



Policy on Action Against Financial Crime

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1. Objective and scope

The objective of this Policy is to minimise the risk of financial crime in Landsbankinn's operation and in relations with customers, employees, regulators and other authorities, shareholders, auditors, competitors and other stakeholders. For the purposes of this Policy, financial crime shall mean money laundering, terrorist financing, violations of trade sanctions, internal fraud, fraud that targets customers, bribery and corruption, market abuse and other crimes of enrichment. Landsbankinn's Policy is based on the Act on Measures against Money Laundering and Terrorist Financing, the Act on Procedure to Implement International Sanctions and Freezing of Assets, the Act on Action to Prevent Market Abuse and the United Nations Convention against Corruption, as well as the General Penal Code.

Landsbankinn places great emphasis on full compliance with all legal requirements and on contributing to an environment that combats financial crime. It is Landsbankinn's goal to construct its defences in accordance with best practice for financial undertakings, both on an international level and domestically, and further cooperation between the Bank, authorities and regulators as appropriate. Landsbankinn mitigates the risk of potential financial crime in so far as possible by inter alia refraining from conducting business with high-risk counterparties.

In addition to this Policy, Landsbankinn has adopted special rules and procedures for action against financial crime.

The Policy applies to all operation and all employees as well as the Board of Directors of Landsbankinn.

2. Governance structure

Landsbankinn has in place effective organisational and managerial processes to mitigate and control the risk of financial crime, including adopting a policy, rules and procedures that are reviewed regularly.

Measures to reduce the risk of financial crime in Landsbankinn's operation are organised in accordance with the Bank's Policy on Internal Control. Rules and procedures based on this Policy at a minimum contain provisions on:

- The performance of due diligence;
- The performance of risk assessment;
- Ongoing monitoring of transactions and business relationships;
- Monitoring of trade sanction and freezing of assets;
- The obligation to report suspicious customer behaviour and connected measures;
- Monitoring of market abuse;
- Whistle-blowing on corruption and fraud; and,
- Requirements for hiring and training personnel.

3. Management's responsibilities as regards the Bank's actions against financial crime

The Executive Board is responsible for ensuring the effectiveness of action to mitigate risk and combat financial crime, such as by actively participating in risk analysis, regularly assessing the adequacy of systems and processes in their functions, contributing to a healthy corporate culture, ensuring that employees complete mandatory training and immediately informing the Compliance Officer or Chief Audit Executive of any suspicion of financial crime in the Bank's operation.

The Board of Directors of Landsbankinn has appointed a member of the Executive Board responsible for AML/CFT in accordance with the Act on Measures against Money Laundering and Terrorist Financing. The Managing Director of Corporate Banking is the member of the management body responsible for AML/CFT and the CFO is the deputy. The Board of Directors of Landsbankinn approves the hiring of the Bank's Compliance Officer whose duties and responsibilities include projects linked to the Bank's actions against money laundering and terrorist financing. These parties are independent in their work and are empowered to take any action necessary to ensure effective compliance with policy, controls and processes as well as to take remedial measures. They shall have the resources to implement these measures, including staffing and equipment, according to the size, nature and risk in the Bank's activities. The Compliance Officer shall have unrestricted access to customer due diligence, business transactions or transaction requests, together with all documentation which could be of significance for the investigation of suspicious transactions and notifications to the Financial Intelligence Unit (FIU). The Compliance Officer is also responsible for communication with other authorities as concerns action against financial crime.

4. Monitoring of implementation of the Policy and employee training

The Compliance Officer of Landsbankinn is the second line of defence for the purposes of implementing this Policy and, together with the Bank's Executive Board, ensures that rules and procedures that contribute to coordinated work processes and good implementation of current laws, regulations, internal rules and procedures relating to financial crime are maintained. The Compliance Officer reports to the Board of Directors on the implementation of this Policy as frequently as required yet no less frequently than once yearly.

Landsbankinn ensures that employees receive dedicated training in the Bank's action against financial crime at the beginning of employment and regularly throughout the period of employment. This ensures that employees have appropriate knowledge of current laws and rules as well as the internal rules and procedures the Bank has adopted based on such laws and rules.

Review of this Policy shall take place every two years or more frequently if necessary.