

Supplement dated 26 May 2016
to the Base Prospectus dated 9 December 2015

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 9 December 2015 (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 9 December 2015, and supplements to the Base Prospectus dated 2 March 2016 and 18 April 2016.

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 9 December 2015.

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 May 2016

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 2015, published 25 February 2016.

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 2016, published 12 May 2016.

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, 26 May 2016

On behalf of the Board of Directors,



Helga Björk Eiríksdóttir

Chairman of the Board of Directors

On behalf of Landsbankinn hf.,



Hreiðar Bjarnason,

Managing Director of Finance, CFO



Perla Ösp Ásgeirsdóttir

Managing Director of Risk Management, CRO

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 2016.

The Condensed Consolidated Interim Financial Statements for the first three months ended 31 March 2016 are available for viewing on the Issuer's website, www.landsbankinn.is

(<https://bankinn.landsbankinn.is/uploads/documents/arsskyrsluoguppgjor/Consolidated-Financial-Report-Q1-2016.pdf>)

Following is an extract for the Condensed Consolidated Interim Financial Statements for the first three months ended 31 March 2016 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 three months of 2016 include the Bank and its subsidiaries (collectively referred to as the “Group”).

Landsbankinn was founded on 7 October 2008. The Bank is a leading bank in the domestic market and offers a complete range of financial products and services to personal, corporate and institutional customers.

Operations

Consolidated profit amounted to ISK 3,315 million for the first three months of the financial year 2016. Consolidated total equity amounted to ISK 267,846 million and total assets to ISK 1,106,700 million at the end of this period. The capital adequacy ratio of the Group, calculated according to the Act on Financial Undertakings, was 31.2% at the end of the first quarter of 2016.

In January 2016, the international rating agency Standard and Poor’s (S&P) affirmed Landsbankinn’s long- and short-term ratings of BBB-/A-3 with a positive outlook. The positive outlook reflects S&P’s view of decreasing risks related to the liberalization of capital controls in Iceland, an anticipated improvement in the economic resilience and operating environment of Icelandic banks and the Bank’s own strong capital position.

Risk management

Macroeconomic conditions have continued to improve since year-end 2015. Non-performing loans as well as borrower credit quality of performing loans have been stable in 2016. The Bank’s liquidity position remains well above the regulatory requirement. This strong liquidity makes the Bank well equipped to meet future changes in its operating environment, such as further steps towards lifting capital controls. Market risk has remained relatively stable and well within the Bank’s risk appetite. Ongoing improvements to work processes, organisation and management framework have enabled better risk management and business relationships.

Outlook

Landsbankinn Economic Research forecasts GDP growth in Iceland of 4.5% in 2016 and 2017, which will then slow to 3.7% in 2018. The Central Bank has also recently upgraded its forecast for 2016 from 3.2% to 4.2% and predicts an average growth of 3.2% in 2017 and 2018. Increased investment and private consumption are expected to be the principal drivers of growth in coming years. During the forecast period, which extends until the end of 2018, the near-term inflation outlook is positive, but inflation is expected to pick up in the second half of the current year and peak at close to 5% during the first half of 2017 due to substantial general wage increases. Average inflation during the forecast period is expected to be around 3.3%.

As mentioned in the Board and CEO’s Statement at year-end 2015, extraordinary items have had a significant and positive impact on profitability in recent years and as a result return on equity has been at a high level. In the first quarter of 2016 there were no significant positive extraordinary items and profit for the period is therefore significantly lower than in the first quarter of the previous year. The Bank continues to focus on the execution of its strategy, including the aim to ensure sustainable profitability in the long term.

Other matters

At the Annual General Meeting (AGM) held on 14 April 2016, a resolution was passed in respect of the dividend for the year ended 31 December 2015 in the amount of ISK 28,538 million on the outstanding shares or ISK 1.20 per share. It was further approved that the dividend be paid in two equal instalments on 20 April 2016 and 21 September 2016 to the parties whose names appeared on the shareholders’ register on 14 April 2016. The dividend was approved after the reporting period for the first three months of 2016 and is therefore still accounted for as equity at the end of the reporting period in these Condensed Consolidated Interim Financial Statements.

Statement by the Board of Directors and the CEO

The Condensed Consolidated Interim Financial Statements of Landsbankinn hf. for the first three months ended 31 March 2016 have been prepared on a going concern basis in accordance with International Financial Reporting Standards as adopted by the EU.

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 2016, its consolidated financial position as at 31 March 2016 and its consolidated cash flows for the first three months of 2016.

Furthermore, in our opinion, the Condensed Consolidated Interim Financial Statements of Landsbankinn hf. and Endorsement of its Board of Directors and CEO give a fair view of the development and performance of the Group's operations and its position and 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 three months ended 31 March 2016.

Reykjavík, 12 May 2016.

3 FOLLOW-UP ANNUAL GENERAL MEETING (AGM) OF THE ISSUER HELD 22 APRIL 2016

The election of the Board of Directors was postponed at the Issuer's AGM, held 14 April 2016, as a list presented of candidates for directors and alternates to sit on the Issuer's Board of Directors was withdrawn. Another list was submitted by Icelandic State Financial Investments. The meeting chairman considered this proposal to have been submitted too late and decided to postpone elections to the Board of Directors to a follow-up meeting. A special follow-up AGM was held 22 April 2016 to elect the Issuer's Board of Directors.

The results of the Issuer's follow-up AGM held 22 April 2016 requires an update on the following section and pages in the Issuer's Base Prospectus dated 9 December 2015: *Administrative, Management, and Supervisory Bodies* on pages 129-130.

Administrative, Management, and Supervisory Bodies

Board of Directors

Name	Function	Principal Outside Activities
Board of Directors		
Ms. Helga Björk Eiríksdóttir	Chairman	Chairman of the Board of Directors of Firkir ehf. General Manager and Board Member of Integrum ehf. Board Member of Budz Boot Camp ehf. General Manager and Alternate Board Member of Förli ehf. Alternate Board Member of Slysabætur ehf., Fösull ehf. and Fenlogi ehf.

Ms. Berglind Svavarsdóttir	Board Member	Chairman of the Board of Directors of Lindberg ehf., Maxima ehf., Kulygin ehf., Acta lögmansstofa ehf. Board member of Iceverk ehf., Fasteignafélag SPB ehf., Kambaland ehf., Hagalind ehf., SPB hf., FSBP 1 ehf., FSPB 2 ehf. Alternate Board Member of Eignarhaldsfélagið Björg slhf.
Einar Þór Bjarnason	Board Member	General Manager and Board Member of Gyrus ehf. Chairman of the Board of Directors of Intellecta ehf. Alternate Board Member of Glöggvir ehf.
Ms. Danielle Pamela Neben	Board Member	Alternate Board Member of GLS ehf.
Hersir Sigurgeirsson	Board Member	Chairman of the Board of Directors of Endurreisnarsjóðurinn ehf. and Auðfræðasetur sf. General Manager and Board Member of Kvant ehf.
Jón Guðmann Pétursson	Board Member	Board Member of Krumur ehf., and Royal Iceland hf.
Magnús Pétursson	Board Member	Chairman of the Board of Directors of Fylki ráðgjöf ehf.
Ásbjörg Kristinsdóttir	Alternate	Alternate Board Member of Endurskoðendur Reykjavík ehf.
Samúel Guðmundsson	Alternate	General Manager and Board Member of S67 ehf. and Food Diagnostic Ísland ehf. General Manager of Sjávarkaup hf.

There are no potential conflicts of interests between any duties of the Senior Management and Directors above and their private interests and/or other duties.