

MARCH 2008



AVANT HF. (AVAN 08 0520)
March 2008

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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 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

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:

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 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. PERSONS RESPONSIBLE

Avant hf., in its capacity as the Issuer, Icelandic ID-No. 561205-1750, registered office at Sudurlandsbraut 12, 108 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, 4 March 2008

On behalf of the Issuer

Tryggvi Þór Herbertsson

Chairman of the board

Magnús Gunnarsson

CEO

3. MANAGER

The Manager, Kaupthing Bank hf. - Capital Markets division, Icelandic ID-No. 560882-0419, registered office at Borgartun 19, 105 Reykjavík, Iceland has been the advisor to the Issuer in the preparation of this Securities Note. 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.

Reykjavík, 4 March 2008

On behalf of the Manager

Ingvar Vilhjálmsson
Managing Director

Stefán Ákason
Head of Fixed Income Sales

4. STATUTORY AUDITORS

The Company's account for the year ending 31 December 2007 respectively have been audited and endorsed without remarks by KPMG Endurskodun hf., national ID no. 590975-0449 Borgartúni 27, Reykjavik, Iceland, the Company's independent auditor.

5. REFERENCES AND GLOSSARY OF TERMS AND ABBREVIATIONS

References to the "Issuer", "Avant" and "the Company" in this Securities Note shall be construed as referring to Avant hf., Icelandic ID-No. 561205-1750, unless otherwise clear from the context. „ Avant 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 ICEX 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 Verðbréfasráning Íslands hf., Icelandic ID-No. 500797-3209, Laugavegi 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 220,000,000 which is described in this Securities Note, unless otherwise clear from the context

6. 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 27 September 2007 form this Prospectus..

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.

7. 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 manner that Avant is a customer of Kaupthing Bank's Capital Markets.

8. INFORMATION CONCERNING THE SECURITIES TO BE ADMITTED TO TRADING

Authorisation

On a board meeting held 16 November 2007, the board of Avant authorised to issue up to one year bill issue for a maximum of ISK 1 billion. This Issuer has at the date of this Securities Note issued bills amounting in total to ISK 220,000,000 under the issuer symbol, AVAN 08 0520.

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 bill holder or his/her nominee. The Bills are all in the same class, and the ticker symbol on OMX ICE will be AVAN 08 0520.

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:	20 November 2007
Nominal amount:	ISK 1,000,000,000
Issued amount:	ISK 220,000,000
Denomination:	ISK 5,000,000
Currency:	ISK
Interest rates:	The Bills bear no interest.
Calculation agent:	Kaupthing Bank hf.
Maturity date:	The date of maturity is 20 May 2008. Repayment is made on the aforementioned maturity date. It is not permitted to bring forward the repayment of the Bills.
Method of payment:	All amounts payable under the Bills will be paid to relevant financial institution where the registered owner has his/her VS account.
Indication of yield:	16.75 % at 4 March 2008. Calculations: Value 04.03.08 Last day 20.05.08 77 days total 2 month Reibor 13,95 Corporate spread 1,80% Interests 15,75% Price = $100 / (1 + 0,1575 * 77 / 360) = 96,74$ $(96,74 / 100)^{-1 / ((77) / 360) - 1} = 16,75\% \text{ act} / 360 \text{ Yield}$
Restrictions on transfer:	There are no restrictions on transferring the Bills to other parties.
ISIN code:	IS0000016350.

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.

Admission to trading

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 5 March 2008.

Expenses of the admission to trading

The expenses related to the listing of the Bills ISK is 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. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES

Operations

Avant is licensed to operate as financial undertaking pursuant to Act No. 161/2002 and its aim is to offer reliable and professional services to the Icelandic market by offering vehicle lease and loans for individuals and small business.

Ownership of Avant changed 2nd January 2007. From the time Avant was established December 16th 2005 the shareholders was the insurance company Sjóvá - Almennar tryggingar hf. (70%), and the live insurance company Sjóvá-Almennar líftryggingar hf. (30%). From 2nd January 2007 Avant is a subsidiary of Askar Capital hf.

The Company's accounts for the years ending 31 December 2007 and 31 December 2006, respectively, have been audited and the annual accounts for these years have been endorsed without comment by KPMG hf., the Company's independent auditors.

The 2006 and 2007 annual accounts have been prepared in accordance with International Financial Reporting Standards (IFRS).

Avant hf. returned a loss of ISK 45 million for the year 2007 compared to a profit of ISK 54 million for the year 2006. The loss is mainly due to expenses concerning the design and marketing of a new name and logo. Early in 2007 Avant launched a market campaign after changing its name from Sjóvá fjármögnun hf. to Avant hf.

Net interest income totalled 385 million in 2007 but 173 million in 2006. This increase in income is due to an increase in loans, especially leases. Net income from commissions totalled 60 millions in 2007 but 57 millions in 2006.

Net operating expenses for the year amounted to 409 million, thereof 145 million for salaries and related expenses. Net operating expenses for 2006 amounted to 133 million, of which 52 millions are salaries and related expenses. The increase in operating expenses is due to an increase in the number of employees, developing cost for the IT system and the market campaign.

Interest expenses increased to 1,022 millions in 2007 from 101 million in 2006. This increase is due to an increase in borrowings in relation with the growth of the company.

Impairment of loans amounted to 118 millions in 2007 compared to 36 millions in 2006.

Total assets as of December 31 2007 totalled to 17,834 million compared to 4,269 million in 2006, an increase of 318%. Loans and receivables totalled 17,225 millions in 2007 but was 3,868 millions in 2006, an increase of 345%. Leases amounted to 15,206 millions at year end 2007 and bonds and other loans to 2,019 million compared to 1,797 millions in leases and 2,070 millions in bonds and other loans in 2006. Leases increased by 746% during 2007.

Total liabilities amounted to 16,115 thereof borrowings 15,688 million. In 2006 total liabilities amounted to 3,765 millions of which borrowings totalled 3,422. Total liabilities increased by 328% in 2007 due to growth loans and receivables and the growth of the company.

Equity at year end 2007 amounted to ISK 1,719 million which is 9.7% of total assets. In 2006 equity totalled 504 millions which is 11,8% of total assets at end of year 2006. Capital stock increased from 450 millions at the end of 2006 to 765 millions at end of year 2007. The capital adequacy ratio, calculated in accordance with the Icelandic Act on Financial Undertakings, was 9.6%.

The following document is incorporated herein by reference to, and forms part of, this Prospectus:

a. The annual account of Avant hf. for the operating year 2007.

Copies of the annual account of Avant hf. for the operating year 2007 can be obtained at the Issuer's office at Sudurlandsbraut 12, Reykjavík, Iceland and its websites (www.avant.is).

Income Statement

Amounts are in thousand of ISK	2007	2006
Interest income	1,406,534	273,719
Interest expenses	(1,021,660)	(100,927)
Net interest income	<u>384,874</u>	<u>172,792</u>
Income from commissions	69,558	63,497
Expenses from commissions	(9,732)	(6,479)
Net income from commissions	<u>59,826</u>	<u>57,018</u>
Net operating income	444,700	229,810
Net foreign exchange gain	27,710	4,899
Operating expenses	(409,172)	(132,580)
Impairment on loans	(118,235)	(36,317)
Pre-tax (loss) profit	(54,997)	65,812
Income tax	10,075	(11,846)
(Loss) profit for the year	<u>(44,922)</u>	<u>53,966</u>
Earnings per Share:		
Earnings per each 1 krona of share capital	(0.06)	0.12

Balance Sheet

Amounts are in thousand of ISK	2007	2006
Assets		
Cash and cash equivalents	290,113	46,363
Derivatives	47,614	6,867
Related companies, claims	0	333,853
Loans and receivables	17,224,507	3,867,729
Equipment.....	9,656	8,408
Intangible assets.....	108,566	0
Deferred tax assets.....	67,726	5,444
Other assets.....	86,232	0
	Total Assets	4,268,664
	17,834,414	4,268,664
Liabilities		
Derivatives.....	303,405	325,348
Borrowings	15,688,390	3,422,060
Tax liabilities	52,207	17,290
Other liabilities	71,368	0
	Total Liabilities	3,764,698
	16,115,370	3,764,698
Equity		
Capital stock	765,000	450,000
Premium account	945,000	0
Statutory reserve	5,397	5,397
Retained earnings	3,647	48,569
	Total E quity	503,966
	1,719,044	503,966
	Total Liabilities and Equity	4,268,664
	17,834,414	4,268,664

Statement of Cash Flows

Amounts are in thousand of ISK	2007	2006
Operating activities:		
Pre-tax (loss) profit	(54,997)	65,811
<i>Adjustments for operating activities:</i>		
Depreciation of fixed assets.....	4,214	143
Impairment.....	118,235	36,317
Net interest income.....	(384,874)	(172,792)
Income tax expense.....	10,075	(11,846)
	(307,347)	(82,367)
<i>Changes in operating assets and liabilities:</i>		
Derivatives, change	(62,690)	318,481
Borrowing, change	(13,296,098)	(3,840,845)
Related companies, claims change.....	333,853	116,147
Deferred tax assets change.....	(62,174)	(5,444)
Other assets change.....	(86,340)	0
Other liabilities change.....	123,574	17,290
	(13,357,222)	(3,476,738)
Interest received.....	1,227,619	210,518
Interest paid.....	(496,056)	0
Income tax paid.....	(17,290)	0
Net cash used in operating activities	(12,642,949)	(3,266,220)
Investment activities:		
Investments in equipment.....	(13,870)	(8,550)
Sale of equipment.....	8,409	0
Investments in intangible assets	(108,566)	0
Net cash used by investment activities	(114,027)	(8,550)
Financing activities:		
Borrowing.....	11,740,726	3,321,133
Paid in capital	1,260,000	0
Net cash provided by financing activities	13,000,726	3,321,133
Increase in cash and cash equivalents	243,750	46,363
Cash and cash equivalents at beginning of year.....	46,363	0
Cash and cash equivalents at end of year.....	290,113	46,363

The Issuer submits that there has not been any material adverse change in the prospects, of the Issuer since the latest published audited financial information, i.e. the annual account of the issuer for the operating year 2007.