

Supplement dated 27 July 2018
to the Base Prospectus dated 13 April 2018

Landsbankinn hf.
(incorporated in Iceland as a limited liability company)
ISK 120,000,000,000
Covered Bond Programme

This supplement (the “Supplement”) to the base prospectus dated 13 April 2018 (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 13 April 2018 and a supplement to the Base Prospectus dated 9 May 2018.

The Base Prospectus has been issued by Landsbankinn hf. (the “Issuer”) in respect of an ISK 120,000,000,000 Covered Bond Programme (the “Programme”) and is dated 13 April 2018.

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 27 July 2018

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 2017, published 15 February 2018.

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 2018, published 26 July 2018.

Chief Executive Officer and Chief Financial 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, 27 July 2018

On behalf of Landsbankinn hf.,

Lilja Björk Einarsdóttir

Chief Executive Officer

Hreiðar Bjarnason

Chief Financial Officer

2. CREDIT RATING AFFIRMED

On 17 July 2018, Standard & Poor's ("S&P") announced an affirmation of Landsbankinn's long-term and short-term rating, BBB+/A-2, with an unchanged stable outlook.

The following wording shall replace the fourth paragraph in the chapter "Overview" under the section "*Description of the Issuer*" on page 115, in the Base Prospectus, dated 13 April 2018:

On 17 July 2018, the International rating agency Standard & Poor's ("S&P") affirmed the rating of the Issuer, BBB+/A-2, with an unchanged stable outlook. The previous rating was from October 2017, where S&P raised the long term rating from BBB/A-2, with "positive outlook", to BBB+/A-2, with a "stable outlook".

3. 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 2018.

The Condensed Consolidated Interim Financial Statements for the first six months ended 30 June 2018 are available for viewing on the Issuer's website, www.landsbankinn.is

<https://bankinn.landsbankinn.is/uploads/documents/arsskyrsluguppjor/Consolidated-Financial-Report-H1-2018-IS.pdf>

Following is an extract for the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2018 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 2018 include the Bank and its subsidiaries (collectively referred to as the "Group").

Landsbankinn is a leading provider of financial services in Iceland, offering a comprehensive range of financial products and services to individuals, corporates and institutional customers.

Operations

Consolidated profit amounted to ISK 11,613 million for the first six months of the financial year 2018. Consolidated total equity amounted to ISK 232,113 million and total assets to ISK 1,249,853 million at the end of this period. The total capital ratio of the Group, calculated according to the Act on Financial Undertakings, was 24.1% at the end of the second quarter of 2018.

Risk factors

The Group's risk factors have generally been within the Group's risk appetite limits in 2018. Credit quality has improved as expected loss has decreased together with a slight drop in probability of default. Large exposures have risen to 31.8% of eligible capital, up by 10.3 percentage points from year-end 2017, with the single largest exposure equivalent to 19.2% of eligible capital, an increase of 7.8 percentage points from year-end 2017, while both remain within the Bank's risk appetite. The Group's liquidity position remains strong, with both liquidity and financing ratios well above regulatory minimums.

Outlook

Landsbankinn Economic Research forecasts 4.1% economic growth in 2018 and 2.4% growth in 2019 and 2020 - an average economic growth of 3.0% for the forecast period. The Central Bank of Iceland forecasts 3.3% growth in 2018 and an average economic growth of 3.0% for the period 2018 to 2020. Increasing investment and private consumption are expected to be the main drivers of economic growth in coming years. The inflation outlook is fairly stable up to the forecast horizon in 2020, with average inflation expected to hold close to the Central Bank's target in 2018, i.e. at 2.3%, and then to increase slightly in coming years to average 2.8% in 2019 and 2020.

Other matters

On 21 March 2018, Landsbankinn's Annual General Meeting (AGM) approved the Board's proposal to pay dividends to shareholders for the operating year 2017 in the amount of ISK 15,366 million, or ISK 0.65 per share. The dividend corresponds to 78% of net profit for the operating year and is in line with the Bank's policy to pay a dividend amounting to 60-80% of annual net profit. The dividend was paid to shareholders on 28 March 2018. The recommendation of the Board of Directors to pay an extraordinary dividend to shareholders in the amount of ISK 9,456 million, or ISK 0.40 per share, was also approved by the AGM. The extraordinary dividend is payable to shareholders on 19 September 2018.

On 1 January 2018, the Group implemented the international financial reporting standard IFRS 9 Financial Instruments. The reporting standard makes fundamental changes to the assessment of impairment on loans and receivables. Under the new standard, the assessment shall be based on expected credit losses rather than, as was the case under the previous standard, on incurred credit losses. The impact of IFRS 9 on the Group's financial statements is described in Note 4.

Statement by the Board of Directors and the CEO

The Condensed Consolidated Interim Financial Statements of Landsbankinn hf. for the six months ended 30 June 2018 have been prepared on a going-concern basis in accordance with International Financial Reporting Standards as adopted by the European Union and applicable Icelandic laws and regulations.

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 2018, its consolidated financial position as at 30 June 2018, and its consolidated cash flows for the first six months of 2018.

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 six months ended 30 June 2018.

Reykjavík, 26 July 2018