

REGISTRATION DOCUMENT

March 2007

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1. RISK FACTORS

The risk factors set forth below could materially adversely affect future business, income, profits, assets, credit, and liquidity of STRB. Each potential investor should carefully consider these risk factors and other information in this document before making an investment decision involving securities issued by STRB. Additional risks not currently known to STRB or risks STRB now deems immaterial may also harm STRB and affect any investment in securities issued by STRB.

1.1 Forward looking statements

This Registration document may contain forward looking statements that involve inherent risks and uncertainties. Actual results may differ significantly from the results discussed in such forward-looking statements. Factors that might cause such differences include those discussed below.

1.2 STRB's results may be adversely affected by general economic conditions and other business conditions

STRB's results are affected by general economic and other business conditions. These conditions include changing economic cycles that affect demand for investment and banking products. Such cycles are also influenced by global political events, such as terrorist acts, war and other hostilities as well as by market specific events, such as shifts in consumer confidence and consumer spending, the rate of unemployment, industrial output, labor or social unrest and political uncertainty.

STRB's investment banking, securities trading as well as investment operations, and sales of products linked to financial assets will be impacted by several factors such as the liquidity of the global financial markets, the level and volatility of equity prices and interest rates, investor sentiment, inflation and the availability and cost of credit which is related to the economic cycle.

The impact of the economy and business climate on the credit quality of borrowers and counter-parties can affect the recoverability of loans and amounts due from counterparties.

1.3 Changes in interest rates and foreign exchange rates may impact STRB's results

STRB's results can be affected by changes in interest rates. Interest rate risk arises due to duration mismatch of assets and liabilities. If not properly matched, changes in interest rates can affect net interest income. The bank's Treasury is responsible for controlling this risk and ensuring that duration mismatch is within limits set by the Risk Committee and monitored by Risk Management. Interest rate risk due to position taking by Proprietary Trading in market securities is controlled separately and monitored through risk limits and other risk models.

Foreign exchange (FX) exposure is managed centrally by Treasury. FX risk is controlled by monitoring the net exposure to all foreign currencies and ensuring that it is within the set net position limits. At the end of each day, foreign exchange risk is monitored by Risk Management. The Risk Committee has defined risk limits on individual currencies as well as the gross FX exposure. Any violations of these limits are reported to the Risk Committee. The Bank's policy is that Treasury should stay neutral to currency risk and any currency exposure taken, should be taken by Proprietary Trading. There is no guarantee that this can be accomplished in all instances.

STRB's management of interest rate risk and foreign exchange risk may not eliminate the effect of those factors on its performance.

1.4 The change of STRB's accounting from being carried out in Icelandic krónur to Euros may have unforeseen effects

As of January 2007 STRB will carry out its accounting and prepare its annual financial statements in Euros. As a consequence of this, STRB must now monitor and hedge its exposure to ISK as well as foreign currencies, other than the EUR. This may subject STRB to undesired currency exposures affecting the bank's operating results and financial condition.

1.5 STRB's banking businesses entail operational risks

STRB, like all financial institutions, is exposed to many types of operational risks, including the risk of fraud or other misconduct by employees or outsiders, unauthorized transactions by employees or operational errors, including record keeping errors or errors resulting from faulty computer or telecommunications systems. The Risk Management division, in cooperation with other divisions, is responsible for formulating policies and procedures addressing operational risk in the Bank. Each individual division is responsible for complying with those policies and procedures. STRB has taken out insurance policies to cover various operational risk exposures.

Although STRB maintains a system of controls designed to keep operational risk at appropriate levels there can be no assurance that it will not suffer losses from operational risks in the future that may be material in amount.

1.6 STRB may be vulnerable to the failure of its IT systems

STRB relies on the proper functioning and continuity of its IT systems. IT infrastructure being critical for proper operational risk management is streamlined and enables easy access to all business transaction to facilitate analysis, monitoring, and decision making. Any significant interruption, degradation, failure or lack of capacity of its IT systems or any other, could impact STRB's operations.

1.7 Systemic risk could adversely affect STRB's business

Concerns about, or a default of, one financial institution could lead to significant liquidity problems, losses or defaults by other financial institutions, such as STRB, because the commercial soundness of many financial institutions may be closely related as a result of credit, trading or other relationships between institutions.

1.8 Competition Risk could adversely affect STRB's business

If STRB cannot compete with its principal competitors, this may reduce its income generation and as a result negatively affect its bottom line and the value of its shares. This could, for instance, happen if the pricing of competitors offering investment banking services, such as advisory services, securities brokering and financing, were to drop below STRB real cost of providing the service. STRB's principal competitors on the domestic market are Kaupping bank hf., Glitnir banki hf., and Landsbanki Íslands hf.

Following the privatization of Iceland's former state banks as well as the funding of new banks, competition on the domestic financial market has grown considerably. STRB's clients are corporations and institutional investors who are always seeking the best investment banking service available. This means that STRB must remain prepared for new competition and make every effort to be competitive in its areas of operation.

1.9 STRB's risk management strategies and techniques may leave it exposed to unidentified and unanticipated risks

Although STRB invests substantial resources on its risk management strategies, these may nevertheless fail to protect STRB under certain circumstances, particularly when confronted with risks that have not been identified or anticipated.

1.10 STRB is subject to credit, market and liquidity risk which may have an adverse effect on its credit rating and its cost of funding

If instruments and strategies used by STRB to hedge its exposure to market or credit risk are not effective, it may not be able to mitigate effectively its risk exposures in particular market environments or against particular types of risk. The successful management of credit, market and operational risk is an important consideration in managing its liquidity risk, as evaluation by rating agencies of the management of these risks affects their determinations as to STRB's credit ratings. Rating agencies may reduce or indicate their intention to reduce the ratings at any time. The rating agencies can also decide to withdraw their ratings altogether, which may have the same effect as a reduction in STRB's ratings. Any reduction in STRB's ratings may increase its borrowing costs, limit its access to capital markets and adversely affect the ability of its businesses to sell or market their products. This, in turn, could reduce STRB's liquidity and have a negative impact on its operating results and financial condition.

1.11 Adverse price fluctuations of the securities in STRB's proprietary trading portfolio could have a materially adverse impact on STRB's results of operations and financial condition

STRB has a substantial investment portfolio that includes equity and debt securities both in Iceland, the Nordic region and the UK. A fall in the price of those securities could substantially reduce the value of STRB's securities portfolio and the amount of its other operating income attributable to trading gains.

1.12 Risk connected with investment in unlisted companies and other illiquid securities could have a materially adverse impact on STRB's results of operations and financial condition

There is more risk involved in investing in unlisted securities than in securities listed on a regulated stock exchange. A significant part of STRB's assets consists of shares in unlisted companies and other illiquid securities. A decline in the value of such securities could have a materially adverse impact on STRB's results of operations and financial condition.

1.13 STRB's trading and investment activities within its Treasury are inherently exposed to significant risk

STRB's Treasury unit maintains trading and investment positions in various financial and other assets, including currency and related derivative instruments. These positions are exposed to a number of risks related to the movement of market prices in the underlying instruments. This includes the risk of unfavorable market price movement relative to STRB's long or short positions, a decline in the market liquidity of related instruments, volatility in market prices or foreign currency exchange rates relating to these positions, and the risk that instruments chosen to hedge certain positions do not track the market value of those positions.

1.14 STRB's loan portfolio may not continue to grow at the historical rate

If STRB is unable to expand its loan portfolio at historical rate, and its corporate customer base in particular, it may not generate sufficient interest income to offset any decline in net interest margins. Such decline in net interest margins could hence adversely affect STRB's growth objectives and business.

1.15 A decline in the value or a decline in the liquidity of the collateral securing STRB's loans may adversely affect its loan portfolios

A substantial portion of STRB loans to corporate and individuals is secured by collateral. Downturns in the relevant markets or a general deterioration of economic conditions in the industries in which these borrowers operate, or in Iceland or other markets in which the collateral is located, may result in a decline in the value of collateral securing loans to levels below the outstanding principal balance on those loans. A decline in the value of collateral securing these loans or the inability to obtain additional collateral may, in some cases, require STRB to reclassify the relevant loans, establish additional provisions for loan losses and increase reserve requirements. In addition, a failure to recover the expected value of collateral in the case of foreclosure may expose the Bank to losses which may adversely affect its financial condition and results of operations.

1.16 Increases in STRB's allowances for loan losses may have an adverse effect on its results

STRB establishes provisions for loan losses on its income statement. The allowances for loan losses are maintained at a level which is deemed to be appropriate by the Loan Committee. The magnitude of the provisions is based upon an assessment of prior loss experience, the volume and type of lending, past due loans, economic conditions and other factors related to the health of the loan portfolio. Although management uses its best efforts in conjunction with analytical modeling by the Risk Management division, to establish the provision for loan losses, that determination is subject to significant judgment. STRB may have to increase or decrease its provisions for loan losses in the future as a result of increases or decreases in non-performing assets, or for other reasons. An increase in the provisions, loan losses in excess of the previously determined provisions, and changes in the estimate of the risk of loss inherent in the portfolio of non-impaired loans could have an adverse effect on STRB's results of operations and financial condition.

1.17 The changes in Basel rules may affect STRB's profitability

Having regard to the regulatory framework set by Basel II, the bank utilizes statistical techniques to control market risk. Initially the standardized approach will be implemented for credit risk. Opportunities to move towards more advanced techniques are still being investigated for both credit risk and operational risk. However, it is possible that the deployment and use of capital in STRB may have to be altered to ensure that the revised capital adequacy requirements are satisfied. Such actions may adversely affect STRB profitability in the future.

1.18 STRB is subject to legal risk which may have an adverse impact on its results

It is inherently difficult to predict the outcome of possible litigation, regulatory proceedings and other adversarial proceedings involving STRB's businesses. In presenting STRB's consolidated financial statements, its management makes estimates regarding the outcome of legal, regulatory, and arbitration matters and takes a charge to income when losses with respect to such matters are deemed probable and can be reasonably estimated. Estimates, by their nature, are based on judgment and currently available information and involve a variety of factors, including, but not limited to, the type and nature of the litigation, claim or proceeding, the progress of the matter, the advice of legal counsel and other advisers, possible defenses and previous experience in similar cases or proceedings. Changes in these estimates may have an adverse effect on STRB's results.

1.19 STRB may be unable to recruit or retain experienced and qualified personnel

STRB's continuing success depends, in part, on its ability to continue to attract, retain and motivate qualified and experienced banking and management personnel. Competition for personnel with relevant expertise is intense, due to the relatively small number of available qualified individuals. Since STRB had only a little over 100 employees by year end 2006 it is especially vulnerable to its ability to retain and attract new personnel.

2. NOTICE TO INVESTORS

This Registration Document has been prepared in accordance with chapter IV of act No. 33/2003 on Securities Transactions and Annex XI to Directive 2004/809 of the European Parliament and of the Council of 29th of April 2004 which has been incorporated into Icelandic law. The Icelandic Stock Exchange (ICEX) has scrutinised and approved this Registration Document based on its authority under an agreement between it and the Icelandic Financial Supervisory Authority regarding the review and approval of Registration Documents. This Registration Document is published in English only.

In this Registration Document the words “STRB”, “the Issuer” and “the Bank” refer to Straumur-Burðarás Fjárfestingabanki hf. and its subsidiaries, unless otherwise indicated by the wording or context.

This Registration Document has been prepared by the Legal Department of STRB in consultation with STRB’s CEO and auditors. This means that all data and information required to present as clear a picture as possible of STRB activities has been gathered. The aim has been to have this Registration Document provide clear and comprehensive information about STRB.

This Registration Documents is compiled for investors planning to invest in STRB’s securities other than shares. Investment in STRB’s securities is made on the responsibility of each individual investor. Investors are urged to acquaint themselves thoroughly with this Registration Document. They must rely primarily on their own judgement when investing in STRB’s securities, having regard for the Company’s operating environment, expectations of profit, external conditions and the risks that the investment entails. It should be emphasised that purchases of securities in limited companies are inherently a risk investment, based on expectations and not promises. Investors are urged especially to acquaint themselves well with the discussion of risk provided in Chapter 1 of this Registration Document. Information in this Registration Document is based on assumptions which applied at the time it was published.

Investors are advised of the possibility of seeking expert advice, for instance from banks and securities brokers in evaluating STRB’s securities as an investment.

In issuing this Registration Document, STRB provides no guarantee of the Company’s future success or performance. The Registration Document may not in any way be regarded as a promise to investors of successful operations or a return on funds by STRB or any other party. Each investor is advised to make his or her own independent examination and analysis of STRB and the aspects mentioned in this Registration Document. Investors are urged to study their legal position, including taxation issues which may be relevant to their transactions in STRB’s securities.

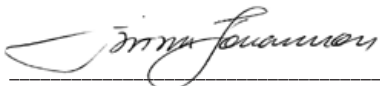
Information regarding STRB other than that contained in this Registration Document or published in the ICEX News System (<http://news.icex.is>) cannot be considered to have been approved by STRB.

3. PERSONS RESPONSIBLE

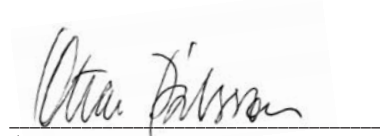
3.1 Declaration by CEO and MD of Legal Department

Straumur-Burðarás Fjárfestingabanki hf., in its capacity as the Issuer, ID-No. 701086-1399, registered office at Borgartún 25, 105 Reykjavík, Iceland, hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in the Registration Document is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

Reykjavík, 28 February 2007
On behalf of STRB



Friðrik Jóhannsson
CEO



Óttar Pálsson
MD - Legal Department

3.2 Declaration by the Auditors of STRB

We the undersigned auditors of STRB, KPMG Endurskoðun hf., Id. No. 590975-0449, Borgartún 27, 105 Reykjavík, have audited and endorsed without reservations the annual financial statements of STRB for the accounting years 2005 and 2006.

We hereby confirm that the information contained in this Registration Document, concerning the accounts of STRB referred to above, accords with those accounts.

We have not been resigned nor been removed from our positions during the period covered by the historical information.

Reykjavík, 28 February 2007
On behalf of KPMG Endurskoðun hf.



Helgi F. Arnarson
Certified Public Accountant



Ólafur Már Ólafsson
Certified Public Accountant

4. INFORMATION ABOUT THE ISSUER

4.1 General information about STRB

Straumur-Burðarás Fjárfestingabanki hf., ID. No. 701086-1399, Borgartún 25, 105 Reykjavík.

Country of incorporation is Iceland and the date of incorporation is 23rd of January 2004.

Website: www.straumur.net, Tel. +354 580 9100, Fax +354 580 9101.

The Company operates in accordance with Acts No. 2/1995, on Limited Companies, and has operating licence as a credit institution, in accordance with point 3 of first paragraph of article 4 of the Act on Financial Undertakings, No. 161/2002.

The purpose of the Company, in accordance Article 3 of its Articles of Association, is to provide financial services. The Company may pursue any and all activities of investment banks as provided for by law and its operating licence.

4.2 History

4.2.1 The years 1986 - 2005

The Company was originally established on 28 October 1986 as the Equity Fund hf. (Hlutabréfasjóðurinn hf.) On 1 July 1995, the Equity Fund merged with the VÍB Equity Fund (Hlutabréfasjóður VÍB) under the name of the former.

At the Annual General Meeting 2001 the name of the Equity Fund hf. was changed to Straumur Investment Company hf.

On 2 May 2001, a plan to merge Straumur Investment Company hf. with the Growth Fund hf. (Vaxtarsjóðurinn hf.) was adopted. The merger date was 1 January 2001.

In October 2003 the Boards of Straumur Investment Company hf. and Brú Investments hf. signed an agreement to merge the two companies as of 1 July 2003.

In June and August 2003, Straumur Investment Company hf. acquired a 92% holding in Framtak Fjárfestingarbanki hf. (Framtak). Framtak's principal activities were of two types. On the one hand, it invested in unlisted equities, following up on those investments and reselling upon listing or by direct sale. On the other hand, it invested in listed equities and bonds. The objective of the acquisition was to improve the efficiency of operations, form a more powerful unit and create new opportunities. The acquisition was a logical continuation of Straumur Investment Company's recent acquisition of Brú and the Company's increased emphasis on investing in conversion projects and growth enterprises. Following a takeover offer and redemption of shares, Straumur Investment Company acquired the entire company.

In December 2003, the Company sold all its shares in Framtak to Íslandsbanki hf. (now Glitnir Bank hf.). In parallel to the sale of this holding, an agreement was reached providing for Straumur's acquisition of Framtak's assets considered venture capital investments, i.e. shares in all listed and unlisted limited companies, Framtak's subsidiaries, and investment-linked bonds.

A shareholders' meeting on 18 December 2003 agreed to change the Company's name from Straumur Investment Company hf. to Straumur Investment Bank hf. At the beginning of January 2004, the Company was granted a licence by FME to operate as an investment bank.

On 23 January 2004, Straumur Investment Bank hf. was authorised to begin trading in the ICEX trading system and began market trading in May of the same year.

The Boards of Directors of Burðarás hf., Landsbanki Íslands hf. and Straumur Investment Bank hf. signed on 1 August 2005 a joint plan to divide Burðarás and merge the company, on the one hand, with Landsbanki Íslands hf. and, on the other hand, with Straumur Investment Bank hf.

A shareholder's meeting approved the division and merger plan, together with a motion to change the name of the merged Company to Straumur-Burðarás Fjárfestingabanki hf., on 15 September 2005. The division and merger plan was subject to the approval of the Financial Supervisory Authority and the Icelandic Competition Authority, which was granted on 27 September 2005.

The division and merger plan specified that certain assets, liabilities and obligations would be assumed by Landsbanki while other assets, liabilities and obligations of Burðarás would go to STRB, including Burðarás's holding in Íslandsbanki hf., Icelandic Group hf. and Skandia Insurance Company Ltd. All of Burðarás's employees, with the exception of the company's CEO, 10 in total, together with the company's operations were transferred to STRB. The division of Burðarás hf. was effective as of 1 July 2005, the division date. Following the division and merger, on 30 September 2005, to be specific, Burðarás hf. was delisted from the ICEX Main List.

STRB's objective with the merger was, in part, to form a larger and even more vital financial enterprise. The merger put the Company in fine shape to face new challenges posed by changes in the banking and financial environment in Iceland. The merger boosts that Company's possibilities and capacity to undertake larger projects internationally and, in so doing, broaden its income base.

The objective of Burðarás in dividing up and merging the company with Straumur Investment Bank and Landsbanki was primarily to provide its shareholders with the opportunity to acquire holdings in two strong and proactive financial enterprises.

In November 2005 STRB decided to establish a Branch in Denmark, which should provide corporate finance advisory work, debt financing with a special focus on acquisition financing and direct equity investments with its investment banking clients. The decision was a logical consequence of STRB increased dealings in Denmark during the last years. As a part of the process STRB acquired a corporate finance advisory firm in Denmark.

4.2.2 The year 2006

In January Fitch Ratings announced that it had assigned STRB ratings of long-term BBB-, short-term F3, individual C/D and support 3.

In July 2006 STRB purchased 50,01% share in British financial advisory company, Stamford Partners, a specialist investment banking firm with operations in London and Amsterdam. In addition, STRB has an option over time to buy all the shares in the company. In October 2006 The British Financial Services Authority authorised STRB's purchase in Stamford Partners.

In November 2006 STRB raised €200.000.000 through the issuance of senior notes in the international debt market, under a tailored collateralized loan obligation structure (CLO). This will underpin STRB's growing participation in the international leverage loan markets and represents an important milestone in further strengthening the banks interest bearing asset base and interest income. Dresdner Bank AG London Branch is the buyer of the notes which mature in 2012.

In December 2006 STRB, together with a group of investors, approved the purchase 22.6% of total share capital in the Bank from FL Group. STRB itself purchased slightly less than 10% of the Bank's share capital. Other investors purchased nearly 13% of the share capital. No single investor in this group exceeded the 5% flagging limit. In the end of January 2007 STRB had sold considerable part of its own shares purchased in December 2006.

The Board of Directors of STRB decided to carry out the Bank's accounting and prepare its annual financial statements in Euros effective from 1 January 2007. This decision was made with consideration given to the long-term interests of the Bank and its shareholders. STRB has the goal of being a leading Nordic investment bank with headquarters in Iceland. An ever-increasing portion of the Bank's assets and revenues is in foreign currencies, and the proportion of the Icelandic króna in its business transactions is steadily decreasing. The Bank is of the opinion that this change will bolster foreign investors' interest in STRB, as well as broadening the Bank's shareholder group and supporting continuing international growth.

The British Financial Services Authority (FSA) has granted STRB a permit to operate a branch in London. Operation of the London office commenced on 1 January 2007. The activities of the London office will centre initially on lending activities, with particular emphasis on syndicated loans where STRB will act variously as participant or lead arranger.

4.3 Activities

4.3.1 Services/Markets

STRB is a dynamic investment bank focusing on providing integrated financial services. Some of STRB's clients include Iceland's largest companies and numerous small and medium-sized companies in Northern Europe. STRB's customer driven approach is based on proactive relationships with STRB's clients and an energetic team of professionals who deliver excellent service.

4.3.2 Capital Markets

Capital Markets provides securities brokerage for companies, institutional investors, mutual funds, and high-net-worth individuals. The division also manages new share offerings and bond issuance for companies and institutions.

The main focus is on:

- Icelandic equities and government bonds listed on the Iceland Stock Exchange
- Government bonds issued by the Icelandic Housing Financing Fund (HFF)
- Icelandic and foreign corporate bonds
- Foreign equities

The division has demonstrated a consistent commitment to high-quality service for its clients. STRB works with these clients to identify and take advantage of new opportunities.

Capital Markets operate from two locations, Reykjavík and London. The Managing Director of Capital Markets is Höskuldur Ari Hauksson.

4.3.3 Corporate Finance

Corporate Finance identifies, structures, and executes diverse and innovative public and private market transactions for corporations, holding companies, and investment houses. Transactions include mergers, acquisitions, divestitures, the issuance of equity or debt capital, or a combination of these.

The Bank's focus is on large corporations in Iceland and medium-sized companies in the Nordic region and the UK.

The opportunity to act as principal is an attractive source of transactions for STRB and comes from the strength of the Bank's relationships, the depth of its market knowledge and strong balance sheet.

In deciding whether to take a risk with clients, the Bank considers the following criteria:

- A strong relationship with, and in-depth knowledge of, the client
- The strength of the company's cash flow
- The strength and track record of the management team
- A clear exit strategy via trade sales, IPOs, and recapitalisation

Corporate Finance operates from two locations, Reykjavík and Copenhagen. The Managing Director of Corporate Finance is Guðmundur Þórðarson.

4.3.4 Debt Finance

Debt Finance is responsible for originating, structuring and extending credit to the Bank's clients and for managing the overall client relationship. It is one of the fastest-growing divisions within the Bank, with a loan book doubling in the first half of 2006 and contributing to the strong growth in interest income.

Debt Finance offers a range of financing products, from simple corporate credit to integrated leveraged finance solutions, including senior and mezzanine debt. The emphasis is on providing clients with tailor-made solutions and expert advice. The division provides debt financing for various types of transactions, including:

- MBOs/MBIs
- Public-to-private
- Acquisitions
- Recapitalisation
- Propco/opco deals

Debt Finance also takes active part in loan syndications and has significant underwriting capacity.

When appropriate, the division works closely with Corporate Finance to provide a single source of funding through a combination of debt and equity financing.

The geographic focus is on the Nordic countries, the UK, and continental Europe. Currently, over half of the loan portfolio involves non-Icelandic projects. Debt Finance has focused on increasing participation in foreign syndicated leveraged loans and arranging financing for new projects abroad, as well as providing support and financing for existing clients. Through past transactions, the Debt Finance division has gained expertise in the financial services, retail, real estate, and telecommunications sectors. The local focus is on large companies, but in its international operations, the Bank concentrates on small and mid-sized corporations.

Debt Finance operates from two locations, Reykjavík and London. The Managing Director of Debt Finance is Margit Robertet.

4.3.5 Proprietary Trading

The Proprietary Trading desk is responsible for trading positions through market-making and trading in Listed and fixed-income equity products, currencies, and derivatives on such products.

The division's track record is strong, with activities dating back to the operations of the investment companies that were the predecessors of STRB. Its objective is to identify and exploit market opportunities with a maximum investment horizon of two years.

In its investments, Proprietary Trading focuses on listed securities as well as FX and exchange-traded derivatives, with a geographical focus on Iceland and Scandinavia. However, Proprietary Trading does not have a specific sector focus.

The desk acts as market maker for benchmark bonds issued by the National Debt Management Agency and the Housing Financing Fund, as well as providing liquidity on the bond and equity markets for other Bank divisions.

Proprietary Trading operates from two locations, Reykjavík and Copenhagen. The Managing Director of Proprietary Trading is Benedikt Gíslason.

4.3.6 Treasury

The Treasury activities are divided into interbank trading and group funding for the bank.

The interbank trading desk manages the Bank's currency balance, interest rate exposure and liquidity. Foreign exchange exposure is managed centrally by Treasury, which monitors the net exposure in all foreign currencies and ensures that this exposure is within pre-defined limits. The Bank's policy is that Treasury shall maintain a neutral foreign balance and any currency risk is to be taken by Proprietary Trading.

The Bank places emphasis on diversifying funding sources in terms of both markets and products. The investment grade rating assigned to the Bank by Fitch Ratings will be a major factor in ensuring access to funding sources.

The funding desk is responsible for the Bank's overall funding. Funding has been obtained primarily in the domestic market, but with increasing funding requirements the Bank has accessed international markets through the issuance of loans and bonds.

The current size of the Bank and its strategy of increasing interest-bearing assets has made the international funding markets an important source of financing for the Bank. The near-term focus will be on establishing a reputation for STRB as a solid investment bank and on building relationships for the future. With increased lending activities and a growing loan portfolio, the duration of assets has lengthened, making it necessary to lengthen the funding maturity profile.

The Managing Director of Treasury is Svanhildur Nanna Vigfúsdóttir.

4.3.7 Risk Management

Risk Management is responsible for assessing the Bank's financial and operational risks and for advising the Bank's other divisions on investments. Risk Management's activities include measuring and monitoring liquidity, currency, interest rate, market and counterparty risk, in addition to carrying out credit control.

The Risk Management division classifies risk into three main categories.

These are:

1. market risk due to the effects that different market conditions have on the profitability of the Bank;
2. credit risk, which is the risk of a client's defaulting on an obligation with the Bank; and
3. operational risk stemming from inadequacies in systems and internal processes.

- **Market Risk**

Market risk is further divided into foreign exchange risk, liquidity risk, equity risk, and interest rate risk.

- Foreign exchange risk is controlled by monitoring the net exposure in all foreign currencies and ensuring that such exposure is within set limits.

- The Bank must always have sufficient liquidity to meet both foreseeable and unforeseeable payment obligations. It has implemented a set of liquidity and funding policies aimed at maintaining flexibility. These include lines of credit, overdraft facilities, and highly liquid securities such as Treasury bills and bonds. This ratio is monitored through a Risk Management Report on liquidity ratio, which is filed with the Central Bank of Iceland each month.

- Risk Management uses quantitative tools to monitor and control STRB' exposure to market risk. These tools include Value-at-Risk, scenario analyses, and stress tests that measure the potential effect of unforeseen market events on the Bank's trading net revenues. Risk Management actively controls the risk through trading limits, which are applied in order to ensure proper diversification and limit exposure.

- Interest rate risk is the risk of loss due to a change in interest rates. As part of Treasury operations, the duration of assets and liabilities is matched in a way that limits the risk. Any interest rate risk taken by the Bank is done through Proprietary Trading with the explicit consent of the Risk Committee and is monitored by Risk Management.

- **Credit Risk**

The Debt Finance division prepares a proposal for each loan, which is then presented to the Credit Committee for approval. The proposal includes a thorough analysis of the credit risk involved in the loan. In addition to examining the qualities of individual loans, the Credit Committee also assesses the loan with respect to its impact on the loan portfolio and ensures that it adheres to the risk policies set by the Risk Committee.

The Risk Management division conducts credit control. This includes monitoring risk limits and the overall health of the loan portfolio, as well as the period assessment of covenants and collateral coverage for individual loans.

- **Operational Risk**

The Bank seeks to minimise operational risk by hiring well-educated and qualified staff. Robust information systems are of the essence in guaranteeing accessibility to data regarding business transactions. Internal processes are designed to minimise the risk of error. Moreover, the Bank has purchased insurance policies in order to safeguard operations still further.

The Managing Director of Risk Management is Dr. Jakob Ásmundsson.

4.3.8 Legal Department

The Legal Department is a support division providing legal counsel and services to senior management, other support divisions, and the various profit units of the Bank.

STRB' Legal Department serves as a storehouse of expertise and experience in providing legal services related to the company's investment activities in Iceland and abroad.

The role of the department involves, in particular:

- ensuring that the Bank operates in accordance with current legislation and regulations;
- liaising with supervisory authorities on legal issues;
- guaranteeing the quality, adequacy, and suitability of contracts and other documentation used by the Bank in its activities, thus safeguarding the Bank's interests to the maximum extent possible at all times;
- taking care to define the rights and obligations of the Bank's clients accurately and precisely in all contracts undertaken by the Bank, thus avoiding unnecessary expense and delays for both the Bank and its clients as a result of any legal uncertainty;
- monitoring legal developments, as manifest in case law and legislation, and ensuring that contracts and other documents, as well as the Bank's internal procedures, always reflect such developments;
- participating in shaping the regulatory framework of the Icelandic financial market;
- defending the Bank's interests in any legal action in the courts or by public authorities;
- co-operating with law enforcement authorities in preventing money laundering; and
- providing legal counsel to the Bank and its personnel on various questions concerning its own operations.

The Managing Director of Legal Department is Supreme Court Attorney, Óttar Pálsson.

4.3.9 Operations division

The Operations division is a common venue for a set of supportive functions within the bank:

- Back Office
- Corporate Communications
- Finance & Accounting
- Human Resources
- Information Technology

The main objective of Operations is to support the Bank's core valuables by providing an optimum working environment in order to maximise output and efficiency and improve and expedite decision-making.

The Operations division's activities centre on the continuous improvement and integration of services. As such, the division focuses on all aspects of the Bank's business and wealth – human resources, monetary values, technology, intelligence, processes, and management – that is, all the criteria necessary for sustainable growth and profitability.

The Chief Operating Officer of STRB is Skúli Valberg Ólafsson.

4.3.10 Subsidiaries

Shares in main subsidiaries are specified as follows:

Company:	Country	Currency	Equity interest accum. %
Brú Venture Capital hf.	Iceland	ISK	64,69
Straumur Eignarhaldsfélag ehf.	Iceland	ISK	100,00
Fasteignafélagið Sjávarsíða hf.	Iceland	ISK	97,50
Iða hf. eignarhaldsfélag,	Iceland	ISK	100,00
Iða fjárfestingar ehf.	Iceland	ISK	100,00
STRB Investments S.A.R.L.	Luxembourg	EUR	100,00
Burðarás Luxembourg Holding S.A.R.L.	Luxembourg	EUR	100,00
Novator telecom Poland II,	Luxembourg	EUR	100,00
MGM eignarhaldsfélag ehf.	Iceland	ISK	100,00
Property Group.	Denmark	DKK	50,01
Stamford Partners Ltd.	England	GBP	50,01
Creditor B.V.	Holland	EUR	100,00
Straumur Equities ehf.	Iceland	ISK	100,00
Eignarhaldsfélagið Urriði ehf.	Iceland	ISK	100,00

4.4 Documents incorporated by reference and for display

For the life of the Registration Document the following documents are available for viewing:

- This Registration Document may be viewed from STRB's website: www.straumur.net and on the news section of the Icelandic Stock Exchange's website: <http://news.icex.is>. The aforementioned document has been scrutinized and approved by the Icelandic Stock Exchange (ICEX).
- The historical financial information for STRB for the past two years 2005 (1 January – 31 December 2005) and 2006 (1 January – 31 December 2006) form a part of this Registration Document and may be viewed from STRB's website: www.straumur.net and on the news section of the Icelandic Stock Exchange's website: <http://news.icex.is>.
- STRB's Articles of Association may be obtained at STRB's website: www.straumur.net.

5. BOARD OF DIRECTORS, CEO, MD'S AND SHARE CAPITAL

5.1 Board of Directors

The Board of Directors consist of the following members:

Directors:	Address
Björgólfur Thor Björgólfsson	London, UK
Birgir Már Ragnarsson	London, UK
Eggert Magnússon	London, UK
Alternates:	
Baldur Örn Guðnason	Korngörðum 2, 104, Reykjavík
Heiðar Már Guðjónsson	London, UK
Pórunn Guðmundsdóttir	Sundagörðum2, 104, Reykjavík

Björgólfur Thor Björgólfsson is the Chairman of the Board of STRB.

5.2 STRB's CEO

The CEO of STRB is Friðrik Jóhannsson. Friðrik holds a cand. oecón. degree from the University of Iceland and is a Certified Public Accountant.

5.3 STRB's Managing Directors

Benedikt Gíslason	MD-Prop Trading
Guðmundur Þórðarson	MD-Corporate Finance
Höskuldur Ari Hauksson	MD-Capital markets
Dr. Jakob Ásmundsson	MD-Risk Management
Margit Robertet	MD-Debt Finance
Óttar Pálsson	MD-Legal Department
Skúli Valberg Ólafsson	COO
Svanhildur Nanna Vigfúsdóttir	MD-Treasury

5.4 Conflicts of Interest

Björgólfur Thor Björgólfsson, the Chairman of STRB, holds a significant part of the share capital of Samson eignarhaldsfélag ehf. Samson eignarhaldsfélag ehf. is the largest shareholder of Landsbanki Íslands hf. Landsbanki Íslands hf. is a financial institution that operates in the same markets as STRB.

Birgir Már Ragnarsson, a Director of STRB, is the Managing Director and a Board Member of Samson eignarhaldsfélag ehf.

Birgir Már Ragnarsson and Heiðar Már Guðjónssona, an Alternate Director of STRB, are partners in Novator Partners LLP, a London based investment firm. Björgólfur Thor Björgólfsson is the founder and leader of Novator Partners LLP.

STRB is not aware of any other potential conflicts of interests between the duties owed by the persons referred to in chapters 5.1, 5.2 and 5.3 STRB and their private interests or other duties.

5.5 STRB shareholders

As of 26 February 2007, shareholders in STRB were 20,770. The following is a list of the 15 largest shareholders in STRB.

Name	Share	%
Landsbanki Luxembourg S.A.	5,089,373,496	49.13%
GLB Hedge	439,128,406	4.24%
Straumur-Burdarás Investment Bank	435,571,461	4.20%
Barclays Bank Plc (Dorset)	408,074,655	3.94%
Löngusker ehf.	388,888,889	3.75%
Arion safnreikningur	261,237,552	2.52%
Gildi - Pension Fund	181,675,660	1.75%
Lífeyrissjóður verslunarmanna - Pension Fund	145,336,341	1.40%
Sund ehf	144,500,000	1.39%
Landsbanki Íslands hf. Headquarters	132,051,326	1.27%
AB 50 ehf.	111,111,111	1.07%
Fjárfestingasjóður Is-15	104,170,941	1.01%
Gnúpur fjárfestingafélag hf	103,751,843	1.00%
Straumur Fjárfestingarbanki hf. - Safnreikningur	100,000,000	0.97%
Samvinnulífeyrissjóðurinn	84,117,684	0.81%
Total:	8,128,989,365	78.45%
Other shareholders:	2,230,155,606	21.55%
total:	10,359,144,971	100%

STRB is not aware of any agreements between shareholders relating to the exercise of their votes in STRB.

Landsbanki Luxembourg SA is formally listed as STRB's largest shareholder, with a holding of 49,13% according to the shareholders' registry as of 26 February 2007. These holdings are nominee registered for the bank's customers and not beneficially owned by Landsbanki Luxembourg SA.

Samson Global Holding owns ISK 3,127,555,158 nominal value in STRB or the equivalent of 30,2% of the Bank's share capital. The shareholdings of Samson Global Holdings are included in the holding of Landsbanki Luxembourg SA. Samson Global Holding is equally owned by holding companies of Björgólfur Thor Björgólfsson, Chairman of the Board of STRB and Björgólfur Guðmundsson, Chairman of the Board of Landsbanki Íslands hf. Other holdings listed under Landsbanki Luxembourg SA are under the flagging limits.

Landsbanki Íslands hf. is the owner of ISK 132,051,326 nominal value in STRB or the equivalent of a 1,27% share. The largest shareholder in Landsbanki Íslands hf. is Samson eignarhaldsfélag ehf., which controls 41,37% of Landsbanki's share capital. Samson eignarhaldsfélag ehf. is owned by holding companies beneficially owned by Björgólfur Guðmundsson, Björgólfur Thor Björgólfsson and a third party.

STRB is the owner of ISK 435,571,461 nominal value in STRB, or the equivalent of a 4,20% share, according to the list of the Bank's largest shareholders as of 26 February 2007.

GLB Hedge is the owner of ISK 439,128,406 nominal value in STRB, or the equivalent of a 4,24% share, according to the list of the Bank's largest shareholders as of 26 February 2007. GLB Hedge is a subsidiary of Glitnir Bank hf. which was established to make a distinction between shares which are held to hedge Glitnir's risk in connection with forward contracts and other equities owned by Glitnir Bank hf.

5.6 Corporate Governance

The Board of Directors of STRB places major emphasis on exemplary corporate governance within the Bank and has, in this context, complied in all respects with the Guidelines on Corporate Governance issued by ICEX, the Icelandic Chamber of Commerce and the Confederation of Icelandic Employers in March 2004. The Board has adopted detailed rules of procedure, defining the respective tasks and authority of the Board and of the CEO. They include provisions on rules of meeting procedure, on the details of eligibility of Board members to participate in dealing with specific issues, on confidentiality, the disclosure obligations of the CEO towards the Board, etc.

6. PROCEEDINGS AGAINST STRB

STRB is not aware of any proceedings against the Bank or its subsidiaries.

7. FINANCIAL INFORMATION

The financial statements contain the consolidated accounts of STRB and its subsidiaries.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The preparation of the Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions. These judgements, estimates and assumptions affect the reported amounts of assets and liabilities as well as, income and expenses in the Financial Statement presented. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual outcome can later to some extent differ from the estimates and the assumption made.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

There has been no material adverse change in the prospects of the Issuer since the date of its last published Annual Account.

7.1 Financial Calendar

Annual General Meeting:	8 March 2007
1st quarter results:	26 April 2007
2nd quarter results:	26 July 2007
3rd quarter results:	25 October 2007
4th quarter results:	29 January 2008

7.2 Annual Accounts 2005 and 2006

The Annual Accounts for 2005 and 2006 may be viewed from STRB's website: www.straumur.net and on the news section of the Icelandic Stock Exchange's website: <http://news.icex.is>.