

FINAL TERMS

15 July 2008

GLITNIR BANKI HF.

**Issue of Series 1 Tranche 2 ISK 4.100.000.000 Inflation Linked Equal Payment Covered Bonds
irrevocably and unconditionally guaranteed as to payments by
GLB CB
under the ISK 100,000,000,000
Covered Bond Programme**

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions set forth in the Prospectus dated 16 February 2008 as supplemented on 18 March 2008 which constitutes a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**). This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus. Full information on the Issuer, the Fund and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus is available for viewing at the office of the Issuer at Kirkjusandur 2, 155 Reykjavik, Iceland and copies may be obtained from the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London, EC2N 2DB.

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| 1. | (a) | Issuer: | Glitnir banki hf. |
| | (b) | Guarantor: | GLB CB |
| 2. | (a) | Series Number: | 1 |
| | (b) | Tranche Number: | 2 |
| | | | Tranche 2 of the Series 1 Covered Bonds is intended to be fungible with Tranche 1 of the Series 1 Covered Bonds. |
| 3. | | Specified Currency or Currencies: | ISK |
| 4. | | Aggregate Nominal Amount: | |
| | (a) | Series: | 20,100,000,000 |
| | (b) | Tranche: | 4,100,000,000 |
| 5. | | Issue Price: | 101 per cent. of the Aggregate Nominal Amount |
| 6. | | Specified Denominations: | ISK: 1,000,000 |
| 7. | (a) | Issue Date: | 16 July 2008 |
| | (b) | Interest Commencement Date: | 16 July 2008 |
| 8. | | Final Maturity Date: | 1 February 2050 |
| 9. | | Interest Basis: | Inflation Linked Interest
(Further particulars specified below) |
| 10. | | Redemption/Payment Basis: | Equal payments. [499] payments in total on the same date as interest payments. |
| 11. | | Change of Interest Basis or Redemption/Payment Basis: | Not Applicable |
| 12. | | Call Option: | Issuer Call |

13. (a) Status of the Covered Bonds: Senior
- (b) Status of the Covered Bond Guarantee: Senior
- (c) Date of Board approval for issuance of Covered Bonds and Covered Bond Guarantee obtained: March 5 2008 and 20 December 2006, respectively
14. Method of distribution: Non-syndicated

PROVISIONS RELATING TO INFLATION LINKED ANNUITY COVERED BONDS

15. **Inflation Linked Annuity Covered Bonds** Not Applicable

PROVISIONS RELATING TO INFLATION LINKED EQUAL PAYMENT COVERED BONDS

16. **Inflation Linked Equal Payment Covered Bonds** Applicable
- (a) Rate(s) of Interest: 4.0 per cent. per annum monthly in arrear
- (b) Interest Payment Date(s): The tenth day in each month each year, up to and including the Final Maturity Date with the first interest payment date being 10 August 2008.
- (c) Day Count Fraction: 30E360
- (d) Formula for calculation of principal amount due as specified in Condition 7.1: An amount calculated by the Calculation Agent in accordance with the following formula: Principal Receipts
Principal Receipts means on any Calculation Date amounts received in respect of principal from the Pool established in respect of Tranche 1 of the Series 1 Covered Bonds issued pursuant to the Final Terms dated 18 March 2008 (as such Pool has been increased in respect of the issuance of this Tranche 2 pursuant to these Final Terms) during the previous Calculation Period divided by the number of Covered Bonds outstanding for such Series
- (e) Calculation of Equal Payment Amount: The formula to calculate the Equal Payment Amount is as follows: Principal Receipts plus the Interest Amount
- (f) Calculation Agent: Issuer
- (g) Initial Equal Payment Amount: ISK 15.194.355
- (h) Principal Indexation Amount: On the relevant Interest Payment Date, the Principal Amount Outstanding as at the previous Interest Payment Date multiplied by the Index Ratio
- (i) Principal Amount Outstanding: On the relevant Interest Payment Date, the Principal Amount Outstanding plus the Principal Indexation Amount less Principal Receipts
- (j) Index Ratio: The value of the Index Ratio (**IR**) on the relevant Interest Payment Date shall be the value of the Reference Index (**RI**) applicable to the relevant Interest Payment Date divided by the value of the Base Index (**BI**) as calculated by the Calculation Agent

$$\text{being IR} = \frac{\text{RI}_t}{\text{BI}_{t-1}}$$

where:

Reference Index or **RI** means on each Interest Payment Date the value of the Consumer Price Index (the **CPI**) for the relevant month as calculated by Statistics Iceland pursuant to the Consumer Price Index Act of 1995 (*lög um vísitölu neysluverðs nr. 12/1995*) and published monthly in the Legal Gazette (*Lögbirtingarblaðið*).

BI_{t-1} means, on the first Interest Payment Date, the Base Index and on any other Interest Payment Date, the Reference Index on the prior Interest Payment Date;

and

Base Index means 282.3 being the value of the CPI on January 31 2008.

If at any time a new index is substituted for the CPI, as of the calendar month from and including that in which such substitution takes effect:

- (i) the Reference Index shall be deemed to refer to the new index; and
- (ii) the new Base Index shall be the product of the existing Base Index and the Reference Index immediately following such substitution, divided by the Reference Index immediately prior to such substitution.

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

17.	Fixed Rate Covered Bond Provisions	Not Applicable
18.	Floating Rate Covered Bond Provisions	Not Applicable
19.	Zero Coupon Covered Bond Provisions	Not Applicable
20.	Variable Interest Covered Bond Provisions	Not Applicable
21.	Dual Currency Interest Covered Bond Provisions	Not Applicable

PROVISIONS RELATING TO REDEMPTION

22.	Issuer Call:	Applicable
	(a) Optional Redemption Date(s):	Each Interest Payment Date
	(b) Optional Redemption Amount of each Covered Bond and method, if any, of calculation of such amount(s):	Condition 7.6(a) applies

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| | (c) | If redeemable in part: | |
| | (i) | Minimum Redemption Amount: | Not Applicable |
| | (ii) | Maximum Redemption Amount: | Not Applicable |
| | (d) | Notice period (if other than as set out in the Terms and Conditions): | |
| 23. | | Final Redemption Amount of each Covered Bond: | Not Applicable |
| 24. | | Early Redemption Amount of each Covered Bond payable on redemption on event of default, etc. and/or the method of calculating the same (if required or if different from that set out in Condition 7.5): | Not Applicable – Condition 7.5 applies |

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

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| 25. | | New Global Note: | No |
| 26. | | Form of Covered Bonds: | Temporary Global Covered Bond exchangeable for a Permanent Global Covered Bond which is exchangeable for Definitive Covered Bonds only after an Exchange Event |
| 27. | | Additional Financial Centre(s) or other special provisions relating to Payment Days: | Not Applicable |
| 28. | | Talons for future Coupons or Receipts to be attached to Definitive Covered Bonds (and dates on which such Talons mature): | No |
| 29. | | Details relating to Partly Paid Covered Bonds: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Covered Bonds and interest due on late payment: | Not Applicable |
| 30. | | Details relating to Instalment Covered Bonds: | |
| | (a) | Instalment Amount(s): | Not Applicable |
| | (b) | Instalment Date(s): | Not Applicable |
| 31. | | Redenomination applicable: | Redenomination not applicable |
| 32. | | Other final terms: | Not Applicable |

DISTRIBUTION

- 33. (a) If syndicated, names and addresses of Managers and underwriting commitments: Not Applicable
- 34. If non-syndicated, name of relevant Dealer: Glitnir banki hf.
- 35. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: TEFRA D
- 36. Additional selling restrictions: Not Applicable

LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Covered Bonds described herein pursuant to the ISK 100,000,000,000 Covered Bond Programme of Glitnir banki hf.

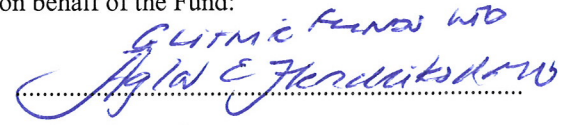
RESPONSIBILITY

Each of the Issuer and the Fund accepts responsibility for the information contained in these Final Terms.

Signed on behalf of the Issuer:

Signed on behalf of the Fund:

By: 

By: 

GLITNIR *Duly authorised* Hörður F. Harðarson
General Counsel

Duly authorised


Helgi Anton Eiríksson
Executive Vice President

PART B – OTHER INFORMATION

1. LISTING

- (a) Listing: OMX Nordic Exchange Iceland hf
- (b) Admission to trading: Application has been made for the Covered Bonds to be admitted to trading on OMX Nordic Exchange Iceland hf. with effect from 17 July 2008.

2. RATINGS

- Ratings: The Covered Bonds to be issued have been rated:
Moody's: Aaa

3. NOTIFICATION

Not Applicable

4. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

Save for any fees payable to the Dealer, so far as the Issuer and the Fund are aware, no person involved in the issue of the Covered Bonds has an interest material to the offer.

5. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- (a) Reasons for the offer: See "Use of Proceeds" wording in Prospectus
- (b) Estimated net proceeds: ISK 4.129.028.000
- (c) Estimated total expenses: ISK 450,000

6. YIELD (*Fixed Rate Covered Bonds only*)

Indication of yield: Not Applicable

7. HISTORIC INTEREST RATES (*Floating Rate Covered Bonds Only*)

Not Applicable

8. PERFORMANCE OF INDEX/FORMULA/CPI, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING (*Index Linked Covered Bonds, Inflation Linked Annuity Covered Bonds and Inflation Linked Equal Payment Covered Bonds Only*)

Historic performance of the CPI and its influence on the value of the Covered Bonds

The general cash-flow of the Covered Bonds is determined in real terms on the Issue Date. The nominal value of each future payment depends on the development of the CPI as demonstrated by the formula in paragraph 15 of Part A of this Final Terms.

Based on data from Statistics Iceland, the year to year inflation, measured as changes in the CPI, has been positive for the last 30 years ranging from 1.3 per cent. in 1998 to 67.7 per cent. in 1982. The average value over the period is 20 per cent. with standard deviation of 21.4 per cent. The same

statistics for the last 10 years is an average inflation rate of 3.6 per cent. and standard deviation of 2.5 per cent.

The development of the CPI since 2001 is set out in the table below:

	2001	2002	2003	2004	2005	2006	2007	2008
January	202.4	221.5	224.7	230.1	239.2	249.7	266.9	282.3
February	202.8	220.9	224.3	229.4	239.7	249.5	268.0	286.2
March	204.0	221.8	226.7	230.7	241.5	252.3	267.1	290.4
April	206.5	221.9	227.0	232.0	242.0	255.2	268.7	300.3
May	209.4	221.8	226.6	233.9	240.7	258.9	271.0	304.4
June	212.6	222.8	226.8	235.7	242.4	261.9	272.4	307.1
July	214.2	223.0	226.5	234.6	242.7	263.1	273.0	
August	214.9	221.8	226.3	234.6	243.2	264.0	273.1	
September	216.3	222.9	227.9	235.6	246.9	265.6	276.7	
October	217.7	224.1	229.0	237.4	248.4	266.2	278.1	
November	218.5	223.7	229.3	237.9	248.0	266.1	279.9	
December	219.5	223.9	230.0	239.0	248.9	266.2	281.8	

Source: Iceland Statistics

The Central Bank's main objective is price stability, defined as a 12-month rise in the CPI of 2.5 per cent. The aim is to keep the rate of inflation on average as close to the target as possible. If it deviates by more than 1.5 per cent. in either direction, the Central Bank is obliged to present the Icelandic Government with a report, which will be made public, explaining the reasons for the deviation from the target and the Central Bank's responses to the deviation.

The development of 12 month inflation (in percentage terms) since 2001 is set out in the table below:

	2001	2002	2003	2004	2005	2006	2007	2008
January	3.5%	9.4%	1.4%	2.4%	4.0%	4.4%	6.9%	5.8%
February	4.1%	8.9%	1.5%	2.3%	4.5%	4.1%	7.4%	6.8%
March	3.9%	8.7%	2.2%	1.8%	4.7%	4.5%	5.9%	8.7%
April	4.5%	7.5%	2.3%	2.2%	4.3%	5.5%	5.3%	11.8%
May	5.5%	5.9%	2.2%	3.2%	2.9%	7.6%	4.7%	12.3%
June	6.8%	4.8%	1.8%	3.9%	2.8%	8.0%	4.0%	12.7%
July	7.0%	4.1%	1.6%	3.6%	3.5%	8.4%	3.8%	
August	7.9%	3.2%	2.0%	3.7%	3.7%	8.6%	3.4%	
September	8.4%	3.1%	2.2%	3.4%	4.8%	7.6%	4.5%	
October	8.0%	2.9%	2.2%	3.7%	4.6%	7.2%	4.5%	
November	8.1%	2.4%	2.5%	3.8%	4.2%	7.3%	5.2%	
December	8.6%	2.0%	2.7%	3.9%	4.1%	7.0%	5.9%	

Source: Iceland Statistics

If policy changes or if the Icelandic economy runs into long-term stagnation it is possible that the level of the CPI will go down over time resulting in individual future payments on the Covered Bonds being lower in nominal terms than the real value of the same payment on the Issue Date.

Information about the CPI can be obtained from <http://www.statice.is/>

9. PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT *(Dual Currency Covered Bonds Only)*

Not Applicable

10. OPERATIONAL INFORMATION

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| (a) | ISIN Code: | XS0377653844 |
| (b) | Common Code: | 037765384 |
| (c) | Any clearing system(s) other than Euroclear Bank S.A./N.V. or Clearstream Banking, société anonyme and the relevant identification number(s): | Not Applicable |
| (d) | Delivery: | Delivery free of payment |
| (e) | Names and addresses of additional Paying Agent(s) (if any): | Not applicable |
| (f) | Intended to be held in a manner which would allow Eurosystem eligibility: | No |