

## ISSUE DESCRIPTION

### ISSUE OF BILLS IN THE NASDAQ CSD ICELAND SYSTEM

#### Section 1.

##### *General Information Regarding the Issuer.*

- 1.1 *The name of the issuer, its ID number, authorisation for issue, date of foundation, registered address and main office if not located at the registered address.*

The Issuer is Landsbankinn hf., ID no. 471008-0280 founded in October 2008. Registered address and main office is at Austurstræti 11, 155 Reykjavík, Iceland.

The authorization for the issue is by a resolution of the Issuer's Board of Directors dated 12 March 2015.

The Base Prospectus for the Debt Issuance Programme was approved by the Financial Supervisory Authority, Iceland, dated 5 May 2015.

- 1.2 *The names and ID numbers of the issuer's representatives.*

The Issuer's representative is Steinþór Pálsson, CEO, ID no. 230460-2729.

- 1.3 *Acts and regulations which the issuer operates under if the operations of the issuer are subject to special legislation.*

The Issuer is a public limited company, subject to the provisions of Act no. 2/1995 on Public Limited Companies. The Issuer operates under Act no. 161/2002 on Financial Undertakings, with an operating license, conforming to Chapter II of the aforementioned act. The Issuer is subject to supervision by the Icelandic Financial Supervisory Authority in accordance with Act no. 87/1998 on Official Supervision of Financial Activities.

#### Section 2.

##### *Information Regarding the Issue:*

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2.1 *The account operator that manages payments on behalf of the issuer, if the issuer is not an account operator, names, id numbers and e-mail. The issue's ISIN nr. and symbol code.*

The Issuer acts as account operator and manages payments on the basis of the issue. Clearing and settlement department, +354 410 7970, [bo.info@landsbankinn.is](mailto:bo.info@landsbankinn.is)

The issue's ISIN nr. is IS0000026805 and the symbol code is LBANK 160912.

2.2 *The total amount of the issue, per nominal value unit, base index, currency, price indexation, redemption price, and nominal interest rate. The principal bond shall also include other items which form the terms and conditions of the issue, such as due date(s) of interest and installment date(s), and whether the original total amount may be increased. Also, conditions for interest rate changes if variable or multiple interest rates are provided for. This information should be in the registered Term sheet on pages 8-9 that will be part of this description.*

The Bills are issued under the ISK 30,000,000,000 Debt Issuance Programme of the Issuer. Full information on the Bills and the Issuer are available on the basis of the combination of this Issue Description including the Term sheet on pages 8-9, the Final Terms for the issue of each tranche of the Bills of this series and the Base Prospectus dated 5 May 2015, as updated or supplemented from time to time. Copies of the said documents are available for viewing at the Issuer's website, [www.landsbankinn.is/vixlar](http://www.landsbankinn.is/vixlar). Terms used in this Issue Description shall be deemed to have the same meaning as the Terms and Conditions set forth in the Base Prospectus dated 5 May 2015 as amended or supplemented from time to time.

Transferability:	There are no limitations on the transferability of the Bills to identified buyers.
Governing law:	The Bills will be governed by, and construed in accordance with Icelandic law.
Disputes:	Disputes arising out of the Bills shall be subject to the exclusive jurisdiction of the District Court of Reykjavík and legal action taken may be proceeded with in accordance with the Act on Civil Procedure No. 91/1991, Chapter 17.
Events of Default:	If any one or more of the following events shall occur and be continuing, <ul style="list-style-type: none"><li>i) if default is made in the payment of the Bills and the default continues for a period of five days; or</li><li>ii) if the Issuer fails to perform or observe any of its other obligations under the Conditions and (except in any case where the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will</li></ul>

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be required) the failure continues for the period of 30 days following the service by a holder of Bills on the Issuer of notice requiring the same to be remedied; or

- iii) if (i) any Financial Indebtedness (as defined in Condition 10 of the Base Prospectus dated 5 May 2015) of the Issuer becomes due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer fails to make any payment in respect of any Financial Indebtedness on the due date for payment as extended by any originally applicable grace period; (iii) any security given by the Issuer for any Financial Indebtedness becomes enforceable; or (iv) default is made by the Issuer in making any payment due under any guarantee and/or indemnity given by it in relation to any Financial Indebtedness of any other person, provided that the aggregate nominal amount of any such Financial Indebtedness of the Issuer in the case of (i), (ii) and/or (iii) above, and/or amount of Financial Indebtedness in relation to which such guarantee and/or indemnity of the Issuer has been given in the case of (iv) above, is at least €25,000,000 (or its equivalent in any other currency); or
- iv) if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer, save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution; or
- v) if the Issuer ceases or threatens to cease to carry on the whole or substantially all of its business (save in each case for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution or the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- vi) if (a) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or, as the case may be, in relation to all or

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substantially all of the undertaking or assets of the Issuer, or an encumbrance takes possession of all or substantially all of the undertaking or assets of the Issuer, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against all or substantially all of the undertaking or assets of the Issuer and (b) in any case (other than the appointment of an administrator) is not discharged within 14 days; or

- vii) if the Issuer initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors),

then any holder of Bills may, by written notice to the Issuer at the specified office of the Fiscal Agent, effective upon the date of receipt thereof by the Fiscal Agent, declare any Bills held by it to be forthwith due and payable whereupon the same shall become forthwith due and payable at its Early Redemption Amount, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

Change of terms of the Bills:	The issuer is obliged to notify the Nasdaq CSD Iceland of every change to the terms of the Bills.
Withdrawal of electronic Bills from the VS system:	Seven days after the final due date, the Bills should be withdrawn from the VS system unless otherwise notified by the Issuer. The Issuer is obliged to notify VS of a default of the Bills and in that event the Issuer should notify VS when payment has been made of the amount in default.

### 2.3 *Fringe benefits associated with the bonds, their calculation and utilization.*

There are no fringe benefits associated with the Bills.

### 2.4 *Taxes on revenue from the bonds withheld in the country of origin and/or the country of registration. It shall be stated whether the issuer guarantees that taxes are withheld or not.*

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Taxes are withheld in accordance with applicable Icelandic law, at any given time, based on provisions of the Act on Withholding of Public Levies at Source No. 45/1987, as amended, the Act on Withholding of Tax on Financial Income No. 94/1996, as amended, and Article 3 of the Income Tax Act No. 90/2003, and any other legislation, laws or regulations, replacing or supplementing the same.

2.5 *The bonds will be delivered to a VS account held by the Issuer.*

Account no. 396179

2.6 *Other information regarding the prospective issue or the issuer which the Nasdaq CSD Iceland deems necessary.*

2.7 *Will the issue be listed on a stock exchange?*

Application has been made for the Bills to be admitted to trading on Nasdaq Iceland.

### Section 3.

#### ***Information about Endorsers of the issue description and Audit of Annual Accounts***

3.1 *The names, ID numbers, telephone and e-mail of parties that endorse the issue description.*

Guðni Einarsson, ID no. 240774-5939, tel. +354 410-7314, e-mail:  
[gudni.einarsson@landsbankinn.is](mailto:gudni.einarsson@landsbankinn.is)

Margrét Valdimarsdóttir, ID no. 190780-4229, tel. +354 410-6716, e-mail:  
[margret.valdimarsdottir@landsbankinn.is](mailto:margret.valdimarsdottir@landsbankinn.is)

3.2 *The names, ID numbers, telephone and e-mail of the issuer's chartered accountants for the past three years.*

The National Audit Office, ID No. 540269-1819, +354 569 7100, [postur@rikisend.is](mailto:postur@rikisend.is)

For the past three years The National Audit Office has been the Issuer's statutory auditor. The National Audit Office is authorised to outsource part of its assignments. The auditor of the Issuer for the financial years 2015-2020 is Grant Thornton endurskoðun ehf.

Grant Thornton endurskoðun ehf., ID No. 430190-1999, +354 520 7000,  
[grantthornton@grantthornton.is](mailto:grantthornton@grantthornton.is)

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## Section 4.

### *Enclosures with an Issue Description*

- 4.1 *A signed original of the primary bond if applicable.*

Not applicable

- 4.2 *A confirmation from an official register (Register of Limited Companies) of the issuer's existence.*

Not applicable

- 4.3 *A confirmation that the issuer has made a formal decision regarding the prospective electronic issue, or other data to that effect, such as a confirmed copy of minutes, or a reference to acts and rules that the issue is subject to.*

Enclosed are the resolutions of the Issuer's Board of Directors dated 12 March 2015.

- 4.4 *A confirmed copy of a receipt from the county magistrate stating that applicable stamp duties have been paid, where appropriate.*

Not applicable

- 4.5 *Name of one or more primary brokers (Account Operator) in the event of a new issue or an additional issue as well as a copy of the issuer's contract with the broker.*

Not applicable

- 4.6 *On request from the Nasdaq CSD Iceland, a written statement from a district judge stating that the company is not undergoing bankruptcy proceedings shall be submitted.*

Not applicable

- 4.7 *Other data regarding the prospective issue which the Nasdaq CSD Iceland finds necessary.*

Not applicable

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Date, 4 MARCH 2016

On behalf of the Issuer and the Account Operator,

  
Steinþór Pálsson, CEO

  
Hreiðar Bjarnason, CFO

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## Term Sheet

<b>Issuer:</b>	Landsbankinn hf.
<b>Org. no:</b>	471008-0280
<b>Address:</b>	Austurstræti 11, 155 Reykjavík
<b>Bonds/bills:</b>	Bills
<b>Symbol (Ticker)</b>	LBANK 160912
<b>ISIN code</b>	IS0000026805
<b>CFI code</b>	D-Y-Z-U-X-R
<b>Registered at ISD</b>	Yes
<b>Amortization type</b>	N/A
<b>Country</b>	Iceland
<b>Currency</b>	ISK
<b>Date of admission to trading</b>	Filled in by Nasdaq Iceland
<b>Order book ID</b>	Filled in by Nasdaq Iceland
<b>Instrument subtype</b>	Filled in by Nasdaq Iceland
<b>Market</b>	Filled in by Nasdaq Iceland
<b>List population name</b>	Filled in by Nasdaq Iceland
<b>Denomination in CSD</b>	20,000,000
<b>Size limit</b>	5,000,000,000
<b>Total Issue</b>	2,680,000,000
<b>Amount admitted to trading at this time</b>	2,680,000,000
<b>Issue date</b>	Thursday, March 10, 2016
<b>First ordinary installment date</b>	Monday, September 12, 2016
<b>Total number of installments</b>	1
<b>Installment frequency</b>	1
<b>Maturity date</b>	Monday, September 12, 2016
<b>Interest rate</b>	N/A
<b>Floating interest rate</b>	N/A

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Premium	N/A
Simple/compound interest	Simple
Day count convention	Actual/360
Interest from date	N/A
First ordinary coupon date	N/A
Coupon frequency	N/A
Total number of coupon payments	N/A
Indexed	No
Name of index	N/A
Daily index or monthly index	NA
Base index value	N/A
Index base date	N/A
Dirty price / clean price	N/A
Call option	No
Put option	No
Convertible	No
Additional information	None
Market making	No
Credit rating (rating agency, date)	No
Securities depository	Nasdaq CSD Iceland
Coordinator – admission to trading	Landsbankinn hf.
If irregular cash flow, then how	N/A
If payment date is a bank holiday, does payment include accrued interest for days missing until next business day?	No

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