



INVESTMENT BANK

REGISTRATION DOCUMENT

JULY 2008

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1. RISK FACTORS

The following text is a description of the all major risk factors that may affect MP Investment Bank's ability to fulfill its obligations to investors based on securities issued by the Bank. The risks described below are not the only ones the Bank faces. Additional risk factors not currently known or which are currently deemed immaterial may also impair the operations of the Bank. Unless otherwise stated, it is assumed that all risk factors apply in all the markets in which the Bank operates.

The Board of Directors of MP Investment Bank hf. has established a framework for risk management within the Bank. The daily responsibility for identifying, quantifying, controlling and reporting risk rests with a separate division, Risk Management and Credit Control. The objective of the division is to identify, quantify, control and report on the risks that the Bank is exposed to in its daily activities. The division also participates in drafting the overall risk policy of the Bank and has representatives on various committees of the Bank. The division's main activities include monitoring and managing credit risk, market risk, liquidity risk and operational risk. The Board of Directors sets the rules and guidelines regarding the Bank's risk policy and the obligations of Risk Management and Credit Control. The division reports regularly to the Board of Directors, the CEO and the Finance Committee on the Bank's positions and exposure to risk.

1.1. Sector-based risk

Sector-based risk means the risk inherent in the operations of MP Investment Bank as a financial undertaking in a competitive market. Such risk is divided into three main categories: product risk, economic risk and technology risk. Increased competition in financial markets may negatively affect the Bank's income and performance. Pressures for smaller interest margins and lower lending rates, together with more expensive financing, may have an effect on the Bank's performance. Changes to the external conditions in the economy may also have an effect on the Bank's performance and its ability to meet its obligations to investors.

1.1.1. Product risk

Product risk means the risk that a new product or service does not sell and older goods become obsolete. A large part of the product risk is related to new products and product development where the initial plans may be unrealistic or other factors in the product development process may fail. Response time and flexibility in the supply of products and services will, to some extent, reduce product risk as the Bank is smaller than other financial institutions operating in the same markets. The Bank's small size, however, may increase product risk because the Bank may find it difficult to respond to some of the innovations in product development that its larger competitors may be able to offer.

1.1.2. Economic risk

Economic growth levels and inflation have an impact on the operations of MP Investment Bank as a financial undertaking as they do in other industries. A worsening economic situation can have an impact on the performance of the Bank in several ways, such as less demand for the Bank's services and products, as well as having an impact on the Bank's operations and its financial position by causing defaults and bankruptcies among its clients.

1.1.3. Technology risk

Technology risk means the risk that the tools and equipment used to provide clients with products and other services become obsolete or malfunction. Technology risk is also the risk that competitors develop or buy technology that provides them with a competitive advantage enabling them to provide comparable services in a better way or more

cheaply. The Bank endeavors to ensure that the business tools and the opportunities it provides meet the most stringent technical requirements at any time.

1.2. Legal risk and political risk

The task of the Bank's Board of Directors is to ensure that its operations comply with current laws on financial undertakings. Changes may be made to the legal and/or the operating environment of financial undertakings which may have an effect on the operations of such undertakings. It cannot be foreseen whether legislation on financial undertakings will be further amended in the future, but such eventuality cannot be excluded nor can amendments of other laws under which the Bank operates be excluded. Such amendments may have an impact on the operation of the Bank.

Moreover, legal risks include the risk that contracts are not always sufficiently detailed or correctly drawn up. Contracts into which the Bank enters into may contain a risk of financial loss. The risk involves the emergence of a dispute with respect to the interpretation of the substance of a contract, and such a dispute resulting in financial loss for the Bank.

It is vital that the Bank's Directors are quick to notice any unexpected changes in the political environment which may have an effect on the Bank's performance and therefore the Bank's ability to meet its obligations to investors.

1.3. Reputation risk

Reputation risk involves some activity, which the Bank or its employees perform, resulting in damages to the image which the Bank has with respect to its clients. Reputation risk covers all aspects of the Bank's operations. From its incorporation, the Bank has, through its operations established a favorable reputation and goodwill that attracts new clients and, at the same time, manages to keep old clients. If the reputation of the Bank is damaged in any way, there is a risk that the number of clients will drop, or that their number will be less likely to increase.

1.4. Operational risk

Operational risk forms because of possible losses due to human error or systemic mistakes. It is the risk that emerges if the infrastructure or the Bank's internal systems do not work as intended and covers, among other things, the dependability of procedures, the competence of the employees and the quality of IT systems.

1.5. Information risk

The Bank's operations are based upon highly effective IT systems. The risks posed to their operation may involve insufficient or false information within systems, the incorrect use of systems, access authorization and security issues, unclear rules regarding systems maintenance and tests, custom-designed systems and weak service. The IT managers within the Bank oversee the Bank's IT systems in co-operation with service partners. An effort is made to reduce the Bank's information risk in an organized manner, i.e. by taking independent back-ups of data and using back-up systems. The Bank's operations are highly dependent on its IT systems, and a breakdown may very well result in substantial losses for the Bank.

1.6. Employee risk

It is important that the working environment of employees contributes to their wellbeing and that the employees' work contribution is appreciated. The Bank's activities and its operating performance are, to a large extent, based on the knowledge of its employees. This means that there are significant risks involved if key employees resign in order to work for other firms. Attempts are made to reduce employee risk by maintaining a personnel and a wage policy that is tailor-made to retain the most qualified employees at all times.

1.7. Management and execution risk

Management and execution risk may include ill-defined scope of employees' authority and non-transparent communications. Management risk may also include improper reaction to problems that may arise or poor execution of product development. This risk also includes human errors made by employees in the execution of business transactions.

1.8. Credit risk

Credit risk includes the assessment of possible losses due to incompetence or the reluctance of MP Investment Bank counterparties to meet their financial commitments in the future.

The originating department prepares a proposal for each loan or credit line which is presented to the Credit Committee for approval. The proposal consists of a basic description of the client, the purpose of the loan, a simple credit assessment and arguments for or against granting the loan. The Committee decides whether there is need for further credit assessment and on what terms the loan may be granted. A more thorough credit assessment may be conducted if considered appropriate and can include an assessment of a borrower's fundamental credit strength as well as the value of any collateral. To assess the borrower's capacity to meet his or her obligations the committee can request stress test analysis of the borrower's cash flow or call for third party assessments.

The Bank's lending, for the most part, is in connection with the Bank's securities trading. The Risk Management and Credit Control division is responsible for credit rating and reviewing the loan portfolio. In case of any significant delay of payments or defaults the division carefully analyzes the underlying assets and loan documents and organizes the process of collection.

The Bank monitors the value of collateral by listed securities on a real time basis, ensuring that prompt action can be taken if necessary.

Provisioning for loan impairments is estimated on the basis of models assessing a portfolio as a whole based on the seniority of the loans, the high degree of collateralization and the fact that the Bank has no history of defaulted loans. Risk Management and Credit Control suggest a provisioning percentage for the portfolio, based on the expected loss assessment. Risk Management and Credit Control reassess impairments in the event of collateral decay, delayed payments or other early warning signs. Provisions require approval by the CEO and the Credit Committee.

1.9. Market risk

Market risk is one of the main risk factors in the operations of MP Investment Bank. Market risk means risks that form due to uncertainty about the flow of future income or future expenses as a result of price and/or interest changes in the market. This could be changes to interest rate levels, changes in share prices and/or changes to exchange rates.

1.9.1. Price risk

Price risks relate to the rate of securities admitted to trade on a stock exchange. The market prices of securities fluctuate, but the main influencing factors for securities prices are supply and demand. These factors then change in accordance with economic circumstances and, moreover, follow changes in the interest rate level as current from time to time. Changes in securities prices may have a significant influence on the performance of the Bank as an investment bank, both short term and long term, and will thus have an influence on the ability of the Bank to meet its commitments towards

investors. The Bank manages the price risk of its portfolio by carefully selecting securities and by constant monitoring.

1.9.2. Interest rate risk

Interest rate risk means the risk accompanying changes in income and the market value of assets if the market interest rate of the underlying assets or currencies changes during a particular period. The longer the lifetime of assets, the more sensitive the valuation of assets is to changes in market interest rates. A large share of the Bank's assets are in the form of loans granted in connection with securities transactions for the Bank's clients. The term of such credit is generally very short, or less than six months, and the Bank's interest rate risk with respect to such loans, therefore, is limited. The Bank also holds bonds issued by public entities. Their average lifetime is much longer and, as a result, the securities are more sensitive to changes in yield.

Furthermore, the Bank seeks to maintain the best possible balance between fixed and variable interest terms in their investment and liability portfolios.

A discrepancy between the Bank's indexed assets and liabilities increases the risk posed by price-level changes.

1.9.3. Currency risk and derivatives risk

Price indexing risk is managed systematically through constant monitoring, and it is ensured that the ratio between indexed and non indexed assets is kept within acceptable limits.

Currency risk is the result of possible fluctuations in currency exchange rates. As the Bank trades in foreign currencies as well as in assets and liabilities in foreign currencies, the Bank is dependent on the exchange rate of the Icelandic króna (ISK) against foreign currencies. This means that any change in the exchange rate of the Icelandic króna has a direct impact on the performance of the Bank at any particular time. The Central Bank of Iceland issues regulations on the foreign exchange balance of lending institutions. It is one of the tasks of the Bank's Treasury Division to maintain the Bank's currency balance within such limits at all times.

The Bank uses, among other tools, currency and interest rate swaps in order to minimize the currency risk and interest rate risk.

1.10. Liquidity risk

Liquidity risk is created if the Bank does not have sufficient cash to meet its liabilities when they become due. A decrease in the supply of funds on the loan market may have a substantially negative effect on the Bank's liquidity position. The Bank's financing largely takes place on the domestic market through the issue of bonds or bills and through domestic and foreign credit lines. If the supply of loan capital decreases, or if the creditors' rating of the Bank's ability to pay, or that of the Icelandic Government, changes in a negative way, there is a risk that the Bank's financing costs will increase significantly or its capacity to obtain new credit or extend older loans will be diminished. Such circumstances would have a negative impact on the Bank's performance as well as a negative impact on its competitive position.

The Bank's Operations and Accounting division is responsible for the preparation of monthly liquidity reports to the Central Bank of Iceland.

1.10.1. Counterparty risk

Counterparty risk arises when the counterparty does not abide by his part of the contract and may emerge if clients, custodians and other possible intermediaries in transactions do not meet their obligations. This may happen e.g. due to bankruptcy or other operating

difficulties with the result that the Bank does not receive payment for its claims on time or not at all. The Bank bears the risk that those parties who are in debt to the Bank may not fulfill their obligations.

2. RESPONSIBLE PARTIES

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

2.1. Issuer's statement

The Chairman of the Board, on behalf of the Board of Directors of MP Investment Bank hf., hereby declares on behalf of MP Investment Bank, in its capacity as Issuer and listing co-ordinator, that the Board has taken all reasonable care to ensure that such is the case, the information contained in the Registration Document 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, July 2, 2008

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



Margeir Pétursson,
Chairman of the Board of Directors

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

Reykjavík, July 2, 2008

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



Styrmir Þór Bragason,
CEO

3. STATUTORY AUDITORS

The statutory auditors of MP Investment Bank hf. during the period to which the historical financial information in the Registration Document refers are KPMG Endurskodun hf., State Reg. No. 590975-0449, Borgartún 27, 105 Reykjavík.

Jón S. Helgason, State Authorized Public Accountant, ID No. 050269-3619, has been auditing on behalf of KPMG from 2007. Before that, Sæmundur Valdimarsson, State Authorized Public Accountant, ID No. 070263-4409, was auditing on behalf of KPMG.

Jón S. Helgason is a member of the Institute of State Authorized Public Accountants in Iceland (FLE).

The statutory auditors of MP Investment Bank have neither resigned from their position nor been removed from their duties during the period covered by the historical financial information.

The financial statements for the financial years 2006 and 2007 have been audited.

4. ANNOUNCEMENT TO INVESTORS

The Registration Document is conducted in accordance with Icelandic law and regulations, including Act No. 108/2007 on Securities Transactions. Directive 2003/71/EC of the European Parliament and of the Council 4 November 2003 (the "Prospectus Directive") has been implemented into Icelandic law.

The OMX Nordic Exchange Iceland hf. has scrutinized and approved this Registration Document. This Registration Document is incorporated by reference into a Base Prospectus, dated July 2, 2008.

For the purposes of this Registration Document, "the Issuer", "the Bank", "the Company", "MP Fjárfestingarbanki hf." or "MP Investment Bank" mean MP Investment Bank hf. unless otherwise may be inferred from the wording or the context. In the same manner, "the OMX Nordic Exchange Iceland", "the Exchange" and "OMX ICE" refer to OMX Nordic Exchange Iceland hf.

MP Investment Bank has had Bills and Bonds admitted to trading in the OMX ICE with the ticker symbol that starts with MPB 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 that the Registration Document is made public.

The Registration Document or other documents that constitute a prospectus, 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 more requirements for admission to trading or other regulations than those applicable pursuant to Icelandic laws and regulations being applicable or where such distribution violates laws and regulations.

Each investor must base a decision on investing in securities issued by MP Investment Bank hf. on his own investigation and analysis of the information that appears in a prospectus.

5. INFORMATION INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated by reference, and to form a part of this Registration Document:

- MP Investment Bank Financial Statement and the Audit Report for the year 2006.
- MP Investment Bank Financial Statement and the Audit Report for the year 2007.

Copies of the above MP Investment Bank Financial Statements 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,

6. DOCUMENTS ON DISPLAY

The Issuer hereby declares that investors may examine the following documents or their copies for the lifetime of this Registration Document:

- MP Investment Bank Financial Statement and the Audit Report for the year 2006.
- MP Investment Bank Financial Statement and the Audit Report for the year 2007.
- The Articles of Association of MP Investment Bank.

Copies of the 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,

7. INFORMATION ON THE ISSUER

The legal and commercial name of the Issuer is MP Fjárfestingarbanki hf. The Bank operates as MP Investment Bank hf. in its foreign relations. The Bank's sign at OMX ICE is MPB.

The domicile and the Bank's registered office is at Skipholt 50d, 105 Reykjavík, Iceland, and the Bank's State Reg. No. is 540599-2469. The Bank's telephone number is +354 540 3200.

The Bank was established on 11 May 1999 in Reykjavík, Iceland, and its original name was MP Verðbréf hf. The Bank was granted a license to operate as a lending institution and investment bank on 24 October 2003, and its name was then changed to MP Fjárfestingarbanki hf.

The bank is a public limited company pursuant to Act No. 2/1995, On Public Limited Companies and operates as a credit institution in accordance with sub-section 3 of Article 4 of Act No. 161/2002 on Financial Undertakings as amended, in accordance with such rules and regulations as have been established on the basis of the same Act.

The Icelandic Financial Supervisory Authority monitors the operations of financial undertakings subject to Act No. 161/2002. Act No. 87/1998 on Official Supervision of Financial Operations, as amended covers, among other things, the Financial Supervisory Authority and its activities.

Attention is drawn to the Rules on the Financial Statements of Credit Institutions No. 834/2003, and Rules No. 530/2003 on the Solvency Ratio of Financial Institutions and amendments to those rules, No. 1013/2005, issued by the Financial Supervisory Authority. Act No. 36/2001 covers the Central Bank of Iceland and its role, and Act No. 38/2001 covers interest and indexing.

This is not an exhaustive listing of the laws, rules and regulations that may apply to the Bank and its operations.

The Bank is incorporated and registered in Iceland and has been authorized to provide financial services as an investment bank in Iceland, Denmark, Finland, Norway, Sweden and the UK as well as the three Baltic countries, Estonia, Latvia and Lithuania. In addition, the Bank has opened a branch in Vilnius, Lithuania.

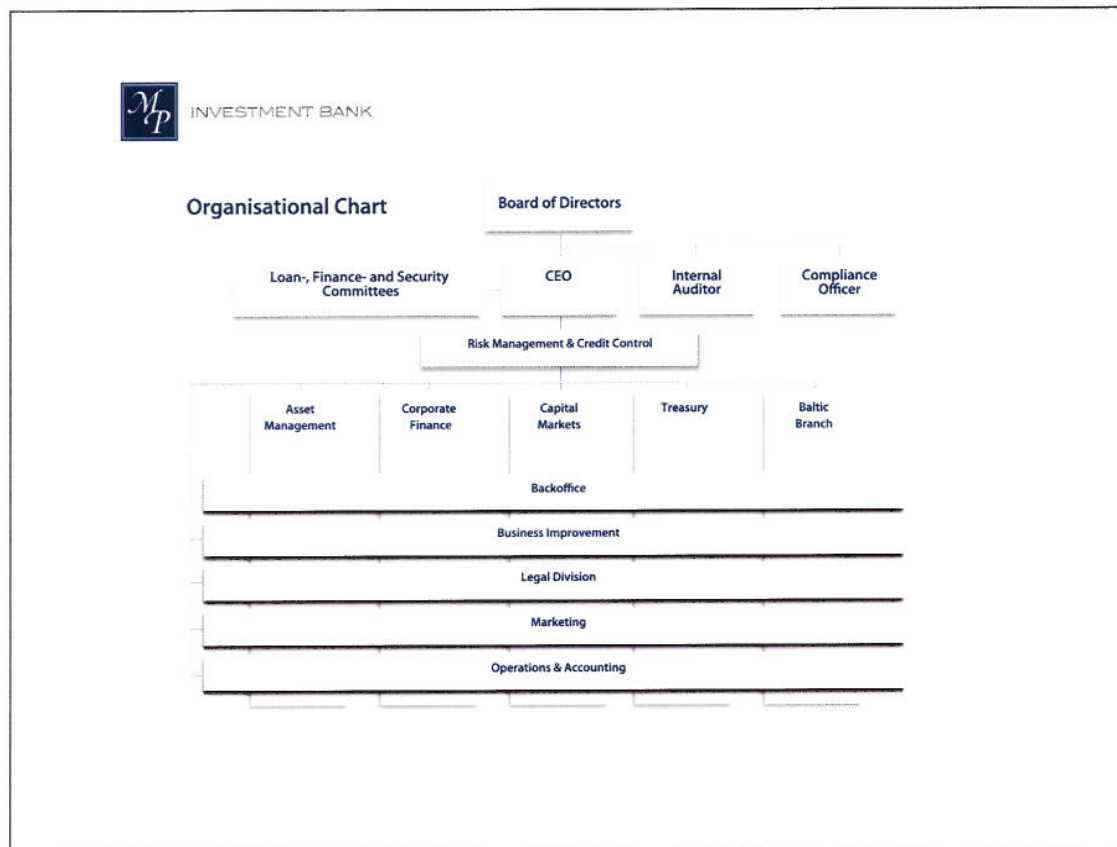
The total holdings of own shares held by the Bank at the date of signing the Registration Document amounts to ISK 25.991.370 at nominal value.

8. SUMMARY OF ACTIVITIES

8.1. Main operations

MP Investment Bank hf. is a rapidly growing and progressive financial institution with emphasis on smaller markets and emerging markets in Europe. The Bank is engaged in asset management for individuals and professional investors, handles securities brokerage in domestic and foreign markets and is involved in various projects related to the provision of services and consultancy to companies, municipalities and other investors. The Bank employs a group of well-educated and experienced specialists.

Below is the organizational chart for MP Investment Bank hf., including a description of the Bank's principal activities, products and the product categories of the Bank's main income divisions:



MP Investment Bank Asset Management offers a wide range of financial services. The Bank offers various types of investment plans that suit diverse investors. The Bank invests in both bonds and shares. The Bank's clients are able to choose between various investment plans that contain different expectations for returns on investment and risk levels. Decisions on investments are taken with the clients' interests and goals in mind. Three investment plans are offered in which the structuring of bonds and shares differs between plans. Thus, the Bank's clients are able to choose investment plans based on risk levels, where different aspects, such as asset position and attitude to risk can be taken into account.

With Capital Markets, clients can engage in transactions involving shares and bonds on all major international markets as well as many Eastern European and Asian ones. The

Capital Markets experts make an effort to provide clients with professional advice and advice provided is based on directing attention towards solid companies that are moderately valued. The staff of Capital Markets provides its clients with market information and is able to assist in investment-related decision making. Emphasis is placed on providing reliable and excellent services in the conclusion and progress of business transactions. This service is intended both for large and small clients, and there is no minimum amount. Special emphasis is placed on offering competitive purchase and sales commissions for trading on international exchanges.

MP Investment Bank Corporate Finance offers service and advice on the purchase, sale and merger of companies as well as the financing of companies and institutions. A growing element in the Divisions activities is its operations in Eastern Europe, in particular in the Baltic countries as well as in the Ukraine. Corporate Finance employs a number of specialists with expansive knowledge of the Icelandic economy and East European markets.

The MP Investment Bank Treasury Division provides treasury services and also manages the Bank's proprietary trading.

In January 2007 the Bank opened a branch in Vilnius, the capital of Lithuania. The branch provides its clients with greater opportunities in a rapidly growing market area, as substantial growth has characterized the Baltic countries recently. The purpose of opening the branch is to provide the same kind of financial services in the Baltic countries as MP Investment Bank hf. offers its clients in Iceland, namely shares and bonds transactions, corporate consultancy, lending operations and asset management.

The Bank also has support divisions in the form of Back Office, Business Improvement, Legal and Compliance, Marketing, Risk Management and Credit Control and Operations and Accounting, providing support to the income divisions.

The Bank obtained membership to the stock exchanges in all the Baltic countries in July of 2006 and became the first Icelandic financial institution to become a member of these exchanges.

8.2. New activities, products and services

MP Investment Bank hf. opened a branch in Vilnius, Lithuania, in 2007. The Branch provides brokerage services and investment funds for sale to institutional investors and high net worth individuals, complemented with leverage instruments for maximizing investor value.

The bank established MP Pension Fund Baltic in 2007 in Lithuania, a subsidiary of the Bank, which offers 2nd and 3rd stage pension savings plans to Lithuanians.

8.3. Principal markets

8.3.1. General

MP Investment Bank hf. is a rapidly growing and innovative financial undertaking placing emphasis on small markets and emerging markets in Europe. The Bank has authorization to provide financial services as an investment bank in Iceland, the UK, the three Baltic countries and all the Nordic countries.

The Bank's headquarters are in Reykjavik, where the Bank provides asset management for individuals and professional investors engages in securities brokerage in domestic and foreign markets and engages in other conventional activities as an investment bank. Moreover, the Bank operates a branch in Lithuania, where the goal is to offer Lithuanian client financial services comparable to what the Bank offers its clients in Iceland.

8.3.2. Iceland

The Bank is active on the securities market in Iceland, and its market share was 0.87% in equities trading and 10.23% in bond transactions on OMX ICE in the first five months of 2008, cf. the accompanying tables:

The Bank's share in shares traded on the OMX ICE in January 2008 – May 2008:

Name	Share
Kaupping banki hf.	30.31%
Glitnir banki hf	23.56%
Landsbanki Íslands hf.	20.21%
Straumur-Burðarás Fjárfestingabanki hf.	7.17%
Saga Capital fjárfestingarbanki hf.	5.33%
H.F. Verðbréf hf.	2.76%
BYR-sparisjóður	2.36%
Virðing hf.	2.19%
VBS Fjárfestingarbanki hf.	1.96%
Íslensk verðbréf hf.	0.99%
MP Fjárfestingarbanki hf.	0.87%
Others	2.27%
Total	100.00%

The table shows the turnover share of exchange members in trading operations on the OMX Nordic Exchange Iceland. The figures show the total share of the 11 members with the highest turnover in stock trading operations on the Exchange in January 2008 – May 2008. The table was prepared by the OMX Nordic Exchange and may be obtained from the OMX Nordic Exchange web page <http://www.omxnordicexchange.com/frettirotgolfraedi/tolfraedioggreining/Equities/marketsharesaxess/>.

The Bank's share in bonds traded on the OMX ICE in January 2008 – May 2008:

Name	Share
Kaupping banki hf.	28,3%
Landsbanki Íslands hf.	18,9%
Glitnir banki hf	17,0%
MP Fjárfestingarbanki hf.	10,2%
Saga Capital fjárfestingarbanki hf.	9,8%
Straumur-Burðarás Fjárfestingabanki hf.	9,1%
Icebank	3,8%
BYR-sparisjóður	1,3%
Íslensk verðbréf hf.	0,5%
Virðing hf.	0,4%
Others	0.26%
Total	100.00%

The table shows the turnover share of exchange members in trading operations on the OMX Nordic Exchange Iceland. The figures show the total share of the 10 members with the highest turnover in bond trading operations on the Exchange in January 2008 – May 2008. The table was prepared by the OMX Nordic Exchange and may be obtained from the OMX Nordic Exchange web page http://www.omxnordicexchange.com/frettirotgolfraedi/tolfraedioggreining/Fixed_Income/market_shares_fixed_income/.

8.3.3. Estonia, Latvia, Lithuania

The Bank was granted direct membership to the exchanges of the three Baltic States in July of 2006. The operation has had a very successful start, and the Bank has the ninth highest turnover of the market members in the combined Baltic countries' stock exchanges in the first five months of 2008.

The following table shows the total market share of all markets in the Baltic States in January 2008 – May 2008:

Member	Share
SEB Group, consolidated	32.81%
Hansabank group, consolidated	29.80%
Finasta	9.49%
Evli Group, consolidated	6.36%
Bankas Snoras	3.53%
Orion Securities	3.24%
Lõhmus, Haavel & Viisemann	2.43%
DnB NORD group, consolidated	1.90%
MP Investment Bank hf.	1.83%
Parex bank group, consolidated	1.65%
Others	6.96%
Total	100.00%

The table shows the turnover share of exchange members in trading operations on the OMX securities market in the three Baltic States. The figures show the total share of the market members in the turnover in securities trading operations on the exchanges in January 2008 – May 2008. The table was prepared and published by the OMX AB and may be obtained, as may further information, from the OMX web page <http://www.baltic.omxgroup.com/market/?pg=trading>.

MP Investment Bank hf. has the issuer sign MPB.

8.4. Confirmation of information

The information in the tables in 8.3.2. and 8.3.3. has been sourced from a third party. The Issuer confirms that this information has been accurately reproduced and that as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

9. ORGANISATION

9.1. The Issuer's position within the Group

The Bank is a parent company and compiles consolidated Financial Statements with its subsidiaries. The Bank holds eleven subsidiaries which are all included in the Financial Statements of the Bank with the main subsidiary being Rekstrarfélag MP Fjárfestingarbanka hf., which holds a license from the Financial Supervisory Authority in Iceland as a management company for Collective Investment in Transferable Securities and Investment Funds. The operation of the Bank's subsidiaries has an insignificant impact on the Bank's performance.

10. INFORMATION ON DEVELOPMENT

10.1. Changes to future prospects

There has been no material adverse change in the prospects of the Issuer since the date of its last published financial statements for the year ending December 31, 2007. MP Investment Bank published its financial statement for 2007 on March 6, 2008.

10.2. Known trends and impact on future prospects

The Bank opened a branch in Lithuania in early 2007. The branch did not have a material effect on the Issuer's prospects for 2007. The effect that the branch will have on the operation of the Bank in 2008 is unknown, although projections anticipate that it will not have a material effect on the Issuer's prospects for at least the current financial year.

Court cases and disputes concerning agreements that have been entered into or other factors related to financial services are a natural part of the operations of a financial company. On the other hand, there are no ongoing legal proceedings or disputes that have any material effect on the Issuer's prospects for at least the current financial year

All these factors that relate to the operations of the Bank are subject to a certain degree of uncertainty and to the risk factors connected to the operation of the Bank as mentioned earlier. Thus, various changes, such as the rate of exchange of currencies and the price of securities, external circumstances and performance on the Bank's foreign markets, may influence the Bank's performance.

11. THE BOARD OF DIRECTORS, THE MANAGEMENT AND MONITORING MANAGEMENT

The Board of Directors of MP Investment Bank, according to its Articles of Association, consists of five members and three alternates elected by the shareholders. The Board of Directors of MP Investment Bank follows the Bank's Articles of Association in its activities.

The Board of Directors of MP Investment Bank hf.:

Name	Position	Address of workplace
Ágúst Sindri Karlsson	Member of BoD	Skipholt 50d, 105 Reykjavík.
Hallgrímur Jónsson	Member of BoD	Brautarlandi 8, 108 Reykjavík.
Margeir Pétursson	Chairman of BoD	Skipholt 50d, 105 Reykjavík.
Sigfús Ingimundarson	Vice-Chairman of BoD	Laugavegur 182, 3rd floor, 105 Reykjavík
Sigurður Gísli Pálmason	Member of BoD	Laugavegur 182, 3rd floor, 105 Reykjavík
Jón Pálmason	Alternate	Laugavegur 182, 3rd floor, 105 Reykjavík
Sigurður R. Helgason	Alternate	Sævarhöfði 33, 110 Reykjavík
Örn Andrésson	Alternate	Fannafold 51, 112 Reykjavík
Styrmir Þór Bragason	CEO	Skipholt 50d, 105 Reykjavík.

Margeir Pétursson is the founder and acting Chairman of the Board of Directors of the Bank. He is furthermore the Managing Director of Austurbraut hf. and Vostok Holdings ehf., where he is likewise a member of the Board of Directors. He is also the Chairman of the Board of Directors of Hraunbjarg ehf..

Sigfús Ingimundarson is Chairman of the Board of Directors of Austurbraut hf. and of Vostok Holdings ehf. He is also on the Board of Directors of Hraunbjarg hf. Sigfús is furthermore the Managing Director and Member of the Board of Directors of Dexter Investments ehf., a company owned by Jón Pálmason, and the Managing Director of Fari ehf., which is owned by Sigurdur Gísli Pálmason. Sigfús is furthermore the Managing Director of the real estate company Ósland ehf., which is owned by Fari and Dexter Investments. He is the Chairman of the Board of Directors and the Managing Director of Dagrenning ehf., a company which is owned by Fari ehf. and Dexter Investments ehf. He is also the Managing Director of Viljandi ehf., which is owned by Fari and Dexter Investments.

Ágúst Sindri Karlsson is a self-employed attorney at law of the law office Lögmenn.is ehf. He is furthermore on the Board of Directors of Vostok Holdings ehf. and of Hraunbjarg ehf., where he is likewise the Managing Director. He is also on the board of Agi verðbréf hf.

Sigurdur Gísli Pálmason is the founder of Fari ehf. He is the Chairman of the Board of Directors of the real estate company Fasteignafélagid Ósland ehf. and Member of the Board of Directors of Dexter Fjárfestingar ehf.

Jón Pálmason is a founder and the chairman of the Board of Directors of Dexter Fjárfestingar ehf.

Sigurdur R. Helgason is the Managing Director of Björgun ehf.

Örn Andrússon and Hallgrímur Jónsson are investors, and their principal work is not related to the Issuer.

Styrmir Þór Bragason is the CEO of the Bank. Styrmir is a member of the Board of Directors of Vostok Holdings hf. as well as the Chairman of the Board of Rekstrarfélag MP Fjárfestingarbanka hf.

There are no potential conflicts of interest between any duties to the Issuer and the persons referred to above and their private interests or other duties.

12. MAJOR SHAREHOLDERS

12.1. Information on the owners

Shareholders owning more than 5% of shares on July 2, 2008:	Interest
Margeir Pétursson and companies controlled by him	28,4%
Byr sparisjóður	13,0%
Jón Pálmason and companies controlled by him	11,9%
Sigurdur Gísli Pálmason and companies controlled by him	11,9%
Hraunbjarg ehf.	10,55%
VBS Fjárfestingarbanki hf.	5,3%

Margeir Pétursson is the founder of the Bank and the Chairman of the Board of Directors. Margeir and companies controlled by him are also the largest shareholders of the Bank. Associated parties are as follows: Margeir Pétursson ehf., Útsær ehf., and Vatnaskil ehf. Margeir Pétursson also holds shares in Hraunbjarg ehf.

Sigurdur Gísli Pálmason is a Member of the Board of Directors. The companies controlled by Sigurdur are Dexter Fjárfestingar ehf., Fasteignafélagid Ósland ehf., Dagrenning ehf. and Viljandi ehf. Sigurdur Gísli also holds shares in Hraunbjarg ehf.

Jón Pálmason is an alternate Member of the Board of Directors. The companies controlled by Jón are Fari ehf., Fasteignafélagid Ósland ehf., Dagrenning ehf. and Viljandi ehf. Jón Pálmason also holds shares in Hraunbjarg ehf.

The approval of the Board of Directors for the assignment of shares in the company is not needed, and the present shareholders do not hold pre-emptive rights to new shares.

According to the Act on Financial Undertakings No. 161/2002, the advance approval of the Finance Supervisory Authority is needed for one party or associated parties to hold or become the owners of a qualifying share in the Bank. Furthermore, the approval of the Financial Supervisory Authority must be sought when an individual or legal entity increases his holdings to such an extent that his direct or indirect share in its share capital, guarantee capital or voting rights exceeds 20%, 25%, 33% or 50%, or comprises such a large portion that the Bank can be regarded as its subsidiary company. A "qualifying holding" shall mean a direct or indirect holding in an undertaking which represents 10% or more of its equity capital or voting rights, or other holding which enables the exercise of significant influence on the management of the company concerned, cf. Article 40 of the Act. Furthermore, Article 40 of Act No. 161/2002 defines the nature of an indirect share according to the aforementioned. If a party fails to seek the authorization of the Financial Supervisory Authority when purchasing or increasing a qualifying share despite being required to do so pursuant to Article 40, the voting rights attached to the shares exceeding the authorized limits shall be void.

The Financial Supervisory Authority must be notified of any change in ownership of shares that cause shareholdings to exceed the above limits or to fall below the limits, cf. Articles 47 and 48 of Act No. 161/2002.

12.2. Agreements between the present shareholders

The Issuer is not aware of any arrangements the operation of which may at a subsequent date result in a change in control of the Issuer.

13. FINANCIAL INFORMATION¹

13.1. Historical financial information

The following table contains key figures that summarize the financial condition of Bank in consolidated terms.

All amounts are in ISK million.

	For the year 2007	For the year 2006
Income Statement		
Interest income	4,968	2,384
Interest expense	(4,189)	(2,355)
Net interest income	<u>779</u>	<u>29</u>
Fee and commission income	1,601	1,051
Fee and commission expense	73	(38)
Net fee and commission income	<u>1,528</u>	<u>1,013</u>
Net income from financial instruments at fair value	159	1,059
Share of profit of associates	686	37
Other operating income	8	157
	<u>853</u>	<u>1,096</u>
Operating income	<u>3,160</u>	<u>2,139</u>
Salaries and related expenses	(503)	(337)
Other operating expenses	(383)	(166)
Depreciation	(17)	(3)
Impairment on loans	(8)	(101)
Profit before income tax	<u>2,250</u>	<u>1,531</u>
Income tax expense	(470)	(291)
Profit for the year	<u><u>1,780</u></u>	<u><u>1,240</u></u>

¹ In this Registration document, financial information is presented in Icelandic króna ("ISK"), the official currency of the Republic of Iceland. The exchange rate between Euro, the official currency of the EU Member States participating in the European Economic and Monetary Union and the Icelandic króna was 91,2 Icelandic króna for 1 euro at 31.12.2007 and 94,61 Icelandic króna for 1 euro at 31.12.2006.

All amounts are in ISK million.

Balance Sheet	31.12.2007	31.12.2006
Assets:		
Cash and cash equivalent	7,242	2,157
Derivatives	1,380	537
Financial assets at fair value through profit and loss	20,659	13,410
Securities used for hedging	10,419	15,892
Available-for-sale financial assets	0	690
Loans	9,600	7,936
Receivables and prepayments	1,627	1,580
Investment in associates	1,206	286
Operating assets	416	168
Deferred tax assets	0	17
Total assets	52,549	42,674
Liabilities:		
Deposits from credit institutions and the Central Bank	13,451	7,733
Derivatives	274	973
Financial liabilities at fair value	5,710	2,601
Borrowings	7,477	11,676
Debt securities issued	16,361	11,192
Subordinated liabilities	44	58
Deferred tax liabilities	194	0
Other liabilities	2,852	3,672
	46,362	37,905
Equity:		
Share capital	1,064	1,064
Share premium	942	1,165
Option reserve	(37)	(158)
Translation reserve	(2)	(158)
Fair value reserve	0	94
Retained earnings	4,220	2,603
Total equity	6,187	4,768
Total liabilities and equity	52,549	42,674

All amounts are in ISK million.

	For the year 2007	For the year 2006
Cash flow from operating activities		
Profit before income tax	1,780	1,240
Adjustment for:		
Indexation and exchange rate difference	240	711
Share of profit of associates	(686)	8
Depreciation	17	3
Provision for losses	8	101
Deferred income tax, change	(177)	(38)
	<u>1,183</u>	<u>2,026</u>
Change in operating assets and liabilities	(48)	(60)
Net cash from operating activities	<u>1,135</u>	<u>1,966</u>
Cash flow from investing activities		
Deposits with credit institutions, change	(1,813)	(3,938)
Other financial assets, change	(1,929)	(10,536)
Investment in shares in associated company	(233)	(147)
Investment in operating assets	(265)	(50)
Sundry assets, change	(340)	(573)
Net cash used in investing activities	<u>(4,580)</u>	<u>(15,244)</u>
Cash flow from financing activities		
Amounts owed to credit institutions, change	5,801	6,555
Borrowings and debt issued, change	871	5,307
Other financial liabilities, change	2,288	2,546
Subordinated loans, change	(15)	(14)
Dividend paid	(193)	(152)
Share capital purchased and sold	(223)	(565)
Net cash from financing activities	<u>8,529</u>	<u>14,806</u>
Net increase in cash and cash equivalents		
Effect of exchange rate fluctuations on cash held	5,084	1,528
Cash and cash equivalents at beginning of the year	<u>0,5</u>	<u>0,8</u>
Cash and cash equivalents at 31 December	2,158	629
Other information		
Income tax paid	132	36

The Bank's income has grown significantly from January 1, 2006 to December 31, 2007 or over 47%, due to increased activities of Bank. The Bank's most important income divisions remain securities brokerage and proprietary trading, although income from other divisions has also grown. The Bank intends to increase the income of all divisions; in particular interest income from the Bank's lending activities.

Between December 31, 2006 and December 31, 2007 the Bank's balance sheet increased by over 23%, and equity increased by 29.8% due to increased activities and profitability

during the same period, the Bank's CAD-equity ratio rose significantly from 19.2% to 28.1% due to the same reasons.

13.2. *Financial statements*

None of the subsidiaries are a significant part of the operations of the Bank during 2006 and 2007 financial statements.

13.3. *Proceedings before a court of law and arbitration*

As far as the Issuer is aware, there are no actual or pending proceedings before any administrative instance, or a court of law or a court of arbitration during the past 12 months that have had or may have a significant impact on Issuer's financial position or his profitability.

13.4. *Important changes in the Issuer's financial position*

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 this Registration Document.

The audited Financial Statement for last year was made public on March 6, 2008.

14. IMPORTANT AGREEMENTS

The Bank has not entered into any material contracts that are not in the ordinary course of the Issuer's business, which could result in any group member being under an obligation or entitlement that is material to the Issuer's ability to meet its obligation to holders in respect of securities being issued pursuant to this Registration Document.

ANNEX 1: ISSUER'S ARTICLES OF ASSOCIATION

Articles of Association for MP Investment Bank hf.

1 COMPANY NAME, DOMICILE AND OBJECT

- 1.01 The name of the Company is MP Fjárfestingarbanki hf. The English name of the Company is MP Investment Bank hf.
- 1.02 The Company is a limited liability company.
- 1.03 The domicile of the Company is at Skipholt 50d, 105 Reykjavík [Iceland].
- 1.04 The object of the Company is the operation of a credit undertaking pursuant to Item 3 of Paragraph 1 of Article 4 of Act No. 161/2002 on Financial Undertakings, more specifically, the operation of an investment bank.

2 SHARE CAPITAL OF THE COMPANY

- 2.01.1 The total share capital of the Company is ISK 1,100,000,000 – (one thousand and one hundred million Icelandic krónur). There are no restrictions on shareholders' rights to dispose of their shares in the Company.
- 2.01.2 ...
- 2.01.3 The Board of the Directors of the Company is authorized to increase its share capital by up to ISK 50,000,000 through a subscription for new shares. The Board shall determine the nominal value of the new issue, price of the new shares and the terms of payment, as well as whether it is permissible to pay for them otherwise than with cash. Shareholders shall not have the pre-emptive right to subscribe for the new shares; instead, the Board shall decide who may subscribe. The Board may set further rules concerning the subscription. The new shares may be sold or hypothecated in the same manner as previous shares in the Company. The new shares shall grant rights in the Company from the date of record of the share capital increase. The authority of the Board of Directors to increase share capital in accordance with this paragraph shall expire on 1 May 2008 to the extent that it has not been exercised by that time¹.
- 2.01.4 The Annual General meeting² of the Company resolves, with reference to Article 55 of the Companies Act No. 2/1995, to authorize the Board of Directors to purchase own shares in the Company, cf. Article 55 of the Companies Act. The maximum number of acquired shares shall be up to 10% of the Company's share capital. The purchase price shall be, at a minimum, the nominal value of the shares and, at a maximum, 10% above the market value at any time. The authorization is effective until the next Annual General Meeting of the Company.
- 2.02 Each share in the Company corresponds to one Icelandic króna (ISK 1) in nominal value or a multiple thereof. A single share certificate may be issued in respect of the entire holdings of each shareholder or the holding may be divided into a greater number of certificates.

¹ Approved 30 March 2007.

² Held 30 March 2007.

- 2.03 Shareholders shall have pre-emptive rights to all increases in share capital in equal proportion to their registered holdings in the Company. In other respects the issue of such shares shall be governed by the rules established by the Board as decided at shareholders' meetings at any time.
- 2.04 When a shareholder has paid for his or her share in full, he or she shall be delivered a share certificate issued by the Board of Directors, which entitles him or her to all rights in the Company provided for by law and these Articles.
- 2.05 The Company's share certificates shall be consecutively numbered and issued in the name of the holder.
- 2.06 The Board of Directors of the Company shall maintain a register of shares in lawful form with the following information:
- Nominal value, class and number of the certificate;
 - Date of issue of the certificate;
 - The name and Id. number of the shareholder.
 - Information on transfers of the certificates and transaction dates;
 - Any changes which may occur in the relationship between the Company and the owner of the share certificate, e.g. if a share certificate is invalidated.
- 2.07 Pursuant to a decision of the Board of Directors, shares in the Company may be registered electronically through the agency of a securities depository operating pursuant to Act No. 131/1997, as amended. On such electronic registration of shares the Board of Directors shall call in all previously issued share certificates of the Company by means of a notice in the *Law and Ministerial Gazette* and have them invalidated. A statement from the Securities Depository concerning title to shares in the Company constitutes an adequate share register.
- 2.08 In the event that a share certificate is lost, its owner shall be issued a new certificate immediately on invalidation of the lost certificate. Should a certificate be damaged, but there is no mistake as to the number of the certificate or its substance, the owner may be issued a new certificate at his or her own cost against the return of the damaged certificate.
- 2.09 For the Company, the Register of Shares shall constitute valid proof of title to shares in the Company. Dividends and any notices to shareholders shall be sent to the party registered as the owner of the share in question in the Company's Register of Shares on the day of remittance. Shareholders shall notify the Company of their address; in the absence of such notification each shareholder's registered legal domicile shall be regarded as his or her address. The Company assumes no responsibility for payments or notices being lost owing to failure to notify the Company of changes of address. A shareholder may collect dividends at the office of the Company within four years of the dividends falling due; after that time any dividends shall revert to the Company.
- 2.10 Each shareholder is under obligation, without specific commitment, to abide by the Articles of Association of the Company in their current form or as lawfully amended at any time. Notwithstanding the above, shareholders shall not be obligated by these Articles of Association or any amendments thereto to increase their holdings in the Company or to endure redemption of their shares.
- 2.11 Shareholders shall not be liable for the commitments of the Company beyond their share in the Company unless they accept such liability by means of a separate legal

instrument. This provision cannot be amended or deleted by any resolution of any shareholders' meeting.

- 2.12 No privileges are attached to any shares in the Company.

3 ORGANISATION

- 3.01 The Company shall be governed by:
- a) Shareholders' meetings;
 - b) The Board of Directors of the Company;
 - c) The Managing Director.

4 SHAREHOLDERS' MEETINGS

- 4.01 The supreme authority in all the affairs of the Company, within the limits established by its Articles of Association and statutory law, is in the hands of lawful shareholders' meetings.
- 4.02 The Annual General Meeting of the Company shall be held before the end of the month of June each year.
- 4.03.1 The agenda of the Annual General Meeting shall include the following items of business:
- a) The report of the Board of Directors on the activities of the Company in the preceding year of operation;
 - b) The annual financial statement of the Company, along with the Auditor's notes, shall be submitted for approval. Concurrently with discussion of the annual financial statement, a decision shall be made concerning the disposal of the profit or loss of the Company during the fiscal year;
 - c) Proposals for amendments to the Articles of Association of the Company;
 - d) Elections of members and alternate members to the Board of Directors of the Company;
 - e) Election of auditors of the Company;
 - f) Decision on the remuneration of the Board of Directors;
 - g) Any other business.
- 4.03.2 If shareholders controlling a minimum of 1/3 of the share capital so request in writing at an Annual General Meeting, decisions on the matters specified in clauses (1) and (2) of sub-section 4.03.1 shall be postponed until an adjourned Annual General Meeting which shall be held at the earliest one month and at the latest two months later. Requests for further postponement are not permitted.
- 4.03.03 The Board of Directors of the Company shall call a shareholders' meeting within six months if equity according to the books of the Company falls below half of the listed share capital. At the meeting, the Board of Directors shall explain the financial situation of the Company and, if necessary, submit proposals for any required measures, which may include the dissolution of the Company.
- 4.04 Shareholders' meetings shall be convened by the Board of Directors at the discretion of the Board by a resolution of a shareholders' meeting, or if the elected Auditor or shareholders holding a minimum of 1/10 –one tenth– of the shares of the Company request a meeting in writing, stating the business of the meeting. When a valid request for a meeting has emerged, the Board of Directors must convene a meeting within fourteen days of receiving the request. If the Board of Directors of

the Company has not convened a meeting within that time, a request may be submitted to the Ministry [of Commerce] to convene the meeting pursuant to the provisions of Article 87 of the Companies Act.

- 4.05 Shareholders' meetings shall be called by a notice to each shareholder or by a notice in a daily newspaper. Annual general meetings shall be called in the same manner as shareholders' meetings. Meetings shall be called with at least one week's notice.
- 4.06. At the latest one week in advance of a shareholders' meeting an agenda, final proposals and annual accounts (in a parent Company also a consolidated account), the report of the Board of Directors and Auditors' or Inspectors' report in the case of an Annual General Meeting, shall be laid open for inspection by shareholders at the Company's offices and at the same time sent to any registered shareholder who so requests. Matters which are not included in the agenda of a shareholders' meeting shall not be subjected to final decision except with the consent of all of the shareholders in the Company; however, a resolution thereon may be made passed for the guidance of the Company's Board of Directors. Lawfully proposed motions for amendments may be submitted at the meeting itself.
- 4.07 Shareholders' meetings shall be presided over by a chairman elected at the meeting. The chairman shall resolve all issues relating to the lawfulness of the meeting pursuant to these Articles of Association, decide the form of discussion, process at the meeting and voting procedures.
- 4.08 The chairman of the meeting shall preside over the election of a secretary of the meeting who shall take the minutes. The decisions of shareholders' meetings and the results of polls shall be entered in the minutes. A list of the shareholders present and their proxies shall be entered in the minutes or accompany the minutes. The minutes shall be read out before the end of the meeting, if requested, and comments recorded, if any. The chairman and the secretary shall sign the minutes. Fourteen days following the shareholders' meeting, at the latest, shareholders shall have access to the minutes or a certified transcript of the minutes at the Company Office.
- 4.09 At shareholders' meetings, each króna of share capital shall carry one vote. Decisions at shareholders' meetings shall be taken by majority vote unless otherwise provided in these Articles or statutory law. Proposals are dismissed if they receive an equality of votes. In the event of an equality of votes, elections shall be decided by casting lots.
- 4.10 In addition to shareholders and their proxies, the Auditor and Managing Director have the right to attend shareholders' meetings. They shall have unrestricted freedom to speak and submit motions at the meeting. The Board of Directors may also invite experts to attend individual meetings if their opinion or assistance is needed. A proxy attending a shareholders' meeting on behalf of a shareholder shall submit a written and dated letter of proxy. A letter of proxy may not be revoked with effect for the Company after it has been submitted on delivery of the documents of the meeting, or after the shareholders' meeting has been called to order, whichever occurs first.

5 THE BOARD OF DIRECTORS OF THE COMPANY

- 5.01 At the Annual General Meeting, five members and five alternate members shall be elected to the Board of Directors. The eligibility of members of the Board shall be subject to statutory law.

The notice declaring candidacy for the Board of Directors shall include, in addition to the name, address, and national ID number of the candidate, information on the candidate's primary occupation, other board memberships, education, experience, and share capital holdings in the Company. It shall also include information on connections with the customers and competitors of the Company, as well as connections with shareholders who hold more than 10% in the Company. Information received by the Board concerning candidates for Board membership of a public limited liability company shall be made available for shareholder perusal at the company offices no later than two days prior to the shareholders' meeting.³

- 5.02 At the first meeting of a newly-elected Board of Directors a Chairman shall be elected and tasks shall be allocated in other respects.
- 5.03 The Chairman of the Board shall convene meetings of the Board and preside at Board meetings. Meetings shall be held at the discretion of the Chairman. The Chairman shall also call a meeting of the Board if requested by one member of the Board or the Managing Director.
- It is permissible to hold Board meetings with the assistance of electronic media to the extent that this is consistent with the execution of the tasks of Board. Despite the provisions of Item 2 of this paragraph, a Board member or Managing Director may demand that a Board meeting be held in the conventional manner.⁴
- 5.04 The presence of the majority of the Board members constitutes a quorum. Important decisions, however, may not be taken unless all members of the Board have had the opportunity, if possible, of discussing the matter. Issues shall be decided by majority vote unless otherwise provided in these Articles of Association or other lawful instructions. Members of the Board shall keep minutes of proceedings at meetings of the Board and confirm such minutes with their signatures.
- 5.05 The Board of Directors constitutes the supreme authority in the affairs of the Company between shareholders' meetings. The principal duties of the Board of Directors are the following:
- a) To appoint a Managing Director and decide on his or her salary and the terms of his or her employment, establish his or her terms of reference and supervise his or her work.
 - b) To supervise continuously and precisely all aspects of the Company's operations and ensure that the Company's organisation and activities are always in good and proper order. In particular, the Board of Directors shall ensure adequate supervision of the accounts of the Company and the disposal of its assets.
 - c) To represent the Company before the courts and government authorities.
 - d) To co-operate with the Managing Director on the recruitment of other key personnel to the Company.
 - e) To resolve differences of opinion as may arise between the Managing Director and other employees.
 - f) To decide who shall be authorised to bind the Company.
- 5.06 Board Members shall have access to all books and documents of the Company.
- 5.07 The signatures of the majority of the Board members shall be required to legally bind the company. Important decisions, such as the purchase or sale of property and

³ Approved March 30, 2007.

⁴ Approved March 30, 2007.

comparable investments, may not be taken unless all members of the Board have had the opportunity to discuss the matter.

6 THE MANAGING DIRECTOR

- 6.01 The Managing Director has charge of the day-to-day operations of the Company, and in this respect he shall observe the policy and directions of the Board of Directors. Day-to-day operations do not include measures which are unusual or extraordinary. Such measures may only be taken by the Managing Director pursuant to special authorisation from the Board of Directors of the Company unless it is impossible to wait for the decisions of the Board of Directors without seriously disadvantaging the Company. In such cases, the Board of Directors shall be notified of the measures without delay.
- 6.02 The Managing Director shall ensure that the accounts of the Company are kept in accordance with statutory law and accepted practices and that the disposal of the property of the Company is secure.
- 6.03 The Managing Director shall appoint the employees of the Company, but obtain the approval of the Board of Directors in the appointment of employees to management positions. The Managing Director is also empowered to dismiss personnel appointed by him or her and negotiate their salaries.
- 6.04 The Managing Director of the Company shall observe all the instructions of the Board of Directors. The Managing Director is required to provide any information that may be requested by the Company's Auditors.

7 ACCOUNTING AND AUDITING

- 7.01 The fiscal year of the Company shall be the calendar year. An annual financial statement of the Company shall be prepared each fiscal year in compliance with the provisions of statutory law on annual financial statements and accounting practices.
- 7.02 A chartered accountant or accounting firm shall be elected as Company Auditor at each Annual General Meeting of the Company for a term of one year. The Auditor shall not be selected from among the members of the Board or employees of the Company.
- 7.03 The Auditor shall examine all the accounts of the Company in accordance with generally accepted accounting standards, and shall for this purpose inspect account records and other material relating to the financial position and operation of the Company. The Auditor shall at all times have access to all books and documents of the Company.
- 7.04 The Auditors shall have completed the audit of the Company's annual accounts no later than one month before the Annual General Meeting. They shall then deliver the audited accounts to the Board of Directors of the Company together with their comments. No later than one week before the Annual General Meeting, the Board of Directors of the Company shall have prepared their responses to the Auditor's comments and the responses and comments shall be laid open for inspection by shareholders, together with the annual accounts, at least one week before the Annual General Meeting.

8 THE COMPANY'S OWN SHARE CAPITAL

- 8.01 The Company may own up to 10% (ten per cent) of its own shares. Shares held by the Company in it do not carry voting rights. The Company may acquire shares only pursuant to authorization granted to the Board of Directors by a shareholders' meeting. Authorization to the Board of Directors to buy Company shares shall not be effective for longer than 18 months at a time.

9 AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION

- 9.01 The Articles of Association of the Company may be amended at lawfully convened shareholders' Meetings, provided that the notice of the meeting clearly indicates that such amendments are scheduled and outlines the main substance of the amendments. An amendment takes effect only if approved with at least 2/3 of the cast votes and the consent of shareholders controlling at least 2/3 of the shares in the Company represented in the meeting.
- 9.02 However, the terms of these Articles regarding the voting rights of shareholders and equality among them cannot be amended except with the consent of all the shareholders who are subject to the curtailment of rights, cf. Paragraph 3 of Article 94 of the Companies Act.

10 DISSOLUTION AND MERGERS

- 10.01 In the event that it is considered prudent or necessary to dissolve the Company, the approval of shareholders controlling at least 2/3 of the total share capital of the Company is required. Any meeting lawfully approving the dissolution of the Company shall provide directions on the disposal of the Company's assets and the payment of its debts pursuant to Chapter XIII of the Companies Act.
- 10.02 Merging of the Company with other companies is subject to Chapter XIV of the Companies Act.

11 OTHER PROVISIONS

- 11.01 Where these Articles of Association provide no directions, the provisions of the Companies Act No. 2/1995 shall apply.

Reykjavik, May 15, 2007

Margr. P. Jónsson
Sigríður
Sgr. P.
Jón P. Jónsson
[Large stylized signature]