Registration document

June 2008

Straumur

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1. NOTICE TO PROSPECTIVE INVESTORS

This Registration Document has been prepared in accordance with chapter VI of Act on Securities Transactions No. 108/2007 and annex XI to Regulation no 243/2006, on the Entry into Force of Commission Regulation (EC) No. 809/2004, on the implementation of Directive 2003/71/EC of the European Parliament and of the Council concerning information contained in prospectuses as well as the format, information included through reference, the publication of prospectuses and the distribution of advertisements. The OMX Nordic Exhange Iceland hf. (OMX ICE) has scrutinised and approved this Registration Document based on its authority under an agreement between it and the Icelandic Financial Supervisory Authority regarding the review and approval of Prospectuses. This Registration Document is published in English only.

The Prospectus comprises of this Registration Document and the relevant Securities Note.

In this Registration Document the words "Straumur", the "Issuer", the "Bank" and the "Company" and the "Group" refer to Straumur-Burdaras Investment Bank hf., and its subsidiaries unless otherwise indicated by the wording or context.

This Registration Documents is compiled for investors who are considering an investment in Straumur´s securities other than shares. Any decision to invest in Straumur´s securities is the sole responsibility of the relevant investor. Investors are urged to acquaint themselves thoroughly with the Prospectus and in particular with the Risk Factors set out on pages 5 to 9 of this Registration Document and the Risk Section of the relevant Securities Note. Each prospective investor should consult their own legal, tax and financial advisers before proceeding with an investment in Straumur's securities, and should carefully consider whether such securities are suited to their particular circumstances.

Neither the delivery of the Prospectus nor the sale of any securities will create any implication that the information contained in it is true subsequent to the date hereof. Investors should review, inter alia, the most recent financial statements of Straumur when evaluating the securities or any investment therein.
The Prospectus does not constitute an offer of or an invitation to, subscribe for or purchase any securities of Straumur and should not be considered a recommendation by Straumur that any recipient of this document should subscribe for or purchase any securities. Each recipient of the Prospectus will be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of Straumur.

Information regarding Straumur other than that contained in the Prospectus or published in the Straumur webpage; http://www.straumur.net cannot be considered to have been approved by Straumur.

2. RISK FACTORS

The risk factors set forth below could materially adversely affect future business, income, profits, assets, credit, and liquidity of Straumur. Each potential investor should carefully consider these risk factors and other information in this document before making an investment decision involving securities issued by Straumur. Additional risks not currently known to Straumur or risks Straumur now deems immaterial may also harm Straumur and affect any investment in securities issued by Straumur.

Forward looking statements

This Registration Document may contain forward looking statements that involve inherent risks and uncertainties. Actual results may differ significantly from the results discussed in such forward-looking statements. Factors that might cause such differences include those discussed below.

Straumur's results may be adversely affected by general economic conditions and other business conditions

Straumur's results are affected by general economic and other business conditions. These conditions include changing economic cycles that affect demand for investment and banking products. Such cycles are also influenced by global political events, such as terrorist acts, war and other hostilities as well as by market specific events, such as shifts in consumer confidence and consumer spending, the rate of unemployment, industrial output, labour or social unrest and political uncertainty.

The Issuer's investment banking, securities trading as well as the Issuer's investments in, and sales of products linked to, financial assets, will be impacted by several factors such as the liquidity of the global financial markets, the level and volatility of equity prices and interest rates, investor sentiment, inflation and the availability and cost of credit which are related to the economic cycle.

The impact of the economy and business climate on the credit quality of borrowers and counter parties can affect the recoverability of loans and amounts due from counterparties.

Straumur's business, results of operations and financial condition are affected by conditions in Iceland

Straumur's business, results of operations and financial condition are affected directly by economic and political conditions in Iceland. Although the Icelandic economy has experienced high growth rates in recent years, there can be no assurance that these growth rates will continue or that there will not be a downturn in the Icelandic economy. Recently, interest rates and the rate of inflation in Iceland have been rising. The Central Bank of Iceland has increased its "policy interest rate" from 8.25 per cent. at 31st December, 2004 to 10.50 per cent. at 31st December, 2005, to 14.3 per cent. at 31st December, 2006 and to 13.75 per cent. at 31st December 2007 . The policy interest rate remains relatively high at 15.5 per cent. in June 2008.

The annual rate of inflation is currently 12,3 per cent., having increased from 6.9 per cent in 2007, 4,4 per cent. in 2006, 4 per cent. in 2005 and 3.2 per cent. in 2004. These developments and others may have a material adverse effect on the Issuer's business, financial condition and results of operations. While the Issuer's business has diversified geographically in recent years, because of its position as a leading Icelandic bank, Straumur retains exposure to the perceived and actual risks of the Icelandic economy.

Liquidity risk may impair Straumur's ability to fund its operations and adversely affect its financial condition

All banking businesses require ready access to short- and long-term funds. An inability to access the cash markets from which the Issuer raises funds may put its positions in liquid assets at risk and result in the Issuer being unable to finance its operations adequately. Recent falls in the value of "sub-prime" and other mortgage backed securities, particularly in the United States, and other factors have resulted in the so-called "credit crunch" which has led to a significant reduction in the availability of wholesale market funds for financial institutions and other corporate borrowers.

Straumur has in the past relied heavily on wholesale sources of funding. Management has recently taken various measures to diversify the sources of funding available to the Issuer. However, Straumur's access to funding may be more difficult in new markets and adverse economic conditions in Iceland and elsewhere may make it more difficult for Straumur to access funds even in established markets.

There can be no assurance that Straumur will be able to access further sources of funding to meet additional funding requirements in the future. Strains on the liquidity of the Issuer caused by any of these factors or otherwise could adversely affect the Issuer's financial performance and competitive position.

Changes in interest rates and foreign exchange rates may impact Straumur's results

Straumur's results can be affected by changes in interest rates. Interest rate risk arises due to duration mismatch of assets and liabilities. If not properly matched, changes in interest rates can affect net interest income. Straumur's Treasury department is responsible for controlling this risk and ensuring that duration mismatch is within limits set by the Risk Committee and monitored by Risk Management. Interest rate risk due to position taking in proprietary trading in market securities is controlled separately and monitored through Value at Risk limits and other risk models.

Foreign exchange (FX) exposure is managed centrally by Treasury. FX risk is controlled by monitoring the net exposure to all foreign currencies and ensuring that it is within the set net position limits. At the end of each day, foreign exchange risk is monitored by Risk Management. The Risk Committee has defined risk limits on individual currencies as well as the gross FX exposure. Any violations of these limits are reported to the Risk Committee. The Bank's policy is that Treasury should stay neutral to currency risk and any currency exposure taken, should be taken by Proprietary Trading. There is no guarantee that this can be accomplished in all instances. Straumur is subject to rules set by the Central Bank of Iceland on foreign exchange balances of credit institutions No. 387, which have been adopted in accordance with Act No 36/2001 on the Central Bank of Iceland and Article 8 of Act No 87/1992 on Foreign Exchange.

Straumur's management of interest rate risk and foreign exchange risk may not eliminate the effect of those factors on its performance.

Straumur's banking businesses entail operational risks

Straumur like all financial institutions, is exposed to many types of operational risks, including the risk of fraud or other misconduct by employees or outsiders, unauthorized transactions by employees or operational errors, including record keeping errors or errors resulting from faulty computer or telecommunications systems. The Risk Management division, in cooperation with other divisions, is responsible for formulating policies and procedures addressing operational risk in the Bank. Each individual division is responsible for complying with those policies and procedures. Straumur has taken out insurance policies to cover various operational risk exposures.

Although Straumur maintains a system of controls designed to keep operational risk at appropriate levels there can be no assurance that it will not suffer losses from operational risks in the future that may be material in amount.

Straumur may be vulnerable to the failure of its IT systems

Straumur relies on the proper functioning and continuity of its IT systems. IT infrastructure is critical for proper operational risk management and enables easy access to all business transactions to facilitate analysis, monitoring and decision making. Any significant interruption, degradation, failure or lack of capacity of its IT systems or any other, could impact Straumur´s operations.

Although Straumur maintains a system of controls designed to keep operational risk at appropriate levels there can be no assurance that it will not suffer losses from operational risks in the future that may be material in amount.

Systemic risk could adversely affect Straumur's business

Concerns about, or a default of, one financial institution could lead to significant liquidity problems, losses or defaults by other financial institutions because the commercial soundness of many financial institutions may be closely related as a result of credit, trading or other relationships between institutions.

Competition Risk

The financial services industry in which Straumur operates is intensely competitive. Competition for corporate, institutional and retail clients and customers comes both from incumbent players and new market entrants. The environment is expected to remain highly competitive in all areas. The Issuer competes on the basis of several factors, including transaction execution, capital or access to capital, products and services, innovation, reputation and price. If its competitors are able to offer clients more attractive products and services based on one or more of these competitive factors, the Issuer may fail to retain and attract clients which could have a material adverse effect on its results of operations and financial condition.

The Issuer may be vulnerable to reputational risk

In the financial services industry, a reputation for financial strength and integrity is critical to the Issuer's ability to attract and retain customers. The Issuer's reputation could be harmed if risk management procedures, internal controls or compliance policies fail, or appear to fail, to address conflicts of interest, to prevent employee misconduct, to produce materially accurate financial information or to prevent adverse legal or regulatory actions. Actual or perceived damage to the Issuer's reputation could have a material adverse effect on its business, results of operations and financial condition.

Straumur's risk management strategies and techniques may leave it exposed to unidentified and unanticipated risks

Although Straumur invests substantial time and effort in its risk management strategies, these strategies may nevertheless fail to protect it under certain circumstances, particularly when confronted with risks that have not been identified or anticipated

Straumur is subject to credit, market and liquidity risk which may have an adverse effect on its credit rating and its cost of funds

If the instruments and strategies which the Issuer uses to hedge its exposure to market or credit risk are not effective, it may not be able to mitigate effectively its risk exposures in particular market environments or against particular types of risk. The successful management of credit, market and operational risk is an important consideration in managing its liquidity risk, as evaluation by rating agencies of the management of these risks affects their determinations as to the Issuer's credit ratings. Rating agencies may reduce or indicate their intention to reduce the ratings at any time. The rating agencies can also decide to withdraw their ratings altogether, which may have the same effect as a reduction in the Issuer's ratings. Any reduction in the Issuer's ratings may increase its borrowing costs, limit its access to capital markets and adversely affect the ability of its businesses to sell or market their products. This, in turn, could reduce the Issuer's liquidity and have a negative impact on its operating results and financial condition.

Adverse price fluctuations of the securities in the Issuer's proprietary trading portfolio could have a materially adverse impact on the Issuer's results of operations and financial condition

The Issuer has an investment portfolio that includes equity and debt securities in Iceland, the Nordic region and the UK. A fall in those securities could substantially reduce the value of its securities portfolio and the amount of its other operating income attributable to trading gains.

The Issuer's trading and investment activities are inherently exposed to significant risk

The Issuer maintains trading and investment positions in various financial and other assets, including currency and related derivative instruments. These positions are exposed to a number of risks related to the movement of market prices in the underlying instruments. This includes the risk of unfavourable market price movement relative to the Issuer's long or short positions, a decline in the market liquidity of related instruments, volatility in market prices or foreign currency exchange rates relating to these positions, and the risk that instruments chosen to hedge certain positions do not track the market value of those positions.

A decline in the value or illiquidity of the collateral securing the Issuer's loans may adversely affect its loan portfolios

A substantial portion of the Issuer's loans to corporates and individuals is secured by collateral. Downturns in the relevant markets or a general deterioration of economic conditions in the industries in which these borrowers operate, or in Iceland or other markets in which the collateral is located, may result in a decline in the value of collateral securing loans to levels below the outstanding principal balance on those loans. A decline in the value of collateral securing these loans or the inability to obtain additional collateral may, in some cases, require the Issuer to reclassify the relevant loans, establish additional provisions for loan losses and increase reserve requirements. In addition, a failure to recover the expected value of collateral in the case of foreclosure may expose the Issuer to losses which may adversely affect its financial condition and the results of its operations.

Increases in the Issuer's allowances for loan losses may have an adverse effect on its results

The Issuer's banking businesses establish provisions for loan losses, which are reflected in the provision for credit losses on its income statement, in order to maintain its allowance for loan losses at a level which is deemed to be appropriate by management. Management bases its assessment upon an analysis of prior loss experience, the volume and type of lending being conducted by each bank industry standards, past due loans, economic conditions and other factors related to the collectibility of each entity's loan portfolio. Although management uses its best efforts to establish the provision for loan losses, that determination is subject to significant judgment, and the Issuer's banking businesses may have to increase or decrease their provisions for loan losses in the future as a result of increases or decreases in non-performing assets or for other reasons.

Any increase in the provision for loan losses, any loan losses in excess of the previously determined provisions with respect thereto or changes in the estimate of the risk of loss inherent in the portfolio of non-impaired loans could have an adverse effect on the Issuer's results of operations and financial condition.

The changes in Basel rules may affect the Issuer's profitability

The Issuer became Basel II compliant at the end of 2006. The Issuer utilises statistical techniques to control market risk. Initially the standardised approach has been implemented for credit risk. Opportunities to move towards more advanced techniques are still being investigated for both credit risk and operational risk.

However, it is possible that the deployment and use of capital in the Issuer may have to be altered to ensure that the revised capital adequacy requirements are satisfied. Such actions may adversely affect the Issuer's profitability in the future.

The Issuer is subject to legal risk which may have an adverse impact on its results

Legal risk refers to the risk of non-compliance with applicable legal and regulatory requirements and standards. Legal risk also includes contractual and commercial risks such as the risk that a counterparty's performance obligations will be unenforceable in the relevant jurisdiction. In addition, the Issuer may in the future be involved in legal actions, regulatory enforcement actions, arbitration or other litigation where claims for damages may be made against the Issuer. Substantial legal liability or significant regulatory action against the Issuer could materially adversely affect its business, financial condition or results of operations or cause significant harm to its reputation, which could seriously harm the Issuer's business.

The Issuer may be unable to recruit or retain experienced and qualified personnel

The Issuer’s continuing success depends, in part, on its ability to continue to attract, retain and motivate qualified and experienced banking and management personnel. Competition for personnel with relevant expertise is intense. The Issuer must compensate such personnel at market levels. If the Issuer is unable to continue to attract and retain qualified employees, or do so at rates necessary to maintain its competitive position, or if market remuneration levels rise, the Issuer’s performance, including its competitive position, could be materially adversely affected.

3. Risk Management

Straumur has a well-developed risk culture and aims to maintain the highest standards of risk management to protect the interests of its stakeholders.

During 2007 the Issuer developed further its risk management capabilities in order to ensure that all substantial risks to the business and to its capital base are accurately monitored and measured, and adequately mitigated at all times.

This investment reflected the change in Straumur's business model and included the establishment of a new risk committee structure, as well as the expansion of the Risk Management team during 2007.

3.1 Risk Committees

The Risk Management platform is clearly defined within Straumur. Ultimate responsibility for risk lies with the Board of Directors. To facilitate appropriate risk control and oversight, the Issuer operates a Risk Committee, chaired by the Chief Risk Officer.

The Risk Committee is a forum for the discussion and approval of policies and limits applicable to the bank's credit risk, market risk, liquidity risk and operational risk exposure. The committee also recommends a capital allocation plan to the management which is to be finally approved by the board of directors. The Risk Committee comprises the bank's Chief Executive Officer and Chief Risk Officer and 3-6 other members appointed by the Chief Executive Officer and Chief Risk Officer from among the members of the bank's management.

The Credit and Investment Committee is chaired by the Chief Risk Officer and is the primary forum for the approval of individual loan and investment transactions. All transactions that result in an extension of credit or the purchase of an equity interest in a company require approval by the Credit and Investment Committee unless it has specifically delegated approval to an individual or sub-committee for a specific class of loan or asset.

The Market Risk Committee is chaired by the Chief Risk Officer and is the primary forum for reviewing the Issuer's market risk exposures. It is a forum for communication and discussion of the key market risks being run by trading desks, and agrees action to be taken in the event of limit breaches.

The Asset & Liability Committee (ALCO) is chaired by Chief Financial Officer and is responsible for overseeing the Issuer's assets and liabilities, balancing risk exposures and helping it to achieve operating objectives. ALCO evaluates market and liquidity risk across a range of scenarios, positioning Straumur to be operational in all market conditions.

3.2 Risk Management Division

The four committees include representatives from relevant business lines, and are serviced by the Issuer's Risk Management team. Risk Management Division was substantially strengthened during 2007 to reflect Straumur's changing risk profile. It is responsible for the accurate measurement and monitoring of risk throughout Straumur, whilst recommending appropriate management actions to the Risk Committee. It comprises five functional areas, covering credit risk, market risk, operational risk, liquidity risk and risk analytics and development. Risk Management Division analyses risk concentration by location, asset class, maturity and other parameters. Risk Management Dvision is also responsible for inspecting and approving the risk management practices of Straumur's subsidiary and part-owned companies.

3.3 Credit Risk

Straumur provides capital to its clients in a variety of forms and maturities. The principal risk faced by the Issuer is the risk of non-repayment by the borrower as a result of the borrower's insolvency or any other event constraining the borrower's ability to repay. Before taking on any new credit exposure, a thorough credit evaluation is carried out by the Credit Risk Management Unit. The credit evaluation consists of:

- Counterparty analysis, which considers all material aspects of the counterparty that may influence its future business prospects and its ability to fulfil its obligations. An indispensable part of the counterparty analysis is the Probability of Default rating, which is produced by applying the appropriate internal rating model to the counterparty. Judgement is always applied in the rating process to determine whether the result reflects all relevant information.

- Product analysis, which considers all risk factors with the potential to influence the credit quality of the products concerned. Among these risk factors are collateralisation level, seniority, financial structure etc. Product analysis includes the assessment of the expected exposure at default and the loss given default.

- Business evaluation, the purpose of which is to present a balanced view of the upside and downside characteristics of the transaction in order to facilitate an informed decision by the Credit and Investment Committee. The prospective borrower's cash flow is stress tested as appropriate, to assess capacity to repay in a range of scenarios.

The results from the credit evaluation are presented to the Credit and Investment Committee, which grants approval for any extensions of credit.

3.4 Risk Concentration

Excessive risk concentration - characterised by a combination of individual exposures that are highly correlated - has the potential to threaten the Issuer's health and ability to maintain core operations in the event of a severe loss. To avoid excessive risk concentration, credit is not exclusively analysed at the individual level, but also at the portfolio level to avoid risk concentration in terms of geography, sector or related entities. In addition to periodic management reporting concerning credit concentration risk, the Credit Risk Management Unit is responsible for a Concentration Risk Review, addressing counterparties for which the Bank has total loan and loan equivalent (L&LE) exposure of €25 million or more. The Concentration Risk Review is presented to the Risk Committee at least semi-annually. The Review, in addition to individual name and related entity concentration, assesses potential concentrations with respect to geographical countries, economic regions, industry sectors, and asset classes.

If a credit risk is accepted by the Issuer, it is managed on an ongoing basis by the Credit Risk Management Unit. This team regularly reviews Straumur's loan portfolio, analysing collateral values, ensuring that information updates are provided as agreed, and monitoring covenant breaches. Should the credit quality of an asset deteriorate below a predefined limit it leads to inclusion in the Credit Risk Management Unit watch-list, implying intensified follow-up by the Credit Risk Management Unit and periodic reporting to the Credit and Investment Committee and the Risk Committee.

Where borrowers offer listed securities as collateral, the Issuer reserves the right to liquidate that collateral should its market value fall below a pre-defined limit. The Issuer's concentration risk is not only managed at the counterparty level, but is also extended to financial collateral to limit concentration in specific stocks being held as collateral.

The Credit Risk Management Unit is responsible for following trends in the credit markets and the economy that may affect the profile of Straumur's portfolio. The objective of research in this area is to identify weaknesses in the risk profile of the Issuer and propose improvements, as well as identifying any opportunities to improve the risk-return balance of its business.

The appropriate amount of impairment provision is recommended by the Credit Risk Management Unit in context of its routine monitoring of the loan portfolio, which includes the assessment of the probability of default, the expected exposure at default, and the loss given default for all assets in the portfolio.

A Special Asset Review, addressing individually significant nonperforming, impaired and otherwise compromised debt and equity is prepared by the Credit Risk Management Unit and the Relationship Manager from the business lines, and presented to the Risk Committee quarterly. When appropriate, special loss provisions are applied based on the revaluation of collateral, guarantees, and the financial condition and prospects of the obligor.

The Credit Risk Management Unit is responsible for managing non-performing loans, defined as loans that are 90+ days overdue. The ratio of non-performing loans to total lending did not exceed 0 per cent. during 2007.

For the purpose of limiting bank-wide risk concentration, Straumur monitors concentrations across all asset classes. The methodology is subject to the Rules on Large Exposures is supervised by the Icelandic Financial Supervisory Authority.

Exposure to a single group of related entities may not exceed 20 per cent. of the Issuer's equity. The Icelandic FSA requires all exposures of more than 10 per cent. of the Issuer's equity to be reported. At the end of 2007, 6 exposures were reported, none of which exceeded the internal limit of 20 per cent. Exposure to a single foreign country may not represent more than 20 per cent. of the Issuer's total asset portfolio. Exposure to a single industry or sector may not represent more than 20 per cent. of the Issuer's total asset portfolio.

3.5 Market Risk

Straumur is exposed to the risk of fluctuating prices for equities, bonds, foreign exchange, commodities and derivative forms of these assets. The Issuer is also exposed to the risk of securities becoming illiquid. Straumur's increasing activity across different products and markets has led to a corresponding change in its market risk profile. This extension of activities has in itself significantly diversified the Issuer's risk exposure. Simultaneously the Issuer has developed further the tools used to measure and control market risk.

Straumur recognises the dynamics of market risk management and the need to develop its own management processes in anticipation of and response to changes in products, markets and client needs.

The Issuer has stop-loss limits in place to control the magnitude of actual losses, and established procedures to manage effectively any breaches of exposure limits in a timely manner.

Value at Risk (VaR) methodology is the primary tool for analysing market risk to Straumur. Under normal market conditions – characterised by small changes in risk factors, stable correlations and low volatility - VaR expresses the amount of value which may be lost as a result of market movements over a one-day holding period with a 99 per cent. level of confidence. As a primary portfolio management tool used at desk, division and bank-wide levels, VaR facilitates comparison of risk exposures across all activities and asset classes throughout the Issuer and provides management with the information it needs to make informed decisions affecting the risk management profile. The risk management team regularly stress tests Straumur's portfolio, adjusting underlying risk factors to analyse likely performance under abnormal market conditions, characterised by unexpected market crashes and financial crises of varying duration.

3.6 Liquidity Risk

Treasury is responsible for managing Straumur's liquidity risk, defined as the risk to earnings and capital arising from an inability to meet obligations as they fall due without incurring unacceptable losses. Risk Management establishes and monitors liquidity risk indicators on a daily basis, reporting them to Treasury.

Straumur conducts various stress tests to quantify liquidity risks and the results are presented and discussed within the Asset/Liability Committee. The Issuer has a control and limit framework in place to keep the core business running under adverse circumstances. The control and limit framework includes the following:

Secured liquidity - Straumur aims to cover at least 90 days liabilities using secured liquidity, defined as cash, deposits with financial institutions, government bonds and bills, other securities eligible in repurchase agreements with central banks and committed revolving facilities.

Unsecured liquidity – Straumur aims to cover at least six months' liabilities using secured liquidity as detailed above and other liquid assets such as listed securities.

Maturity management – Straumur aims to manage the maturity of assets and liabilities to foresee and prevent any unnecessary imbalance in cash flow requirements.

Diversification of funding – Straumur works to ensure that Straumur's sources of funding are spread across a range of lenders, geographic regions and currencies.

3.7 Operational Risk

Straumur defines operational risk as the risk of loss resulting from external events, inadequate or failed internal processes, staffing or systems. Direct, systematic management and reporting of these risks is the responsibility of management within the business lines, whilst a bank-wide operational risk management (ORM) team monitors the business lines to measure them against best practice templates and to drive improvements where shortcomings are identified.

By identifying and assessing individual elements of operational risk, the ORM team also seeks to find ways of improving quality, lowering costs and/or shortening lead times for processes throughout Straumur. In addition to actively managing risk, Straumur has insurance policies in place to cover certain operational risk exposures.

ORM comprises three main activities. First, forward-looking Self Assessment enables the Issuer to receive input from employees, on perceived risk concentrations, and consequently make improvements.

Second, gathering of loss event data and registration in the Corporate Loss Database enables Straumur to better identify risk trends over extended periods. Third, ensure adequate procedures that enable Straumur to monitor workflows and adherence to policies. The Issuer will continue to reduce operational risk in a systematic manner by applying these practices.

3.8 Risk Development and Analytics

The Risk Development and Analytics (RDA) team develops accurate and prudent measurement of risk in the constantly changing environment of the markets in which Straumur operates. The unit comprises highly trained risk professionals, with appropriate technical backgrounds, who use sophisticated models to study, measure and monitor key risk factors affecting Straumur.

4. Persons responsible

4.1 Declaration by Chief Executive Officer and General Counsel

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

The Registration Document has been prepared by Straumur-Burdaras Investment Bank hf., Borgartún 25, 105 Reykjavík, Iceland.

Reykjavík, 26th 2008
On behalf of Straumur-Burdaras Investment Bank hf.

William M.N. Fall	Óttar Pálsson
CEO	General Counsel

5. STATUTORY AUDITORS

Straumur's Statutory Auditors at the time covered by the historical financial information in the Registration Document were KPMG endurskoðun hf., Borgartún 27, 105 Reykjavík, Iceland, and on their behalf Helgi F. Arnarsson and Ólafur Már Ólafsson, members of the Institute of State Authorized Public Accountants in Iceland.

Straumur's Statutory Auditors have audited Straumur's financial statements for the period 1 January 2006 to 31 December 2007, and have not resigned or been removed from their positions during that period. The financial statements for 2006 and 2007 have been prepared in accordance with International Financial Reporting Standars (IAS/IFRS).

The Statutory Auditors have reviewed Straumur's unaudited interim consolidated financial statements for the three months ended 31 March 2008, prepared in accordance with IFRS. Based on their review nothing came to their attention that causes them to believe that the interim financial information does not give a true and fair view of the financial position and performance of Straumur as at 31 March 2008.

6. DESCRIPTION OF STRAUMUR

6.1 Introduction

The legal and commercial name of the Issuer is Straumur Burdaras Investment Bank hf. (*Straumur-Burdarás Fjárfestingabanki hf.* in Icelandic). Straumur-Burdarás Investment Bank hf. ("*Straumur*"), is a public limited company incorporated in Iceland and operating under Icelandic law. Straumur was registered with the Registrar of Companies in Iceland on 15th September, 2005 and its registration number is 701086-1399. The registered office and place of business of Straumur is Borgartún 25, 105 Reykjavík, Iceland and its telephone number is +354 585 66 00

The operations of Straumur are governed by Act No. 2/1995 on Public Limited Companies and Act No. 161/2002 on Financial Undertakings. Straumur is subject to the supervision of the Icelandic Financial Supervisory Authority.
Straumur offers investment banking services to corporates and local, regional and international investors in the Northern and Central European region.

6.2 History

Straumur's roots trace back to the first Icelandic equity fund, *Hlutabrefasjodurinn*, founded in 1986. In 1995, the equity fund was merged with the VIB equity fund to form the largest equity fund in Iceland. In 2001, changes in the securities market and taxation laws prompted changes in the equity fund and restructuring of operations converted the equity fund into Straumur Investment Company. In 2003, Straumur purchased the Icelandic Software Fund Inc and Framtak Investment Bank ("*Framtak*"). Framtak's principal activities consisted of investing in unlisted securities, which it resold or listed on the stock exchange, as well as investing in listed equities and bonds. In December 2003, Straumur sold its entire holding in Framtak to Islandsbanki, but concluded an agreement to purchase the share of Framtak's investments which were considered 'venture capital'. In January 2004, Straumur was granted an investment banking license by Iceland's Financial Supervisory Authority, the FME.

In August 2005, Burdarás hf., Landsbanki-Islands hf. and Straumur signed a joint plan to divide Burdarás, which was a financial investment company, in two so that certain assets of Burdarás became part of Landsbanki while Burdaras' operations and remaining assets became part of Straumur.

As a result of the merger, Straumur's asset base was significantly increased and a substantial equity base was created to serve as a foundation for further development. Burdarás brought with it 18,000 shareholders and an increased capital base which has significantly increased the investment capacity of Straumur.

6.3 The Growth of Straumur

The growth of Straumur continued with the acquisition in 2006 of 50 per cent. of Stamford Partners, an investment banking advisory firm specialising in the European food and drink sector. The geographic diversification of Straumur has also continued with the opening of an office in Copenhagen in 2006, and an office in London at the beginning of 2007. In June 2007 Straumur acquired 50.00% of the issued share capital of Wood & Company, a Central European investment banking house headquartered in Prague, with the option to acquire 100% no later than 2011. In the third quarter of 2007, Straumur completed the acquisition of the Finnish bank eQ and opened a branch in Stockholm.

While 2007 was a transformational year for Straumur, it was also a year of great challenges. Markets were volatile, and in common with other financial institutions, Straumur saw pressure on earnings, particularly during the second half of 2007. Operating income for 2007 was €330 million, down by 38% from 2006. Profit after tax was €163 million, compared with €515 million in 2006, despite both the absolute level and the proportion of operating income derived from client-related activities increasing significantly during the year. Across the Group, net interest, fees and commissions accounted for 61% of operating income and 105% of pre-tax profits for 2007, compared to 24% and 26% respectively in 2006. Straumur's long term goal is to generate 75% of operating income and pre-tax profits from client-related activities

7. OPERATIONS

Straumur divides its operations into seven business lines: Corporate Finance, Debt Finance, Capital Markets, Proprietary Trading, Asset Management, Merchant Banking and Treasury. In addition, Straumur's support divisions are managed under the following functional headings: Operations, Risk Management, Finance, Legal and Compliance, Information Technology, Human Resources, Corporate Services, Investor Relations and Group Management.

7.1 Corporate Finance

Straumur's Corporate Finance business advises companies and private equity investors on mergers, acquisitions and equity and debt financing. Straumur adopts a partnership approach with clients designed to build long-term relationships. Solutions frequently include support with Straumur's own capital to ensure smooth completion of transactions.

Straumur's strategy is to serve companies in the region – typically those with an enterprise value of €25 million to €300 million – together with local, regional and international investors seeking to invest in this market segment.
Clients include northern and central European companies in a broad range of commercial and industrial sectors as well as investor-like financial sponsors, private equity groups and family offices. The strategic approach is proactive, aggressive and opportunistic.

Straumur's network comprises more than 70 highly experienced corporate finance professionals who have globally acquired expertise in all core financial disciplines. The business line operates from nine business centres around the region, including Reykjavik, London, Amsterdam, Copenhagen, Stockholm, Helsinki, Prague, Bratislava and Bucharest.

In addition to organic growth within established offices, Straumur acquired a strong Finnish corporate finance team, Advium, on the purchase of eQ in May 2007. The acquisition of Wood in June 2007 added further corporate finance expertise in Central and Eastern Europe. These acquisitions complement the 2006 purchase of a 50% interest in Stamford, a corporate finance business with offices in the UK and The Netherlands.

7.2 Debt Finance

Straumur's Debt Finance business provides clients with tailored debt financing solutions, frequently in the context of an acquisition or refinancing. Straumur also offers debt advisory services, providing independent advice on all aspects of financing. Debt Finance frequently works on transactions with Corporate Finance.

Straumur's clients include companies based in the Northern and Central European region, management teams seeking to buy out their businesses and private equity firms. The track record is especially strong in the industrial, consumer, real estate, media and telecom sectors. The Debt Finance teams are based in Copenhagen, London and Reykjavik.

Debt Finance has developed a strong reputation amongst clients for quick decision-making, rapid delivery and a commercially anchored approach. Straumur's specialisms include bridge and acquisition financing, leveraged buy-outs and recapitalisations. Straumur structures, executes and distributes debt products, with underwriting capability extending across the spectrum of senior and junior debt and supported by strong relationships in the market.

Straumur has been successful in distributing an increasing proportion of underwritten debt facilities into local and international markets providing the opportunity for further risk diversification going forward. The loan book remains strong with sectoral, geographical and corporate risk concentration continuing to fall within designated policy limits.

The loan portfolio amounts to approximately €2 billion.

7.3 Capital Markets

Straumur's Capital Markets business provides corporate, institutional and high net worth clients with securities brokerage, sales trading and over-the-counter (OTC) services across most global asset classes, including equities, fixed income, commodities, foreign exchange and their derivatives. Capital Markets has also recently started to provide structured products and solutions.

Straumur is building on its traditional strengths in Icelandic institutional equity brokerage and margin lending, extending these services to include non-Icelandic markets, and delivering them to clients across the Group's regional footprint.
Straumur is committed to delivering high quality trading ideas to clients, twinned with speedy and efficient execution. The Capital Markets professionals work closely with colleagues in Corporate Finance and Debt Finance to support client transactions.

Straumur has teams working in six locations in the region. Sales trading desks are established in London, Reykjavik and Stockholm. The acquisition of eQ in May 2007 added brokerage capacity in Finnish equities; eQ is a leading domestic securities broker on the OMX Nordic Exchange in Helsinki, accounting for an estimated one third of Finnish investors' online share transactions. The acquisition of Wood in June 2007 added brokerage capabilities in Central and Eastern Europe. Wood is the single largest broker on the Prague Stock Exchange, and has one of the strongest equity research franchises in the region, covering 60 Central and Eastern European companies.
Straumur and its associated companies are members of stock exchanges throughout the northern and central European region: Straumur in Denmark, Finland, Iceland and Sweden; eQ in Finland; and Wood & Company in Austria, Bulgaria, Czech Republic, Germany, Hungary, Poland, Romania and Slovenia.

7.4 Proprietary Trading

Transactions for Straumur's own account are managed by the Proprietary Trading business line, operating from Copenhagen, London and Stockholm. Straumur trades in fixed income, equity, commodity and foreign exchange markets through a broad range of uncorrelated trading strategies.

A key element of the Bank's strategy since 2007 has been to 'de-risk' Straumur's balance sheet in anticipation of a global slowdown in asset price growth. The proprietary trading strategy has changed radically from a predominant focus on long-only equity to a more balanced relative value approach.

Straumur introduced a broader range of uncorrelated relative value proprietary trading strategies during 2007, increasing the number of traded portfolios from three to nine, and adding exposure to asset classes other than long-only equity. Proprietary Trading's operating platform was also strengthened, improving technology and reinforcing risk management. Trading limits are in place to reflect current market conditions. Straumur was in a stronger position to withstand the shocks of the credit crunch that started in the summer as a result of this new approach.

7.5 Asset Management

Straumur provides institutional and retail clients with a range of specialist services in savings and investments, including mutual funds, structured and capital-guaranteed investment products, discretionary asset management and private banking services.

Straumur's involvement with asset management services began through its acquisition of eQ in May 2007. The acquisition of eQ was a key strategic development for Straumur, which has added further stability and diversification to its overall earnings. New fund product offerings during 2007 included; eQ Active Hedge - a fund of hedge funds - was launched in January 2007; the Ilmatar Fund, a hedge fund focused in Russia, was launched in February 2007; the eQ Clean Energy fund which invests in the field of renewable energy, was launched in May 2007 and the eQ EM Corporate Bond, which invests in corporate bonds in the emerging markets - was launched in October 2007.

Wood and Company also provides institutional asset management services focused on Eastern and Central Europe. Management sees significant opportunities for asset managers in those parts of Central Europe where pensions and financial market reform is driving rapid development of the asset management industry and Straumur has made key hires to take advantage of these opportunities.

Straumur's asset management teams, based in Helsinki and Prague, manage client assets totalling €1.5 billion at the end of first quarter 2008 through a number of investment strategies and asset classes. In the first quarter of 2008, a new team was recruited in Copenhagen, to access the Danish market.

7.6 Merchant Banking

Merchant Banking comprises the Bank's direct investment activities and its participation in third party managed assets and funds.Straumur has, during its business life, built considerable trading and risk management expertise through the Group's successful proprietary trading activities. Further investments in infrastructure have expanded the Group's capabilities significantly, balancing risk taking with appropriate oversight and control.

7.7 Treasury

Based in Reykjavik and Copenhagen, Treasury is responsible for managing the Group's funding and liquidity. It is Straumur's main interface with the interbank market and uses a range of cash and derivative instruments to hedge exposures to foreign exchange and interest rate risk.

During the year Straumur continued to reduce its dependence on Icelandic banks and institutions, and on Icelandic interest rates which are much higher than those in the euro zone. At 31 December 2007, 66% of the Bank's deposits and borrowings were from non-Icelandic sources. Increasing the international spread of Straumur's funding programme means that the Bank's debt obligations are more closely matched to its earnings.

7.8 Subsidiaries

Straumur's main subsidiaries are as follows:

	Country	Currency	% Interest
Straumur Eignarhaldsfélag ehf..	Iceland	ISK	100.00
Fasteignafélagid Sjávarsída hf.	Iceland	ISK	100.00
Straumur Debt ehf.	Iceland	ISK	100.00
Novator telecom Poland II..	Luxembourg	EUR	100.00
Stamford Partners Limited..	England	GBP	50.01
Creditor B.V..	Holland	EUR	100.00
Straumur Equities ehf...	Iceland	ISK	100.00
Eignarhaldsfélagid Urridi ehf...	Iceland	ISK	100.00
eQ Corporation.Oyj...	Finland	EUR	100.00
Wood & Company Group S.A..............................	Czech Republic	EUR	50.00

7.9 Strategy and Principal Markets

While Straumur obtained a full banking license on 28th August 2007 it still maintained a clear investment banking focus.

Straumur's strategy revolves around increasing its operational and geographical diversity. Straumur's goal is to offer integrated financial services to corporates and local, regional and international investors in Northern and Central Europe. Straumur aims to use its local knowledge for the benefit of clients, providing them with access to superior investment opportunities and supporting them with capital where appropriate.

Corporate Finance and Debt Finance are Straumur's fastest growing business, as Straumur's strategy is geared towards reducing the reliance on financial gains and expanding its commission and interest income streams. This has been the strategy since it acquired a banking licence in January 2004.

Attracting and retaining high-quality people is at the heart of Straumur's strategy for continued growth, and Straumur provides training and development opportunities for its staff. A new compensation plan has been introduced in 2008 to align staff costs more closely with performance and enhance the motivation of Straumur's employees.

7.10 Recent developments in 2008

At the start of 2008, the Issuer established a new business line called Merchant Banking which encompasses its investment in managed funds and most of its residual long-term direct listed and unlisted equity investments.

Further, in the first quarter of 2008 the Issuer launched the Straumur Capital Management ("SCM") business initiative. SCM will act as an incubator and service provider to various new hedge funds. Straumur intends to invest directly in the SCM funds, while also creating a venue for clients and investors to participate in investment opportunities which are identified through the Bank's presence in Northern and Central Europe. As part of SCM, Straumur Capital Management hf, an Icelandic fund management company, is to be established as a wholly owned subsidiary of the Issuer.

SCM is in the process of requiring its licenses with the Icelandic Financial Supervisory Authority and having the European Special Situations Event Driven Fund initiating its trading activities. Subsequently SCM will launch its first fund which will invest in equities, bonds and options in Western and Eastern Europe. The focus is on M&A risk arbitrage, non-distressed event driven situations and distressed situations, using various instruments. SCM's goal is to launch at least two other funds in the year 2008.

This initiative will complement the asset management activities conducted by Straumur, eQ and Wood.

8. SOURCES OF FUNDS

Straumur has, over time, developed from being an investment company into an investment bank. Until 2005, Straumur funded itself primarily through domestic bonds and loan market financing. However, as Straumur has increased in size, it has become necessary to access longer maturity financing through the international financial markets.

The Funding desk is responsible for the overall funding of Straumur. With increasing funding needs, Straumur will access international markets with issuance of loans, bonds and commercial papers. The table below sets out a breakdown of the sources of funds of the Group in accordance with IFRS.

	As at 31st December 2006		As at 31st December 2007		As at 31st March 2008	
	EUR thousands	*Percent (%)*	*EUR thousands*	*Percent (%)*	*EUR thousands*	*Percent (%)*
Equity	1,494,018	34	1,568,501	22	1,556,323	20
Subordinated loans	88,690	2	113,641	2	97,114	1
Deposits			1,268,263	18	860,673	11
Core funding	1,582,708	36	2,950,405	42	2,514,110	32
Borrowings	1,028,136	24	1,797,427	26	3,076,803	39
Credit institutions	1,544,636	35	1,981,088	28	1,799,851	23
Financial liabilities	87,686	2	101,786	1	293,091	4
Provision for deferred income tax ...	6,247	0	2,377	0.03	513	0.006
Other liabilities	57,489	2	277,011	3	294,728	4
Finance in the market	2,775,055	64	4,159,689	58	5,464,986	68
Total funds	4,357,763	100	7,110,094	100	7,979,096	100

8.1 Subordinated Loans

		Book value 2006	Book value 2007
	Currency & Maturity Date	*EUR thousands*	*EUR thousands*
Loans that qualify as Tier II capital:			
Subordinated loan-listed on the OMX ICE , interest 5%	ISK 01.03.2015	61,410	66,855
Subordinated loan, interest Euribor +3%	EUR 15.12.2018	27,280	27,083
Subordinated loan, interest Euribor +3%	EUR 19.4.2019	0	19,703
		88,690	113,641

8.2 Borrowings

Straumur's borrowings are specified as follows:

	2006 Total	2007	1Q 2008 Total
	EUR thousands	*EUR thousands*	*EUR thousands*
Balances with the Central Bank and other credit institutions due to repurchase agreement	866,621	252,178	167,364
Other balances with credit institutions..................................	678,015	1,728,910	1,632,487
Bonds..	412,673	1,071,568	421,531
Money market loans...	615,463	725,859	2,655,272
Total borrowings..	**2,572,772**	**3,778,515**	**4,876,654**

8.3 Capital Adequacy

Every financial institution must hold adequate capital to compensate for risks taken. CAD (capital adequacy ratio), the common measure used to calculate total eligible capital to risk-weighted assets, should be at least 8 per cent., of which the Tier 1 capital element must be at least 4 per cent.. Straumur's equity structure is composed of Tier 1 core capital – shareholders' equity and retained earnings – and, to a lesser extent, Tier 2 capital – subordinated debt. Straumur's benchmarks for planning purposes are a capital adequacy ratio of 15 per cent. and a Tier 1 ratio of 13 per cent.. These targets have been comfortably maintained on a consistent basis. On 31st March, 2008, the CAD was 21.4 per cent., of which Tier 1 accounted for 19.6 per cent.

8.4 Asset portfolio

As of 31st December, 2007, 34 per cent. of Straumur's assets were loans to customers (2006: 31 per cent.). Straumur's securities portfolio, which includes both equities and bonds, represented 35 per cent. of its asset base (2006: 46 per cent.).

8.5 Securities

A large share of the asset base of Straumur's securities portfolio comprises investment in large, listed and liquid corporates. The weight of equity in Straumur's asset base increased as a consequence of the merger with Burdarás in 2005, but Straumur has increasingly sold equity holdings to finance the growth of the loan portfolio and diversify income sources. In 2006, Straumur successfully exited four of Straumur's largest listed equity holdings as of year-end 2005. This process of "derisking" continued in 2007. Within financial assets held for trading and at fair value, Straumur's exposure to listed and unlisted equities fell from €1,407 million at 31st December 2006 to €1,087 million at 31st December 2007 and to €922,425 at 31st March 2008.

8.6 Loan Portfolio

Straumur started to build its loan portfolio in 2004 with the aim of diversifying its sources of income. At the end of 2006, total loans were approximately €1,351 million, while at 31st December, 2007, the portfolio had increased to approximately €2,411 million and then at 31st March 2008 the portfolio was approximately €1,909 million.

The figures below illustrate the distribution of loans by regions as at 31st March 2008 and distribution of loans by sectors as of year-end 2006, year end 2007 and 31st March 2008.

8.7 Loan Distribution (EUR thousands) by Region as at 31st March 2008

Regions		%	EUR thousands
1	Other Nordics	33%	630,252
2	Iceland	29%	553,858
3	Other	17%	324,675
4	United Kingdom	13%	248,281
5	CE/CEE	8%	152,788
	Total		1,909,854

8.8 Loan Portfolio (EUR thousands) by sector

	31 December 2006	31st December 2007	1Q 2008
	EUR thousands	*EUR thousands*	*EUR thousands*
Diversified financial services	318,698	359,908	95,943
Real Estate	319,089	245,405	305,577
Pharmaceutical	167,889	103,923	114,591
Media	4,934	218,611	76,394
Telecommunications	103,953	107,134	57,296
Speciality Retail	92,643	199,294	152,788
Hotels	13,132	131,356	144,591
Food Products	77,994	103,040	76,394
Other	336,523	942,671	343,774
Transport Infrastructure			210,084
Commercial Banks			152,788
Machinery			114,591
Health Care			57,296
Total loans to customers	1,351,274	2,411,342	1,909,854

8.9 Provisions

Straumur has a lending process whereby each credit application goes through a process of review and analysis. A credit case study is then created and the company is evaluated. Pricing reflects, amongst other variables, size, financing and deal structure and "risk-rating". The transaction then needs to be approved by the formal Credit Committee prior to Straumur extending the loan.

All loans are categorised according to Straumur's credit classification system and provisioned as follows:

- Senior I 0.5%-1.0% (over 100% asset cover or satisfactory guarantees)
- Senior II 1.0%-2.0% (up to 100% asset cover)
- Junior 2.0%-3.0% (2nd lien or no security)
- Mezzanine 3.0%-5.0% (no security, subordinated to all liabilities)

The following table provides a breakdown of Straumur's non-performing loans and provisions for non-performing loans as at 31st December, 2006 and 31st December, 2007. Loans are classified as non-performing whenever a payment is 90 days overdue.

8.10 Changes in the provision (EUR thousands)

	31st December 2006	31st December 2007
The allowance account at the beginning of the year	6,360	15,993
Provision for losses during the year	11,833	20,161
Loans written off during the year as uncollectible	0	(5,930)
Translation	−2,200	-7
The allowance account at year end	15,993	30,217
Provision for losses on the loan portfolio as a percentage of loans and issued guarantees	1.14	1.21

9. BOARD OF DIRECTORS, EXECUTIVE MANAGEMENT AND CORPORATE GOVERNANCE

9.1 Board of Directors

Directors:

Björgólfur Thor Björgólfsson, Chairman is an internationally-known investor and entrepreneur with an extensive experience in the pharmaceuticals, telecommunications and financial services sectors. He holds a significant stake in the international generic pharmaceutical company Actavis where he serves as Chairman of the Board. He also has sizeable holdings in telecommunication companies in Finland, Poland, the Czech Republic, Bulgaria and Greece, through the UK investment company Novator, where he is a leading investor. In addition, he has invested in various financial services companies in Iceland and Bulgaria. Björgólfur Thor has been Chairman of the Board of Directors of Straumur-Burdarás since October 2005. He holds a BSc in Finance from New York University.

Björgólfur Thor holds a significant part of the share capital of Samson eignarhaldsfélag ehf. but Samson eignarhaldsfélag ehf. is the largest shareholder of Landsbanki Íslands hf. which is a financial institution that operates in the same markets as Straumur. Björgólfur Thor is further the founder and leader of Novator Partners LLP, a London based investment firm, but Birgir Már Ragnarsson director of Straumur and Heiðar Már Guðjónsson an alternate director are both partners in Novator Partners LLP.

Gudmundur Kristjánsson is the CEO of Brim ehf. one if Iceland's leading fisheries. He graduated with a BSc in business and marketing from Salem State College, USA.

Fridrik Hallbjörn Karlsson is a partner in the investment firm Vogabakki ehf. He graduated as a mechanical engineer from the University of Iceland in 1990. He holds a masters degree in mechanical engineering from Stanford University USA and a MBA from INSEAD in France. His past work experience includes positions with Marel Food Systems, Kaupthing and Húsasmidjan.

James Leitner is an internationally known investor. He graduated with a BA in Economics from Yale University in 1975, with a Masters degree in International Finance from Columbia University in 1977 and a Juris Doctor in 1982 from Fordham University. He is now the president of Falcon Management Corporation. Falcon's activities include Investment Managing for Falcon Family L.P. and U.S. corporations and hedge funds. His prior experience includes: managing director of global trading for Bankers Trust from 1986-1991, vice president of proprietary trading in the commodity department of Sherson Lehman from 1985-1986 and as chief dealer in the foreign exchange department of Bank of America from 1982-1985.

Birgir Már Ragnarsson is a partner in Novator Partners LLP. He graduated from the Law Faculty of the University of Iceland in February 1999 and became a member of the Icelandic Bar Association in 2000. In June 2003, he earned a Masters Degree in Law (LLM) from Harvard Law School where he specialised in International Finance. His previous experience includes positions as Partner at Lex-Nestor Law Offices, Senior Attorney for the Icelandic Financial Supervisory Authority, and Legal Adviser with the Icelandic Ministry of Industry and Commerce.

Alternates:

Vilhjálmur Þorsteinsson is Chairman of CCP hf. and Verne Holdings ehf. Vilhjálmur has worked in the information technology and telecommunication sector since 1983 for companies such as Íslensk forritaþróun hf., Homeportal Inc., CODA Group PLC og Baan N.V.

Edgar Alden Edmonds is Managing Partner at EL Group, a New York based investment fund that provides start-up capital for apparel manufacturing and retail companies. In the 1990s he headed Fayerweather Group, a family investment fund focused on technology. He has a BS in economics from Boston University. He was appointed as an alternate director in March 2007.

Heiðar Már Guðjónsson was appointed as an alternate director in July 2006. Heiðar is a Managing Partner at Novator Partners LLP, which he joined in 2005. He began working in the finance industry, as an equity trader with Fjárvangur Securities in 1996 and joined Islandsbanki as head of institutional sales in 1997. He was one of the founders of Kaupthing New York in 2000 and managed GIR, a global macro hedge fund, after which he ran a managed account for Islandsbanki. He has a BSc in economics from the University of Iceland.

Jóhann Páll Símonarson was appointed as an alternate director in March 2007. He has worked for over 40 years at Eimskip hf., both at sea and on land. He has also served as an alternate director for Associated Icelandic Ports. Jóhann Páll has been an active member for several years in various Government and Non-Government Organisations.

Þórunn Guðmundsdóttir was appointed as an alternate director in 2005. She is a Supreme Court Attorney and a Partner in Lex Law Offices and has served on a number of government committees and on the boards of several companies. She is a part time lecturer at the University of Iceland and at Reykjavik University, and is the author of several articles on the concept of law. Þórunn graduated from the Law Faculty of the University of Iceland in 1982 and, in 1983, gained an LLM from Cornell University Law School, where she specialised in Contract Law.

9.2 Senior Executive Management

Chief Executive Officer

William Fall is Chief Executive Officer of Straumur, based in London and Reykjavik. Before joining the Bank in June 2007, he was President, International at Bank of America and a member of the bank's management operating committee. In this role, William was responsible for all of the bank's activities outside the United States spanning wholesale and retail banking in 18 countries. He holds a Master's degree in Natural Science and a Bachelor's degree in Veterinary Medicine from St Catharine's College, Cambridge.

Chief Executive Officer of eQ Corporation

Antti Mäkinen is Chief Executive Officer of eQ Corporation and the Managing Director of eQ Bank, based in Helsinki. He has been Managing Director of eQ Bank since October 2005, before which he was Head of Enskilda Securities the investment banking group of SEB in Finland for close to ten years. Before that he was an attorney with the Finnish law firm, Hannes Snellman. He has an LLM degree from Helsinki University.

Chief Financial Officer

Stephen Jack is Chief Financial Officer and also has responsibilities for Treasury and Investor Relations.
He is based in London. Before joining Straumur in November 2007, he was Group Finance Director of the UK-listed international brokerage firm, Collins Stewart Tullett plc. Before that, he spent three years as CFO at Tullett & Tokyo Liberty plc and two years as Global CFO at ING Barings. Prior to ING Barings, Stephen had a 13-year career at Dresdner Kleinwort Benson where he held a number of senior finance positions. He qualified as a chartered accountant with Price Waterhouse and has a Bachelor's degree in Modern History from Durham University.

Managing Director – Corporate Finance

Oscar Crohn is Head of Corporate Finance at Straumur, based in Copenhagen. He joined Straumur in November 2005, initially as co-manager of the Danish branch and head of the corporate finance team in Copenhagen. He was appointed Head of Corporate Finance in August 2007. From 2000 and until joining Straumur, Oscar was a partner in a Danish-based investment banking boutique, before which he worked in corporate finance at Enskilda Securities (SEB) and at PriceWaterhouseCoopers. He has a Master's degree in Finance and Accounting from Copenhagen Business School.

Head of Capital Markets, Proprietary Trading and Merchant Banking

Benedikt Gislason has been appointed as Managing Director and Head of Capital Markets, Proprietary Trading and Merchant Banking, including Straumur Capital Management ("SCM"). Benedikt was previously Managing Director of Capital Markets at FL Group. Prior to joining FL in April 2007, he was Managing Director of Proprietary Trading at Straumur. Other previous positions include working in capital markets for the Icelandic Investment Bank (FBA) and Islandsbanki. Benedikt holds a CSc in engineering from the University of Iceland and is a certified stockbroker.

Managing Director – Corporate Finance

Svanbjörn Thoroddsen is Head of Corporate Finance in Iceland and UK and Head of Business Development at Straumur. He is based in Reykjavik. Svanbjörn joined the Bank in July 2005 and was formerly CEO of Flaga Group. Before that he was a Managing Director at Islandsbanki (now Glitnir) and The Icelandic Investment Bank. Svanbjörn has a Bachelor's degree in Economics from Leeds University.

Managing Director – Debt Finance

Andrew Bernhardt is Head of Debt Finance at Straumur, based in London. He joined the Bank in October 2007, prior to which he had been Executive Director at GE Commercial Finance, responsible for origination and execution of leveraged finance transactions. Before GE, Andrew spent 27 years at Barclays Bank, where he was most recently Director of Leveraged Finance in London between 2001-2005. Andrew was educated at Sunbury Grammar School and is an Associate of the Institute of Bankers.

Managing Director – Risk Management

Dr. Jakob Ásmundsson, has previously held positions at Intel Corporation where he was a senior engineer, and at Kaupthing Bank, where he specialised in risk management. He joined Straumur-Burdarás in 2005. Jakob received his PhD in Industrial Engineering from Purdue University in 2003. He holds an MSc in Industrial Engineering from the University of Illinois at Urbana-Champaign and a BSc degree in Mechanical and Industrial Engineering from the University of Iceland.

Managing Director – Human Resources

David Freyr Oddsson is Head of Human Resources, based in Reykjavik. David Freyr joined Straumur in August 2006 from Capacent, one of the largest consultancy firms in Iceland, where he worked as a human resources consultant. He has a Cand.Theol degree from the University of Iceland and an MBA from Reykjavik University.

Managing Director – Legal & Compliance Department

Óttar Pálsson, was a partner at LOGOS, Iceland's largest law firm from 2001 to 2006. He led the firm's Company Law and Financial Markets Group and was responsible for advising domestic and international clients on a wide range of transactions. Óttar was admitted to the Bar as a District Court Attorney in 1998 and was admitted to practice before the Supreme Court of Iceland in 2005. Prior to joining Straumur, he was engaged at Glitnir Bank, Corporate and Investment Banking. He received a cand. jur. degree from the University of Iceland Faculty of Law in 1997, and in 2001 he received an LL.M. degree from University College, University of London, where he concentrated on Company Law and Financial Markets. Óttar has lectured at the University of Iceland Faculty of Law since 1998.

Chief Administrative Officer

Skúli Valberg Ólafsson, is responsible for the integration and efficiency of Straumur's operations and support divisions. He joined Straumur in 2003 through its takeover of, and merger with, Brú Investments (Icelandic Software Fund). He established Straumur's Corporate Finance division in 2004 and was its Managing Director until 2005, when he joined the CEO's office for operations and growth-related assignments. In 2004 he established Brú Venture Capital, Straumur's subsidiary and venue for venture capital investments, and he represents Straumur as a director on various boards. Skúli has 15 years of operational and managerial experience in finance and technology and holds a degree in Industrial and Systems Engineering.

The business address of each of the members of the "Board and Management" and "Senior Executive Management" listed above is Straumur-Burdarás Investment Bank hf., Borgartún 25, 105 Reykjavik, Iceland.

Other than mentioned above, Straumur is not aware of that any persons referred to above and comprise the Board of Directors, its alternatives and the Senior Executive Management have any potential conflicts of interests between their duties to Straumur and their private interests or other duties.

9.3 CORPORATE GOVERNANCE

Straumur recognises the importance of good corporate governance. The Board of Directors seeks at all times to comply with the Guidelines on Corporate Governance issued by the Icelandic Chamber of Commerce, now OMX ICE and the Confederation of Icelandic Employers. It is the opinion of the Board that Straumur is in full compliance with the guidelines.

Articles of Association

Straumur's Articles of Association, the Act Respecting Public Limited Companies (lög um hlutafélög nr. 2/1995) and the Act on Financial Undertakings (lög um fjármálafyrirtæki nr. 161/2002) constitute the basis for the Company's existence and activities. Except for cases otherwise specified in the Articles, or by Icelandic law, Straumur's Articles may only be amended by a qualified majority (two-thirds of votes) of a Shareholders' Meeting. The Articles are available at www.straumur.net.

Shareholders' Meetings

Shareholders ultimately control the affairs of the Company. The date, time and location of Shareholders' meetings are announced in the national Icelandic press between one and four weeks in advance, and all shareholders listed in the register are entitled to attend and participate, either in person or by proxy. Shareholders wishing to raise specific matters at a meeting must submit a written request to the Board, allowing enough notice to enable resolutions to be included in the meeting's agenda, which will be made available at least one week in advance of the meeting. The Annual General Meeting is held each year in the spring.

Board of Directors and Executive Management

In accordance with Icelandic law, Straumur has a two-tier management structure. The first tier is the Board of Directors, comprising five Directors and five Alternates. The Board is elected by the shareholders and is responsible for policy, major decisions affecting the company and the overall soundness of its organisation and activities. It meets approximately twelve times a year and elects from its number a Chairman to convene and preside over Board meetings. The Chairman has a casting vote in matters requiring resolution. Members of the Board are classified as either independent or not according to the Guidelines on Corporate Governance. All of the directors elected at the AGM in 2008 were independent of the Company and three directors were independent of large shareholders.

The second tier of management is the Chief Executive Officer. The CEO is appointed by the Board to be responsible for daily operations. The Board also appoints the company's internal auditor and must approve the appointment of the compliance officer. The CEO chairs the Bank's management committee which meets on a weekly basis in order to oversee the day to day operations of Straumur. The Chairman is the principal point of contact between the CEO and the Board between Board meetings.

Board committees

The Board of Directors elects members to the Audit Committee and the Remuneration Committee. The Audit Committee comprises two directors, both of whom have thorough knowledge of accounting and preparation of financial statements. Its primary task is to review financial data and other information disclosure by management. This may include information regarding the company's financial position, risk management procedures, internal and external audit reports and so on. The purpose of the Audit Committee is to ensure that information presented to the Board regarding the Company's operations, financial situation and outlook, are accurate and clearly stated. Members of the Audit Committee are Birgir Már Ragnarsson (Chairman) and Friðrik Hallbjörn Karlsson, both of whom were appointed by a Meeting of the Board on 13 December 2007.

The Remuneration Committee comprises three directors or alternates. The Committee provides guidance to the Board and the CEO with regard to the terms of employment for the Company's senior employees. The Committee prepares Straumur's employment terms policy which is presented to the Annual General Meeting. The employment terms policy is available at www.straumur.net Members of the Remuneration Committee are Birgir Már Ragnarsson, chairman, Friðrik Hallbjörn Karlsson and Heiðar Már Guðjónsson, all of whom were appointed by a meeting of the Board on 28 March 2007.

Internal Controls

Straumur decision-making procedures and organisational structure clearly specify reporting lines, functions and responsibilities. An organisational chart, approved by the Board, shows the division of responsibilities amongst members of the Management Committee, by region, business line, and support function.

Straumur's internal control systems include:

- An independent Compliance function, responsible for monitoring compliance with regulatory obligations and reporting breaches to management on a timely basis
- A Risk Management department which evaluates and monitors risk within a defined strategy set by the Board of Directors
- An Internal Auditor which examines and evaluates the adequacy and effectiveness of internal control mechanisms and activities.

Auditors

Straumur's auditors are elected each year at the Annual General Meeting. Their qualifications and eligibility are governed by law. The auditors examine the Company's accounts and all relevant account documents for each year of operation. They have access to all of Straumur's books and documents for this purpose. The auditors also review transactions with related parties and compare them to similar transactions with other customers in order to confirm their arm's length nature.

At the 2008 Annual General Meeting, KPMG hf. was elected Straumur's auditors for the 2008 accounting year.

10. GENERAL INFORMATION

Incorporation by Reference

The following documents are incorporate by reference into this Registration Document:

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

Documents on Display

The following document is 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 the unaudited interim consolidated financial statements of Straumur for the three months ended 31 March 2008

These documents and this Registration Document may be viewed on Straumur's website www.straumur.net

Ownership Structure

Straumur's shares are listed on the OMX Nordic Exchange in Iceland and are included in the OMX ICE 115, OMX ICE all shares and the OMX ICE financial indices.

As at end of business 25th of June 2008, the five largest shareholders in Straumur own 70.41 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)	22.52
Landsbanki Íslands hf., head office	4.90
Straumur-Burðarás Fjárfestingarbanki hf.	4.55
GLB Hedge	4.13

Legal and Arbitration Proceedings

Neither Straumur nor any of its subsidiaries have been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Straumur is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Group.

No significant change

There has been no significant change in the financial or trading position of Straumur since 31st December 2007 and there has been no material adverse change in the prospects of Straumur since 31st December 2007.

THE ISSUER
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