
EXPRESSION OF INTEREST REGARDING POTENTIAL ADVISORY ROLE

FROM: KPMG Ireland (“KPMG”) and GAMMA Capital Management HF / GAM Management ráðgjöf ehf. (“GAMMA”)
TO: Ríkiskaup hf. (in English, Central Public Procurement in Iceland)
DATE: 28 January 2016

KPMG Ireland (a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative), wishes to express an interest regarding a potential advisory role in relation to the proposed sale of a 28.2% holding in Landsbankinn, as per announcement dated 20 January 2016 on the website of Ríkiskaup. KPMG Ireland have partnered with GAMMA in Iceland in relation to the project, taking special account of the fact that GAMMA is independent of all of the three major banks in Iceland. The scope of the KPMG/GAMMA advisory role in the project could be negotiated further, as we would be comfortable with working with other parties on the process, providing services in relation to our fields of expertise.

KPMG is a global network of professional firms providing Audit, Tax and Advisory services. We operate in 156 countries and have more than 152,000 outstanding professionals working together in member firms around the world. KPMG Ireland is the largest accounting firm in Ireland, with a turnover of €300 million. This leading position allows us to make the necessary investments in people and technology, which in turn enables us to stay at the forefront of professional services in Ireland.

KPMG offers a range of audit, tax and advisory services to a broad range of domestic and international clients across all sectors of business and the economy. We operate on an all Island basis and have 78 partners and over 2,000 people with offices in Dublin, Belfast, Cork and Galway. We are one of the leading audit, tax and advisory firms in the Irish Financial Services Market and work with funds, asset management and service providers with over \$422bn of assets under management.

We at KPMG believe that through our Asset Management Advisory (AMA) business we are uniquely positioned to support ISFI in the divestiture of its investment in Landsbankinn. By co-ordinating the global reach and resources of our firm, we will manage this transaction to a successful and optimum outcome. Our AMA and deal advisory divisions work closely to provide an integrated and seamless service to our clients, ensuring that ISFI will benefit from KPMG’s global network and experience in multiple jurisdictions.

We are market leaders in this space and have extensive buy side and sell side transactional experience meaning we are well placed to protect ISFI’s interests in this divestment. Our team advises buyers, sellers, borrowers, lenders, and financial investors. The team in Ireland consists of highly skilled financial professionals operating in specialist groups advising across mergers and acquisitions, buyouts, divestitures, debt and equity fundraising, restructuring, valuations, employee share ownership plans, strategy and business planning.

We provide objective unbiased advice on the full range of financial transactions undertaken by corporations, financial institutions and governments worldwide. We ensure that our advice is backed by:

- a true understanding of the issues and challenges faced by our clients;
- connectivity with the financial markets;
- deep sector knowledge;
- negotiation prowess; and
- global execution capability.

For disposal transactions we advise on all aspects of the sale process including advising on the disposal process strategy, governance of the process, analysing, preparing and presenting the business for sale, preparing information to be presented to interested parties, identifying and approaching potential buyers in a discrete and targeted manner, conducting an independent assessment of offers received, providing commercial negotiation leadership and support and managing transactions to successful completion.

Our extensive experience across all aspects of divestiture include providing support before and during a sale process, providing restructuring advice, debt and equity placement and advising on other crucial buy, sell, or hold decisions for optimum returns. This wealth of experience ensures we are ideally placed to advise on all aspects of ISFI's divestment of Landsbankinn, allowing KPMG to ensure the best possible outcome for ISFI.

GAMMA Capital Management is an Icelandic fund management company, operating under a license from, and supervised by, the Icelandic Financial Supervisory Authority. GAMMA is i.a. authorized to provide investment advice. GAMMA employs over twenty financial professionals with extensive experience in banking, finance, equities, bonds, derivatives, lending and real estate, with education in the fields of economics, engineering, mathematics, business, international finance and banking, real estate management, financial engineering and law. GAMMA is an independent financial undertaking, held by its partners. GAM Management ráðgjöf ehf. is an economic advisory services firm.

The team at GAMMA have on average around 10-15 years' experience in the Icelandic banking sector, working for the largest banks in Iceland, i.a. in relation to issuance of financial instruments internationally.

Contact details such as name, address, phone number, e-mail along with specific contact person.

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Experience since 1 January 2009

KPMG has acted as the Sell Side Advisor on a number of international banking transactions, always maximizing the returns for the stakeholders. Some notable examples include:

1. Acting as the Special Liquidator of IBRC, appointed by the Irish Government to dispose of €22bn of debt whilst maximizing the return for the creditors. In this instance KPMG reached out to over 350 interested parties worldwide and transacted with over 50 different purchasers;
2. Acting as the sell side advisor to a number of other international banks. These engagements involved the sale of loan portfolios and their related platforms. Total loan assets sold exceeded €7bn and all portfolios were transacted at above expectations; and
3. Acting as the sell side advisor in a transaction to sell the business/portfolio of a company in an open and transparent process in accordance with EU State Aid rules to minimize the total recapitalization cost to the Irish Exchequer. During this transaction we closely liaised with the Central Bank of Ireland, Financial Regulator and Department of Finance, including seeking pre-vetting of phase 2 bidders. The total value of loan assets exceeded €17bn and the entire portfolio was sold/transferred successfully.

GAMMA has provided economic advisory services to the Icelandic Parliament, the Prime Minister's Office and the Ministry of Finance, the Central Bank of Iceland and the National Power Company of Iceland (Landsvirkjun), as well as for other parties. Recent projects and reports that have been made public are available here:

- (English reports) <http://www.gamma.is/en/consultancy/>
- (Icelandic reports) <http://www.gamma.is/radgjof/>

The GAMMA team has extensive experience of disposing and acquiring assets.

GAMMA acted as sell side advisor on behalf of Icebank (SPB) (in administration) in relation to disposal of assets in 2015. GAMMA developed an asset and liability model for a major Icelandic insurance company and managed its treasury services in 2009-2010.

Ability to provide secondary market support in trading of Landsbankinn shares and research coverage in the future.

The GAMMA/KPMG partnership will not provide any secondary market support in trading, since that is not our core business. We however do not see that as a disadvantage as the secondary market trading could be procured on its own. Indeed, KPMG has worked in a partnership capacity with other advisors before.

KPMG would however be able to provide detailed international research coverage.

Corporate social responsibility and management of potential conflict of interest

At KPMG we believe in the power of people to do great things. Our Corporate Social Responsibility (CSR) programme creates opportunities for all of our people to make a difference. In Ireland and overseas we work with outstanding CSR partners – helping people overcome difficulties and challenges whilst learning and sharing new skills. KPMG Ireland is actively involved with organisations such as Enactus which helps mobilise college students to help make a positive difference in their communities. On a global scale, KPMG Ireland is one of 14 KPMG member firms have come together to support a \$1.5m commitment to support the development of the Millennium Village of Kiuyu Mbuyuni – a small village on Pemba Island, Tanzania in sub-Saharan Africa. The venture is part of the Millennium Villages Project, a partnership between Millennium Promise, the Earth Institute at Columbia University and a Tanzanian NGO PHL-IdC.

The Millennium Villages project is based on a single powerful idea: impoverished communities can transform themselves and meet the Millennium Development Goals if they are empowered with proven, powerful, practical technologies. By investing in health, food production, education, access to clean water, and essential infrastructure, these community-led interventions will enable impoverished villages to escape extreme poverty, something that currently confines over 1 billion people worldwide.

In terms of corporate social responsibility, GAMMA is a strong supporter of cultural activities in Iceland, including as the main sponsor of the Iceland Symphony Orchestra and the annual Reykjavik Open Chess Tournament and an operator of an art gallery open to the public.

Any unexpected potential conflict of interest will be solved as soon as the issue arises with the party involved and Ríkiskaup. The multidisciplinary nature of our business means we often have to manage situations where we are working for clients with competing interests. We have strict policies and procedures in place to address any such circumstances as and if they arise. These policies and procedures can be provided upon request.

Satisfactory terms

The terms would be negotiated if KPMG, along with GAMMA as its Icelandic partner, would be selected to assume the role of an advisor. This expression of interest is subject to negotiation of a satisfactory contract between all parties and to clearance of our various client acceptance approval processes.

Summary CV of project leaders

Dan Page, Head of Asset Management Advisory, KPMG Ireland

Dan Page is head of asset management advisory, he supports fund investors, managers and service providers across the alternative investments industry. His capabilities and KPMG's cross-border experience combine to deliver really practical and insightful advice ranging from before a fund is launched through its evolution and where necessary to manage wind downs in a sensible value driven way.

Eoin O'Lideadha, Partner, Corporate Finance, KPMG Ireland

Eoin is a partner in our Corporate Finance team with 18 years experience of M&A, financing and general corporate advisory services to clients. Eoin is also the partner responsible for our valuations practice. Eoin has a range of project experience across the public and private company and state and semi-state sectors. Eoin joined KPMG Corporate Finance from Andersen Corporate Finance where he was a Director with responsibility for mergers and acquisitions and state sector advice. Prior to joining Andersen, Eoin was an Associate Director with NCB Corporate Finance.

Michele Connolly, Head of Corporate Finance, KPMG Ireland

Michele is the head of our Corporate Finance team. She has been with KPMG for 18 years and has significant debt renegotiation, debt restructuring and refinancing experience. Michele specialises in structuring transactions and raising finance. Key projects over the years have included raising finance for asset backed property transactions, raising project finance for non-recourse cash flow backed transactions and raising finance in the capital markets. Most recently Michele successfully led the teams on various aspects of the IBRC loan sale process and numerous other bank related assignments.

Lýður Þór Þorgeirsson, MD of Alternative investments, GAMMA

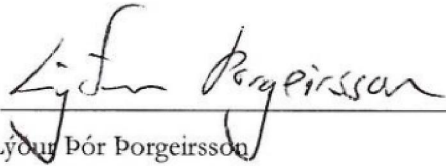
Lydur has worked in banking and finance since 2000, initially as Risk Manager where he led the monitoring of derivative contracts, and subsequently as Loan Officer and Credit Analyst, with focus on UK, Germany and France. Lydur was Financial Services Industry Marketing Manager at The MathWorks in Massachusetts. From 2007-2009, Lydur was VP of Investment Banking at Kaupthing Bank, focusing on financial services, retail, real estate and oil. From 2009-2010 Lydur was Asset Manager at Kaupthing Bank (in administration), managing loan and equity positions in Northern Europe. Lydur joined GAMMA as Fund Manager in 2010 with focus on alternative credit, real estate and development. Lydur has also served as a Board Member at EIK Properties real estate company now listed on the Icelandic Stock Exchange (www.eik.is). Lydur has taught a number of training courses on valuation, leveraged finance and due diligence at Icelandic universities. Lydur has an MBA from MIT Sloan School of Business.

On behalf of KPMG Ireland



Michele Connolly
KPMG Ireland
Head of Corporate Finance

On behalf of GAMMA



Lýður Þór Þorgeirsson
GAMMA
MD Head of Alternative Investments

With the signatures above we agree that this expression of interest will be made public.