

Supplement dated 1 November 2016
to the Base Prospectus dated 9 December 2015

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

This supplement (the “Supplement”) to the base prospectus dated 9 December 2015 (the “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 (the “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 (the “Act on Securities Transactions”). This supplement is supplemental to, forms part of and must be read and construed in conjunction with, the Base Prospectus dated 9 December 2015, and supplements to the Base Prospectus dated 2 March 2016, 18 April 2016, 26 May 2016 and 15 August 2016.

The Base Prospectus has been issued by Landsbankinn hf. (the “Issuer”) in respect of an ISK 100,000,000,000 Covered Bond Programme (the “Programme”) and is dated 9 December 2015.

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 (the “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 November 2016

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 2015, published 25 February 2016.

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 2016, published 27 October 2016.

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 November 2016

On behalf of the Board of Directors,



Helga Björk Eiríksdóttir

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 2016.

The Condensed Consolidated Interim Financial Statements for the nine months ended 30 September 2016 are available for viewing on the Issuer's website, www.landsbankinn.is

<https://bankinn.landsbankinn.is/uploads/documents/arsskyrsluroguppjor/Consolidated-Financial-Report-Q3-2016.pdf>

Following is an extract for the Condensed Consolidated Interim Financial Statements for the nine months ended 30 September 2016 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 2016 include the Bank and its subsidiaries (collectively referred to as the "Group").

Landsbankinn hf. was established on 7 October 2008. The Bank is a leading provider of financial services in the domestic market, offering a comprehensive range of financial products and services to individuals, corporate and institutional customers.

Operations

Consolidated profit amounted to ISK 16,400 million for the first nine months of the financial year 2016. Consolidated total equity amounted to ISK 251,146 million and total assets to ISK 1,133,802 million at the end of this period. The capital adequacy ratio of the Group, calculated according to the Act on Financial Undertakings, was 29.1% at the end of the third quarter of 2016.

On 25 October 2016, the international credit rating agency Standard and Poor's (S&P) upgraded Landsbankinn's long- and short-term ratings from BBB-/A-3 to BBB/A-2 with a positive outlook. The upgrade recognises the positive progress towards liberalisation of capital controls in Iceland and improvement in the operating environment of the Icelandic banks, with falling private sector leverage and improved access to foreign debt capital markets. Last but not least, the upgrade acknowledges the material improvement in Landsbankinn's capital position.

In April 2016, Landsbankinn closed a second tranche of its floating rate notes in NOK and SEK under the Bank's EMTN programme with tap issues in the amount of NOK 250 million and SEK 100 million respectively. The bonds were sold at terms equivalent to NIBOR + 2.5% and STIBOR + 2.5% respectively. The aggregate nominal amounts of the notes series, NOK 500 million and SEK 350 million, mature in June 2019.

In September 2016, the Bank issued EUR 500 million in senior unsecured bonds under the Bank's EMTN programme. The bonds have a 4.5 year maturity with a fixed 1.625% coupon rate and were priced at terms equivalent to a 190 basis point spread above mid-swaps in euros. The proceeds of this bond series were used to refinance partially the 2020 maturity and fully refinance the 2022 and 2026 maturities of the senior secured bond series issued to LBI hf., in addition to strengthening the Bank's liquidity further.

Risk management

Macroeconomic conditions have continued to improve during the current year. At the same time, non-performing loans have decreased and the borrower credit quality of performing loans has improved. The Group's liquidity position remains strong; the liquidity coverage ratio in total and for foreign currencies was well above regulatory requirements at the end of the third quarter of 2016. Market risk has remained stable as the Bank has reduced open positions in foreign currency. Total economic capital has decreased by 0.5% during the year, mainly due to better credit quality of borrowers. The Bank implemented two new risk models during the current year; a corporate rating model and a model for interest rate risk in its banking book.

Outlook

Landsbankinn Economic Research forecasts GDP growth in Iceland of 5.4% in 2016, 4.3% in 2017 and 4.4% in 2018. The Central Bank has recently upgraded its forecast for 2016 from 4.5% to 4.9% and predicts average growth of 3.4% in 2017 and 2018. Increased investment and private consumption are expected to be the principal drivers of growth in coming years. Landsbankinn Economic Research predicts inflation will remain below the Central Bank's 2.5% inflation target in 2016, but will increase next year and peak at close to 4% during the first half of 2017 due to substantial general wage increases.

Profit in the third quarter of 2016 is significantly lower than in the third quarter of the previous year. The decrease year-over-year is mainly the result of lower net income from extraordinary items and lower net operating income. The same applies when the first nine months of 2016 and 2015 are compared. The Bank continues to focus on the execution of its strategy to ensure sustainable, long-term profitability.

Other matters

At Landsbankinn's Annual General Meeting (AGM) on 14 April 2016 a resolution was passed to pay a dividend for the year ended 31 December 2015 in the amount of ISK 28,538 million on the outstanding shares or ISK 1.20 per share. The dividend was to be paid in two equal instalments, on 20 April 2016 and 21 September 2016, to the parties registered as shareholders on 14 April 2016. A dividend in the amount of ISK 0.6 per share was subsequently paid on 20 April 2016 and the remainder of the dividend payment of ISK 0.6 per share was paid on 21 September 2016.

On 15 September 2016, the Bank's Board of Directors decided to offer to buy back own shares in the Bank, in accordance with a resolution passed by the Bank's AGM on 14 April 2016. These buy backs will amount to a maximum of 480 million shares, or the equivalent of 2% of issued share capital. The objective of the buy-back programme is to reduce the Bank's equity while at the same time offering shareholders an opportunity to sell

their shares in the Bank in a transparent manner, as restrictions on the transfer of shares expired on 1 September 2016.

Subsequently the Bank announced it would purchase shares from shareholders in accordance with a buy-back programme during three specified periods: from 19 September 2016 to 30 September 2016, from 31 October 2016 to 9 December 2016 and from 13 February 2017 to 24 February 2017.

In accordance with the AGM's decision, Landsbankinn will offer to buy back each share during these three specified periods at a share price determined by the internal value of the Bank's shares, according to its most recently published results prior to the commencement of the buy-back period concerned. The purchase price of the shares may therefore change between buy-back periods depending upon the outcome of the Bank's latest quarterly or annual results.

In the first buy-back period, from 19 September to 30 September, the Bank acquired ISK 119.8 million own shares at a share price of ISK 10.3966, for a total amount of ISK 1,245 million.

Statement by the Board of Directors and CEO

The Condensed Consolidated Interim Financial Statements of Landsbankinn hf. for the first nine months ended 30 September 2016 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 2016, its consolidated financial position as at 30 September 2016 and its consolidated cash flows for the first nine months of 2016.

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 2016.

Reykjavik, 27 October 2016