

**OFFERING CIRCULAR**  
**\$500,000,000**

**GLITNIR BANKI HF.**

**Private Placement of**  
**Extendible Short-Term Notes**

THE NOTES DESCRIBED HEREIN HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY OTHER APPLICABLE SECURITIES LAW, AND THE ISSUER HAS NOT REGISTERED AND WILL NOT REGISTER, AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT") AND OFFERS AND SALES THEREOF MAY BE MADE ONLY IN COMPLIANCE WITH AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS. BY ITS ACCEPTANCE OF A NOTE, THE PURCHASER WILL BE DEEMED TO REPRESENT THAT IT HAS BEEN AFFORDED AN OPPORTUNITY TO INVESTIGATE MATTERS RELATING TO THE ISSUER AND THE NOTES, THAT IT IS NOT ACQUIRING SUCH NOTES WITH A VIEW TO ANY DISTRIBUTION THEREOF AND THAT IT IS A QUALIFIED INSTITUTIONAL BUYER ("QIB") WITHIN THE MEANING OF RULE 144A UNDER THE ACT ("RULE 144A") UNDER THE ACT WHICH IS ALSO A QUALIFIED PURCHASER WITHIN THE MEANING OF SECTION 2(a)(51) OF THE INVESTMENT COMPANY ACT AND THE RULES THEREUNDER) (A "QUALIFIED PURCHASER") WHICH IS ACQUIRING NOTES FOR ITS OWN ACCOUNT OR FOR ONE OR MORE ACCOUNTS, EACH OF WHICH IS A QIB WHICH IS ALSO A QUALIFIED PURCHASER AND WITH RESPECT TO EACH OF WHICH THE PURCHASER HAS SOLE INVESTMENT DISCRETION; AND THE PURCHASER ACKNOWLEDGES THAT IT IS AWARE THAT THE SELLER MAY RELY UPON THE EXEMPTION FROM THE REGISTRATION PROVISIONS OF SECTION 5 OF THE ACT PROVIDED BY RULE 144A. BY ITS ACCEPTANCE OF A NOTE, THE PURCHASER THEREOF SHALL ALSO BE DEEMED TO AGREE THAT ANY RE SALE OR OTHER TRANSFER THEREOF WILL BE MADE ONLY (A) IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE ACT AND THAT WILL NOT REQUIRE THE ISSUER TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT, EITHER (1) TO THE ISSUER OR TO BANC OF AMERICA SECURITIES LLC OR TO MORGAN STANLEY & CO. INCORPORATED OR ANOTHER PERSON DESIGNATED BY THE ISSUER AS A PLACEMENT AGENT FOR THE NOTES (COLLECTIVELY, THE "PLACEMENT AGENTS"), NONE OF WHICH SHALL HAVE ANY OBLIGATION TO ACQUIRE SUCH NOTE, (2) THROUGH A PLACEMENT AGENT TO A QIB WHICH IS ALSO A QUALIFIED PURCHASER, OR (3) TO A QIB WHICH IS ALSO A QUALIFIED PURCHASER IN A TRANSACTION THAT MEETS THE REQUIREMENTS OF RULE 144A AND THAT WILL NOT REQUIRE THE ISSUER TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT AND (B) IN MINIMUM AMOUNTS OF \$250,000.

THE ISSUER HAS THE RIGHT TO FORCE ANY BENEFICIAL OWNER OF THE RELEVANT NOTE WHO WAS NOT A QUALIFIED PURCHASER AT THE TIME IT ACQUIRED THE NOTE TO TRANSFER SUCH BENEFICIAL INTEREST OR TO HAVE SUCH NOTE REDEEMED.

By its purchase of a Note, the purchaser further represents and agrees that (i) it has knowledge and experience (or is a fiduciary or agent with sole investment discretion having such knowledge and experience) in financial and business matters and it (or such fiduciary or agent) is capable of evaluating the merits and risks of investing in the Notes; (ii) it has had access to such information as the purchaser deems necessary in order to make an informed investment decision; (iii) although a Placement Agent may repurchase Notes, the Placement Agents are not obligated to do so, and accordingly, the purchaser should be prepared to hold such Note until maturity; (iv) it has had the opportunity to ask questions of, and receive answers from the Issuer; (v) it acknowledges that the Placement Agents have not verified any of the information contained or referred to in this Offering Circular and makes no representation of any kind as to the accuracy or completeness of such information; and (vi) it understands that each Note will bear a legend substantially as set forth in capital letters above.

Furthermore, each investor contemplating acquiring Notes is advised to consult a professional adviser concerning the tax consequences of acquiring, holding, or disposing of the Notes.

**PLACEMENT AGENTS:**

**Banc of America Securities LLC**

**Morgan Stanley**

The date of this Offering Circular is April 13, 2007.

The Placement Agents have not independently verified the information contained in this Offering Circular and do not guarantee its accuracy. Neither the information, nor any opinion expressed, constitutes a solicitation by the Issuer or the Placement Agents of the purchase or sale of any instruments. Further, the information herein is not intended as substitution for the investor's own inquiry into the creditworthiness of the Issuer and investors are encouraged to make such inquiry.

**THIS DOCUMENT DOES NOT CONSTITUTE A PROSPECTUS FOR THE PURPOSES OF DIRECTIVE 2003/71/EC (THE "PROSPECTUS DIRECTIVE"). THE ISSUER WILL NOT MAKE, AND HAS NOT AUTHORIZED ANY PERSON, INCLUDING THE PLACEMENT AGENTS, TO MAKE, ANY OFFER OR SALE OF NOTES TO THE PUBLIC (WITHIN THE MEANING OF THE PROSPECTUS DIRECTIVE) WHEREVER SITUATED.**

**NOTICE TO NEW HAMPSHIRE RESIDENTS**

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED ("RSA 421-B") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

**Credit Ratings:**

Prospective purchasers of Notes are urged to verify the current short-term and long-term ratings given by the credit rating agencies to debt issued by Glitnir banki hf. (the "Issuer" or the "Bank") before purchasing the Notes. The ratings are only accurate as of a particular date, and the ratings may be changed, superseded or withdrawn as a result of changes in or unavailability of, information with respect to the Issuer.

**TERMS OF THE NOTES****Issuer:**

The Issuer and its subsidiaries (the "Group") is a growing financial services group with strong foundations in its home markets, Iceland and Norway. In the Nordic countries the Bank's core strengths are Capital Markets activities, Investment Management and Corporate Finance. Outside these geographies, the Bank specialises in three industry niches: seafood/food, sustainable energy and off-shore vessel industry. The Bank is a leading financial group in Iceland and the Bank is the third largest company listed on the Iceland Stock Exchange by market capitalisation. In February 2007, the Bank announced changes to the Group's organisational structure. The aim of the organisational changes is to facilitate strong and profitable integration of all business units and to accommodate further growth.

The Bank's new organisation is a matrix of functional, geographical markets and support divisions. The Business units are Markets, Investment Banking, Investment Management and Corporate Banking, while the geographical units are Iceland, Nordic, Europe and International. The support units are Finance & Risk Management, Shared Services and Corporate Development.

The Bank operates 23 branches in Iceland along with branches in London and Copenhagen, offices in China, Canada and recently announced it will be opening an office in New York. The Bank currently has eight wholly-owned subsidiaries, including Glitnir Bank ASA (formerly KredittBanken ASA), Bolig- og Naeringsbanken ASA ("BNbank") in Norway, Glitnir Luxembourg SA., Fischer Partners in Sweden. The Bank recently announced the acquisition of 68 per cent. of the FIM Group in Finland. Other subsidiaries consist of holding companies for investments of the Bank, a real estate management company, and projects sponsored by the Bank. In addition, the Bank also has substantial shareholdings in other investment and financial services companies, including a 51.0 per cent. shareholding in Europay Iceland (Kreditkort hf.), which is the Mastercard franchise in Iceland and a 50.0 per cent. shareholding in the investment company Mattur ehf.

On March 11, 2006, the Bank announced a change in its brand name from Íslandsbanki to Glitnir, at the same time adopting a new logo. The Bank's subsidiaries and offices in five countries also operate under the Glitnir brand. The legal name was changed to Glitnir banki hf. by a shareholders' meeting held on March 28, 2006.

The Bank had consolidated total assets of ISK 2,246 billion (U.S.\$ 31,580.4 million) at December 31, 2006 and a consolidated capital adequacy ratio at the same date of 15.0 per cent. For the year ended December 31, 2006, its consolidated net profit was ISK 38.2 billion (U.S.\$ 537.5 million).

The Bank's principal executive offices are located at Kirkjusandur 2, 155

Reykjavik, Iceland, and its telephone number is +354 440 4000.

**Securities:** Unsecured extendible short-term notes (the "Notes"), ranking pari passu with the Issuer's other unsubordinated and unsecured indebtedness.

**Exemption:** The Notes are exempt from registration under the Securities Act of 1933, as amended (the "Act"), pursuant to Section 4(2) of the Act. The Notes are being sold exclusively to persons reasonably believed by the placement agents to be QIBs that are also Qualified Purchasers. After their initial private placement the Notes may be resold only (a) in a transaction exempt from registration under the Act, either (1) to the Issuer or to Banc of America Securities LLC or to Morgan Stanley & Co. Incorporated or another person designated by the issuer as a Placement Agent for the notes (collectively, the "Placement Agents"), none of which shall have any obligation to acquire such note, (2) through a Placement Agent to a QIB which is also a Qualified Purchaser, or (3) to a QIB which is also a Qualified Purchaser in a transaction that meets the requirements of Rule 144a and (b) in minimum amounts of \$250,000.

**Principal Amount:** \$500,000,000

**Reopening** The Issuer may, without the consent of the holders of the Notes, issue additional notes having the same ranking and the same maturity and other terms as the Notes offered hereby. Any such additional notes, together with the Notes offered hereby, may constitute a single series.

**Offering Price:** 100% of the principal amount.

**Denominations:** \$250,000 and integral multiples of \$1,000 in excess thereof.

**Original Issue Date:** April 20, 2007

**Initial Maturity Date:** October 19, 2007, or if such day is not a business day, the immediately preceding business day.

**Final Maturity Date:** April 19, 2012 or if such day is not a business day, the immediately preceding business day.

**Extension of Maturity of the Notes; Election to Extend the Maturity of the Notes:** You may elect to extend the maturity of all of your Notes or of any portion thereof having a principal amount of \$250,000 or any integral multiple of \$1,000 in excess thereof; provided that, in the case of a partial election, the principal amount of Notes for which you do not make the election is not less than \$250,000. To make your election effective on any election date, you must deliver a notice of election during the notice period for that election date. The notice period for each election date will begin on the fifth scheduled business day prior to the election date and end on the election date; however, if that election date is not a business day, the notice period will be extended to the following business day. Your notice of election must be delivered to the issuing and paying agent, through the normal clearing system channels described in more detail below, no later than 12:00 noon New York City time on the last business day in the notice period relating to the applicable election date. Upon delivery to the issuing and paying agent of a notice of election to extend the maturity of the Notes or any portion thereof during any notice period, that election will be revocable during each day of such notice period until 12:00 noon, New York City time, on the last business day in the notice period relating to the applicable election date, at which time such notice will become irrevocable. In no event will the maturity of the

Notes be extended beyond the Final Maturity Date.

If, with respect to any election date, you do not make an election to extend the maturity of all or any portion of the principal amount of your Notes, the principal amount of the Notes for which you have failed to make such an election will become due and payable on the initial maturity date, or any later date to which the maturity of your Notes has previously been extended. The principal amount of the Notes for which such election is not exercised will be represented by a note issued on the last business day of the applicable notice period and, in the case of a partial election, cannot be less than \$250,000. The note so issued will have the same terms as the Notes, except that it will not be extendible, will have a separate CUSIP number and its maturity date will be the initial maturity date or any later date to which the maturity of such notes has previously been extended. The failure to elect to extend the maturity of all or any portion of the Notes will be irrevocable and will be binding upon any subsequent holder of such Notes.

The Notes will be issued in registered global form and will remain on deposit with The Depository Trust Company ("DTC"). Therefore, you must exercise the election to extend the maturity of your Notes through DTC. To ensure that DTC will receive timely notice of your election to extend the maturity of all or a portion of your Notes and so that the direct or indirect participant through which you hold an interest in the Notes can deliver notice of your election to the issuing and paying agent prior to the close of business in New York City on the last business day in the notice period, you must instruct that direct or indirect participant to notify DTC of your election to extend the maturity of your Notes in accordance with the then applicable operating procedures of DTC.

**DTC must receive any notice of election from its participants no later than 12:00 noon (New York City time) on the last business day in the notice period for any election date.** Different direct or indirect participants have different deadlines for accepting instructions from their customers. You should consult the direct or indirect participant through which you hold an interest in the Notes to ascertain the deadline for ensuring that timely notice will be delivered to DTC. If the election date is not a business day, notice of your election to extend the maturity date of your Notes must be delivered to DTC by its participants no later than 12:00 noon (New York City time) on the first business day following the election date.

**Neither Banc of America Securities LLC ("Banc of America") nor Morgan Stanley & Co. Incorporated ("Morgan Stanley") make any recommendation as to whether a holder should extend the maturity of the Notes. Holders are urged to consult their own advisors as to the desirability of exercising their right to extend the maturity of the Notes.**

**Election Dates and Notice Periods for Election to Extend the Maturity of the Notes:**

The election dates will be the 19th calendar day of each month from May 2007 to October 2011 inclusive, whether or not any such day is a business day. During the notice period relating to each election date, you may elect to extend the maturity of all or any portion of the principal amount of your Notes so that the maturity of your Notes will be extended to the date occurring 150 calendar days from and including the 19th calendar day of the next succeeding month following such election date. However, if that 150th calendar day is not a business day, the maturity of your Notes will be extended to the immediately preceding business day. Not less than 15 nor more than 20 calendar days prior to each election date, the Issuer will request that DTC notify its participants of the election date and of the procedures that must be followed to make an election. In the event that DTC or its nominee is no longer the holder of the Notes, the Issuer will notify the Noteholders within such period of time.

**Interest Payment Dates:**

Interest on the Notes will be paid monthly on the 19th day of each month and on the maturity date, commencing on May 19, 2007. Interest payable on any interest payment date or maturity date shall be the amount of interest accrued from, and including, the immediately preceding interest payment date in respect of which interest has been paid or duly provided for (or from and including the original issue date, if no interest has been paid or duly provided for with respect to the Notes) to, but excluding, such interest payment date or maturity date. If any interest payment date (other than the maturity date in respect of any Notes) would otherwise be a day that is not a business day, such interest payment date will be postponed to the next succeeding day that is a business day, except that if such business day is in the immediately succeeding calendar month, such interest payment date (other than the maturity date in respect of any Notes) shall be the next preceding business day. If the maturity date of any Notes would otherwise be a day that is not a Business Day, such maturity date will be the immediately preceding Business Day.

**Interest Rate:**

One-month LIBOR, reset on a monthly basis on each interest reset date, plus or minus, as the case may be, the applicable spread. Interest on the Notes will be computed on the basis of the actual number of days elapsed over a 360-day year.

One-month LIBOR will be determined by the calculation agent, initially, Deutsche Bank Trust Company Americas, as of the applicable interest determination date (as defined below) in accordance with the following provisions:

(i) LIBOR will be determined on the basis of the offered rates for deposits in U.S. dollars having a one-month maturity, commencing on the second London business day immediately following such interest determination date, which appears on the Designated LIBOR Page (as defined below) as of approximately 11:00 a.m., London time, on such interest determination date. "Designated LIBOR Page" means the Reuters reference "LIBOR01", or any successor page, on Reuters, or any successor service (or any such other service or services as may be nominated by the British Bankers' Association for the purpose of displaying London interbank offered rates for U.S. dollar deposits). If no rate appears on the Designated LIBOR Page, LIBOR for such interest determination date will be determined in accordance with the provisions of paragraph (ii) below.

(ii) With respect to an interest determination date on which no rate appears on the Designated LIBOR Page as of approximately 11:00 a.m., London time, on such interest determination date, the calculation agent shall request the principal London offices of each of four major reference banks (which may include an

affiliate of Banc of America or Morgan Stanley) in the London interbank market selected by the calculation agent (after consultation with the Issuer) to provide the calculation agent with a quotation of the rate at which deposits of U.S. dollars having a one-month maturity, commencing on the second London business day immediately following such interest determination date, are offered by it to prime banks in the London interbank market as of approximately 11:00 a.m., London time, on such interest determination date in a principal amount equal to an amount of not less than U.S. \$1,000,000 that is representative for a single transaction in such market at such time. If at least two such quotations are provided, LIBOR for such interest determination date will be the arithmetic mean of such quotations as calculated by the calculation agent. If fewer than two quotations are provided, LIBOR for such interest determination date will be the arithmetic mean of the rates quoted as of approximately 11:00 a.m., New York City time, on such interest determination date by three major banks in The City of New York (which may include an affiliate of Banc of America or Morgan Stanley) selected by the calculation agent (after consultation with the Issuer) for loans in U.S. dollars to leading European banks having a one-month maturity commencing on the second London business day immediately following such interest determination date and in a principal amount equal to an amount of not less than U.S. \$1,000,000 that is representative for a single transaction in such market at such time; provided, however, that if the banks selected as aforesaid by the calculation agent are not quoting such rates as mentioned in this sentence, LIBOR for such interest determination date will be LIBOR determined with respect to the immediately preceding interest determination date.

The interest rate in effect on each day will be (i) if such day is an interest reset date, the interest rate determined as of the interest determination date immediately preceding such interest reset date or (ii) if such day is not an interest reset date, the interest rate determined as of the interest determination date immediately preceding the original issue date or the most recent interest reset date, as the case may be.

All percentages resulting from any calculation of any interest rate for the notes will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one-millionths of a percentage point rounded upward and all dollar amounts will be rounded to the nearest cent, with one-half cent being rounded upward.

“Business day” means any day other than a Saturday or Sunday or a day on which banking institutions or trust companies in The City of New York are required or authorized by law, regulation or executive order to close and that is also a London business day.

“London business day” means any day on which dealings in deposits in U.S. dollars are transacted in the London interbank market.

**Applicable Spread:**

The table below indicates the applicable spread for the interest reset dates occurring during each of the indicated periods.

<u>For Interest Reset Dates occurring:</u>	<u>Spread:</u>
From the Original Issue Date	
to but excluding April 2008	Plus .12%
From and including April 2008 to	

but excluding April 2009	Plus . 15%
From and including April 2009 to but excluding April 2010	Plus . 18%
From and including April 2010 to but excluding April 2011	Plus .19%
From and including April 2011 to but excluding the Final Maturity Date	Plus .20%

**Interest Reset Dates:** The 19th day of each month, commencing May, 2007. If any interest reset date would otherwise be a day that is not a business day, such interest reset date will be postponed to the next succeeding day that is a business day, except that if such business day is in the next succeeding calendar month, such interest reset date shall be the immediately preceding business day.

**Interest Reset Periods:** The initial interest reset period will be the period from and including the original issue date to but excluding the immediately succeeding interest reset date. Thereafter, the interest reset periods will be the periods from and including an interest reset date to but excluding the immediately succeeding interest reset date; provided that the final interest reset period for any Notes will be the period from and including the interest reset date immediately preceding the maturity date of such notes to but excluding the maturity date.

**Interest Determination Dates:** Two London business days prior to the interest reset dates or the original issue date, as applicable.

**Redemption:** Subject as provided in the next paragraph, the Notes will not be redeemed prior to maturity or be subject to voluntary prepayment.

If the Issuer becomes obliged to pay additional amounts in respect of the Notes, the Issuer may redeem the Notes, in whole but not in part, at 100% of the principal amount thereof plus accrued and unpaid interest on any Interest Payment Date upon not less than 15 nor more than 30 days' notice.

**Payment of Additional Amounts** Subject to certain exceptions set forth in the next paragraph, if the Republic of Iceland or any taxing authority therein requires the Issuer to withhold amounts from payments of principal or interest in respect of the Notes for taxes or any other governmental charges, the Issuer will pay additional amounts in respect of those payments of principal or interest so that the amount received by the holder of the Notes after such withholding will equal the amount that would have been received if no such taxes and governmental charges had been applicable.

No additional amounts will be paid in respect of any Note presented for payment by or on behalf of a holder who is liable for such taxes or governmental charges in respect of the Note by reason of his having some connection with Iceland other than the mere holding of the Note.

**Form:**

The Notes will be issued and purchases thereof will be recorded only through the book-entry system of The Depository Trust Company ("DTC"). Beneficial owners will not receive certificates representing their ownership interest in the Notes. The face amount of each Note will be paid upon maturity in immediately available funds to DTC. The Issuer has been advised by DTC that upon receipt of such payment, DTC will credit, on its book-entry records and transfer system, the accounts of the DTC participants through whom Notes are directly or indirectly owned. Payments by DTC to its participants and by such participants to owners of the Notes or their representatives will be governed by customary practices and standing instructions and will be the sole responsibility of DTC, such DTC participants or such representatives, respectively.

**Events of Default:**

In the event of the occurrence and continuation of (i) default in any payment of interest on a Note for a period in excess of seven days; (ii) default in any payment of principal on a Note for a period in excess of three days; (iii) an order being made by any competent court or resolution being passed for the winding up or dissolution of the Issuer; (iv) the Issuer ceasing or threatening to cease to carry on the whole or a substantial part of its business or the Issuer stopping or threatening to stop payment of, or being unable to, or admitting inability to, pay, its debts (or any class of its debts) as they fall due, or being deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or being adjudicated or found bankrupt or insolvent; (v) proceedings being initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application being made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official being appointed, in relation to the Issuer or, as the case may be, in relation to the whole or a part of its undertaking or assets, or an encumbrancer taking possession of the whole or a part of the undertaking or assets of it, or a distress, execution, attachment, sequestration or other process being levied, enforced upon, sued out or put in force against the whole or a part of the undertaking or assets of it and in any case (other than the appointment of an administrator) the same not being discharged within 14 days; or (vi) the Issuer initiating or consenting to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or making a conveyance or assignment for the benefit of, or entering into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting being convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors), then in any such case, a holder of a Note may, by written notice to the Issuer through the Issuing and Paying Agent, effective upon the date of receipt thereof by the Issuing and Paying Agent, declare any Note held by the holder to be forthwith due and payable whereupon any portion of the principal sum remaining unpaid (together with any accrued and unpaid interest thereon) shall become forthwith due and payable.

**Governing Law:**

The Notes will be governed by and construed in accordance with the laws of the State of New York, without regard to its conflict of laws provisions.

The Issuer has submitted to the jurisdiction of the United States federal courts located in the Borough of Manhattan or the courts of the State of New York located in the Borough of Manhattan and has appointed CT Corporation System, with offices at 111 Eighth Avenue, New York, New York 1001, as its authorised agent to receive service of process on its behalf.

**Exchange Rate** Soley for convenience, this Offering Circular contains translations of certain Icelandic Krona amounts into U.S. dollars. Unless otherwise indicated, the translations of Icelandic Krona have been made at the rate of U.S.\$1.00=ISK71.1308 (U.S.\$0.0141 per Icelandic Krona), the average interbank rate on December 31, 2006. These translations should not be construed as representations that the Icelandic Krona amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated or at any other rate.

**Settlement:** Unless otherwise agreed to, same day basis, in immediately available funds.

**CUSIP No.:** 37930XAA2. New CUSIP numbers will be assigned to Notes maturing prior to the Final Maturity Date.

**Plan of Distribution** The Notes are being purchased by the Placement Agents as principal, pursuant to a Dealer Agreement dated July 20, 2005 between the Issuer and the Dealers named therein.

Banc of America Securities LLC and Morgan Stanley & Co. Incorporated have advised the Issuer that they propose initially to offer all or part of the Notes at a price of 100% of the initial aggregate principal amount listed above. After the initial offering, the price for any remaining Notes may be changed.

**Placement Agents:** Banc of America Securities LLC and Morgan Stanley & Co. Incorporated.

**Issuing and Paying Agent:** Deutsche Bank Trust Company Americas.

**Calculation Agent:** Deutsche Bank Trust Company Americas.

#### **CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS**

ANY DISCUSSION OF UNITED STATES TAX ISSUES SET FORTH IN THIS OFFERING CIRCULAR WAS WRITTEN IN CONNECTION WITH THE PROMOTION AND MARKETING OF THE NOTES DESCRIBED HEREIN. ANY SUCH DISCUSSION WAS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY PERSON FOR THE PURPOSE OF AVOIDING ANY TAX PENALTIES THAT MAY BE IMPOSED ON SUCH PERSON UNDER THE UNITED STATES INTERNAL REVENUE CODE. EACH INVESTOR SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following discussion summarizes certain U.S. federal income tax considerations relevant to the purchase, ownership and disposition of the Notes. This discussion addresses only U.S. Holders (as defined below) purchasing Notes in the original offering at the Initial Offering Price (as defined below) that hold the Notes as capital assets and use the U.S. dollar as their functional currency. It does not address the tax treatment of U.S. Holders subject to special tax rules, such as financial institutions, dealers or traders in securities or commodities that elect mark-to-market treatment, insurance companies, tax-exempt entities, investors subject to the alternative minimum tax, regulated investment companies, thrifts, persons that own (directly, indirectly, or by attribution) 10 percent or more by voting power of our shares, persons who have ceased to be U.S. citizens, or to be taxed as resident aliens, partnerships or other pass-through entities, or persons holding the Notes as part of a "hedging", "straddle", "conversion", or other integrated financial transaction. Further, this discussion does not address any tax consequences applicable to holders of equity interests in a holder of the Notes. This discussion addresses selected issues and is not a complete description of all U.S. tax considerations relating to the Notes.

This discussion is based on the Internal Revenue Code of 1986, as amended, judicial decisions, published rulings, administrative pronouncements, and existing and proposed income tax U.S. Treasury Regulations (the "Treasury Regulations"), all as are in effect as of the date of this Offering Circular and all of which are subject to change after such date, possibly with retroactive effect.

For purposes of this discussion, a "U.S. Holder" is a beneficial owner of a Note that is (i) for U.S. federal income tax purposes a citizen or resident of the United States, (ii) a corporation, or other business entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or of any State thereof (including the District of Columbia), (iii) a trust that (1) is subject to the control of one or more United States persons and the administration of which is subject to the primary supervision of a court within the United States, or (2) has a valid election in effect under the applicable Treasury Regulations to be treated as a United States person, or (iv) an estate the income of which is subject to U.S. federal income taxation regardless of its source.

For purposes of this discussion, the "Initial Offering Price" of a Note is the initial offering price to the public (not including bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the Notes is sold for money.

Interest on a Note generally will be included in the income of a U.S. Holder as interest income at the time it is accrued or is received in accordance with the U.S. Holder's regular method of accounting for U.S. federal income tax purposes and will be ordinary income.

There are no Treasury regulations, administrative rulings or other authorities directly addressing the U.S. federal income tax treatment of debt instruments with terms that are substantially similar to the Notes, and therefore, the U.S. federal income tax treatment of the Notes is uncertain. In the absence of further guidance, we intend to take the position that an election to extend the maturity of all or any portion of the principal amount of the Notes in accordance with the procedures described above should not be a taxable event for U.S. federal income tax purposes. This view is based, in part, upon the Treasury Regulations governing original issue discount on debt instruments (the "OID Regulations").

Pursuant to Treasury Regulations governing modifications to the terms of debt instruments (the "Modification Regulations"), the exercise of an option by a holder of a debt instrument to defer any scheduled payment of principal is a taxable event if, based on all the facts and circumstances, such deferral is considered material under the Modification Regulations. The Modification Regulations do not specifically address the unique features of the Notes, including their economic equivalence to a debt instrument with the same original maturity date as the Final Maturity Date and which contains put options. However, under the OID Regulations, for purposes of determining the yield and maturity of a debt instrument that provides the holder with an unconditional option or options, exercisable on one or more dates during the term of the debt instrument, that, if exercised, require payments to be made on the debt instrument under an alternative payment schedule or schedules (e.g., an option to extend the maturity of the debt instrument), a holder is deemed to exercise or not exercise an option or combination of options in a manner that maximizes the yield on the debt instrument. Since the applicable spread will periodically increase during the term of the Notes, under these rules, as of the Original Issue Date, original holders of the Notes should be deemed to elect to extend the maturity of all of the principal amount of the Notes to the Final Maturity Date in accordance with the procedures described above. Accordingly, under these rules, the Final Maturity Date should be treated as the maturity date of the Notes. Although it is unclear how the OID Regulations should apply in conjunction with the Modification Regulations to the Notes, based upon the OID Regulations, an election to extend the maturity of all or any portion of the principal amount of the Notes in accordance with the procedures described above should not be a taxable event for U.S. federal income tax purposes. In addition, the Notes should not constitute contingent payment debt instruments that would be subject to certain Treasury Regulations governing contingent payment obligations (the "Contingent Payment Regulations").

Under the treatment described above, the Notes should be treated as having been issued with de minimis original issue discount. Therefore, the Notes should not be treated as having been issued with original issue discount for U.S. federal income tax purposes.

Prospective investors should note that no assurance can be given that the Internal Revenue Service ("IRS") will accept, or that the courts will uphold, the characterization and the tax treatment of the Notes described above. If the IRS were successful in asserting that an election to extend the maturity of all or any portion of the principal amount of the Notes is a taxable event for U.S. federal income tax purposes, then you would be required to recognize any gain inherent in the Notes at such time upon the exercise of such election. Also, if the IRS were successful in asserting that the Notes were subject to the Contingent Payment Regulations, the timing and character of income thereon would be affected. Among other things, you may be required to accrue original issue discount income, subject to adjustments, as a "comparable yield" on the issue price.

Interest on the Notes will be treated as foreign source income for U.S. federal income tax purposes. For taxable years beginning before January 1, 2007, interest income generally will constitute "passive" income, or in the case of certain U.S. Holders, "financial services" income for purposes of computing the U.S. Holder's foreign tax credit that may be allowable under U.S. federal income tax laws. For taxable years beginning after December 31, 2006, interest income generally will constitute "passive category" income, or, in the case of certain U.S. Holders, "general category" income for foreign tax credit purposes. The amount of income taxable to a U.S. Holder will include the amount of any foreign taxes withheld and the gross amount of any additional amounts paid to a U.S. Holder on account of such foreign withholding tax. Thus, a U.S. Holder could be required to report income in an amount greater than the cash it receives in respect of payments on its Notes. The rules relating to foreign tax credits and the timing thereof are complex, and U.S. Holders should consult their own tax advisors regarding the availability of a foreign tax credit and the application of the foreign tax credit limitations to their particular situation. Upon the sale, exchange or other taxable disposition of a Note, a U.S. Holder will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange or other taxable disposition (less any portion allocable to any accrued and unpaid interest, which will be taxable as ordinary income to the extent not previously included in gross income) and the U.S. Holder's adjusted tax basis in the Note. Any such gain or loss will be U.S. source capital gain or loss, and will be long-term capital gain or loss if the holding period for the Note exceeds one year. Furthermore, any gain recognized with respect to the Notes would generally be treated as ordinary income. For non-corporate U.S. Holders, long-term capital gains are subject to preferential rates of U.S. federal income taxation. The deductibility of capital losses is subject to limitations.

#### ***U.S. Information Reporting and Backup Withholding***

Payments of principal and interest on, and proceeds from the sale or other disposition of, the Notes may be subject to information reporting to the IRS and backup withholding at a current rate of 28%. Backup withholding will not apply to a holder who furnishes a correct taxpayer identification number or certificate of foreign status and makes any other required certification or otherwise establishes an exemption. Payments to certain holders (including, among others, corporations) generally are not subject to information reporting and backup withholding. U.S. persons who are required to establish their exempt status generally must provide IRS Form W-9 (Request for Taxpayer Identification Number and Certification). Non-U.S. Holders generally will not be subject to information reporting and backup withholding. However, these holders may be required to provide certification of non-U.S. status (generally on IRS Form W-8BEN) in connection with payments received in the United States or through certain U.S. related financial intermediaries. Any amounts withheld under the backup withholding rules from a payment to a holder may be credited against such holder's U.S. federal income tax liability. A holder may obtain a refund of any excess amounts withheld by filing the appropriate claim for refund with the IRS and furnishing all required information in a timely manner.

The foregoing summary of selected U.S. federal income tax considerations is not to be construed as tax advice for investors. Prospective investors should consult their tax advisers regarding the U.S. federal income tax consequences of investing in, and extending the maturity of, the Notes.

## **ICELANDIC TAXATION**

The comments below are of a general nature based on the Issuer's understanding of current law and practice in Iceland. They relate only to the position of persons who are the absolute beneficial owners of the Notes. They may not apply to certain classes of person such as placement agents. Prospective holders of the Notes who are in any doubt as to their personal tax position or who may be subject to tax in any other jurisdiction, should consult their professional advisers.

1. There are no taxes or other governmental charges payable under the laws of Iceland or any authority of, or in, Iceland in respect of the principal or interest on the Notes by a holder who is not a resident of Iceland.
2. There are no estate or inheritance taxes, succession duties, gift taxes or capital gains taxes imposed by Iceland or any authority of, or in, Iceland in respect of the Notes if, at the time of the death of the holder or the transfer of the Notes, such holder or transferor is not a tax resident of Iceland.
3. The Issuer is required by the current laws of Iceland to withhold a 10 per cent. tax on any payment of interest paid to a holder of the Notes that is a tax resident of Iceland, subject to certain exemptions.
4. The Issuer is not required by the current laws of Iceland to make any deductions or withholding from any payment of principal or interest due or to become due under the Notes, if the recipient is not a tax resident of Iceland. It is the responsibility of the Issuer to provide to the relevant Icelandic tax authorities proof that the payments under the Notes are to persons who are non-residents of Iceland and to obtain from the Icelandic tax authorities any exemptions with respect to any withholding requirements.

## **EU SAVINGS DIRECTIVE**

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland).

## **AVAILABLE INFORMATION**

Copies of quarterly and annual financial statements of the Issuer will be provided without charge to each purchaser of Notes upon request. Requests should be directed to International Funding (Tel: +354 440 4664; Fax +354 400 4660, web-site [www.glitnir.is](http://www.glitnir.is)), Glitnir banki hf. Kirkjusandur 2, 155 Reykjavik, Iceland,. The Issuer is not subject to the informational requirements of the Securities Exchange Act of 1934.

The Issuer is also offering the opportunity to each prospective purchaser, prior to purchasing any Notes, to ask questions of, and receive answers from, the Issuer and to obtain relevant information with respect to the Issuer to the extent the Issuer can do so without unreasonable effort or expense. To ask any such questions or request additional information regarding the offering or the Issuer, contact International Funding (Tel: +354 440 4664; Fax +354 400 4660, web-site [www.glitnir.is](http://www.glitnir.is)), Glitnir banki hf. Kirkjusandur 2, 155 Reykjavik, Iceland.

**ADDITIONAL INFORMATION**

Any further questions and/or requests should be directed to:

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Mail Code: NY1-633-28-01  
1633 Broadway  
New York, NY 10019  
Attn: Global Investor Marketing  
Tel: (212) 497 6832

Morgan Stanley & Co. Incorporated  
1585 Broadway, 4th Floor  
New York, NY 10036  
Attn: Manager, Financing Products Group  
Tel: (212) 761-1928

**IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. YOUR INVESTMENT DECISION SHOULD NOT BE BASED SOLELY ON THIS OFFERING CIRCULAR SINCE IT IS NOT INTENDED TO BE A COMPLETE EXPLANATION OF THE NATURE AND RISKS OF INVESTING IN THE ISSUER AND ITS NOTES. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. NEITHER BANC OF AMERICA SECURITIES LLC, MORGAN STANLEY & CO INCORPORATED, NOR ANY OF THEIR AFFILIATES MAKE ANY REPRESENTATION OR WARRANTY AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED OR REFERRED TO HEREIN.**