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(incorporated in Iceland as a public limited company)

## 1. RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Bills. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with the Bills are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in 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 which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate.

### **Issuer's liability to make payments under the Bills**

The Issuer is liable to make payments when due on the Bills. The obligations of the Issuer under the Bills are direct, unsecured, unconditional and unsubordinated obligations, ranking pari passu without any preference amongst themselves and equally with its other direct, unsecured, unconditional and unsubordinated obligations (save for any obligations required to be preferred by law).

The Issuer has not entered into any restrictive covenants in connection with the issuance of the Bills regarding its ability to incur additional indebtedness ranking pari passu to the obligations under or in connection with the Bills.

### ***No Prior Public Market***

The Bills constitute a new issue of Bills. Prior to admission to trading, there has been no public market for the Bills. Although application has been made to admit the Bills to trading on the regulated Market of the OMX ICE, there can be no assurance that an active public market for the Bills will develop and, if such a market were to develop, the Manager is under no obligation to maintain such a market. The liquidity and the market prices for the Bills can be expected to vary with changes in market and economic conditions, the financial condition and prospects of the Issuer and other factors that generally influence the market prices of securities. Such fluctuations may significantly affect the liquidity and the market prices of the Bills, which may trade at a discount to the price at which a purchaser purchased the Bills.

### ***An investment in the Bills may not be suitable for all prospective investors***

The Bills are not suitable investments for all investors. In particular, prospective investors should not purchase the Bills unless they have sufficient knowledge and experience to make meaningful evaluation of the credit, liquidity and market risks associated with the Bills.

Prospective investors should possess, either alone or together with an investment advisor, the expertise necessary to evaluate the information contained in this Securities Note. Potential investors should carefully consider, among other things, the factors described in this section before purchasing the Bills and the risk factors in the Registration document dated 2 June 2008.

### ***Change of law***

The terms and conditions of the Bills are based on Icelandic law in effect as at the date of this Securities Note. 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.

## 2. PERSON RESPONSIBLE

Exista hf., in its capacity as the Issuer, Icelandic ID-No. 610601-2350, registered office at Ármuli 3, 108 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 10 July 2008  
On behalf of the Issuer

Lýður Guðmundsson  
Executive Chairman of the board

Erlendur Hjaltason  
CEO

Sigurður Valtýsson  
CEO

## 3. MANAGER

The Manager, Kaupthing Bank hf. – Capital Markets division, Icelandic ID-No. 560882-0419, registered office at Borgartun 19, 105 Reykjavík, Iceland has been the advisor to the Issuer in the preparation of this Securities Note. 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 or incorporated in this document or any other information provided by the Issuer in connection with the Bills of Exchange ("Bills"). The Manager does not accept any liability in relation to the information contained or incorporated by reference in this document or any other information provided by the Issuer in connection with the Bills.

Reykjavík, 10 July 2008  
On behalf of the Manager

Ingvar Vilhjálmsson  
Managing Director

Stefán Ákason  
Head of Fixed Income Sales

#### 4. REFERENCES AND GLOSSARY OF TERMS AND ABBREVIATIONS

References to the "Issuer", "Exista" and "the Company" in this Securities Note shall be construed as referring to Exista hf., Icelandic ID-No. 610601-2350, unless otherwise clear from the context, and its subsidiaries and affiliates, unless otherwise clear from the context. Exista hf. is the legal Icelandic name of the Issuer.

References to "OMX ICE" in this Securities Note shall be construed as referring to OMX Nordic Exchange Iceland 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 OMX ICE Fixed Income market 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 Verðbréfaskráning Íslands hf., Icelandic ID-No. 500797-3209, Laugavegi 182, 105 Reykjavík unless otherwise clear from the context.

References to the "Manager" in this Securities Note shall be construed as referring to Kaupthing Bank hf. – Capital markets division, Icelandic ID-No. 560882-0419, unless otherwise clear from the context.

References to the "Bills" in this Securities Note shall be construed as referring to the Bills issued under the symbol, EXIS 08 1008 which is described in this Securities Note, unless otherwise clear from the context.

#### 5. NOTICE TO INVESTORS

In making an investment decision, potential investors should carefully consider the merits and risks of an investment in the Bills and carefully review the terms and conditions of the Bills described under the section 'Issue and Bill characteristics'.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Securities Note or any other information supplied in connection with the Bills and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Manager.

Neither this Securities Note nor any other information supplied in connection with the Bills (a) is intended to provide the basis of any credit or other evaluation; or (b) should be considered as a recommendation by the Issuer or the Manager that any recipient of this Securities Note or any other information supplied in connection with the Bills should purchase any Bills. Each investor contemplating purchasing any Bills should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Securities Note nor any other information supplied in connection with the Issuer constitutes an offer or invitation by or on behalf of the Issuer or the Manager to any person to subscribe for or to purchase any Bills.

Neither the delivery of this Securities Note nor the sale or delivery of any Bills shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Bills is correct as of any time subsequent to the date indicated in the document in question. Therefore potential investors are advised to follow all information made public relating to the Issuer, during the lifetime of the Bills, including, but not limited to, annual reports, interim accounts and press releases.

Investors are advised to consider that the Manager expressly does not undertake to review the financial condition or affairs of the Issuer during the life of the debt securities or to advise any investor in the debt securities of any information coming to its attention.

This Securities Note with the Summary dated 10 July 2008 and Registration Document dated 2 June 2008 form this Prospectus. Full information on the Issuer is only available on the basis of the combination of this Securities Note and the Registration Document.

The Bills have not been and will not be registered under the United States Securities Act of 1933, as amended (the Securities Act). Subject to certain exceptions, Bills may not be offered, sold or delivered within the United States or to U.S. persons

## 6. KEY INFORMATION

In addition to any fees payable to the Manager in connection with this issue, the Issuer's and the Bank's interests are connected in the following manner:

- Exista, through its subsidiary, Exista B.V., is the largest shareholder in Kaupthing Bank and holds 24.75% of the Bank's total issued shares.
- Lýður Gudmundsson, the Executive Chairman of the board of the Issuer is a board member in Kaupthing Bank. Hildur Árnadóttir, member of the Board of the Issuer is an alternative board member of Kaupthing Bank.
- Exista is a customer of Kaupthing Bank's Investment Banking, Capital Markets and Corporate Banking divisions. Kaupthing Bank is among Exista's largest creditors.
- Bakkavör, Skipti and Flaga, companies in which Exista holds large stakes, are customers of Kaupthing Bank's Investment Banking, Capital Markets and Corporate Banking divisions. Kaupthing Bank is among Bakkavör's, Skipti's and Flaga's largest creditors.
- On 4 July 2008 Kaupthing Bank hf. holds 1.78% of the active share capital in Exista.
- Both Kaupthing Bank and Exista own significant holdings in Storebrand ASA and Flaga Group hf.
- A comprehensive financial, insurance and home security service by VÍS, Lífis, KB-Líf, Öryggismidstöð Íslands, Lýsing and Kaupthing Bank, Vöxtur, consists of banking services from Kaupthing Bank, general insurance from VÍS, life insurance from KB-Líf and Lífis, home security services from Öryggismidstöð Íslands, and asset financing from Lýsing.
- On 30 April 2008 Kaupthing Bank and Sparisjóður Reykjavíkur og nágrennis hf. (SPRON) announced that they had decided to enter into negotiations on a possible merger between the negotiations were expected to be completed in approximately four weeks from that time. On 30 May 2008 it was announced that negotiations were not completed and that the conclusion to the negotiations would be reported on as soon as possible. On 1 July 2008 it was announced that the Board directors of SPRON and Kaupthing had approved the merger of the two companies according to which Kaupthing will take over SPRON's assets and liabilities by a merger. Upon the merger, shareholders in SPRON will receive 0.002007864 shares in Kaupthing Bank hf. and 0.305585106 shares in Exista hf. as payment for each share of a nominal value of ISK 1 in SPRON.

## 7. INFORMATION CONCERNING THE SECURITIES TO BE ADMITTED TO TRADING

### Authorisation

At a board meeting held on 25 September 2007, the board of Exista authorised a bill issue with the maximum amount of ISK 20 billion with a tenure of up to one year. The Issuer has at the date of this Securities Note issued bills amounting in total to ISK 12,750,000,000 under EXIS 08 1008 and is authorized to issue further bills up to a total of ISK 15,000,000,000 under EXIS 08 1008.

### Issue and Bill characteristics

The Bills bear no interest and are not indexed. The Bills are registered electronically at the Icelandic Securities Depository and are registered there under the name of the relevant billholder or his/her nominee. The Bills are all in the same class, and the symbol on OMX ICE will be EXIS 08 1008.

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.

Date of issue:	8 October 2007
Authorized amount:	ISK 15,000,000,000
Issued and sold amount:	ISK 12,750,000,000
Denomination:	ISK 5,000,000
Currency:	ISK
Interest rates:	The Bills bear no interest.
Calculation agent:	Kaupthing Bank hf.
Maturity date:	The date of maturity is 8 October 2008. Repayment is made on the aforementioned maturity date. It is not permitted to bring forward the repayment of the Bills.
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:	Act/360 19,97 % at 4 July 2008. Calculation: Value 04.07.08 Last Day 08.10.08 95 days total 3 month Reibor 15,95 % Corporate spread 2,7 % Interest 18,65 % Price = $100 / (1 + 0,1997 * 95 / 360) = 95,31$ $(95,31 / 100)^{-1 / ((95) / 360) - 1} = 19,97$ % act/360 Yield

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

ISIN code: IS0000015675

### Event of Default, Acceleration and Enforcement

If default occurs the Issuer shall pay default interest at the rate determined by the Central Bank of Iceland, cf. article 6, paragraph 1 of Act no. 38/2001.

### Prescription

All claims according to the Bills against the acceptor expire three years after maturity, cf. article 70, paragraph 1 of Act no. 93/1933 on Bills.

### 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. In such event, the Issuer will not pay any additional amounts in respect of amounts withheld pursuant to such withholding or deduction.

### Governing Law

The governing law is Icelandic law. Buying and selling the bills is subject to the provisions of Icelandic law no. 108/2007 on securities transactions. The Issuer irrevocably agrees that any dispute shall be subject to the exclusive jurisdiction of the District Court of Reykjavík (Héraðsdómur Reykjavíkur).

Legal action regarding the Bills may be proceeded with in accordance with Chapter 17 of the Act on Civil Procedure No. 91/1991 (Lög um meðferð einkamála).

The issued bills are governed by Act no. 93/1933 on Bills as appropriate, cf. article 35 of Act No. 131/1997 on Electronic Registration of Title to Securities.

### Admission to trading

Application has been made to the Icelandic stock exchange (the OMX ICE) as the competent authority in Iceland for the purpose of Directive 2003/71/EC (the Prospectus Directive), the Icelandic law Act no 108/2007 on securities transactions, as amended and the relevant regulations based on the law for approval of this Prospectus. Application has also been made for the Bills to be admitted to trading on the regulated market of the OMX ICE, which is an EU regulated market within the meaning of Directive 2004/39/EC.

The Bills are expected to be admitted to trading on the OMX Nordic Exchange Iceland hf., on 11 July 2008

### Expenses of the admission to trading

The expenses related to the admission to trading of the Bills are ISK 450,000 according to OMX ICE's fee structure. Annual expenses because of this listing will be a fixed fee of ISK 55,000 plus a variable fee of 0.001% of the market value of the Bills according to OMX ICE fee structure. The estimated cost at the ISD is ISK 120,000. The Issuer's cost relating to the preparation of the Prospectus is ISK 250,000.

## 8. SHAREHOLDERS

All active shares have the same rights, including voting rights. The Company has no knowledge of any agreement between the shareholders on the treatment of voting rights. The Issuer is not aware of any arrangements which may at a subsequent date result in a change of control.

Bakkabraedur Holding B.V. holds 45.21% of the active share capital in Exista hf. prior to the acquisition of Skipti. This stake is 5.21% over 40% of the share capital, which is the mandatory takeover bid threshold. According to the FME's published interpretation of Article 100 of the Icelandic Act on Securities Transactions no. 108/2007, the obligation to issue a takeover bid does not arise due to a single shareholder or a shareholder acting in concert with others having legal control over a company at the time of admission to trading on a regulated market. This exemption is subject to the shareholding having been disclosed at the time of admission to trading.

### List of 20 largest shareholders – 4 July 2008

Shareholders	Shares	Ownership
Bakkabraedur Holding B.V.	6,407,905,675	45.20 %
Kista-fjárfestingarfélag ehf	1,015,846,914	7.16 %
Arion safnreikningur	727,578,820	5.13 %
Gift fjárfestingarfélag ehf	615,509,009	4.34 %
Gildi -lífeyrissjóður	584,358,217	4.12 %
Castel (Luxembourg)SARL	579,101,094	4.08 %
Lífeyrissjóður verslunarmanna	543,165,289	3.83 %
Sparisjóður Reykjavíkur/nágr hf	340,965,708	2.40 %
AB 47 ehf	265,435,668	1.87 %
Kaupþing banki hf	253,187,581	1.78 %
Lífeyrissjóðir Bankastræti 7	246,550,512	1.73 %
Den Danske Bank A/S	203,143,839	1.43 %
Eignarhaldsfélagið Stofn ehf	173,156,147	1.22 %
Eignarhaldsfélagið Andvaka gt	170,120,118	1.20 %
Kaupþing Ís-15	151,365,149	1.06 %
Sameinaði lífeyrissjóðurinn	128,454,754	0.90 %
Stafir lífeyrissjóður	127,663,535	0.90 %
Sparisjóðurinn í Keflavík	104,818,953	0.73 %
Lambi ehf	78,309,418	0.55 %
Egla hf	51,893,194	0.36 %



### Holdings of the Issuer's Board of Directors and Exista CEO's and related parties to the Issuer's Board of Directors and Exista CEO's:

(number of shares)	Holding	Parties financially related
Lýdur Gudmundsson	0	6,407,905,879
Ágúst Gudmundsson	0	6,407,905,675
Gudmundur Hauksson	3,504,198	1,356,812,622
Bogi Pálsson	141,091	174,196,147
Sigurjón Rúnar Rafnsson	0	11,146
Hildur Árnadóttir	0	2,325,582
Erlendur Hjaltason	13,109,699	11,683,751
Sigurdur Valtýsson	0	24,716,713

The sum of the the number of shares held by those listed in the table above amount to 16,754,988 shares and the sum of the the number of shares held by parties financially related to them listed in the table above amount to 7,977,651,840 shares. This does not imply that these shareholders are related in any other way than stated in this Prospectus, but only that the composition of the Board of Directors together with the CEOs of Exista is such that among the aforementioned there is a representation of 56.40% of Exista's share capital or 7,994,406,828 shares.

## 9. STATEMENTS

### No material adverse change.

The Issuer states that there has not been any material adverse change in the prospects, of the Issuer since the latest published audited financial statement, the annual account of Exista hf. for 2007.

The Issuer also states that there has not been any material adverse change in the financial and trading position of its group since the latest published financial statements, i.e. the interim report of Exista hf. for the first quarter of 2008.

### Litigation

The Issuer is not engaged in litigation or arbitration that could substantially affect its financial position

### Related party transactions

During the period from 1 January 2005 till 10 July 2008, no losses on receivables from related parties and loans and deposits to related parties or write-down for such losses have been incurred. No unusual transactions have taken place between Exista and its related parties. The Board believes that all of the related party transactions are conducted on an arm's length basis, both transactions between entities within the Group and transactions between Group companies and related parties who are not part of the Group.