

Supplement dated 26 July 2019
to the Base Prospectus dated 3 April 2019

Landsbankinn hf.
(incorporated in Iceland as a limited liability company)
ISK 200,000,000,000
Covered Bond Programme

This supplement (the “Supplement”) to the base prospectus dated 3 April 2019 (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 3 April 2019, and supplements to the Base Prospectus dated 8 April 2019 and 10 May 2019.

The Base Prospectus has been issued by Landsbankinn hf. (the “Issuer”) in respect of an ISK 200,000,000,000 Covered Bond Programme (the “Programme”) and is dated 3 April 2019.

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 26 July 2019

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 2018, published 7 February 2019.

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 2019 published 25 July 2019.

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, 26 July 2019

On behalf of Landsbankinn hf.,

Lilja Björk Einarsdóttir

Chief Executive Officer

Hreiðar Bjarnason

Chief Financial Officer

2. CREDIT RATING AFFIRMED BUT REVISED OUTLOOK

On 23 July 2019, Standard & Poor's („S&P") announced an affirmation of Landsbankinn's long-term and short term credit rating of BBB+/A-2, but revised its outlook from stable to negative.

The following wording shall replace the fourth paragraph in the chapter „Overview“ under the section „Description of the Issuer“ on p. 122 in the Base Prospectus dated 3 April 2019:

On 23 July 2019, the International rating agency Standard & Poor's („S&P“) affirmed the long-term and short term rating of the Issuer as BBB+/A-2, with a negative outlook. The previous rating was from July 2018 where S&P affirmed the long-term and short-term rating of the Issuer BBB+/A-2 with an unchanged „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 2019.

The Condensed Consolidated Interim Financial Statements for the first six months ended 30 June 2019 are available for viewing on the Issuer's website, www.landsbankinn.is

<https://www.landsbankinn.com/uploads/documents/arsskyrsluroguppjor/Consolidated-Financial-Report-H1-2019-EN.pdf>

Following is an extract for the Consolidated Financial Statements for the first six months ended 30 June 2019, displaying the endorsement of the Issuer's Board of Directors and the CEO.

Landsbankinn is a leading financial institution in Iceland, offering a comprehensive range of financial services to individuals, corporates and investors. The Condensed Consolidated Interim Financial Statements of Landsbankinn hf. (the "Bank" or "Landsbankinn") for the first half of 2019 include the Bank and its subsidiaries (collectively referred to as the "Group").

Operations

Consolidated profit amounted to ISK 11,113 million for the first half of 2019. Consolidated total equity amounted to ISK 240,612 million and total assets to ISK 1,402,835 million at the end of this period. The total capital ratio of the Group, calculated according to the Act on Financial Undertakings, was 23.7% at the end of the period.

On 23 July 2019, the international rating agency S&P Global Ratings affirmed Landsbankinn's long-term and short-term issuer credit rating of BBB+/A-2, but revised its outlook from stable to negative.

Risk factors

The carrying amount of the Bank's credit portfolio increased by 6.2% in the first half of 2019. The Bank's credit risk remains well within its risk appetite. Impairment on loans is significantly higher during the first half of the year compared to the same period last year. However, expected credit losses as a percentage of total loans decreased during the first half of 2019, despite a slight increase during the second quarter of the year.

The Bank monitors closely and manages its liquidity risk, both collectively and separately in foreign currencies and Icelandic krona. The total liquidity coverage ratio (LCR) was 174% at the end of the period, compared with 158% at year-end 2018.

Market risk remains low and well within the Bank's risk appetite.

Information about the Group's risk management is included in the notes to the Interim Financial Statement.

Outlook

After a period of continuous economic growth in Iceland since 2011, a turning point has been reached in the economic cycle. Following setbacks in the fishing and tourism sectors, the outlook is for economic contraction this year. This contraction is expected to be slight and short-lived. Despite above-trend growth in the past several years, the Icelandic economy is more balanced and robust than at the end of previous expansion periods. A combination of relatively high policy rates and a strong Treasury position enable firm application of policy instruments to soften the impact of contraction and lay the groundwork for sustainable growth as early as next year. The Central Bank of Iceland has already reacted to the impending downturn by lowering policy rates by 75 basis points this May and June.

S&P's Global Ratings announcement regarding the affirmation of Landsbankinn's issuer credit rating and revision of outlook from stable to negative refers, among other things, to challenges in the economic environment of Icelandic banks, pointing out that an economic slowdown is expected in 2019, together with falling interest rates, continuing high taxation of banks and stiff competition from pension funds. S&P expects these factors to negatively affect profitability of the banks; however, it also expects the economy to rebound in 2020. Should the competitive environment of the banks become more benign or Landsbankinn improve its returns, efficiency and asset quality, S&P says it could revise the outlook back to stable.

Other matters

The AGM of the Bank held on 4 April 2019, approved the motion of the Board of Directors to pay shareholders a dividend in the amount of ISK 9,922 million, or equivalent to ISK 0.42 per share, for the operating year 2018. The dividend was to be paid in two equal instalments, each equivalent to ISK 0.21 per share, on 10 April 2019 and 2 October 2019. The earlier instalment was paid to shareholders last April in accordance with the resolution of the meeting.

Statement by the Board of Directors and the CEO

The Condensed Consolidated Interim Financial Statements of Landsbankinn hf. for the first half of 2019 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 half of 2019, its consolidated financial position as at 30 June 2019, and its consolidated cash flows for the first half of 2019.

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 first half of 2019.

Reykjavík, 25 July 2019

Board of Directors