

Supplement dated 25 August 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 and 1 June 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/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 25 August 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 six months of 2015, published 20 August 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, 25 August 2015

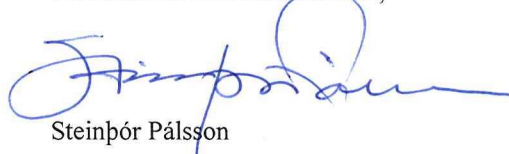
On behalf of the Board of Directors,



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 six months ended 30 June 2015.

The Condensed Consolidated Interim Financial Statements for the first six months ended 30 June 2015 are available for viewing on the Issuer's website, www.landsbankinn.is

(<http://www.landsbankinn.is/uploads/documents/arsskyrsluroguppjor/Consolidated-Financial-Report-H1-2015.pdf>)

Following is an extract for the Condensed Consolidated Interim Financial Statement for the first six months ended 30 June 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 six 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 12,405 million for the first six months of the financial year 2015. Consolidated total equity amounted to ISK 239,852 million and total assets amounted to ISK 1,172,669 million at the end of this period. The capital adequacy ratio of the Group, calculated according to the Act on Financial Undertakings, was 28.0% at the end of the second quarter of 2015.

In July 2015, the international rating agency Standard and Poor's (S&P) raised both the long and short term rating grades of Landsbankinn from BB+/B to BBB-/A-3 with a positive outlook. This upgrade is consistent with recent improvement to the sovereign's credit rating grade which resulted from the introduction of proposals toward the eventual removal of capital controls.

On 30 June 2015, the Bank and Sparisjóður Norðurlands ses., a local savings bank in the north of Iceland, jointly signed a schedule for a merger of the two entities. (see Note 25).

On 29 March 2015, the Bank took over all assets, liabilities and operations of Sparisjóður Vestmannaeyja ses., the local savings bank in Vestmannaeyjar, in accordance with the decision of the Financial Supervisory Authority (FME) on the merger of these two entities. The acquisition price of the savings bank was ISK 332 million, paid to guarantee capital owners of the savings bank in the form of shares in Landsbankinn equivalent to 0,14% of the issued share capital of Landsbankinn.

All the material cases that were reported open and not concluded at year-end 2014 in the litigation section of the Group's Consolidated Financial Statements for the year 2014, and in the litigation section of the Group's Condensed Consolidated Interim Financial Statements for the three months ended 31 March 2015, are still open at the end of the second quarter of 2015. Some of these cases may have a greater impact on the amounts disclosed in the Group's Financial Statements than others (see Note 22).

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 as well as borrower credit quality of performing loans has remained steady in the second quarter of 2015. The Bank's liquidity position remains strong and total market risk continued to decrease.

Outlook

There is a strong consensus amongst forecasters for robust growth in 2015: Landsbankinn Economic Research expects 4.3% GDP growth in 2015, the Central Bank of Iceland forecasts 4.2% and Statistics Iceland 3.8%.

Other matters

The Bank's 2015 Annual General Meeting (AGM) authorised Landsbankinn to acquire up to 10% nominal value of own shares. This authorisation is valid until the AGM of the Bank in 2016. Allocation of own shares purchased based on this authorisation is subject to the approval of a shareholders' meeting. The minimum and maximum amounts the Bank is authorised to pay for each share shall be equivalent to the ratio of equity, held by the Bank's shareholders, to share capital as disclosed in the most recent annual or interim financial statement published prior to the purchase of own shares.

Statement by the Board of Directors and the CEO

The Condensed Consolidated Interim Financial Statements of Landsbankinn hf. for the first six months ended 30 June 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 six months of 2015, its consolidated financial position as at 30 June 2015 and its consolidated cash flows for the first six 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 six months ended 30 June 2015.

Reykjavík, 20 August 2015.