

## ISSUE DESCRIPTION

### ISSUE OF BONDS 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 10 May 2012 and 23 May 2013.

The Base Prospectus for the Covered Bond Programme was approved by the Financial Supervisory Authority, Iceland, dated 9 December 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 IS0000027787 and the symbol code is LBANK CBI 28.

- 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 Covered Bonds are issued under the ISK 100,000,000,000 Covered Bond Programme of the Issuer. Full information on the Covered Bonds 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 Covered Bonds of this series and the Base Prospectus dated 9 December 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/sertryggd-skuldabref](http://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 2015 as amended or supplemented from time to time.

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 pari passu 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 pari passu 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,

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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:

*Negative Pledge.*

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).

*Maintenance of the Issuer's Cover Pool.*

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.

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.

*Composition of the Issuer's Cover Pool.*

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.

*Interest cover*

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.

Extension of Maturity Date:

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 as further outlined in accordance with Condition 8.12 (Extension of Maturity Date) in the Terms and

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## Conditions of the Covered Bonds.

- Governing law:** The NCS System Covered Bonds will be governed by, and construed in accordance with Icelandic law.
- The Covered Bonds (except for the NCS System Covered Bonds), the Receipts, the Coupons are governed by, and shall be construed in accordance with, English law except for Condition 3 of the Terms and Conditions in the Base Prospectus dated 15.9.2015, which will be governed by, and construed in accordance with Icelandic law.
- Disputes:** Disputes arising out of the NCS System Covered Bonds shall be subject to the exclusive jurisdiction of the District Court of Reykjavík (*Ice. Héraðsdómur Reykjavíkur*) and legal action taken may be proceeded with in accordance with the Act on Civil Procedure No. 91/1991, Chapter 17.
- The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any of the Covered Bonds, Receipts or Coupons (other than NCS System Covered Bonds) and accordingly any legal action or proceedings arising out of or in connection with any Covered Bonds, Receipts or Coupons (other than NCS System Covered Bonds) may be brought in such courts.
- Default:** The Covered Bonds contain no contractual events of default or right to 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 in accordance with the Terms and Conditions of the 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 CBI 28 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 28.
- Transferability:** There are no limitations on the transferability of the Covered Bonds to identified buyers
- Change of terms of the Covered Bonds:** The issuer is obliged to notify the Nasdaq CSD Iceland of every change to the terms of the Covered Bonds.

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Withdrawal of electronic Covered Bonds from the VS system:

Seven days after the final due date, the Covered 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.

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.*

The Covered Bonds are issued in accordance with the Icelandic Act on Covered Bonds 8 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 Iceland.

### Section 3.

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***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:  
[guдни.einarsson@landsbankinn.is](mailto:guдни.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)

## 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 of the Issuer dated 21 January 2016.

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

Not applicable. The Issuer is exempt from stamp duty under the provision 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.*

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

Date, 3. OKTÓBER 2016

On behalf of the Issuer and the Account Operator,

  
Steinþór Pálsson, CEO

  
Hreiðar Bjarnason, CEO

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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 28
ISIN code	IS0000027787
CFI code	D-T-F-U-G-R
Registered at ISD	Yes
Amortization type	Bullet, one principal payment at maturity
Country	Iceland
Currency	ISK
Date of admission to trading	Filled in by Nasdaq Iceland
Order book ID	Filled in by Nasdaq Iceland
Instrument subtype	Filled in by Nasdaq Iceland
Market	Filled in by Nasdaq Iceland
List population name	Filled in by Nasdaq Iceland
Denomination in CSD	20,000,000
Size limit	30,000,000,000
Total issued amount	2,060,000,000
Amount admitted to trading at this time	2,060,000,000
Issue date	Tuesday, October 04, 2016
First ordinary installment date	Wednesday, October 04, 2028
Total number of installments	1
Installment frequency	1
Maturity date	Wednesday, October 04, 2028 with the possibility of Extended Maturity to 4 October 2031
Interest rate	3.0% and 3.5% from Maturity Date to Extended Maturity Date
Floating interest rate	N/A

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Premium	N/A
Simple/compound interest	Simple
Day count convention	30/360
Interest from date	Tuesday, October 04, 2016
First ordinary coupon date	Wednesday, October 04, 2017
Coupon frequency	1
Total number of coupon payments	12 or 15 with the possibility of Extended Maturity
Indexed	Yes
Name of index	Consumer Price Index
Daily index or monthly index	Daily Index
Base index value	436,61
Index base date	Tuesday, October 04, 2016
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	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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