

## SUMMARY

## **GENERAL**

This Summary should be read as an introduction to the Securities Note and the Registration Document. Together these three documents form the Prospectus. Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor.

Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the prospectus before the legal proceedings.

Civil liability attaches to those persons who have tabled the summary including any translation thereof, and applied for its notification, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

## **ISSUE STATISTICS, EXPECTED TIMETABLE AND USE OF PROCEEDS**

The Prospectus concerns the issue of and admission to trading of, Interest-bearing Bonds for the amount of ISK 2,000,000,000- on OMX Nordic Exchange Iceland hf. by Glitnir bank hf., ID No. 550500-3530, Kirkjúsandur 2, 155 Reykjavík, Iceland.

The issue date of the Bonds was 2 May 2007. The Bonds are denominated in ISK and denomination of each Bond is ISK 1,000,000. The Bonds carry 5.25% annual interest on principal and are index-linked to the consumer price index (CPI) in Iceland. Interest will be paid on 2 May every year, for the first time 2 May 2008, and the principal will be repaid upon maturity on 2 May 2017.

The Bonds shall in change of ownership be endorsed to a named party. No other restrictions are on transferring the Bonds.

The issue is part of regular financing and the proceeds will be used to finance the Issuer's regular activities.

## **COST OF THE ISSUE**

Cost due to listing on Icelandic Securities Depository (Verðbréfasráning Íslands hf.) was ISK 484,548 and cost due to listing on OMX Nordic Exchange Iceland hf. was ISK 450,000.

## **RISK FACTORS**

The principal risk factors that may have a material effect on the price of the Bonds, and thereby on the investment value, are:

- Credit risk
- Market risk
- Liquidity risk

Among the important risks to which the Issuer is directly exposed are risk factors relating to the Issuer as a financial institution. The Issuer is subject to interest rate risk, liquidity risk, currency risk, market risk and inflation risk. General economic conditions, especially in Iceland and Norway may also affect the Issuer. Other general risk factors include i.e. regulatory changes, operational risk and systemic risk.

## **INFORMATION ON GLITNIR BANKI HF.**

The legal name of the Issuer is Glitnir banki hf. and its commercial name is Glitnir.

## **HISTORY AND KEY DEVELOPMENTS**

The key developments relating to the Issuer since 2000 are the following:

- The merger of Íslandsbanki hf., a commercial bank, and Fjárfestingabanki atvinnulífsins hf., an investment bank.
- In 2003, the Issuer acquired the Icelandic insurance company Sjóvá. It has later disposed of the asset, in full as of early 2006.
- In late 2004, the Issuer acquired KredittBanken (now Glitnir Bank ASA), a niche bank located in Norway with a focus on the seafood and shipping industry.
- The Company acquired BNbank, a Norwegian commercial bank focused on mortgage loans, in the first quarter of 2005.
- In July 2006, the Issuer announced its acquisition of the securities brokerage firm Fischer Partners Fondkommission AB in Sweden, a brokerage company.
- On 16 March 2007, the Company acquired 68.1% of the shares in FIM Group Corporation, a Finnish investment management company.

## **BUSINESS OVERVIEW AND ORGANISATIONAL STRUCTURE**

In February 2007 the Issuer introduced a new organizational structure. The structural changes reflect the Issuer's increasing geographic reach, client and product scope and enable international domestic expansion.

The new structure is a matrix of functional divisions, geographic markets and support divisions, and covers the Issuer's principal activities and markets. The business and geographical units, illustrating the principal activities carried out by the Company, are the following:

- Markets, with overall responsibility for the Issuer's capital markets activities.
- Investment Banking, responsible for the Issuer's international corporate finance and equity investment activities.
- Investment Management, that comprises private banking in Iceland and Luxembourg, and asset management in Iceland.
- Corporate Banking, responsible for managing relationships with international key accounts that cross regional borders.

The geographical units are:

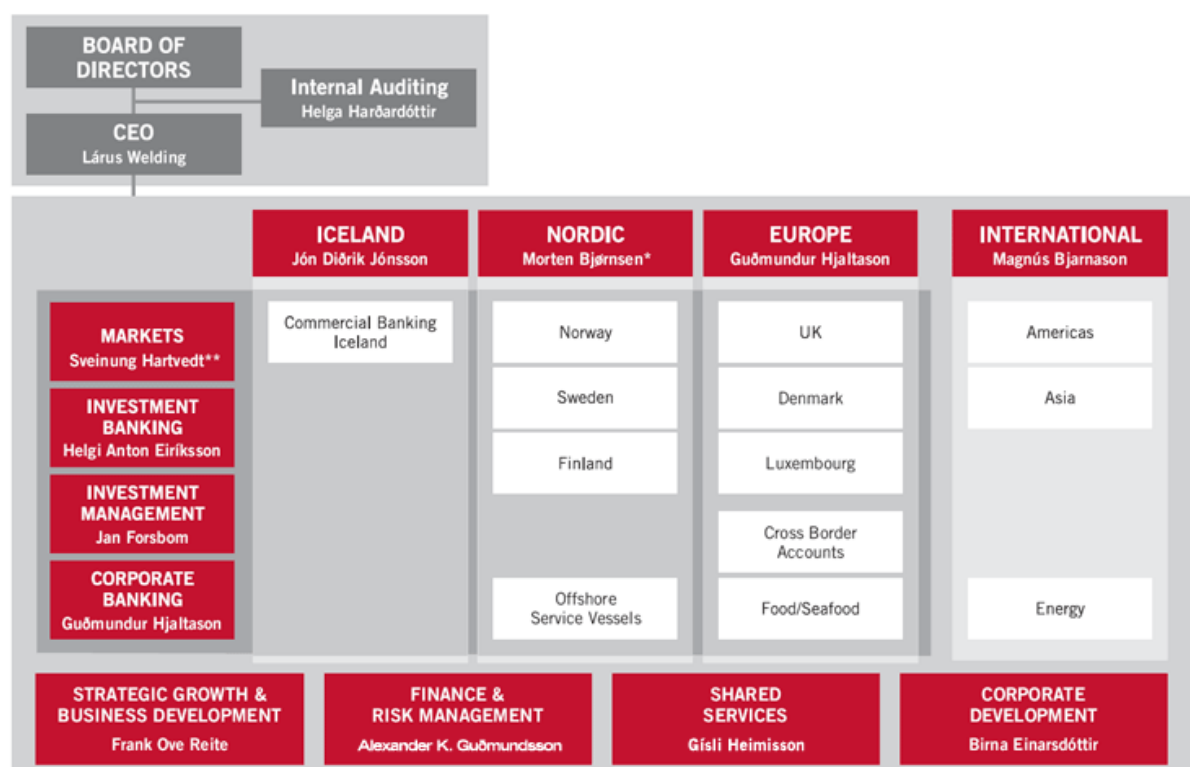
- Iceland, comprising of the business units Retail Banking, Domestic Corporate Banking, Asset Based Financing and Credit Card services.
- Nordic, comprising of the geographic areas Norway and Sweden. It also includes the Issuer's strategic growth function, as well as all Issuer initiatives in the offshore supply niche segment globally. The subsidiaries BNbank, Glitnir Bank ASA and UNION Gruppen are included in Nordic.
- Europe, comprising of the geographical area of Continental Europe including Denmark, and the UK. The unit also includes the global food/seafood niche segment.

- International, comprising of the geographical areas North- and South America and Asia, as well as Investment Banking for Asia/Americas, and all Issuer initiatives in the energy niche segment globally.

The support units are:

- Finance & Risk Management
- Shared Services
- Corporate Development

The organisational chart is accordingly the following:



\* Joins Glitnir on August 1st, Frank Ove Reite heads Nordic until then  
\*\* Joins Glitnir on September 1st, Frank Ove Reite heads Markets until then

## DIRECTORS AND MANAGEMENT

The members of the Board of Directors are as follows as of 30 April 2007:

Name	Title
Þorsteinn M. Jónsson	Chairman
Jón Sigurðsson	Vice Chairman
Björn Ingi Sveinsson	Board Member
Haukur Guðjónsson	Board Member
Katrín Pétursdóttir	Board Member
Pétur Guðmundarson	Board Member
Skarphéðinn Berg Steinarsson	Board Member

## SENIOR MANAGEMENT

The Executive Board comprises of twelve members:

Lárus Welding, CEO.

Magnús Bjarnason, Executive Vice President (EVP), International Banking.

Morten Bjørnsen, EVP, Nordic banking operations.

Birna Einarsdóttir, EVP, Corporate Development and Iceland.

Helgi Anton Eiríksson, EVP, Investment Banking.

Jan Forsbom, EVP, Investment Management.

Alexander K. Guðmundsson, EVP, Finance Division and Risk Management.

Sveinung Hartvedt, EVP, Glitnir Markets.

Gísli Heimisson, EVP, Shared Services.

Guðmundur Hjaltason, EVP, Corporate Banking and Europe.

Frank O. Reite, EVP, Strategic Growth and Business Development.

## STATUTORY AUDITORS

The Issuer's auditors as of the financial year 2006 are PricewaterhouseCoopers hf., Icelandic ID No. 690681-0139. Skógarhlíð 12, 105 Reykjavík.

## EMPLOYEES

The average number of full-time employees was 2,011 in Q2 2007 up from 1,546 in the preceding quarter.

## MANAGER

Glitnir banki hf., Kirkjusandi 2, 155 Reykjavík, Iceland is the manager and has been advisor to the Issuer on the preparation of the Prospectus.

## LIST OF MAJORITY SHAREHOLDERS

Following is a list of the 10 largest shareholders in the Issuer as of 13 August 2007.

Name of shareholder	Share in %
1. FL Group Holding Netherlands B.	17.12%
2. FL GLB Holding B.V.	13.11%
3. Þáttur International ehf	7.00%
4. GLB Hedge	5.14%
5. Saxbygg Invest ehf	5.00%
6. Jötunn Holding ehf	4.85%
7. LI-Hedge	4.54%
8. Glitnir banki hf	3.79%
9. Arion safnreikningur	2.84%
10. Citibank	1.91%
<b>Share of 10 largest shareholders</b>	<b>65.30%</b>

The Issuer notes that the information above is extracted from the Issuer's shareholder registry. Parties may have an interest of control in the Issuer without that being reflected in the shareholders registry.

## RELATED PARTY TRANSACTION

The Issuer has a related party relationship with its subsidiaries, the Board of Directors of the Issuer, the managing directors of the largest subsidiaries, close family members of individuals referred to herein and entities with significant influence as the largest shareholders of the Issuer.

Terms of transactions with related parties are determined on an arms-length basis.

## CAPITALISATION AND INDEBTNESS

The following table sets forth the consolidated capitalization. All liabilities are unguaranteed and unsecured.

30.06.2007

Total deposits	551,608
Total borrowings	1,357,257
Total subordinated loans	95,142
Total Equity	151,269
Total capitalization	2,155,276

The following table analyses the Issuer's net indebtedness in the short term and in the medium to long term:

(All numbers are ISK million and are as at 30 June 2007)

A. Cash	1,108
B. Cash equivalent	309,794
C. Trading securities	258,572
<b>D. Total Liquidity (A) + (B) + (C)</b>	<b>569,474</b>
<b>E. Current Financial Receivable</b>	<b>485,298</b>
F. Current Bank debt	37,873
G. Current portion of non current debt	420,042
H. Other current financial debt	537,813
<b>I. Total Current Financial Debt (F) + (G) + (H)</b>	<b>995,728</b>
<b>J. Total Net Current Financial Indebtedness (I) – (E) – (D)</b>	<b>-59,044</b>
K. Non current Bank loans	91,904
L. Bonds Issued	940,471
M. Other non current loans	31,251
<b>N. Total Non current Financial Indebtedness (K) + (L) + (M)</b>	<b>1,063,626</b>
<b>O. Total Net Financial Indebtedness (J) + (N)</b>	<b>1,004,582</b>

## SELECTED FINANCIAL INFORMATION

Following are the key figures that summaries the financial results of the Issuer for years 2005-2006 and the first half of 2007.

ISK million	1H 2007	2006	2005
Net interest income	17,601	37,084	23,390
Net fees and commissions income	16,186	26,459	8,773
Net financial income	5,646	8,503	3,388
Other operating income	1,964	555	860
<b>Net operating income</b>	<b>41,396</b>	<b>72,601</b>	<b>36,411</b>
Administrative expenses	-20,764	-27,301	-15,731
Impairment losses	-1,479	-4,759	-1,900
Share of profit of associates	-17	1,470	1,262
Net gains on non-current assets held for sale	568	4,244	3,323
<b>Profit before income tax</b>	<b>19,703</b>	<b>46,255</b>	<b>23,365</b>
Income tax expense	-3,174	-8,024	-4,266
<b>Profit for the period (ISK million)</b>	<b>16,526</b>	<b>38,231</b>	<b>19,099</b>

### Balance sheet 1H 2007

Total assets (ISK million)	2,335,008	2,246,339	1,472,250
Equity (ISK million)	151,269	146,119	84,750
Share capital (ISK million)	14,476	14,161	13,112

### Key ratios

Return on equity after taxes	24.2%	39.4%	30.3%
CAD ratio (end of period)	13.2%	15.0%	12.6%
Tier 1 capital (end of period)	9.4%	10.8%	9.9%
Cost/income ratio	50%	38%	36%
Impairment losses			
- as a proportion of average total assets	0.1%	0.3%	0.3%
- as a proport. of loans and guarantees	0.1%	0.3%	0.3%
Earnings per share (ISK)	1.12	2.68	1.48
Average number of full-time employees	1,779	1,392	1,216

### On the financial statement relevant to this Prospectus

The Issuer's audited financial statements have been prepared in accordance with IFRS (International Financial Reporting Standards).

### Significant change in the Issuer's financial and trading position

There has not been any significant change in the financial or trading position of the Issuer since 30 June 2007.

## **OPERATING AND FINANCIAL REVIEW**

### **First half 2007**

On 30 April 2007 the Issuer announced that Lárus Welding had been appointed by the board as the CEO of the Issuer. Bjarni Ármannsson, who has served as CEO for the past 10 years, stepped down at his own request. On the 8 May 2007 it was announced that Sveinung Hartved had been appointed an EVP for Markets, and would start 1 September 2007, and that Morten Bjørnsen would take a seat on the Executive Board as EVP for Nordic Banking starting 1 August 2007. On 14 May 2007 it was announced that Jan Forsbom had been appointed EVP for Investment Management.

On 31 July 2007 the Issuer announced second quarter results for the year 2007. The Q2 Financial Statements as of 30 June 2007, representing these results, are available on the Issuer's website <http://www.glitnir.is>.

The highlights of the statement are as follows: Pre-tax profit in Q2 was ISK 11.3 billion, up by 34% from Q1 2007. 45% of pre-tax profit was generated outside Iceland. Net interest income in Q2 was ISK 9.7 billion up by 22% from Q1 2007. Fees and commissions increased by 22% in Q2 and amounted to ISK 8.9 billion. Earnings per share for Q2 amounted to ISK 0.66 as compared with ISK 0.46 in Q1 2007. Total assets amounted to ISK 2,335 billion up from ISK 2,246 at the beginning of 2007. Assets under management increased to ISK 913 billion from ISK 541 billion in Q1 2007. Strong capitalization with CAD ratio at 13.2% and Tier 1 ratio at 9.4%.

Glitnir banki hf. was the 3<sup>rd</sup> largest brokerage in the Nordic equity market with a market share of 6.16% in H1 2007. Consolidation and alignment of the Finnish operation has been successful and is in the final stages. The management board was strengthened with experienced Nordic executives. 500 new employees joined the group in the first six months of 2007. Strong performance was seen in the three global niche sectors, seafood/food, geothermal energy and offshore supply. Deposits increased by 11% to ISK 552 billion by the end of Q2.

### **The year 2006**

The year 2006 was the best in the Issuer's history with profit after taxes doubling from the year 2005 to ISK 38.2 billion in 2006. During the year the Issuer continued to grow business through a balance of organic growth and targeted acquisitions. The results were highlighted by growth in net fees and commission's income with such income more than tripling between years. This is the result of acquisitions in Sweden and Norway (i.e. Norse Securities ASA, Union Gruppen AS and Fischer Partnes Fondkommission AB) and growth in Reykjavik office. In the fourth quarter, for the first time, income fees and commissions exceeded net interest income, demonstrating the revenue mix transformation taking place in 2006.

### **The years 2004-2005**

The Issuer's pre-tax profit was ISK 23,365 million in 2005. Pre-tax profit for the year grew by 66% from the previous year when it was ISK 14,093 million. Net interest income grew by 83% from 2004 when it was ISK 12,776 million to ISK 23,390 million in the year 2005. The main reasons for increased profit were the acquisition of BNbank that was included for 9 months in the consolidated accounts and organic growth of the balance sheet leading to a considerable increase in interest revenue. Net fees and commissions amounted to ISK 8,773 million in 2005, an increase of 33% from 2004 when it was ISK 6,610 million. The growth is organic since no major fee generating businesses were acquired during the year. The largest increase was in brokerage commissions.



## **CASH FLOW**

Net cash by operating activities was ISK 42 billion in 1H 2007. In 2006 it was 148 billion compared to 43 billion in 2005 and ISK -11 billion in 2004.

Cash (used in) provided by investing activities was ISK -12 billion in 1H 2007. In 2006 it was 2 billion as compared to ISK -13.6 billion in 2005 and ISK 5.1 billion in 2004.

Net cash (used in) provided by financing activities was ISK -23 billion in 1H 2007. In 2006 it was ISK 59 billion as compared to ISK 39 billion in 2005 and ISK 13 billion in 2004.

## **LIQUIDITY**

At 1H 2007, the Issuer had ample liquidity, both according to internal measures and regulatory measures imposed by the Central Bank of Iceland. It is the Issuer's policy to cover all maturing debt of the parent company over a period of six months with immediately available funds. After taking liquid assets into account, the Issuer's policy is to cover all maturing debt over a period of 12 months.

## **DOCUMENTS ON DISPLAY**

For the life of this Prospectus, the following documents may be inspected on the Issuer's registered office Kirkjusandur 2, 155 Reykjavik, Iceland.

The Security Note and Summary dated 13 August 2007.

The Registration Document, Security Note and Summary dated 13 April 2007 with supplements dated 20 April and 14 May 2007.

The Company's Articles of Association, dated 27 March 2007

The Company's audited financial statements in respect of the year ended December 31, 2004, together with the audit report prepared in connection therewith.

The Company's audited financial statements in respect of the year ended December 31, 2005, together with the audit report prepared in connection therewith.

The Company's audited financial statements in respect of the year ended December 31, 2006, together with the audit report prepared in connection therewith.

The Company's audited financial statements in respect of the 1H ended June 30, 2007, together with the audit report prepared in connection therewith.

## **SHARE CAPITAL**

According to the Parent Company's Articles of Association, the total number of issued shares is 14,881 million. At the end of June 2007 treasury shares were 405 million. One vote is attached to each share. During the period, share capital was increased by 616 million shares at the price ISK 24.8 per share.

The Issuer has the policy to pay between 20% and 40% of the Issuer's profit in dividends to shareholders.

## **ARTICLES OF ASSOCIATION**

The purpose of the Company, according to Article 3 of its Articles of Association, is to provide financial services. The Company may engage in any activities permitted to financial undertaking pursuant to law, and any other activity normally connected with such activities.

The Board of Directors of the Company shall be composed of seven members and an equal number of alternates, elected at the Annual General Meeting for a term of one year. The Board of Directors of the Company constitutes the supreme authority of the Company, except as otherwise provided in the Articles of Association.

Any resolution submitted to a Board Meeting requires four votes to pass and bind the Company.

The Chief Executive Officers have charge of the day-to-day administration of the Company.

No privileges are attached to shares in the Company. Shareholders are not required to submit to redemption of their shares. There are no restrictions regarding the sale or other assignment of shares in the Company. Each share of one króna carries one vote. Upon an increase of share capital shareholders are entitled to subscribe to new shares in direct proportion to their holdings.

The Articles of Association do not specifically address actions necessary to change shareholders' rights. Such actions would generally require votes from 2/3 of the votes passed at a legally convened shareholders meeting and votes from shareholders holding at least 2/3 of the share capital, as provided under Article 93 of the Companies Act.

The Annual General Meeting shall be held before the end of the month of April each year. Other shareholders' meetings shall be called at the discretion of the Board of Directors, pursuant to the resolution of a meeting, or if the elected auditing firm or shareholders holding minimum of 1/10 of the shares of the Company so request. A shareholders' meeting is valid if lawfully convened, without regard to the number of shareholders attending.

## **TAXATION**

All payments in respect of the Bonds 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.

The Issuer's Bonds are exempt from stamp duty in Iceland according to Art. 115 of Act No. 161/2002.