

SECURITIES NOTE

STRB 08 0301

March 2007

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1. RISK FACTORS

The following description of risk factors is not exhaustive, but rather an expression of the most significant risks the Issuer has been able to identify relating to investments in the Bills. The potential investor should read the section on risk factors in conjunction with the other sections of this Securities Note and all public announcements by the Issuer before making a decision to invest in the Bills. Additional risks and uncertainties that do not currently exist, that are not presently considered material, or of which the Issuer is unaware may also impair the business and operations of the Issuer, and therefore the investment in the Bills. These risks and uncertainties could have a material adverse impact on the Issuer and its ability to fulfil its obligations under the terms of the Bills.

Investments in the Bills may not be suitable for all investors. Therefore, based on their own independent review and such professional advice as they deem appropriate under the circumstances, investors should consider closely the risk of investing in the Bills before deciding whether to carry out such investment.

1.1 Market Risk

Market risk is risk that is common to all securities of the same class (stocks, bills, options). With fixed-income securities, such as bills, the most important market risk is interest rate risk. Interest rate risk refers to the risk of fluctuation in the market value of bills due to interest rate movements. Higher interest rates result in lower bill values and vice versa. Interest rate risk is higher for bills with longer maturities/duration.

During the last several months, interest rates have been increasing in Iceland. However, no statement can be made regarding whether that trend will continue or reverse in the future. Investors are reminded that fluctuations in the interest rate level can affect the market value of the Bills.

1.2 Credit Risk

Credit risk refers primarily to the risk involved with debt investments such as bills. Credit risk is essentially the risk that the principal will not be repaid by the issuer. If the issuer fails to repay the principal, the issuer will default on the bills. For most debt instruments, investors must assess the credit quality of the issuer and decide whether the extra yield offered compared to the relevant treasury bill (or equivalent benchmark) is sufficiently attractive.

1.3 Active Public Market

An application has been made to admit the Bills to trading on the regulated market of ICEX. However, there can be no assurance that an active public market for the Bills will develop. Straumur quotes the bills daily on the Icelandic Stock Exchange, which increases their liquidity. Nevertheless before investing in the Bills, investors should consider the degree of liquidity they need from the securities in which they invest.

1.4 Legal and Regulatory Risk

The creation of the Bills is based on Icelandic law in force as of the date of this Securities Note. The Icelandic Parliament, Althingi (<http://www.althingi.is>), might amend the law or change its administrative practices, or a judicial decision might be made that could adversely affect the Issuer's position. While it is not anticipated that this will happen, no assurance can be given relating to the impact that such a change might have.

2. NOTICE TO INVESTORS

This Securities Note concerns Straumur–Burðarás Fjárfestingabanki hf.'s issue of, and the admission to trading of, Bills for the amount of ISK 1,500,000,000 on ICEX.

It has been prepared in accordance with chapter IV in the act No. 33/2003 on Securities Transactions. The admission to trading will proceed pursuant to Icelandic law and regulations. Directive 2003/71/EC of the European Parliament and of the Council of 4th November 2003 has been incorporated into Icelandic law. ICEX has scrutinised and approved this Securities Note, which is published in English only, based on its authority under an agreement between it and the Icelandic Financial Supervisory Authority regarding the review and approval of prospectuses.

In making an investment decision, potential investors should consider carefully the merits and risks of an investment in the Bills. The terms and conditions of the Bills, which are described in chapter 5, should be carefully reviewed before any investment decision is made. As with any investment in securities, there are risks associated with investment in the Bills. Please refer to Section 1 for further discussion on risk factors.

This Securities Note has been prepared to provide clear and thorough information on the Bills but does not purport to provide an exhaustive description of the Issuer. Potential investors are encouraged, among other things, to study carefully the Issuer's Registration Document, issued 1 March 2007, and any announcements and communication from the Issuer prior to and after the publication of this Securities Note. Furthermore, investors are advised to consider all announcements and communications from the Issuer that are available on the ICEX news webpage, <http://news.icex.is>.

No person has been authorised to give any information or to make representations other than those contained in this Securities Note in connection with the issue or sale of the Bills and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer. The information provided in this Securities Note is based on premises that are current as of the date of its publication. These premises may change after the date of publication. Investors are therefore advised to study all public information issued by or relating to the Issuer and not to rely exclusively on information in this Securities Note.

This Securities Note is not being distributed in, and must not be mailed to, or otherwise distributed or sent within or into any country in which distribution would require any additional registration measures or other measures apart from those applicable under Icelandic law and regulations, or where it would be in conflict with any law or regulation in such country.

This Securities Note should by no means be viewed or construed as a promise by the Issuer or other parties of future success or performance, either in operations or in return on investments. Investors must rely primarily on their own judgement regarding any decision to invest in the Issuer's Bills, bearing in mind the business environment in which the Issuer operates, anticipated profits, external conditions and the risk inherent in the investment itself. Prospective investors are advised to contact experts, such as licensed financial institutions, to assist them in their assessment of the Bills as an investment option. Investors are advised to consider their legal status, including taxation issues that may concern the purchase or sale of the Bills, and to seek external and independent advice in that respect.

3. PERSONS RESPONSIBLE

Straumur-Burðarás Fjárfestingabanki hf., in its capacity as the Issuer, Icelandic 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 this prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Reykjavík, 28 February 2007
On behalf of the Issuer

Friðrik Jóhannsson
CEO

Svanhildur Nanna Vigfúsdóttir
Managing Director - Treasury

4. REFERENCES AND GLOSSARY OF TERMS AND ABBREVIATIONS

References to “the Issuer” and “STRB” in this Securities Note shall be construed as referring to Straumur-Burðarás Fjárfestingabanki hf., Icelandic ID-No. 701086-1399, and its subsidiaries and affiliates, unless otherwise clear from the context. Straumur-Burðarás Fjárfestingabanki hf. is the legal Icelandic name of the Issuer.

References to “ICEX” in this Securities Note shall be construed as referring to the Iceland Stock Exchange — i.e., to Kauphöll Íslands hf. — Icelandic ID-No. 681298-2829, unless otherwise clear from the context. References to the “admission to trading” and the “admission to trading on a regulated market” in this Securities Note shall be construed as referring to the admission to trading on the bill market of the Iceland Stock Exchange, unless otherwise clear from the context.

References to “ISD” in this Securities Note shall be construed as referring to the Icelandic Securities Depository — i.e., to Verðbréfasráning Íslands hf. — Icelandic ID-No. 500797-3209, Laugavegur 182, 105 Reykjavík, Iceland, unless otherwise clear from the context.

References to the “Bills” in this Securities Note shall be construed as referring to the Bills of Exchange issue of ISK 1,500,000,000 which is described in this Securities Note, unless otherwise clear from the context.

5. INFORMATION CONCERNING THE SECURITIES

Symbol:	STRB 08 0301
Bill type:	Bullet
ISIN-code:	IS0000014413
Size limit according to agreement:	ISK 5,000,000,000 –
Issued:	ISK 1,500,000,000 –
Denomination:	ISK 5,000,000 –
Date of issue:	1. 3. 2007
Date of listing:	1. 3. 2007
Maturity date:	1. 3. 2008 Repayment is made on the aforementioned maturity date. It is not permitted to bring forward the repayment of the Bills.
Nominal interest:	The Bills bear no interest.
Day count fraction:	Actual/360.
Method of payment:	All amounts payable under the Bills will be paid to the relevant financial institution where the registered owner has his/her VS account.
Indication of yield:	STRB 08 0301: 14,69%
Benefits:	No benefits are attached to the Bills.
First interest date:	N/A
First interest payment date:	N/A
Currency:	ISK
Priority:	The Bills constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank pari passu among themselves and equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

Default interests: In the event of non-payment, the Issuer shall pay penalty interest as determined by the Central Bank of Iceland, cf. Article 6, Paragraph 1 of Act no. 38/2001. An exception to this rule is when the payment date of the Bills falls on a date when banking institutions in Iceland are closed and the debtor makes the payments on the next day on which banking institutions are open. In such instances, penalty interest shall not apply.

Restrictions on transfer: There are no restrictions on transferring the Bills.

Depository agent: Icelandic Securities Depository hf.

Calculation Agent: Straumur-Burðarás Fjárfestingabanki hf.
Borgartún 25
105 Reykjavik
Iceland

Lapse: According to Article 3 of the Act No. 14/1905 on the Limitations of Liabilities and Other Claims all claims arising from the Bills lapse after four years.

Taxation: All payments in respect of the Bills, by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any tax jurisdiction unless such withholding or deduction is required by law according to Act no. 94/1996. In such event, the Issuer will not pay any additional amounts in respect of amounts withheld pursuant to such withholding or deduction.

Stamp duty: The Issuer's Bills are exempt from stamp duty in Iceland.

Disputes: The governing law is Icelandic law. Any dispute shall be subject to the exclusive jurisdiction of the District Court of Reykjavík. Legal action regarding the Bills may be initiated in accordance with Section 17 of the Act on Civil Procedure, no. 91/1991 (Lög um meðferð einkamála).

Authorisation: According to STRB Rules on Signatures dated 23 April 2004 as amended, the Bank shall be obliged in all cases by signatures of two employees holding class A Power of Attorney. The Bank's CEO, Managing Directors hold class A Power of Attorney.

6. REGISTRATION WITH THE ISD AND ADMISSION TO TRADING

The Bills are discount instruments issued electronically at the ISD, which is located at Laugavegur 182, 105 Reykjavík, Iceland. The Bills are registered there under the name of the relevant bill holder or his/her nominee. The ticker symbol on ICEX is STRB 08 0301

Application has been made to ICEX for admission to trading on its regulated market, which is an EU-regulated market within the meaning of Directive 2004/39/EC. The Bills were admitted to trading on 1 March 2007. The Issuer published a Registration Document on 1 March 2007.

7. ADDITIONAL INFORMATION

7.1 Sale of the Bills

The Bills are sold to institutional investors in the primary market and can be traded in the secondary market during the lifetime of the Bills.

7.2 Rating

Fitch Ratings has assigned STRB's ratings of long-term BBB-, short-term F3, individual C/D and support 3. The rating outlook is stable.

7.3 Aligned Interests

There are no interests, including conflicting interests, which are material to the Issue.

7.4 Expenses Related to the Issue and Registration

The expenses related to the listing of the Bills according to ICEX fee structure is ISK 450.000. The cost at the ISD is ISK 120.000.