

Supplement dated 1 June 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 a supplement to the Base Prospectus dated 24 March 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 1 June 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 date of 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 three months of 2015 published 11 May 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, 1. June 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 three months ended 31 March 2015.

The Condensed Consolidated Interim Financial Statements for the first three months ended 31 March 2015 are available for viewing on the Issuer's website, www.landsbankinn.is

(<http://bankinn.landsbankinn.is/uploads/documents/arsskyrsluroguppjor/Consolidated-Financial-Report-Q1-2015.pdf>)

Following is an extract for the Condensed Consolidated Interim Financial Statement for the first three months ended 31 March 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 three 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 6,412 million for the first three months of the financial year 2015. Consolidated total equity amounted to ISK 233,860 million and total assets amounted to ISK 1,172,380 million at the end of this period. The capital adequacy ratio of the Group, calculated according to the Act on Financial Undertakings, was 26.7% at the end of the first quarter of 2015.

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 activities and operations of the savings bank are currently being integrated into that of Landsbankinn. The acquisition price of the savings bank was ISK 332 million, subject to certain conditions. As a consideration, previous owners receive shares in 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 are still open at the end of the first quarter of 2015. Some of these cases may have a greater impact on the amounts disclosed in the Group's Financial Statements than others. The cases of greatest importance relate, on the one hand, to the recalculation of foreign currency indexed loans and, on the other, to the inflation-indexation of financial obligations. In the former, the comparative position between the Bank against the customer and the disruptive impact on the corporate customer's financial position are being disputed. In November 2014, the Bank was acquitted in two separate cases at the district court level. In the latter, the legitimacy of information disclosure by the Bank and consumer price indexation provisions of financial obligations is being disputed. The EFTA Court submitted its advisory opinion on the latter, leaving final judgment in the hands of the national courts. In February 2015, the Reykjavík District Court, in two comparable cases, rejected the argument that provisions on consumer price indexation of loan agreements should be declared null and void.

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 continued to decrease during the first quarter of 2015 while the borrower credit quality of performing loans is unchanged. The Bank's liquidity position remains strong and market risk has been reduced significantly as a result of the sale of equity positions.

Outlook

Statistics Iceland estimates a 1.9% growth in gross domestic product (GDP) in 2014. Conversely, national expenditure increased by 5.3%, thereof consumption by 3.9% and capital formation by 13.7%. 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

On 25 March 2015, the Bank paid dividends for the operating year 2014 to its shareholders in accordance with a resolution passed at the Bank's Annual General Meeting on 18 March 2015. Dividends amounted to ISK 23,687 million, equivalent to ISK 1.00 per share for the year 2014, or 80% of net profit for the year 2014.

The Bank's 2015 Annual General Meeting authorised Landsbankinn to acquire up to 10% nominal value of own shares. This authorisation is valid until the AGM of the Bank 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.

Following the conclusion of an agreement between Landsbankinn hf. and the Board of Directors of Sparisjóður Vestmannaeyja ses. dated 28 March 2015 and the decision of the Financial Supervisory Authority (FME) on the following day on the merger of these companies, a shareholders' meeting of Landsbankinn hf. was convened on Monday, 4 May 2015. The shareholders' meeting agreed to authorise Landsbankinn hf. to allocate own shares as a consideration for the acquisition of other Icelandic financial undertakings or the merger of such companies with the Bank.

Statement by the Board of Directors and the CEO

The Condensed Consolidated Interim Financial Statements of Landsbankinn hf. for the first three months ended 31 March 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 three months of 2015, its consolidated financial position as at 31 March 2015 and its consolidated cash flows for the first three 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 three months ended 31 March 2015.

Reykjavík, 11 May 2015.

3. THE ISSUER'S LICENCE TO ISSUE COVERED BONDS

On 29 April 2013 the FME granted the Issuer a licence to issue Covered Bonds under the Act on Covered Bonds. Pursuant to the terms of such a licence, the Issuer is able, from time to time, to issue Covered Bonds that entitle the holder to the benefit of a statutory preferred creditor status in respect of the assets contained in the Issuer's Cover Pool in the event of the insolvency of the Issuer.

On 19 May 2015 FME authorised the Issuer to exceed the size limit of the Covered Bonds programme from ISK 10,000,000,000 to ISK 30,000,000,000. The result of the increased authorisation from FME requires an update on the following sections and pages in the Issuer's Base Prospectus dated 9 December 2014: Cover page on page 1, *Definitions* on page 67, and *The Issuer's Licence to Issue Covered Bonds* on page 98.

The following wording shall replace the wording in the second paragraph of the Cover page on page 1 in the Base Prospectus dated 9 December 2014:

The Covered Bonds may be issued in bearer form ("**Bearer Covered Bonds**"), registered form ("**Registered Covered Bonds**"), uncertificated book entry form cleared through the Icelandic Securities Depository (the "**ISD**") or any other clearing system as decided by the Issuer ("**VS System Covered Bonds**"). The maximum aggregate nominal amount of all Covered Bonds from time to time outstanding under the Programme will not exceed ISK 100,000,000,000 (or its equivalence in other currencies calculated as described herein). The Covered Bonds may be issued on a continuing basis. The Financial Supervisory Authority, Iceland (the "**FME**") granted the Issuer a licence dated 29 April 2013 to issue Covered Bonds. The Issuer should not in the beginning exceed a limit of ISK 10,000,000,000. Any increases of the Programme shall be subject to the FME approval. On 19 May 2015 FME authorised the Issuer to increase the size limit to ISK 30,000,000,000.

The following wording shall replace the wording in the paragraph "Programme" under the section "*Definitions*" on page 67 in the Base prospectus dated 9 December 2014:

Programme

ISK 100,000,000,000 (or its equivalence in other currencies calculated as described herein) covered bond programme established by the Issuer on the Issue Date which shall in the beginning not exceed a limit of ISK 10,000,000,000. Any increases of the Programme shall be subject to the

FME approval. On 19 May 2015 FME granted the Issuer a licence to increase the size limit to ISK 30,000,000,000.

The following paragraph shall replace the wording under the section “*The Issuer’s Licence to Issue Covered Bonds*” on page 98 in the Base Prospectus dated 9 December 2014:

Paragraph (a)

The Programme shall not exceed a limit of ISK 10,000,000,000. Any further increase of the Programme is subject to the approval of the FME. On 19 May 2015 FME granted the Issuer a licence to increase the size limit to ISK 30,000,000,000.

Paragraph (d)

The Independent Inspector shall semi annually file a report to the FME regarding his supervision duties. The report shall be filed every six months from the Issue Date and shall contain information stipulated in Paragraph 3 of Article 16 of the Rules on Covered Bonds. This requirement shall be revised twelve months from the Issue Date of the Covered Bonds. FME revised this requirement on 11 June 2014 and the Independent Inspector shall, according to the revision, file its report to the FME every six months.