

Policy on prevention of money laundering, terrorist financing and violation of
sanctions

for

A/S Arbejdernes Landsbank

May 2023





1. Objective and background	2
1.1 Objective	2
1.2 Companies included.....	2
2. Risks regulated by this policy	3
2.1 Inherent risks	3
2.2 The business model of AL Bank.....	3
3. Risk management.....	3
3.1 Approval of customers outside the risk tolerance limit.....	4
3.2 Approval of customers outside the anti-money laundering policy	4
4. Organisational aspects and governance	4
5. Principles for delegation of authority	5
6. Control and monitoring	6
7. Reporting to the Board of Directors.....	6
8. Revision and entry into force	6
Annex 1 Risk tolerance, 2023	7

Summary:

Objective	To establish Arbejdernes Landsbank's strategic goals with regard to prevention of money laundering, terrorist financing and violation of sanctions
Document owner	AML Director at Arbejdernes Landsbank, AML Department
Approval	Board of Directors of A/S Arbejdernes Landsbank on 17 May 2023
Relations	Risk tolerance, see annex 1
Legislation related to this document	Anti-Money Laundering Act
Version	9.0



1. Objective and background

1.1 Objective

The objective of this policy on the prevention of money laundering, terrorist financing and violation of sanctions (hereinafter referred to as the “anti-money laundering policy”) is to establish the strategic goals of A/S Arbejdernes Landsbank (hereinafter referred to as “AL Bank”) to ensure that:

1. AL Bank is not misused for money laundering, terrorist financing or violation of sanctions.
2. Management of the obligations of AL Bank meets the requirements stipulated in the act on measures to prevent money laundering, terrorist financing and sanctions as described in the Anti-Money Laundering Act in force at any time, as well as sanctions adopted by the EU, the UN, or the OFAC.
3. Management by AL Bank of obligations stated in point 2 meets the requirements described with regard to the company cooperation partners.

The anti-money laundering policy is a risk policy laid down in accordance with section 8 of the Act on Measures to Prevent Money Laundering and Financing of Terrorism (Anti-Money Laundering Act), which states that undertakings covered by the Anti-Money Laundering Act must have adequate written policies, etc. for effective prevention, mitigation and management of the risks of money laundering and terrorist financing. The policy must be drawn up on the basis of the undertaking’s risk assessment within the anti-money laundering (AML) area.

AL Bank and the AL Group have a risk-based approach to managing risks associated with economic crime. This means that, on the basis of each of the companies’ individual risk assessment and the Group’s overall risk assessment for the AML area, it is a priority to ensure that the policy and controls of AL Bank in the AML area (including terrorist financing and violation of sanctions) are targeted at, and match, the actual risk of AL Bank being abused for such purposes.

1.2 Companies included

This policy applies for AL Bank.

Vestjysk Bank A/S has its own anti-money laundering policy approved by the board of directors of Vestjysk Bank A/S.

In order to ensure alignment across the Group as a whole, and to meet the requirement for an independent anti-money laundering policy for each legal entity covered by the Anti-Money Laundering Act, this year AL Finans has prepared its own independent anti-money laundering policy, with associated risk tolerance, to be approved by its board of directors.

When all subsidiaries in the A/S Arbejdernes Landsbank Group have an approved anti-money laundering policy, the AML Department at AL Bank will prepare a group anti-money laundering policy to be approved by the Board of Directors of the Group, see section 9 of the Anti-Money Laundering Act.



2. Risks regulated by this policy

2.1 Inherent risks

It is implicit in business models for banks and financial institutions that there will be a risk associated with the operation of such companies, as all types of financial transaction involve a risk that the company may be misused for criminal purposes. The inherent risk, as described in the risk assessment in force at any time, that AL Bank will be misused for money laundering, terrorist financing and violation of sanctions, is approved by the Board of Directors.

The Board of Directors has laid down a general principle that risks associated with money laundering, terrorist financing and violation of sanctions are to be mitigated as far as possible on the basis of a risk-based approach.

This anti-money laundering policy establishes the overall guidelines for how AL Bank works on the prevention of money laundering, terrorist financing and violation of sanctions.

2.2 The business model of AL Bank

The overall business model of AL Bank is to offer all common types of financial services, advisory services and products. AL Bank does not offer complex and individually designed products focusing on speculative business activities.

AL Bank's primary focus is on private customers as well as small and medium-sized enterprises and associations in Denmark. Furthermore, AL Bank offers trade in securities and foreign payments to small and medium-sized financial institutions, payment institutions and other payment service providers, etc., primarily in Denmark. The services can be offered as outsourcing for the above customer types.

3. Risk management

With this policy, the Board of Directors aims to ensure that the residual risks for AL Bank are considerably lower than the inherent risks.

Recognising that it is not possible to completely eliminate the risks of money laundering, terrorist financing and violation of sanctions, the Board of Directors has therefore decided that the executive management of the company is responsible for ensuring that the daily operations of AL Bank are organised in a way that strives to reduce the total risk.

Risk management at AL Bank is to be based on the business model risk assessments, and this anti-money laundering policy.

As stated in the risk assessments for AL Bank, the company's risk of being misused for money laundering, terrorist financing and violation of sanctions is assessed as medium to high.

In AL Bank, a number of risk-reduction measures have therefore been implemented to help significantly reduce the risk of being misused for money laundering, terrorist financing and violation of sanctions, see the review of both the inherent and residual risks for the company in the risk assessments.

Besides the risk assessments, AL Bank must have procedures that help to prevent, mitigate and manage the risks of AL Bank within the following areas:

- Customer due diligence measures



- Investigation, recording and notification obligations
- Record keeping
- Screening of employees
- Internal controls

Overall risk management at AL Bank monitors changes in risks within money laundering, terrorist financing and violation of sanctions, and takes account of how changes can influence the risk assessments and thereby also this policy, the procedures and the controls.

A contribution to achieving the strategic objective of reducing the risk of being misused for money laundering, terrorist financing and violation of sanctions is to ensure that the customers of AL Bank are within the approved business models.

The Board of Directors has therefore set the following requirements for customers who are deemed to be outside the normal area for the business model for AL Bank:

3.1 Approval of customers outside the risk tolerance limit

In order to minimise the risk of being misused for money laundering, terrorist financing and violation of sanctions, besides imposing requirements to establish the above procedures, the Board of Directors has decided to establish a risk tolerance that outlines the operational criteria for the customer portfolio and specific customer segments. The Board of Directors also indicates in the risk tolerance which customer types require separate approval by the person responsible for the AML area, as these customers have been assessed as constituting a particularly high risk for AL Bank in relation to maintaining the existing business models.

Thus, the risk tolerance indicates the risk appetite of the Board of Directors in relation to the customer portfolio and specific customer segments, and it ensures that, in day-to-day operations, AL Bank obtains specific approval for customers outside the risk tolerance from the person responsible for the AML area. The risk tolerance is included as annex 1 to the anti-money laundering policy.

3.2 Approval of customers outside the anti-money laundering policy

Furthermore, some specific customer types are so far outside the scope of the business model of AL Bank that they will generally not be accepted. Please see the risk tolerance, which is attached as an annex.

4. Organisational aspects and governance

The Anti-Money Laundering Act requires that the Board of Directors of AL Bank ensures that the general governance of the companies is structured such that Compliance and Internal Audit can check and assess whether the companies' overall work on preventing money laundering and terrorist financing is organised in accordance with the Anti-Money Laundering Act, see Section 8(3) and (4).

The executive management of AL Bank must appoint an employee who, as the person responsible for the AML area, see section 7(2) of the Anti-Money Laundering Act, has authority to make decisions on behalf of AL Bank regarding approval of business procedures, controls and specific customer relationships, etc.

The person responsible for the AML area at AL Bank must be entitled to make decisions relating to the company's risk exposure in the AML area. Similarly, the person responsible for the AML area must



have sufficient knowledge about the risk profile and specific risk factors of AL Bank, see the risk assessments of the AML area for the company.

The person responsible for the AML area at AL Bank refers to the member of the executive management appointed to be responsible for implementation of the requirements of the Anti-Money Laundering Act, etc., see section 8(5).

Furthermore, the Board of Directors of A/S Arbejdernes Landsbank has appointed the incumbent person responsible for the AML area at AL Bank as the person responsible for the AML area at Group level. The person responsible for the AML area at Group level has overall responsibility for Group management of the anti-money laundering area. The more detailed framework for this has been established in a common group anti-money laundering policy, which covers AL Bank, AL Finans and Vestjysk Bank A/S.

AL Bank has the following overall governance in the anti-money laundering area:

Responsible	Area of responsibility
Board of Directors	Approval of risk assessment and anti-money laundering policy.
Responsible member of the executive management, see section 8(5) of the Anti-Money Laundering Act	Responsible for implementation of the requirements of the Anti-Money Laundering Act and the regulations issued in pursuance hereof.
Person responsible for the AML area, see section 7(2) of the Anti-Money Laundering Act	Has authority to make decisions on behalf of AL Bank regarding approval of business procedures, controls and specific customer relationships, etc.
Person responsible for compliance, see section 8(3) of the Anti-Money Laundering Act	Checks and assesses whether work by AL Bank on preventing money laundering and terrorist financing is organised in accordance with the Anti-Money Laundering Act.
Internal Audit, see section 8(4) of the Anti-Money Laundering Act	Ensures whether policies, procedures and controls at AL Bank are organised and function adequately.
Other employees	All employees of AL Bank are obligated to comply with all relevant policies, procedures, etc. that AL Bank has laid down to ensure compliance with the requirements of the Anti-Money Laundering Act.

5. Principles for delegation of authority

The Board of Directors has decided that the executive management and the person responsible for the AML area can delegate part of their daily work that follows from the requirements of the Anti-Money Laundering Act.

The principles for delegation mean that the executive management of AL Bank may delegate to the person responsible for the AML area daily responsibility for ensuring that the requirements of the Anti-Money Laundering Act are carried out in connection with operation and development of AL Bank. However, when delegating responsibility, the executive management must continue to check



compliance with the requirements of the Anti-Money Laundering Act. To ensure this, the person responsible for the AML area must submit regular reports to the executive management about important topics within money laundering, terrorist financing and violation of sanctions. In the event of serious incidents of possible violation of the Anti-Money Laundering Act or potential risks of such incidents, the person responsible for the AML area should report to the executive management immediately.

All changes in risk tolerance implemented at customer level must be included in the quarterly reports from the person responsible for the AML area to the Board of Directors.

6. Control and monitoring

Controls at AL Bank aim at ensuring effective prevention of money laundering, terrorist financing and violations of sanctions. Controls have different characteristics depending on the scope of risk. The purpose of the internal controls is to ensure that work is concentrated on the customers etc. for which the risk is deemed to be greatest.

In reporting to the executive management and the Board of Directors, the person responsible for the AML area must state whether the risk tolerance is being complied with.

Customer due diligence measures include requirements to check customers' identity etc. as well as knowledge about the customers' expected scope of business. In addition, customer due diligence information should be updated regularly, depending on the risk classification of the customer.

Similarly, transactions monitoring has been organised such that the most risky transactions are extracted for manual review. This ensures a risk-based approach to control and monitoring of the customer relationships.

In order to ensure that it is always possible to provide information for a possible investigation or in some other way review a specific customer relationship, all information collected in connection with customer due diligence measures, documentation and recording of transactions, as well as documents and registrations concerning investigation and recording of suspicious circumstances, must be stored for five years after the customer relationship has ceased.

7. Reporting to the Board of Directors

The Board of Directors must receive reports on the anchoring and observance of the policy at least once a year.

8. Revision and entry into force

The Board of Directors assesses this policy at least once a year and makes the necessary adjustments on the recommendation of the executive management. The policy is also revised in the event of material changes in the conditions that the policy concerns, including significant legislative amendments in the area.

This policy enters into force on 17 May 2023.

Approved by the Board of Directors of

A/S Arbejdernes Landsbank

on 17 May 2023



Annex 1 Risk tolerance, 2023