



FOSSAR
Markets

Reykjavik
Frikirkjuvegur 3
101 Reykjavik
Iceland

Stockholm
Biblioteksgatan 25
114 35 Stockholm
Sweden

London
86 Brook Street
W1K 5AY London
United Kingdom



Expression of Interest

Reykjavik, February 12th 2021

Fossar Markets hf. („Fossar“) is delighted to express its firm interest in acting as Global Co-ordinator and Bookrunner in relation to the ISFI’s sale and distribution of shares in Íslandsbanki hf. according to instructions provided in “Solicitation of expression of interest: Financial advisor and underwriters”, as published on the ISFI’s website on February 2nd 2021.

Fossar has a proven track record of acting as co-lead advisor in the international IPO process for Arion Bank in 2018 and has played the key role in the secondary market for Arion Bank’s shares ever since. The company is proud to have delivered both cornerstone investors in the IPO’s book building process. Considering this pivotal role Fossar has played since the Arion IPO, we are convinced that the company would bring value to the owner of Íslandsbanki and other stakeholders.

We look forward to hearing from you in response to our expression of interest and remain available should you require any further clarification.

About Fossar Markets

Fossar Markets is the leading independent securities firm in Iceland and is uniquely positioned in the domestic capital markets. Fossar has been instrumental in bringing foreign capital into the Icelandic market and has a strong international presence. The company is also a trusted advisor to Icelandic investors with global allocations, including the Icelandic pension system. Fossar services the Icelandic and international markets through three divisions: Capital Markets, Corporate Finance and Investment Services. With offices in Iceland, Sweden and the UK, Fossar Markets serves a diverse group of international clients. The team at Fossar Markets consists of highly experienced professionals with a diverse background in domestic and global markets and a history of successful transactions.

In addition to its strong presence on the local equity market – as further highlighted below - the firm is a leading advisor on the Icelandic debt capital market (DCM). In 2019 and 2020 the firm was #1 in terms of volume, number of issuers and number of transactions on the corporate and municipal bond market in Iceland. Furthermore, the firm has paved the way for sustainable financing in Iceland and has an approx. 90% market share in green, social and sustainable bond transactions, both in terms of volume and number of transactions. The DCM business is supported by a high market share on the secondary bond market, where the firm has been the volume leader on the Nasdaq Reykjavik market in reported fixed income trades for three consecutive years.

Some of Fossar’s sustainable financing milestone transactions.



Municipality

ISK 4.100.000.000
#1 ISK Green Bond
Green Bond Advisor
Sole Book Runner
December 2018



Utilities

ISK 3.528.000.000
#2 ISK Green Bond
Green Bond Advisor
Sole Book Runner
February 2019



Real Estate

ISK 7.500.000.000
#4 ISK Green Bond
Green Bond Advisor
Sole Book Runner
November 2020



Real Estate

ISK 6.300.000.000
#1 ISK Social Bond
Social Bond Advisor
Sole Book Runner
November 2019

The team at Fossar Markets understands the importance of sustainable and responsible investments and it is our conviction that environmental, social, and governance factors are important contributors to long-term investment returns, both from an opportunity perspective and for risk-mitigation. The company has sought partnerships with global asset managers that are leading in their approach to ESG investment strategies across asset classes and have been awarded top scores in the UN-backed Principles for Responsible Investment assessment reports.

In the debt capital market, Fossar Markets has raised over ISK 70 billion in green and social bonds – both as a sustainable bond advisor and as a sole bookrunner. This amount is close to 90% of all green, sustainable, or social bonds which have been issued in the Icelandic market.

Fossar Markets emphasizes corporate social responsibility in many other aspects of our business. Fossar has established policies on ethics and corporate governance which commit us to conduct our business in a professional and honest manner.

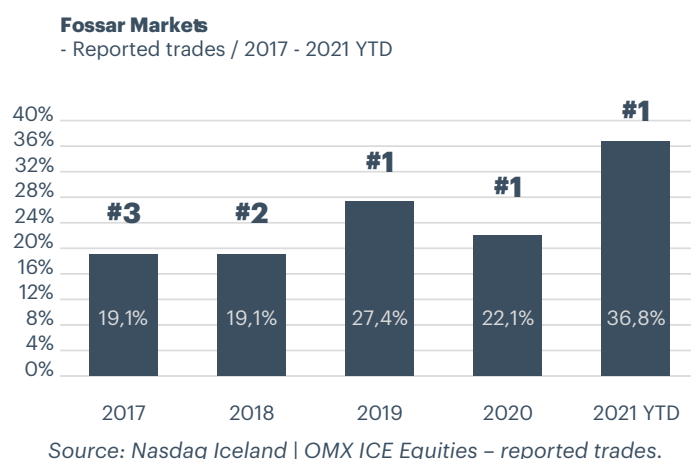
As an example of our firm commitment to having a positive impact on society, Fossar has hosted an annual “Thanks Day” every year where all proceeds, commissions and fees on that day are donated to a deserving cause. Past recipients include the Icelandic Mental Health Alliance, Rjóðrið – a rehabilitation unit for children with long term illness, Kraftur – an organisation supporting young people with cancer and the Children’s Hospital, to name a few.

Fossar Markets hf. is a licensed securities company under the Icelandic Act no. 161/2002 on Financial Undertakings and operates under the supervision of the Icelandic Financial Supervisory Authority. Fossar thus has the necessary operating license to act as Global Co-ordinator and Bookrunner in relation to the ISFI’s sale and distribution of shares in Íslandsbanki hf. including a license to place and market the transaction in Iceland.

Through our robust conflict of interest policy, Fossar has established appropriate arrangements to identify and prevent possible conflicts of interest that are detrimental to the interests of the firm’s customers. Measures to prevent conflicts include restricting personal trading of the firm’s employees, segregation of business units and regular reviews of the firm’s policies and internal processes. Fossar hereby confirms that we presently have no actual or possible conflicts of interest that would prevent us from acting in the aforementioned role.

Nasdaq Membership, Market Share and Research Capabilities

Fossar Markets has created a strong position in the domestic stock market and has been among the market leaders on the Nasdaq Iceland Stock Exchange since the company was founded in 2015. The company has also been the leading service provider for international investors who are active in domestic capital markets and as such been instrumental in attracting foreign capital to the domestic stock market throughout the years



Fossar Markets has a leading market share in equities trading on the Nasdaq Iceland Stock Exchange. For the past two years, Fossar Markets has led reported trades volume on the Nasdaq Iceland stock exchange (27.4% in 2019 and 22.1% in 2020) and the team is proud to report that our lead is increasing this year (36.8% YTD 2021).

Working with some of the most prestigious counterparties in the world, Fossar Markets has specialized in servicing international investors operating in the Icelandic markets. The team at Fossar Markets has played a leading role in introducing noted asset managers, hedge funds, investment funds and other institutional investors to investment opportunities in Iceland. In recent years, Fossar has executed approximately 2/3 of all transactions made by international investors in listed securities in Iceland.

Some key foreign aggregated equity positions in listed Icelandic shares brokered by Fossar since 2017 include: 16.5%, 14.3% and 11.1% of shares in VIS, TM and Sjova respectively, 14% of shares in N1, 11.1% shares in Siminn, 8.8% of Origo and 7.3% in Reitir.

Fossar has a team of research analysts who generate bespoke material for clients on the macro economic environment, currency, specific industry sectors and individual names on the equities- and fixed income markets. The team covers all the listed names on the Nasdaq Iceland. Furthermore, Fossar normally organizes 2-3 Icelandic Capital Markets conferences in London and New York each year. However, during the pandemic the team has turned to webinars for marketing and to provide information to current and prospective clients.



Transaction in focus: Arion Bank international IPO process, subsequent private placements, and aftermarket trading

Fossar Markets played a pivotal role in attracting interest from both domestic and international investors in Arion Bank's international IPO process in 2018. Fossar Markets' involvement highlights both the experience and ability of our team, and the value Fossar Markets added in all stages of the listing process; the initial sale of Arion Bank and notably the key role Fossar Markets have played in the secondary market for Arion Bank's shares ever since.

Fossar Markets was mandated by Kaupskil, the main owner of Arion Bank, as a co-lead advisor in the international IPO process for Arion Bank in 2018 as well as stabilization manager on the local market on behalf of CITI in connection with the IPO. Arion Bank market capitalization at the time of IPO was ISK 170 bn. It should be noted that Fossar delivered both cornerstone investors in the IPO book building process.

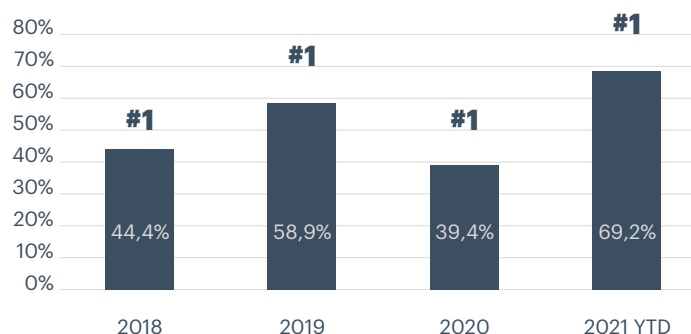
Following the successful IPO, Fossar was mandated by Kaupskil in 2019 as joint global coordinator w/ CITI and Carnegie in a divestment of existing shares in Arion Bank. Transaction value: 13bn ISK.

That same year, Fossar advised Kaupskil in a transaction w/ 20% of existing shares in the Bank with transaction value: 27bn ISK. The transaction was the second largest transaction in the history of the Nasdaq Reykjavik Stock Exchange and the largest since the financial crisis in 2008.

In Q4 2020 and Q1 2021, Fossar has brokered blocks of shares in Arion Bank on behalf of international investors to the amount of approximately 38bn ISK. The amount represents over 20% of the outstanding shares in the bank.

Overall, on the back of in-depth research coverage of the bank, Fossar Markets has been instrumental in trading the shares in Arion Bank since the IPO in 2018. Fossar has been the volume leader in Arion Bank shares on the Nasdaq Reykjavik exchange every year since the IPO, with a YTD 2021 market share of close to a staggering 70%.

Fossar Markets
- Arion bank / 2017 - 2021 YTD



Source: Nasdaq Iceland | OMX ICE Equities – reported trades.



Transaction in focus: The Yucaipa companies' divestment of a 25.3% stake in Eimskip

In 2017, The Yucaipa Companies jointly mandated Fossar Markets and Deutsche Bank AG to review its strategic options regarding retention of or a possible disposal of part or all of its stake in Eimskip. The process successfully resulted in the placement of the stake to a local strategic investor. The placement is by far the largest block trade in the stock since the IPO in 2012.

Other notable, highly relevant transactions

In 2018, Fossar Markets advised Heimavellir on a pre-IPO refinancing resulting in the placement of ISK 3.3 billion of debt and equity to a foreign investment fund.

Other notable block transactions include: 2.3bn ISK block in Origo, 2.3bn ISK block in Brim, 2bn ISK block in Siminn and 1.6bn ISK block in VIS. For some of our other notable block transactions, please see appendix B.

Key Team Members CV's

Haraldur Thordarson | CEO



Haraldur founded Fossar in 2015 and has been the company's CEO since then. Haraldur has extensive experience working within the financial industry over the last 20 years. He was Managing Director of Capital Markets at Straumur Investment Bank from 2011 to 2015 and sat on the bank's Management Board during the same period. Haraldur played a key role in the bank's growth strategy and developing new business opportunities.

Haraldur holds a B.Sc. in Business Administration from Reykjavik University and a Global Executive MBA degree from IESE Business School. He is also a certified securities broker. Notable recent transactions include Arion Banki IPO process and subsequent private placements as well as Yucaipa's divestment of 25% stake in Eimskip.

Steingrímur Arnar Finnsson | Managing Director Capital Markets



Steingrímur founded Fossar in 2015 and has been managing director over the capital markets division since then. Steingrímur has over 15 years' experience from the financial market in Iceland. Before joining Fossar Markets Steingrímur was Director within Capital Markets at Straumur Investment bank where he was instrumental in developing a quality service offered to international investors.

Steingrímur holds a B.Sc. in Economics from the University of Iceland and is a certified securities broker. Notable recent transactions include Arion Banki IPO process and subsequent private placements, Yucaipa's divestment of 25% stake in Eimskip and Heimavellir's pre-IPO private placement and refinancing.

Andri Gudmundsson | Managing Director Corporate Finance



Andri joined Fossar in 2015 and leads the corporate finance team and Stockholm office. Andri has 15 years' experience from the financial market in Iceland. From 2011-2014, he was the CEO and head of Corporate Finance at H.F. Securities, an Icelandic securities firm, and prior to that he worked within both the Capital Markets and the Corporate Finance function of the same company.

In his role at Fossar, Andri has been instrumental in driving the sustainable financing market in Iceland – managing 20 out of 23 sustainable bond transactions executed so far. Andri has acted as green bond advisor to three out of five local green bond issuers as well as structuring the first Icelandic social bond – one of the first of such bonds issued in the Nordics.

Andri holds a B.Sc. degree in Physics from the University of Iceland and is a certified securities broker in Iceland.

In addition to the abovementioned individuals, Fossar has a number of experienced professionals in both advisory and sales who will be a part of the project team working on the process.

Main contact:

Haraldur Thordarson
CEO of Fossar Markets hf.
Tel: +354 832 4001

haraldur.thordarson@fossarmarkets.com

Fossar Markets hf.
Head office: Frikirkjuvegur 3
101 Reykjavík
Tel: +354 522 4000

We hereby confirm that we have studied the provisions of Act no. 155/2012 as well as the Sustainability Policy and goals of Íslandsbanki hf. and confirm our consent for this Expression of Interest to be published on Ríkiskaup's website.

Sincerely,

On behalf of Fossar Markets hf.

Haraldur Thordarson, CEO