

Supplement dated 8 November 2017
to the Base Prospectus dated 8 December 2016

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 8 December 2016 (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 8 December 2016 and a supplement to the Base Prospectus dated 15 February 2016 and 6 March 2017.

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 8 December 2016.

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 8 November 2017

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 2016, published 9 February 2017.

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 2017, published 26 October 2017.

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, 8 November 2017

On behalf of the Board of Directors,



Helga Björk Eiríksdóttir

Chairman of the Board of Directors

On behalf of Landsbankinn hf.,



Lilja Björk Einarsdóttir

Chief Executive Officer

2 CHANGES IN CREDIT RATING

On 25 October 2017 Landsbankinn announced that Standard & Poor's ("S&P") had upgraded Landsbankinn's rating from BBB/A-2 to BBB+/A-2 with a "stable outlook".

The following wording shall replace the fourth paragraph in the chapter "Overview" under the section "*Description of the Issuer*" on page 117, in the Base prospectus, dated 8 December 2016:

On 25 October 2017, the international rating agency Standard & Poor's ("S&P") upgraded the rating of the Issuer from BBB/A-2 to BBB+/A-2, with a "stable outlook". The previous rating was from October 2016, where S&P raised both the long term and short term rating of the Issuer from BBB-/A-3 to BBB/A-2, "with positive outlook".

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 27 February 2017, FME authorised the Issuer to increase the size limit of the Covered Bonds programme from ISK 50,000,000,000 to ISK 75,000,000,000. On 1 November 2017, FME authorised the Issuer to further increase the size limit of the Covered Bond programme from ISK 75,000,000,000 to ISK 120,000,000,000. The result of the increased authorisation from FME requires an update on the following sections and pages in the Issuer's Base Prospectus dated 8 December 2016: Cover page, *Definitions* on page 68, and *The Issuer's Licence to Issue Covered Bonds* on page 105.

The following wording shall replace the wording in the second paragraph of the Cover page on in the Base Prospectus dated 8 December 2016:

The Covered Bonds may be issued in bearer form (“**Bearer Covered Bonds**”), registered form (“**Registered Covered Bonds**”), uncertificated book entry form cleared through the Nasdaq Central Securities Depository Iceland hf. (the “**NCSD**”) 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. Any increases of the Programme shall be subject to the FME approval. On 1 November 2017, FME authorised the Issuer to increase the size limit from ISK 75,000,000,000 to ISK 120,000,000,000.

The following wording shall replace the wording in the paragraph “Programme” under the section “*Definitions*” on page 68 in the Base prospectus dated 8 December 2016:

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 not exceed a limit of ISK 120,000,000,000. Any increases of the Programme shall be subject to the FME approval.

The following paragraph shall replace the wording under the section “*The Issuer’s Licence to Issue Covered Bonds*” on page 105 in the Base Prospectus dated 8 December 2016:

Paragraph (a)

The Programme shall not exceed a limit of ISK 120,000,000,000. Any further increase of the Programme is subject to the approval of the FME.

4 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 first nine months ended 30 September 2017.

The Condensed Consolidated Interim Financial Statements for the first nine months ended 30 September 2017 are available for viewing on the Issuer’s website, www.landsbankinn.is

<https://bankinn.landsbankinn.is/uploads/documents/arsskyrsluroguppjor/Consolidated-Financial-Report-Q3-2017-IS.pdf>

Following is an extract for the Condensed Consolidated Interim Financial Statements for the nine months ended 30 September 2017 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 2017 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 16,841 million for the first nine months of the financial year 2017. Consolidated total equity amounted to ISK 243,132 million and total assets to ISK 1,198,958 million at the end of this period. The total capital ratio of the Group, calculated according to the Act on Financial Undertakings, was 26.8% at the end of the third quarter of 2017.

On 25 October 2017, the international rating agency S&P Global Ratings upgraded Landsbankinn's credit rating from BBB/A-2 to BBB+/A-2 with a stable outlook. The stable outlook reflects S&P's expectation that domestic economic development will continue to remain supportive and that Landsbankinn will maintain very strong risk-adjusted capitalisation.

Risk factors

Loans to customers have increased so far this year. Despite increased lending, credit quality has been stable during the first nine months of 2017 and there is a negligible increase in the overall credit risk profile of the Bank's loan portfolio. Loan impairments are expected to remain low because of ongoing efforts to improve credit quality. The Group's Liquidity coverage ratio (LCR) was 158% and the Group's net stable funding ratio (NSFR) in foreign currency was 184% as at 30 September 2017. The Group's liquidity and funding ratios are above minimum regulatory requirements and within the parameters of the Bank's risk appetite.

Outlook

In its revised forecast dated last May, Landsbankinn Economic Research (LER) assumes that economic growth will be 6.7% this year, then decrease to 3.5% next year and 2.6% in 2019. In the last few months, inflation has been lower than LER anticipated even though the Icelandic *króna* (ISK) has been weaker. This can largely be explained by increased competition in the retail market, which has impacted the prices of various goods more than generally expected. Last May, LER forecast that inflation would exceed the inflation target by a small margin in Q4 2017 and Q1 2018. The probability of that happening has diminished considerably and LER's current forecast holds that inflation will remain below target in the next quarters.

The Bank continues to focus on the execution of its strategy to ensure sustainable, long-term profitability. Profit in Q3 of 2017 is lower than in the same quarter of the previous year; however, profit for the first nine months of 2017 increased marginally year-over-year and the outlook for the full year remains positive.

Statement by the Board of Directors and the CEO

The Condensed Consolidated Interim Financial Statements of Landsbankinn hf. for the nine months ended 30 September 2017 have been prepared on a going-concern basis in accordance with International Financial Reporting Standards as adopted by the European Union.

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 2017, its consolidated financial position as at 30 September 2017 and its consolidated cash flows for the first nine months of 2017.

Furthermore, in our opinion, the Condensed Consolidated Interim Financial Statements of Landsbankinn hf. 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 nine months ended 30 September 2017.

Reykjavík, 26 October 2017