



Securities Note
STRB 08 1201

February 2008

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1 Risk Factors

The following description of risk factors is not exhaustive, but rather an expression of the most significant risks the Issuer has been able to identify relating to investments in the Bills. The potential investor should read the section on risk factors in conjunction with the other sections of this Securities Note, and all public announcements by the Issuer before making a decision to invest in the Bills. Additional risks and uncertainties that do not currently exist, that are not presently considered material, or of which the Issuer is unaware may also impair the business and operations of the Issuer, and therefore the investment in the Bills. These risks and uncertainties could have a material adverse impact on the Issuer and its ability to fulfil its obligations under the terms of 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.

1.1 Market risk

Market risk is risk that is common to all securities of the same class (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.

During the last several months, interest rates have been increasing in Iceland. However, no statement can be made regarding whether that trend will continue or reverse in the future. Investors are reminded that fluctuations in the interest rate level can affect the market value of the Bills.

1.2 Credit risk

Credit risk refers primarily to the risk involved with debt investments such as bills. Credit risk is essentially the risk that the principal will not be repaid by the issuer. If the issuer fails to repay the principal, the issuer will default on the 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.

1.3 Active public market

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

1.4 Legal and regulatory risk

The creation of the Bills is based on Icelandic law in force as of the date of this Securities Note. The Icelandic Parliament, Althingi (<http://www.althingi.is>), might amend the law or change its administrative practices, or a judicial decision might be made that could adversely affect the Issuer's position. While it is not anticipated that this will happen, no assurance can be given relating to the impact that such a change might have.

2 Notice to Investors

In making an investment decision, potential investors should consider carefully the merits and risks of an investment in the Bills. The terms and conditions of the Bills, which are described in Chapter 5, should be carefully reviewed before any investment decision is made. As with any investment in securities, there are risks associated with investment in the Bills.

This Securities Note has been prepared to provide clear and thorough information on the Bills but does not purport to provide an exhaustive description of the Issuer. Potential investors are encouraged, among other things, to study carefully the Issuer's Registration Document, issued 1 March 2007 and consider all announcements and communications from the Issuer that are available on the OMX ICE news webpage; <http://www.omxgroup.com/nordicexchange>

This Securities Note has been prepared in accordance with chapter VI in the act No. 108/2007 on Securities Transactions. The admission to trading will proceed pursuant to Icelandic law and regulations. Directive 2003/71/EC of the European Parliament and of the Council of 4th November 2003 has been incorporated into Icelandic law. OMX ICE has scrutinised and approved this Securities Note, which is published in English only, based on its authority under an agreement between it and the Icelandic Financial Supervisory Authority regarding the review and approval of prospectuses.

3 Persons Responsible

3.1 Declaration by CFO and MD of Legal Department

Straumur-Burdaras Investment Bank hf., in its capacity as the Issuer and Manager, Icelandic reg. no. 701086-1399, 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 this prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Reykjavík 6 February 2008

On behalf of Straumur-Burdaras Investment Bank hf.,

Stephen Jack
Chief Financial Officer

Óttar Pálsson
Managing Director – Legal department

3.2 Declaration by the Auditors of Straumur

We the undersigned auditors of Straumur, KPMG Endurskoðun hf., Id. No. 590975-0449, Borgartún 27, 105 Reykjavík, have audited and endorsed without reservations the annual financial statements of Straumur for the accounting years 2006 and 2007.

We hereby confirm that the information contained in this Prospectus, concerning the accounts of Straumur referred to above, accords with those accounts.

We have not been resigned nor been removed from our positions during the period covered by the historical information.

Reykjavík, 6 February 2008

On behalf of KPMG Endurskoðun hf.

Helgi F. Arnarson
Certified Public Accountant

Ólafur Már Ólafsson
Certified Public Accountant

4 References 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 Kauphöll Íslands 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 Nordic Exchange Iceland hf., 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 Verðbréfasráning 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 of Exchange issue of maximum ISK 5,000,000,000 which is described in this Securities Note, unless otherwise clear from the context.

5 Information Concerning the Securities

Symbol: STRB 08 1201

Bill type: Bullet

ISIN-code:	IS0000016327
Size limit:	ISK 5,000,000,000 – The whole amount for the Bills altogether can not exceed ISK 5,000,000,000 -
Issued:	ISK 2,000,000,000 –
Denomination:	ISK 5,000,000 –
Date of issue:	1 December 2007
Date of listing:	7 February 2008
Maturity date:	1 December 2008
	Repayment is made on the aforementioned maturity dates.
	It is not permitted to bring forward the repayment of the Bills.
Nominal interest:	The Bills bear no interest.
Day count fraction:	Actual/360.
Method of payment:	All amounts payable under the Bills will be paid to the relevant financial institution where the registered owner has his/her VS account.
Indication of yield:	Approximately 15,13 %
Benefits:	No benefits are attached to the Bills.
First interest date:	N/A
First interest payment date:	N/A
Currency:	ISK
Market making:	Straumur will act as market maker for the Bills on the OMX ICE. 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 bid and asks until the next day. The bid-ask spread shall not be more than 0.15%.

Priority:

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.

Default interests:

In the event of non-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.

Restrictions on transfer:

There are no restrictions on transferring the Bills.

Depository agent:

Icelandic Securities Depository hf.

Calculation Agent:

Straumur-Burdaras
Investment Bank hf.

Borgartún 25
105 Reykjavík
Iceland

Prescription

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

Taxation:

All payments in respect of the Bills, by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any tax jurisdiction unless such withholding or deduction is required by law 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.

Stamp duty:

The Issuer's Bills are exempt from stamp duty in Iceland.

Disputes:

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

Authorization:

According to Straumur Rules on Signatures dated 23 April 2004 as amended, the Bank shall be obliged in all cases by signatures of two employees holding class A Power of Attorney. The Bank's CEO and Managing Directors hold class A Power of Attorney.

6 Registration with the ISD and Admission to Trading

The Bills are discount instruments issued electronically at the ISD according to act no. 131/1997. The Bills are registered there under the name of the relevant Bill holder or his/her nominee. The Bills are all in the same class.

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 were admitted to trading on 7 February 2008. The Issuer published a Registration Document on 1 March 2007.

7 Additional Information

7.1 Sale of the Bills

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

7.2 Rating

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

7.3 Aligned Interests

There are no interests, including conflicting interests, which are material to the Issue.

7.4 Expenses Related to the Issue and Registration

The expenses related to the listing of the Bills according to OMX ICE fee structure is ISK 450.000. The cost at the ISD is ISK 120.000. Total cost is ISK 570.000.

7.5 New Developments

July 2007

A great majority of the shareholders and the holders of option rights in the Finnish bank, eQ, accepted the tender offer by Straumur for all shares and option rights in eQ. Straumur now controls over 95% of the shares and the voting rights in eQ.

Straumur announced the results for Q2 2007. For further information please view “Documents incorporated by reference and for display”.

August 2007

Oscar Crohn replaced Guðmundur Þórðarson as Global Head of Corporate Finance and takes a seat on Straumur's Executive Committee. In addition, Svanbjörn Thoroddsen takes on a new position as Head of Corporate Finance Iceland and UK as well as working together with William Fall, CEO, on strategic corporate development.

The Icelandic Financial Supervisory Authority (Fjármálaeftirlitið) granted Straumur a commercial banking Licence. The licence will enable the Bank to solicit deposits in its current markets. Straumur does not expect to begin offering conventional commercial banking services to individuals and corporations; for example, through the operation of branches.

September 2007

The Board of Directors of Straumur decided to record the Bank's share capital in euros instead of Icelandic krónas. The change was supposed to take effect on 20 September 2007 but was postponed.

Straumur announces its strategic direction and targets for 2010.

Key Targets:

- Revenues to exceed EUR 1,250 million by 2010
- Long term ROE target in excess of 20% by 2010
- Balance Sheet to exceed EUR 14,000 million by 2010
- Assets under Management to exceed EUR10,000 million by 2010
- Long term goal for client-driven revenues to be 75% of total revenues by 2010
- Introduction of consistent firm-wide compensation and performance programme, incorporating a new share option scheme across the Bank by 2008
- Diversity target of women to be more than 40% of total work force by 2008

October 2007

The Czech Central Bank approved Straumur acquisition of the 50% stake in Wood & Company. The purchase was made subject to the approval of the Czech Central Bank.

Straumur announced the results for Q3 2007. For further information please view “Documents incorporated by reference and for display”.

Straumur appoints Stephen Jack as Chief Financial Officer. He will report to William Fall, CEO, and be a member of the Senior Management team.

Straumur appoints Andrew Bernhardt as Managing Director of Straumur’s Debt Finance Division. In this new role, he will become a member of Straumur’s Management Committee. He replaces Margit Robertet who has resigned. Andrew Bernhardt joined Straumur as Head of Debt Finance in London in October 2007.

Stephen Jack, CFO extends his role to include full management responsibility for Treasury, including Investor Relations. His appointment to this position follows the resignation of Svanhildur Nanna Vigfúsdóttir, who had been Head of Treasury since 2005.

December 2007

Fitch Ratings affirmed Straumur ratings at Long-term Issuer Default (IDR) 'BBB-', Short-term IDR 'F3', Individual 'C/D' and Support '3'. The Outlook for the Long-term IDR is Stable.

January 2008

Straumur gave update on the Bank’s funding activities and current liquidity. Straumur has EUR 717 million of long-term debt maturing in 2008. Straumur had more than 270 days of secured liquidity as of January 1st 2008.

The Bank uses a less conservative measure referred to as unsecured liquidity which takes into account other liquid assets such as listed shares. According to this measure the Bank is liquid for 340 days.

The secured liquidity of Straumur consists of cash, high grade international repo-able bonds and back-up facilities with a maturity of over one year and without MAC clauses.

Straumur has a strategy of diversifying its sources of funding and the recent funding activities of the bank have all taken place outside of Iceland which emphasizes the strength and diversification of the banks funding.

The outlook for further funding in the year 2008 is positive.

Straumur announced the Annual results for 2007. For further information please view “Documents incorporated by reference and for display”.

Apart from the above, no material changes have been in Straumur’s activities.

7.6 Documents Incorporated by Reference and for Display

The following documents are incorporated herein by reference to and form part of this Prospectus:

 Straumur results for Q2 2007

 Straumur results for Q3 2007

 Straumur Annual Results 2007

These documents can be viewed on the Issuers webpage; www.straumur.net.