

Supplement dated 11 November 2015  
to the Base Prospectus dated 9 December 2014

**Landsbankinn hf.**  
**(incorporated in Iceland as a limited liability company)**  
**ISK 100,000,000,000**  
**Covered Bond Programme**

This supplement (“Supplement”) to the base prospectus dated 9 December 2014 (“Base Prospectus”) constitutes a supplement for the purposes of Article 16 of Directive No. 2003/71/EC of the European Parliament and the Council of 4 November 2003 (“Prospectus Directive”) as amended. The Prospectus Directive has been implemented into Icelandic law and the Supplement is prepared in accordance with Article 46 of the Securities Transactions Act No. 108/2007 (“Act on Securities Transactions”). This supplement is supplemental to, forms part of and must be read and construed in conjunction with, the Base Prospectus, and supplements to the Base Prospectus dated 24 March 2015, 1 June 2015 and 25 August 2015.

The Base Prospectus has been issued by Landsbankinn hf. (“Issuer”) in respect of a ISK 100,000,000,000 Covered Bond Programme (“Programme”) and is dated 9 December 2014.

The Supplement and the Base Prospectus are available on the Issuer’s website, [www.landsbankinn.is](http://www.landsbankinn.is) (<http://www.landsbankinn.is/sertryggd-skuldabref>). Investors can request printed copies of the Base Prospectus and any supplements free of charge at the Issuer’s registered office at Austurstræti 11, 155 Reykjavík, Iceland.

Terms given a defined meaning in the Base Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Supplement. To the extent that there is any inconsistency between a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement and b) any other statement in or incorporated by reference into the Base Prospectus, the statements referred to in a) above shall prevail.

The Financial Supervisory Authority, Iceland (“FME”) in its capacity as competent authority under the Act on Securities Transactions has scrutinised and approved this Supplement, which is published in English only



**Landsbankinn hf.**  
**This Supplement is dated 11 November 2015**

## 1 ISSUER'S STATEMENT

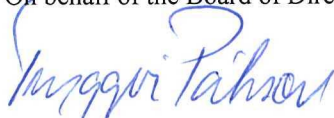
There have been no significant changes in the future prospects of the Issuer that could have a negative impact on the Issuer, since the last audited financial statements of the Issuer for the year 2014, published 26 February 2015.

There have been no significant changes in the financial position of the Issuer since the end of the last financial period for the first nine months of 2015, published 5 November 2015.

The Board of Directors and Chief Executive Officer of Landsbankinn hf., Reg. No. 471008-0280, registered office at Austurstræti 11, 155 Reykjavík, Iceland, on behalf of the Issuer, hereby declare, that having taken all reasonable care to ensure that such is the case, the information contained in this Supplement is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

Reykjavík, 11 November 2015

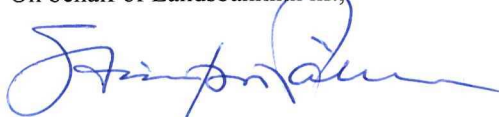
On behalf of the Board of Directors,



Tryggvi Pálsson

Chairman of the Board of Directors

On behalf of Landsbankinn hf.,



Steinþór Pálsson

Chief Executive Officer

## 2 INCORPORATION BY REFERENCE

The following document which has previously been published shall be incorporated in, and form part of this Supplement:

- i) The Condensed Consolidated Interim Financial Statements of the Issuer for the nine months ended 30 September 2015.

The Condensed Consolidated Interim Financial Statements for the first nine months ended 30 September 2015 are available for viewing on the Issuer's website, [www.landsbankinn.is](http://www.landsbankinn.is)

<http://corporate.landsbankinn.com/uploads/documents/arsskyrsluroguppjor/Consolidated-Financial-Report-Q3-2015.pdf>

Following is an extract for the Condensed Consolidated Interim Financial Statement for the first nine months ended 30 September 2015 displaying the endorsement of the Issuer's Board of Directors and the CEO.

The Condensed Consolidated Interim Financial Statements of Landsbankinn hf. (the "Bank" or "Landsbankinn") for the first nine months of 2015 include the Bank and its subsidiaries (collectively referred to as the "Group").

Landsbankinn was founded on 7 October 2008. The Bank is a leading bank in the domestic market and offers a complete range of financial products and services to personal, corporate and institutional customers.

## Operations

Consolidated profit amounted to ISK 24,413 million for the first nine months of the financial year 2015. Consolidated total equity amounted to ISK 252,484 million and total assets amounted to ISK 1,175,804 million at the end of this period. The capital adequacy ratio of the Group, calculated according to the Act on Financial Undertakings, was 29.2% at the end of the third quarter of 2015.

On 15 October 2015, the Supreme Court ruled in favour of the Bank in two cases where a company disputed the right of the Bank to receive additional payment as a result of recalculations of foreign currency indexed loans in accordance with Central Bank interest rates instead of contractual interest rates in accordance with final receipts. The Supreme Court concluded that conditions for the exception from the legal right to receive additional payment had not been met since the difference in the comparative position between the parties was insignificant and the additional claim would not cause a serious disruption to the company's financial position comparable to the impact that such claims would have on an individual or small enterprise. The effect of the ruling on these Financial Statements results in a reversal of previously recognised expenses in the amount of ISK 9,145 million in the consolidated income statement at the end of the third quarter of 2015 (see Note 3).

On 21 September 2015, the Bank and the Winding-up Board of LBI hf. reached an agreement whereby, *inter alia*, the Bank commits itself to prepay during 2015 the earlier maturities of the senior secured foreign currency bonds issued by the Bank to LBI hf. The amount for prepayment is equivalent to ISK 47,000 million. The prepayment was subject to the Bank concluding a refinancing arrangement under acceptable conditions. This agreement in hand, the Bank concluded a successful series of fixed income investor meetings in Europe, arranged by three major international banks. Following the investor meetings, the Bank issued EUR 300 million in senior unsecured bonds, equivalent to ISK 42,600 million, on 12 October 2015. Following this issuance an additional prepayment of ISK 22,000 is scheduled, provided the Winding-up Board of LBI hf. finalizes a composition agreement with the payment of a stability contribution (see Notes 19 and 26).

On 4 September 2015, the Bank took over all assets, liabilities and operations of Sparisjóður Norðurlands ses., a local savings bank in North Iceland, in accordance with a merger agreement between Landsbankinn hf. and Sparisjóður Norðurlands ses. As remuneration for the assets and liabilities taken over by the Bank, the guarantee capital owners of the savings bank received shares in Landsbankinn. The acquisition price of the savings bank was ISK 594 million, which was equivalent to 0.25% of issued share capital of the Bank (see Note 5).

## Risk management

The Bank's core operations are sound and have been improving in recent years. Processes are being revised on a continuous basis to improve risk management, efficiency and customer relationship management. The ratio of non-performing loans has decreased and borrower credit quality of performing loans has increased in the third quarter of 2015. The Bank's liquidity position remains strong and total market risk has remained stable.

On 8 June 2015, the Government of Iceland announced a comprehensive strategy for capital account liberalisation. A major milestone of that strategy was reached on 28 October 2015, when the Central Bank of Iceland made public its opinion that the draft composition agreements submitted by the estates of the three failed Icelandic banks satisfy the requirements set forth in the Foreign Exchange Act, to the extent that the implementation of the composition agreements together with the proposed mitigating measures will not jeopardise monetary, exchange rate, or financial stability. Landsbankinn expects that implementation of the composition agreements will lead to an outflow of deposits, reducing the Bank's balance sheet by up to 10%. The Bank is well prepared to withstand the expected outflow and aims to maintain liquidity ratios comfortably above regulatory requirements.

The Financial Supervisory Authority (FME) has concluded its latest Supervisory Review and Evaluation Process (SREP), based on data from 31 December 2014, whereby the FME determined the minimum capital requirement for the Group to be 14.3%, consisting of the 8% regulatory capital requirement under Pillar I and a 6.3% capital requirement under Pillar II. In addition to these capital requirements, new legislation entered into force during the third quarter of 2015, implementing capital buffer requirements under the European Union Capital Requirements Directive (EU CRD) IV. The aggregate of different capital buffers is determined to be 7.5% and, as a result, the total capital requirement plus capital buffers is set at 21.8% (see Note 27).

## **Outlook**

The forecast of Landsbankinn Economic Research and Statistics Iceland for GDP growth in 2015 remains unchanged since the second quarter of 2015, while the Central Bank has revised its forecast upwards. There is still a strong consensus amongst forecasters for robust growth: Landsbankinn Economic Research expects 4.3% GDP growth in 2015, the Central Bank of Iceland forecasts 4.6% and Statistics Iceland 3.8%.

## **Statement by the Board of Directors and the CEO**

The Condensed Consolidated Interim Financial Statements of Landsbankinn hf. for the first nine months ended 30 September 2015 have been prepared on a going concern basis in accordance with International Financial Reporting Standards as adopted by the EU.

In our opinion, the Condensed Consolidated Interim Financial Statements of Landsbankinn hf. give a true and fair view of the consolidated financial performance of the Group for the first nine months of 2015, its consolidated financial position as at 30 September 2015 and its consolidated cash flows for the first nine months of 2015.

Furthermore, in our opinion, the Condensed Consolidated Interim Financial Statements of Landsbankinn hf. and Endorsement of its Board of Directors and CEO give a fair view of the development and performance of the Group's operations and its position and describe the principal risks and uncertainties faced by the Group.

The Board of Directors of the Bank and Chief Executive Officer hereby endorse the Condensed Consolidated Interim Financial Statements of Landsbankinn hf. for the first nine months ended 30 September 2015.

Reykjavík, 5 November 2015.