

# SECURITIES NOTE

GLB 09 0504

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## **1. RISK FACTORS**

### ***1.1 GENERAL***

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

The factors described below represent the principal risks inherent in investing in the Notes but the inability of the issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons that do not currently exist, that are not presently considered material, or of which the Issuer is unaware. Prospective investors should base their decision about investing in any Notes 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 Notes. The Notes 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 Notes 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 Notes. 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 Notes 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 Notes 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 Notes is changes in the level of interest rates in the relevant market. If general interest rates rise, the market price of the Notes will fall and vice versa. Interest rate risk is higher for Notes with longer maturities/duration. Investors shall study the market risk related to Notes and evaluate the impact caused by changes in the interest rate level on the Notes' market price.

### ***1.4 CHANGES IN LAW***

The terms and conditions of the Notes are based on Icelandic law in force as of the date of this Securites 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 Notes 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 Notes easily or only at a discount to comparable securities from other issuers.

## **1.6 THE NOTES ARE NOT SUITABLE FOR ALL INVESTORS**

Investors must make their own decision on whether investing in the Notes 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 Notes and the Issuer's liquidity.
2. Investors must appreciate the risks related to investment in the Notes and familiarize themselves thoroughly with the information provided in the prospectus or other documents about the Issuer which are publicly available.
3. Investors must be able to estimate what impact an investment in the Notes 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 Notes.
4. Investors must study and understand the terms that apply to the Notes 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 Notes.

## **2. PERSONS RESPONSIBLE**

Glitnir banki hf., ("Glitnir") 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.

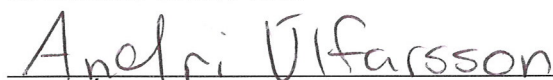
Reykjavík, 14.7.2008

On behalf of Glitnir banki hf.



Vilhelm Már Þorsteinnsson, Executive Vice President of Treasury

ID number: 010171-5989



Andri Úlfarsson, Treasury

ID number: 140878-3329

### **3. NOTICE TO INVESTORS**

This Securities Note, GLB 09 0504, concerns admission to trading of, Notes issued by Glitnir banki hf., ID No. 550500-3530 for the amount of up to ISK 10,000,000,000 on OMX Nordic Exchange Iceland hf. It has been prepared in accordance with chapter VI in the Act No. 108/2007 on securities transactions. This Securities Note is part of a Prospectus that consists of two independent documents; this Securities Note and a Registration Document dated 14.7.2008. 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 Notes.

The content of the Securities Note does not constitute legal, financial or tax advice and note 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.

The documents forming the Prospectus are available at Glitnir banki hf's website; [www.glitnir.is](http://www.glitnir.is) and can also be obtained by contacting the Issuer at its address; Kirkjusandi 2, 155 Reykjavik.

### **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. An estimate of the total expenses related to the admission to trading is ISK 805,524.-.

### **5. INFORMATION CONCERNING THE SECURITIES**

#### **Authorisation**

The Board of Glitnir banki hf., ID No. 550500-3530, Kirkjusandur 2, 155 Reykjavík, Iceland, authorised, on 31 July 2007, a short term note issue for up to ISK 10,000,000,000 in each class.

#### **Issue and Note characteristics**

The Notes are 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 noteholder or his/her nominee. The Notes will bear the symbol GLB 09 0504 and the ISIN code IS0000016079.

The issue date of the Notes was 2. May, 2008. The maximum amount which can be issued under this securities note is ISK 10,000,000,000. As of 14.7.2008, notes in the amount of ISK 60,000,000 have been sold. Denomination of each Note is ISK 10,000,000.-. The indication of yield is 16.8% at 14.7.2008

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

The Notes bear no interest. The principal will be repaid in one payment on the final maturity date, 4 May 2009.

All amounts payable under the Notes will be paid to the 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 Notes shall in change of ownership be endorsed to a named party. No other restrictions are on transferring the Notes.

#### **Event of default, Acceleration and Enforcement**

If payment of the principal or interest on the Notes default, it is permitted to declare the Notes 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 Notes will become void in accordance with Act. No. 150/2007 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 Notes 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.

The Issuer's Notes 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 Notes may be initiated in accordance with the Act on Civil Procedure No. 91/1991, Chapter 17.

## **6. ADMISSION TO TRADING AND 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, although until sufficient number of notes have been sold, lower values will be traded. The maximum spread between bid and sell offers shall be 0.1%. An offer shall be renewed no later than 10 minutes from when it is accepted. If Glitnir banki hf.'s market making trades for more than ISK 500,000,000,- at nominal value or more in one day, Glitnir banki hf. is permitted to stop posting bid and sell offers for that day. If Glitnir banki hf. does not own Notes, it reserves the right not to post a bid or sales offer.

The maximum amount of notes which can be issued under this securities note is ISK 10,000,000,000. As of 14.7.2008, notes in the amount of ISK 60,000,000 have been sold. Glitnir banki hf. has applied for the Notes to be admitted to trading in a regulated securities market, run by OMX Nordic Exchange Iceland hf. OMX Nordic Exchange Iceland hf. operates in pursuance of the Act. No. 110/2007 on stock exchanges.

The Notes are expected to be admitted to trading on 15.7.2008.

## **7. FURTHER INFORMATION**

### **7.1 EXTERNAL INFORMATION**

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

### **7.2 CREDIT RATING**

Glitnir banki hf. is rated by three, independent, international rating agencies: Standard and Poor's (Long term rating: BBB+, outlook negative), Moody's Investors Service (Long term rating: A2, outlook stable) and Fitch Ratings (Long term rating: A-, outlook negative).

Further information can be found on Glitnir banki hf's website: <http://www.glitnirbank.com/investor-relations/debt-investors/credit-ratings/>