



EXPRESSION OF INTEREST

28 JANUARY 2016





Kvika banki hf. (“Kvika” or “the Bank”) hereby expresses an interest in acting as a co-manager in relation to the potential sale and distribution of shares in Landsbankinn hf. and, as the case may be, in other commercial banks, according to and under the terms described in this expression of interest.

1. GENERAL INFORMATION

Kvika traces its origins through its predecessors, MP Bank and Straumur Investment Bank (“Straumur”), founded in 1986 as an equity fund. The fund grew in size and became an investment bank in 2004. Upon the merger with Burðarás in 2005, Straumur became the largest investment bank in Iceland. MP Bank was founded as MP Securities in 1999 and became an investment bank in 2003, offering a full range of investment banking services. MP Bank was granted a full commercial banking license in 2008 and began accepting deposits and pension savings contributions. Since then, several acquisitions have taken place, all in 2011; Alfa verðbréf hf. (securities company), Saga Capital’s Corporate Finance division, and Júpíter rekstrarfélag hf. (UCITS management company). Straumur and MP Bank merged in the summer 2015 under a new name: Kvika.

Kvika is Iceland’s only specialised investment bank with a full banking licence. The Bank is the only fully independent, privately held bank in Iceland. Kvika’s strengths are in asset management, corporate finance and capital markets. Kvika is the market leader in the Icelandic stock exchange, with a 27% market share in 2015. The Bank trades equities, bonds, and derivatives on all principal international markets for its customers. In the domestic markets, Kvika is a market maker for selected listed equities, government bonds, and covered bonds issued by Landsbankinn hf., Arion banki hf., and Íslandsbanki hf. Kvika has an excellent track record in Government and corporate advisory services. The Corporate Finance team at Kvika offers diverse financial advice and services to Governments, companies, and institutions, including services related to the purchase, sale, and merger of companies and those related to debt and equity securities. Kvika provides comprehensive services to depositors in asset and wealth management. Kvika’s Asset Management has a long-standing reputation for excellence and offers comprehensive solutions covering major asset classes, including fixed income securities, equities, and real estate in both domestic and international markets.

Kvika and its employees have a long-standing and successful track record in working with global financial partners on various projects. The Bank welcomes partnering with an internationally recognized investment bank in the sales process of the State’s holdings in financial undertakings.

2. INFORMATION ON REQUISITE CAPABILITIES AND EXPERIENCE

2.1. INTERNATIONAL EXPERIENCE IN THE SALE OR OFFERING OF SHARES IN FINANCIAL UNDERTAKINGS

Kvika has been active in advisory services in relation to financial institutions in recent years. Kvika’s employees have been involved in or responsible for the projects listed below. Furthermore, reference is made to the CV of Oliver d’Oelsnitz (page 6), who is working with Kvika as a senior advisor.

- Offering and sale of Tier II subordinated bonds in Kvika in 2015 (€15m).
- Advice and brokerage of a 5% stake in Vátryggingafélag Íslands hf., an insurance company, for an activist investor in 2015 (€8m).
- Lead in both sale and purchase of 67% share of Íslensk verðbréf hf., an Icelandic UCITS management company, in 2014-2015.
- Lead in the merger of MP Bank and Straumur in 2015 (€500m).
- Lead in a private placement of 70% stake in Straumur in 2014 (size: confidential).
- Sale of MP Pension Funds Baltic (Lithuania) in 2014 (size: confidential).
- Sale of MP Baltic in Lithuania in 2012 (size: confidential).
- Advisor on the sale of Norvik Bank in 2012 (size: confidential).
- Lead in a private placement of shares in MP Bank in 2011 (€35m).

2.2. EXPERIENCE IN THE MONETIZATION OF INVESTMENTS

Kvika has experience in the monetization of investments, as per the following examples:

- Advisor and asset manager to ALMC hf. and SPB hf. in winding down their balance sheets from 2010 (>€2bn).
- Bond issuance and listing for FÍ real estate fund on Nasdaq Iceland. Total size of bonds €50m.
- Securitization of a specialized loan portfolio and subsequent funding through Stefnir hf., Iceland's largest fund management company, in 2015 (€7m).
- Capital increase of Nýherji in 2015 of €5m. Lead advisor and sale of the shares.
- Advisor to the Glitnir resolution committee in 2014-2015.
- Sale of MP Bank's asset financing operations, Lykill, to Lýsing hf. in 2014 (size: confidential).
- IPO of Eimskip on Nasdaq OMX in Iceland in 2012, equity value €250m. An advisor to the seller, and co-responsible for the IPO and the listing process.
- Fjarskipti (Vodafone Iceland), acting as an advisor in the preparation of listing the shares on the Nasdaq Iceland exchange in Iceland in 2012.

2.3. TRADING, SALES, DISTRIBUTION AND RESEARCH CAPABILITIES

Kvika is a market leader in Capital Markets in Iceland, with a market share of 27.9% in fixed income and 19.6% in equities on the Nasdaq Iceland in 2015. Kvika's market share in the second half of 2015 in foreign inflow investment in Icelandic fixed-income securities was 60%.

Kvika has an experienced capital markets team with international capabilities, especially in Nordic and European markets. Notable deals that Kvika's Capital Markets team has led or participated in include:

- Placement of a 7% stake in Icelandair Group hf. owned by the Enterprise Investment Fund in 2012 (€20m).
- Placement of a 19.4% share in Fjarskipti hf. (VOICE) owned by the Enterprise Investment Fund in 2013 (€16m).
- Placement of a 5.4% stake in Eimskip hf. owned by NBI hf. in 2013 (€18m).
- Placement of a 4.2% stake in Marel hf. shares owned by Columbia Acorn International in 2014 (€26m).
- Share repurchase for Össur hf. in 2014 (€25m).

Kvika is committed to client-directed research, with dedicated research analysts. If appointed as an advisor to the Icelandic State Financial Investments in this process and on the basis of the successful listing of Landsbankinn or other commercial banks, Kvika will invest in appropriate research capabilities in order to cover the Icelandic banking sector.

2.4. SECONDARY MARKET SUPPORT IN THE TRADING OF LANDSBANKINN SHARES

Kvika has the resources and the ability to become a market maker for Landsbankinn shares. Kvika plays an active role in the Icelandic equity and bond market and is currently one of the largest market makers on the Nasdaq Iceland exchange.

Kvika is a market maker in the following companies listed on the Nasdaq Iceland exchange:

- Marel Group hf.: a food processing company, the second-largest company on the Icelandic stock exchange.
- Eimskip hf.: the largest shipping company in Iceland and the seventh-largest company listed on the Icelandic stock exchange.
- Tryggingamiðstöðin hf.: one of three listed insurance companies in Iceland.
- EIK hf.: one of three listed real estate companies in Iceland.

Kvika is a market maker in all categories of fixed income securities issued by the Government, in addition to covered bonds and municipal bonds. The Bank has been instrumental in developing the covered bond market in Iceland and has in depth knowledge of the issuers: Landsbankinn hf., Íslandsbanki hf. and Arion banki hf. Kvika is the only market maker for all of the covered bonds issued by these Icelandic banks.

2.5. EXPERIENCE IN ADVISING EUROPEAN GOVERNMENTS

Two managing directors of Kvika were appointed to the Government task force that was responsible for advising the Government and the Central Bank of Iceland on the liberalisation of capital controls in 2015 (€8bn).

In 2013-2014 a managing director at Kvika served as the chairman of a task force, established by Iceland's prime minister, focusing on the reduction of housing mortgage principal. The work of the task force resulted in legislation on the adjustment of indexed mortgages, cf. act no. 35/2014 (€570m).

Kvika currently acts as an advisor to the Government of Iceland and has completed a cost-benefit analysis and an impact assessment on an interconnector between Iceland and the UK (€4bn).

Furthermore, reference is made to the CV of Oliver d'Oelsnitz, who is working with Kvika as a senior advisor.

2.6. EXPERTISE IN ICELANDIC COMPANIES THAT HAVE ISSUED FINANCIAL INSTRUMENTS IN INTERNATIONAL MARKETS

In addition to the Treasury of Iceland, four Icelandic companies have issued financial instruments in international markets since 1 January 2009. They are Landsvirkjun, Arion banki hf., Landsbankinn hf. and Íslandsbanki hf. Kvika is a market maker for covered bonds issued by these three banks. Furthermore, Kvika has worked with Landsvirkjun on several projects. One of Kvika's managing directors was on the management committee of Landsvirkjun when the company issued financial instruments in the international market during 2010-2013.

2.7. CORPORATE SOCIAL RESPONSIBILITY AND MANAGEMENT OF POTENTIAL CONFLICTS OF INTERESTS

Kvika places great emphasis on social responsibility. At the forefront of our cultural mission is the overall financial welfare of our customers and stakeholders. This includes effectively managing any conflicts of interests. Bearing this in mind, the Bank defines its stakeholders broadly and is conscious of its wider impact on society. Regulatory compliance is a top priority. The Bank prioritizes transparency and strives to deliver excellence in communication and timely dissemination of information.

Kvika has implemented robust internal policies and procedures in order to avoid conflicts of interests between customers and other stakeholders of the Bank. These rules are subject to annual reviews by the compliance officer and the legal department, which evaluate and re-assess the rules in light of possible scenarios where conflicts of interests might arise.

Kvika is the only wholly independent, privately held financial institution with full banking and securities licenses in Iceland. For further information, reference is made to Kvika's homepage: www.kvika.is.

2.8. TERMS

Kvika sees this project as an important opportunity for the Bank and will therefore offer a competitive fee structure.

3. CVs OF KEY PERSONNEL

Sigurður Atli Jónsson – CEO

Sigurður Atli Jónsson joined Kvika as its CEO in July 2011 and has since then had overall responsibility for all acquisitions, divestitures, monetization, recovery, and Tier I and Tier II capitalization measures at Kvika. Sigurður was a co-founder of ALFA Securities and was CEO from 2004 till 2011. Prior to that, he was CEO of Landsbréf and Managing Director and Head of Capital Management at Landsbanki Íslands. He has over 20 years of experience in the financial markets.

Notable prior transactions:

As CEO of Landsbréf:

- 1999: Co-lead manager of a privatization through a public offering of 15% share in Landsbanki Íslands.

As MD and Head of Capital Management at Landsbanki:

- 2000: Sale of 6% new share offering in Landsbanki Íslands to First Union.
- 2001: Sole lead manager of a privatization through a public offering of 20% share in Landsbanki Íslands.
- 2003: Advisor on the privatization of 20% share in Íslenskir aðalverktakar.

Magnús Bjarnason – Managing Director, International Banking and Corporate Advisory

Magnús has a background in investment banking, seafood, renewable energy and Government sector. Magnús was the President and CEO for Icelandic Group in 2012-2014. Prior to that he was the Managing Director responsible for Marketing and Business Development at Landsvirkjun, a Government-owned energy company. Magnus was the Chief Executive Officer for the New York-based corporate finance company Glacier Partners and Executive Vice President of Corporate and Investment Banking for the Americas and Asia at Glitnir Bank 2005-2010. Magnús holds a B.Sc. degree in Business Administration with a focus on Banking and Finance from Nova Southeastern University (1987) and an MBA degree from Thunderbird School of Global Management with a focus on marketing and international business (1992).

Notable prior transactions:

- 2015: Cost-benefit and impact assessment on an interconnector between Iceland and the UK for the Government of Iceland (€4bn project).
- 2012: Led a PPA with PCC, a German Private Equity Firm, on a new €200m greenfield investment in Iceland.
- 2010: Led a €3bn PPA with Rio Tinto Alcan on behalf of Landsvirkjun.
- 2009: Led an advisory team on behalf of the Canadian investor Ross J. Beaty (Alterra Power Corp.) in their successful €400m acquisition of Iceland's third-largest energy company, HS Orka.

Bjarni Eyvinds – Managing Director Capital Markets

Bjarni Eyvinds joined Kvika (formerly MP Bank) in 2009, after serving as Senior Vice President of equity sales in Straumur Investment Bank from 2007 to 2009. Prior to joining Kvika, he worked for Reykjavik Savings Bank, Íslandsbanki, and Straumur Burdaras Investment Bank. He graduated from the George Washington University with a BBA degree in 2002 and is a certified securities broker.

Notable prior transactions:

- 2015: Capital increase of Nýherji in 2015 of €5m.
- 2015: Placement of a 5% stake in Vátryggingafélag Íslands hf., an insurance company, for an activist investor (€8m).
- 2015: Merger of MP Bank and Straumur (€500m).
- 2015: Placement of 5.8% stake in Nýherji held by the Central Bank of Iceland Holding Company (Eignasafn Seðlabanka Íslands).
- 2014-2015: Advisory to the Glitnir winding-up board.

Ásgeir Reyk fjörð – Managing Director Corporate Banking

Ásgeir H. Reyk fjörð joined Kvika as General Counsel and secretary of the Board in October 2012 and as Managing Director of Corporate Banking in late 2015. His responsibilities include specialised credit and financial structuring for the Bank's partners, as well as merchant banking activities. Since joining Kvika, he has led key rationalization efforts and asset restructuring and disposal of Kvika. Since 2012 Ásgeir has been a member of the management committee, credit committee, and ALCO. Ásgeir was on secondment from Kvika in 2015 as a senior advisor to the Ministry of Finance and a member of the task force on Capital Account Liberalisation. Prior to joining Kvika, Ásgeir advised financial undertakings, issuers, and material investors on financial services regulation and securities regulation, M&A, dispute resolution, restructuring, and financing at LOGOS Legal Services in Reykjavík and London from 2009-2012. Prior to joining LOGOS, Ásgeir served as Vice President within the Legal & Compliance Division and was appointed Compliance Officer at Straumur-Burdaras Investment Bank by the Board. Ásgeir serves on the Board of various entities related to Kvika, including FÍ Fasteignafélag, a real estate fund.

Notable prior transactions:

- 2009: Recapitalization and acquisition of Íslandsbanki hf. by Glitnir hf.
- 2009: Recapitalization of Landsbanki Íslands hf. by LBI hf.
- 2010: Bond buyback programmes for issuers on Nasdaq-OMX.
- 2011: Refinancing and restructuring of various large Icelandic corporates.
- 2011-2012: Various settlements and dispute resolutions including the framework agreement on the settlement of derivative transactions between the Icelandic Pension Funds Association and a fallen bank.
- 2013-2014: Sale of Lykill, asset financing of Kvika, to Lýsing hf.
- 2014: Sale of MP Pension Funds Baltic to Invalda LT AB.
- 2015: Task force on Capital Account Liberalisation. The actions undertaken on the basis of the stability conditions amount to ISK 490bn and long-term financing of the larger banks.

Lilja Jensen – General Counsel

Lilja joined Kvika as Legal Counsel in 2012 and as General Counsel and secretary of the Board in 2015. Lilja sits on the Bank's credit committee and asset and liability committee. Prior to joining Kvika, she was an associate at LOGOS Legal Services in Reykjavík. She has vast experience in legal counselling concerning financial services and financial markets. Lilja has participated in a number of projects concerning securities issuance, M&A, restructuring, and financing. She also serves on the Board of various entities related to Kvika and is secretary of the Board of Kvika's subsidiary Jupiter Capital Management hf., which is an operating company managing UCITS funds. Lilja holds a Master of Law degree from Reykjavík University and was admitted to the bar in Iceland as a District Court Attorney in 2013.

Notable prior transactions:

- 2013-2014: Sale of Lykill, asset financing of Kvika, to Lýsing hf.
- 2014: Sale of MP Pension Funds Baltic to Invalda LT AB.
- 2015: Merger of MP Bank and Straumur in 2015.
- 2015: Securitization of specialized loan portfolio and subsequent funding through Stefnir hf., Iceland's largest fund management company.
- 2015: Sale of Íslensk verðbréf hf., a UCITS management company, to multiple purchasers.

Oliver d'Oelsnitz – Senior Advisor to Kvika

Oliver is a bank restructuring specialist with broad experience throughout Europe and in the United States. He has advised banks and governments on bank balance sheet restructuring exercises and has led bank restructuring and turnaround efforts as a bank manager.

Recently Oliver has been involved in a number of strategic advisory assignments, working as a Managing Director at Houlihan Lokey, London and in the Financial Institutions Advisory team at Société Générale, London, advising European banks in addressing deleveraging and capital-raising issues. Oliver received his B.A. in economics, with honors, from the University of North Carolina, Chapel Hill and holds an M.B.A. in Finance from the Wharton School of Business as well as an M.A. in International Studies from the University of Pennsylvania. Oliver speaks fluent English, French, and German and is a citizen of the United States, France, and Switzerland.

Notable prior transactions:

- 2011: Advised on a €500m capital raise effected through Liability Management Exercises for the Bank of Ireland.
- 2012: Advised on the sounding for investor interest for capital investment in the Cyprus Popular Bank.
- 2012-2014: Advised the Greek Central Bank, the Cypriot Ministry of Finance, and the Ministry of Finance of the Republic of Slovenia on measures needed to restore health to their respective banking sectors.

4. OTHER

Kvika holds a full banking licence under Paragraph 1.1 of Article 4 of the Act on Financial Undertakings, no. 161/2002. Attached to this Expression of Interest is a confirmation from the Icelandic Financial Supervisory Authority of Kvika's operating license.

Kvika hereby consents to the publication of this Expression of Interest.

Contact details: Kvika banki hf., Borgartún 25, 105 Reykjavík, tel: +354 540 3200, reg. no. 540502-2930.

Contact person: Anna Rut Ágústsdóttir, Head of Business Management, tel: +354 585 6726, mobile: +354 858 6726, email: annarut@kvika.is

On behalf of Kvika banki hf.



Sigurður Atli Jónsson, CEO



FJÁRMÁLAÆFTIRLITIÐ

THE FINANCIAL SUPERVISORY AUTHORITY, ICELAND

*Kvika banki hf.
Borgartún 25, 6. hæð*

105 REYKJAVÍK

December 22, 2015

Ref: 2015010030

Subject: Certification of an operating license

The Financial Supervisory Authority hereby confirms that Kvika banki hf. operates in accordance with Act No. 161/2002 on Financial Undertakings and is licensed as a commercial bank.

Kvika banki hf. is subject to supervision of the Financial Supervisory Authority in accordance with Act No. 87/1998 on Official Supervision of Financial Activities.

Sincerely,

The Financial Supervisory Authority

Halldóra E. Ólafsd.
Halldóra E. Ólafsdóttir

Berglind Rut Hilmar
Berglind Rut Hilmarisdóttir