

JANUARY 2008



NÝSIR HF. (NYSI 08 0425)
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1. RISK FACTORS

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

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

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Bills. The inability of the Issuer to pay interest, principal or other amounts, on or in connection with any Bills, may occur for other reasons which may not be considered significant risks by the Issuer, based on information currently available to it, or which it may not currently be able to anticipate.

Risks Relating to the Bills

Prominent disclosure of risk factors that are material to the securities admitted

to trading in order to assess the market risk associated with these securities are set out below:

The Issuer's liability to make payments under the Bills

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

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

No Prior Public Market

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

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

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

Prospective investors should possess, either alone or together with an investment advisor, the expertise necessary to evaluate the information contained in this Securities Note in the context of its financial situation and tolerance for risk. Potential investors should carefully consider, among other things, the factors described in this section before purchasing the Bills.

Change of law

The terms and conditions of the Bills are based on Icelandic law in effect as at the date of this Securities Note. No assurance can be given as to the impact of any possible judicial decision or change to Icelandic law or administrative practice after the date of this Securities Note.

2. PERSONS RESPONSIBLE

Nýsir hf., in its capacity as the Issuer, Icelandic ID-No. 690191-1219, registered office at Reykjavíkurvegur 74, 220 Hafnarfjörður, 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.

Reykjavik, 14th January 2008

On behalf of the Issuer

Stefán Páll Thórarinsson,
Chairman of the Board

Höskuldur Ásgeirsson
CEO

3. MANAGER

The Manager, Kaupthing Bank hf - Capital Markets, Icelandic ID-No. 560882-0419 registered office at Borgartun 19, 105 Reykjavik, Iceland has been the advisor to the Issuer in the preparation of this Securities Note and the advisor to admission to trading on the OMX Nordic Exchange Iceland (OMX ICE) Fixed Income Market. The Manager has not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Manager as to the accuracy or completeness of the information contained in this document or any other information provided by the Issuer in connection with the Bills of Exchange ("Bills"). The Manager does not accept any liability in relation to the information contained in this document or any other information provided by the Issuer in connection with the Bills

Reykjavik, 14th January 2008

On behalf of the Manager

Ingvar Vilhjálmsson
Managing Director

Stefán Ákason
Head of Fixed Income Sales

4. REFERENCES AND GLOSSARY OF TERMS AND ABBREVIATIONS

References to the "Issuer", "Nýsir" and "the Company" in this Securities Note shall be construed as referring to Nýsir hf., Icelandic ID-No. 690191-1219, unless otherwise clear from the context, and its subsidiaries and affiliates, unless otherwise clear from the context. Nýsir hf. is the legal Icelandic name of the Issuer.

References to "OMX ICE" in this Securities Note shall be construed as referring to the OMX Nordic Exchange Iceland hf., Icelandic ID-No.681298-2829, unless otherwise clear from the context. References to the "admission to trading" and the "admission to trading on a regulated market" in this Securities Note shall be construed as referring to the admission to trading on the OMX ICE Fixed Income market, unless otherwise clear from the context.

References to "ISD" in this Securities Note shall be construed as referring to the Icelandic Securities Depository, i.e. to Verðbréfaskráning Íslands hf., Icelandic ID-No. 500797-3209, Laugavegur 182, 105 Reykjavík unless otherwise clear from the context.

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

References to the "Bills" in this Securities Note shall be construed as referring to the Bills of Exchange issue of ISK 1 billion which is described in this Securities Note, unless otherwise clear from the context.

5. NOTICE TO INVESTORS

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

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

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

Neither the delivery of this Securities Note nor the sale or delivery of any Bills shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Bills is correct as of any time subsequent to the date indicated in the document containing the same. The Manager expressly does not undertake to review the financial condition or affairs of the Issuer during the life of the Bills or to advise any investor in the Bills of any information coming to their attention.

This Securities Note with the Registration Document dated 23rd October 2007 form this Prospectus. Full information on the Issuer is only available on the basis of the combination of this Securities Note, the Registration Document.

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

6. KEY INFORMATION

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

- a) Nýsir is a customer of Kaupthing Bank's Capital Markets and Corporate Banking divisions.
- b) Kaupthing Bank is a commercial bank for two subsidiaries of Nýsir hf.
- d) Kaupthing Bank is participating with Nýsir hf. in the NYOP Consortium that is bidding for the Durham BSF project involving more than 40 new schools over a period of 10 years.

7. INFORMATION CONCERNING THE SECURITIES TO BE ADMITTED TO TRADING

Authorisation

At a board meeting held on the 25th October 2007, the board of Nýsir approved to issue up to one year bill issue. The estimated amount was for ISK 1.0 billion. This Issuer has at the date of this Securities Note issued bills amounting in total to ISK 1,000,000,000 under NYSI 08 0425.

Issue and Bill characteristics

The Bills bear no interest and are not indexed. The Bills are registered electronically at the Icelandic Securities Depository and are registered there under the name of the relevant billholder or his/her nominee.

The Bills constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank pari passu among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

Date of issue:	26th October 2007
Nominal amount:	ISK 1,000,000,000
Issued amount:	ISK 1,000,000,000
Denomination:	ISK 5,000,000
Currency:	ISK
Interest rates:	The Bills bear no interest
Depository agent:	Icelandic Securities Depository
Maturity date:	The principal will be repaid in full in one payment on 25th April 2008.
Method of payment:	All amounts payable under the Bonds will be paid to relevant financial institution where the registered owner has his/her VS account.
Indication of yield:	17,19
Restrictions on transfer:	There are no restrictions on transferring the Bills to other parties.
Benefits:	There are no special benefits connected to the Issue of the bills.
ISIN code:	IS0000015956

Event of Default, Acceleration and Enforcement

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

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

Governing Law

The governing law is Icelandic law. The Issuer irrevocably agrees that any dispute shall be subject to the exclusive jurisdiction of the District Court of Reykjavík (Héraðsdómur Reykjavíkur).

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

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

8. ADMISSION TO TRADING AND EXPENSES RELATING THERETO

Application was made to the OMX Nordic Exchange Iceland hf (the OMX ICE) as the competent authority in Iceland for the purpose of Directive 2003/71/EC (the Prospectus Directive), the Icelandic law no. 108/2007, as amended, and the relevant regulations based on the law for approval of this Securities Note. OMX ICE has scrutinized and approved this Securities Note, which is only published in English. Application has also been made for the Bills to be admitted to trading on the regulated market of the OMX ICE, which is an EU regulated market within the meaning of Directive 2004/39/EC.

The Bills will be admitted to trading on the OMX Nordic Exchange Iceland hf, on 15 January 2008.

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

9. NEW DEVELOPMENTS

Aberdeen 3R's Project

NYOP Education (Aberdeen) Limited, a subsidiary of Nysir hf., signed on the 21st December 2007 a Project Agreement with the City of Aberdeen involving the design, building, financing and operation of 10 schools and 1 sports centre. The contract period is 30 years and the investment cost c. £130m. The unitary charge received annually from this project will increase gradually from c. £12m in 2010 to c. £20m in 2039. The 3Rs Project (Re-organise, Renovate and Rebuild) aims to regenerate Aberdeen's schools estate to provide the highest quality learning environment across the City.