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

for

the AL Group

2024

Summary:

Objective	To establish Arbejdernes Landsbank’s, AL Finans’ and Vestjysk Bank's strategic goals with regard to prevention of money laundering, terrorist financing and violation of sanctions
Document owner	The AL Group's person responsible for the AML area (AML officer)
Approval	The Board of Directors of the AL Group 23 May 2024
Relations	-
Legislation related to this document	Anti-Money Laundering Act
Version	2.0

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 the AL Group comprising A/S Arbejdernes Landsbank (parent company, hereinafter referred to as "AL Bank) and Vestjysk Bank A/S (<100% ownership interest, hereinafter referred to as "Vestjysk Bank"), as well as AL Finans A/S (100% ownership interest, hereinafter referred to as "AL Finans") (hereinafter referred to as "the Group" or "the companies") to ensure that:

1. the Group is not misused for money laundering, terrorist financing or violation of sanctions.
2. the Group 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 and the OFSI.
3. the Group's management of obligations stated in point 2 meets the requirements described with regard to the companies' 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.

The Group has 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 the Group for the AML area (including terrorist financing and violation of sanctions) are targeted at, and match, the actual risk of the Group being misused for such purposes.

This policy applies to the Group and is approved by the Board of Directors of the Group, see section 9 of the Danish Money Laundering Act. Each company in the Group has its own individual policy, which must be prepared in accordance with this Group policy. The individual policies and associated risk tolerance for each company are approved by the Group AML officer before being presented to the companies' boards of directors for final approval.

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 Group Board of Directors has authorised the inherent risk through the applicable Group risk assessment.

The Group 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 the Group works on the prevention of money laundering, terrorist financing and violation of sanctions.

2.2 The business model of the Group

The overall business model of AL Bank and Vestjysk Bank is to offer all common types of financial services, advisory services and products, and not to offer complex or 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, whereas Vestjysk Bank's business model is more commercially oriented.

AL Finans offers car financing, leasing and factoring agreements.

AL Bank's core business is traditional banking within the private and business customer segment, with the largest volume for private customers, especially for private owner-occupied housing and cooperative housing customers. Business customers are predominantly small and medium-sized business customers. In addition, through its owners, the Bank has a business area within trade unions and associations.

AL Bank primarily aims for full customer relationships, as this is considered to provide the best insight into the customer's risk profile.

The activities in AL Finans are car loans, leasing and factoring agreements for private customers and smaller Danish business customers. The business model is largely based on asset financing and with a high degree of collateral coverage. Purchase of receivables (non-recourse factoring) are offered to larger factoring customers, and these are largely covered by insurance.

Vestjysk Bank's core business is traditional banking for both private and business customers, with special competencies within loans and financing for agriculture, fisheries, real estate and small and medium-sized enterprises.

Vestjysk Bank has a larger share of business customers with a large sector exposure to agriculture and project financing.

3. Risk management

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

Overall risk management at the Group is based on the companies' business models, risk assessments, and this anti-money laundering policy.

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

The Group has therefore implemented a number of risk-reduction measures to help significantly reduce the risk of being misused for money laundering, terrorist financing and violation of sanctions.

Recognising that it is not possible to completely eliminate the risks of money laundering, terrorist financing and violation of sanctions, the board of directors of each company is responsible for ensuring that the daily operations of the company are organised in a way that strives to reduce the total risk.

Besides the individual risk assessments, the companies must have procedures that help to prevent, mitigate and manage risk within the following areas:

- customer due diligence measures
- investigation, recording and notification obligations
- record keeping
- screening of employees
- internal controls

Overall risk management at the Group 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, as well as procedures and 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 the Group are within the approved business models. This must be done through each company's risk tolerance.

4. Organisational aspects and governance

Section 9 of the Anti-Money Laundering Act requires the Group Board of Directors to ensure 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 adequate.

The AML officer in each company must be able to make decisions regarding the company's risk exposure in the money laundering area and in relation to terrorist financing and violation of sanctions. Similarly, the AML officer must have sufficient knowledge about the company's risk profile and specific risk factors, see the risk assessments for the companies for the money laundering area.

Furthermore, the Board of Directors of AL Bank has appointed the incumbent AML officer at AL Bank as the person responsible for the AML area at Group level.

The Group has the following overall governance in the anti-money laundering area pursuant to section 9 of the Anti-Money Laundering Act:

Responsible	**Area of responsibility**
Group Board of Directors, see section 9 of the Anti-Money Laundering Act	Approval of group risk assessment and group anti-money laundering policy.
Responsible member of the Management Group, see section 8(5) of the Anti-Money Laundering Act	Responsible for implementing 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 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 on preventing money laundering, terrorist financing and violation of sanctions 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 are organised and function adequately.
Other employees	All Group employees are obligated to comply with all relevant policies, procedures, etc. that have been laid down to ensure compliance with the requirements of the Anti-Money Laundering Act.

5. Principles for delegation of authority

The Group Board of Directors has decided that the companies' management groups and the AML officer can delegate part of their daily work that follows from the requirements of the Anti-Money Laundering Act.

The principles for delegation mean that each management group may delegate to the AML officers daily responsibility for ensuring that the requirements of the Anti-Money Laundering Act are carried out in operation and development of the companies. However, when delegating responsibility, the relevant management group must continue to check compliance with the requirements of the Anti-Money Laundering Act. To ensure this, the AML officers must submit regular reports to the management group of the relevant company 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 AML officers should report to their management group immediately.

6. Control and monitoring

Controls at the companies aim at ensuring effective prevention of money laundering, terrorist financing and violation 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 relevant management group and board of directors, the AML officers 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.

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

8. Revision and entry into force

The Group Board of Directors assesses this policy at least once a year and makes the necessary adjustments on recommendation from the Management Group. 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 23 May 2024.

Approved by the Board of Directors of

the AL Group

on 23 May 2024