

SECURITIES NOTE

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1 RISK FACTORS

1.1 GENERAL

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Bonds and/or they are of importance when evaluating the market risks associated with the Bonds. Most of these risk factors are contingencies which may or may not occur and do not necessarily have an impact on the Bonds.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Bonds but the inability of the issuer to pay interest, principal or other amounts on or in connection with any Bonds may occur for other reasons that do not currently exist, that are not presently considered material, or of which the Issuer is unaware. The statement below regarding the risks of holding any Bonds is therefore not exhaustive and prospective investors should base their decision about investing in any Bonds on their own independent review and such professional advice as they deem appropriate.

1.2 ISSUER'S LIABILITY TO MAKE PAYMENTS

The Issuer is liable to make payments when due on the Bonds. The Bonds constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and rank pari passu among themselves and equally with its other direct, unsecured, unconditional and unsubordinated obligations. Thus, they rank behind secured obligations and other priority claims but have priority over subordinate and remaining obligations.

The Bonds are subject to credit risk. 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 Bonds. As with other debt instruments investors must evaluate the issuer's liquidity and capacity to meet his obligations. They must also evaluate whether the premium on the Bonds is in line with the risk they involve.

The Issuer is not subject to any kind of limits on further borrowings and can therefore take on further debt with equal ranking as the Bonds in this issue.

1.3 MARKET RISK

Market risk refers to the risk related to all commercial papers of the same type. The most important market risk related to bonds is changes in the level of interest rates in the relevant market. If general interest rates rise, the market price of the bond will fall and vice versa. Interest rate risk is higher for bonds with longer maturities/duration. Investors shall study the market risk related to bonds and evaluate the impact caused by changes in the interest rate level on the bonds' market price.

1.4 CHANGES IN LAW

The terms and conditions of the Bonds are based on Icelandic law in force as of 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.

1.5 TRADING IN THE SECONDARY MARKET

Trading with the Bonds in the secondary market needs to be active and the volume sufficient for investors to profit from their investment. The possibility exists that investors will not be able to sell their bonds easily or only at a discount to comparable securities from other issuers.

1.6 THE BONDS ARE NOT SUITABLE FOR ALL INVESTORS

Investors must make their own decision on whether investing in the Bonds is suitable for them. In particular, the following must be kept in mind:

1. Investors must possess sufficient knowledge and experience to adequately evaluate the Bonds and the Issuer's liquidity.
2. Investors must appreciate the risks related to investment in the Bonds and familiarize themselves thoroughly with the information provided in the prospectus or other documents about the Issuer.
3. Investors must be able to estimate what impact an investment in the Bonds has on their asset position and financial resources. Investors must have sufficient resources and liquidity to bear all of the risks of an investment in the Bonds.
4. Investors must study and understand the terms that apply to the Bonds and be familiar with the behaviour of the financial markets.
5. Investors must be able to evaluate (either on their own accord or with the aid of advisor) the impact of business cycles, changes in the level of interest rates and other comparable factors that may affect investment in the Bonds.

2 PERSONS RESPONSIBLE

Glitnir banki hf., ID No. 550500-3530, Kirkjusandur 2, 155 Reykjavík, Iceland, in its capacity as the Issuer and Manager, declares that it has taken all reasonable care to ensure that 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, 13 August 2007
On behalf of Glitnir banki hf.

Alexander K. Guðmundsson, Executive Vice President of Finance
ID number: 111170-5259

Jóhannes Baldursson, Managing Director of Capital Markets
ID number: 211171-3919

3 NOTICE TO INVESTORS

This Securities Note concerns Glitnir banki hf., ID No. 550500-3530, Kirkjusandur 2, 155 Reykjavík, Iceland, issue of and admission to trading of, Bonds for the amount of ISK 2,000,000,000,- on OMX Nordic Exchange Iceland hf. It has been prepared in accordance with chapter IV in the Act. No. 33/2003 on securities transactions. This Securities Note is part of a Prospectus that consists of three independent documents; this Securities Note, a Summary and a Registration Document published 13 April 2007 and supplemented 20 April and 14 May 2007. The admission to trading will proceed pursuant to Icelandic law and regulations. OMX Nordic Exchange Iceland hf. has scrutinized and approved this Securities Note.

Only the Issuer is entitled to procure information about conditions described in the Securities Note. Information procured by any other person is of no relevance in relation to the Securities Note and cannot be relied on.

This Securities Note is not an offer to sell or a request to buy bonds.

The content of the Securities Note does not constitute legal, financial or tax advice and bond owners should seek legal, financial and/or tax advice.

This Securities Note and any document forming a part of the prospectus shall not be distributed or mailed or otherwise distributed or sent within or into any country in which distribution would require any additional registration measures or other measures apart from those applicable under Icelandic law and regulations, or where it would be in conflict with any law or regulation in such country.

Contact the Issuer to receive copies of the documents forming the Prospectus.

4 GENERAL INFORMATION

4.1 CONFLICT OF INTEREST

The Issuer is not aware of any conflict of interest related to this issue.

4.2 REASONS FOR THE ISSUE AND THE USE OF PROCEEDS

The issue is part of regular financing. The proceeds from the issue are used to finance the Issuer's regular activities.

Cost due to listing on Icelandic Securities Depository (Verðbréfaskráning Íslands hf.) is ISK 477,679 and cost due to listing on OMX Nordic Exchange Iceland hf. is ISK 450,000.

5 INFORMATION CONCERNING THE SECURITIES

Authorisation

The Executive Management Board of Glitnir banki hf., ID No. 550500-3530, Kirkjusandur 2, 155 Reykjavík, Iceland, authorised a bond issue for ISK 15,000,000,000- on the 24.3.2007, which is the total size limit under GLB020514.

Issue and Bond characteristics

The Bonds are interest-bearing securities issued electronically at the Icelandic Securities Depository (Verðbréfaskráning Íslands hf.), ID No. 500797-3209, Laugavegur 182, 105 Reykjavík, in accordance with Act No. 131/1997 on electronic registration of title securities and registered there under the name of the relevant bondholder or his/her nominee. The Bonds will bear the symbol GLB020514 and the ISIN code IS0000014793.

The Bonds 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.

The Bonds are denominated in ISK. They do not influence the Issuer's other commitments and they do not include any fringe benefits.

The issue date of the Bonds was 2 May 2007. The issued amount is ISK 2,000,000,000,-. The price was 94,419748 which makes the market value ISK 1,888,394,960. Denomination of each Bond is ISK 1,000,000,-. The indication of yield is approximately 6.2588% at 2 May 2007.

The Bonds carry 5.25% annual interest on principal. Interest will be calculated from 2 May 2007 and the first coupon date is 2 May 2008. Interest will be paid on 2 May every year thereafter until 2014, which is the Bonds' final maturity date. The principal will be repaid in one payment on the final maturity date, 2 May 2014. The day basis used is 30/360.

The Bonds are index-linked and linked to the consumer price index (CPI) which is calculated and published by Statistics Iceland, according to Act. No. 12/1995, with the base CPI in May 2007 at 268.7 points. New principal is calculated before every coupon date.

All amounts payable under the Bonds will be paid to relevant financial institution where the registered owner has his/her VS account.

The depository agent is the Icelandic Securities Depository. The calculating and paying agent is Glitnir banki hf.

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

Event of default, Acceleration and Enforcement

If payment of the principal or interest on the Bonds default, it is permitted to declare the Bonds immediately due and payable. The Issuer shall then pay penalty interest as determined by the Central Bank of Iceland, cf. paragraph 1, article 6 of Act No. 38/2001, on a mature or called amount according to the aforesaid.

Prescription

The Bonds will become void in accordance with Act. No. 14/1905 unless presented for payment within 10 years (in the case of the principal) and four years (in the case of interest or any other amount) after the relevant date.

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. In such event, the Issuer will not pay any additional amounts in respect of amounts withheld pursuant to such withholding or deduction. The Issuer does not guarantee that tax on capital gains is paid to the national treasury.

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

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. Legal action regarding the Bonds may be initiated in accordance with the Act on Civil Procedure No. 91/1991, Chapter 17.

6 MARKET MAKING

Glitnir banki hf. is the manager. Glitnir banki hf. is also the market maker and is committed to post bid and sell offers on OMX Nordic Exchange Iceland hf. before markets open. Offers shall be no lower than ISK 100,000,000,- at nominal value. An offer shall be renewed no later than 10 minutes from when it is accepted. If the Issuer's market making trades for more than ISK 500,000,000,- in one day at nominal value, or more, the Issuer is permitted to deviate from the maximum difference between bid and sale offers. The maximum difference between bid and sale offers shall be 0.45%. If the Bank does not own Bonds, it reserves the right not to post a sales offer. The Issuer reserves the right to discontinue market making when one year is left of the Bonds' duration.

The Issuer has applied for the Bonds' listing in an organised securities market, run by OMX Nordic Exchange Iceland hf.. OMX Nordic Exchange Iceland hf. operates in pursuance of the Act. No. 34/1998 on the activities of stock exchanges and regulated OTC markets.

The Bonds will be listed on OMX Nordic Exchange 17 August 2007.

7 FURTHER INFORMATION**7.1 ADVISORS**

Glitnir banki hf. has been the Issuer's advisor on the listing of the Bonds. Glitnir banki hf. has advised on e.g. the size of the issue and the Bonds' yield and market value at time of sale.

7.2 EXTERNAL INFORMATION

This Securities Note is not based on the statements of external specialists or another third party.

7.3 CREDIT RATING

Glitnir banki hf. is rated by three, independent, international rating agencies: Standard and Poor's (Long term rating: A-), Moody's Investors Service (Long term rating: Aa3) and Fitch Ratings (Long term rating: A). Further information can be found on Glitnir bank's website:
<http://www.glitnir.is/English/AboutGlitnir/Ir/Ratings/>