



Order Execution Policy of Landsbankinn

Landsbankinn hf. | No. 202304-0279 -11 | September 2021

1. Scope

This Order Execution Policy (the Policy) applies to retail clients and professional investors. The Policy does not apply to eligible counterparties. The Bank operates honestly, professionally and with integrity to execute orders from customers who are eligible counterparties.

2. Best possible results

Landsbankinn shall endeavour to achieve the best possible results for the customer when providing the following investment services:

- A) *Executes orders on customers' behalf, receives and transmits customers' orders.* The Bank executes customer orders and the service begins when the customer has decided to buy or sell a financial instrument.
- B) *Portfolio management.* The customer may conclude an agreement with the Bank providing for the management of the customer's asset portfolio based on an investment strategy pre-determined by the customer. The Bank is obligated to make decisions about transactions that align with the customer's interests and to carry out such decisions in accordance with its obligation to achieve the best possible results for the customer.

3. Factors that influence best possible results

3.1. Influencing factors

In determining how to achieve the best possible results for the customer, Landsbankinn has regard for the following factors:

- Price
- Cost
- Speed
- Likelihood of transaction and settlement
- Scope and nature of orders
- Any other factors the Bank considers of importance in executing the orders

When executing customer orders, Landsbankinn's prioritisation of influencing factors is determined by:

- The characteristics of the customer, including classification of the customer as retail client or professional investor
- The nature of the customer's order
- The characteristics of the financial instruments indicated in the order
- Possible execution venues

As a main rule, Landsbankinn prioritises the following influencing factors:

Price and cost: In most cases, the price and cost of a financial instrument, including commissions and fees, form the basis for achieving the best possible results for the customer.

For retail clients, the best possible result is determined based on total payment, i.e. the price of a financial instrument plus the cost of execution. "Cost of execution" refers to all cost incurred by the customer and that is directly connected with the execution of the order, i.e. stock exchange fees, service charges, settlement fees and all fees payable to a third party involved in the execution of the order.

While it is not always possible to execute orders at the most favourable price, Landsbankinn will at all times seek to execute orders in accordance with this Policy.

Landsbankinn's aim is to execute buy orders at the lowest sale price available and to execute sale orders at the highest purchase price available.

Certain financial instrument (OTC derivatives) carry no available market price for such reasons as not having been accepted for trading on a trading venue. In such cases, the Bank endeavours to confirm the fairness of a price based on available market data and, if possible, through comparison with other similar or comparable instruments.

Speed and the likelihood of transaction are the factors Landsbankinn considers of second most importance after price and cost, in order to secure the best possible results for the customer.

Speed refers to the time it takes for Landsbankinn to execute the customer's order. If the customer does not specify timing in the order, Landsbankinn will execute the order at a pace the Bank considers commensurate with a balance

between timely execution and contributing to fluctuation in the market. This is done to minimise the risk of executing orders.

Landsbankinn will endeavour to execute the order in full, if the Bank does not deem this to have a negative impact on the quality of execution. If, on the other hand, the Bank is of the opinion that the scope and nature of the order may negatively impact price if executed in full, the Bank may delay execution of the order in full or in part. Conversely, the Bank may prioritise the execution of an order if the Bank considers this conducive to achieving the best results for the customer.

The market situation of a financial instrument to which an order relates may lead Landsbankinn to prioritise the likelihood of the transaction. The Bank may thus decide to execute customer orders through a trading venue where liquidity and price formation is adequate to ensure timely order execution while minimising negative impact on price.

Likelihood of settlement: In general, Landsbankinn expects orders executed on behalf of customers to be settled in a timely manner. If the Bank becomes aware that a certain order execution method reduces the likelihood of settlement, the Bank may refrain from employing that method, despite a better price.

Other influencing factors: Even though Landsbankinn considers the above-mentioned influencing factors to have the highest impact on best results for the customer, situations may arise in which other factors influence the manner of order execution by the Bank, in its efforts to achieve the best results for the customer.

3.2. Special orders by customers

If the customer instructs the Bank in the special execution of orders in part or in whole, Landsbankinn will comply with the customer's request in so far as possible.

Note that any such special instructions for the execution of orders from the customer may prevent Landsbankinn from taking action the Bank would otherwise take under this Policy. As a result, the Bank may not be able to achieve best results for the customer as relates to the orders for which special instructions were issued.

Should special instructions only apply to a limited part of the execution, Landsbankinn will execute other parts based on this Policy.

If no special instructions are issued by the customer, Landsbankinn will assess circumstances based on this Policy.

4. Execution of orders

4.1. Trading on own account, trading venues and brokers

When executing orders, Landsbankinn selects the trading venue most likely, in the Bank's estimation, to secure the best results for the customer. Landsbankinn trades both on and off venue.

When trading off-venue, Landsbankinn may choose to act as counterparty by trading on own account. In such cases, the customer is trading directly with Landsbankinn. Landsbankinn may also choose to execute orders by matching customers' buy and sell orders, either on or off venue.

Landsbankinn executes orders without delay, fairly and as quickly as possible, and in the order which they are received.

4.1.1. Execution venues

Landsbankinn trades on the following execution venues: Regulated markets, multilateral trading facilities, through systematic internalisers or market makers or other parties who bring together buyers and sellers of financial instruments.

Landsbankinn selects the execution venue which in the Bank's estimation is most likely to secure the best possible results for the customer. The most important influencing factor in choice of execution venue is effective price formation, such as the bid and ask spread, and access to price data. The Bank also has regard for liquidity and the cost of execution.

Landsbankinn is an execution venue when conducting transactions as a market maker.

4.1.2. Transmission of orders

Landsbankinn may decide to transmit orders to another financial undertaking. In such cases, it is the financial undertaking to which the orders are transmitted which determines the order execution method. Landsbankinn selects the financial undertaking which, in the Bank's estimation, is most likely to achieve the best possible results for the customer at each time. Landsbankinn only transmits orders to financial undertakings which the Bank deems capable of fulfilling the requirement of achieving the best possible results for the customer.

4.1.3. List of execution venues and financial undertakings to which orders are transmitted

Landsbankinn publishes a list of execution venues and financial undertakings to which it transmits orders; also, a list of five main execution venues on the Bank's website, www.landsbankinn.is.

5. Pooling orders

Landsbankinn may decide to pool orders to execute in one or more trades if demand is such that the Bank deems pooling to lead to the most favourable average price. As a result, pooling may be unfavourable for individual orders.

When Landsbankinn pools orders and executes them in one or more transactions, the price of all orders is the weighted average price. In execution, the pooled orders are allocated to customers within the trading day, in so far as possible. If pooled orders can only be executed in part, Landsbankinn will allocate the successfully executed orders to customer on a pro rata basis or such that all customer receive an equal number of shares (one to one). In selecting one of these two allocation methods, Landsbankinn looks to the relevant influencing factors, including the proportional size of orders, the order queue and liquidity of the financial instrument in question on the market.

Landsbankinn's trading on own account is only pooled in with customer orders if all customer orders in the pool can be executed in full. If the customer's orders could not be executed in an equally favourable manner without pooling, Landsbankinn may spread execution proportionally.

6. Control

Landsbankinn monitors the effectiveness of this Policy on an on-going basis.

This Policy is originally published in Icelandic. The Icelandic language version shall be the sole valid version of this Policy, regardless of whether the Bank chooses to publish the Policy in another language.

Appendix

to the Order Execution Policy of Landsbankinn

This Appendix sets out the methods employed by Landsbankinn to achieve the best results for various types of financial instruments.

I. Equities

This text applies to the following financial instruments: Equities

Order reception

Landsbankinn offers its customers the following options for transactions with equities:

- The customer communicates transaction orders in writing, over the phone, by e-mail, online communication systems approved by Landsbankinn, Landsbankinn online banking, or other electronic communication channels specified by Landsbankinn.
- The customer accepts an offer from Landsbankinn.*

Best results

The key influencing factors in achieving best results as relates to equities are the price of the financial instrument and the cost of execution, including commissions and fees.

In general, Landsbankinn carries some of the following out without delay:

- Places the order with a execution venue Landsbankinn has access to.
- Transmits the order to another financial undertaking or requests an offer from another financial undertaking.
- Landsbankinn acts as counterparty in the transaction or matches the order with the order of another customer.

It should be noted that market conditions or the characteristics of the financial instrument in question may lead Landsbankinn to determine that best price will not be achieved through immediate and full execution of the order. Landsbankinn may, as an example, conclude that the execution of an order in full could negatively impact price and for that reason split the order into smaller tranches, or delay execution of the order in full or in part.

II. Bonds

This content applies to the following financial instruments: Bonds

Order reception

Landsbankinn offers its customers the following options for transactions with bonds:

- The customer communicates transaction orders in writing, over the phone, by e-mail, online communication systems approved by Landsbankinn, Landsbankinn online banking, or other electronic communication channels specified by Landsbankinn.
- The customer accepts an offer from Landsbankinn.*

In general, Landsbankinn carries some of the following out without delay:

- Places the order with a execution venue Landsbankinn has access to.
- Transmits the order to another financial undertaking or requests an offer from another financial undertaking.
- Landsbankinn acts as counterparty in the transaction or matches the order with the order of another customer.

Best results

The key influencing factor in ensuring the best results in bond transactions is price.

Bond price is primarily determined by uncertainty about future development of interest rates and liquidity.

The liquidity of bonds varies as some bonds are highly liquid and others have low liquidity. In the case of highly liquid bonds, Landsbankinn's quote is based primarily on market price (buy/sell orders).

* According to an Opinion of the European Commission from 19 March 2007, there are certain exemptions from the obligation to achieve the best possible results. The exemptions provide that the customer cannot expect the Bank to endeavour to achieve the best possible results under certain circumstances. Such circumstances can primarily arise where market practice is mainly quote-based.

If a professional investor engages in a quote-based trade through the intermediation of Landsbankinn, the investor can assume that the Bank is not obligated to strive for the best possible results. Exemption from best results is subject to four principles determined by the European Commission:

- Which party initiated the trade. If the customer initiated the trade, the customer may be less certain of Landsbankinn endeavouring to achieve the best possible results.
- General market practice and whether it is customary to request quotes from multiple parties. In certain markets, it is usual for customers to request quotes from multiple parties to base their decision to trade on received offers. Under such circumstances, the customer cannot assume that the counterparty the customer chooses will ensure the best possible results.
- The level of price transparency in the relevant market. In markets where Landsbankinn has ready access to price data and the customer does not, the customer may depend more on Landsbankinn achieving best possible results.
- Information provided by Landsbankinn and any agreements between the Bank and the customer may affect the extent to which the customer can expect Landsbankinn to achieve best possible results.

For retail clients, these four principles generally lead to the conclusion that the customer has the right to expect that Landsbankinn endeavours to achieve best possible results when the customer trades based on a quote provided by the Bank.