

Rules of procedure for the Selection Committee

Article 1 Selection Committee

The Board of Directors of ISFI appoints a special three-member Selection Committee which, on behalf of the state, nominates candidates for membership of the supervisory boards of banks or boards of directors of undertakings that are under the control of ISFI.

The Board of Directors of Icelandic State Financial Investments (ISFI) appoints one of these three members as the chairperson of the Selection Committee.

The Selection Committee is appointed for the duration of ISFI's mandate.

If a committee member resigns, the Board of Directors of ISFI shall appoint a new committee member as soon as possible. The Selection Committee's working facilities shall be at ISFI's headquarters and all the committee's documents shall be stored there.

The Selection Committee meets as often as it deems necessary. It shall keep minutes of its meetings, in which it accounts for the decisions of the committee.

Article 2 Working procedures of the Selection Committee

The Selection Committee is independent in its work.

The Selection Committee seeks candidates on its own initiative, but individuals who consider that they meet the criteria for board membership defined in Article 3 may submit their candidacies by sending an email with their resume to the Selection Committee, valnefnd@bankasysla.is.

A record of the names of the parties, which the Committee has approached or who have sent in information about themselves, will be kept by the Selection Committee. If they fulfil the eligibility criteria, the aforementioned candidates will be considered for board membership on behalf of the state when the need arises.

Parties who have submitted their candidacies to sit on the board of a financial undertaking on the state's behalf can, at any time, request the Selection Committee to delete the information about them.

The Board of Directors of ISFI formally requests nominations from the Selection Committee for the appointment of members to the board of directors or supervisory board of the relevant financial undertaking. The Selection Committee shall submit two to three nominations to ISFI for every seat that becomes available on the board of directors or supervisory board of a financial undertaking.

Article 3 Eligibility criteria for board membership of financial undertakings

In its evaluation of candidates for board membership, the Selection Committee shall take into account the overview, knowledge and experience the relative candidate has in connection with the running of an enterprise/business and the work procedures of financial undertakings. The Committee also considers the specific needs of each company individually and shall nominate board member candidates who have a broad background in terms of their education and abilities.

In its nominations, the Selection Committee needs to take into account the composition of the boards of financial undertakings and the skills of its members. This will help to ensure that the boards

of financial undertakings are not too homogeneous. The Selection Committee is responsible for ensuring that the other activities of the candidates it nominates do not present any potential conflicts of interest. The Selection Committee is also responsible for preventing other potential conflicts of interest e.g. due to financial and/or personal connections. If any conflicts of interest of this kind are identified, the candidate will not be considered for board membership.

The candidates which the Selection Committee nominates for membership of the board of a specific financial undertaking shall fulfil the eligibility conditions stipulated in Article 52 of Act no. 161/2002 on Financial Undertakings and, in the case of financial undertakings that are limited liability companies, the eligibility conditions that are defined in Act no. 2/1995 on limited liability companies.

When evaluating the eligibility of candidates for board membership, the Selection Committee shall comply with the regulations of the Financial Supervisory Authority of 10 November 2010 and its related questionnaire. If necessary, the Selection Committee shall consult the Financial Supervisory Authority for assistance in evaluating the eligibility of board candidates.

Article 4

Gender considerations

The Selection Committee shall endeavour to ensure as much as possible that an equal number of men and women sit on the boards of financial undertakings.

Article 5

Confidentiality

The members of the Selection Committee are bound by an obligation of confidentiality concerning any information which they may become aware of in their work for the committee.

The obligation of confidentiality shall remain even after their work for the committee ceases. The members of the committee shall sign a declaration to this effect, which will be kept by Icelandic State Financial Investments.

Article 6

Miscellaneous

These rules of procedure are set by the Board of Directors of ISFI and shall be published on its website. Any amendments to these rules require a majority approval from the Board of Directors.

Approved at a meeting of the Board of Directors on 08.02.2011.