

FINAL TERMS

19 December 2016

LANDSBANKINN HF. Issue of 340,000,000 Fixed Rate Inflation Linked Covered Bonds under the ISK 100,000,000,000 Covered Bond 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 Covered Bonds (the “**Terms and Conditions**”) set forth in the Base Prospectus dated 8 December 2016. This document constitutes the Final Terms of the Covered Bonds 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 Covered Bonds 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 is available for viewing at the issuer’s website, www.landsbankinn.is/sertryggd-skuldabref.

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| 1. | Issuer: | Landsbankinn hf. |
| 2. | | |
| | i. Series Number: | 4 |
| | ii. Tranche Number: | 15 |
| 3. | Specified Currency or Currencies: | ISK |
| 4. | Aggregate Nominal Amount: | |
| | i. Series: | 18,740,000,000 |
| | ii. Tranche: | 340,000,000 |
| 5. | Issue Price: | 98.972 per cent. of the Aggregate Nominal Amount plus accrued interest from 28 April 2016 |
| 6. | Specified Denominations: | |
| | i. Specified Denominations: | 20,000,000 |
| | ii. Calculation Amount: | 20,000,000 |
| 7. | | |
| | i. Issue Date: | 22 December 2016 |
| | ii. Interest Commencement Date: | Issue Date |
| 8. | | |

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| i. | Maturity Date: | 28 April 2022 |
| ii. | Extended Maturity Date: | Applicable
The Extended Maturity Date is 28 April 2025 |
| 9. | | |
| i. | Interest Basis to Maturity Date: | Inflation Linked Interest |
| ii. | Interest Basis from Maturity Date to
Extended Maturity Date: | Inflation Linked Interest |
| 10. | Redemption/Payment Basis: | One payment of principal at Maturity Date |
| 11. | Change of Interest Basis or
Redemption/Payment Basis: | Not Applicable |
| 12. | Investor Put/Issuer Call: | Not Applicable |
| 13. | Status of the Covered Bonds: | Senior secured |
| 14. | Approval for Issuance of the Covered Bonds: | Date of Board approval for issuance of Covered Bonds
obtained: 8 December 2016 |
| 15. | Method of Distribution: | Non-syndicated |
| 16. | Calculation Agent: | Issuer |

PROVISIONS RELATING TO INFLATION LINKED ANNUITY COVERED BONDS

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| 17. | Inflation Linked Annuity Covered Bonds: | Not Applicable |
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PROVISIONS RELATING TO INFLATION LINKED EQUAL PRINCIPAL PAYMENT COVERED BONDS INCLUDING COVERED BONDS WITH ONE PAYMENT OF PRINCIPAL ON MATURITY DATE

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| 18. | Inflation Linked Equal Principal Payment
Covered Bonds: | Applicable |
| i. | Rate(s) of Interest to Maturity Date: | 3.0 per cent. per annum payable annually in arrears |
| ii. | Rate(s) of Interest from Maturity Date to
Extended Maturity Date: | 3.5 per cent. per annum payable annually in arrears |
| iii. | Number of Interest Payment Dates: | 6 |
| iv. | Interest Payment Date(s): | The 28th day in the month of April in each year up to
and including the Maturity Date. |
| v. | Number of Principal Payment Dates: | 1 |

vi. Principal Payment Date(s):	Maturity Date
vii. Day Count Fraction:	30/360
viii. Base Index:	Means 425.97, being the value of the CPI on 28 April 2015.

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

19. Fixed Rate Covered Bond Provisions:	Applicable
i. Rate(s) of Interest to Maturity Date:	3.0 per cent. per annum payable annually in arrears
ii. Rate(s) of Interest from Maturity Date to Extended Maturity Date:	3.5 per cent. per annum payable annually in arrears
iii. Interest Payment Date(s):	28 April in each year up to and including the Maturity Date and up to and including the Extended Maturity Date if applicable.
iv. Day Count Fraction:	30/360
v. Other terms relating to the method of calculating interest for Fixed Rate Covered Bonds:	None
20. Floating Rate Covered Bond Provisions:	Not Applicable
21. Zero Coupon Covered Bond Provisions:	Not Applicable

PROVISIONS RELATING TO REDEMPTION

22. Issuer Call:	Not Applicable
23. Investor Put:	Not Applicable
24. Final Redemption Amount of each Covered Bond:	The Principal Amount Outstanding at Maturity Date
25. Early Redemption Amount of each Covered Bond payable on redemption and/or the method of calculating the same (if required or if different from that set out in Condition 8.7 (a)):	As set out in Condition 8.7 (a)

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

26. New Global Covered Bond:	No
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27.	Form of Covered Bonds:	VS System Covered Bonds
28.	Additional Financial Centre(s) or other special provisions relating to Payment Days:	Not Applicable
29.	Talons for future Coupons or Receipts to be Attached to definitive Covered Bonds (and dates on which such Talons mature):	No
30.	Details relating to Partly Paid Covered Bonds: 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 Covered Bonds and interest due on late Payment:	Not Applicable
31.	Details relating to Instalment Covered Bonds:	
	i. Instalment Amount(s):	Not Applicable
	ii. Instalment Date(s):	Not Applicable
32.	Redenomination applicable:	Redenomination not applicable
33.	i. Swap Provider:	Not Applicable
	ii. Nature of Swap:	Not Applicable
34.	Other final terms:	Not Applicable

DISTRIBUTION

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.	U.S. 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 Covered Bonds described herein *to be admitted to trading* pursuant to the ISK 100,000,000,000 Covered Bond 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 blue ink is written over a horizontal dotted line. The signature is cursive and appears to be 'Hrafnhildur Gunnarsson'.

Duly authorized

PART B – OTHER INFORMATION

1. LISTING

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| i. Listing: | Nasdaq Iceland |
| ii. Admission to trading: | Application has been made for the Covered Bonds 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 Covered Bonds has an interest material to the issue.

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

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| i. Use of proceeds: | For general funding purposes of the Issuer and for the purpose of market-making |
| ii. Estimated net proceeds: | 352,956,493 |
| iii. Estimated total expenses: | 215,000 |

6. YIELD *(Fixed Rate Covered Bonds Only)*

Indication of yield:	3.21%
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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 Covered 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 Covered Bonds and Inflation Linked Equal Principal Payment Covered Bonds Only)*

The Covered Bonds are inflation linked and the reference index is the consumer price index in Iceland for indexation of financial obligations (CPI) calculated and published by Statistics Iceland. Information on the CPI index can be found on the Statistics Iceland's website: <http://www.statice.is/statistics/economy/prices/consumer-price-index/>

9. OPERATIONAL INFORMATION

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| i. | ISIN Code: | IS0000025856 |
| ii. | Common Code: | LBANK CBI 22 |
| 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
Laugavegur 182, 105 Reykjavik, Iceland
Reg. No. 500797-3209 |
| 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 |