



# Rules of Procedure for the Risk Committee of Landsbankinn hf.

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2020 | Board of Directors

## 1 APPOINTMENT AND INFORMATION DISCLOSURE TO THE BOARD OF DIRECTORS

The role of the sub-committees of the Board of Directors of Landsbankinn hf. (hereafter “Landsbankinn” or “the Bank”) is to assist the Board of Directors in carrying out its legally constituted duties. The sub-committees are appointed by the Board of Directors and operate under its authority. Sub-committees of the Board do not take independent decisions on behalf of the Bank or the Board of Directors. The sub-committees do not influence the role or decision-making power of the Board of Directors, of the Bank's day-to-day managers, or of committees operating within the Bank, such as the Risk & Finance Committee, Credit Committee, and Security Committee.

The Risk Committee (hereafter “the Committee”) is appointed by the Board of Directors to act in an advisory and supervisory role for the Board, as set out in these Rules of Procedure. Should contention arise due to possible overlap of the Committee's duties with those of the Audit Committee, the Chairman of each committee shall inform his or her counterpart of the matter, and they shall then decide which committee shall perform the duty in question.

Committee members shall be appointed no later than one month following the Bank's Annual General Meeting. The Committee shall be appointed by the Board and comprise three members, all drawn from among the members of the Board. The Chairman of the Board of Directors, the Bank's CEO and other day-to-day managers shall not sit on the Committee. Committee members shall be independent of the Bank's external auditor and the majority of Committee members must also be independent of the Bank and its day-to-day managers. Members of the Committee shall have the knowledge and experience to tend to their duties in accordance with these Rules of Procedure.

The Committee Chairman is appointed by the Board of Directors. The Committee divides responsibility for other tasks among its members. In the absence of the Chairman of the Committee, other Committee members shall select a meeting chairman from amongst themselves. The Chairman of the Committee shall lead the Committee and is responsible for ensuring its efficiency. The Chairman shall also encourage all Committee members to contribute to its work.

The Committee shall apprise the Board of Directors of the Committee's work at regular intervals, and when individual matters before the Board have previously been discussed by the Committee. The Committee shall submit a yearly report on its work to the Board of Directors. The Committee shall advise the Board of Directors on issues specified in these Rules of Procedure.

The Committee Chairman shall attend the Bank's Annual General Meeting and respond to any questions about the Committee's work and responsibilities.

In carrying out its duties, the Committee shall have extensive access to information from executives, Risk Management, Compliance, and the internal and external auditors, and shall be authorised to call for reports and memoranda relevant to the Committee's work. The Committee shall have direct and unimpeded access to information from the CRO and the Compliance Officer. The Bank's executives shall endeavour to ensure that relevant information, as complete as possible, on all matters that fall under the Committee's jurisdiction is communicated to the Committee without delay.

The CEO, Managing Director of Risk Management, Managing Director of Finance, Chief Audit Executive, and Compliance Officer shall have direct and unimpeded access to the Committee, whether through official or unofficial channels.

Directors of the Board shall have access to minutes of the Committee's meetings and other meeting documents via the Bank's document management system in good time for Board meetings, and between meetings. Moreover, such information must be available when needed, and as up-to-date and accurate as possible.

The Committee submits proposals to the Board of Directors about issues that fall under the Committee's remit but require decision-making or action.

## 2 MEETINGS

The Committee shall meet at least four times annually. At the beginning of the year, the Chairman of the Committee presents a plan of operation for the coming year, listing scheduled meetings and agendas.

The Committee has the authority to convene additional meetings, as circumstances require, and may meet at any time with members only being present, should it consider this necessary or desirable.

Each Committee member, the CEO, the Managing Director of Risk Management, the Chief Audit Executive, and the Compliance Officer may each request a meeting, should he/she deem it necessary.

The CEO, the Managing Director of Risk Management, the Chief Audit Executive or the Compliance Officer may each request a private meeting with the Committee. The Committee may also request a private meeting with each of these parties.

## 3 ROLE

The Committee shall have the following duties and responsibilities:

### 3.1. Risk policy and risk culture:

- 3.1.1. At least once annually, to advise the Board of Directors on the development of risk strategy and risk appetite/tolerance concerning all significant risk factors in the Bank's operation.
- 3.1.2. To advise the Board of Directors on the Bank's risk culture.
- 3.1.3. To review during the Committee's regular meetings the Bank's position vis-a-vis its risk appetite.
- 3.1.4. To advise the Board of Directors on the organisation and effectuation of surveillance by the Board of implementation of the Bank's risk appetite and risk policy to ensure that risk appetite and risk policy aligns with the Bank's business plan, goals, risk culture and values.
- 3.1.5. Review at least annually the Bank's policy for an internal ratings-based approach to credit risk.
- 3.1.6. To receive information on new risk rules set by the CEO and on changes to those rules. To acquaint themselves with the main aspects of these rules and provide an opinion on them as needed.
- 3.1.7. To monitor the implementation of the Bank's rules and policy on capital structure, equity and liquidity, as well as other rules and policies relevant to risk, to determine their adherence to the Bank's risk appetite and risk policy.
- 3.1.8. To advise the Board of Directors on necessary changes to risk policy in response to changes to the Bank's business plan, market developments or Risk Management's proposals.

### 3.2. The Bank's risk management framework:

- 3.2.1. To annually assess the framework, function and procedures of risk monitoring and risk management within the Bank, and within the Group, concerning all significant risk factors, cf. Article 3.1.1.
  - 3.2.2. To annually assess the roles, independence, authorisations and work of Risk Management, and whether Risk Management has adequate funding to carry out its duties.
  - 3.2.3. To review reports from internal control on internal control factors concerning risk management.
  - 3.2.4. To inform and collaborate with the Audit Committee on issues of risk management, internal control and compliance concerning the role or duties of the Audit Committee.
  - 3.2.5. To review the Bank's procedures for information disclosure on risk to the Board of Directors and the Committee.
- 3.3. The Bank's internal assessment of its economic capital and liquidity requirements and preparation of a recovery plan:
- 3.3.1. To review policy on economic capital and its implementation.
  - 3.3.2. To review policy on capital structure.
  - 3.3.3. To review proposals submitted to the Board for approval concerning the results of ICAAP and ILAAP along with the report of the Financial Supervisory Authority of the Central Bank of Iceland on the results of the processes.
  - 3.3.4. To review the results of stress tests.
  - 3.3.5. To review proposals submitted to the Board for approval concerning the preparation of a recovery plan in accordance with the provisions of BRRD.
- 3.4. Credit risk and credit decisions:
- 3.4.1. To review issues that exceed the authorisation of the CEO and/or the Credit Committee concerning individual credit facilities and write-offs, and submit proposals on these issues to the Board of Directors.
  - 3.4.2. To review the status of the Bank's loan portfolio at least once annually, having regard to credit risk, concentration risk, and development.
  - 3.4.3. To receive information on the work of the Bank's Credit Committee, at least once annually.
  - 3.4.5. To review at least annually information about the implementation of decisions by the Board on individual credit facilities.
- 3.5. Terms on assets and liabilities:
- 3.5.1. To review whether terms on assets and liabilities, including deposits and loans, offered to the Bank's customers are fully compatible with the Bank's business model and risk policy. If terms do not reflect risk, according to the Bank's business model and risk policy, the Committee shall submit a plan of remedial action to the Board of Directors.

3.6. Compliance:

- 3.6.1. To annually assess the role, independence, authorisations and work of Compliance, and whether Compliance has sufficient funding to perform its duties.
- 3.6.2. To review reports from Compliance.

3.7. Other:

- 3.7.1. To review, in collaboration with the Remuneration Committee, whether incentives, including bonuses, that may be provided for in the Bank's remuneration policy, comply with the Bank's risk policy.
- 3.7.2. To carry out a detailed examination of individual aspects of the Bank's operations concerning the Committee's role or duties, of its own volition or as specifically decided by the Board.
- 3.7.3. To review any proposal for the dismissal of the Managing Director of Risk Management before such a proposal is considered by the Board.

Thus adopted at a meeting of the Board of Directors of Landsbankinn hf. on 25 January 2019.