

SUPPLEMENT TO THE BASE PROSPECTUS DATED 27 MARCH 2019

THE DATE OF THIS SUPPLEMENT IS 20 MAY 2019



LANDSBANKINN HF.

(incorporated with limited liability in Iceland)

€2,000,000,000

Euro Medium Term Note Programme

This supplement (“**Supplement**”) to the base prospectus dated 27 March 2019 (the “**Base Prospectus**”), constitutes a supplement to the Base Prospectus for the purposes of Article 16 of Directive 2003/71/EC as amended (the “**Prospectus Directive**”) (as implemented in the Republic of Ireland by the Prospectus (Directive 2003/71/EC) Regulations 2005, as amended) and is prepared in relation to the €2,000,000,000 Euro Medium Term Note Programme (the “**Programme**”) of Landsbankinn hf. (the “**Bank**” or the “**Issuer**”).

This Supplement has been approved by the Central Bank of Ireland as a competent authority under the Prospectus Directive. The Central Bank of Ireland only approves this Supplement as meeting the requirements imposed under Irish and European Union law pursuant to the Prospectus Directive. Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2014/65/EU or which are to be offered to the public in any Member State of the European Economic Area.

Unless the context otherwise requires, terms defined in the Base Prospectus shall have the same meaning when used in this Supplement. This Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus dated 27 March 2019, and all documents which are incorporated herein or therein by reference.

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into this Supplement and (b) any statement in or incorporated by reference in the Base Prospectus, the statements referred to in (a) will prevail.

The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

Save as disclosed in this Supplement, no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus has arisen or been noted, as the case may be, since the publication of the Base Prospectus.

This Supplement is and will be available on the website of the Central Bank of Ireland at www.centralbank.ie for a period of 12 months from the date of the Base Prospectus. This Supplement and the documents

incorporated by reference may be obtained on written request and without charge from the registered office of the Issuer at Austurstræti 11, 155 Reykjavík, Iceland.

Purpose of this Supplement

The purpose of this Supplement is to:

- (i) incorporate by reference into the Base Prospectus, at the section entitled ‘Documents Incorporated by Reference’ on page v of the Base Prospectus, the Bank’s Condensed Consolidated Interim Financial Statements for the first three months ended 31 March 2019 (as defined below), an extract of which is set out in this Supplement at page 2 below;
- (ii) confirm that there has been no significant change in the financial or trading position of the Group since 31 March 2019;
- (iii) set out the extract for the Condensed Consolidated Interim Financial Statement for the first three months ended 31 March 2019, displaying the endorsement of the Bank’s Board of Directors and the CEO;
- (iv) update sections “*Shareholder, Share Capital and Dividend Policy*” and “*Administrative Management and Supervisory Bodies*” following the annual general meeting of the Bank held in April 2019.
- (v) update paragraph four in Risk factor section “*Although economic growth has been robust in recent years, the Bank is vulnerable to a range of economic risks that face the Icelandic banking system*” following the latest issuance of Financial Stability Report issued by the Central Bank of Iceland in April 2019.

(i) Documents incorporated by reference

By virtue of this Supplement the Consolidated Financial Statements for the financial first three months ended 31 March 2019 (the “Q1 2019 Interim Financial Statements”),

(<https://corporate.landsbankinn.com/uploads/documents/arsskyrsluroguppgjor/Consolidated-Financial-Report-Q1-2019-EN.pdf>), which has previously been published on the website of the Issuer and has been filed with the Central Bank of Ireland, shall be incorporated in, and form part of, the Base Prospectus dated 27 March 2019, at the section entitled ‘Documents Incorporated by Reference’ on page v of the Base Prospectus.

(ii) Significant change

There has been no significant change in the financial or trading position of the Group since 31 March 2019 and there has been no material adverse change in the prospects of the Bank since 31 December 2018.

Any documents themselves incorporated by reference in the documents incorporated by reference do not (and shall not be deemed to) form part of this Supplement for the purposes of the Prospectus Directive except where such information or other documents are specifically incorporated by reference.

(iii) Extract for the Condensed Consolidated Interim Financial Statement for the first three months ended 31 March 2019

The following extract shall be incorporated at page 95 of the Base Prospectus, under a new section entitled “*Recent Developments*”:

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

(iv) Annual General Meeting (AGM) of the Bank held 4 April 2019

The Bank's AGM held 4 April 2019, elected a statutory auditor for the year 2019, authorised the Bank to buy its own shares and authorised payment of dividend and disposition of profit for the 2018 financial year. The meeting approved the Bank's financial statement for 2018, together with the auditor's report. The AGM elected board of directors and alternates to sit on the board of the Bank, until its next AGM. Furthermore a new remuneration policy was approved and the remuneration to directors of the board for the next term of office is to remain unchanged.

Following the aforementioned AGM the following sections and pages are updated in the Bank's Prospectus dated 27 March; "*Shareholder, Share Capital and Dividend Policy*" on page 96-97 and "*Administrative, Management and Supervisory Bodies*" on pages 120-121.

The following paragraph in section "*Shareholder, Share Capital and Dividend Policy*" shall replace the second paragraph in subsection "*Share Capital*" on pages 96-97 of the Base Prospectus dated 27 March 2019:

Share Capital

The Bank's AGM held on 4 April 2019, authorised the Bank, in accordance with Article 55 of the Act on Public Limited Companies, No. 2/1995, to acquire its own shares, up to 10 per cent. of the nominal value of the Bank's share capital. The minimum and maximum amount the Bank is authorised to pay for each share shall be equivalent to the Bank's book value, i.e. the ratio of shareholder equity to share capital, as disclosed in the most recently published annual or interim financial statements published before the purchase of own shares takes place. This authorisation is valid until the AGM of the Bank in 2020. Disposition of own shares purchased by the Bank based on this authorisation is subject to approval by a shareholders' meeting. On 6 December 2018, the Bank's Board of Directors decided to exercise an authorisation to purchase the Bank's own shares. Under the Buy-Back Programme, the maximum purchase amounted to 72.5 million shares, or the equivalent of 0.3 per cent. of issued shares. Before the aforementioned Buy-Back Programme, the Bank has previously offered shareholders the chance to sell their shares in the Bank on three previous occasions. Under the Buy-Back Programme which was announced on the 6 December 2018, the Bank offered to purchase shares

from shareholders during a repurchase period, from 10 December 2018 up to and including 20 December 2018. Based on the Bank's interim results for the first nine months of 2018, the equity held by the Bank's shareholders amounted to ISK 235,892 million and 23,640 million outstanding shares. In accordance with the aforementioned, the Bank offered to purchase each share at a price of ISK 9.9787 during the repurchase period. Prior to the repurchase period in December 2018, the Bank held 360,465,119 of its own shares or the equivalent of around 1.50 per cent. of issued share capital in the Bank. At the end of the repurchase period the Bank held 375,460,240 of its own shares, or the equivalent of around 1.56 per cent. of issued share capital.

The following paragraph in section “*Shareholder, Share Capital and Dividend Policy*” shall be inserted after the first paragraph in subsection “*Dividend Policy*” on page 97 of the Base Prospectus dated 27 March 2019:

Dividend Policy

The Bank's AGM held on 4 April 2019 authorised the Bank to pay a dividend amounting to ISK 0.42 per share for the accounting year 2018 and that the payment be in two instalments. The first date of payment was 10 April 2019 and amounts to ISK 0.21 per share. The latter date of payment will be 2 October 2019 and amounts to ISK 0.21 per share. Both payments are based on the register of shareholders at end of business on the day of the AGM held 4 April 2019, unless the Bank receives notification of the assignment of dividend through the transfer of shares. The total amount of the dividend payments based on the outstanding shares is ISK 9,922 million, which represents around 51.5% of profit for the year 2018.

Following the result of the AGM held 4 April 2019, were regular members of board of directors and alternates to the board of directors were elected, the following subsection “*Board of Directors*” in section “*Administrative, Management and Supervisory Bodies*” on pages 120-121, in the Bank's Base Prospectus dated 27 March 2019 is updated:

Board of directors

Name	Function	Principal Outside Activities
Board of Directors		
Ms. Helga Björk Eiríksdóttir	Chairman	General Manager and Board Member of Integrum ehf. Board Member of Budz Boot Camp ehf.
		General Manager and Alternate Board Member of Förli ehf.
Ms. Berglind Svavarsdóttir	Board Member	Attorney and partner at Reykjavík Law Firm. Board Member of Kulygin ehf.
Mr. Einar Þór Bjarnason	Board Member	Chairman of the Board of Icelandic Bar Association. General Manager and Board Member of Gyrus ehf. Chairman of the Board of Directors of Intellecta ehf.

		Alternate Board Member of Glöggvir ehf.
Mr. Guðbrandur Sigurðsson	Board Member	Managing director of Heimavelli hf., from 2016 to 2019. Director of the board of Reykjavík Creamery ehf. and Talnakönnun hf.
Mr. Hersir Sigurgeirsson	Board Member	Associate Professor in the Faculty of Business Administration of the University of Iceland, and independent consultant. Board Member of Endurreisnarsjóðurinn ehf. and Auðfræðasetur sf. General Manager and Board Member of Kvant ehf.
Ms. Sigríður Benediktsdóttir	Board Member	Senior lecturer and dean of undergraduate studies of Global Affairs at Yale University in the US, where she was awarded her doctorate in economics in May 2005. Board member of non-profit organization New Haven Reads.
Mr. Thorvaldur Jacobsen	Board Member	Associate partner of Valcon Consulting A/S. Was Managing Director at Vátryggingarfélag Íslands hf. from 2012 until 2017. Board Member of Sensa ehf.
Ms. Guðrún Ó. Blöndal	Alternate	Board Member of Eimskipafélag Íslands hf.
Mr. Sigurður Jón Björnsson	Alternate	N/A

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, other than one of the alternates to the board of directors is the brother of one of the head of a business unit in Corporate Banking.

- (v) **Update on one paragraph in risk factor section “Although economic growth has been robust in recent years, the Bank is vulnerable to a range of economic risks that face the Icelandic banking system”**

In 4 April 2019, the Central Bank issued a new Financial Stability report which presents an overview of the position of the financial system. The issuance of the new Financial Stability report requires an update on the following subsection “*Although economic growth has been robust in recent years, the Bank is vulnerable to a range of economic risks that face the Icelandic banking system*” which can be found in section “*Factors that may affect the Bank’s ability to fulfil its obligation under Notes issued under the Programme*” on pages 17-19.

The following paragraph in section “*Although economic growth has been robust in recent years, the Bank is vulnerable to a range of economic risks that face the Icelandic banking system*” shall be inserted and replace paragraph 4 on page 18 of the Base Prospectus dated 27 March 2019:

In the April 2019 Financial Stability Report, the Central Bank concluded that risk in the financial system is still moderate despite that some risk factors have materialised in recent months such as the recent failure of the capelin catch in the marine sector and collapse of WOW air in the tourism sector. Tourism has grown rapidly in recent years and is now Iceland’s largest single export sector, meaning that Iceland’s economy is increasingly reliant on Iceland’s popularity as a tourist destination. According to the report uncertainty has mounted, however, and risks have materialised to an extent, although the impact on the financial system has yet to surface. The three key domestic risks highlighted are, as in the previous report tourism, commercial real estate and residential real estate. The Central Bank further points out that growth in household debt is still moderate, although mortgage debt has risen. The supply of housing has increased in the recent term and is expected to continue growing in the next few years. Commercial real estate prices are still rising strongly and are quite high by most measures. In addition, corporate debt has grown markedly, although there are signs that a slowdown in growth is in the offing. According to the report there is a strong link between risk in the real estate market and risk in the tourism industry, and a large share of the banks’ lending activity is real estate- and tourism-related. On the other hand, households’ and businesses’ balance sheets are relatively strong at present, and the financial institutions are resilient, which mitigates the potential impact and favourably affects the overall assessment of risk.