

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.

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Section 2.

Information Regarding the Issue:

2.1 The account operator that manages payments on behalf of the issuer, name, id nr. and e-mail.

The Issuer is the account operator and manages payments on behalf of the Issuer. Landsbankinn hf., ID no. 471008-0280, e-mail: varsla@landsbankinn.is

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 13-14.

The Covered Bonds are issued under the ISK 100,000,000,000 Covered Bond Programme of the Issuer. Full information on the Issuer and the Covered Bonds are only available on the basis of the combination of this Issue Description, the applicable final terms for the issue of each tranche of the Covered Bonds of this series and a Base Prospectus dated 9 December 2014, which is subject to updates and supplements if applicable. Copies of the Final Terms, the Base Prospectus and any supplements and updates thereto are available for viewing at the Issuer's website, www.landsbankinn.is/sertryggd-skuldabref. 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 9 December 2014.

Status of the Covered Bonds:	The 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> 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 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 Covered Bonds and the Cover Pool, will rank ahead of claims for payments of the Covered Bonds, of related derivative contracts and of the relevant
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	Senior Debt (if any). Other cost of bankruptcy administration shall not be paid from the assets of the Cover Pool.
Issuer Covenants:	<p><i>Negative Pledge.</i></p> <p>In accordance with the Act on Covered Bonds, cf. Article 12(4), the Issuer undertakes, so long as any of the 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).</p> <p><i>Maintenance of the Issuer's Cover Pool.</i></p> <p>For so long as the 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 Covered Bonds issued, plus an over-collateralisation of 20 per cent.</p> <p>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 Covered Bonds by any rating agency appointed by the Issuer in respect of the Covered Bonds being reduced, removed, suspended or placed on credit watch.</p> <p><i>Composition of the Issuer's Cover Pool.</i></p> <p>For so long as any of the 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.</p> <p><i>Interest cover</i></p> <p>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 Covered Bonds and the related derivative contracts entered into by the Issuer.</p>
Interest on Inflation Linked Equal Principal Payment Covered Bonds including Covered Bonds with one payment of principal on Maturity Date	<p>Each Inflation Linked Equal Principal Payment Covered Bond, including Covered Bonds with one payment of principal on Maturity Date, bears interest from (and including) the Interest Commencement Date at a rate(s) per annum equal to the Rate(s) of Interest.</p> <p>Interest shall be calculated as defined under Interest Payment(s) in this Issue Description and term sheet and rounding the resultant figure to the nearest ISK. Interest will be payable in arrears on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.</p> <p>If interest is required to be calculated for a period other than an Interest Period, such interest shall be calculated by using the same methodology as described for Interest Payment(s) in the applicable Final Terms.</p>

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<p>Accrual of interest</p>	<p>Each Covered Bond (or in the case of the redemption of part only of an Covered Bond, that part only of such 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.</p> <p>a) The 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 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 Covered Bonds at the applicable interest rate on the Principal Amount Outstanding of the 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.</p> <p>b) The rate of interest payable from time to time will be as specified in this Issue Description.</p>
<p>Interest payments up to the Extended Maturity Date:</p>	<p>If the maturity of the Covered Bonds is extended beyond the Maturity Date:</p> <p>a) the 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 Covered Bonds are redeemed or the Extended Maturity Date. In that event, interest shall be payable on those Covered Bonds at the applicable rate on the principal amount outstanding of the 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;</p> <p>b) the rate of interest payable from time to time will be as specified in this Issue Description.</p>
<p>Payments:</p>	<p>Payments of principal and interest in respect of the 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.</p>
<p>Calculation of the Principal Amount Outstanding and the Final Redemption</p>	<p>On the relevant Interest Payment Date, the Principal Amount Outstanding is calculated based on the following formula. Unless previously redeemed or purchased and cancelled, each Covered Bond will be redeemed by the Issuer at Maturity Date or the Extended Maturity Date at the Final Redemption Amount. On the Maturity Date or the Extended Maturity Date, the Final</p>

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<p>Amount:</p>	<p>Redemption Amount is calculated based on the following formula:</p> $PAO_t = (PAO_{t-1} - PR_{t-1}) \frac{IR_t}{IR_{t-1}}$ <p>where,</p> <p>PAO_t means the Principal Amount Outstanding on the relevant Interest Payment Date, the Maturity Date or the Extended Maturity Date.</p> <p>PAO_{t-1} means the Principal Amount Outstanding on the preceding Interest Payment Date.</p> <p>PR_{t-1} means the Principal Repayment on the preceding Interest Payment Date.</p> <p>IR_t means the Index Ratio on the relevant Interest Payment Date, Maturity Date or the Extended Maturity Date.</p> <p>IR_{t-1} means the Index Ratio on the preceding Interest Payment Date (Issue Date for the first Interest Payment Date).</p>
<p>Redemption due to illegality or invalidity:</p>	<p>If the Covered bonds become illegal and/or invalid, the Covered Bonds 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).</p> <p>Covered Bonds redeemed pursuant to this Condition will be redeemed at their Early Redemption Amount as defined in the Condition below: Early Redemption Amount together (if appropriate) with interest accrued and adjusted for indexation in accordance with the provisions set out in this Issue Description to (but excluding) the date of redemption.</p>
<p>Certification</p>	<p>The publication of any notice of redemption shall include a certificate signed by authorised personnel of the Issuer stating that the Issuer is entitled or required to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and the certificate shall be sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on all Covered Bondholders.</p>
<p>Early Redemption Amount:</p>	<p>Each Covered Bond will be redeemed at its Early Redemption Amount at its Principal Amount Outstanding adjusted for indexation in accordance with the provisions set out in this Issue Description</p>
<p>Purchases:</p>	<p>The Issuer or any of its Subsidiaries may at any time purchase 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</p>

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	held, reissued, resold or, at the option of the Issuer, surrendered to the Issuer for cancellation.
Cancellation:	All Covered Bonds which are redeemed will forthwith be cancelled. All Covered Bonds so cancelled and any 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:	<p>Following the failure by the Issuer to pay the Final Redemption Amount of the Covered Bonds on their Maturity Date, payment of such amounts shall be automatically deferred to an extended maturity date on which the payment of all or (as applicable) part of the Final Redemption Amount payable on the Maturity Date will be deferred (the Extended Maturity Date).</p> <p>To the extent that the Issuer has sufficient funds available to pay in part the relevant Final Redemption Amount in respect of the 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.</p> <p>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.</p> <p>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.</p> <p>In addition, following deferral of the Maturity Date, the Interest Payment Dates and Interest Periods may change as set out in this Issue Description.</p> <p>Condition: Extension of Maturity Date</p> <p>a) Automatic Extension:</p> <p>If the Issuer fails to redeem the Covered Bonds in full on the Maturity Date or within three Business Days thereafter, the maturity of the</p>

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outstanding Covered Bonds and the date on which such 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 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 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.

b) Extension Irrevocable:

Any extension of the Maturity Date under this Condition shall be irrevocable. Where this Condition applies, any failure to redeem the 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 Covered Bonds other than as expressly set out in this Issue Description.

c) Payments:

In the event of the extension of the maturity of Covered Bonds under this Condition interest rates, Interest Periods and Interest Payment Dates on the 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 Covered Bonds on any Interest Payment Date falling after the Maturity Date, the redemption proceeds shall be applied rateably across the Covered Bonds and the principal amount outstanding on the 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 Covered Bonds.

e) Restriction on further issues:

If the maturity of any Covered Bond is extended up to the Extended Maturity Date in accordance with this Condition, for so long as any of those Covered Bonds remain outstanding, the Issuer shall not issue any further Covered Bonds, unless the proceeds of issue of such further

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	Covered Bonds are applied by the Issuer on issue to redeem in whole or in part the Covered Bonds in accordance with the terms hereof.
Prescription:	<p>The Covered Bonds will become void in accordance with Act on the Expiration of Debt and other Obligations No. 150/2007 unless presented for payment within 10 years (in the case of principal) and four years (in the case of interest or any other amount) after the Relevant Date (as defined below).</p> <p>Relevant Date means the date on which such payment first becomes due, except that, if the full amount of the monies payable has not been duly received by the Principal Paying Agent on or prior to such due date, it means the date on which, the full amount of such monies having been so received, notice to that effect is duly given to the Covered Bondholders in accordance with the Condition: Notices below.</p>
Notices:	<p>All notices regarding the 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 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.</p> <p>Notices to be given by any Covered Bondholder shall be in writing and given by lodging the same, together with the relevant Covered Bond or Covered Bonds.</p>
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 CBI 22 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 CBI 22.
Governing law and jurisdiction:	<p>The Covered Bonds will be governed by, and construed in accordance with Icelandic law.</p> <p>The Issuer irrevocable agrees that any dispute arising out of the Covered Bonds shall be subject to the exclusive jurisdiction of the District Court of Reykjavík (<i>Ice. "Héraðsdómur Reykjavíkur"</i>).</p> <p>Legal action taken under this Condition (Governing law and jurisdiction) may be proceeded with in accordance with the Act on Civil Procedure No. 91/1991 (<i>Ice. "Lög um meðferð einkamála"</i>), Chapter 17.</p>
Default:	The Covered Bonds contain no contractual events of default or right to

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	accelerate the 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 Covered Bonds remain outstanding.
Transferability:	There are no limitations on the transferability of the Covered Bonds to identified buyers.

Change of terms of the bonds: The issuer is obliged to notify the Icelandic Securities Depository of every change to the terms of the Covered Bonds.

Withdrawal of electronic bonds from the VS system:

Seven days after the final due date, the bonds 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 bonds 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 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.

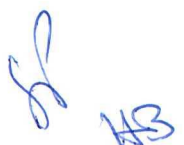
Account operators holding the Covered Bonds are responsible for withholding and returning tax in accordance with applicable law, at any given time.

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

Account no.: 396179

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

The 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 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 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 OMX Iceland hf. with effect from 28 April 2015. The Issue is made on the basis of a base prospectus dated 9 December 2014 and additional supplements.

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

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

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financial years 2013 and 2014 the National Audit Office outsourced the audit of the Issuer to KPMG ehf., Reg. no. 590975-0449, tel. +354 545 6000, e-mail: kpmg@kpmg.is. For the financial years 2015-2019. The National Audit Office has outsourced the audit of the Issuer to Grant Thornton endurskoðun ehf., Reg. no. 430190-1999, tel. +354 520 7000, e-mail: grantthornton@grantthornton.is

3.3 The name, telephone. And e-mail of the issuer's account operator.

The Issuer is the account operator. Landsbankinn hf., tel. +354 4000, e-mail: varsla@landsbankinn.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.

The Issuer is exempt from stamp duty under the provisions of article 115 of Act no. 161/2002, on Financial Undertakings.

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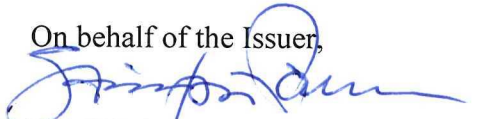
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- 4.6 *On request from the Icelandic Securities Depository, a written statement from a district judge stating that the company is not undergoing bankruptcy proceedings shall be submitted.*
- 4.7 *Other data regarding the prospective issue which the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

Date, 21.4.2015

On behalf of the Issuer,


Steinþór Pálsson, CEO

On behalf of the Account Operator,


Hreiðar Bjarnason, CFO

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Term Sheet

Issuer:	Landsbankinn hf.
Org. no:	471008-0280
Address:	Austurstræti 11, 155 Reykjavík
Bonds/bills:	Covered Bonds
Symbol (Ticker)	LBANK CBI 22
ISIN code	IS0000025856
CFI code	D-T-F-U-F-R
Registered at ISD	Yes
Amortization type	Bullet, one principal payment at maturity
Country	Icelandi
Currency	ISK
Date of admission to trading	Filled in by Nasdaq OMX Iceland
Order book ID	Filled in by Nasdaq OMX Iceland
Instrument subtype	Filled in by Nasdaq OMX Iceland
Market	Filled in by Nasdaq OMX Iceland
List population name	Filled in by Nasdaq OMX Iceland
Denomination in CSD	20,000,000
Size limit	20,000,000,000
Total Issue	1,760,000,000
Amount admitted to trading at this time	1,760,000,000
Issue date	Tuesday, April 28, 2015
First ordinary installment date	Thursday, April 28, 2022
Total number of installments	1
Installment frequency	1
Maturity date	Thursday, April 28, 2022 with the possibility of Extended Maturity to April 28 2025

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Interest rate	3,0% and 3,5% from Maturity Date to Extended Maturity Date
Floating interest rate	N/A
Premium	N/A
Simple/compound interest	Simple
Day count convention	30/360
Interest from date	Tuesday, April 28, 2015
First ordinary coupon date	Thursday, April 28, 2016
Coupon frequency	1
Total number of coupon payments	7 or 10 if Extended Maturity
Indexed	Yes
Name of index	Consumer Price Index (CPI)
Daily index or monthly index	Daily Index
Base index value	425.97
Index base date	Tuesday, April 28, 2015
Dirty price / clean price	Clean price
Call option	No
Put option	No
Convertible	No
Additional information	No
Market making	Yes
Credit rating (rating agency, date)	No
Securities depository	Icelandic Securities Depository
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?	Yes

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