



KAUPTHING BANK

SECURITIES NOTE

JUNE 2007


norvikbanka

A/S NORVIK BANKA

JUNE 2007



CONTENTS

1. Risk Factors	3
2. Person responsible	4
3. Manager	4
4. References and Glossary of Terms and Abbreviations	5
5. Notice to Investors	6
6. Information concerning the securities to be admitted to trading	7
7. Key information	8
8. Admission to trading and expenses relating thereto	8

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 Bills but 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

Set out below is a brief description of certain risks relating to the Bills generally:

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 ICEX, there can be no assurance that an active public market for the Bills will develop and, if such a market were 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 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. PERSON RESPONSIBLE

A/S Norvik Banka, in its capacity as the Issuer, Icelandic ID-No. 620207-9850, registered office at 21 E. Birznieka Upisha str. LV-1011, Riga, Latvia and, 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 14 June 2007

On behalf of the Issuer



Andrejs Svirčenkovs

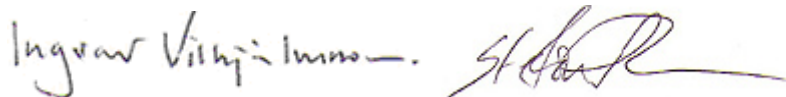
CEO

3. MANAGER

The Manager, Kaupthing Bank hf. - Capital Markets division, 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 admission to trading.

Reykjavik, 14 June 2007

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", "A/S Norvik Banka" and "the Company" in this Securities Note shall be construed as referring to A/S Norvik Banka, Icelandic ID-No. 620207-9850, unless otherwise clear from the context, and its subsidiaries and affiliates, unless otherwise clear from the context. Kaupþing banki hf. is the legal Icelandic name of the Issuer.

References to "ICEX" in this Securities Note shall be construed as referring to the Iceland Stock Exchange, i.e. to Kauphöll Íslands 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 bond market of the Iceland Stock Exchange, 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 Reykjavik, 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 6 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. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Securities Note when deciding whether or not to purchase any Bills.

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. INFORMATION CONCERNING THE SECURITIES TO BE ADMITTED TO TRADING

Authorisation

On a board meeting held on 16 March 2007 (Board Meeting Minutes No.23/2007), the board of A/S Norvik Banka authorised the issue of three series of money market bills for the year 2007, each to the amount of ISK 2,000,000,000 – two thousand million Icelandic krona per issue of up to one year for a maximum of ISK 6 billion. The Issuer has at the date of this Securities Note issued Bills in the amount of ISK 3,440,000,000.

Final terms

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.

On 19 March, 2007 three series of Bills were issued. Each series has a different maturity date and ISIN Number. They are issued in Icelandic krona (ISK) and the minimum denomination is ISK 5,000,000 in all cases.

The characteristics of each series are further described in the following table:

Ticker symbol	Maturity Date	Issue Date	Issued Amount	Denomination	ISIN Number
NORV 07 0619	19 Jun. 2007	19 March 2007	805,000,000	ISK 5,000,000	IS0000014470
NORV 07 0919	19 Sept. 2007	19 March 2007	1,425,000,000	ISK 5,000,000	IS0000014462
NORV 07 1219	19 Dec. 2007	19 March 2007	1,210,000,000	ISK 5,000,000	IS0000014488

Nominal amount:	ISK 2 billion for each series of the bills. Total of ISK 6 billion –
Interest rates:	The Bills bear no interest.
Calculation agent:	Kaupthing Bank hf.
Repayment	The Bills will be repaid on the maturity dates specified in the table above. The Bills are not redeemable prior to maturity.
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:	NORV 07 0619 - 15,20% NORV 07 0919 - 15,113% NORV 07 1219 - 15,066%

Restrictions on transfer: There are no restrictions on transferring the Bills to other parties.

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 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.

7. KEY INFORMATION

The Issuer's and the Bank's interests are connected in the following manner:

- At 4 June 2007 Straumborg the Parent company of the Issuer and its subsidiaries owned 18.920.342 shares in Kaupthing Bank, making it one of the bank's largest shareholders. There has not been significant change in Straumborg's holdings in Kaupthing Bank since 4 June 2007.
- Brynja Halldórsdóttir, who holds 8,5% in Straumborg, serves on the board of Kaupthing bank.
- Straumborg and the Issuer is a customer of Kaupthing Bank's Investment Banking, Capital Markets and Corporate Banking divisions.
- Kaupthing Bank is among Straumborg's and the Issuers largest creditors.
- A/S Norvik Banka has 1.5-year lending under "EUR 21 millions Term Loan Facility Agreement" arranged by Kaupthing Bank Luxembourg SA, Raiffeisen Zentralbank Osterreich Aktiengesellschaft (the Mandated Lead Arranges) with Raiffeisen Zentralbank Osterreich Aktiengesellschaft (the Agent) signed on June 12, 2006 (Kaupthing Bank Luxembourg SA commitment is EUR 5 000 000).
- A/S Norvik Banka has 1-year lending from Kaupthing Bank (Reykjavik) under the agreement "EUR 50,000,000 Revolving Credit Facility" signed in January 2007.

8. ADMISSION TO TRADING AND EXPENSES RELATING THERETO

Application was made to the Iceland Stock Exchange (the **ICEX**) as the competent authority in Iceland for the purpose of Directive 2003/71/EC (the **Prospectus Directive**), the Icelandic law no. 33/2003, as amended and the relevant regulations based on the law for approval of this Securities Note. ICEX 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 ICEX, which is an EU regulated market within the meaning of Directive 2004/39/EC.

The Bills will be admitted to trading on the Iceland Stock Exchange, on 15 June 2007.

The expenses related the listing of the Bills is ISK 1,350,000 according to ICEX fee structure. Annual expenses because of this listing will be fixed fee of ISK 50,000 plus a variable fee of 0.001% of the market value of the Bills according to ICEX 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.