



Ríkiskaup
Borgarúni 7,
105 Reykjavík,
Iceland

12 February 2021

Dear Sirs

Equity Capital Markets Advisers for ISFI

We are delighted to express our interest in acting as independent financial advisor to ISFI in relation to the proposed sale process of ISFI's stake in Íslandsbanki.

Rothschild & Co is a leading international investment bank with a deep presence in the European market. With over 1,100 advisory bankers we are comfortably the leading independent advisor on European equity issuance (with more than two times the deal flow of our leading competitor), the most active advisor on European mergers and acquisitions every year, and the leading bank by European advisory revenue.

We are a truly independent advisor. We have no sales and trading activities and are consequently free from the conflicts of interest that can be inherent in equity raising processes. The market has acknowledged the value that we add: we have been selected to provide advice on over 40% of advised European IPOs over the past six years – more than any other bank (including integrated firms acting as global coordinator) – and have regularly advised Europe's most sophisticated government, corporate and private equity clients on equity capital markets transactions.

1. Indication which role the interested party is considering

Rothschild & Co is expressing interest in becoming the independent financial advisor in connection with the sale process of the holdings in Íslandsbanki.

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

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3. Information on requisite capabilities and experiences as set forth in criteria for selection above

- a. Experience between 1 January 2015 and 31 December 2020 in the sale or public offering of shares in financial undertakings in Europe including type role in each completed transaction:

Rothschild & Co has advised on **49 transactions** involving the sale or public offering of shares in financial undertakings in Europe with an aggregate deal value of **c. €104bn** since 2015.

Complete transaction details can be found in Appendix A.

Company	Deal value (€m)	Company	Deal value (€m)
Takarék, MKB, Budapest Bank	1,500	Prudential ¹	40,552
Borsa Italiana	4,406	Banca Farmafactoring	119
One Savings Bank	n.a.	Charter Court	911
Bankia	4,691	Commerzbank	n.a.
Nexi	1,302	Quilter	3,386
Banca Farmafactoring	33	RBS	2,870
Prudential	28,100	One Savings Bank	92
Banca Farmafactoring	88	Banca Farmafactoring	99
Nexi	781	One Savings Bank	108
Malacalza Investimenti	560	a.s.r.	515
Bankia	818	One Savings Bank	111
Euler Hermes	1,335	a.s.r.	452
BAWAG	1,680	ABN AMRO	1,326
One Savings Bank	89	BOS Bank	90
ABN AMRO	1,528	a.s.r.	1,170
a.s.r.	1,018	3i Infrastructure	492
doBank	344	Euler Hermes	167
Unicaja Banco	756	Leonteq	83
ABN AMRO	1,479	ABN AMRO	3,838
Allied Irish Banks	3,430	Systemic Greek Banks ²	14,400
ALD Automotive	1,329	RBS	2,960
a.s.r.	725	Flow Traders	599
One Savings Bank	127	One Savings Bank	65
Eurazeo	205	Hellenic Bank	204
Nexi	562		

Note: transactions listed by date (latest first)

- b. Experience between 1 January 2015 and 31 December 2020 in the sale or public offering of shares in companies in Iceland including type and role in each completed transaction:

Rothschild & Co has had a number of interactions with Icelandic clients over the recent past. In particular, we have advised on the below transactions.

Complete transaction details can be found in Appendix B.

Date	Company	Deal value (€m)	Deal type
13-Jul-20	Gibaud	22	Acquisition
31-Aug-15	Íslandsbanki ³	1,100	Disposal
20-Feb-15	Promens	434	Acquisition

¹ Demerger transaction which technically did not involve the sale or public offering of shares

² Does not involve the sale of holdings in corporations due to capital raise structure

³ Advised Glitnir Bank on the potential sale of Íslandsbanki in what was expected to be a targeted sales process. Transaction did not take place



- c. Experience between 1 January 2015 and 31 December 2020 in advising European governments in the sale of holdings in corporations, including type and role in each completed transaction:

Rothschild & Co is the leading privatisation advisor, having advised European governments on **21 transactions** in connection with the sale of holdings in corporations with an aggregate deal **value of c. €50bn** since 2015.

Complete transaction details can be found in Appendix C.

Company	Deal value (€m)	Company	Deal value (€m)
SAS (Scandinavian Airlines) ⁴	1,370	ENAV	834
RBS	2,870	a.s.r.	1,170
ABN AMRO	1,528	DONG Energy	2,647
a.s.r.	1,018	AFD	n.a.
BP Vicenza and Veneto Banca	4,800	ABN AMRO	3,838
ABN AMRO	1,479	Systemic Greek Banks ⁴	14,400
Allied Irish Banks	3,430	Poste Italiane	3,203
a.s.r.	725	Royal Mail	796
a.s.r.	515	RBS	2,960
a.s.r.	452	Royal Mail	1,035
ABN AMRO	1,326		

Note: transactions listed by date (latest first)

- d. Experience between 1 January 2015 and 31 December 2020 in assisting Icelandic entities in issuance of financial instruments international markets, including type of instrument and issuer:

Rothschild & Co is an independent financial advisory firm and as such we do not have any sales, trading, equity distribution or research functions.

4. Brief CV of key personnel that will lead the project

Gilles Costerousse, Financial Institutions

Bio:

- Gilles has 25 years of investment banking experience
- Prior to joining Rothschild & Co in November 2010, Gilles was a Managing Director in charge of FIG Global Finance at Lehman Brothers (and then Nomura) for 12 years
- Prior to that Gilles worked for JP Morgan in FIG Capital Markets

Selected notable transactions:

- Anacap (UK) on the €300m sale of Equa Bank (Czech Republic) to Raiffeisen (Austria)
- Hungary Ministry of Finance on the 3-way merger of Budapest Bank, MKB and Takarek Bank
- Major Spanish, French and Italian banks on an innovative capital relief structure (current)
- Bank of Greece on a systemic solution for NPL and DTC (current)
- Central Bank of Azerbaijan on review of the banking system
- MTS (Russia) on the acquisition of MTS Bank from Sistema
- Bank of Attica (Greece) on its equity capital increase and sale of NPL securitisation junior notes to PIMCO

⁴ Does not involve the sale of holdings in corporations due to capital raise structure



Nigel Himsworth, Equity Advisory

Bio:

- Nigel has 29 years of equity capital markets advisory experience at Rothschild (i.e. IPOs, dual tracks, demergers, rights issues, ABBs / placings, convertible bonds)
- Nigel Himsworth has independently advised on equity transactions which have raised in excess of \$300bn

Selected notable transactions:

- Advisor to Ferguson on US listing (UK/US)
- £37bn demerger of M&G plc from Prudential plc (UK)
- Advisor to Marks & Spencer on its £600m rights issue associated with Ocado JV (UK)
- €790m rights issue for Aryzta (Switzerland)
- Advisor to Maersk on the €10bn separation of its Energy division (Denmark)
- €1.9bn IPO of BAWAG (Austria)
- €3.4bn IPO of Allied Irish Bank by the Irish State (Ireland)
- €1.2bn IPO of a.s.r. by the Dutch State and 4 ABBs/placings raising €2.7bn (Netherlands)
- €863m IPO of Philips Lighting following a Dual Track process and 5 ABBs/placings raising €2.7bn (Netherlands)
- €3.8bn IPO of ABN AMRO by the Dutch State and 3 ABBs/placings raising €4.5bn (Netherlands)

Andrea Notaro, Financial Institutions

Bio:

- Andrea has more than 15 years of experience in Investment Banking, with extensive knowledge of the FIG business with broad transaction experience across Europe

Selected notable transactions:

- Anacap (UK) on the €300m sale of Equa Bank (Czech Republic) to Raiffeisen (Austria)
- Hungary Ministry of Finance on the 3-way merger of Budapest Bank, MKB and Takarek Bank
- Central Bank of Greece on the assessment of systemic solutions for NPLs
- Hellenic Financial Stability Fund (“HFSF”) on the National Bank of Greece’s (“NBG”) disposal of Cyprian operations to Astrobank
- HFSF on NBG’ disposal of Romanian operations to EximBank
- HFSF on Piraeus’ disposal of Bulgarian operations to Eurobank (€75m)
- Central Bank of Azerbaijan on the review of the banking system
- HFSF on Piraeus’ disposal of Tirana Bank to Balfin
- EFG International on the acquisition of 51% of Shaw & Partners
- MTS on the acquisition of a 45.00% stake in MTS Bank
- Attica Bank on its €90m equity capital increase



Noel Monro, Equity Advisory

Bio:

- Noel has 15 years of equity capital markets experience at Rothschild & Co advising on over 60 transactions raising more than £100bn for private equity houses, corporates and governments and across a wide range of sectors and geographies

Selected notable transactions:

- Watches of Switzerland's £242m UK IPO and 4 ABBs (2019-21)
- Old Mutual's c.£12bn managed separation including the £2.8bn IPO and demerger of Quilter Plc (2018)
- Advisor to Maersk on the €10bn separation of its Energy division (Denmark)
- £575m & £325m dribble-outs in undisclosed UK Large Cap (2018)
- €863m IPO of Philips Lighting following a Dual Track process and 5 ABBs/placings raising €2.7bn (Netherlands)
- Nykredit's €1.6bn minority sale following dual track process (2017)
- €3.8bn IPO of ABN AMRO by the Dutch State and 3 ABBs/placings raising €4.5bn (2015-2017)
- OneSavings Bank's IPO and 5 subsequent sell-downs (2014-2018)

5. Confirmation of applicable operating licenses of party

Rothschild & Co is regulated by the Financial Conduct Authority in the United Kingdom.

6. Confirmation that the party has read and understood provisions of Act no. 155/2012 and Íslandsbanki's policy on sustainability

Rothschild & Co has read and understood provisions of Act no. 155/2012 and Íslandsbanki's policy on sustainability.

7. Advisor's consent regarding publication of advisor's expression of interest

Rothschild & Co consents to the publication of its expression of interest in becoming the independent financial advisor in connection with the sale process of the holdings in Íslandsbanki.



8. Other information that the potential advisor considers important to demonstrate

We would like to emphasise several key points that are directly relevant to this assignment:

- a. Rothschild & Co is the leading independent advisor on IPOs – having advised on 62 transactions raising €59bn since 2015 in Europe. We are specialised in performing the independent IPO advisor role – therefore we fully understand how to deliver it effectively and efficiently. Our Equity Advisory team, of 60 professionals in Europe, and led in this case by Noel Monro and Nigel Himsworth, does not seek to play any other role in IPOs.
- b. Rothschild & Co has consistently led (top three and often number one) the European FIG M&A league tables of advisors whether the criteria used is number or size of transactions. We have become in-house advisor of several large banking group in the key European countries and we do a lot of repeat business with our clients. We also do smaller transactions particularly in emerging economies or in developing new segments such as challenger banks and fintech. Our FIG sector expertise in this case will be led by Gilles Costerousse and Andrea Notaro who both have a proven experience and track record of building a bank equity story appropriately and positioning the organisation within the right peer group.
- c. There are only two European IPOs, outside Iceland, in recent history that are directly and highly relevant to the Íslandsbanki privatisation – the IPO of ABN AMRO in 2015 and the IPO of Allied Irish Banks in 2017. In both cases Rothschild & Co acted as independent financial advisor to the relevant Government entity selling the shares – NLFÍ for ABN AMRO and the Department of Finance (DOF) for Allied Irish Banks. Our precise role in both of these IPOs is therefore perfectly analogous, and directly relevant, to the role of independent financial advisor to ISFI in this case.
- d. Both the ABN AMRO and Allied Irish Banks IPOs were great successes. As a demonstration of the quality of our work, Rothschild & Co is the only advisor to continue to advise both NLFÍ and the Irish DOF on their shareholdings in both banks respectively since their IPOs.
- e. Our proposed team to advise ISFI includes Noel Monro and Nigel Himsworth who personally led our team for NLFÍ. Nigel also performed the same role for DOF. Our experience of these transactions is therefore not just part of our corporate memory, but within the individual team members who we propose to advise ISFI.
- f. We have read Act no. 155/2012 and recognise the principles that it establishes for a successful privatisation including openness, transparency, objectivity, and efficiency (including issue price). We see a very similar focus in all our European privatisation assignments, and we are entirely familiar with the need to help deliver a process that is held to the highest standards. We successfully designed significant new IPO procedures for both the ABN AMRO and Allied Irish Banks IPOs to achieve specific government probity requirements.
- g. We strongly encourage ISFI to consult and take up references directly with the relevant individuals at NLFÍ, DOF and other government privatisation departments in Europe. We would be pleased to provide contact details on a confidential basis.

In conclusion, we would be delighted to assist the ISFI in relation to the IPO of Íslandsbanki and believe that we are uniquely qualified to be able to do so.

Yours sincerely,
Rothschild & Co team for ISFI