



INVESTMENT BANK

Base Prospectus

JULY 2008

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SUMMARY

This Summary should be read as an introduction to the Base Prospectus. Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor.

Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the cost of translating the Prospectus before legal proceedings are initiated. Civil liability attaches to those persons who have tabled the Summary including any translation thereof, and applied for its notification, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

RISK FACTORS

Investment in Bills issued by the Bank are a risky investment. The value of Bills can decrease as well as increase. Investors can both lose their total investment in Bills, issued by the Issuer, as well as a part of their investment. The main risk factors, which apply specifically to the Issuer, are market risk, currency risk, credit risk, operational risk and counterparty risk

Investors are encouraged to familiarize themselves extremely well with all text relating to the risk factors related to the Issuer as well as the risk factors associated with the Bills issued, before deciding on investing in the Bills, issued by the Bank.

RESPONSIBLE PARTIES

The Board of Directors of MP Investment Bank hf. constitutes the supreme authority in the affairs of the Bank between shareholders' meetings. The Board of Directors has decided to request the Bills to be admitted to trading on the OMX Nordic Exchange hf. The Board of Directors of MP Investment Bank hf. consists of Mr. Margeir Pétursson, chairman, Mr. Ágúst Sindri Karlsson, Mr. Hallgrímur Jónsson, Mr. Sigfús Ingimundarson and Mr. Sigurður Gísli Pálmason.

MP Investment Bank is the co-ordinator of the admittance to trading of the Bills on the OMX Nordic Exchange hf. Styrmir Þór Bragason, is the CEO of MP Investment Bank hf.

The statutory auditors of MP Investment Bank hf. 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.

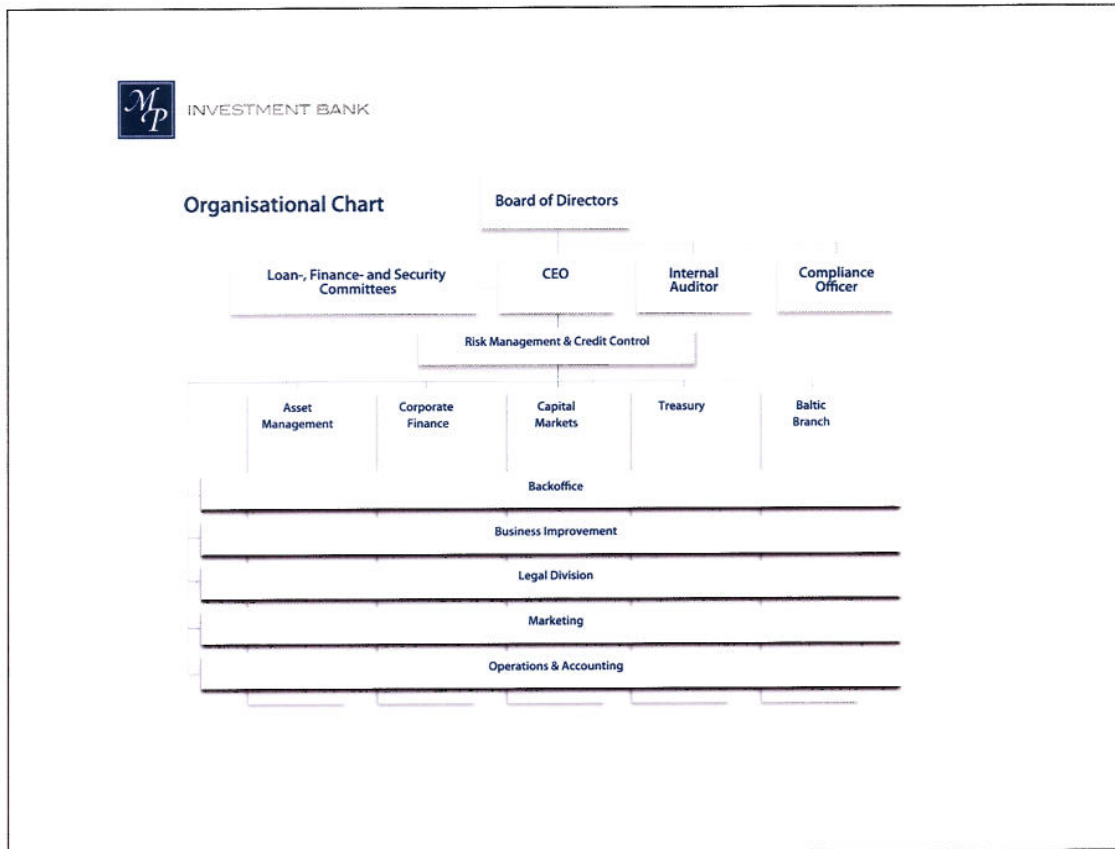
INFORMATION CONCERNING THE ISSUER

The Issuer of the Bills is MP Fjárfestingarbanki hf., State Reg. No. 540599-2469, with its registered office at Skippholti 50d, 105 Reykjavík, Iceland. The Bank operates as MP Investment Bank hf. in its foreign relations. The Issuer is a public limited company and operates as a lending institution and investment bank pursuant to sub-section 3 of Article 4 of Act No. 161/2002, on Financial Undertakings.

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.

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, 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.:



MAJOR SHAREHOLDERS

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%

FINANCIAL INFORMATION

The following table contains key figures that summarize the financial condition of the 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	<u>(4,189)</u>	<u>(2,355)</u>
Net interest income	779	29
Fee and commission income	1,601	1,051
Fee and commission expense	<u>73</u>	<u>(38)</u>
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	<u>8</u>	<u>157</u>
	853	1,096
Operating income	3,160	2,139
Salaries and related expenses	(503)	(337)
Other operating expenses	(383)	(166)
Depreciation	(17)	(3)
Impairment on loans	<u>(8)</u>	<u>(101)</u>
Profit before income tax	<u>2,250</u>	<u>1,531</u>
Income tax expense	<u>(470)</u>	<u>(291)</u>
Profit for the year	<u><u>1,780</u></u>	<u><u>1,240</u></u>

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

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 Base Prospectus

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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 Base Prospectus.

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

DETAILS ON THE OFFERING PROGRAMME AND ADMISSION TO TRADING

On November 29, 2007, the Board of MP Investment Bank approved the issue of 18 classes of Bank Bills, for an aggregate amount of total maximum amount of ISK 90 billion. Each class is in the amount of up to ISK 5 billion. The Bills are issued in units of ISK 5,000,000. It will depend on the initial size of each class whether or not it will be

admitted to trading. The minimum size required to be admitted to trading is market value EUR 500,000.

The securities are Bills and the issue date, due date and the maximum amount of each class is subject to the following table, which includes our offering programme:

Class	Issue Date	Due Date	Maximum amount of each Class	Number of units	ISIN code
MPB 08 0716	03.12.2007	16.07.2008	5,000,000,000 kr.	1000	IS0000016533
MPB 08 0818	03.12.2007	18.08.2008	5,000,000,000 kr.	1000	IS0000016590
MPB 08 0916	03.12.2007	16.09.2008	5,000,000,000 kr.	1000	IS0000016657
MPB 08 1016	03.12.2007	16.10.2008	5,000,000,000 kr.	1000	IS0000016541
MPB 08 1117	03.12.2007	17.11.2008	5,000,000,000 kr.	1000	IS0000016608
MPB 08 1216	16.12.2007	16.12.2008	5,000,000,000 kr.	1000	IS0000016665
MPB 09 0116	16.01.2008	16.01.2009	5,000,000,000 kr.	1000	IS0000016558
MPB 09 0216	18.02.2008	16.02.2009	5,000,000,000 kr.	1000	IS0000016616
MPB 09 0316	17.03.2008	16.03.2009	5,000,000,000 kr.	1000	IS0000016673
MPB 09 0417	17.04.2008	17.04.2009	5,000,000,000 kr.	1000	IS0000016566
MPB 09 0518	16.05.2008	18.05.2009	5,000,000,000 kr.	1000	IS0000016624
MPB 09 0616	16.06.2008	16.06.2009	5,000,000,000 kr.	1000	IS0000016681
MPB 09 0717	16.07.2008	17.07.2009	5,000,000,000 kr.	1000	IS0000016574
MPB 09 0817	18.08.2008	17.08.2009	5,000,000,000 kr.	1000	IS0000016632
MPB 09 0916	16.09.2008	16.09.2009	5,000,000,000 kr.	1000	IS0000016699
MPB 09 1016	16.10.2008	16.10.2009	5,000,000,000 kr.	1000	IS0000016582
MPB 09 1116	17.11.2008	16.11.2009	5,000,000,000 kr.	1000	IS0000016640
MPB 09 1216	16.12.2008	16.12.2009	5,000,000,000 kr.	1000	IS0000016707

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 purpose of the issue is 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 Icelandic Securities Depository, Laugavegi 182, 5. hæð, 105 Reykjavík, is responsible for the registration of securities holders and the destination of payments. Payments to Bill holders will be processed through Kaupping Bank hf.

MP Investment Bank hf. has requested that OMX Nordic Exchange Iceland hf. admit the Bills to trading provided that all conditions for admission to trading are met.

MP Investment Bank is the co-ordinator of the offering. The cost incurred stems first and foremost from work related to the drawing up of the Base Prospectus, cost of admittance to trading, collection and government charges and fees. The estimated total cost is ISK 10,000,000.

SHARE CAPITAL

The share capital of MP Investment Bank hf. is 1.100.000.000 kr.

DOCUMENTS ON DISPLAY

- 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.
- Registration Document, dated July 2, 2008.



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,

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. In addition, risk factors that are material to the Securities being offered and admitted to trading in order to assess the market risk associated with these securities are also described below.

The risks described below are not the only ones the Bank faces as well as risk related to issued securities. 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.

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. Risk related to the Issuer

1.1.1. 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.

1.1.2. 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.

1.1.3. 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.

1.1.4. 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.

1.1.5. 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.

1.1.6. 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.

1.1.7. 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.

1.1.8. 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.

1.1.9. 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.

1.1.10. 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.

1.1.11. 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.

1.1.12. 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.

1.1.12.1. 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.

1.1.12.2. 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.

1.1.12.3. 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.

1.1.13. 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.

1.1.14. 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.

1.2. Risk related to the Securities

1.2.1. Repayment risk

MP Investment Bank undertakes to repay the Bills, issued by the Issuer, 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 authorization 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

1.2.2. Legal amendments

The Bills are issued by the Bank in accordance with Icelandic legislation as current on the date of issue of the Base Prospectus. 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.

1.2.3. Liquidity risk

These Bills, issued by MP Investment Bank, have not previously been admitted to trading on a regulated securities market. Although the Issuer has applied for the admission to trading of the Bills on the OMX Nordic Exchange Iceland hf. 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 and has therefore no obligation to maintain an efficient market 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 securities 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 attributes and risks inherent in investing in the Bills, as well as such information as is contained in the Base Prospectus. Prospective investors must study in detail the information contained in the Base Prospectus, the Registration Document, incorporated by reference and corresponding Final Terms published in connection with the Bill issue, which together 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 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 behavior 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.

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.

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 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 Base 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, July 2, 2008

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



Margeir Petursson,
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 Base Prospectus 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



Styrmi Þór Bragason,
CEO

3. ANNOUNCEMENT TO INVESTORS

The issue and admission to trading of the MP Investment Bank hf. Bills will take place according to current Icelandic laws and regulations, including Act No. 108/2007 on Securities Transactions. European Council Directive 2003/71/EC of 4 November 2003 has been implemented into Icelandic law.

The OMX Nordic Exchange Iceland hf. has the authority, pursuant to an agreement with the Icelandic Financial Supervisory Authority (FME), to scrutinize and approve prospectuses. The OMX ICE has scrutinized and approved this Base Prospectus.

The Base Prospectus is valid for 12 months from the date it will be made public.

For the purposes of this Base Prospectus, "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, "OMX Nordic Exchange Iceland", "OMX ICE", and "the Exchange" refer to the OMX Nordic Exchange Iceland hf. Moreover, "Bills", "bills", "the Bills", "the bills" and the MP Investment Bank hf. Bills" refer to the Bills issued by MP Investment Bank under the offering programme pursuant to this Base Prospectus.

MP Investment Bank has had bills and bonds admitted to trading on the OMX ICE with the ticker symbol that starts with MPB and therefore, is under obligation to abide by the rules of OMX ICE that apply to issuers of bonds and bills. Investors are advised to follow regulated announcements concerning MP Investment Bank from the date that the Base Prospectus is made public.

This Base 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 increased requirements for admission to trading or other regulations than those applicable pursuant to Icelandic laws and regulations or where such distribution violates laws and regulations.

The purchase of bills is inherently a risky investment. Investors are advised to thoroughly familiarize themselves with the substance of the Base Prospectus. Investors are also advised to study their legal position, including tax 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 this Base Prospectus. Investors are particularly urged to study in detail the discussion regarding MP Investment Bank hf. risk factors.

4. DOCUMENTS INCORPORATED BY REFERENCE

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

- A Registration Document, dated July 2, 2008.

Copies of the Registration Document 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.

5. ISSUER'S INTERESTS

MP Investment Bank, the Issuer, manages both the issue and the sale of the Bills. The purpose of the issue is 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.

6. INFORMATION ON THE SECURITIES

6.1. Total amount

On November 29, 2007, the Board of MP Investment Bank hf. approved the issue of 18 classes of MP Investment Bank hf. Bills, for an aggregate amount of maximum total amount of ISK 90 billion. Each class is in the maximum amount of ISK 5 billion. The Bills are issued in units of ISK 5,000,000. It will depend on the initial size of each class whether or not it will be admitted to trading. The minimum size required to be admitted to trading is market value EUR 500,000.

6.2. Description of the securities

The securities are Bills and the issue date, due date and the maximum amount of each class is subject to the following table, which includes our offering programme:

Class	Issue Date	Due Date	Maximum amount of each Class	Number of units	ISIN code
MPB 08 0716	03.12.2007	16.07.2008	5,000,000,000 kr.	1000	IS0000016533
MPB 08 0818	03.12.2007	18.08.2008	5,000,000,000 kr.	1000	IS0000016590
MPB 08 0916	03.12.2007	16.09.2008	5,000,000,000 kr.	1000	IS0000016657
MPB 08 1016	03.12.2007	16.10.2008	5,000,000,000 kr.	1000	IS0000016541
MPB 08 1117	03.12.2007	17.11.2008	5,000,000,000 kr.	1000	IS0000016608
MPB 08 1216	16.12.2007	16.12.2008	5,000,000,000 kr.	1000	IS0000016665
MPB 09 0116	16.01.2008	16.01.2009	5,000,000,000 kr.	1000	IS0000016558
MPB 09 0216	18.02.2008	16.02.2009	5,000,000,000 kr.	1000	IS0000016616
MPB 09 0316	17.03.2008	16.03.2009	5,000,000,000 kr.	1000	IS0000016673
MPB 09 0417	17.04.2008	17.04.2009	5,000,000,000 kr.	1000	IS0000016566
MPB 09 0518	16.05.2008	18.05.2009	5,000,000,000 kr.	1000	IS0000016624
MPB 09 0616	16.06.2008	16.06.2009	5,000,000,000 kr.	1000	IS0000016681
MPB 09 0717	16.07.2008	17.07.2009	5,000,000,000 kr.	1000	IS0000016574
MPB 09 0817	18.08.2008	17.08.2009	5,000,000,000 kr.	1000	IS0000016632
MPB 09 0916	16.09.2008	16.09.2009	5,000,000,000 kr.	1000	IS0000016699
MPB 09 1016	16.10.2008	16.10.2009	5,000,000,000 kr.	1000	IS0000016582
MPB 09 1116	17.11.2008	16.11.2009	5,000,000,000 kr.	1000	IS0000016640
MPB 09 1216	16.12.2008	16.12.2009	5,000,000,000 kr.	1000	IS0000016707

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.

There are no restrictions on the free transferability of the 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.

6.3. 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.

The issued Bills are governed by Act No. 93/1933, on Bills, if applicable, c.f. Section 35 of Act No. 131/1997, on Electronic Trading of Title to Securities.

The tax treatment of the Bills is subject to tax laws as current from time to time. According to Article 3 of Act No. 94/1996 on Withholding Tax on Financial Income, the Bank is under obligation to deduct withholding tax from interest income and return to the Treasury. Bills are exempt from stamp duty.

The expiry of claims is subject to the provisions of the Bills Act No. 93/1933. According to paragraph 1 of Article 70 of the Act, 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 Act on Electronic Registration of Title to Securities, No. 131/1997.

6.4. Type of securities

The Bills are issued by electronic means at the Icelandic Securities Depository, Laugavegi 182, 5. hæð, 105 Reykjavík, in accordance with Act No. 131/1997 on Electronic Registration of Title to Securities and are identified with the name of the owner of the Bills. In the systems of the Securities Depository and the OMX ICE, the bills will be identifiable by the issuers sign MPB.

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

With regard to the Issuer, the Icelandic Securities Depository registry on Bill holders will be regarded as being full proof of title. Payments and notifications are sent to the party who is the registered holder of the Bill in question.

The title to the Bills must be registered in Icelandic Securities Depository 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 central securities depository received the request for their registration from an account operator.

6.5. Currency

The Bills are issued in ISK.

6.6. 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.

6.7. 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.

6.8. Interest

The Bills bear no interest.

6.9. Maturity dates and payments

Each Bill will be repaid by one installment on the maturity date. With regard to the Issuer, a statement from the Icelandic Securities Depository Registry of Holders shall be regarded as being full proof of title. Payments and notifications are sent to the party who is the registered holder of the Bill in question. The Securities Depository 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.

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 Securities Depository, 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.

6.10. Yield

Bills are sold based on the maintained required rate of return during the issue of each 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. Information regarding the required rate of return and yield during the sale of the Bills can be found in the final terms of the issue of each class.

The yield will be calculated using the following calculation method:

Value:	[dd.mm.yyyy].
Last day:	[dd.mm.yyyy].
Number of days:	[...]
REIBOR:	[...].[...] months
Corporate spread:	[...]
Interest:	[...]
Price:	$100/(1+[Interest]*[Number\ of\ days]/360)$
Yield:	$([Price]/100)^{-1/[Number\ of\ days]/360}$

6.11. Registration and Process of Payments

The Icelandic Securities Depository is responsible for the registration of securities holders and the destination of payments. Payments to Bill holders will be processed through Kaupþing Bank hf.

7. ADMISSION COSTS

MP Investment Bank is the co-ordinator of the offering programme. The cost incurred stems first and foremost from work related to the drawing up of the Base Prospectus, cost of admittance to trading, collection and government charges and fees. The estimated total cost is ISK 10,000,000.



8. ADMITTANCE TO TRADING

MP Investment Bank hf. has requested that OMX ICE 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 OMX ICE.

9. FINAL TERMS

MP Investment Bank hf.

Issue [Aggregate nominal value of bill class] [Name of bills]

PART-A – CONTRACT TERMS

The terms and conditions referred to herein shall be regarded and defined as such with respect to the terms stated in the Issuer's Base Prospectus, dated July 2 , 2008.

This document provides the final terms for the Bills described herein which must be construed in accordance with the Issuer's Base Prospectus.

Full information on the Issuer and the offer of the Bills is only available on the basis of the combination of these Final Terms and the Base Prospectus.

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

- | | | |
|----|---|--|
| 1. | Issuer: | MP Investment Bank hf.,
id. 540599-2469 |
| 2. | (i) Symbol: | [...] |
| | (ii) ISIN code: | [...] |
| | Designated currency or currencies: | ISK |
| 3. | Nominal value of bills issued and sold: | [...] |
| | Maximum amount of class: | ISK 5,000,000,000 |
| 4. | Yield on first day of sale: | [...] |
| | First day of sale: | [...] |
| | Day Count Conversion: | Actual/360 |
| 5. | Nominal value units: | ISK 5,000,000 |
| 6. | Date of issue: | [dd.mm.yyyy] |
| 7. | Maturity date: | [dd.mm.yyyy] |
| 8. | Date admitted to trading: | [dd.mm.yyyy] |
| | Market where admitted to trading: | OMX NORDIC
EXCHANGE
ICELAND HF. |

Selling Agent

9. MP Investment Bank hf.

OFFERING PROGRAMME

MP Investment Bank will issue 18 classes of Bills pursuant to the offering programme described in the Base Prospectus, dated July 2, 2008. The offering programme is for the maximum total amount of ISK 90 billion.

PART-B – OTHER INFORMATION

1. THE INTERESTS OF LEGAL ENTITIES INVOLVED IN THIS ISSUE

As far as the Issuer knows, no individual person who is involved in the issue of the Bills has any direct substantive interest in the offer.

2. REASONS FOR THE OFFER, ESTIMATED NET PROFITS AND TOTAL EXPENDITURES

- | | |
|------------------------------|----------------------|
| (i) Reasons for the offer: | Financing in general |
| (ii) Estimated net proceeds: | Up to ISK [.....] |
| (iii) Total Expenditures: | Up to ISK 500,000 |

3. REGISTRATION INFORMATION

- | | |
|--|-------|
| (i) The securities are electronically registered at the Icelandic Securities Depository. | |
| (ii) Admission Cost | [...] |

WARRANTY

Issuer warrants the truthfulness of the information contained in these final terms.

[dd.mm.yyyy]

Signed on behalf of the Issuer:

By:
who is fully authorized thereto