

SECURITIES NOTE
MODF 08 1121

SEPTEMBER 2008

<u>1</u>	<u>RISK FACTORS.....</u>	<u>3</u>
1.1	<i>GENERAL.....</i>	3
1.2	<i>ISSUER'S LIABILITY TO MAKE PAYMENTS.....</i>	3
1.3	<i>MARKET RISK.....</i>	3
1.4	<i>CHANGES IN LAW.....</i>	3
1.5	<i>TRADING IN A REGULATED SECURITIES MARKET.....</i>	4
1.6	<i>THE BILLS ARE NOT SUITABLE FOR ALL INVESTORS.....</i>	4
<u>2</u>	<u>PERSONS RESPONSIBLE.....</u>	<u>4</u>
<u>3</u>	<u>MANAGER.....</u>	<u>5</u>
<u>4</u>	<u>NOTICE TO INVESTORS.....</u>	<u>5</u>
<u>5</u>	<u>GENERAL INFORMATION.....</u>	<u>6</u>
5.1	<i>CONFLICT OF INTEREST.....</i>	6
5.2	<i>REASONS FOR THE ISSUE AND THE USE OF PROCEEDS.....</i>	6
<u>6</u>	<u>INFORMATION CONCERNING THE SECURITIES.....</u>	<u>6</u>
<u>7</u>	<u>ADMISSION TO TRADING.....</u>	<u>8</u>
<u>8</u>	<u>FURTHER INFORMATION.....</u>	<u>8</u>
8.1	<i>ADVISORS.....</i>	8
8.2	<i>EXTERNAL INFORMATION.....</i>	8
8.3	<i>CREDIT RATING.....</i>	8

1 RISK FACTORS

1.1 GENERAL

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Bills and are material in order to assess the the market risks associated with the Bills. Most of these risk factors are contingencies which may or may not occur and do not necessarily have an impact on the Bills.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Bills but the inability of the issuer to pay interest, principal or other amounts on or in connection with any Bills may occur for other reasons that do not currently exist, that are not presently considered material, or of which the Issuer is unaware. Investors are advised to base their decision about investing in any Bills on the two documents that together form the Prospectus. The decision should be based on their own independent review and such professional advice as they deem appropriate.

1.2. ISSUER'S LIABILITY TO MAKE PAYMENTS

The Issuer is liable to make payments when due on the Bills. The Bills constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and rank pari passu among themselves and equally with its other direct, unsecured, unconditional and unsubordinated obligations. Thus, they rank behind secured obligations and other priority claims but have priority over subordinate and remaining obligations.

The Bills are subject to credit risk. 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. As with other debt instruments investors must evaluate the Issuer's liquidity and capacity to meet his obligations. They must also evaluate whether the premium on the Bills is in line with the risk they involve.

1.3. MARKET RISK

Market risk refers to the risk related to all commercial papers of the same type. The most important market risk related to bills is changes in the level of interest rates in the relevant market. If general interest rates rise, the market price of the bills will fall and vice versa. Interest rate risk is higher for bills with longer maturities/duration. Investors shall study the market risk related to bills and evaluate the impact caused by changes in the interest rate level on the bills' market price.

1.4. CHANGES IN LAW

The terms and conditions of the Bills are based on Icelandic law in force as of the date of this Securities Note, particularly; Act No. 93/1933 on Bills (lög um víxla), Act No. 108/2007 on securities transactions (lög um verðbréfavíðskipti), Act No. 131/1997 on electronic registration of title securities (lög um rafræna eignarskráningu verðbréfa) and Act No. 110/2007 on stock exchange (lög um

kauphallir). No assurance can be given as to the impact of any possible judicial decision or change to Icelandic law or administrative practice after the date of this Securities Note.

1.5. TRADING IN A REGULATED SECURITIES MARKET

Trading with the bills in the secondary market needs to be active and the volume sufficient for investors to profit from their investment. The possibility exists that investors will not be able to sell their bills easily or only at a discount to comparable securities from other issuers.

1.6. THE BILLS ARE NOT SUITABLE FOR ALL INVESTORS

Investors must make their own decision on whether investing in the Bills is suitable for them. In particular, the following must be kept in mind:

1. Investors must possess sufficient knowledge and experience to adequately evaluate the Bills and the Issuer's liquidity.
2. Investors must appreciate the risks related to investment in the bills and familiarize themselves thoroughly with the information provided in the prospectus or other documents about the Issuer.
3. Investors must be able to estimate what impact an investment in the Bills has on their asset position and financial resources. Investors must have sufficient resources and liquidity to bear all of the risks of an investment in the Bills.
4. Investors must study and understand the terms that apply to the Bills and be familiar with the behaviour of the financial markets.
5. Investors must be able to evaluate (either on their own accord or with the aid of advisor) the impact of business cycles, changes in the level of interest rates and other comparable factors that may affect investment in the Bills

2 PERSONS RESPONSIBLE

Moderna Finance AB, ID No., 556594-1787, Icelandic ID No. 440308-9960, Engelbrektsplan 1, BOX 2095, SE- 103 13, Stockholm Sweden, in its capacity as the Issuer, declares that it has 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, 2 September 2008
On behalf of the Issuer

Guðmundur Ólason
Member of the Board of Directors

Jóhannes Sigurðsson
Member of the Board of Directors

3 MANAGER

The Manager, Glitnir banki hf., ID No. 550500-3530, registered office at Kirkjusandur 2, 155 Reykjavík, Iceland, has been the advisor to the Issuer in the preparation of this Securities Note. The Manager has advised on e.g. the size of the issue and the bills's yield and market value at time of sale. The Manager has not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Manager as to the accuracy or completeness of the information contained in this document or any other information provided by the Issuer in connection with the bills. The Manager does not accept any liability in relation to the information contained in this document or any other information provided by the Issuer in connection with the bills.

Reykjavík, 2 September 2008
On behalf of the Manager

Jóhannes Baldursson
Executive Vice President of Capital Markets Iceland DIV

4 NOTICE TO INVESTORS

This Securities Note concerns Moderna Finance AB, ID No., 556594-1787, Icelandic ID No. 440308-9960, Engelbrektsplan 1, BOX 2095, SE- 103 13, Stockholm Sweden, the admission to trading of, bills for the amount of ISK 560,000,000,- on OMX Nordic Exchange Iceland hf. It has been prepared in accordance with chapter VI in the Act. No. 108/2007 on securities transactions. This Securities Note is part of a Prospectus that consists of two independent documents; this Securities Note and a Registration Document, dated 2 September. The admission to trading will proceed pursuant to Icelandic law and regulations. OMX Nordic Exchange Iceland hf. has scrutinized and approved this Prospectus.

Only the Issuer is entitled to procure information about conditions described in the Securities Note. Information procured by any other person is of no relevance in relation to the Securities Note and cannot be relied on.

This Securities Note is not an offer to sell or a request to buy bills.

The content of the Securities Note does not constitute legal, financial or tax advice and bill owners should seek legal, financial and/or tax advice.

This Securities Note and any document forming a part of the Prospectus shall not be distributed or mailed 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.

Investors are advised to familiarize themselves thoroughly with all news regarding the Issuer on the Issuer's website (www.modernafinance.se), where they can find all documents forming the Prospectus.

5 GENERAL INFORMATION

5.1 CONFLICT OF INTEREST

There is no conflict of interest of natural or legal persons, with regards to this issue.

5.2 REASONS FOR THE ISSUE AND THE USE OF PROCEEDS

The issue is part of regular financing. The proceeds from the issue are used to finance the Issuer's regular activities.

The total expenses related to the admission to trading of the Bills are ISK 810,037-.

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.

6 INFORMATION CONCERNING THE SECURITIES

Authorisation

The Board of Moderna Finance AB, ID No. 556594-1787, Icelandic ID No. 440308-9960, Engelbrektsplan 1, BOX 2095, SE- 103 13 Stockholm, Sweden, authorised a bill issue for SEK 500,000,000,- on the 28.02.2008.

Issue and Note characteristics

The Bills are non interest-bearing securities issued electronically at the Icelandic Securities Depository (Verðbréfaskráning Íslands hf.), ID No. 500797-3209, Laugavegur 182, 105 Reykjavík, in accordance with Act No. 131/1997 on electronic registration of title securities and registered there under the name of the relevant billholder or his/her nominee. The Bills will bear the symbol MODF 08 1121 and the ISIN code IS0000018109.

The Bills constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank pari passu among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

The Bills are denominated in ISK. They do not influence the Issuer's other commitments and they do not include any fringe benefits.

The Bills are not indexed.

Indication of yield is 21,850% at the first date of the selling period, which was 21 May 2008. The bills do not pay any interests at maturity. The indication of yield represent at what yield the principal amount is discounted when the bills where initially issued and sold by Moderna Finance.

The issue date of the Bills was 21 May 2008. The issued and sold mount is ISK 560,000,000 and the total authorized amount is ISK 750,000,000. Denomination of each Bills is ISK 10,000,000,-. Final maturity date is 21 November 2008.

All amounts payable under the Bills will be paid to relevant financial institution where the registered owner has his/her VS account.

The depository agent is the Icelandic Securities Depository (Verðbréfaskráning Íslands hf.), ID No. 500797-3209, Laugavegur 182, 105 Reykjavík. The calculating agent is Glitnir banki hf.

The Bills shall in change of ownership be endorsed to a named party. No other restrictions are on transferring the Bills.

Index

The Bills are non-indexed.

Event of default, Acceleration and Enforcement

If payment of the Bill's principal default, it is permitted to declare the Bills immediately due and payable. The Issuer shall then pay penalty interest as determined by the Central Bank of Iceland, cf. paragraph 1, article 6 of Act No. 38/2001, on a mature or called amount according to the aforesaid.

Prescription

The Bills will become void in accordance with chapter 11 of Act. 93/1933 unless presented for payment within 3 years from the date of maturity.

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. The Issuer does not guarantee that tax on capital gains is paid to the national treasury.

Governing law

The governing law is Icelandic law; in particular Act No. 93/1933 on Bills (lög um víxla), Act No. 108/2007 on securities transactions (lög um verðbréfavíðskipti), Act No. 131/1997 on electronic registration of title securities (lög um rafræna eignarskráningu verðbréfa) and Act No. 110/2007 on stock exchange (lög um kauphallir). The Issuer irrevocably agrees that 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 the Act on Civil Procedure No. 91/1991, Chapter 17.

7 ADMISSION TO TRADING

The Issuer has applied for the Bills' to be admitted to trading in a regulated securities market, run by OMX Nordic Exchange Iceland hf. OMX Nordic Exchange Iceland hf. operates in pursuance of the Act. No. 110/2007 on the activities of stock exchanges and regulated OTC markets.

The Bills are expected to be admitted to trading on 3 September 2008.

8 FURTHER INFORMATION

8.1 ADVISORS

Glitnir banki hf. has been the Issuer's advisor on the issue of the Bills and admission to trading. Glitnir banki hf. has advised on e.g. the size of the issue and the Bills' yield and market value at time of sale.

8.2 EXTERNAL INFORMATION

This Securities Note is not based on the statements of external specialists or another third party.

8.3 CREDIT RATING

No credit rating has been assigned to the Issuer or its debt securities.