). If the Bank makes any dividend payments, it shall thereby redeem the bond on a pro-rata basis in amounts equal to the dividend payments. The bonds mature in 2018.

According to the Company Act No. 2/1995, it is only permissible to allocate as dividend profit in accordance with approved annual financial statements for the immediate past financial year, profit brought forward from previous years and free funds after deducting loss which has not been met and the moneys which according to laws or Articles of Association must be contributed to a reserve fund or for other use.

#### *Share premium*

Share premium represents the difference between the ISK amount received by the Bank when issuing share capital and the nominal amount of the shares issued, less costs directly attributable to issuing the new shares, net of any related tax benefit.

#### *Statutory reserve*

The statutory reserve is created in accordance with requirements of the Company Act No. 2/1995, according to which at least 10% of the profit of the Bank, which is not devoted to meeting losses of previous years and is not contributed to other legally stipulated reserves must be contributed to the statutory reserve until it amounts to 10% of the share capital of the Bank. When that limit has been reached the contribution to the statutory reserve must be at a minimum 5% until the reserve amounts to a quarter of the share capital of the Bank.

#### *Retained earnings*

Retained earnings consist of undistributed profits and losses accumulated by the Group since the foundation of the Bank, less transfers to the statutory reserve of the Bank.

## Notes to the Consolidated Financial Statements

### Notes to the Consolidated Income Statement

#### 24. Net interest income

<b>Interest income</b>	<b>2010</b>	<b>2009</b>
Cash and balances with Central Bank	3,424	3,344
Bonds and debt instruments classified as loans and receivables	6,643	-
Loans and advances to financial institutions	1,290	1,749
Loans and advances to customers	49,644	58,518
Unpaid capital contribution	-	17,796
Other interest income	60	69
<b>Total</b>	<b>61,060</b>	<b>81,476</b>
<b>Interest expense</b>		
Due to financial institutions and Central Bank	(4,901)	(10,243)
Deposits from customers	(18,897)	(43,005)
Provisional liability due to Landsbanki Íslands hf.	-	(13,148)
Secured bonds	(12,464)	(445)
Other interest expense	(113)	(61)
<b>Total</b>	<b>(36,374)</b>	<b>(66,902)</b>
<b>Net interest income</b>	<b>24,685</b>	<b>14,574</b>

Interest spread (as the ratio of net interest income to the average carrying amount of total assets during the year) **2.3%** **1.4%**

Adjusted interest spread (as the ratio of net interest income after adjustment in valuation to the average carrying amount of total assets during the year) **2.4%** **2.1%**

Interest income accrued on impaired financial assets amounted to ISK 0 million in 2010 (2009: ISK 124 million).

Total interest income recognised in respect of financial assets not carried at fair value through profit or loss amounts to ISK 61,060 million (2009: ISK 63,680 million). Total interest expense recognised in respect of financial liabilities not carried at fair value through profit or loss amounts to ISK 36,374 million (2009: ISK 53,754 million).

#### 25. Net valuation change in loans and advances

	<b>2010</b>	<b>2009</b>
Net adjustments to loans and advances acquired at deep discount	49,702	23,772
Loss from foreign currency linkage of loans and advances to customers	(18,158)	-
Net impairment loss on loans and advances	(14,636)	(6,577)
<b>Total</b>	<b>16,909</b>	<b>17,195</b>
Individuals	(6,485)	5,831
Corporations	23,394	11,364
<b>Total</b>	<b>16,909</b>	<b>17,195</b>

## Notes to the Consolidated Financial Statements

### 26. Net fee and commission income

<b>Fee and commission income</b>	<b>2010</b>	<b>2009</b>
Investment banking and capital markets	1,085	943
Asset management	757	878
Lending	935	1,266
Cards	1,204	1,402
Interbank clearing	870	859
Collection and payment services	673	704
Foreign trade	412	471
Other commissions and fees	356	312
<b>Total</b>	<b>6,292</b>	<b>6,835</b>
<b>Fee and commission expense</b>		
Investment banking and capital markets	(259)	(230)
Interbank clearing	(857)	(832)
Other fees	(1,594)	(1,560)
<b>Total</b>	<b>(2,710)</b>	<b>(2,622)</b>
<b>Net fee and commission income</b>	<b>3,582</b>	<b>4,213</b>

The net fee and commission income above excludes amounts that are included in determining the effective interest rate for financial assets and liabilities that are not at fair value through profit or loss. It also does not include any net fee and commission income relating to such financial assets and liabilities.

### 27. Net gain on financial assets designated as at fair value through profit or loss

	<b>2010</b>	<b>2009</b>
Bonds and debt instruments	571	850
Equities and equity instruments	5,788	3,170
<b>Total</b>	<b>6,359</b>	<b>4,020</b>

### 28. Net gain on financial assets and liabilities held for trading

	<b>2010</b>	<b>2009</b>
Bonds and debt instruments	2,338	3,646
Equities and equity instruments	465	(670)
Derivatives instruments	(267)	86
<b>Total</b>	<b>2,536</b>	<b>3,062</b>

### 29. Dividend income

Dividend income was recognised in the consolidated income statement in the following line items:

	<b>2010</b>	<b>2009</b>
Net gain on financial assets designated as at fair value through profit or loss	558	730
Net gain on financial assets and liabilities held for trading	25	55
<b>Total</b>	<b>583</b>	<b>785</b>

## Notes to the Consolidated Financial Statements

### 30. Net foreign exchange gain (loss)

	2010	2009
<b>Assets:</b>		
Cash and balances with Central Bank	(130)	38
Bonds and debt instruments	(3,580)	1,017
Equities and equity instruments	(652)	1,719
Derivative instruments	(4,436)	1,300
Loans and advances to financial institutions	(6,053)	2,783
Loans and advances to customers	(14,853)	17,975
Other assets	(89)	(260)
<b>Total</b>	<b>(29,793)</b>	<b>24,572</b>
<b>Liabilities:</b>		
Due to financial institutions and Central Bank	1,924	(2,380)
Deposits from customers	5,757	(7,056)
Provisional liability due to Landsbanki Íslands hf.	-	(24,233)
Secured bonds	36,721	6,119
Other liabilities	13	(22)
<b>Total</b>	<b>44,415</b>	<b>(27,572)</b>
<b>Net foreign exchange gain (loss)</b>	<b>14,623</b>	<b>(3,000)</b>

The foreign exchange differences which were recognised during the year 2010 in the consolidated income statement and arose on financial instruments not measured at fair value through profit or loss amounted to a ISK 21,125 million loss for financial assets (2009: gain of ISK 20,536 million) and gain of ISK 44,403 million for financial liabilities (2009: loss of ISK 9,458 million). As disclosed in Note 3, the Group applied the average FX-delta ratio to foreign exchange differences arising on loans and advances to customers that were acquired from Landsbanki Íslands hf. on 9 October 2008. The amount of foreign exchange difference arising on loans and advances to customers for the year 2010, which is deemed to be uncollectible and is therefore offset by the FX-delta ratio, amounted to a loss of ISK 3,035 million (2009: gain of ISK 9,244 million).

### 31. Other income and expenses

	2010	2009
Recharged expenses	479	965
(Loss) gain on sale of property and equipment	(18)	23
Loss on repossessed collateral	(2,534)	(132)
Other	496	46
<b>Total</b>	<b>(1,577)</b>	<b>902</b>

### 32. Salaries and related expenses

	2010	2009
Salaries	7,497	6,969
Contributions to defined contribution pension plans	1,020	955
Other personnel expenses	814	544
<b>Total</b>	<b>9,331</b>	<b>8,468</b>
Number of full-time employment positions at year-end	1,146	1,161
Average number of full-time employment positions during the year	1,139	1,153

## Notes to the Consolidated Financial Statements

### 33. Other operating expenses

	2010	2009
Software licensing and other information technology costs	1,047	868
Real estate and fixtures	909	791
Advertising and marketing	433	355
Contribution to the Depositors' and Investors' Guarantee Fund	680	680
Audit and related services	173	116
Other professional services	889	613
Operating lease rentals	495	484
Other operating expenses	2,687	2,157
<b>Total</b>	<b>7,312</b>	<b>6,064</b>
<b>Audit and related services</b>	<b>2010</b>	<b>2009</b>
Audit of financial statement and audit related service	109	96
Review of interim financial statement	61	-
Other services	2	20
<b>Total</b>	<b>173</b>	<b>116</b>

### 34. Acquisition-related costs

	2010	2009
Cost of acquisition of assets and liabilities from Landsbanki Íslands hf.	542	886
Claims on Landsbanki Íslands hf. which were written off due to a settlement	-	158
<b>Total</b>	<b>542</b>	<b>1,044</b>

### 35. Income tax expense

Income tax is recognised based on the tax rates and tax laws enacted by the end of the period, according to which the domestic corporate income tax rate was 18.0% (2009: 15.0%).

Income tax recognised in the income statement is specified as follows:

	2010	2009
Current tax expense	(1,979)	(83)
Effect of increase in tax rate	164	295
Deferred tax expense	(5,967)	(827)
<b>Total</b>	<b>(7,782)</b>	<b>(615)</b>

Further information on deferred income tax is presented in Note 21. The tax on Group profits differs to the following extent from the amount that would theoretically arise by the domestic corporate income tax rate:

	2010		2009	
Profit before tax		32,644		14,254
Tax on liabilities of financial institutions		(400)		-
Profit before income tax		32,244		14,254
Income tax calculated using the domestic corporate income tax rate	18.0%	(5,804)	15.0%	(2,138)
Effect of increase in tax rate	(0.5%)	164	(2.1%)	296
Effect of different tax rates in other countries	-	-	0.3%	(38)
Income not subject to tax	(5.0%)	1,641	(9.0%)	1,289
Non-deductable expenses	6.4%	(2,099)	0.8%	(110)
Other	5.2%	(1,684)	(0.6%)	86
<b>Effective income tax</b>	<b>24.1%</b>	<b>(7,782)</b>	<b>4.3%</b>	<b>(615)</b>



## Notes to the Consolidated Financial Statements

### Other notes

#### 36. Litigation

Other than claims and legal proceedings that arise from time to time in the ordinary course of business, the Group has no pending legal proceedings other than the following:

1. In March 2009 Aresbank, a Spanish bank, commenced litigation against the Bank, submitting claims to the District Court of Reykjavik. Aresbank demanded that the Bank pay EUR 30 million, in addition to interests and litigation costs. Alternatively, the Icelandic Financial Supervisory Authority (FME) and the Icelandic government were subpoenaed for the acknowledgment of their obligation to pay damages on the basis of tort. The case involves two money market loans which each amount to EUR 15 million and have reached maturity. In addition, the case involves a third money market loan amounting to GBP 7 million. In short, Aresbank claims that money market loans are to be considered deposits according to the Act on Deposit Insurance, No. 98/1999. Aresbank cites the Icelandic government's declaration from 6 October 2008, which states that the Icelandic government insures all deposits in domestic commercial banks and their branches in Iceland. On 22 December 2010 the District Court of Reykjavik ruled in the case between Aresbank and the Bank. The Court ruled in favour of the Bank and confirmed that money market loans are not deposits according to the Act on Deposit Insurance, No. 98/1999. The ruling of the District Court was appealed to the Supreme Court. The Court procedure may take 12 to 18 months.

2. In September 2009, Handelsbanken AB, a Swedish bank, commenced litigation before the District Court of Reykjavik against the Bank, demanding a payment of SEK 42.4 million plus interest. The claim was based on a sub-guarantee issued by Landsbanki Íslands hf. to the plaintiff in 2003. In 2007, the guarantee was extended to 2013, and the court claim is that according to the decision of 9 October 2008 by the FME, on the disposal of assets and liabilities of Landsbanki Íslands hf., the Bank is now obliged to pay according to this guarantee. The Bank has responded to this claim by stating that according to an FME decision of 19 October 2008, the sub-guarantee in question was actually not transferred from Landsbanki Íslands hf. to the Bank. Even though the Bank believes that the claim is without merit and should be directed at Landsbanki Íslands hf., the final resolution of this matter cannot yet be determined. The District Court of Reykjavik has rendered its ruling in the legal proceeding between the Bank and Handelsbanken AB. The decision was in favour of the Bank and confirmed that the sub-guarantee in question was actually not transferred from Landsbanki Íslands hf. to the Bank by FME decision of 19 October 2008. The ruling of the District Court was appealed to the Supreme Court.

3. In December 2009 documents were served on the Bank by Basler Kantonalbank (BKB), a bank of the Swiss canton Basel City, as the initial step in starting ordinary proceedings against the Bank before the Commercial Court of the Swiss canton Zurich. BKB's claim amounts to CHF 19.2 million plus 5% interest since 9 October 2008, and is for the non-performance of FX Swap transactions by Landsbanki Íslands hf. BKB argues that according to an FME decision, the Bank took over Landsbanki Íslands hf. rights and obligations according to derivatives contracts. BKB also argues that the FME decision of 12 October 2008, whereby the decision of 9 October was amended so that derivative contracts were not transferred to the Bank, should be interpreted to apply only to derivative contracts after 12 October 2008. The Bank takes the view that the claim is without merit and should be directed at Landsbanki Íslands hf. The Bank intends to defend its position vigorously, although the final resolution of this matter cannot yet be determined.

4. In April 2009, the Bank's subsidiary Landsvaki hf. received a demand for reversing certain transactions involving the purchase of bonds from the money market funds operated by Landsvaki, shortly before the collapse of Landsbanki Íslands hf. in October 2008. Four such claims have been put forward and the total amount of the claims amounts to ISK 2 billion. Landsvaki considers the claim to be without merit and will defend this claim vigorously before court. On 21 December 2010 the District Court of Reykjavik ruled in a case between Landsvaki hf., and four of its clients. The District Court dismissed the case because the clients could not prove and determinate their claim for damages. On 18 February 2011 the Supreme Court ruled in the case and confirmed the District Court verdict to dismiss the case.

5. In June 2010 Skollaborg ehf. and Hraðfrystihúsið – Gunnvör hf. commenced litigation before the District Court of Reykjavik against the Bank. Skollaborg ehf. demanded that loans granted on the basis of a loan agreement and the distribution of the proceeds of the loans were declared null and void. The loan agreement are denominated in foreign currencies and the Bank claim according to the agreements is equivalent to ISK 2.1 billion. Hraðfrystihúsið – Gunnvör hf. demands that its guarantee for the repayment of the above mentioned loan agreement is declared null and void. To support its case the companies put forward various arguments mainly relating to the possibility for the company to enter into loan agreements to finance securities transactions and the conduct and advice of the employees of Landsbanki Íslands hf. in relation to the transactions. The Bank considers the claim to be without merit and will defend this claim vigorously before court; however the ultimate resolution of this matter cannot yet be determined. On 13 January 2011 the District Court of Reykjavik ruled that the case was dismissed because the Skollaborg claims did not fulfil the requirements of the civil law, No. 91/1991.

6. In January 2010 Soffanías Cecilsson hf., an Icelandic limited liability company, commenced litigation before the District Court of Reykjavik against the Bank and demanded that two loan agreements and the distribution of the proceeds of the loans were declared null and void. The loan agreements are denominated in foreign currencies and the Bank claim according to the agreements is equivalent to ISK 7.4 billion. To support its case the company puts forward various arguments mainly relating to the possibility for the company to enter into loan agreements to finance securities transactions and the conduct and advice of the employees of Landsbanki Íslands hf. in relation to the transactions. The Bank considers the claim to be without merit and will defend this claim vigorously before court; however the ultimate resolution of this matter cannot yet be determined.

## Notes to the Consolidated Financial Statements

### 36. Litigation (continued)

7. The District Court of Reykjavik has in its ruling from 23 February 2011, established in the case of NBI hf. versus bankrupt estate of Motormax ehf., that certain foreign currency loan agreements to companies are in fact loan agreements in Icelandic kronas which fall under the scope of Act. No. 38/2001, on interest and indexation. The indexation of such ISK denominated loans to the exchange rate of foreign currencies constitutes indexation which is not authorised by the Act. The Bank has appealed the ruling of the District Court of Reykjavik to the Supreme Court of Iceland.

8. EFTA Surveillance Authority has decided to open a formal investigation into potential unlawful state aid in the winding up of investment funds operated by fund management companies linked to the three failed Icelandic banks. It is alleged that the Icelandic authorities intervened in the market shortly after the collapse by influencing decisions of the newly created banks to purchase bonds from these investment funds. If EFTA Surveillance Authority comes to the conclusion that the intervention by the Icelandic authorities constitutes state aid it is not unlikely that a recovery claim will be made on Landsvaki. Landsvaki has formally protested these allegations and has submitted its views and arguments to the EFTA Surveillance Authority.

### 37. Pledged assets

On 12 October 2010 the Bank and Landsbanki Íslands hf. signed a pledge agreement according to which the Bank pledged certain pools of loans to customers as collateral for the secured bonds issued on 12 October 2010 (see Note 19) and the contingent bond that the Bank might issue to Landsbanki Íslands hf. (see Note 20). The Bank must maintain a cover ratio of 127.5% (ISK 333,174 million) for the secure bonds and 118% (ISK 31,281 million) for the contingent bond. Pledged assets added to the pledged pool must comply with certain eligibility criteria.

In addition, the Bank has pledged assets, in the ordinary course of banking business, to the Central Bank of Iceland in the amount of ISK 5,500 million as at year-end 2010 (2009: ISK 5,500 million) to secure settlement in the Icelandic clearing systems. Further pledges have been placed in the ordinary course of banking business for netting and set-off arrangements in the total amount of ISK 7,123 million as at year-end 2010 (2009: ISK 1,200 million).

### 38. Leasing

#### Operating lease commitments where the Group is lessee

In cases where the Group is a lessee, the future minimum lease payments under non-cancellable operating leases were as follows on 31 December:

	2010	2009
No later than 1 year	29	169
Later than 1 year and no later than 5 years	172	55
Later than 5 years	271	267
<b>Total</b>	<b>473</b>	<b>491</b>

#### Operating lease commitments where the Group is legal lessor

The Group acts as the legal lessor, through its subsidiary SP-fjármögnun hf., whereby tools and equipment are purchased and leased to third parties under arrangements that in substance are loans and advances accounted for under IAS 39 in the consolidated financial statements of the Group.

The future minimum lease payments expected to be received under non-cancellable operating leases were as follows on 31 December:

	2010	2009
Less than 1 year	3,356	5,281
More than 1 year and less than 5 years	3,570	6,945
More than 5 years	407	985
<b>Total</b>	<b>7,333</b>	<b>13,211</b>

## Notes to the Consolidated Financial Statements

### 38. Leasing (continued)

#### Finance lease commitments where the Group is lessor

The Group acts as lessor, through its subsidiary SP-fjármögnun hf., whereby items of plant and equipment are leased to third parties under arrangements qualifying as finance leases. Finance lease receivables are included within loans and advances to customers.

The net investment in finance lease receivables was as follows:

	Gross investment in finance lease	Future finance income	Present value of minimum lease
<b>At 31 December 2010</b>			
Less than 1 year	7,573	(1,412)	6,161
More than 1 year and less than 5 years	16,870	(2,065)	14,805
More than 5 years	1,306	(41)	1,265
<b>Total</b>	<b>25,749</b>	<b>(3,518)</b>	<b>22,231</b>
<b>At 31 December 2009</b>			
Less than 1 year	12,962	(1,269)	11,692
More than 1 year and less than 5 years	32,850	(2,662)	30,187
More than 5 years	6,433	(365)	6,068
<b>Total</b>	<b>52,245</b>	<b>(4,296)</b>	<b>47,947</b>

Unguaranteed residual value at year end 2010 is nil (2009: nil).

### 39. Fiduciary activities

The Group provides asset custody, asset management, investment management and advisory services. All of them require the Group to make decisions on the handling, acquisition or disposal of financial instruments. Assets in Bank custody are not reported in the consolidated financial statements, since they are not assets of the Bank. One aspect of these services is that the Group is involved in approving objectives and criteria for investing assets in its custody. As of 31 December 2010, financial assets managed by the Group amounted to ISK 100 billion (2009: ISK 142 billion). Custody accounts amounted to ISK 998 billion (2009: ISK 1,209 billion).

## Notes to the Consolidated Financial Statements

### 40. Related party transactions

#### Related parties

The Icelandic State Treasury, on behalf of the Icelandic State, holds 81,3% of the shares in the Bank. Government bodies and public institutions qualifying as related parties are the Ministry of Finance, the ISFI (Icelandic State Financial Investments), and entities and institutions related to them.

Transactions between the Bank and its subsidiaries meet the definition of related party transactions. All transactions with subsidiaries are eliminated on consolidation and are thus not disclosed in the Group's consolidated financial statements. The main subsidiaries of the Bank at 31 December 2010 were the following:

Company	Ownership interest	Activity
Landsbankinn eignarhaldsfélag ehf. (Iceland)	100%	Holding company
Eignarhaldsfélagið NBI ehf. (Iceland)	100%	Holding company
Horn fjárfestingarfélag ehf. (Iceland)	100%	Investment company
Eignarhaldsfélagið Vestia ehf. (Iceland)	100%	Holding company
Reginn ehf. (Iceland)	100%	Real estate company
SP-fjármögnun hf. (Iceland)	100%	Leasing company
Landsvaki hf. (Iceland)	100%	Management company for mutual funds
Hömlur ehf. (Iceland)	100%	Holding company
Blámi - fjárfestingafélag ehf (Iceland)	100%	Holding company
Vörður líftrygging ehf. (Iceland)	60%	Insurance company
Verðbréfun hf. (Iceland)	100%	Securitisation company
Landsbanki Vatnsafl ehf. (Iceland)	100%	Holding company
Stofnlánadeild Samvinnufélaga (Iceland)	100%	Holding company
Span ehf. (Iceland)	100%	IT-services
Landsbanki Holdings UK plc (United Kingdom)	100%	Holding company

Landsbanki Íslands hf. has significant influence over the Bank, indirectly through its wholly-owned subsidiary Landsskil ehf., which holds 18.7% of the shares in the Bank. Landsskil ehf. appoints one of the five members of the Board of Directors of the Bank and Landsbanki Íslands hf. has also influence through its observer members of various committees of the Bank. Although these observer members do not have rights to take part in the decision process during meetings of the committees of the Bank they can submit their own comments outside such meetings, which can have a significant impact on decision outcomes. Due to the ownership, its member on the Board of Directors of the Bank and influence through the committees of the Bank, Landsbanki Íslands hf. meets the definition of related party.

The key management personnel of the Bank and its close family members meet the definition of related parties and in some cases the key management personnel of the Bank's subsidiaries. The key management personnel of the Bank are the members of the Board of Directors, CEO, Managing Directors and other directors having authority and responsibility for planning, directing, and controlling the activities of the Bank. The Minister of Finance and the members of the Board of Directors of ISFI meet the definition of key management personnel of the Bank due to their ability to influence the policy of the Bank.

#### Transactions with related parties

##### (a) Transactions with the Icelandic government and government-related entities

The Group's products and services are offered to the Icelandic government and government-related entities in competition with other vendors and under generally accepted commercial terms. In a similar manner, the Bank and other Group entities purchase products and services from government-related entities at market price and otherwise under generally accepted commercial terms. The nature and outstanding amounts receivable from public entities are disclosed in Note 55.

## Notes to the Consolidated Financial Statements

### 40. Related party transactions (continued)

#### (b) Transactions with other related parties

Information about the terms and amounts payable by the Bank to Landsbanki Íslands hf. is disclosed in Notes 19 and 20. The deposits from Landsbanki Íslands hf. amounted to ISK 33,418 million as at 31 December 2010 (2009: ISK 22,935 million). During the year 2010 the Bank recognised ISK 479 million from administrative services provided to Landsbanki Íslands hf. based on a service level agreement (2009: ISK 965 million).

The following table presents the total amounts of loans to key management personnel and parties related to them and loans to associates:

Loans in ISK million	2010		2009	
	Balance at 31 December	Highest amounts outstanding during year	Balance at 31 December	Highest amounts outstanding during year
Key management personnel	161	200	84	99
Parties related to key management personnel	250	331	32	45
Associates	7,273	7,307	6,763	7,652
<b>Total</b>	<b>7,684</b>	<b>7,838</b>	<b>6,879</b>	<b>7,797</b>

No specific allowance for impairment was recognised in respect of these loans.

No guarantees, pledges or commitments have been given or received in respect of these transactions in the period. There are no leasing transactions between related parties in the period.

#### (c) Compensation to directors, CEOs and managing directors

Salary and benefits for the year 2010	Salary and benefits	Termination benefits*	Total
Gunnar Helgi Hálfðanarson, Chairman of the Board of the Bank	5.3	-	5.3
Sigríður Hrólfsdóttir, Vice-chairman of the Board of the Bank	3.8	-	3.8
Guðríður Ólafsdóttir, member of the Board of the Bank	3.0	-	3.0
Þórdís Ingadóttir, member of the Board of the Bank	2.6	-	2.6
Ólafur Helgi Ólafsson, member of the Board of the Bank	0.6	-	0.6
Andri Geir Arinbjarnarson, alternate member of the Board of the Bank	2.7	-	2.7
Former members of the Board of the Bank	2.9	-	2.9
Other alternate directors of the board of the Bank	1.1	-	1.1
Ásmundur Stefánsson, former CEO of the Bank	6.0	9.3	15.3
Steinþór Pálsson, CEO of the Bank	7.9	-	7.9
8 Managing Directors of the Bank's divisions	57.8	-	57.8
5 former Managing Directors of the Bank	74.5	70.8	145.3
Managing Directors of subsidiaries Vestia, Horn, Reginn, Landsvaki and SP fjármögnun	56.0	-	56.0
<b>Total</b>	<b>224.4</b>	<b>80.1</b>	<b>304.5</b>

\* Employment termination costs payable in the year 2011 were fully recognised as an expense in the year 2010.

In 2010 the total monthly salary and benefits of the current CEO of the Bank amounted to ISK 1.1 million and the average monthly salary and benefits of current Managing Directors of the Bank's divisions amounted to ISK 1.5 million. The average total monthly salary and benefits of the former CEO of the Bank amounted to ISK 1.3 million and the average monthly salary and benefits of former Managing Directors of the Bank's divisions amounted to ISK 1.5 million.

In 2010 the Bank acquired two vehicles as part of the employment terms of two present Managing Directors of the Bank. The acquisition price of both vehicles amounted to ISK 7 million, which was equal to their market value at acquisition date. The vehicles have not been sold at year-end 2010.

## Notes to the Consolidated Financial Statements

### 40. Related party transactions (continued)

#### (c) Compensation to directors, CEOs and managing directors (continued)

Salary and benefits for the year 2009	Salary and Termination		Total
	benefits	benefits	
Haukur Halldórsson, Chairman of the Board of the Bank	3.2	-	3.2
Erlendur Magnússon, Vice-chairman of the Board of the Bank	2.3	-	2.3
Stefanía K. Karlsdóttir, member of the Board of the Bank	1.6	-	1.6
Salvör Jónsdóttir, member of the Board of the Bank	1.6	-	1.6
Ása Richardsdóttir, alternate Director of the Board of the Bank	1.5	-	1.5
Alternate directors of the Board of Directors of the Bank	0.2	-	0.2
Ásmundur Stefánsson, CEO of the Bank	17.5	-	17.5
Elin Sigfúsdóttir, former CEO of the Bank	19.3	24.9	44.2
7 Managing Directors of the Bank's divisions	102.1	-	102.1
6 Managing Directors of subsidiaries	46.6	15.9	62.6
<b>Total</b>	<b>196.0</b>	<b>40.8</b>	<b>236.8</b>

#### (d) Transactions with the Minister of Finance and members of the Board of Directors of the ISFI

The Minister of Finance and the members of the Board of Directors of the ISFI did not receive any salaries or similar payments from the Group during the year 2010. The Group did not enter into any transactions with these persons or close members of their families, other than lending and deposit taking during the normal course of commercial banking operations, with the exception of the following transaction with Sigurður B. Stefánsson, a member of the Board of Directors of the ISFI.

On 9 March 2011 Eignarhaldsfélag NBI ehf., a subsidiary of the Bank, completed the acquisition of all shares in the company Rose Invest hf., half of which were owned by Sigurður B. Stefánsson, a member of the Board of the ISFI. Rose Invest hf. is licensed by the Icelandic Financial Supervisory Authority to operate UCITS and other funds for collective investment and investment advice. The acquisition will reinforce the Bank's position further in the area of asset and fund management as the founders of Rose Invest hf., including Sigurður B. Stefánsson, have joined the Bank's Asset Management Division. The acquisition price for the shares paid by Eignarhaldsfélag NBI ehf. to Sigurður B. Stefánsson amounted to ISK 23.7 million.

### 41. Events after the reporting period

The main events after the reporting period are as follow:

On 14 January 2011 the Icelandic Competition Authority approved the sale of controlling interests in the subsidiaries Eignarhaldsfélagið Vestia ehf. and Icelandic Group hf. Further information about the transaction and an estimate of its financial effect is disclosed in Note 16.

As part of the composition of the leasing company Avant hf. the Bank acquired the company. This transaction has no effects on the consolidated financial position of the Group as the Bank was the only creditor of Avant hf.

On 7 March 2011, the Bank took over all assets, liabilities and operations of SpKef Savings Bank in accordance with the decision of the Financial Supervisory Authority in Iceland (FME). SpKef Savings Bank was owned entirely and directly by the Icelandic State Treasury previous to the transfer. The Icelandic State Treasury has committed to make a capital contribution to the Bank in order to compensate for the negative difference between the value of assets and liabilities taken over by the Bank. This takeover is done on an arm's length basis under generally accepted commercial terms. The value of financial assets of SpKef is uncertain as due diligence is currently under progress where initial assumptions of fair value of assets and assumed liabilities taken over are being verified. Total liabilities of SpKef at 31 December 2010 were approximately ISK 60 billion.

## Notes to the Consolidated Financial Statements

### Capital management

#### 42. Capital management

The Financial Supervisory Authority (FME) has decided that the Group is to maintain a Tier 1 capital ratio of at least 12% which must be maintained for at least 3 years after the initial capitalisation unless revised by FME. Furthermore, the Group must maintain a capital adequacy ratio (CAD ratio) above 16% unless FME approves a lower CAD ratio on the basis of additional capital resources available for the Group.

The FME has decided that the Bank shall maintain a capital ratio of at least 16%. This is higher than the current ICAAP capital requirement estimated by the Bank.

#### 43. Capital base and capital adequacy ratio

The Group's equity at 31 December 2010 amounted to ISK 184,866 million (2009: ISK 157,592 million), equivalent to 17.1% (2009: 14.8%) of total assets, according to the statement of financial position. The capital adequacy ratio, calculated in accordance with Article 84 of Act No. 161/2002 on Financial Undertakings, was 19.5% at the end of the year (2009: 14.9%). According to the Act, this ratio may not fall below 8.0%.

<b>Capital base</b>	<b>2010</b>	<b>2009</b>
Share capital	24,000	24,000
Share premium	123,898	123,898
Statutory reserve	2,932	741
Retained earnings	31,828	6,791
Non-controlling interests	2,207	2,162
Intangible assets	(878)	(1,058)
Deferred tax assets	(1,522)	-
<b>Tier 1 capital</b>	<b>182,466</b>	<b>156,534</b>
Deduction from original and additional own funds	(3,888)	(2,329)
<b>Capital base</b>	<b>178,579</b>	<b>154,205</b>
<b>Risk-weighted assets</b>		
Credit risk	699,716	748,574
Market risk	144,745	229,489
Operational risk	69,987	58,326
<b>Total risk-weighted assets</b>	<b>914,448</b>	<b>1,036,389</b>
Tier 1 capital ratio	20.0%	15.1%
Capital adequacy ratio	19.5%	14.9%



## Notes to the Consolidated Financial Statements

### Risk management

#### 44. Material financial risks

The Group is exposed to the following material risks which arise from financial instruments:

- Credit risk
- Liquidity risk
- Market risk
  - Currency risk
  - Interest rate risk
  - Other price risk

The Group also examines other relevant risk dimensions, such as operational risk and compliance risk.

The above material risks are addressed in the notes below.

#### 45. Risk management process

Risk is inherent in the Group's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. Risk identification involves finding the origins and structures of possible risk factors in the Group's operations and undertakings. Risk measurement entails applying relevant measures to identified risk factors in order to allow for benchmarking and comparison. Monitoring entails having a dedicated system and process to highlight possible risks. Finally, risk control and limits provides for using rules and procedures to monitor and limit any risk taken on by the Group and ensuring that it complies with the Group's risk appetite and policies.

The objective of the Group's risk policies and procedures is to ensure that the risks involved in its operations are known, measured, monitored and effectively managed. Exposure to risks is managed to ensure that it will remain within limits adopted by the Group and will comply with regulatory requirements. In order to ensure that the fluctuations which might affect the Group's equity as well as performance are kept limited and manageable, the Group has adopted several policies regarding the risk structure of its portfolio.

#### 46. Risk management framework

In 2010 the Bank implemented a new structure for risk management. This involved merging the two CEO level committees, the Asset and Liabilities Committee (ALCO) with the Risk Committee into a new committee, the Risk and Finance Committee. In addition, changes were made to the organisational structure of the Risk Management Division, where the following new units were established: the Credit Management Unit, the Internal Risk Model's Unit and the Economic Research Unit.

The Group's risk management governance structure as at year-end 2010 is as follows:

<b>Supervision by the Board of Directors</b>	<b>Board of Directors</b>				
	Internal Audit, Remuneration Committee, Audit and Risk Committee				
<b>Key management bodies and committees</b>	<b>The CEO</b>				
	Risk and Finance Committee				
	Credit Committee				
	Executive Management Committee				
<b>Risk types</b>	Compliance risk	Credit risk	Market risk	Operational risk	Liquidity risk

The Board of Directors of the Bank has overall responsibility for the establishment and oversight of the Group's risk management framework. The CEO is responsible for the effective implementation of the Bank's risk policies through the corporate governance structure and committees. The CEO has established the Risk and Finance Committee, the Credit Committee and the Executive Management Committee, which are responsible for developing and monitoring Group risk management policies in their specified areas. All committees report regularly to the Board of Directors on their activities. At operating entity level, primary responsibility for managing risk lies with the respective boards, CEOs and managers.

The Bank's CEO sits on three committees, each of which handles different aspects of risk: the Risk and Finance Committee, the Credit Committee and the Executive Management Committee. The Credit Committee deals with credit risk, while the Risk and Finance Committee covers market risk and liquidity risk. The Risk and Finance Committee monitors all Group risks and is responsible for enforcing the Bank's risk appetite and risk limits, and reviews and approves all changes to risk models before presented to the Board of Directors. The Risk and Finance Committee makes decisions in regard to pricing and interest rate changes, exposure limits and quality procedures in retail banking. Also, the CEO is a member of the Executive Management Committee, which serves as a forum for consultation and communication between the CEO and managing directors, addressing the main issues that are current in each division. This committee makes all major decisions which are not being consulted on elsewhere or being considered in other standing committees.

In order to ensure that it has procedures in place to supervise business operations, the Board has two committees of its own, the Remuneration Committee and the Audit and Risk Committee.

## Notes to the Consolidated Financial Statements

### 46. Risk management framework (continued)

The Bank's Risk Management Division is responsible for managing risk within the Bank through setting and enforcing limits. Subsidiaries of the Bank have their own risk management functions, but the Risk Management Division receives information on exposures from the subsidiaries and collates them into Group exposures.

The Compliance Department ensures that the Group follows its rules on securities trading and insider trading and that operations comply with the Act on Securities Transactions, the Act on Actions to Combat Money Laundering and Terrorist Financing, and other relevant legislation and regulations. This department also concentrates on Group adherence to codes of ethics and on limiting market abuse, minimising conflicts of interest and ensuring best practice. Such compliance is one of the Group's support functions and is integral to its corporate culture.

Internal audit is part of the Group's risk management framework as well as being an aspect of the surveillance system. The purpose of internal audit in the risk management process is to confirm that risk management is functioning and is sufficient for the Group. The effectiveness of the Group's risk management and risk assessment procedures, including the ICAAP process, is evaluated by internal audit and the findings are reported to the Board of Directors. Internal audit activities extend to every operating unit, including the Bank's subsidiaries.

### 47. Risk management division

The Risk Management Division has seven units.

- The Credit Management Unit is responsible for risk assessment and secondary voting on credit applications for customers with exposures exceeding the credit limits of individual business units and customers which have been classified yellow, orange or red (see Note 53). Secondary voting on decisions exceeding the limits of the Risk Management Division is referred to the Bank's Credit Committee, as if there are any disagreements between the division and other units on credit decisions.
- The Credit Risk Monitoring Unit is responsible for monitoring the Bank's credit portfolio. This is done by operating an early warning system which classifies customers and transfers them between the categories standard/watchlist and restructuring. The unit also works with other units on large exposure and impairment analysis.
- The Asset, Liability and Market Risk Unit is responsible for the risk arising in the Bank's investment banking activities. The types of risks are liquidity risk, interest rate risk, foreign exchange rate risk, equity risk and commodity risk.
- The Operational Risk Unit is responsible for ensuring that Group operational risks are captured and that the Group implements, maintains and monitors an effective operational risk management framework.
- Internal Risk Models Unit's role is to provide, develop and maintain the Bank's internal models and related processes to measure risk, including linking risk to capital; as well as to support the implementation of such models and processes within the Bank.
- The Report and Risk Analysis Unit is responsible for credit risk reporting to regulators and within the Bank. The department is an architect for credit risk data warehousing, liaises with IT regarding credit risk and is responsible for ad hoc credit risk analysis as well as portfolio analysis.
- The Economic Research Unit is responsible for the analysis of the external domestic and international economic environment relevant to the Bank's operations. The analysis provides support to management in planning, risk management and decision-making. The main task of the department within the risk management context is to design and analyse the macroeconomic scenarios which are applied in the stress testing process.

### 48. Risk policy and appetite

The Board of Directors of the Bank is responsible for overall policy on risk, ensuring that it conforms to the Group's strategy, its capital adequacy goals and risk appetite, and the experience of its management. The CEO is responsible to the Board for daily operations, managing Group risk through committees. Managing directors report to the CEO on the activities of their division and compliance with the risk policies of the Group. Two aspects of this involved the Board of Directors approving a new credit policy as well as updating various risk based rules of the Bank in 2010. The Group has an established process in place for defining its risk appetite and the approval of risk policies for all risks.

### 49. Effects of the financial crisis

Due to economic conditions in Iceland following the events of October 2008, the Group has been experiencing uncertainty about borrowers' ability to pay back their loans. The uncertainty was especially prevalent in the case of loans denominated in foreign currencies granted to borrowers with limited or no income in foreign currencies. In general, the uncertainty about borrowers' ability to pay back their loans has decreased, in part due to the implementation of solutions for individuals and companies. In addition, the uncertainty regarding the currencies of denomination and interest rates of lease and loan agreements has decreased as a result of the rulings of the Supreme Court of Iceland and new legislation as described in Note 4(i).

The Group has adopted various measures to assist individuals and corporations experiencing payment difficulties. As indicated by the number of customers experiencing payment difficulties and utilising the Group's solutions there has been a significant financial impact of these solutions. Due to the fact that the loan book was acquired at a deepdiscount, the impact on the Group's financial performance has so far been limited but has left the Group with limited room for further general write-down of loans.

## Notes to the Consolidated Financial Statements

### 49. Effects of the financial crisis (continued)

Situations may differ between individuals and this calls for varying solutions, customised to fit the needs of each customer. Solutions are based on an overall assessment of each customer's financial situation. The Group provides several remedies for individuals experiencing financial difficulties based on legislation or developed internally by the Group. The remedies variously consist of general measures and/or involve more extensive actions.

The Group has approved a framework to govern the financial restructuring of companies that have a business relation with the Group and are experiencing financial difficulties. The framework is intended to elaborate on the government's declaration, Act No. 107/2009 (on actions for the benefit of individuals, households and companies due to the collapse of the banks and currency) and Joint Rules on the Financial Restructuring of Companies agreed upon by the members of the Icelandic Financial Services Association.

### Credit risk

#### 50. Credit risk

Credit risk is defined as the risk that a party to a financial instrument will cause a financial loss for the Group by failing to discharge its obligations.

Due to the effects of the financial crisis, there is rather high uncertainty concerning the recovery of the loan portfolio. This uncertainty is reflected by traditional measures of credit risk.

Credit risk is the greatest single risk faced by the Group and arises principally from loans and advances to customers and from investments in debt securities. However, it also arises from issued guarantees and letters of credit which commit the Group to pay a third party in the event of customer inability to fulfil obligations. Guarantees and documentary credits are secured by the goods shipments they cover, thus representing a lower risk than direct loans. Unused credit lines represent commitments to increase loans or guarantees. Conceivably, the Group could suffer losses equivalent to the total of open credit lines. Credit risk also arises from derivative contracts where the Group can incur financial losses if the amount to be settled is positive for the Group, after netting and realisation of collateral.

#### 51. Credit risk management

The Group manages credit risk by setting limits on acceptable exposures to individual borrowers or groups of related borrowers. Such limits are monitored and regularly reviewed. Credit risk is also managed by modifying authorised credit limits or acquiring preferable collateral for existing client obligations.

The Group's management and control of credit risk is centralised. The Board of Directors sets the Group lending policy, with the purpose of controlling overall Group exposure by the combined, comprehensive monitoring of indirect risk exposure through clients and direct claims of the Bank and its subsidiaries.

Credit risk is managed by the Risk and Finance Committee, the Credit Committee and its sub-committees. The Risk Management Division manages, monitors and measures credit risk and reports on credit risk quarterly to the managing directors and the Board of Directors. The lending policy approved by the Board of Directors and the Risk and Finance Committee indicates the maximum allowable exposure to individual borrowers and groups of related borrowers.

The CEO sets detailed lending rules based on the policy approved by the Board of Directors. Lending authorisation levels are well-defined and incremental. Lending authorisations within the branch network vary according to branch size and the lending experience of credit officers, with higher lending authorisations being granted to branch managers and corporate relationship managers. The highest lending authorisation in the Group is in the hands of its Corporate Banking Division. Loans exceeding authorisations set by the lending rules require approval by the Credit Committee, which may approve loans falling outside the authorisations stipulated in Group lending rules. The Credit Committee delegates and reviews employee authorisation levels and is responsible for reviewing lending rules. Comprised of the Bank's CEO and the managing directors of Corporate Banking and Financial Operations, the Credit Committee meets regularly to discuss all credit decisions which exceed the authorisation levels of branches and the Corporate Banking Division.

Changes to the composition of the Credit Committee have been proposed and will be implemented in 2011. New lending rules have been approved by the Board of Directors and are in the process of being implemented. These changes aim to involve Risk Management Division to a larger extent than before in the lending process as well as setting credit approval limits on business units and credit committees. These changes will emphasise roles and responsibilities of all departments involved in the process.

## Notes to the Consolidated Financial Statements

### 52. Credit risk mitigation

#### Non-derivative financial instruments

Securing loans with collateral is the traditional method of mitigating credit risk. The Group applies the various instruments available towards reducing credit risk by obtaining collateral to secure client obligations where this is considered appropriate, normally in the form of a lien on client assets which gives the Group a claim on these assets for both existing and future client obligations.

The amount and type of collateral required depends on an assessment of the credit risk associated with the counterparty. Guidelines are clarified by the Group regarding valuation parameters and the acceptability of different types of collateral. Credit extended by the Group may be secured on residential or commercial properties, land, securities, transport vessels, fishing vessels together with their non-transferable fishing quotas, aircraft, etc. The Group also secures its loans by means of receivables and operating assets, such as machinery, equipment, raw materials, and inventories. Residential mortgages involve the underlying residential property. Less stringent requirements are set for securing short-term personal loans, such as overdrafts and credit card borrowings.

Where possible, management monitors the market value of collateral and may require additional collateral in accordance with the underlying loan agreement.

The current discussion and political debate on possible changes to the fishing quota system in Iceland, which may include a gradual decrease in the quota awarded to current quota owners, may have an adverse effect on the value of the fishing vessels placed as security for a part of the corporate loan portfolio of the Bank. This could therefore have an adverse effect on the value of the Bank's loan book. At the moment any such effect is impossible to determine.

The Group is implementing a new collateral system for the Bank. The new collateral system is developed internally and allows the Bank to analyse the quality and value of the collateral held to secure the loan portfolio.

In order to limit further the credit risk arising from financial instruments, the Group enters into netting agreements, which in cases of default arrange for the Group to be able to set off all contracts covered by the netting agreement against the debt. The arrangements generally include all market transactions between the Group and the client.

Generally, collateral is not held over loans and advances to financial institutions, nor is it usually held against bonds and debt instruments.

#### Derivative financial instruments

In order to mitigate credit risk arising from derivatives the Group chooses the counterparties for derivatives trading based on stringent rules, according to which clients must qualify as professional clients but only if certain conditions are met. The Group also enters into standard ISDA master netting agreements with foreign counterparties and similar general netting agreements with domestic counterparties.

In addition, the Group has in place margin procedures for derivatives. The clients are required to hold a margin account with the Group where the collateral (i.e. cash or government bonds with rating at least BBB) is stored and managed. The client pledges the value of the margin account to the Group, thus reducing the risk of the Group should the client default. The margin system also defines that a client's collateral must be at least equal to the credit equivalent value of the derivative, which is the current potential cost of replacing the contract's expected net cash flows should the counterparty default.

The Group issues a margin call if a client's collateral balance falls below the maintenance margin, which is defined as a percentage of the notional amount of the derivative and varies by type of derivative. In a margin call the Group demands that the client must bring additional collateral, usually within two days, in order to cover the losses. Otherwise the Group closes all or several contracts and takes possession of the collateral so that the collateral balance covers the credit equivalent value again.

The Group's supervision system monitors derivatives exposure and collateral value intraday, it issues margin calls and manages netting agreements.

## Notes to the Consolidated Financial Statements

### 53. Credit risk measurement

The Group monitors exposures to identify signs of weakness in customer earnings and liquidity as soon as possible. On the basis of customer data, the Group has developed internally a number of statistical models to predict the probability of customers defaulting on their obligations to the Group, as defined in the internal rating based approach of the Basel II framework. Customers of the Group are assigned to a rating grade on the internal rating scale on the basis of the estimated probability of default. Work to validate and improve the Group's internal rating system started in 2010 and will continue in 2011, with the objective to ensure compliance with the internal rating based approaches, starting with the foundation approach.

Supplemental to using ratings, the Group uses a second classification for customer groups with loan exposures above ISK 500 million. A simple means of classification was devised initially, creating three credit risk groups (green, amber and red), which were used from the foundation of the Bank in 2008 until 2010. Following changes in the structure of the Risk Management Division in 2010 and the implementation of a credit risk early warning system, the colour classification used in 2010 was the following:

- Green customers are those that are considered performing without difficulties.
- Yellow customers are those that are on Watch list 1, which have temporary difficulties and may need some installments postponed or modification to terms or loan covenants.
- Orange customers are those that are on Watch list 2. They are still under the supervision of the relevant business unit but are likely to go through loan restructuring or installments postponed.
- Red customers are those that are under the supervision of the Asset Restructuring division and need restructuring, write-offs or debt-to-equity conversion. The management of the customer's operations will possibly be taken over by the Group. In some cases, collateral or guarantees will be collected and/or the operations sold.

Customer groups with loan exposure below ISK 500 million will be grouped into green, yellow, orange and red credit risk groups during the year 2011.

The following table presents the classification of loans and advances to customers by credit risk groups:

Carrying amount	2010	2009
Customer groups with loan exposures above ISK 500 million		
Green	197,331	199,521
Yellow	21,669	16,399
Orange	23,982	20,008
Red	51,867	113,711
Customer groups with loan exposures below ISK 500 million	298,105	317,483
<b>Total</b>	<b>592,954</b>	<b>667,122</b>

External ratings were used where applicable to assist in managing the credit risk exposure of bonds. Otherwise the Group used fair value estimates based on available information and the Group's own estimates.

The Group measures the credit risk of derivatives by calculating a credit equivalent value for each derivative. The credit equivalent value is the market value of a contract plus a percentage of the nominal amount of the derivative which depends on the type of derivative. The percentage is twice that of the 99% Value at Risk (VaR), calculated for each underlying security or currency based on historical volatility, for a holding period of five days.

### 54. Loan impairment

Group policy requires that individual financial assets above materiality thresholds be reviewed at least quarterly, and more frequently when circumstances so demand. Impairment allowances on individually assessed accounts are determined case-by-case by evaluating incurred losses at the reporting date. Collectively assessed impairment allowances are permitted in the following cases: (i) portfolios of homogenous loans that are individually below materiality thresholds, and (ii) losses that have been incurred but not yet identified, using the available historical experience along with experienced judgement and statistical techniques.

Should the expected cash flows be re-examined and the present value of the cash flows (calculated using the effective interest rate) be revised, the difference is then recognised in profit or loss (as either impairment or net adjustments to loans and advances). Impairment is calculated using the effective interest rate, before any revision of the expected cash flows. Any adjustments to the carrying amount which result from revising the expected cash flows are recognised in profit or loss. The impact of financial restructuring of the Group's customers in 2010 is reflected in loan impairment, or net adjustments to loans and advances, as the expected cash flow of customers has changed.

The Group measures and estimates the impact of foreign exchange rate changes on the financial strength of each borrower or group of borrowers. While some customers receive income partially or fully in foreign currency, other customers have very limited or no income in foreign currency. Customers with limited income in foreign currency will suffer more than others, should the ISK depreciate.

## Notes to the Consolidated Financial Statements

### Credit risk

#### 55. Maximum exposure to credit risk and concentration by industry sectors

The following tables represent the Group's maximum credit risk exposure at 31 December 2010 and 2009, without taking into account any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out below are based on net carrying amounts as reported in the statement of financial position. Off-balance sheet amounts in the tables below are the maximum amounts the Group might have to pay for guarantees, loan commitments in their full amount, and undrawn overdraft and credit card facilities. The loans to individuals are residential mortgages and consumer lending. Consumer lending consists of current account loans, ISK term loans and loans dominated in foreign currencies, to name a few of the lending forms.

The Group uses the ISAI 08 industry classification for corporate customers. This classification is based on the NACE Rev. 2 industry classification used by EEA countries.

At 31 December 2010	Corporations											Carrying amount	
	Financial institutions	Public entities*	Individuals	Fisheries	Construction and real estate companies	Services	Retail companies	Holding companies	Manufacturing	Agriculture	ITC**		Other
Cash and balances with Central Bank	-	47,777	-	-	-	-	-	-	-	-	-	-	47,777
Bonds and debt instruments	10,744	147,037	-	-	2	-	-	3,776	-	-	-	1	161,559
Derivative instruments	20	-	-	-	-	-	-	3	-	-	-	-	23
Loans and advances to financial institutions	91,882	-	-	-	-	-	-	-	-	-	-	-	91,882
Loans and advances to customers	-	13,591	163,203	134,037	100,038	66,752	33,582	37,243	22,872	11,666	6,597	3,373	592,954
Other financial assets	6,316	42	-	12	-	433	1	19	10	-	154	83	7,070
<b>Total on-balance sheet exposure</b>	<b>108,962</b>	<b>208,446</b>	<b>163,203</b>	<b>134,049</b>	<b>100,040</b>	<b>67,185</b>	<b>33,584</b>	<b>41,041</b>	<b>22,882</b>	<b>11,666</b>	<b>6,751</b>	<b>3,457</b>	<b>901,265</b>
<b>Off-balance sheet exposure</b>	<b>0</b>	<b>7,232</b>	<b>33,184</b>	<b>11,904</b>	<b>5,801</b>	<b>9,672</b>	<b>12,053</b>	<b>2,184</b>	<b>3,090</b>	<b>2,479</b>	<b>2,483</b>	<b>289</b>	<b>90,371</b>
Financial guarantees	-	12	478	884	3,240	2,325	1,222	228	618	340	855	31	10,232
Undrawn loan commitments	-	2,564	49	8,781	876	3,336	6,453	846	891	1,636	675	-	26,105
Debt underwriting commitments	-	1,090	-	-	-	-	-	-	-	-	-	-	1,090
Undrawn overdraft/credit card facilities	-	3,566	32,657	2,239	1,685	4,012	4,379	1,110	1,581	502	953	258	52,943
<b>Maximum exposure to credit risk</b>	<b>108,962</b>	<b>215,678</b>	<b>196,387</b>	<b>145,953</b>	<b>105,841</b>	<b>76,857</b>	<b>45,637</b>	<b>43,225</b>	<b>25,972</b>	<b>14,144</b>	<b>9,234</b>	<b>3,745</b>	<b>991,635</b>

\* Public entities consist of central government, state-owned enterprises, Central Bank and municipalities.

\*\* ITC consists of corporations in the information, technology and communication industry sectors.

Notes to the Consolidated Financial Statements

55. Maximum exposure to credit risk and concentration by industry sectors (continued)

At 31 December 2009	Corporations											Carrying amount		
	Financial institutions	Public entities*	Individuals	Fisheries	Construction and real estate companies	Holding companies	Retail	Services	Manufacturing	ITC**	Agriculture		Other	
Cash and balances with Central Bank	-	26,174	-	-	-	-	-	-	-	-	-	-	-	26,174
Bonds and debt instruments	19,985	129,571	-	-	1,343	6,759	-	-	1,251	-	-	-	6,812	165,721
Derivative instruments	962	-	-	-	-	-	-	-	-	-	-	-	9	971
Loans and advances to financial institutions	83,129	-	-	-	-	-	-	-	-	-	-	-	-	83,129
Loans and advances to customers	-	10,388	175,986	162,490	110,404	53,401	46,161	49,589	26,933	17,659	13,208	903	903	667,122
Other financial assets	5,424	50	7	40	1	594	3	779	2	1	-	-	89	6,990
<b>Total on-balance sheet exposure</b>	<b>109,500</b>	<b>166,183</b>	<b>175,993</b>	<b>162,530</b>	<b>111,748</b>	<b>60,754</b>	<b>46,164</b>	<b>50,368</b>	<b>28,186</b>	<b>17,660</b>	<b>13,208</b>	<b>7,813</b>	<b>7,813</b>	<b>950,107</b>
<b>Off-balance sheet exposure</b>	<b>0</b>	<b>7,000</b>	<b>34,008</b>	<b>10,219</b>	<b>7,852</b>	<b>1,124</b>	<b>11,701</b>	<b>4,719</b>	<b>3,481</b>	<b>2,588</b>	<b>1,796</b>	<b>141</b>	<b>141</b>	<b>84,629</b>
Financial guarantees	-	412	378	598	3,521	215	423	1,313	581	493	6	95	95	8,035
Undrawn loan commitments	-	-	73	7,000	2,715	166	7,598	628	1,665	1,100	1,409	-	-	22,354
Undrawn overdraft/credit card facilities	-	6,588	33,557	2,621	1,616	743	3,680	2,778	1,235	995	381	46	46	54,240
<b>Maximum exposure to credit risk</b>	<b>109,500</b>	<b>173,183</b>	<b>210,001</b>	<b>172,749</b>	<b>119,600</b>	<b>61,878</b>	<b>57,865</b>	<b>55,087</b>	<b>31,667</b>	<b>20,248</b>	<b>15,004</b>	<b>7,954</b>	<b>7,954</b>	<b>1,034,736</b>

\* Public entities consist of central government, state-owned enterprises, Central Bank and municipalities.

\*\* ITC consists of corporations in the information, technology and communication industry sectors.



## Notes to the Consolidated Financial Statements

### 56. Loans and advances by industry sectors

Industry sectors	2010			2009		
	Gross carrying amount	Allowance for impairment	Carrying amount	Gross carrying amount	Allowance for impairment	Carrying amount
Financial institutions	94,060	(2,178)	91,882	83,856	(727)	83,129
Public entities	13,928	(337)	13,591	10,582	(194)	10,388
Individuals	166,069	(2,866)	163,203	177,110	(1,124)	175,986
Corporations						
Fisheries	136,985	(2,948)	134,037	162,677	(187)	162,490
Construction and real estate companies	104,092	(4,054)	100,038	111,791	(1,387)	110,404
Holding companies	41,937	(4,695)	37,243	56,985	(3,584)	53,401
Retail	35,248	(1,666)	33,582	46,866	(705)	46,161
Services	69,721	(2,970)	66,752	49,799	(210)	49,589
Information, technology and communication	6,780	(183)	6,597	17,719	(60)	17,659
Manufacturing	23,865	(993)	22,872	27,211	(278)	26,933
Agriculture	11,909	(243)	11,666	13,226	(18)	13,208
Other	3,542	(169)	3,373	916	(13)	903
<b>Total</b>	<b>708,136</b>	<b>(23,300)</b>	<b>684,836</b>	<b>758,738</b>	<b>(8,487)</b>	<b>750,251</b>

### 57. Credit quality of financial assets

	Gross carrying amount			Total	Allowance for impairment	Carrying amount
	Neither past due nor individually impaired	Past due but not individually impaired	Individually impaired			
<b>At 31 December 2010</b>						
Cash and balances with Central Bank	47,777	-	-	47,777	-	47,777
Bonds and debt instruments	152,216	9,343	-	161,559	-	161,559
Derivative instruments	23	-	-	23	-	23
Loans and advances to financial institutions	71,929	196	21,935	94,060	(2,178)	91,882
Loans and advances to customers	444,530	169,380	166	614,076	(21,122)	592,954
Other financial assets	7,070	-	-	7,070	-	7,070
<b>Total</b>	<b>723,544</b>	<b>178,919</b>	<b>22,101</b>	<b>924,565</b>	<b>(23,300)</b>	<b>901,265</b>
<b>At 31 December 2009</b>						
Cash and balances with Central Bank	26,174	-	-	26,174	-	26,174
Bonds and debt instruments	148,111	17,610	-	165,721	-	165,721
Derivative instruments	971	-	-	971	-	971
Loans and advances to financial institutions	54,207	2,797	26,852	83,856	(727)	83,129
Loans and advances to customers	493,941	178,484	2,457	674,882	(7,760)	667,122
Other financial assets	6,990	-	-	6,990	-	6,990
<b>Total</b>	<b>730,394</b>	<b>198,891</b>	<b>29,309</b>	<b>958,594</b>	<b>(8,487)</b>	<b>950,107</b>

The allowance for impairment includes both the allowance for individual impairment and the allowance for collective impairment.

## Notes to the Consolidated Financial Statements

### 58. Loans and advances neither past due nor individually impaired

At 31 December 2010	Credit risk groups				Exposures below ISK 500 million	Gross carrying amount
	Green	Yellow	Orange	Red		
Financial institutions	71,821	-	-	-	107	71,929
Public entities	5,041	3,385	-	1,668	2,384	12,478
Individuals	-	-	-	-	120,162	120,162
Corporations						
Fisheries	96,309	4,838	1,551	2,400	9,424	114,523
Construction and real estate companies	16,474	5,237	12,015	3,170	18,840	55,735
Holding companies	2,951	1,180	1,030	7,662	11,556	24,378
Retail	17,750	1,987	1	97	7,440	27,275
Services	40,159	98	899	183	13,726	55,065
Information, technology and communication	4,493	-	2	-	1,912	6,406
Manufacturing	6,801	953	-	49	2,366	10,167
Agriculture	8,454	533	-	1,408	5,253	15,648
Other	1,618	-	-	535	542	2,694
<b>Total</b>	<b>271,869</b>	<b>18,211</b>	<b>15,496</b>	<b>17,171</b>	<b>193,712</b>	<b>516,459</b>
<b>At 31 December 2009</b>						
Financial institutions	52,947	-	-	-	1,260	54,207
Public entities	5,360	-	-	1,092	3,598	10,050
Individuals	-	-	-	-	140,299	140,299
Corporations						
Fisheries	84,149	1,961	2,150	34,482	8,854	131,597
Construction and real estate companies	12,303	799	11,051	7,938	23,574	55,664
Holding companies	21,213	1,224	1,097	1,735	12,519	37,788
Retail	24,942	-	-	1,237	4,661	30,841
Services	27,924	3,298	29	1,414	14,777	47,442
Information, technology and communication	4,352	-	-	-	3,195	7,547
Manufacturing	8,214	-	-	1,169	3,017	12,400
Agriculture	11,374	301	-	901	6,882	19,459
Other	-	-	-	593	261	854
<b>Total</b>	<b>252,779</b>	<b>7,584</b>	<b>14,327</b>	<b>50,563</b>	<b>222,896</b>	<b>548,148</b>

### 59. Loans and advances past due but not individually impaired

The following table shows the gross carrying amount of loans and advances to financial institutions and customers that have failed to make payments which had become contractually due by one or more days.

At 31 December 2010	Past due up to 30 days	Past due 31 - 60 days	Past due 61 - 90 days	Past due over 90 days	Gross carrying amount
Loans and advances to customers	15,578	10,918	3,476	139,408	169,380
<b>Total</b>	<b>15,584</b>	<b>10,918</b>	<b>3,477</b>	<b>139,598</b>	<b>169,576</b>
<b>At 31 December 2009</b>					
Loans and advances to financial institutions	2,632	-	-	165	2,797
Loans and advances to customers	26,929	16,075	14,056	121,424	178,484
<b>Total</b>	<b>29,561</b>	<b>16,075</b>	<b>14,056</b>	<b>121,589</b>	<b>181,281</b>

## Notes to the Consolidated Financial Statements

### 60. Individually impaired loans and advances to financial institutions and customers

	Gross carrying amount	Allowance for impairment	Carrying amount
<b>At 31 December 2010</b>			
Loans and advances to financial institutions	21,935	(2,178)	19,757
Loans and advances to customers	166	(64)	102
<b>Total</b>	<b>22,101</b>	<b>(2,242)</b>	<b>19,859</b>
<b>At 31 December 2009</b>			
Loans and advances to financial institutions	26,852	(727)	26,125
Loans and advances to customers	2,457	(1,450)	1,007
<b>Total</b>	<b>29,309</b>	<b>(2,177)</b>	<b>27,132</b>

### 61. Allowance for impairment on loans and advances to financial institutions and customers

	2010			2009		
	Financial institutions	Customers	Total	Financial institutions	Customers	Total
Balance at the beginning of the year	727	7,760	8,487	727	1,183	1,910
Net impairment loss for the year	1,451	13,184	14,635	-	6,577	6,577
Collected previously written-off loans	-	177	177	-	-	-
<b>Balance at the end of the year</b>	<b>2,178</b>	<b>21,122</b>	<b>23,300</b>	<b>727</b>	<b>7,760</b>	<b>8,487</b>
Individual allowance	2,178	64	2,242	727	1,450	2,177
Collective allowance	0	21,058	21,058	-	6,310	6,310
<b>Total</b>	<b>2,178</b>	<b>21,122</b>	<b>23,300</b>	<b>727</b>	<b>7,760</b>	<b>8,487</b>

### 62. Renegotiated loans

Financial restructuring and renegotiation of loans to the Group's customers acquired from Landsbanki Íslands hf. started in 2009. In regard to financial restructuring of customers, the Group has put remedies in place for those experiencing financial difficulties and also presented procedures for financial restructuring. These restructuring approaches include extended and modified repayment arrangements and approved external management plans. Restructuring may be suitable for borrowers in financial difficulties as well as those who are not, and is available whether loans have become past due or not. During the year 2010 the Bank increased its focus and effort in restructuring loans to individuals and companies.

The restructuring of the loans acquired from Landsbanki Íslands hf. gives rise to uncertainties about the net expected future cash flows from the loans due to various reasons, including legal and tax implications.

## Notes to the Consolidated Financial Statements

### 63. Large exposures

At 31 December 2010, two Group clients were rated as large exposures (2009: three clients), including subsidiaries classified as held for sale. Clients are rated as large exposures if their total obligations, or those of financially or administratively connected parties, exceed 10% of the Group's equity. The large exposures amount is calculated after taking account of collateral held, in accordance with the Financial Supervisory Authority's Rules on Large Exposures Incurred by Financial Undertakings No. 216/2007. According to these rules, no exposure may attain the equivalent of 25% of equity, as defined by the Basel II regulatory framework. All of the Group's large exposures were within these limits as of 31 December 2010.

At 31 December 2010, the Group's internal rules on large exposures stated that clients could comprise up to 20% of the Group's equity as defined by the Basel II regulatory framework ("capital base"). At 31 December 2010, one exposure exceeded 20% (2009: no exposure). Measures have already been taken to decrease the risk exposure of that client and today it is under 20%. According to the Group's risk appetite, the total utilisation percentage of a large exposure ought to remain below 200% of the Group's capital base.

	Number of large exposures	Large exposures
<b>At 31 December 2010</b>		
Large exposures above 20% of the Group's capital base	1	36,279
Large exposures between 10% and 20% of the Group's capital base	1	19,375
<b>Total</b>	<b>2</b>	<b>55,654</b>
Utilisation of 800% limit (%)		31%
<b>At 31 December 2009</b>		
Large exposures above 20% of the Group's capital base	-	-
Large exposures between 10% and 20% of the Group's capital base	3	67,189
<b>Total</b>	<b>3</b>	<b>67,189</b>
Utilisation of 800% limit (%)		43%

### 64. Bonds and debt instruments

A breakdown of the Group's bond portfolio, by Moody's rating, is as follows:

Carrying amount	2010	2009
Aaa	8,989	-
Aa1	-	377
Aa3	-	274
A3 to A1	646	1,188
Baa1 to Baa3	136,339	130,355
Lower than Baa3	9,186	15,349
Unrated	6,400	18,178
<b>Total</b>	<b>161,559</b>	<b>165,721</b>

Unrated bonds and bonds with ratings lower than Baa3 are primarily bonds issued by domestic corporations, some of which developed into liquidating estates.

The following table shows the carrying amounts of bonds for which the issuers have failed, by one or more days, to make a payment when it was contractually due:

	Past due up to 30 days	Past due 31 – 60 days	Past due 61 – 90 days	Past due over 90 days	Carrying amount
<b>At 31 December 2010</b>					
Financial institutions	-	-	-	8,843	8,843
Holding companies	-	-	-	500	500
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,343</b>	<b>9,343</b>
<b>At 31 December 2009</b>					
Financial institutions	-	-	-	10,536	10,536
Holding companies	105	111	-	5,200	5,416
Other	-	-	-	1,658	1,658
<b>Total</b>	<b>105</b>	<b>111</b>	<b>0</b>	<b>17,394</b>	<b>17,610</b>

## Notes to the Consolidated Financial Statements

### 65. Derivative instruments

The following table shows a breakdown of the Group's derivative instruments classified by Moody's rating:

	2010			2009		
	Notional amount	Fair value		Notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
A1	42,371	19	768	68,874	962	-
Baa3	1,897	-	659	2,415	-	672
C	-	-	-	90	-	-
Unrated	3,706	4	18	3,381	9	3
<b>Total</b>	<b>47,974</b>	<b>23</b>	<b>1,445</b>	<b>74,759</b>	<b>971</b>	<b>675</b>

### Liquidity risk

#### 66. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset, or of having to do so at excessive cost. This risk arises from possible mismatches in the timing of cash flows.

#### 67. Liquidity risk management

The Group has instituted a liquidity management policy for the Bank and its subsidiaries. The Risk and Finance Committee formulates this policy, while the Treasury Department implements it in co-operation with the The Asset, Liability and Market Risk Unit, which is part of the Risk Management Division. The objective of the liquidity management policy is to ensure, even in times of stress, that sufficient liquid assets and funding capacity are available to meet financial obligations in a timely manner and at reasonable cost. Enforcing this policy has the further objective of minimising fluctuations in liquidity.

The Group follows liquidity rules set by the Central Bank of Iceland to govern the ratio of weighted liquid assets and liabilities. These rules require the ratio of weighted assets to weighted liabilities to stay above 1 for the next three months, and involve a stress test, weighting assets and liabilities with specific coefficients and reflecting how accessible each asset would be in a liquidity crisis and how great the need would be to repay the liability in question when due. The Group submits monthly reports on its liquidity position to the Central Bank of Iceland.

Group liquidity risk is managed centrally by the Treasury Department and is monitored by the The Asset, Liability and Market Risk Unit, both of which are located at the head office of the Bank. This allows management to monitor and manage liquidity risk throughout the Group. The Risk and Finance Committee monitors the Group's liquidity risk, while the Group's internal audit assesses whether the liquidity management process is designed properly and operating effectively.

The Group monitors intraday liquidity risk, short-term liquidity risk, and risk arising from mismatches of longer term assets and liabilities. Short-term liquidity risk is defined as under 12 months. The Group has neither defaulted on any principal or interest nor breached any covenants in respect of liabilities, that could lead such liabilities to be accelerated, up to the date of these consolidated financial statements being authorised for issue.

The Group's liquidity management process includes projecting expected cash flows in a maturity profile rather than relying merely on contractual maturities, monitoring balance sheet liquidity, monitoring and managing the maturity profile of liabilities and off-balance sheet commitments, monitoring the concentration of liquidity risk in order to avoid undue reliance on large individual depositors, projecting cash flows arising from future business, and maintaining liquidity and contingency plans which outline measures to take in the event of difficulties arising from liquidity crisis.

The Asset, Liability and Market Risk Unit conducts stress tests by applying various hypothetical scenarios on the Group's liquidity position to ensure that it has adequate liquidity to withstand stressed conditions. Different assumptions are drawn for each stress test to estimate the impact of a variety of market conditions, in particular the lifting of capital controls in Iceland and how that would impact the Group's deposit base.

The key measure used by the Group for monitoring liquidity risk is the ratio of core liquid assets to deposits, which shows the ratio of deposits that the Group could deliver on demand without incurring any significant losses due to forced asset sales or other costly actions. Core liquid assets are comprised of cash at hand, balances with Central Bank, loans to financial institutions (maturity within seven days) and assets eligible for repo transactions with Central Bank (such as government bonds). The core liquidity ratio as at 31 December 2010 was 46% (2009: 36%).

## Notes to the Consolidated Financial Statements

### 68. Maturity analysis of financial assets and liabilities

The following table shows a maturity analysis of the Group's financial instruments as at 31 December 2010:

	On demand	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total	Carrying amount
<b>Non-derivative financial assets</b>							
Cash and balances with Central Bank	47,777	-	-	-	-	47,777	47,777
Bonds and debt instruments	-	10,477	6,438	36,933	168,203	222,050	161,559
Loans and advances to financial institutions	-	88,965	3,051	-	-	92,016	91,882
Loans and advances to customers	29,807	123,424	79,498	286,884	631,211	1,150,824	592,954
Other financial assets	-	6,313	-	757	-	7,070	7,070
<b>Total</b>	<b>77,584</b>	<b>229,179</b>	<b>88,987</b>	<b>324,574</b>	<b>799,413</b>	<b>1,519,737</b>	<b>901,242</b>
<b>Derivative financial assets</b>							
<b>Gross settled derivatives</b>							
Inflow	-	5,482	-	-	-	5,482	
Outflow	-	(5,366)	-	-	-	(5,366)	
<b>Total</b>	<b>0</b>	<b>116</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>116</b>	<b>20</b>
<b>Net settled derivatives</b>							
	-	3	-	-	-	3	3
<b>Total</b>	<b>0</b>	<b>119</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>119</b>	<b>23</b>
<b>Non-derivative financial liabilities</b>							
Due to financial institutions and Central Bank	(138,503)	(8,583)	(421)	-	-	(147,507)	(147,478)
Deposits from customers	(271,977)	(53,196)	(28,715)	(20,309)	-	(374,197)	(371,558)
Short positions	-	(82)	(4,390)	(4,103)	(62)	(8,637)	(5,675)
Secured bonds	-	(1,588)	(4,865)	(191,171)	(109,193)	(306,817)	(261,313)
Contingent bond	-	-	-	(21,185)	(11,443)	(32,629)	(26,510)
Other financial liabilities	-	(4,237)	-	-	-	(4,237)	(4,237)
<b>Total</b>	<b>(410,480)</b>	<b>(67,685)</b>	<b>(38,391)</b>	<b>(236,768)</b>	<b>(120,698)</b>	<b>(874,023)</b>	<b>(816,771)</b>
<b>Off-balance sheet items</b>							
Financial guarantees	(5,188)	(1,099)	(1,854)	(2,092)	-	(10,232)	
Undrawn loan commitments	(26,105)	-	-	-	-	(26,105)	
Debt underwriting commitments	-	(1,090)	-	-	-	(1,090)	
Undrawn overdraft/credit card commitments	(52,943)	-	-	-	-	(52,943)	
<b>Total</b>	<b>(84,236)</b>	<b>(2,189)</b>	<b>(1,854)</b>	<b>(2,092)</b>	<b>0</b>	<b>(90,371)</b>	
<b>Total non-derivative financial liabilities and off-balance sheet items</b>	<b>(494,716)</b>	<b>(69,874)</b>	<b>(40,245)</b>	<b>(238,861)</b>	<b>(120,698)</b>	<b>(964,394)</b>	
<b>Derivative financial liabilities</b>							
<b>Gross settled derivatives</b>							
Inflow	-	20,149	277	1,145	552	22,122	
Outflow	-	(21,266)	(390)	(1,547)	(737)	(23,940)	
<b>Total</b>	<b>0</b>	<b>(1,117)</b>	<b>(113)</b>	<b>(402)</b>	<b>(186)</b>	<b>(1,818)</b>	<b>(17)</b>
<b>Net settled derivatives</b>							
	-	17	-	-	-	17	(1,428)
<b>Total</b>	<b>0</b>	<b>(1,100)</b>	<b>(113)</b>	<b>(402)</b>	<b>(186)</b>	<b>(1,801)</b>	<b>(1,445)</b>
<b>Net liquidity position</b>	<b>(417,132)</b>	<b>158,324</b>	<b>48,629</b>	<b>85,312</b>	<b>678,530</b>	<b>553,662</b>	

## Notes to the Consolidated Financial Statements

### 68. Maturity analysis of financial assets and liabilities (continued)

The following table shows a maturity analysis of the Group's financial instruments as at 31 December 2009:

<b>Non-derivative financial assets</b>	<b>On demand</b>	<b>Up to 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Total</b>	<b>Carrying amount</b>
Cash and balances with Central Bank	26,174	-	-	-	-	26,174	26,174
Bonds and debt instruments	-	10,291	10,387	73,767	190,467	284,912	165,721
Loans and advances to financial institutions	-	78,570	4,349	77	213	83,209	83,129
Loans and advances to customers	37,692	64,769	99,336	340,412	468,381	1,010,590	667,122
Other financial assets	-	1,826	5,164	-	-	6,990	6,990
<b>Total</b>	<b>63,866</b>	<b>155,456</b>	<b>119,236</b>	<b>414,256</b>	<b>659,061</b>	<b>1,411,875</b>	<b>949,136</b>
<b>Derivative financial assets</b>							
<b>Gross settled derivatives</b>							
Inflow	-	9,411	9,739	-	-	19,150	
Outflow	-	(8,900)	(9,989)	-	-	(18,889)	
<b>Total</b>	<b>0</b>	<b>511</b>	<b>(250)</b>	<b>0</b>	<b>0</b>	<b>261</b>	<b>962</b>
<b>Net settled derivatives</b>							
<b>Total</b>	<b>0</b>	<b>9</b>	<b>(250)</b>	<b>0</b>	<b>0</b>	<b>270</b>	<b>971</b>
<b>Non-derivative financial liabilities</b>							
Due to financial institutions and Central Bank	(89,657)	(8,177)	-	(441)	-	(98,275)	(98,228)
Deposits from customers	(317,330)	(83,068)	(13,147)	(39,932)	-	(453,477)	(452,655)
Short positions	-	(2,064)	(325)	(3,690)	(2,657)	(8,736)	(5,268)
Secured bonds	-	-	(19,769)	(91,266)	(260,449)	(371,484)	(306,493)
Contingent bond	-	-	-	(3,922)	(10,163)	(14,085)	(10,241)
Other financial liabilities	-	(2,138)	-	-	-	(2,138)	(2,138)
<b>Total</b>	<b>(406,987)</b>	<b>(95,447)</b>	<b>(33,241)</b>	<b>(139,251)</b>	<b>(273,269)</b>	<b>(948,195)</b>	<b>(875,023)</b>
<b>Off-balance sheet items</b>							
Financial guarantees	-	(4,576)	(335)	(3,124)	-	(8,035)	
Undrawn loan commitments	(22,354)	-	-	-	-	(22,354)	
Undrawn overdraft/credit card commitments	(54,240)	-	-	-	-	(54,240)	
<b>Total</b>	<b>(76,594)</b>	<b>(4,576)</b>	<b>(335)</b>	<b>(3,124)</b>	<b>0</b>	<b>(84,629)</b>	
<b>Total non-derivative financial liabilities and off-balance sheet items</b>	<b>(483,581)</b>	<b>(100,023)</b>	<b>(33,576)</b>	<b>(142,375)</b>	<b>(273,269)</b>	<b>(1,032,824)</b>	
<b>Derivative financial liabilities</b>							
<b>Gross settled derivatives</b>							
Inflow	-	168	297	1,278	904	2,647	
Outflow	-	(167)	(412)	(1,668)	(1,182)	(3,429)	
<b>Total</b>	<b>0</b>	<b>1</b>	<b>(115)</b>	<b>(390)</b>	<b>(278)</b>	<b>(782)</b>	<b>(673)</b>
<b>Net settled derivatives</b>							
<b>Total</b>	<b>0</b>	<b>(2)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2)</b>	<b>(2)</b>
<b>Total</b>	<b>0</b>	<b>(1)</b>	<b>(115)</b>	<b>(390)</b>	<b>(278)</b>	<b>(784)</b>	<b>(675)</b>
<b>Net liquidity position</b>	<b>(419,715)</b>	<b>55,952</b>	<b>85,295</b>	<b>271,491</b>	<b>385,514</b>	<b>378,537</b>	



## Notes to the Consolidated Financial Statements

### 68. Maturity analysis of financial assets and liabilities (continued)

The amounts in the maturity analyses as at 31 December 2010 and 31 December 2009 are allocated to maturity buckets in respect of remaining contractual maturity (i.e. based on the timing of future cash flows according to contractual terms). Exceptions to this are loans and advances to customers and bonds issued by companies in moratorium or in the process of liquidation. For loans and advances to larger customers the Group estimates both the timing and amounts of cash flows by taking into consideration the expected financial restructuring of the customer. For loans and advances to smaller customers the Group estimates the timing of the cash flows based on the contractual terms but the amounts are based on the historical recovery rate. For bonds issued by companies in moratorium or in the process of liquidation the amounts presented are future cash flows estimated as their fair value at the reporting date. Those bonds all fall in time band of 1-5 years.

Amounts presented in the maturity analyses are the undiscounted future cash flows receivable and payable by the Group, including both principal and interest cash flows. These amounts differ from the carrying amounts presented in the statement of financial position, which are based on discounted rather than undiscounted future cash flows. If an amount receivable or payable is not fixed, the amount presented in the maturity analyses has been determined by reference to the conditions existing at the reporting date. For example, for inflation-linked assets and liabilities, the Group estimates the inflation related future cash flows using an internally estimated inflation curve based on the Central Bank of Iceland's inflation target for the annualised inflation rate. When there is a choice of when an amount shall be paid, future cash flows are calculated on the basis of the earliest date at which the Group can be required to pay, which is the worst case scenario from Group perspectives. An example of this is that demand deposits are included in the earliest time band. Where the Group is committed to have amounts available in instalments, each instalment is allocated to the earliest period in which the Group might be required to pay. Thus undrawn loan commitments are included in the time band together with the earliest date at which such loans may be drawn. For financial guarantee contracts issued by the Group, the amount included in the maturity analysis is the guarantee's maximum amount, allocated to the earliest period in which the guarantee might be called.

Nonetheless, the Group's expected cash flows on demand deposits vary significantly from the amounts presented in the maturity analyses. Demand deposits from customers have short contractual maturities but are considered a relatively stable financing source with expected maturity exceeding one year, and it is not expected that every committed loan will be drawn down immediately. The Group conducts a weekly stress test to estimate the impact of fluctuating market conditions and deposit withdrawals.

### 69. Maturity analysis of financial assets and liabilities by currency

The following table shows a maturity analysis of the Group's financial instruments by currency of denomination as at 31 December 2010:

	On demand	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total	Carrying amount
<b>Non-derivative financial assets</b>							
Total in foreign currencies	12,829	134,291	44,467	136,926	80,963	409,478	249,812
ISK	64,755	94,887	44,519	187,648	718,450	1,110,260	651,430
<b>Total</b>	<b>77,584</b>	<b>229,179</b>	<b>88,987</b>	<b>324,574</b>	<b>799,413</b>	<b>1,519,737</b>	<b>901,242</b>
<b>Derivative financial assets</b>							
Total in foreign currencies	-	287	-	-	-	287	20
ISK	-	(168)	-	-	-	(168)	3
<b>Total</b>	<b>0</b>	<b>119</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>119</b>	<b>23</b>
<b>Non-derivative financial liabilities</b>							
Total in foreign currencies	(49,351)	(3,567)	(6,468)	(191,171)	(109,193)	(359,750)	(314,244)
ISK	(361,128)	(64,119)	(31,923)	(45,597)	(11,505)	(514,273)	(502,527)
<b>Total</b>	<b>(410,480)</b>	<b>(67,685)</b>	<b>(38,391)</b>	<b>(236,768)</b>	<b>(120,698)</b>	<b>(874,023)</b>	<b>(816,771)</b>
<b>Off-balance sheet items</b>							
Total in foreign currencies	(12,059)	(567)	(816)	(1,121)	-	(14,563)	
ISK	(72,177)	(1,622)	(1,038)	(971)	-	(75,807)	
<b>Total</b>	<b>(84,236)</b>	<b>(2,189)</b>	<b>(1,854)</b>	<b>(2,092)</b>	<b>0</b>	<b>(90,371)</b>	
<b>Derivative financial liabilities</b>							
Total in foreign currencies	-	(964)	87	377	189	(312)	(1,428)
ISK	-	(136)	(200)	(779)	(375)	(1,489)	(17)
<b>Total</b>	<b>0</b>	<b>(1,100)</b>	<b>(113)</b>	<b>(402)</b>	<b>(186)</b>	<b>(1,801)</b>	<b>(1,445)</b>
<b>Net liquidity position in foreign currencies</b>	<b>(48,581)</b>	<b>129,481</b>	<b>37,270</b>	<b>(54,989)</b>	<b>(28,040)</b>	<b>35,140</b>	
<b>Net liquidity position in ISK</b>	<b>(368,551)</b>	<b>28,843</b>	<b>11,359</b>	<b>140,301</b>	<b>706,570</b>	<b>518,522</b>	
<b>Net liquidity position</b>	<b>(417,132)</b>	<b>158,324</b>	<b>48,629</b>	<b>85,312</b>	<b>678,530</b>	<b>553,662</b>	

## Notes to the Consolidated Financial Statements

### 69. Maturity analysis of financial assets and liabilities by currency (continued)

The following table shows a maturity analysis of the Group's financial instruments by currency of denomination as at 31 December 2009:

	On demand	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total	Carrying amount
<b>Non-derivative financial assets</b>							
Total in foreign currencies	14,963	102,579	65,337	243,968	232,525	659,372	511,641
ISK	48,903	52,877	53,899	170,288	426,536	752,503	437,495
<b>Total</b>	<b>63,866</b>	<b>155,456</b>	<b>119,236</b>	<b>414,256</b>	<b>659,061</b>	<b>1,411,875</b>	<b>949,136</b>
<b>Derivative financial assets</b>							
Total in foreign currencies	-	511	(250)	-	-	261	962
ISK	-	9	-	-	-	9	9
<b>Total</b>	<b>0</b>	<b>520</b>	<b>(250)</b>	<b>0</b>	<b>0</b>	<b>270</b>	<b>971</b>
<b>Non-derivative financial liabilities</b>							
Total in foreign currencies	(88,534)	(1,153)	(23,005)	(91,266)	(260,449)	(464,407)	(399,418)
ISK	(318,453)	(94,294)	(10,236)	(47,985)	(12,820)	(483,788)	(475,605)
<b>Total</b>	<b>(406,987)</b>	<b>(95,447)</b>	<b>(33,241)</b>	<b>(139,251)</b>	<b>(273,269)</b>	<b>(948,195)</b>	<b>(875,023)</b>
<b>Off-balance sheet items</b>							
Total in foreign currencies	(15,474)	(10)	(1)	(58)	-	(15,543)	
ISK	(61,120)	(4,566)	(334)	(3,066)	-	(69,086)	
<b>Total</b>	<b>(76,594)</b>	<b>(4,576)</b>	<b>(335)</b>	<b>(3,124)</b>	<b>0</b>	<b>(84,629)</b>	
<b>Derivative financial liabilities</b>							
Total in foreign currencies	-	163	89	408	296	956	(673)
ISK	-	(164)	(204)	(798)	(574)	(1,740)	(2)
<b>Total</b>	<b>0</b>	<b>(1)</b>	<b>(115)</b>	<b>(390)</b>	<b>(278)</b>	<b>(784)</b>	<b>(675)</b>
<b>Net liquidity position in foreign currencies</b>							
	<b>(89,045)</b>	<b>102,090</b>	<b>42,170</b>	<b>153,052</b>	<b>(27,628)</b>	<b>180,639</b>	
<b>Net liquidity position in ISK</b>							
	<b>(330,670)</b>	<b>(46,138)</b>	<b>43,125</b>	<b>118,439</b>	<b>413,142</b>	<b>197,898</b>	
<b>Net liquidity position</b>							
	<b>(419,715)</b>	<b>55,952</b>	<b>85,295</b>	<b>271,491</b>	<b>385,514</b>	<b>378,537</b>	

The amounts in the maturity analysis as at 31 December 2010 and 31 December 2009 are allocated to maturity buckets in respect of remaining contractual maturity (i.e. based on the timing of future cash flows according to contractual terms). Exceptions to this are loans and advances to customers and bonds issued by companies in moratorium or in the process of liquidation as disclosed in Note 68.

## Notes to the Consolidated Financial Statements

### Market risk

#### 70. Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices. Market risk arises from open positions regarding currency, equity and interest rate products, all of which are exposed to general and specific market movements and changing volatility levels in market rates and prices, for instance in interest rates, credit spreads, foreign exchange rates and equity prices. Other price risk is defined as equity price risk, inflation risk and commodity price risk, each of which is disclosed in the Notes below (except for commodity risk as the Group is not exposed to such risk).

#### 71. Market risk management

The Group separates its exposure to market risk into trading and non-trading portfolios, managing each of them separately. Trading portfolios include all of the positions arising from investment banking operations of the Finance Division, such as positions arising from market-making and proprietary position-taking (i.e. bonds classified as held for trading, equities, unsettled securities trading, derivatives and short positions). Non-trading portfolios include positions arising from the Group's retail and commercial banking operations (i.e. loans and advances, deposits and bonds designated as at fair value through profit or loss or classified as loans and receivables). The overall authority for market risk management has been vested by the Board of Directors in the CEO and the Risk and Finance Committee. The Asset, Liability and Market Risk Unit is responsible for developing detailed risk management policies (which are subject to review and approval by the Risk and Finance Committee) and for reviewing their implementation from day to day. The objective of market risk management is to identify, locate and monitor market risk exposures and analysing and reporting to appropriate parties.

Market risks arising from trading and non-trading activities are monitored by two separate teams within the Risk Management Division, which submit daily, weekly and monthly reports to the head of each business unit along with detailed input to a comprehensive quarterly risk report. The Group's market risk is thereby measured on a daily basis, and the detailed limits set by the Risk and Finance Committee are monitored by the Asset, Liability and Market Risk Unit within the Risk Management Division. Several indicators are used, including daily profits and losses as well as net positions across different attributes such as the currency and issuer. Market risk in the trading and non-trading portfolios is managed separately by Treasury and monitored by the Asset, Liability and Market Risk Unit.

Risk-weighted assets are determined by applying specific risk weights to Group assets, following methodology developed by the Basel Committee on Banking Supervision. The following table summarises the Group's exposure to market risk at year-end 2010 and 2009:

Market risk factor	2010	2009
	% of RWA	% of RWA
Equity price risk	4.8%	3.4%
Interest rate risk	2.5%	5.1%
Foreign exchange risk	8.5%	13.7%
<b>Total</b>	<b>15.8%</b>	<b>22.1%</b>

The currency risk in the Group's trading portfolios is disclosed together with that in its non-trading portfolios in Notes 76-80, along with the related sensitivity analysis.

#### 72. Interest rate risk

The interest rate risk is the risk that the fair value or future cash flow of financial instruments will fluctuate due to changes in market interest rates.

Changes in interest rates for the Group's assets and liabilities, other than those in its trading portfolios, have an impact on its interest rate margin. This risk results primarily from duration mismatch between assets and liabilities.

Interest rate risk is managed principally by monitoring interest rate gaps. Interest rate risk is managed centrally within the Group by the Treasury Department, and is monitored by the The Asset, Liability and Market Risk Unit of the Risk Management Division. In the current economic environment, the Group has no access to derivative instruments and other tools for managing interest rate risk.

## Notes to the Consolidated Financial Statements

### 72. Interest rate risk (continued)

The following tables summarise the Group's exposure to interest rate risk. The tables include interest-bearing financial assets and liabilities at their carrying amounts, while off-balance sheet amounts are the notional amounts of the derivative instruments (see Note 9). The amounts presented are categorised by the earlier of either the contractual repricing or the maturity date.

	Up to 3 months	3-12 months	1-5 years	Over 5 years	Carrying amount
<b>At 31 December 2010</b>					
<b>Financial assets</b>					
Cash and balances with Central Bank	47,777	-	-	-	47,777
Bonds and debt instruments	150,243	108	1,804	9,404	161,559
Derivative instruments	23	-	-	-	23
Loans and advances to financial institutions	88,830	3,051	-	-	91,882
Loans and advances to customers	455,005	61,190	39,372	37,387	592,954
Other financial assets	6,313	-	757	-	7,070
<b>Total</b>	<b>748,191</b>	<b>64,349</b>	<b>41,933</b>	<b>46,791</b>	<b>901,264</b>
<b>Financial liabilities</b>					
Due to financial institutions and Central Bank	(147,478)	-	-	-	(147,478)
Deposits from customers	(371,558)	-	-	-	(371,558)
Derivative instruments and short positions	(1,514)	(4,123)	(1,482)	-	(7,119)
Secured bonds	(261,313)	-	-	-	(261,313)
Contingent bond	(26,510)	-	-	-	(26,510)
Other financial liabilities	(4,237)	-	-	-	(4,237)
<b>Total</b>	<b>(812,610)</b>	<b>(4,123)</b>	<b>(1,482)</b>	<b>0</b>	<b>(818,215)</b>
Net on-balance sheet position	(64,419)	60,226	40,452	46,791	83,050
Net off-balance sheet position	886	(117)	(500)	(269)	
<b>Total interest repricing gap</b>	<b>(63,533)</b>	<b>60,108</b>	<b>39,952</b>	<b>46,522</b>	
<b>At 31 December 2009</b>					
<b>Financial assets</b>					
Cash and balances with Central Bank	26,174	-	-	-	26,174
Bonds and debt instruments	150,635	5,151	4,236	5,699	165,721
Derivative instruments	282	689	-	-	971
Loans and advances to financial institutions	81,904	1,002	26	197	83,129
Loans and advances to customers	518,539	57,383	39,910	51,290	667,122
Other financial assets	6,990	-	-	-	6,990
<b>Total</b>	<b>784,524</b>	<b>64,225</b>	<b>44,172</b>	<b>57,186</b>	<b>950,107</b>
<b>Financial liabilities</b>					
Due to financial institutions and Central Bank	(98,228)	-	-	-	(98,228)
Deposits from customers	(452,655)	-	-	-	(452,655)
Derivative instruments and short positions	(2,030)	(798)	(2,044)	(1,071)	(5,943)
Secured bonds	(306,493)	-	-	-	(306,493)
Contingent bond	(10,241)	-	-	-	(10,241)
Other financial liabilities	(2,138)	-	-	-	(2,138)
<b>Total</b>	<b>(871,785)</b>	<b>(798)</b>	<b>(2,044)</b>	<b>(1,071)</b>	<b>(875,698)</b>
Net on-balance sheet position	(87,261)	63,427	42,128	56,115	74,409
Net off-balance sheet position	(1,101)	2,013	(502)	(410)	
<b>Total interest repricing gap</b>	<b>(88,362)</b>	<b>65,440</b>	<b>41,626</b>	<b>55,705</b>	

## Notes to the Consolidated Financial Statements

### 73. Sensitivity analysis for trading portfolios

The management of market risk in the trading book is supplemented by monitoring sensitivity of the trading portfolios to various scenarios in equity prices and interest rates.

The following table shows how the Group's profit before tax would have been affected by parallel shifts in interest yield curves through changes in the fair value of its bond trading portfolios at year-end 2010 and 2009 and cash flows for the next 12 months after that, assuming a constant financial position.

Currency (ISK million)	2010			2009		
	Parallel shift in yield curve in basis points	Effect of downward shift on profit	Effect of upward shift on profit	Parallel shift in yield curve in basis points	Effect of downward shift on profit	Effect of upward shift on profit
ISK, unindexed	100	234	(233)	100	370	(360)
ISK, CPI indexed	50	77	(73)	50	(42)	40
<b>Total</b>		<b>311</b>	<b>(306)</b>		<b>328</b>	<b>(320)</b>

The Group's equity would have been affected to the same extent as the income statement, but net of income tax. This is because the increase (decrease) in profit before tax would have affected retained earnings.

The following table shows how the Group's profit before tax would have been affected by a change of +/-10% in the price of equity and equity instruments held by the Group at year-end which are classified into Level 1 and 2 (as defined in Note 6):

Currency (ISK million)	2010		2009	
	Increase	Decrease	Increase	Decrease
ISK	1,033	(1,033)	100	(100)
EUR	-	-	10	(10)
SEK	375	(375)	53	(53)
NOK	374	(374)	36	(36)
Other	204	(204)	-	-
<b>Total</b>	<b>1,986</b>	<b>(1,986)</b>	<b>199</b>	<b>(199)</b>

The Group's equity would have been affected to the same extent as the income statement, but net of income tax. This is because the increase (decrease) in profit before tax would have affected retained earnings.

The following table shows how the Group's profit before tax would have been affected by a change of +/-10% in the price of equity and equity instruments held by the Group at year-end which are classified into Level 3 (as defined in Note 6):

Currency (ISK million)	2010		2009	
	Increase	Decrease	Increase	Decrease
ISK	802	(802)	414	(414)
USD	-	-	18	(18)
EUR	225	(225)	19	(19)
NOK	21	(21)	23	(23)
<b>Total</b>	<b>1,048</b>	<b>(1,048)</b>	<b>474</b>	<b>(474)</b>

The Group's equity would have been affected to the same extent as the income statement, but net of income tax. This is because the increase (decrease) in profit before tax would have affected retained earnings.

## Notes to the Consolidated Financial Statements

### 74. Sensitivity analysis for non-trading portfolios

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of financial assets and liabilities to various interest rate scenarios. The Group employs a monthly stress test of the interest rate risk in the Group's overall non-trading net on-balance sheet position. In this test, the interest rate curve is shifted for every currency. The following table shows how the Group's profit before tax would have been affected by a parallel shift in all yield curves, with all other variables kept constant, as related to risk exposure at year-end 2010 and 2009 and cash flows for the next 12 months after that, assuming a constant financial position.

Currency (ISK million)	2010			2009		
	Parallel shift in yield curve in basis points	Effect of downward shift on profit	Effect of upward shift on profit	Parallel shift in yield curve in basis points	Effect of downward shift on profit	Effect of upward shift on profit
ISK, unindexed	100	(108)	108	100	44	(44)
ISK, CPI indexed	50	(17)	17	50	(28)	28
EUR	20	(9)	9	20	(10)	10
USD	10	(7)	7	10	(7)	7
GBP	20	1	(1)	20	2	(2)
CAD	10	-	-	10	(1)	1
JPY	5	(1)	1	5	(4)	4
CHF	5	-	-	5	(5)	5
Other	10	(1)	1	10	(3)	3
<b>Total</b>		<b>(142)</b>	<b>142</b>		<b>(12)</b>	<b>12</b>

The Group's equity would have been affected to the same extent as the income statement, but net of income tax. This is because the increase (decrease) in profit before tax would have affected retained earnings.

## Notes to the Consolidated Financial Statements

### 75. CPI indexation risk (all portfolios)

The consumer price index (CPI) indexation risk is the risk that the fair value or future cash flows of CPI-indexed financial instruments may fluctuate due to changes in the Icelandic CPI index. The Group has a considerable imbalance in its CPI-indexed assets and liabilities. The majority of the Group's mortgage loans and consumer loans are indexed to the CPI. Going forward, however, the asset side will increase, since it is expected that loans in foreign currency will be converted to CPI-indexed loans and that overall lending will increase.

At 31 December 2010 the CPI imbalance, calculated as the difference between CPI-indexed financial assets and liabilities, was ISK 94,641 million (31 December 2009: 71,812 million).

Carrying amount	2010	2009
<b>Assets</b>		
Bonds and debt instruments	8,119	5,438
Loans and advances to customers	171,017	154,823
<b>Total</b>	<b>179,136</b>	<b>160,261</b>
<b>Liabilities</b>		
Due to financial institutions and Central Bank	(421)	(441)
Deposits from customers	(82,215)	(84,725)
Short positions	(595)	(1,917)
<b>Total</b>	<b>(83,231)</b>	<b>(87,083)</b>
Total on-balance sheet position	95,905	73,178
Total off-balance sheet position	(1,264)	(1,366)
<b>Total CPI indexation balance</b>	<b>94,641</b>	<b>71,812</b>

Management of the Group's CPI indexation risk is supplemented by monitoring the sensitivity of the Group's overall position in CPI-indexed financial assets and liabilities net on-balance sheet to various inflation/deflation scenarios. As an example, a 10% inflation applied to the inflation risk exposures in existence at 31 December 2010, with no change in other variables, would have increased net interest income by ISK 9,591 million (2009: 7,318 million). Group equity would have been affected by the same amount as the income statement, but net of income tax. This is because the increase/decrease in net interest income would have affected retained earnings.

### 76. Currency risk (all portfolios)

Currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in foreign exchange rates.

Currency risk is managed centrally within the Group by the Treasury Department, and monitored by the The Asset, Liability and Market Risk Unit of the Risk Management Division. Group limits for foreign exchange risk are reviewed and monitored by the Risk and Finance Committee.

The Group follows the Rules No. 950/2010 on Foreign Exchange Balances, as set by the Central Bank of Iceland. The rules stipulate that an institution's foreign exchange balance (whether long or short) must always be within certain limits in each currency. The Group submits daily reports to the Central Bank with information on its foreign exchange balance. The Central Bank has granted the Group a temporary dispensation from these rules until the end of December 2011, raising the required limits.

### 77. FX-delta

The inherent risk in the foreign exchange imbalance is limited by the FX-delta. The FX-delta is calculated as the average elasticity of loans in foreign currency towards foreign exchange movements. This is because some of the Bank's customers have pledged collateral or have full or partial income in foreign currency, while others have limited or no income in foreign currency. As a result, depreciation of the ISK impacts customers with limited or no income in foreign currency more than those with full or partial income in foreign currency, and vice versa when ISK appreciates.



## Notes to the Consolidated Financial Statements

### 78. Concentration of currency risk

The following tables summarise the Group's exposure to currency risk at 31 December 2010 and 2009. The off-balance sheet amounts shown are the notional amounts of the Group's derivative instruments, except for FX options which are delta amounts (see Note 9). The amounts presented as FX-delta adjustment to currency imbalance represent amounts of foreign currency loans granted to customers with limited or no foreign currency income, if they are not financially strong enough to withstand adverse movements in the foreign exchange rate against ISK.

As explained in Note 4(i), the Group has changed during the year 2010 the accounting for all types of foreign currency lease agreements which are within the scope of law no. 38/2001 and for certain types of foreign currency loan agreements. Based on this change, their carrying amount is no longer included in the carrying amount of loans and advances to customers disclosed in this note. However, as explained in Note 36 the issue of the denomination currencies of these loans are still under legal dispute and the Bank has appealed the ruling of the District Court of Reykjavik to the Supreme Court of Iceland.

At 31 December 2010	EUR	GBP	USD	JPY	CHF	Other	Total
<b>Assets</b>							
Cash and balances with Central Bank	461	133	385	10	35	441	1,465
Bonds and debt instruments	2,152	149	9,747	-	-	-	12,049
Equities and equity instruments	2,246	-	625	-	-	8,201	11,072
Derivative instruments	2	1	16	-	-	-	20
Loans and advances to financial institutions	20,428	12,020	34,295	2,094	863	3,138	72,837
Loans and advances to customers	51,846	7,401	54,227	19,850	20,653	9,107	163,084
Other assets	4,467	7	122	1	-	305	4,902
Assets classified as held for sale	9,914	6,397	449	2,218	7	253	19,237
<b>Total</b>	<b>91,517</b>	<b>26,108</b>	<b>99,866</b>	<b>24,172</b>	<b>21,558</b>	<b>21,445</b>	<b>284,665</b>
<b>Liabilities</b>							
Due to financial institutions and Central Bank	(1,302)	(2,182)	(6,827)	(303)	(73)	(967)	(11,654)
Deposits from customers	(14,863)	(3,549)	(17,638)	(686)	(436)	(3,791)	(40,964)
Derivative instruments and short positions	(706)	-	(722)	-	-	-	(1,428)
Secured bonds	(130,963)	(48,132)	(82,218)	-	-	-	(261,313)
Other liabilities	(10)	(7)	(1)	-	-	(294)	(313)
<b>Total</b>	<b>(147,844)</b>	<b>(53,870)</b>	<b>(107,406)</b>	<b>(990)</b>	<b>(510)</b>	<b>(5,052)</b>	<b>(315,672)</b>
Net on-balance sheet position	(56,327)	(27,762)	(7,540)	23,182	21,048	16,393	(31,006)
Net off-balance sheet position	12,322	79	8,150	(6,719)	(13,503)	(354)	(24)
<b>Net currency position</b>	<b>(44,005)</b>	<b>(27,683)</b>	<b>610</b>	<b>16,463</b>	<b>7,545</b>	<b>16,039</b>	<b>(31,031)</b>
FX-delta on Loans and advances to customers and assets classified as held for sale	95%	96%	97%	78%	78%	92%	
FX-delta adjustments to currency imbalance	(3,088)	(552)	(1,640)	(4,855)	(4,545)	(711)	(15,392)
<b>Net effective currency position</b>	<b>(47,093)</b>	<b>(28,235)</b>	<b>(1,030)</b>	<b>11,609</b>	<b>3,000</b>	<b>15,327</b>	<b>(46,422)</b>

If the Supreme Court of Iceland will reverse the ruling of the District Court of Iceland and rule that the loan agreements referred to in the preceding paragraph of this note are in fact foreign currency loan agreements, the Group's exposure to currency risk will be different from that disclosed in the table above. The carrying amount of these loan agreements would then be included in the carrying amount of loans and advances to customers and the FX-delta used by the Group would decrease, resulting in the following net effective currency position at 31 December 2010:

At 31 December 2010	EUR	GBP	USD	JPY	CHF	Other	Total
Adjustments to loans and advances to customers	28,986	3,141	9,949	38,733	38,897	5,042	124,747
<b>Net currency position</b>	<b>(15,019)</b>	<b>(24,542)</b>	<b>10,559</b>	<b>55,196</b>	<b>46,442</b>	<b>21,081</b>	<b>93,718</b>
FX-delta after adjustments to loans and advances to customers	87%	94%	92%	57%	59%	89%	
FX-delta adjustments to currency imbalance	(11,797)	(1,016)	(5,170)	(26,144)	(24,419)	(1,555)	(70,101)
<b>Adjusted net effective currency position</b>	<b>(26,816)</b>	<b>(25,559)</b>	<b>5,389</b>	<b>29,052</b>	<b>22,024</b>	<b>19,525</b>	<b>23,616</b>

## Notes to the Consolidated Financial Statements

### 78. Concentration of currency risk (continued)

At 31 December 2009	EUR	GBP	USD	JPY	CHF	Other	Total
<b>Assets</b>							
Cash and balances with Central Bank	517	265	197	12	32	282	1,305
Bonds and debt instruments	4,105	241	24,534	-	-	-	28,880
Equities and equity instruments	1,780	-	175	-	-	9,161	11,116
Derivative instruments	185	224	553	-	-	-	962
Loans and advances to financial institutions	14,669	17,067	24,536	5,471	5,817	2,204	69,764
Loans and advances to customers	86,662	15,528	74,392	103,116	102,750	28,227	410,675
Other assets	1,154	184	450	-	2	200	1,990
<b>Total</b>	<b>109,072</b>	<b>33,509</b>	<b>124,837</b>	<b>108,599</b>	<b>108,601</b>	<b>40,074</b>	<b>524,692</b>
<b>Liabilities</b>							
Due to financial institutions and Central Bank	(4,952)	(1,163)	(3,927)	(313)	(97)	(257)	(10,709)
Deposits from customers	(30,478)	(17,106)	(24,714)	(1,198)	(1,727)	(6,708)	(81,931)
Derivative instruments and short positions	(222)	-	(451)	-	-	-	(673)
Secured bonds	(158,573)	(56,086)	(91,834)	-	-	-	(306,493)
Other liabilities	(216)	(11)	(99)	-	-	(164)	(490)
<b>Total</b>	<b>(194,441)</b>	<b>(74,366)</b>	<b>(121,025)</b>	<b>(1,511)</b>	<b>(1,824)</b>	<b>(7,129)</b>	<b>(400,296)</b>
Net on-balance sheet position	(85,369)	(40,857)	3,812	107,088	106,777	32,945	124,396
Net off-balance sheet position	5,298	2,390	10,183	(12,834)	(3,905)	-	1,132
<b>Net currency position</b>	<b>(80,071)</b>	<b>(38,467)</b>	<b>13,995</b>	<b>94,254</b>	<b>102,872</b>	<b>32,945</b>	<b>125,528</b>
FX-delta on Loans and advances to customers	75%	90%	82%	57%	60%	87%	
FX-delta adjustments to currency imbalance	(21,917)	(1,494)	(13,056)	(44,288)	(40,823)	(3,644)	(125,222)
<b>Net effective currency position</b>	<b>(101,988)</b>	<b>(39,961)</b>	<b>939</b>	<b>49,966</b>	<b>62,049</b>	<b>29,301</b>	<b>306</b>

### 79. Sensitivity to currency risk

The following table shows how other net operating income would have been affected by a 10% depreciation/appreciation of ISK against each foreign currency, with all other variables held constant. The sensitivity analysis is applied to the Group's overall position in foreign currency on-balance sheet as disclosed in Note 78.

Currency (ISK million)	2010		2009	
	-10%	+10%	-10%	+10%
EUR	(4,709)	4,709	(10,199)	10,199
GBP	(2,824)	2,824	(3,996)	3,996
USD	(103)	103	94	(94)
JPY	1,161	(1,161)	4,997	(4,997)
CHF	300	(300)	6,205	(6,205)
Other	1,533	(1,533)	2,930	(2,930)
<b>Total</b>	<b>(4,642)</b>	<b>4,642</b>	<b>31</b>	<b>(31)</b>

The Group's equity would have been affected to the same extent as the income statement, but net of income tax. This is because the increase (decrease) in other net operating income would have affected retained earnings.

The sensitivity to changes in foreign currency rates of the carrying amount of foreign currency denominated loans depends on the FX-delta, calculated as described in Note 77. Thus, the depreciation of ISK results in less foreign exchange gains from loans to customers with ISK denominated income when compared to customers with foreign currency denominated income.

## Notes to the Consolidated Financial Statements

### 80. Foreign exchange rates used

The following foreign exchange rates were used by the Group:

	At 31 December 2010	At 31 December 2009	% Change	Average for 2010	Average for 2009
EUR/ISK	153.80	179.70	(14.4%)	162.66	171.80
GBP/ISK	179.09	201.15	(11.0%)	189.30	192.28
USD/ISK	114.69	124.60	(8.0%)	122.26	122.96
JPY/ISK	1.41	1.35	4.7%	1.40	1.32
CHF/ISK	122.75	121.01	1.4%	118.01	114.08
CAD/ISK	115.35	118.78	(2.9%)	118.08	108.12
DKK/ISK	20.63	24.15	(14.6%)	21.84	23.07
NOK/ISK	19.71	21.64	(8.9%)	20.26	19.62
SEK/ISK	17.07	17.49	(2.4%)	17.02	16.22

### Operational risk

#### 81. Operational risk

Operational risk is the risk of financial losses resulting from the failure or inadequacy of internal processes or systems, from employee error or from external events. Operational risk includes legal risks, but excludes reputational risks. It is therefore inherent in all areas of business activities.

Whereas the managing director of each division is responsible for that division's operational risk, the daily management of operational risk is in the hands of department heads. The Bank establishes, maintains and co-ordinates its operational risk management framework on a group level. This framework complies with the Basel Committee's 2003 publication "Sound Practice for the Management and Supervision of Operational Risk" and meets the new regulatory requirements which concern the solvency ratio. The Bank ensures that operational risk management stays consistent throughout the Bank by upholding a system of prevention and control that entails detailed procedures, permanent supervision and insurance policies, together with active monitoring by the Internal Audit Department. By managing operational risk in this manner, the Bank intends to ensure that all of the Bank's business units are kept aware of any operational risks, that a robust monitoring system remains in place and that controls are implemented efficiently and effectively.

In 2009 and 2010 the Bank has experienced increased turnover in key personnel, especially lawyers and personnel with IT competences. This increase in turnover may in the short term impact the Bank's ability to execute its policies and increases the operational risk of the Bank.



**Útgefandi:** Landsbankinn  
**Ábyrgðarmaður:** Kristján Kristjánsson  
**Upplag:** 500  
**Hönnun:** Jónsson & Le'macks  
**Ljósmyndir:** Ari Magg, Baldur Kristjánsson, Kristján Maack og Hilmar Þór Guðmundsson  
**Prentun:** Prentmet  
**Pappír í kápu:** Munken Polar 300 gr.  
**Pappír í innsíður:** Munken Polar 120 gr.  
**Pappír í reikning:** Munken Rough 90 gr.

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## Framtíðarsýn

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# Landsbankinn er til fyrirmyndar

- Nýtur trausts og virðingar
- Alhliða banki í forystu á fjármálamarkaði
- Fyrsti valkostur í fjármálaþjónustu
- Metnaðarfullur og samheldinn hópur starfsmanna
- Hreyfiafl í íslensku samfélagi
- Byggir á góðu siðferði
- Góður fjárfestingakostur í dreifðu eignarhaldi

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## Áherslur okkar

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### Áhugi

- Frumkvæði
- Sveigjanleiki
- Hreyfiafl
- Skilvirkni
- Nálægð
- Skapandi samskipti

### Áreiðanleiki

- Heilindi
- Skilningur
- Traust
- Góðir viðskiptahættir
- Gagnsæi
- Fagmennska

### Ábyrgð

- Heiðarleiki
- Gagnrýnin hugsun
- Kostnaðarvitund
- Áhættustjórnun
- Samfélagsvitund
- Jafnræði

### Ávinningur

- Ánægðir og tryggir viðskiptavinir
  - Langtímasamband
  - Eftirsóknarverður vinnustaður
  - Langtímavöxtur
  - Fjárhagslegur styrkur
  - Arðsamur rekstur
-

# Landsbankinn þinn

## Þróun og árangur

### 2012: Uppbygging

- Endurreisn atvinnulífs og úrvinnsla skuldavanda heimilanna langt komin
- Öflug liðsheild sem *hlustar, lærir og þjónar* og nýtur trausts viðskiptavina
- Árangursríkt uppgjör við gamla bankann

### 2013: Forysta

- Fyrsti kostur. Besti bankinn á Íslandi með stöðugt vaxandi markaðshlutdeild
- Hagkvæmni og arðsemi
- Áunnið traust á lánamörkuðum

### 2015: Fyrirmynd

- Landsbankinn er flaggskip íslenskra fyrirtækja og sambærilegur við bestu banka á Norðurlöndum
- Framúrskarandi fyrirtækjamenning
- Starfsemi í stöðugri þróun
- Dreift eignarhald

## Lykilmælingar og verkefni 2010–2012

### Öflug liðsheild

#### Mælingar

- Ánægja starfsmanna/vinnustaðagreining

#### Verkefni

##### Fyrirtækjamenning

- Vinna með *hlusta, læra og þjóna*
- Vinna með áhersluþætti bankans
- Gott siðferði

##### Þekking, hæfni og ánægja starfsmanna

- Jafnrétti
- Öflug fræðsla og þróun starfsmanna og leiðtoga
- Frammistöðumat
- Starfsánægja og starfsumhverfi

### Traustir innviðir

#### Mælingar

- Hagkvæmni/kostnaðarhlutfall
- Gæði eigna/90 daga vanskil

#### Verkefni

##### Góðir stjórnarhættir

- Innleiða bestu viðmið

##### Stefnumiðuð stjórnun

- Vegvísar, bættar stjórnunarupplýsingar, mælingar og eftirfylgni
- Öflug upplýsingamiðlun
- Skilvirkt og aðgengilegt ferli

##### Hagkvæmni

- Styrkja tekjustofna og bæta kostnaðarhlutfall

##### Efla áhættustjórnun

- Tryggja arðsemi, vöxt og stöðugleika til lengri tíma

### Ánægðir viðskiptavinir

#### Mælingar

- Viðskiptatengsl/CE11 vísitala
- Markaðshlutdeild
- Viðreisn/Úr greiðsluerfiðleikum

#### Verkefni

##### Aðstoð við heimili og fyrirtæki í skuldavanda

##### Tryggja persónulega og hagfellda þjónustu

- Styrkja tengsl við viðskiptavini
- Hlusta á og læra af ábendingum og kvörtunum
- Aukin þægindi og alhliða fjármálaþjónusta

##### Frumkvæði og markaðssókn

- Styðja sprotafyrirtæki
- Auka markaðshlutdeild
- Efla atvinnulífið og fjármálamarkaði

### Ávinningur samfélags og eigenda

#### Mælingar

- Traust
- Arðsemi
- Uppgjör vegna gamla bankans

#### Verkefni

##### Samfélagsleg ábyrgð

- Ábyrg lánastarfsemi og viðskipti
- Stuðningur við samfélag
- Umhverfisvæn
- Gagnsæi
- Virk þátttaka í fjármálaumræðu

##### Árangursríkt uppgjör við gamla bankann

##### Bankinn sé álitlegur kostur fyrir fjárfesta

- Arðsamur rekstur
- Aðgangur að lánamörkuðum
- Undirbúa dreift eignarhald



