

FINAL TERMS

5 October 2016

LANDSBANKINN HF.

Issue of ISK 720,000,000 Bills under the ISK 30,000,000,000 Debt Issuance Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Debt Securities set forth in the Base Prospectus dated 18 April 2016 and any supplements if applicable. This document constitutes the Final Terms of the Debt Securities described herein for the purposes of Article 5(4) of the Prospectus Directive, as amended (which includes the amendments made by Directive 2010/73/EU) and Article 45 of Act on Securities Transactions and must be read in conjunction with the Base Prospectus and any supplements, if applicable, which constitute a base prospectus for the purposes of the Prospectus Directive. Full information on the Issuer and the offer of the Debt Securities is only available on the basis of the combination of these Final Terms and the Base Prospectus and any supplements, if applicable. A copy of said Base Prospectus and any supplements are available for viewing at the issuer's website, www.landsbankinn.is.

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| 1. | Issuer: | Landsbankinn hf. |
| 2. | | |
| | i. Series Number: | 12 |
| | ii. Tranche Number: | 2 |
| 3. | Specified Currency or Currencies: | ISK |
| 4. | Aggregate Nominal Amount: | |
| | i. Series: | 1,040,000,000 |
| | ii. Tranche: | 720,000,000 |
| 5. | Issue Price: | 97.6450 per cent. of the Aggregate Nominal Amount |
| 6. | Specified Denominations: | |
| | i. Specified Denominations: | 20,000,000 |
| | ii. Calculation Amount: | 20,000,000 |

7.

- i. Issue Date: 10 October 2016
- ii. Interest Commencement Date: Not Applicable
- 8. Maturity Date: 10 March 2017
- 9. Interest basis to Maturity Date: Not Applicable
- 10. Redemption/payment basis: Redemption at par
- 11. Change of interest basis or redemption/payment basis: Not Applicable
- 12. Investor Put/Issuer Call: Not Applicable
- 13. Status of the Debt Securities: Senior
- 14. Approval for Issuance of the Debt Securities: Date of Board approval for issuance of Debt Securities obtained:
12 March 2015
- 15. Method of Distribution: Non-syndicated
- 16. Calculation Agent: Issuer

PROVISIONS RELATING TO INFLATION LINKED ANNUITY BONDS

- 17. Inflation Linked Annuity Bonds: Not Applicable

PROVISIONS RELATING TO INFLATION LINKED EQUAL PRINCIPAL PAYMENT BONDS INCLUDING BONDS WITH ONE PAYMENT OF PRINCIPAL ON MATURITY DATE

- 18. Inflation Linked Equal Principal Payment Bonds: Not Applicable

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 19. Fixed Rate Bond Provisions: Not Applicable

20.	Floating Rate Bond Provisions:	Not Applicable
21.	Zero Coupon Bond Provisions:	Not Applicable
22.	Bill Provisions:	Applicable
	i. Discount yield:	5.89 per cent. per annum equivalent to 5.75 per cent. simple interest
	ii. Reference Price:	97.6450
	iii. Any other formula/basis of determining amount payable:	Not Applicable
	iv. Day Count Fraction in relation to Early Redemption Amounts and late payment:	Conditions 7.8.c) and 7.12 apply

PROVISIONS RELATING TO REDEMPTION

23.	Issuer Call:	Not Applicable
24.	Investor Put:	Not Applicable
25.	Final Redemption Amount of each Debt Security:	The Principal Amount Outstanding at Maturity Date
26.	Early Redemption Amount of each Debt Security payable on redemption and/or the method of calculating the same (if required or if different from that set out in Condition 7.8 (a):	As set out in Condition 7.8 (a)

GENERAL PROVISIONS APPLICABLE TO THE DEBT SECURITIES

27.	New Global Note:	No
28.	Form of Debt Securities:	VS System Debt Securities
29.	Additional Financial Centre(s) or other special provisions relating to Payment Days:	Not Applicable

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| 30. | Talons for future Coupons or Receipts to be Attached to Definitive Bonds (and dates on which such Talons mature): | No |
| 31. | Details relating to Partly Paid Debt Securities: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequence of failure to pay, including any right of the Issuer to forfeit the Debt Securities and interest due on late Payment: | Not Applicable |
| 32. | Details relating to Instalment Bonds: | |
| | i. Instalment Amount(s): | Not Applicable |
| | ii. Instalment Date(s): | Not Applicable |
| 33. | Redenomination applicable: | Redenomination not applicable |
| 34. | Other final terms: | Not Applicable |

DISTRIBUTION

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| 35. | | |
| | i. If syndicated, names of Managers: | Not Applicable |
| | ii. Stabilizing Manager (if any): | Not Applicable |
| 36. | If non-syndicated, name of relevant Dealer | Landsbankinn hf. |
| 37. | US. selling restrictions: | Reg. S. Compliance Category 2;

TEFRA not applicable |
| 38. | Additional selling restrictions: | Not Applicable |

LISTING AND ADMISSION TO TRADING APPLICATION

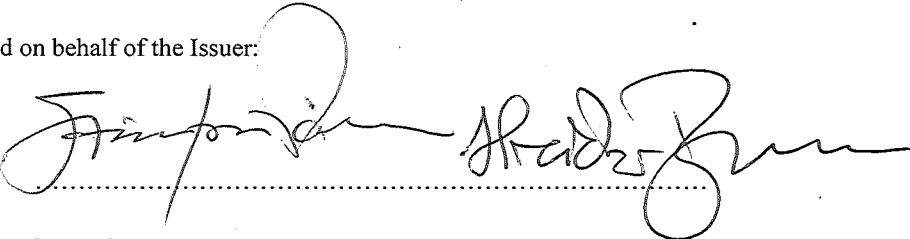
These Final Terms comprise the final terms required for the Debt Securities described herein *to be admitted to trading* pursuant to the ISK 30,000,000,000 Debt Securities Programme of Landsbankinn hf.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms.

Signed on behalf of the Issuer:

By:

A handwritten signature in black ink, appearing to read "Jón Þorgerður Haraldsson". The signature is written over a horizontal dotted line.

Duly authorized

PART B – OTHER INFORMATION

1. LISTING

- i. Listing: Nasdaq Iceland
- ii. Admission to trading: Application has been made for the Debt Securities to be admitted to trading on Nasdaq Iceland

2. RATING

Not Applicable

3. NOTIFICATION

Not Applicable

4. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

Save for any fees payable to the Dealer, so far as the Issuer is aware, no person involved in the issue of the Debt Securities has an interest material to the issue.

5. USE OF PROCEEDS, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- i. Use of proceeds: For general funding purposes of the Issuer
- ii. Estimated net proceeds: 702,829,000
- iii. Estimated total expenses: 215,000

6. YIELD *(Fixed Rate Bonds Only)*

Indication of yield: 5.89 per cent. per annum equivalent to 5.75 per cent. simple interest

Note: The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

7. HISTORIC INTEREST RATES *(Floating Rate Bonds Only)*

Not Applicable

8. PERFORMANCE OF CPI, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING (*Inflation Linked Annuity Bonds and Inflation Linked Equal Principal Payment Bonds Only*)

Not Applicable

9. OPERATIONAL INFORMATION

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| i. ISIN Code: | IS0000027688 |
| ii. Common Code: | LBANK 170310 |
| iii. Any Clearing system(s) other than Euroclear Bank S.A./N.V. or Clearstream Banking, société anonyme (together with the address of each such clearing system) and the relevant identification number(s): | Nasdaq CSD Iceland hf.
Laugavegur 182, 105 Reykjavík, Iceland
Reg. No. 500797-3209

The Issuer shall be entitled to obtain certain information from the register maintained by the NCSD for the purpose of performing its obligations under the issue of NCSD System Debt Securities. The NCSD Agent shall be entitled to obtain such information as is required to perform its duties under the Terms and Conditions of the Debt Securities and rules and regulations of, and applicable to, the NCSD. |
| iv. Delivery: | Delivery against payment |
| v. Names and addresses of additional Paying Agent(s) (if any): | Not Applicable |
| vi. Intended to be held in a manner which would allow Eurosystem eligibility: | No |