

Supplement dated 10 May 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 a supplement to the Base Prospectus dated 8 April 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 10 May 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 three months of 2019 published 2 May 2019.

Chief Executive Officer and Chief Risk 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, 10 May 2019

On behalf of Landsbankinn hf.,

Lilja Björk Einarsdóttir

Chief Executive Officer

Perla Ösk Ásgeirsdóttir

Chief Risk 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 three months ended 31 March 2019.

The Condensed Consolidated Interim Financial Statements for the first three months ended 31 March 2019 are available for viewing on the Issuer's website, www.landsbankinn.is

<https://corporate.landsbankinn.com/uploads/documents/arsskyrsluroguppjor/Consolidated-Financial-Report-Q1-2019-EN.pdf>

Following is an extract for the Consolidated Financial Statements for the first three months ended 31 March 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 three months of 2019 include the Bank and its subsidiaries (collectively referred to as the "Group").

Operations

Consolidated profit amounted to ISK 6,784 million for the first three months of the financial year 2019. Consolidated total equity amounted to ISK 246,206 million and total assets to ISK 1,379,298 million at the end

of this period. The total capital ratio of the Group, calculated according to the Act on Financial Undertakings, was 23.8% at the end of the first quarter of 2019.

Risk factors

The carrying amount of the Bank's credit portfolio increased by 2.9% in the first quarter of 2019. Despite signs that the external economic outlook is deteriorating, the Bank's credit risk remained fairly stable and even decreased slightly during the quarter. Loss given default (LGD) and probability of default (PD) continued to decrease slightly during the quarter. Expected credit loss (ECL) as a percentage of total loans decreased slightly during the quarter and remains within the Bank's risk appetite. However, the growth of the loan portfolio during the first quarter of 2019 contributed to an increase in economic capital (EC) while credit risk remained the same.

The Bank's liquidity ratios, both total and in foreign currencies, were robust in the first quarter of 2019 and the total liquidity coverage ratio (LCR) was 243% at the end of the quarter, 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 a long period of robust economic growth alongside low and stable inflation, the outlook is for a cooling economy this year with less activity in tourism as compared to the previous year. Inflation has hovered slightly above the Central Bank's target since June of last year after staying below target for just over four years. There is an unusual degree of uncertainty about economic developments for the next couple of years, particularly as regards tourism in the short and medium term. Many signs indicate much slower economic growth in the coming 2-3 years than the previous 2-3-year period. GDP could contract this year and unemployment may increase as compared to previous years.

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 shall be paid in two equal instalments, each equivalent to ISK 0.21 per share, on 10 April 2019 and 2 October 2019. The dividend is payable to shareholders listed on the shareholders' registry of Landsbankinn at end of business on the day of the AGM, 4 April 2019, unless the Bank receives notification of assignment of the dividend through the transfer of shares.

Furthermore, the AGM of the Bank approved the motion of the Board of Directors to authorise the Bank to acquire up to 10% of the nominal value of the Bank's share capital in accordance with Article 55 of the Act on Public Limited Companies, No. 2/1995. The price of each share is to be determined by the internal value of the Bank's shares, according to its most recently published results prior to the timing of the repurchase of the own shares. This authorisation applies until the next AGM in 2020 and the disposal of the own shares under this authorisation is subject to the approval of a shareholders meeting.

Statement by the Board of Directors and the CEO

The Condensed Consolidated Interim Financial Statements of Landsbankinn hf. for the three months ended 31 March 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 three months of 2019, its consolidated financial position as at 31 March 2019, and its consolidated cash flows for the first three 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 three months ended 31 March 2019.

Reykjavík, 2 May 2019

Board of Directors