

ISSUE DESCRIPTION

ISSUE OF BONDS IN THE ICELANDIC SECURITIES DEPOSITORY 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, registered address and main office at Austurstræti 11, 155 Reykjavík, Iceland. The authorisation for the issue is in the form of a license provided by the Icelandic Financial Supervisory Authority, dated 29 April 2013, pursuant to the provisions of Article 3 of the Act on Covered Bonds and in accordance with resolutions of the Issuer's Board of Directors dated 10 May 2012 and 23 May 2013.

- 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:

- 2.1 *The account operator that manages payments on behalf of the issuer, if the issuer is not an account operator. The issue's ISIN no. and symbol code.*

The Issuer is the account operator and manages payments on behalf of the Issuer. The issue's ISIN no. is IS0000025146 and symbol code is LBANK CB 19.

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- 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.*

The issue of Fixed Rate Covered Bonds, is a part of a ISK 100,000,000,000 Covered Bond Programme (“**the Programme**”) established by the Issuer on the Issue Date which shall in the beginning not exceed a limit of ISK 10,000,000,000 in accordance to the Issuer’s licence granted by the FME. In the text **Covered Bonds** are defined as Covered Bonds issued by the issuer under the Programme in accordance with the Act on Covered Bonds.

Trading symbol:	LBANK CB 19
ISIN:	IS0000025146
Bond type	Fixed rate Covered Bonds, hereafter also referred to as “ ISD System Covered Bonds ”.
Currency:	ISK
Size limit of the issue:	ISK 10,000,000,000
Issued now:	ISK 960,000,000
Face value:	ISK 20,000,000
Issue Date:	17 September 2014
Maturity Date:	17 September 2019
Extended Maturity Date:	17 September 2022
Interest Commencement Date:	17 September 2014
First Interest Payment Date:	17 September 2015
Interest payment dates:	On 17 September each year up to and including the Maturity Date and if applicable up to and including the Extended Maturity Date.
Number of interest payments:	5 or up to 8 in the case of Extended Maturity Date.
Interest rate to Maturity Date:	6.80 per cent.

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Interest rate from Maturity Date to Extended Maturity Date:	7.30 per cent.
Day Count Fraction:	30/360
Accrual of interest	Each ISD System Covered Bond (or in the case of the redemption of part only of an ISD System Covered Bond, that part only of such ISD System Covered Bond) will cease to bear interest from the date of its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue in accordance with this Issue Description. The ISD System Covered Bonds shall bear interest from (and including) the Maturity Date to (but excluding) the earlier of the relevant Interest Payment Date after the Maturity Date on which the ISD System Covered Bonds are redeemed or the Extended Maturity Date, subject to Condition: Extension of Maturity Date below. In that event, interest shall be payable on those ISD System Covered Bonds at the applicable interest rate on the principal amount outstanding of the ISD System Covered Bonds on each Interest Payment Date after the Maturity Date in respect of the Interest Period ending immediately prior to the relevant Interest Payment Date. The final Interest Payment Date shall fall no later than the Extended Maturity Date. The rate of interest payable from time to time will be as specified in this Issue Description.
Interest payments in case of extension of maturity:	If the maturity of the ISD System Covered Bonds is extended beyond the Maturity Date: a) the ISD System Covered Bonds shall bear interest from (and including) the Maturity Date to (but excluding) the earlier of the relevant Interest Payment Date after the Maturity Date on which the ISD System Covered Bonds are redeemed or the Extended Maturity Date. In that event, interest shall be payable on those ISD System Covered Bonds at the applicable rate on the principal amount outstanding of the ISD System Covered Bonds on each Interest Payment Date after the Maturity Date in respect of the Interest Period ending immediately prior to the relevant Interest Payment Date. The final Interest Payment Date shall fall no later than the Extended Maturity Date; b) the rate of interest payable from time to time will be as specified in this Issue Description.
Payments:	Payments of principal and interest in respect of the ISD System Covered Bonds will be made to the Covered Bondholders shown in the relevant records of the ISD in accordance with and subject to the rules and regulations from time to time governing the ISD.

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Final Redemption Amount:	Unless previously redeemed or purchased and cancelled, the ISD System Covered Bonds will be redeemed by the Issuer at 100% of the aggregate nominal amount on the Maturity Date or the Extended Maturity Date.
Early Redemption:	<i>Redemption due to illegality or invalidity</i> If the ISD System Covered Bonds become illegal and/or invalid they may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 or more than 60 days' notice to all Covered Bondholders (which notice shall be irrevocable). Any ISD System Covered Bonds redeemed pursuant to this provision will be redeemed at their Early Redemption Amount together with interest accrued to (but excluding) the date of redemption. <i>Redemption for Tax Reasons</i> The ISD System Covered Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time or on any Interest Payment Date, on giving not less than 30 nor more than 60 days' notice to the ISD and the Covered Bondholders (which notice shall be irrevocable), if: a) on the occasion of the next payment due under the ISD System Covered Bonds, the Issuer has or will become obliged to pay additional amounts as a result of any change in, or amendment to, the laws or regulations in Iceland or any political subdivision or any authority thereof or any authority or agency therein having power to tax, or any change in the application or official interpretation of such laws or regulation, which change or amendment becomes effective on or after the Issue Date of the ISD System Covered Bonds; and b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it. ISD System Covered Bonds redeemed pursuant to this provision will be redeemed at their Early Redemption Amount together with interest accrued to (but excluding) the date of redemption.
Early Redemption Amount:	For the purpose of Condition set forth in Early Redemption above, each ISD System Covered Bond will be redeemed at its Early Redemption Amount being 100% of the nominal amount.
Purchases:	The Issuer or any of its Subsidiaries may at any time purchase ISD System Covered Bonds at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Covered Bondholders alike. Subject to the provision below (<i>Cancellation</i>), such ISD System Covered Bonds may be held, reissued, resold or, at the option of the Issuer, surrendered to the Issuer for cancellation.
Cancellation:	All ISD System Covered Bonds which are redeemed will forthwith be cancelled. All ISD System Covered Bonds so cancelled and any ISD System Covered Bonds purchased and surrendered for cancellation and cancelled shall be forwarded to the Issuer and be deleted from the records of the ISD and cannot be reissued or resold.
Extension of Maturity Date:	Following the failure by the Issuer to pay the Final Redemption Amount of the ISD System Covered Bonds on their Maturity Date, payment of such amounts shall be automatically deferred to an extended maturity date on which the

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	payment of all or (as applicable) part of the Final Redemption Amount payable on the Maturity Date will be deferred (the Extended Maturity Date). To the extent that the Issuer has sufficient funds available to pay in part the relevant Final Redemption Amount in respect of the ISD System Covered Bonds, the Issuer shall make partial payment of the relevant Final Redemption Amount as described in below under the heading Condition: Extension of Maturity Date. Payment of all unpaid amounts shall be deferred automatically until the applicable Extended Maturity Date, provided that any amount representing the Final Redemption Amount due and remaining unpaid on the Maturity Date may be paid by the Issuer on any Interest Payment Date thereafter up to (and including) the relevant Extended Maturity Date. The Issuer is not required to notify the Covered Bondholders of such automatic deferral. The Extended Maturity Date and the applicable interest rate will be as specified in this Issue Description. Interest will continue to accrue on any unpaid amount and be payable on each Interest Payment Date falling after the Maturity Date up to (and including) the Extended Maturity Date. In these circumstances, failure by the Issuer to make payment in respect of the Final Redemption Amount on the Maturity Date shall not constitute a default in payment by the Issuer. However, failure by the Issuer to pay the Final Redemption Amount or the balance thereof on the Extended Final Maturity Date and/or interest on such amount on any Interest Payment Date falling after the Maturity Date up to (and including) the Extended Maturity Date shall constitute a default in payment by the Issuer. In addition, following deferral of the Maturity Date, the Interest Payment Dates and Interest Periods may change as set out in this Issue Description. <i>Condition: Extension of Maturity Date</i> a) Automatic Extension: If the Issuer fails to redeem the ISD System Covered Bonds in full on the Maturity Date or within three Business Days thereafter, the maturity of the outstanding ISD System Covered Bonds and the date on which such ISD System Covered Bonds will be due and repayable for the purposes of this Issue Description will be automatically extended up to but not later than the Extended Maturity Date. In that event, the Issuer may redeem all or any part of the principal amount outstanding of the ISD System Covered Bonds on any Interest Payment Date falling in any month after the Maturity Date up to and including the Extended Maturity Date. The Issuer shall give notice to the Covered Bondholders of its intention to redeem all or any of the principal amount outstanding of the ISD System Covered Bonds at least five Business Days prior to the relevant Interest Payment Date. Any failure by the Issuer to notify such persons shall not affect the validity or effectiveness of any redemption by the Issuer on the relevant Interest Payment Date, or give rise to rights to any such person.
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	b) Extension Irrevocable: Any extension of the Maturity Date under this Condition shall be irrevocable. Where this Condition applies, any failure to redeem the ISD System Covered Bonds on the Maturity Date or any extension of the Maturity Date under this Condition shall not constitute an event of default or acceleration of payment for any purpose or give any Covered Bondholder any right to receive any payment of interest, principal or otherwise on the relevant ISD System Covered Bonds other than as expressly set out in this Issue Description. c) Payments: In the event of the extension of the maturity of ISD System Covered Bonds under this Condition interest rates, Interest Periods and Interest Payment Dates on the ISD System Covered Bonds from (and including) the Maturity Date to (but excluding) the Extended Maturity Date shall be determined and made in accordance with this Issue Description. d) Partial Redemption after Maturity Date: If the Issuer redeems part and not all of the principal amount outstanding of the ISD System Covered Bonds on any Interest Payment Date falling after the Maturity Date, the redemption proceeds shall be applied rateably across the ISD System Covered Bonds and the principal amount outstanding on the ISD System Covered Bonds shall be reduced by the level of that redemption. If any partial redemption after the Maturity Date is not sufficient to redeem all outstanding Interest Payments, then the remainder of any Interest Payment shall be added to the principal amount of the ISD System Covered Bonds. e) Restriction on further issues: If the maturity of any ISD System Covered Bond is extended up to the Extended Maturity Date in accordance with this Condition, for so long as any of those ISD System Covered Bonds remain outstanding, the Issuer shall not issue any further Covered Bonds, unless the proceeds of issue of such further Covered Bonds are applied by the Issuer on issue to redeem in whole or in part the ISD System Covered Bonds in accordance with the terms hereof.
Default:	The ISD System Covered Bonds contain no contractual events of default or right to accelerate the ISD System Covered Bonds on a failure to pay, insolvency of the Issuer or otherwise. If the Issuer fails to make a payment when due or becomes insolvent, then the ISD System Covered Bonds remain outstanding.
Status of the ISD System Covered Bonds:	The ISD System Covered Bonds constitute direct, unconditional, unsubordinated and secured obligations of the Issuer issued in accordance with the Act on Covered Bonds and appurtenant regulations and rank <i>pari passu</i>

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	among themselves and with all other obligations of the Issuer that have been provided the same priority as debt instruments issued pursuant to the Act on Covered Bonds (save for certain obligations required to be preferred by law) (other than subordinated obligations, if any), from time to time outstanding. Senior Debt (if any) ranks thereafter. To the extent that claims in relation to the ISD System Covered Bonds, related derivative contracts and Senior Debt (if any) are not met out of the assets of the Cover Pool or the proceeds arising from it, the residual claims will rank <i>pari passu</i> with the claims of all other unsubordinated creditors of the Issuer (other than those preferred by law) in all other respects. The cost of bankruptcy administration, to such extent as the cost is incurred due to efforts of the bankruptcy administrator concerning the ISD System Covered Bonds and the CoverPool, will rank ahead of claims for payments of the ISD System Covered Bonds, of related derivative contracts and of the relevant Senior Debt (if any). Other cost of bankruptcy administration shall not be paid from the assets of the Cover Pool.
Issuer Covenants:	<i>Negative Pledge.</i> In accordance with the Act on Covered Bonds, cf. Article 12(4), the Issuer undertakes, so long as any of the ISD System Covered Bonds remain outstanding, that it will not, and that it will procure that none of its Relevant Subsidiaries will, create or have outstanding any Security Interest over the mortgages or other assets in the Cover Pool, other than any lien arising by operation of law (if any). <i>Maintenance of the Issuer's Cover Pool.</i> For so long as the ISD System Covered Bonds are outstanding, the value of the Cover Pool will not at any time be less than the total aggregate outstanding principal amount of the ISD System Covered Bonds issued, plus an over-collateralisation of 20 per cent. For the avoidance of doubt, the Issuer shall not at any time reduce the over-collateralisation which applies to the Programme if to do so would result in any credit rating then applying to the ISD System Covered Bonds by any rating agency appointed by the Issuer in respect of the ISD System Covered Bonds being reduced, removed, suspended or placed on credit watch. <i>Composition of the Issuer's Cover Pool.</i> For so long as any of the ISD System Covered Bonds are outstanding the Issuer shall ensure that the Cover Pool maintained or to be maintained by the Issuer shall at all times comply with the requirements of the Act on Covered Bonds. <i>Interest cover</i> The amounts of interest received by the Issuer in respect of the Cover Pool and under the related derivative contracts entered into by the Issuer shall be at least equal to or exceed the amounts payable by the Issuer under the ISD System Covered Bonds and the related derivative contracts entered into by the Issuer.
Transferability:	There are no limitations on the transferability of the ISD System Covered Bonds to identified buyers.
Governing law:	The ISD System Covered Bonds will be governed by, and construed in

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	accordance with Icelandic law.
Disputes:	Disputes arising out of the ISD System Covered Bonds shall be subject to the exclusive jurisdiction the District Court of Reykjavík (Icelandic: Héraðsdómur Reykjavíkur).
Authorization:	License provided to the Issuer by the Icelandic Financial Supervisory Authority dated 29 April 2013. Resolutions of the Issuer's Board of Directors dated 10 May 2012 and 23 May 2013.
Listing:	The Issuer will make an application for listing of the ISD System Covered Bonds on NASDAQ OMX Iceland. The Issuer's intention is to have the ISD System Covered Bonds listed on NASDAQ OMX Iceland on 17 September 2014.
Stamp duty:	The Issuer is exempt from stamp duty under the provisions of article 115 of Act no. 161/2002, on Financial Undertakings.
Notices:	All notices regarding the ISD System Covered Bonds will be valid if published in a manner which complies with the rules and regulations of the relevant act which apply to publicly listed securities, and/or any stock exchange and/or any other relevant authority on which the ISD System Covered Bonds are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication. The Issuer can additionally at its own discretion obtain information from the ISD on the Covered Bondholders in order to send notices to each Covered Bondholder directly. Notices to be given by any Covered Bondholder shall be in writing and given by lodging the same, together with the relevant ISD System Covered Bond or ISD System Covered Bonds.
Further issues of Covered Bonds:	The Issuer shall be at liberty from time to time without the consent of the Covered Bondholders to create and issue further covered bonds having terms and conditions the same as LBANK CB 19 or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding LBANK CB 19.
Change of terms of the Covered Bonds:	The Issuer is obliged to notify the ISD of every change to the terms of the ISD System Covered Bonds.
Withdrawal of electronic bonds from the ISD System:	Seven days after the Maturity Date or Extended Maturity Date (as the case may be), the ISD System Covered Bonds should be withdrawn from the ISD System unless otherwise notified by the Issuer. The Issuer is obliged to notify the ISD of a default of the ISD System Covered Bonds and in that event the Issuer should notify the ISD when payment has been made of the amount in default.

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

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There are no fringe benefits associated with the ISD System Covered Bonds.

- 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.*

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.

Account operators holding the ISD System Covered Bonds are responsible for withholding and returning tax in accordance with applicable law, at any given time.

- 2.5 *The bonds will be delivered to an ISD account held by the Issuer.*
Account no.: 396179

- 2.6 *Other information regarding the prospective issue or the issuer which the Icelandic Securities Depository deems necessary.*

The ISD System Covered Bonds are issued in accordance with Icelandic Act on Covered Bonds and the Icelandic Financial Supervisory Authority's Rules no. 528/2008, on Covered Bonds. The ISD System Covered Bonds enjoy a right of priority from a cover pool, in accordance with the provisions of the Act on Covered Bonds and are generally subject to its terms and conditions. The Icelandic Financial Supervisory Authority granted the Issuer a licence dated 29 April 2013 to issue ISD System Covered Bonds. The licence is subject to certain requirements that are in some instances more stringent than the Act on Covered Bonds.

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

Application has been made for the Covered Bonds to be admitted to trading on Nasdaq OMC Iceland with effect from 17 September 2014. The Issue is made on the basis of a base prospectus dated 3 October 2013 and additional supplements.

Section 3.

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

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

Guðni Einarsson, ID No. 240774-5939, tel +354 410 7314, e-mail:
gudni.einarsson@landsbankinn.is

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Helga Gunnarsdóttir, ID No. 260469-5419, tel. +354 410 7346, e-mail:
helga.gunnarsdottir@landsbankinn.is

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

The National Audit Office (Icelandic: Ríkisendurskoðun), ID No. 540269-1819, tel. +354 569 7100, e-mail: postur@rikisend.is

The National Audit Office has been the Issuer's statutory auditor for the past three years. The National Audit Office is authorised to outsource part of its assignments and has for the past three years outsourced the audit of the Issuer to KPMG ehf.,

KPMG ehf., ID, 590975-0449, tel. +354 545 6000, e-mail: kpmg@kpmg.is

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.*

- 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 of the Issuer dated 10 May 2012 and 23 May 2013.

- 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.*

The Issuer is the Account Operator.

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- 4.6 *On request from the Icelandic Securities Depository, a written statement from a district judge stating that the company is not undergoing bankruptcy proceedings shall be submitted.*
- 4.7 *Other data regarding the prospective issue which the Icelandic Securities Depository finds necessary.*
- 4.8 *Other:*

Section 5.

Definitions

5.1 *Definitions:*

In this Issue Description:

“Act on Covered Bonds” means Act no. 11/2008, on Covered Bonds, as amended.

“Board of Directors” means the board of directors of the Issuer.

“Business Day” means a day on which commercial banks settle payments and are open for general business in Reykjavík.

“Cover Pool” means a collection of bonds, substitute collateral and other assets listed in the Register, as provided for in Chapter VI of the Act on Covered Bonds, over which the Covered Bondholders and the Issuer’s counterparties have rights of priority pursuant to the provisions of the Act on Covered Bonds.

“Covered Bondholders” means each person who is for the time being shown in the records of the ISD as the holder of a particular nominal amount of such ISD System Covered Bonds

“Covered Bonds” means covered bonds issued by the Issuer under the Programme in accordance with the Act on Covered Bonds.

“Dealer” means any dealer appointed by the Issuer (if any).

“Extended Maturity Date” means that date to which the payment of the Final Redemption Amount is deferred if not paid at the Maturity Date, as further outlined in Section 2.2.

“Final Redemption Amount” means 100% of the aggregate nominal amount.

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“Fixed Rate Covered Bonds” means Covered Bonds that pay a fixed rate of interest on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.

“Interest Commencement Date” means the date specified in this Issue Description from (and including) which interest will accrue in respect of the ISD System Covered Bonds.

“Interest Period” means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date

“Interest Payment Date” means in respect of the ISD System Covered Bonds, the meaning given in this Issue Description.

“ISD” means the Icelandic Securities Depository hf. (Icelandic: Verðbréfaskráning Íslands hf.), ID no. 500797-3209, registered address and office at Laugavegur 182, 105 Reykjavík, Iceland.

“ISD System” means the book entry system of the ISD.

“ISD System Covered Bonds” means the Covered Bonds issued in a dematerialised, uncertified book entry form cleared through ISD under this Issue Description.

“Issue Date” means each date on which the Issuer the ISD System Covered Bonds, as specified in this Issue Description.

“Issuer” means Landsbankinn hf., ID no. 471008-0280, registered address and main office at Austurstræti 11, 155 Reykjavík, Iceland.

“Maturity Date” shall be as specified in this Issue Description.

“Programme” means an ISK 100,000,000,000 Covered Bond programme established by the Issuer on the Issue Date.

“Register” means the a register of the issued ISD System Covered Bonds, and the Cover Pool, together with related derivative agreements maintained by the Issuer in accordance with the Act on Covered Bonds.

“Relevant Subsidiaries” means any Subsidiary other than (i) a Subsidiary acquired, formed or operated in relation to the merger and acquisitions services provided to a customer of the Issuer for the purpose of completing a transaction or restructuring a company or (ii) any Subsidiary acquired or formed as a result of the Issuer’s foreclosure activities in relation to its general banking business.

“Security Interest” means any mortgage, charge, pledge, lien or other security interest.

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“**Senior Debt**” means loans that may be taken out to purchase assets which are in turn added to the Cover Pool in the event that the Issuer is required to post additional collateral.

“**Subsidiary**” means an entity from time to time of which the Issuer (i) has direct or indirect control or (ii) owns directly or indirectly more than 50 per cent of the share capital or similar ownership; "control" for this purpose means the power to direct the management and the policies of the entity, whether through the ownership of voting capital, by contract or otherwise.

Reykjavík, 12 September 2014

On behalf of the Issuer and Account Operator,



Steinþór Pálsson, CEO



Hreiðar Bjarnason, Managing Director of Finance