



INVESTMENT BANK

SECURITIES NOTE

MPB 20080910

September 2008



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1. RISK FACTORS

The following text is a description of all the major risk factors that may affect MP Investment Bank's ability to fulfil its obligations to investors under the Bills and the Issuer considers these factors 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. Additional risk factors not currently known or which are currently deemed immaterial may also impair the operations of the Bank and the securities issued by it. Unless otherwise stated, it is assumed that all risk factors apply in all the markets in which the Bank operates.

1.1. Repayment risk

MP Investment Bank (also referred to as the Issuer or the Bank) undertakes to repay the bills, issued by the Bank, on the maturity date. The Issuer's commitment is direct, unconditional and without further guarantee. All claims against the Issuer for the repayment of the bills are of equal priority. Claims against the Bank for the repayment of the bills do not hold any priority above other claims against the Bank and are of equal priority towards other non-secured claims against the Bank unless secured by a statutory lien.

In connection with the issuing of the bills, the Bank has not undertaken further obligations that limit its authorisation for further borrowing, including borrowings that are of equal priority as the bills.

The buyers of bills are subject to the risk that the Bank will not be able to repay the principal on the bills on the maturity date.

1.2. Legal amendments

The bills are issued in accordance with Icelandic legislation as current on the date of issue of the Securities Note. The Issuer cannot be held liable for legal amendments, the findings of a court of law or for government decisions subsequent to the date of issue.

1.3. Liquidity risk

These bills, issued by MP Investment Bank, have not previously been admitted to trading on a regulated securities market. Even though the bills will be admitted to trading on the NASDAQ OMX Tallinn Stock Exchange it is not possible to guarantee an efficient market for the bills. The Issuer will not be and has not made any agreement with a third party to be a market maker for the bills. Thus the situation may arise in which investors are unable to sell the bills easily or at a price which is comparable to the price of other financial instruments where an efficient market and liquidity is present.

The bills may not be suitable for all investors.

Each investor, therefore, must determine the efficacy of investing in the bills, taking into account his own situation. Thus anyone investing in the bills should:

- Possess the sufficient professional knowledge, financial strength and experience in order to assess the risk factors that may have an impact on the repayment or the market price of the bills.
- Understand the merits and risks inherent in investing in the bills, as well as such information as is contained in the Securities Note. Prospective investors must study in detail the information contained in the Registration Document, this Securities Note and the Summary, which constitute the Prospectus.
- Have access to, and knowledge of, the appropriate analytical tools and methods to evaluate the advantages and disadvantages of investing in the bills and the impact investing in the bills will have on the investor's securities portfolio.
- Have sufficient financial strength and liquidity to bear the risks involved in investing in the bills.
- Understand thoroughly the terms of the bills and be familiar with the development and market behaviour of the relevant financial market benchmarks and indices.
- Be able to evaluate, either alone or with the assistance of an advisor, what impact various changes in economic growth, interest rates and other factors may have on the investment and the required rate of return anticipated by the investor.



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Liquidity risk is defined as the risk involved in how easy or difficult it is to sell an asset at a price which is closest to its real value. The criteria for the risk is the gap between bids and offers in the market. The risk is both in the volume, i.e. that the market accepts the volume for which there is a will to sell at real value at any given time, and the price, where a large volume of analogous securities can have a substantial impact on the pricing of the securities.

It is to be expected that the liquidity of the Bills and their market price will vary in tune with changes in the market, trade cycles, the economic performance of the Issuer and other factors that generally have an impact on the market price of financial instruments. Such adjustments in the market price may have an impact on the liquidity and the market price of the securities admitted to trading.

1.4. Risks related to Estonia

Due to the fact that an application will be submitted for admission to trade the bills on the NASDAQ OMX Tallinn Stock Exchange, Estonian market related risks should be borne in mind before purchasing the bills.

Estonian market is an emerging one and therefore it is subject to greater risks than more mature markets, including legal, economic and political risks. Throughout two previous decades Estonia has experienced significant political, legal and economic changes and extensive liberalisation driven by transition from the Soviet Union rule and plan economy to independence and market economy.

Estonian admittance to the European Union in 2004 resulted in significant social and economic changes and extensive reforms in its legal and regulatory framework. For that reason, volume of Estonian legislation and other regulations has increased significantly and the respective tendency is ongoing due to the obligation to apply and implement European Community law. Such new regulatory framework remains in vast part untested in courts and no clear and unified administrative and court interpretation practice has evolved.

1.5. Risks related to legal and regulatory environment in Estonia

Estonian legal framework has recently undergone significant changes, including general corporate, securities market and bankruptcy laws. Most of such changes relate to adoption of the European Union law. Although such amendments bear an upside of unifying Estonian legal framework for doing business with the legal framework as applicable in the territory of the European Union, the law as amended will be interpreted and enforced by Estonian courts. As at today, Estonian courts are lacking unified practice in majority of legal issues and therefore it is rather difficult to estimate results of cases being brought before Estonian courts. Above all such unpredictability concerns laws and regulations as amended to implement the European Union law. Such lack of unified practice could result in adverse effect in enforcing rights in Estonian courts.

2. RESPONSIBLE PARTIES

2.1 The issuer

MP Investment Bank hf., State Reg. No. 540599-2469, Skipholt 50d, 105 Reykjavík, Iceland.

2.2 Issuer's Statement

The Chairman of the Board, on behalf of the Board of Directors of MP Investment Bank hf., hereby declares that the Board has taken all reasonable care to ensure that such is the case, the information contained in the Prospectus is, to the best of the knowledge of the Board, in accordance with the facts and contains no omission likely to affect its import.

Reykjavík, September 1st 2008

On behalf of the Board of Directors and MP Investment Bank hf., Skipholt 50d, 105 Reykjavík


Margeir Petursson,
Chairman of the Board of Directors



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2.3 Statement of the issue co-ordinator

MP Investment Bank hf., in its capacity as the Issuer and listing co-ordinator, hereby declare, having taken all reasonable care to ensure that such is the case, the information contained in the Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Reykjavík, September 1st 2008

On behalf of MP Investment Bank hf., Skipholt 50d, 105 Reykjavík

Styrmir Þór Bragason,
CEO

3. ANNOUNCEMENT TO INVESTORS

This Securities Note is issued in relation to the admission to trading of bills issued by MP Investment Bank hf. on the NASDAQ OMX Tallinn Stock Exchange. The issue of the MP Investment Bank hf. bills will take place according to current Icelandic laws and regulations. The admission to trading of the bills will take place according to current Estonian laws and regulations, including the European Council Directive 2003/71/EC of 4 November 2003 that has been implemented into Icelandic and Estonian law.

This Securities Note, dated September 1st 2008, the Registration Document, dated July 2nd 2008, and the Summary, dated September 1st 2008, form a Prospectus according to Directive 2003/71/EC. Copies of all three aforementioned documents can be obtained from the Bank's offices and from its website; www.mp.is. The Bank's offices are at Skipholt 50D, 105 Reykjavík, Iceland and Tumėno St. 4, Corpus B, 7th floor, LT-01109 Vilnius, Lithuania

For the purposes of this Securities Note, "the Issuer", "the issuer", "the Bank", "the Company" or "MP Investment Bank", "MP Fjárfestingarbanki hf." and "MP Fjárfestingarbanki" mean MP Investment Bank hf. unless otherwise may be inferred from the wording or the context. In the same manner, "the NASDAQ OMX Tallinn Stock Exchange", and "Exchange" refer to the NASDAQ OMX Tallinn Stock Exchange. Moreover, "Bills", "bills", "the Bills", "the bills" and "the MP Investment Bank Bills" refer to the Bills issued by MP Investment Bank under this Securities Note.

MP Investment Bank will apply for admission to trade the bills in the NASDAQ OMX Tallinn Stock Exchange and therefore, is under obligation to abide by the rules of the Exchange that apply to issuers of bonds and bills. Investors are advised to follow regulated announcements concerning MP Investment Bank from the date of issue of the Securities Note.

The Securities Note, may not, directly or indirectly, including by e-mail, fax, telephone or through the Web, be distributed to countries where such distribution would lead to increased requirements for admission to trading or other regulations than those applicable pursuant to Icelandic and Estonian laws and regulations or where such distribution violates laws and regulations.

The bills are issued electronically and have been registered in the Estonian Central Register of Securities.

The purchase of bills is inherently a risky investment. Investors are advised to thoroughly familiarise themselves with the substance of this Securities Note dated September 1st 2008, the Registration Document, dated July 2nd 2008, and the Summary, dated September 1st 2008. Investors are also advised to study their legal position, including taxation issues that may be relevant to their transactions involving bills issued by MP Investment Bank hf.

Each investor must base a decision on investing in bills issued by MP Investment Bank hf. on his own investigation and analysis of the information that appears in the Prospectus. Investors are in particular urged to study in detail the discussion regarding MP Investment Bank risk factors.

4. ISSUER'S INTERESTS

MP Investment Bank, the Issuer, managed both the issue and the sale of the bills. The purpose of the issue was to obtain funds for the Bank for lending and to strengthen its continued growth. Thus the Bank, as Issuer and co-ordinator, has a vested interest in the issue and sale of the securities.

The Issued Securities will not be sold in a public offering.

5. INFORMATION ON THE SECURITIES

5.1. Total amount

The Board of Directors of MP Investment Bank has approved the issuance of a class of bills, for a maximum amount of EUR 15 millions. The bills are issued in units of EUR 1,000.

5.2. Description of the securities

The securities are bills and the issue date, date of maturity and the volume of the class is according to the following:

Class	Date of issue	Maturity date	Size limit (nominal value)	Number of units	Issued and sold amount (nominal value)	ISIN code
MPB 20080910	20.12.2007	10.09.2008	EUR 15,000,000	15,000	EUR 5,424,000	EE4300094547

There are no restrictions regarding the resale of the bills. The bills are interest free and non-indexed. There are no special rights, privileges or pre-emptive rights attached to the purchase of MP Investment Bank hf. bills. The method of calculation used for the bills is Actual/360.

5.3. Legal basis

Icelandic law applies to the bill issue. Any dispute arising in respect of the bills may be submitted to the District Court of Reykjavík according to the provisions of Section 17 of Act No. 91/1991, on Civil Procedure.

The issued Bills are governed by Act No. 93/1933, on Bills.

The expiry of claims is subject to the provisions of Act No. 93/1933, on Bills. According to paragraph 1 of Article 70 of the Act on Bills, claims based on bills against the acceptor will expire after the elapse of three years from the date of maturity.

The electronic registration of bills is subject to the Estonian Central Register of Securities Act and the Rules of the Estonian Central Register of Securities.

5.4. Taxation

The tax treatment of the bills is subject to tax laws as current from time to time.

5.4.1. Iceland

According to Article 3 of Icelandic Act No. 94/1996, on Withholding Tax on Financial Income, the Bank is under obligation to deduct withholding tax (10%) from interest income and return to the Treasury. Bills are exempt from stamp duty.

Investors are advised to familiarise themselves with the tax regulations of their home state in relation to investments in foreign Bills.

5.4.2. Estonia

Corporate income tax

The system of corporate earnings taxation currently in force in Estonia is a unique system that shifts the point of corporate taxation from the moment of earning the profits to the moment of their distribution. Corporate income tax is charged on profit distributions such as dividends.



Profit distributions are taxed at a rate of 21/79, which amounts to approximately 26,6% of the net amount of the distribution. Corporate income tax imposed on distributed profits is not a withholding tax and thus is not influenced by the applicable international tax treaties.

Capital gains, tax consequences of sale or exchange of securities

Income tax at the rate of 21% will be charged on gains realized by Estonian resident individuals upon sale or exchange of securities. The gain derived from the sale of securities is the difference between the acquisition cost and the selling price of the sold security. A taxpayer has the right to deduct certified expenses directly related to the sale or exchange of security from the taxpayer's gain or to add such expenses to the taxpayer's loss.

Non-residents (natural and legal persons) have a limited tax liability in Estonia. Income tax is generally not charged on capital gains realised by non-residents from the sale or exchange of securities. Income tax at the rate of 21% is charged only in case of sale or exchange of at least 10% of shares in a company of whose property, at the time of transfer or during certain period within two years immediately preceding the transfer, more than 50 per cent was directly or indirectly made up of immovable or structures as movables, which are located in Estonia.

Withholding tax on dividends

In 2008 withholding income tax is charged on dividends and on other profit distributions received by a non-resident legal person from a resident company if, at the moment dividends are announced or paid, a non-resident legal person owns less than 15 per cent of the share capital or votes of the resident company distributing the dividends. Dividends received by a legal person located in a low tax rate territory are subject to income tax despite of the amount of share capital.

Withholding tax applicable to cross-border dividends is subject to applicable international tax treaties concluded between Estonia and the relevant foreign states. Tax treaties concluded by Estonia typically reduce the applicable rate of withholding tax from 21% down to 15% (10% or 5% in some cases). Estonia currently has 38 international tax treaties in force. Non-resident shareholders may be eligible for double taxation relief from Estonian withholding tax either on the grounds of domestic laws of the shareholder's state of residence or the applicable tax treaty.

5.5. Type of securities

The bills are issued by electronic means and registered in the Estonian Central Register of Securities, address: Tartu St.2, 10145 Tallinn, Estonia, in accordance with Estonian Central Register of Securities Act and the Rules of the Estonian Central Register of Securities and are identified with the name of the owner of the bills. In the systems of the Estonian Central Register of Securities and the Estonian Stock Exchange, the bills will be identifiable by the ticker symbol MPB 20080910.

All bills are registered to the name and ID number of the holder.

With regard to the issuer, excerpt from the Estonian Central Register of Securities will be regarded as being full proof of title. Payments and notifications are sent to the party who, from time to time, is the registered holder of the bill in question.

The title to the bills must be registered in the Estonian Central Register of Securities if the bills are to enjoy legal protection against judicial enforcement and contractual remedies. Negotiable instruments may neither be issued for registered rights according to an electronic securities certificate nor endorsed; accordingly any such transactions are void. Registration of title to electronic securities certificate in a central securities depository, following final entry by the central securities depository, grants the registered holder legal authority to the rights for which he is the registered holder. The priority of incompatible rights shall be determined by the time that the Estonian Central Register of Securities received the request for their registration from of an account operator. There are no restrictions regarding the assignment of the bills.

5.6. Currency

The bills are issued in EUR.

5.7. Order of priority

MP Investment Bank hf. warrants the prompt and full repayment of the bills with its income and assets. The bills will be paid following payment of claims that are secured by a mortgage on the Bank's assets. No subordinated provisions apply to the bills.



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5.8. Rights attached to the bills

There are no special rights, privileges or pre-emptive rights attached to the purchase of MP Investment Bank hf. bills.

The bills are exempt from stamp tax, as provided for in Article 115 of Act No. 161/2002 on Financial Undertakings.

5.9. Interest

The bills bear no interest.

5.10. Maturity dates and payments

Each bill will be repaid by one instalment on the maturity date. With regard to the Issuer, a statement from the Estonian Central Register of Securities shall be regarded as being full proof of title. Payments and notifications are sent to the party who, from time to time, is the registered holder of the bill in question. The Estonian Central Register of Securities will send MP Investment Bank information relating to the holders of the bills, including any necessary information to enable the Bank to render its payment. MP Investment Bank hf., through the mediation of the Estonian Central Register of Securities, will therefore act as paying agent on the maturity date.

In the event that the Issuer of the bills does not render payment on the maturity date, and if the holder is rightfully registered as the owner of the bills at the Estonian Central Register of Securities, the Issuer must pay default interest from the date of presentation until the payment date. Default interest shall be in accordance with the decision of the Central Bank of Iceland from time to time on base default interest and default margins, cf. paragraph 1 of Article 6 of the Interest Act No. 38/2001, on the due or called-in amount from the due date to the date of payment.

In the event that payments are not collected in due time, the claimant shall receive neither interest, default interest nor price-level adjustments from the maturity date to the date of payment.

5.11. Yield

Bills were sold based on the maintained required rate of return during the issue of the class. Required rates of return and offer prices are governed by market conditions as current. Further details on the required rate of return can be obtained from the Issuer.

The price and yield is calculated using the following calculation methods:

Price: $100 / (1 + [\text{Interest}] * [\text{Number of days}] / 360)$
Yield: $([\text{Price}] / 100)^{-1 / ([\text{Number of days}] / 360)}$

The rate of return of MPB 20080910 is on the date of issuance of this Securities Note 7.03%.

5.12. Representation and registration

The Estonian Central Register of Securities is responsible for the registration of securities holders and the destination of payments. Payments to bill holders will be processed through the administrators of their securities accounts. No contracts have been made to a third party to represent investors.

5.13. The basis for issue

On November 29, 2007, the Board of Directors of MP Investment Bank approved the issue of up to 4 classes of bank bills, for an aggregate amount of up to EUR 60 million. Each class is in the amount of up to EUR 15 million. The bills are issued in units of EUR 1,000 for a period of up to twelve months. MPB 20080910 is one of the aforementioned classes.

5.14. Date of issue

The Bills were issued the 20th of December 2007.

5.15. Restrictions on assignment

There are no restrictions on the assignment of the bills. The bills are interest free and non-indexed. There are no special rights, privileges or pre-emptive provisions attached to the purchase of MP Investment Bank hf. bills.



The bills are holder denominated. On the transfer of ownership of a bill, the assignment to the new owner must be registered. Bills may not be assigned to bearer.

6. AN UPDATE OF THE REGISTRATION DOCUMENT

There have been changes in the members of the Board of Directors since the publication of the Registration Document dated on July 2nd 2008. The new Board of Directors was elected on a shareholders meeting the 29th of August 2008.

The Board now consists of the following members:

Name	Position	Address of workplace
Margeir Pétursson	Chairman of BoD	Skipholt 50d, 105 Reykjavík.
Sigfús Ingimundarson	Vice-Chairman of BoD	Laugavegur 182, 3rd floor, 105 Reykjavík
Sigurdur Gísli Pálmason	Member of BoD	Laugavegur 182, 3rd floor, 105 Reykjavík
Hallgrímur Jónsson	Member of BoD	Brautarlandi 8, 108 Reykjavík.
Birkir Baldvinsson	Member of BoD	Vatnsstígur 21, 101 Reykjavík
Ásgeir Þór Árnason	Alternate	Lindarflöt 37, 210 Garðabæ
Jón Pálmason	Alternate	Laugavegur 182, 3rd floor, 105 Reykjavík
Sigurdur R. Helgason	Alternate	Sævarhöfði 33, 110 Reykjavík
Örn Andrésson	Alternate	Fannafold 51, 112 Reykjavík
Kristinn Zimsen	Alternate	Furugerði 12, 108 Reykjavík
Styrmir Þór Bragason	CEO	Skipholt 50d, 105 Reykjavík

The new members of the Board are Birkir Baldvinsson, investor, Ásgeir Þór Árnason, attorney and Kristinn Zimsen, investor. Their principal work is not related to the Issuer. Ágúst Sindri Karlsson has left the Board.

In addition the Issuer has published a Interim Financial Statement for the Period from January 1st – June 30th 2008.

Interim Financial Statements from the 1st of January – 30th of June 2008.

(All amounts are in ISK thousands)



Consolidated Interim Income Statement for the Six Months Ended 30 June 2008

	Notes	2008 1.1.-30.6.	2007 1.1.-30.6.
Interest income		3.189.762	2.191.174
Interest expense		(2.427.360)	(2.031.792)
Net interest income		<u>762.402</u>	<u>159.382</u>
Fee and commission income		578.001	871.987
Fee and commission expense		(19.900)	(51.114)
Net fee and commission income		<u>558.101</u>	<u>820.873</u>
Net income from financial assets and financial liabilities		678.860	626.820
Share of profit of associates		83.218	180.851
		<u>762.078</u>	<u>807.671</u>
Operating income		2.082.582	1.787.926
Salaries and related expenses		(283.525)	(268.255)
Other operating expenses		(214.459)	(149.856)
Impairment on loans		(44.938)	(3.000)
Profit before income tax		1.539.660	1.366.815
Income tax expense	7	(14.838)	(248.719)
Profit for the period		<u>1.524.822</u>	<u>1.118.096</u>
Basic and diluted earnings per share		1,43	1,04

Consolidated Interim Balance Sheet as at 30 June 2008

	Notes	30.6.2008	31.12.2007
Assets			
Cash and cash equivalents	8	10.742.106	7.241.857
Derivatives		2.032.394	1.380.422
Financial assets at fair value through profit and loss	9	25.771.689	20.659.461
Securities used for hedging	10	13.026.879	10.418.582
Loans	11	13.406.166	9.599.516
Receivables and prepayments		1.387.668	1.627.276
Investment in associates		1.348.597	1.205.627
Fixed assets		504.744	415.937
Total assets		68.220.242	52.548.678
Liabilities			
Deposits from credit institutions and the Central Bank	12	9.387.735	13.450.667
Derivatives		243.891	273.988
Financial liabilities at fair value through profit and loss	9	14.788.601	5.709.533
Financial liabilities used for hedging	10	8.708.786	0
Borrowings	13	17.466.755	7.476.824
Debt securities issued		7.971.675	16.361.050
Subordinated liabilities		43.944	43.846
Income tax	7	227.901	193.863
Other liabilities		1.878.911	2.851.821
Total liabilities		60.718.199	46.361.592
Equity			
Share capital	14	1.064.099	1.063.776
Share premium		942.647	942.368
Option reserve		(17.496)	(37.496)
Translation reserve		89.813	(1.923)
Retained earnings		5.422.980	4.220.361
Total equity		7.502.043	6.187.086
Total liabilities and equity		68.220.242	52.548.678



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Consolidated Interim Statement of Changes in Equity for the Six Months Ended 30 June 2008

	Share capital	Share premium	Re- valuation reserve	Option reserve	Trans- lation reserve	Fair value reserve	Retained earnings	Total equity
1 January to 30 June 2008								
Equity as at 31.12.2007	1.063.776	942.368	0 (37.496)	(1.923)	0	4.220.361	6.187.086	
Translation difference					91.736		91.736	
Earning recognised directly in equity					91.736		91.736	
Profit for the period						1.524.822	1.524.822	
Options				20.000			20.000	
Own shares	323	279					602	
Dividends paid						(322.203)	(322.203)	
Equity 30.6.2008	1.064.099	942.647	0 (17.496)		89.813	0	5.422.980	7.502.043
1 January to 30 June 2007								
Equity as at 31.12.2006 (IS-GAAP)	1.070.000	1.218.275	46.391	0	792	0	2.741.827	5.077.285
IFRSs changes	0	0	(46.391)	(158.323)	(792)	94.338	(39.156)	(150.324)
Equity at 1.1.2007 (IFRS)	1.070.000	1.218.275	0	(158.323)	0	94.338	2.702.671	4.926.961
Fair value reserve transferred to P&L						(94.338)	(94.338)	
Earning recognised directly in equity						(94.338)	(94.338)	
Profit for the period							1.118.096	1.118.096
Options		5.847		40.030			45.877	
Dividends paid						(192.576)	(192.576)	
Equity 30.6.2007	1.070.000	1.224.122	0 (118.293)		0	0	3.628.191	5.804.020

Condensed Consolidated Interim Statement of Cash Flows for the Six Months Ended 30 June 2008

	Notes	2008 1.1.-30.6.	2007 1.1.-30.6.
Net cash from operating activities		1.153.921	652.713
Net cash used in (from) investing activities		(17.136.852)	86.085
Net cash from financing activities		19.481.830	179.169
Net increase in cash and cash equivalents		3.498.899	917.967
Effect of exchange rate fluctuations on cash held		1.350	0
Cash and cash equivalents at 1 January		7.241.857	2.157.724
Cash and cash equivalents at 30 June	8	10.742.106	3.075.691

Key results from operations and balance sheet:

- Profits during the first six months of the year amounted to ISK 1,525 million, an increase of 36.4% compared to the first six months of 2007.
- The bank's earnings before tax in the first half of the year equalled ISK 1,540 million, rising by 16.5% from the same period last year.
- Net interest income amounts to ISK 762 million in the first six months compared to ISK 159 million in the first six months of 2007.
- Interest income increased by 45.6% in the first six months of the year compared to the corresponding period last year and totalled ISK 3,190 million.
- Return on equity (ROE) in the first six months of the year 2008 equals a return of 49.6% on a yearly basis.
- Exchange rate earnings from financial operations increased by 8.3% between periods, at ISK 679 million.
- Net income from operations rose by 16.5% from the corresponding period last year and amounted to ISK 2,083 million.
- The bank's total assets increased by 29.8% from the start of the year and stood at ISK 68,220 million at the end of June 2008 compared to ISK 52,549 million on 31 December 2007.
- The bank's liquid assets on 30 June 2008 amounted to ISK 10,742 million.
- On 30 June 2008, equity equalled ISK 7,502 million, an increase of 21.3% from 31 December 2007.
- The consolidation's equity (CAD) ratio was 29.6% at the end of June 2008 compared to 28.1% at the end of 2007.
- Earnings per share amounted to 1.43 during the first 6 months of the year compared to 1.04 for the corresponding period of last year, which represent an increase of 37.5%.
- The number of employees as of 30 June 2008 is 50 compared to 41 at the same time last year.

Operations in the first half of 2008:

MP Investment Bank's operations were very successful in the first half of the year, particularly taking into account the difficult conditions on financial markets worldwide. Interest rate difference increased significantly from the previous year, explained by own trading on the bond market and a significant expansion of bond brokerage activities. The above factors also resulted in a substantial growth of the bank's balance sheet since the turn of the year. The bank's commissions receivable have been somewhat reduced since 2007 as a result of decreasing turnover on the domestic stock market, but at the same time bond brokerage commissions have risen significantly, and the income of the bank's branch in Lithuania has also increased considerably. The operations in Lithuania have been a success so far this year and the bank has already made a strong name for itself among investors in the country.

The bank's asset management has gone well so far this year. Demand for the bank's asset management services for individuals and institutional investors has increased significantly following good management results for clients, and the independence of the service has also been a factor.

The bank's exchange rate earnings were healthy during the first part of the year, primarily justified by the bank's own bond trading. The bank adopts a prudential point of view when evaluating all assets in its portfolio, listed or unlisted assets alike.

The bank considers the loan portfolio to be solid. Practically every loan is guaranteed by securities ownership and an active risk management is used to evaluate the balance of individual loans. In the interim statement all loans are evaluated from a prudential point of view and the bank has already put aside a general precautionary provision for losses on the loan portfolio, equalling around 1.5% of the bank's lending.

The bank's financing has been in good shape during the year. New loan lines with domestic and foreign financial institutions have been arranged and the Lithuania branch also arranged its first loan line in the first half of the year.



INVESTMENT BANK

There have not been any governmental, legal or arbitration proceedings during the last 12 months (including pending or threatened proceedings of which the issuer is aware) which may have, or have had in the recent past, significant effects on the issuer's position or profitability.

MP Investment Bank's Statutory Auditors have reviewed the Bank's unaudited interim consolidated financial statement for the first six months of 2008, prepared in accordance with IFRS.

No substantial changes have taken place with respect to Issuer's financial position from the closing of the financial period of 2007 until the issuing of the Prospectus.

No change has taken place with respect to the list of Major Shareholders since the publication of the Registration Document dated on July 2nd 2008

Copies of the following documents can be obtained from the Issuer's offices and from the Bank's website; www.mp.is. The Bank's offices are at Skipholt 50D, 105 Reykjavík, Iceland and Tumėno St. 4, Corpus B, 7th floor, LT-01109 Vilnius, Lithuania:

- (i) MP Investment Bank Financial Statement and the Audit Report for the year 2007.
- (ii) MP Investment Bank Financial Statement and the Audit Report for the year 2006.
- (iii) The Articles of Association of MP Investment Bank hf.

7. ADMITTANCE TO TRADING

MP Investment Bank hf. is going to request that The NASDAQ OMX Tallinn Stock Exchange admit the Bills to trading provided that all conditions for admission to trading are met.

To the knowledge of the Issuer, no securities of the same class are to be offered or admitted to trading on other regulated, or equivalent markets, then The NASDAQ OMX Tallinn Stock Exchange.

8. EXPENCES OF THE ADMISSION TO TRADING

Estimated expenses related to the issue and the admission to trading of the Bills amount to EUR 12,000. The cost incurred stems first and foremost from work related to the drawing up of the prospectus, cost of collection, government charges and fees. Estimated net proceeds from the issue are EUR 14,988,000.

9. ESTONIAN SECURITIES MARKET

9.1 The NASDAQ OMX Tallinn Stock Exchange

The NASDAQ OMX Tallinn Stock Exchange, owned by AS Tallinna Börs, is the only stock exchange operating in Estonia. Its ultimate major shareholder is a U.S. corporation NASDAQ Corporation, Inc., which also controls great number of operators of regulated markets in Scandinavia and the United States of America.

The NASDAQ OMX Tallinn Stock Exchange is a two-layer system: mainly governed by Estonian laws and governmental regulations, but further complementation comes from the rules and policies of the NASDAQ OMX Tallinn Stock Exchange. The two most significant laws governing the operation of the Estonian stock market are the Estonian Securities Market Act and the Estonian Central Register of Securities Act.

The main purpose of AS Tallinna Börs regulations is to facilitate smooth and legal exchange of securities. The rules can be changed by AS Tallinna Börs only after the Estonian Financial Supervision Authority has approved the relevant amendments. All rules and regulations are applicable to corporations listed on the NASDAQ OMX Tallinn Stock Exchange, members of the Stock Exchange, and companies trading on the open market.

9.2 The ECRS and registration of securities

The Estonian Central Register of Securities (ECRS) keeps in addition to registering of shares of Estonian public limited companies and some private limited companies, book entry records of all securities, pension accounts,



registered bills and all other electronic securities and transaction with the same. This register is maintained by a securities market infrastructure enterprise AS Eesti Väärtpaberikeskus that is owned by AS Tallinna Börs and belongs to the NASDAQ OMX group of companies.

Every individual, regardless of nationality, has the right to open an account with the ECRS, where all securities are registered and listed in book entry form on securities accounts of their owners. All transactions are recorded and can be performed only through account holders. Account holders are either investment companies or credit institutions operating in Estonia, or other certified individuals. In some cases, account supervisor can also be a foreign company. For securities listed in ECRS, no share certificates are issued.

The amount of information from the ECSR that is available to the public is limited and includes information on the issuer (name, seat and registry code) and the details of securities (type, nominal value and number of securities). Unless securities are listed on the stock exchange, information about shareholders is not available to the public.

In addition to regular securities accounts, qualified member of the securities market (account holder) can open a nominee account. This account type gives the account holder the right to hold securities on behalf of another person – the client – but in its own name. The client retains the right to dispose of the securities or use its rights as a shareholder of the issuer, though a power of attorney must be obtained for the latter purpose.

9.3 Listing securities on the NASDAQ OMX Tallinn Stock Exchange

Securities listed on the NASDAQ OMX Tallinn Stock Exchange are divided into three separate lists – the main list of shares, the investors' list ("I-list") of shares and bills list. In addition to trading in listed securities, the NASDAQ OMX Tallinn Stock Exchange also allows to trade in the free market via the same trade system.

There are certain conditions applicable in respect of listing bills on the NASDAQ OMX Tallinn Stock Exchange. Among other conditions it is required that issuer of bills would have been engaged in its current business activities two previous years preceding to listing of bills on the NASDAQ OMX Tallinn Stock Exchange. Further, the total sum of nominal value of bills to be listed on the NASDAQ OMX Tallinn Stock Exchange must correspond to at least 1,000,000 Euros.

9.4 Trading on the NASDAQ OMX Tallinn Stock Exchange

Trading on NASDAQ OMX Tallinn Stock Exchange is open to its members each workday from 10 am to 2 pm (Tallinn time zone). SAXESS, the Nordic-Baltic trading system, is used in Estonia (as well as in Finland, Sweden, Norway, Denmark, Iceland, Latvia and Lithuania). The official currency on the NASDAQ OMX Tallinn Stock Exchange trading system is Euro.

There are two different types of transactions that take place on the NASDAQ OMX Tallinn Stock Exchange – automatic matching and negotiated deals. Automatic matching occurs when buy and sell orders are matched automatically according to the price and time priorities. In such case, the settlement of a transaction always takes place on the third exchange day after it has been concluded (T+3), unless agreed otherwise by the parties.

Negotiated deals, on the other hand, can be made during the regular trading period or after-market trading period. While the after-market trading period prices are determined by different pricing rules, in general the price of a security falls into the range of the best bid and offer prices at the time of the transaction. The closed transaction has to be entered into the system by the brokers within five (5) minutes after the transaction has been closed. Negotiated deals have to be settled among the members of the stock exchange from one (T+1) to six (T+6) days after concluding the transaction, unless agreed otherwise by the parties.

The NASDAQ OMX Tallinn Stock Exchange is an electronically operated system that provides information about trading activity. This information consists of the latest prices of securities, prices of takeover and transfer securities, price changes, highest and lowest prices, and the number and volume of transactions. Also available on the Internet site of the NASDAQ OMX Tallinn Stock Exchange are news about stock exchanges, statistics, equity prices, and other transaction related information. Information that is confidential and can alter the price of a security is not disclosed to the public.

However, AS Tallinna Börs is required to provide all the relevant information about the transactions: (1) the time when the transaction was completed, (2) identities of the market members participating in the transaction, (3) names of the securities traded, and (4) the amounts, nominal values and prices of the traded securities. In

addition to the aforementioned data, the NASDAQ OMX Tallinn Stock Exchange Rules demand availability of all other information about the transaction that might be needed.

To guarantee higher liquidity of a security, the Listing and Supervisory Committee of the NASDAQ OMX Tallinn Stock Exchange has the right to demand that an issuer enters into a market-making contract with a member of the NASDAQ OMX Tallinn Stock Exchange.

9.5 Supervision of the NASDAQ OMX Tallinn Stock Exchange and of trading on the NASDAQ OMX Tallinn Stock Exchange

The Estonian Financial Supervision (EFSA) is the agency that supervises the NASDAQ OMX Tallinn Stock Exchange under the rules established by the Financial Supervisory Authority Act. The main purpose of the EFSA is not only to ensure reliable and secure operation of the stock market and the financial sector as a whole. In addition to the EFSA, the Listing and Supervisory Committee of the NASDAQ OMX Tallinn Stock Exchange has a specific duty to ensure that the members of the NASDAQ OMX Tallinn Stock Exchange comply with applicable rules and regulations.

The price formation of the traded securities is supervised by AS Tallinna Börs, owner of the NASDAQ OMX Tallinn Stock Exchange. Transactions that can unfairly alter the price of a security (e.g. transactions based on inside information or manipulating the market) are strictly prohibited. All suspicious transactions must be notified by the NASDAQ OMX Tallinn Stock Exchange to the EFSA immediately.

9.6 Abuse of the stock market

According to the Securities Market Act, abuse of the stock market is defined as either mishandling of inside information or manipulating the market. Provisions of the Securities Market Act relating to disclosure of confidential information also apply to securities that are not traded in the Estonian Stock market or in any of the Member States of the European Economic Area, but whose value depends on the financial instruments traded on those markets.

According to the Estonian Securities Market Act, “insider information” is defined as specific information that directly relates to the issuer or its securities. Among numerous other things, this includes information on operations and future prospects of the issuer, insofar as not yet officially disclosed. When such information is made public, there is an increased risk of fluctuations in the price of the relevant security and related derivative instruments. There are certain specific rules in the Securities Market Act that help establish if a particular piece of insider information can be released or not.

Insider information can only be possessed by “insiders”. As defined in the Securities Market Act, an insider is a member of the management of the issuer, a person who obtains access to insider information in discharge of his/her professional duties or a shareholder with over 10% stake in the issuer, as well as certain third persons such as friends and relatives who knowingly obtain insider information from the insider.

Insider information is usually regarded to be misused when used as basis for transactions (or as basis for advice to third parties) or disclosed to the public. The Estonian Securities Market Act establishes a number of administrative offences related to insider information that are punishable with fines of various gravity.

In order to reduce the risk of the abuse of insider information, each issuer whose securities are listed on the Stock Exchange is required to establish internal information rules, extending to individuals which are related to the issuer. The connection can be directly through the issuer, through its subsidiary, or through its parent undertaking.

It is also forbidden that members of the management, officials of the company, or individuals related to them use insider information for their personal benefit. It is illegal to take advantage of the short-term price changes and trade during time periods when trading is not accessible to other members of the market. Exclusions to these rules can only be made by the Listing and Supervisory Committee of the NASDAQ OMX Tallinn Stock Exchange.

Since the NASDAQ OMX Tallinn Stock Exchange has complete control over the Estonian stock market, the ECRS must provide it with information about all the trades taking place on the market. Besides guaranteeing the secure functioning of the market, this also helps detect and avoid illegal trading on the basis of insider information.

10. DOCUMENTS INCORPORATED BY REFERENCE

The following document shall be deemed to be incorporated by reference, and to form a part of this Base Prospectus:

- MP Investment Bank interim Financial Statement from the 1st of January to 30th of June 2008.

Copies of the Financial Statement can be obtained from the offices of the Issuer and from the Bank's website www.mp.is. The Bank's offices are at Skipholt 50D, 105 Reykjavík, Iceland and Tumėno St. 4, Corpus B, 7th floor, LT-01109 Vilnius, Lithuania.