

Supplement dated 15 August 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, 18 April 2016 and 26 May 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 15 August 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 six months of 2016, published 11 August 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, 15 August 2016

On behalf of the Board of Directors,



Helga Björk Eiríksdóttir

Chairman of the Board of Directors

On behalf of Landsbankinn hf.,



Steinþór Pálsson

Chief Executive 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 six months ended 30 June 2016.

The Condensed Consolidated Interim Financial Statements for the first six months ended 30 June 2016 are available for viewing on the Issuer's website, www.landsbankinn.is

<https://corporate.landsbankinn.com/uploads/documents/arsskyrsluroguppjor/Consolidated-Financial-Report-H1-2016.pdf>

Following is an extract for the Condensed Consolidated Interim Financial Statements for the first six months ended 30 June 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 six 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 11,298 million for the first six months of the financial year 2016. Consolidated total equity amounted to ISK 247,291 million and total assets to ISK 1,109,844 million at the end of this period. The capital adequacy ratio of the Group, calculated according to the Act on Financial Undertakings, was 28.9% at the end of the second 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 assessment of decreasing risks related to the liberalization of capital controls in Iceland, an anticipated improvement in the economic resilience and operating environment of the Icelandic banks, and the Bank's own strong capital position.

In April 2016, Landsbankinn closed a second tranche of its floating rate notes in NOK and SEK with tap issues in the amount of NOK 250 million and SEK 100 million respectively. The bonds were sold at terms equivalent to NIBOR + 2.5% and STIBOR + 2.5% respectively. The aggregate nominal amounts of the notes series, NOK 500 million and SEK 350 million, mature in June 2019. The notes are issued under the Bank's 1,000 million Euro Medium Term Note (EMTN) programme and are listed on the Irish Stock Exchange.

In June 2016, the closing of the agreement between Visa Europe and Visa Inc. revised the value of Visa Europe to EUR 18,370 million, thereof EUR 12,250 million payable in cash, EUR 5,000 million in Visa Inc. preferred stock (collectively the "up-front consideration") and EUR 1,120 million as a deferred cash payment. Based on information provided by Arion Bank, Landsbankinn has recognised a fair value amount of ISK 3,480 million in these financial statements as its expected up-front additional consideration for the Bank's 38.62 % shareholding in Valitor Holding hf. sold to Arion Bank in 2014 and 2015. The increase in the fair value amount since year-end 2015 of ISK 1,044 million is recognised as income in the second quarter of 2016.

Risk management

Macroeconomic conditions have continued to improve during the first half of the current year. Non-performing loans have decreased while the borrower credit quality of performing loans has improved at the same time. The Group's liquidity position remains strong; the liquidity coverage ratio in total and for foreign currencies was well above regulatory requirements at the end of the second quarter of 2016. Total market risk dropped significantly in the first half of 2016, declining from 3.7% to 1.9% of risk weighted assets during the period. The reduced market risk is mainly due to a lower net currency position while trading book positions have remained relatively stable. The Bank implemented two new risk models during the first half of the current year; a corporate rating model and a model for interest rate risk in the banking book.

Outlook

Landsbankinn Economic Research forecasts GDP growth in Iceland of 5.4% in 2016, 4.3% in 2017 and 4.4% in 2018. The Central Bank has recently upgraded its forecast for 2016 from 4.2% to 4.5% and predicts average growth of 3.5% in 2017 and 2018. Increased investment and private consumption are expected to be the principal drivers of growth in coming years. Landsbankinn Economic Research forecasts inflation will remain below the Central Bank's 2.5% inflation target in 2016, but will increase next year and peak at close to 4% during the first half of 2017 due to substantial general wage increases.

In the first quarter of 2016 there were no significant positive extraordinary items and profit for that period was therefore significantly lower than in the first quarter of the previous year. Profit in the second quarter of 2016, however, is significantly higher than in the second quarter of the previous year. The increase year-over-year is the result of higher net interest income and positive net impairment. The improved profit in the second quarter of 2016 offsets to a large extent the lower year-over-year first quarter profit. The Bank continues to focus on the execution of its strategy, including the objective of sustainable, long-term profitability.

Other matters

At Landsbankinn's Annual General Meeting (AGM) on 14 April 2016 a resolution was passed to pay a 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. The dividend is to be paid in two equal instalments, on 20 April 2016 and 21 September 2016, to the parties registered as shareholders on 14 April 2016. A dividend in the amount of ISK 0.6 per share was paid on 20 April 2016 and the remainder of the dividend payment of ISK 0.6 per share will be paid on 21 September 2016.

Statement by the Board of Directors and CEO

The Condensed Consolidated Interim Financial Statements of Landsbankinn hf. for the first six months ended 30 June 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 six months of 2016, its consolidated financial position as at 30 June 2016 and its consolidated cash flows for the first six 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 six months ended 30 June 2016.

Reykjavík, 11 August 2016