

ICEBANK

Securities Note Icebank



March 2007

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Securities Note **i**

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Securities Note

1 Risk factors

The Issuer considers the following factors liable to affect its ability to fulfil its obligations under the Bills and/or to be material for the purpose of assessing the market risks associated with 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.

The Issuer considers the factors described below to represent the principal risks inherent in investing in the Bills, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Bills may occur or arise for other reasons than those that the Issuer may currently be able to anticipate, and there may be other factors which are material to the market risks associated with Bills.

Issuer's accountability for making payments

The Issuer is accountable for making payments on the Bills when due. The obligations of the Issuer under the Bills are direct, unsecured, unconditional and unsubordinated obligations, equally ranked without any preference amongst themselves and equal to the Issuer's other direct, unsecured, unconditional and unsubordinated obligations.

The Issuer has not entered into any restrictive covenants in connection with the issuance of the Bills regarding its permission to incur additional indebtedness ranking equally to the obligations under or in connection with the Bills.

Change of law

The Terms and Conditions of the Bills are based on Icelandic law in effect on the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in Icelandic law or administrative practice after the date of this Prospectus.

The secondary market

The Bills may not have established a trading market when listed, and such a market may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Bills easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

The Bills may not be a suitable investment for all investors.

Each investor in the Bills must determine the suitability of the investment in light of his own circumstances. In particular, each potential investor should:

1. Have sufficient knowledge and experience to make a meaningful evaluation of the Bills.
2. Understand the merits and risks of investing in the Bills and the information contained or incorporated by reference in this Prospectus. Potential investors should familiarize themselves thoroughly with this Prospectus.
3. Have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bills and the impact the Bills will have on its overall investment portfolio.
4. Have sufficient financial resources and liquidity to bear all of the risks of investing in the Bills.
5. Understand thoroughly the terms of the Bills and be familiar with the behaviour of any relevant indices and financial markets.
6. Be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

2 Notice to investors

This Securities Note concerns the listing of Bills issued by Icebank hf. and listed and admitted to trading on ICEX. The listing is conducted in accordance with Icelandic law and regulations, including Act No. 33/2003 on Securities Transactions, Directive 2003/71/EC of the European Parliament and of the Council 4 November 2003 (the “Prospectus Directive”) which has been implemented by national law. This Securities Note is prepared pursuant to current legislation and rules for issuers of shares on ICEX that apply to the listing.

ICEX has scrutinized and approved this Securities Note, which is published only in English. This Securities Note forms a part of a Prospectus that consists of two independent documents: a Securities Note and a Registration Document.

This Securities Note has been prepared by Icebank, Legal Services in cooperation with the Board of Directors, senior management, and auditors of Icebank.

In the Securities Note, “Icebank”, “the Bank” and the “the Issuer” refer to Icebank hf., and “ICEX” refers to the Iceland Stock Exchange, unless otherwise indicated by the wording or context.

Icebank is listed on ICEX as a Bills issuer with the ticker symbol ICB, as further described in Chapter 5 of this Securities Note, and complies with ICEX rules regarding on-going information disclosure for Bill issuers. Investors are advised to follow the news announcements and notifications which may be published in the ICEX News System concerning Icebank once the Securities Note has been issued.

The purchase of Bills is inherently a risk investment. Investors are advised to familiarize themselves thoroughly with this Securities Note. The information presented herein reflects its date of issue. Each investor must base any decision to invest in Bills issued by Icebank on his own examination and analysis of the information presented in the Securities Note. Investors are advised to study their legal position, including taxation issues that may be relevant to their transactions involving the Bills. Investors are urged especially to acquaint themselves well with the discussion of risk in Chapter 1 of this Securities Note.

This Securities Note and any document forming a part of the Prospectus shall not be distributed or mailed or otherwise disseminated or sent in or into any country where distribution would require additional registration measures or any measures other than those required under Icelandic law and regulations, or where they would conflict with any law or regulation.

3 Persons responsible

The Chairman of the Board of Directors and the CEO of Icebank, on behalf of the Issuer, named below, hereby declare that they have taken all reasonable care to ensure that the information contained in this Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

Reykjavík, 5 March 2007,

On behalf of the Board of Directors of Icebank hf., Raudarárstígur 27, Reykjavík, ID No. 681086-1379

Geirmundur Kristinsson,

Finnur Sveinbjörnsson,

Chairman of the Board

CEO

4 Manager

Icebank's Legal Services prepared this Registration Document and were responsible on the Bank's behalf for the listing process of the Bills on ICEX.

5 Information concerning the securities to be admitted to trading

Authorisation

The Board of Directors of Icebank hf., Raudarárstígur 27, 105 Reykjavík, ID No. 681086-1379, authorised at a board meeting held on 21 February 2006 the issuance of up to 24 groups of six-month Bills for a maximum amount of ISK 2,000,000,000 in each group.

Issue and Bill characteristics

The Bills bear no interest and are not indexed. The Bills are registered electronically in the Icelandic Securities Depository in the name of the each respective Billholder or his/her nominee. Each group of the Bills has the following ticker Symbol, Issuing Date, Maturity Date, ISIN number, Issued Amount and Admittance to trading:

| Ticker symbol | Date of Issue | Maturity Date | ISIN nr. | Issued Amount ISK | Admitted to trading |
|---------------|---------------|---------------|--------------|-------------------|---------------------|
| ICB 07 0201 | 01.08.2006 | 01.02.2007 | IS0000012631 | 1.000.000.000 | 02.08.2006 |
| ICB 07 0301 | 01.09.2006 | 01.03.2007 | IS0000012649 | 1.000.000.000 | 04.09.2006 |
| ICB 07 0402 | 02.10.2006 | 02.04.2007 | IS0000012748 | 1.000.000.000 | 03.10.2006 |
| ICB 07 0502 | 01.11.2006 | 02.05.2007 | IS0000012755 | 1.000.000.000 | 02.11.2006 |
| ICB 07 0601 | 01.12.2006 | 01.06.2007 | IS0000012763 | 1.000.000.000 | 04.12.2006 |
| ICB 07 0702 | 03.01.2007 | 02.07.2007 | IS0000012854 | 1.000.000.000 | 07.03.2007 |
| ICB 07 0801 | 01.02.2007 | 01.08.2007 | IS0000012656 | 1.000.000.000 | 07.03.2007 |
| ICB 07 0903 | 01.03.2007 | 03.09.2007 | IS0000012664 | 1.000.000.000 | 07.03.2007 |

Amounts payable under the Bills will be paid to the financial institution where the registered owner has his/her custody account.

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.

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| Date of issue: | The issue of the first group of Bills took place on 1 August 2006. The last group was issued on 1 March 2007. |
| Issued amount: | The issue amount of each group can be up to ISK 2,000,000,000, so the total amount of all issued groups can be up to ISK 16,000,000,000. |
| Denomination: | ISK 5,000,000. |
| Currency: | ISK. |
| Interest rate: | The Bills bear no interest. |

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| Indication of Yield: | ICB 07 0301: 15.00%, ICB 07 0402: 16.30%, ICB 07 0502: 16.15%, ICB 07 0601: 15.90%, ICB 07 0702: 14.89%, ICB 07 0801: 14.68%. |
| Calculation agent: | Icebank. |
| Depository Agent: | Icelandic Securities Depository (ISD), Laugavegur 182, 105 Reykjavik. |
| Paying Agent: | Icebank. |
| Maturity Date: | The date of maturity for each group of Bills is six months from the date of issue. |
| Method of payment: | All amounts payable under the Bills will be paid to the relevant financial institution where the registered owner has his/her custody account. |
| Restrictions on transfer: | There are no restrictions on transferring the Bills to other parties, except that the Bills must be transferred to parties referred to by name. |

Event of default, acceleration and enforcement

In the event of default 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 by the Issuer in respect of the Bills will be made without withholding or deduction for or in connection with 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 an event, the Issuer will not pay any additional amounts in respect of amounts withheld pursuant to such withholding or deduction requirements.

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 Bills may be taken in accordance with Chapter 17 of the Act on Civil Procedure No. 91/1991.

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

An application has been made to ICEX as the competent authority in Iceland for the purpose of Directive 2003/71/EC (the Prospectus Directive), Icelandic Act no. 33/2003, as amended, and the relevant regulations based on the Act for approval of this Securities Note. An 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 first category Bills were admitted for trading on ICEX on the 1 August 2006.

Expenses of the admission for trading

The total expenses related to the admission to trading of the Bills amount to ISK 660,000 according to the ICEX fee structure. The estimated cost payable to the ISD is ISK 120,000.