

# Securities note

STRB 08 0901

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This Prospectus comprises of a Registration Document made public on 30<sup>th</sup> June 2006 and this Securities Note.

The Prospectus has been scrutinised and approved by the OMX Nordic Exchange Iceland hf. (OMX ICE) according to an agreement with the Financial Supervisory Authority in Iceland.

Straumur-Burdaras Investment Bank hf. is listed on OMX ICE with the ticker symbol STRB, and complies with OMX ICE rules regarding on-going information disclosure. Investors are advised to follow the news announcements and notifications concerning Straumur-Burdaras Investment Bank hf., which will be published on Straumur-Burdaras Investment Bank hf.'s website [www.straumur.net](http://www.straumur.net) once the Prospectus has been published.

The Prospectus is published in Acrobat Adobe format on Straumur-Burdaras Investment Bank hf.'s website, [www.straumur.net](http://www.straumur.net) Additionally a hard copy can be obtained from Straumur-Burdaras Investment Bank hf. headquarters at Borgartún 25, Reykjavík, Iceland. This Securities Note can be obtained until September 1<sup>st</sup> 2008 or during the life of the Bills in question.

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## 1. Reference and Glossary of Terms and Abbreviations

References to the "Issuer", "Straumur", the "Bank" and the "Company" in this Securities Note shall be construed as referring to Straumur-Burdaras Investment Bank hf., Icelandic reg. no. 701086-1399, and its subsidiaries and affiliates, unless otherwise clear from the context.

References to "OMX ICE" in this Securities Note shall be construed as referring to the OMX Nordic Exchange Iceland hf., former Iceland Stock Exchange hf. – Icelandic reg. 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 fixed income market of the OMX ICE, 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 reg. no. 500797-3209, Laugavegur 182, 105 Reykjavik, Iceland, unless otherwise clear from the context.

References to the "Bills" in this Securities Note shall be construed as referring to the Bills admitted to trading which are described in this Securities Note, unless otherwise clear from the context.

## 2. Risk Factors

Straumur considers the following factors liable to affect its ability to fulfil its obligations as provided for in these Bills and to be material for the purpose of assessing the market risks associated with 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.

The potential investor should read the section on risk factors in conjunction with the other sections of this Prospectus, and all public announcements made by the Issuer before making a decision to invest in 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.

In the estimation of the Issuer, the factors described below represent the principal risks inherent in any investment in the Bills in question, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Bills may occur or arise for reasons other than currently anticipated.

### **Market Risk**

Market risk refers to the risk related to all commercial papers of the same type (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. Investors should study the market risk related to the Bills and evaluate the impact caused by changes in their interest rate level.

### **Credit Risk**

Credit risk refers primarily to the risk involved with debt investments such as bills. The most important credit risk is the risk of non-repayment of if the principal 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.

### **Liquidity Risk**

An application has been made to admit the Bills to trading on the regulated market of OMX ICE. However, there can be no assurance that an active public market for the Bills will develop. Straumur quotes the Bills daily on the OMX Nordic Exchange Iceland hf., 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.

### **Legal and Regulatory Risk**

The terms and condition of the Bills are based on Icelandic legislation in force as of the date of this Securities Note. No assurance can be given as to the impact of any possible amendments of legislations, change in administrative practices or judicial decision after the date of this Securities Note . Such risks are though minimal in Iceland, since there is consensus on the structure and key values of the market economy.

### 3. Notice to Investors

Each investor of the Bills must determine the suitability of the investment in light of his own circumstances and in particular have sufficient knowledge and experience to make a meaningful evaluation of the Bills. The investor should consider carefully and understand the merits and risks of investing in the Bills and the information contained or incorporated by reference in the Prospectus, comprising of the Registration Document made public on 30<sup>th</sup> June 2008 and this Securities Note. Each investor should have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of their particular financial situation, an investment in the Bills and the impact the Bills will have on their overall investment portfolio and further have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bills. Each investor should understand thoroughly the terms of the Bills and be familiar with the behaviour of any relevant indices and financial markets; and be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for factors that may affect their investment and their ability to bear the applicable risks.

The Prospectus has been prepared to provide clear and thorough information on the Bills and potential investors should familiarize themselves thoroughly with this Prospectus. The investor should further consider all announcements and communications from the Issuer that are available on the Issuer's webpage; <http://www.straumur.net>

#### 4. Persons Responsible

The undersigned, on behalf of Straumur-Burdaras Investment Bank hf., Icelandic reg. no. 701086-1399, registered office at Borgartún 25, 105 Reykjavík, Iceland, in its capacity as the Issuer and Manager, hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in the Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

Reykjavík 26<sup>th</sup> June 2008

On behalf of Straumur-Burdaras Investment Bank hf., Borgartún 25, 105 Reykjavík, Iceland

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Sveinn Friðrik Sveinsson  
Director – Treasury

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Óttar Pálsson  
Chief Legal Counsel

## 5. Information Concerning the Securities

<b>Type:</b>	Bills of exchange
<b>Ticker:</b>	STRB 08 0901
<b>Bill type:</b>	Bullet
<b>ISIN-code:</b>	IS0000017549
<b>Size limit:</b>	ISK 5,000,000,000 –
<b>Admitted to trading:</b>	ISK 2,500,000,000
<b>Denomination:</b>	ISK 10,000,000
<b>Date of issue:</b>	10 March 2008
<b>Date of admission to trading:</b>	30 <sup>th</sup> June 2008
<b>Maturity date:</b>	1. September 2008
<b>Nominal interest:</b>	The Bills bear no interest.
<b>Day count fraction:</b>	Actual/360
<b>Yield:</b>	19,24%
<b>Benefits:</b>	No benefits are attached to the Bills.
<b>Currency:</b>	ISK
<b>Depository agent:</b>	Icelandic Securities Depository hf. Laugavegur 182, 105 Reykjavík Iceland
<b>Calculation agent:</b>	Straumur-Burdaras Investment Bank hf. Borgartún 25 105 Reykjavik Iceland
<b>Paying agent:</b>	Straumur-Burdaras Investment Bank hf. Borgartún 25 105 Reykjavik Iceland
<b>Authorization:</b>	The Bills issue was approved on March 6 <sup>th</sup> 2008 by duly authorised persons, the Chief Legal Counsel and one director. The approval is in accordance with Straumur's rules.

The Bills are discount instruments issued electronically at the Icelandic Securities Depository (ISD), according to act no. 131/1997. The Bills are registered under the name of the relevant Bill holder or his/her nominee.

### Rights and Priority

Rights to Bills of exchange must be recorded in a central securities depository if they are to enjoy legal protection against appropriate measures and disposal by contract. The Recording to right to title of securities in a central securities depository gives the registered owner legal authority to its rights. Negotiable securities may not be issued against the rights registered in securities, nor may they be transferred.

The Bills are all in the same class. 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.

There are no restrictions on transferring the Bills.

**Maturity and Repayment Procedures.**

Repayment is made with one single payment on the maturity date. It is not permitted to bring forward the repayment of the Bills. All amounts payable under the Bills will be paid to the relevant financial institution where the registered owner has his/her VS account. The ISD shall handle the registration of bill holders and information as to where payment is to be made.

**Event of Default**

In the event of default on 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.

According to Article 5 of the Act No.150/2007 on the Limitations of Liabilities and Other Claims, the right to payment of the principal lapses after ten years. The right to payment of interests and all other claims arising from the Bills lapse after four years according to Article 3 in the same Act.

## 6. Admission to Trading and Dealing Arrangements

Application has been made to OMX ICE for admission to trading on its regulated market, which is an EU-regulated market within the meaning of Directive 2004/39/EC. The Bills are expected to be admitted to trading on 30<sup>th</sup> June 2008.

Straumur will act as market maker for the Bills on the OMX. Each day the Bank will submit bids and asks for a minimum of ISK 50 million at nominal value and renew accepted bids and asks within 30 minutes. If the total amount of trades has exceeded ISK 200 million at nominal value in the course of the day, the Bank reserves the right to stop submitting bids and asks until the next day. The bid-ask spread shall not be more than 0.15%.

### Expenses

The total expenses related to the admission to trading is estimated at ISK 650,000

### Legislation

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 proceeded in accordance with Chapter 17 of the Act on Civil Procedure, no. 91/1991 (Lög um meðferð einkamála).

The Bills are subject to Act No. 93/1933 on Bills, Act No. 108/2007 on Securities Transactions and of Act No. 131/1997 on Electronic Registration of Title to Securities.

### Taxation

All payments made by the Issuer in respect of the Bills, 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 Bills are exempt from stamp duty in Iceland according to Act No. 161/2002 on Financial Undertaking.

## 7. Additional Information

### Rating

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

