

Supplement dated 31 October 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, 10 May 2019 and 26 July 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 31 October 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 nine months of 2019 published 24 October 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, 31 October 2019

On behalf of Landsbankinn hf.,



Lilja Björk Einarsdóttir

Chief Executive Officer



Hreiðar Bjarnason

Chief Financial 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 2019.

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

https://csf.omxgroup.com/cns-web/oam/viewAttachment.action;jsessionid=oPkPbwtYSkma5TOIT4TYL_WnX7yZJirEVyZrxsI0.csf.1001?messageAttachmentId=254328

Following is an extract for the Consolidated Financial Statements for the first nine months ended 30 September 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 nine months of 2019 include the Bank and its subsidiaries (collectively referred to as the "Group").

Operations

Consolidated profit amounted to ISK 14,360 million for the first nine months of 2019. Consolidated total equity amounted to ISK 243,860 million and total assets to ISK 1,415,262 million at the end of this period. The total capital ratio of the Group, calculated according to the Act on Financial Undertakings, was 23.6% at the end of the period.

Risk factors

The carrying amount of the Bank's credit portfolio increased by 6.8% this year to date. The Bank's credit risk remains well within its risk appetite. The average probability of default for the portfolio is currently 2.5%, which is marginally lower than at year-end 2018. Impairment on loans was significantly higher during the first three quarters of the year compared to the same period last year. Expected credit losses as a percentage of total loans are similar to what they were at year-end 2018, despite a slight increase during the third quarter of the year.

The Bank closely monitors and manages its liquidity risk, both collectively and separately, in foreign currencies and Icelandic króna. The Bank's total liquidity coverage ratio (LCR) was 186% 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

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 better balanced and in a stronger position than at the end of previous expansion periods. A combination of relatively high policy rates compared to main trading partners and a favourable Treasury position enable firm application of policy instruments and lay the groundwork for sustainable growth as early as next year. The Central Bank of Iceland has already reacted to deteriorating economic growth by lowering policy rates by 125 basis points since May.

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. Both instalments have been paid to shareholders 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 nine months 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 nine months of 2019, its consolidated financial position as at 30 September 2019, and its consolidated cash flows for the first nine months 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 nine months of 2019.

Reykjavík, 24 October 2019