

SECURITIES NOTE
Straumur-Burdaras Investment Bank hf.
STRB 07 5

JULY 2008

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1 RISK FACTORS

1.1 GENERAL

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

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Bonds but the inability of the issuer to pay interest, principal or other amounts on or in connection with any Bonds 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 Bonds on all 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 Bonds. The Bonds 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 Bonds 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 Bonds. 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 Bonds is in line with the risk they involve.

The Issuer is not subject to any kind of limits on further borrowings and can therefore take on further debt with equal ranking as the Bonds in this issue.

1.3 MARKET RISK

Market risk refers to the risk related to all commercial papers of the same type.

The Security Notes are derivative related Bonds and 95% principal protected, where 95% of its principal will be repaid in one payment on the final maturity date, 6 October 2008. The yield of the Bonds is linked to the performance of the shares of Glitnir banki hf. (Glitnir), ID No. 550500-3530. The participation rate is 120% with a cap at 50% above the strike price of 28,1. The price of the shares on maturity of the Bonds will be equal to the average closing price of the shares for the last 5 business days prior to the maturity date.

The Bonds are not indexed. Therefore, Investors risk on receiving only 95% of what they initially invested, without any interests, if Glitnir's strike price is below 28,1. Potential Investors should therefore be aware that they may not receive any interests on the Bonds.

Glitnir is registered on OMX Nordic Exchange Iceland hf. – under the symbol GLB and the ISIN code IS0000000131. Further information regarding the stocks can be found on OMX Nordic Exchange website (www.omxnordicexchange.com) or Glitnir's website (www.glitnir.is).

Insurance has not been bought from a third party regarding payment of the notes' principal. Investors could therefore lose more than 95% of its principal, if the Issuer becomes bankrupt. Investors could as well lose more than was invested for, if a loan has been taken for the investment.

No adjustments will be made to the Bonds with regards to any corporate actions in respect of the shares of Glitnir banki hf.

1.4. CHANGES IN LAW

The terms and conditions of the bonds are based on Icelandic law in force as of the date of this Securities Note, particularly; 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. THE BONDS ARE NOT SUITABLE FOR ALL INVESTORS

Investors must make their own decision on whether investing in the Bonds 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 Bonds and the Issuer's liquidity.
2. Investors must appreciate the risks related to investment in the Bonds 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 Bonds 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 Bonds.
4. Investors must study and understand the terms that apply to the Bonds and be familiar with the behavior 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 Bonds.

2 PERSONS RESPONSIBLE

Straumur-Burdaras Investment Bank hf., ID No. 701086-1399, Borgartún 25, 105 Reykjavík, Iceland, in its capacity as the Issuer, declares that it has taken all reasonable care to ensure that 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 July 2008
On behalf of the Issuer

William M.N. Fall
CEO

Linda Jónsdóttir
Senior Vice President Treasury

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 and a summary, made public on 29 July 2008. The Manager has advised on e.g. the size of the issue and market value at time of sale.

Reykjavík, 28 July 2008.
On behalf of the Manager

Jóhannes Baldursson
Managing Director

4 NOTICE TO INVESTORS

This Securities Note concerns Straumur-Burdaras Investment Bank hf., ID No. 701086-1399, Borgartún 25, 105 Reykjavík, Iceland, admission to trading of, structured Bonds for the amount of ISK 2,000,000,000,- 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 three independent documents; a summary, this Securities Note and a

Registration Document published on 30 June 2008. The admission to trading will proceed pursuant to Icelandic law and regulations. OMX Nordic Exchange Iceland hf. has scrutinized and approved this Prospectus, which is only published in English.

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 bonds.

The content of the Securities Note does not constitute legal, financial or tax advice and bond 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 and announcements made public regarding the Issuer found on the Issuer's website (www.straumur.net), where investors can also find all documents forming the Prospectus.

5 GENERAL INFORMATION

5.1 CONFLICT OF INTEREST

On 28 July 2008, Glitnir banki hf. holds 4,10% in the Issuer through GLB Hedge. The Issuer believes these holdings do not constitute any conflict of interest related 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 Bonds are ISK 1,025,000.

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

6 INFORMATION CONCERNING THE SECURITIES

Authorisation

The Bonds issue was approved on 25 July 2007 by duly authorised persons. The approval is in accordance with Straumur-Burdaras Investment Bank hf.'s Rules on Signatures dated 28 January 2008 as amended.

Issue and Bond characteristics

The Bonds are 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 bondholder or his/her nominee. The Bonds will bear the symbol STRB 07 5 and the ISIN code IS0000015048.

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

The issue date of the Bonds was 5 June 2007. The issued amount is ISK 2,000,000,000. Denomination of each Bond is ISK 5,000,000.

The yield on the Bonds is linked to the performance of the shares of Glitnir banki hf. The shares of Glitnir banki hf. are registered on OMX Nordic Exchange Iceland hf. The Bonds are 95% principal protected. The participation rate is 120% with a cap at 50% above the strike price of 28.1. The price of the shares on maturity of the Bonds will be equal to the average closing price of the shares for the last 5 business days prior to the maturity date. Further information regarding the shares of Glitnir banki hf. can be found on Glitnir banki's website (www.glitnir.is).

All amounts payable under the Bonds will be paid to the 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 Bonds shall in change of ownership be endorsed to a named party. No other restrictions are on transferring the Bonds.

Payment

The bonds do not carry interest. On the redemption date the Issuer pays 95% of the principal of the notes. Return is related to the price of shares in Glitnir banki hf and investors receive 120% participation in the rise up to a 50% rise in shares in Glitnir banki hf, based on the reference price

28,1. The settlement of the bonds on 6 October 2008 is based on the average price of shares in Glitnir banki hf in the last 5 business days.

Return is calculated based on the average closing price of shares in Glitnir banki hf, cf. the following formula:

$$\text{Return} = \left(\frac{\left(\sum_{n=0}^4 G^{T-n} \right) / 5}{G^0} \right) - 1$$

where:

G^T is the closing price at final maturity

G^{T-n} is the closing price n business days before final maturity

G^0 is the reference price of the contract ($G^0 = 28,1$)

T is final maturity

The payment to investors at final maturity is therefore:

$$\text{Payment} = (95\% + 1.2 \cdot \text{Max}(0; \text{Min}(\text{return}; 40.0\%))) \times \text{principal}$$

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The bonds are non-CPI linked

Event of default, Acceleration and Enforcement

If payment of the principal or interest on the Bonds default, it is permitted to declare the Bonds 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 Bonds will become void in accordance with Act. No. 150/2007 unless presented for payment within 10 years (in the case of the principal) and four years (in the case of interest or any other amount) after the relevant date.

Taxation

All payments in respect of the Bonds 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; 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 exchanges (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 Notes 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 Bonds' to be admitted to trading in a regulated 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 Bonds are expected to be admitted to trading no earlier than 29 July 2008.

The total expenses related to the admission to trading of the Bonds are ISK 1,025,000.

8 FURTHER INFORMATION

8.1 ADVISORS

Glitnir banki hf. has been the Issuer's advisor on the admission to trading of the Bonds. Glitnir banki hf. has advised on e.g. the size of the issue and the Bonds' 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

On 2 April 2008, Fitch Ratings assigned Straumur ratings of long-term BBB-, short-term F3, individual C/D and support 3.

9 NEW INFORMATION

9.1 TREND INFORMATION

There has not been material adverse change in the prospects of the Issuer since the date of its last published audited financial statements.

9.2 MATERIAL CONTRACTS

The Issuer has not entered into any material contracts since the Prospectus was published, 30 June 2008.

9.3 CHANGES IN THE OWNERSHIP STRUCTURE

As at end of business on 28 of July 2008, the five largest shareholders in Straumur own 70.44 per cent of its shares, as set out below:

Shareholder name	%
Samson Global Holdings S.a.r.l.	34.31
Landsbanki Luxembourg S.A. (custodian accounts)	22.47
Landsbanki Íslands hf., head office	4.95
Straumur-Burðarás Fjárfestingarbanki hf.	4.61
GLB Hedge	4.10

9.4 LEGAL AND ARBITRATION PROCEEDINGS

There have not been any governmental, legal or arbitration proceedings during the last 12 months (including pending or threatened proceedings of which Straumur is aware) which may have, or have had in the recent past, significant effects on Straumur's position or profitability.

9.5 THE ISSUER'S FINANCIAL POSITION

There have not been any significant changes in the Issuer's financial position since the end of the last financial period.

10 DOCUMENTS INCORPORATED BY REFERENCE AND ON DISPLAY

The following documents are incorporate by reference:

- Audited annual consolidated statements for Straumur for the years ending 31 December 2006 and 31 December 2007.
- Reviewed unaudited interim consolidated financial statements of Straumur for the three months ended 31 March 2008.

The following documents are on display:

- The Articles of Association of Straumur.
- The audited annual consolidated financial statements for Straumur for the years ending 31 December 2006 and 31 December 2007 and reviewed unaudited interim consolidated financial statements of Straumur for the three months ended 31 March 2008.