

Supplement dated 11 March 2014
to the Base Prospectus dated 3 October 2013

Landsbankinn hf.
(incorporated in Iceland as a limited liability company)
ISK 100,000,000,000
Covered Bond Programme

This supplement (“Supplement”) to the base prospectus dated 3 October 2013 (“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 (“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 (“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 October 2013.

The Base Prospectus has been issued by Landsbankinn hf. (“Issuer”) in respect of a ISK 100,000,000,000 Covered Bond Programme (“Programme”) and is dated 3 October 2013.

The Supplement and the Base Prospectus are available on the Issuer’s website, www.landsbankinn.is (<http://www.landsbankinn.is/sertryggd-skuldabref>).

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 (“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 11 March 2014

1 ISSUER'S STATEMENT

There have been no significant changes in the future prospects of the Issuer or financial position of the Issuer that could have a negative impact on the Issuer, since the last audited financial statements of the Issuer for the year 2013 published 4 March 2014.

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, 11 March 2014

On behalf of the Board of Directors,

Tryggvi Pálsson

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 Consolidated Financial Statements of the Issuer for the year ended 31 December 2013.

The Consolidated Financial Statements for the year 2013 are available for viewing on the Issuer's website, www.landsbankinn.is (<http://corporate.landsbankinn.com/uploads/documents/arsskyrsluguppjor/Consolidated-Financial-Report-2013-EN.pdf>).

Following is an extract for the Consolidated Financial Statements for the year 2013 displaying the endorsement of the Issuer's Board of Directors and the CEO.

The Consolidated Financial Statements of Landsbankinn hf. (the "Bank" or "Landsbankinn") for the financial year 2013 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 in 2013

Consolidated profit amounted to ISK 28,759 million for the financial year 2013. The Board of Directors proposes that 70% of the consolidated profit will, subject to the approval of a shareholders' meeting, be paid in dividends to shareholders. Otherwise the profit will be added to the Bank's equity. Consolidated total equity amounted to ISK 241,359 million at the end of the year, including outstanding share capital amounting to ISK 23,618 million. The capital adequacy ratio of the Group, calculated according to the Act on Financial Undertakings, was 26.7% at year-end 2013. The number of full-time equivalent positions was 1,183 at year-end 2013.

In June 2013, the Group's remaining 25% of shares in the facility management company Reginn hf. were sold in a public offering. The proceeds of the offering amounted to ISK 4,068 million and the average share price of accepted offers was ISK 12.52 per share.

In June 2013, Landsbankinn issued its first tranche of Covered Bonds and in October 2013 the Covered Bonds were listed for trading on NASDAQ OMX Iceland. This is the first listing on an exchange of securities issued by the Bank and is an important milestone in terms of broadening the Bank's funding base.

In January 2014, the international rating agency Standard and Poor's (S&P) assigned its BB+ long-term counterparty credit rating to Landsbankinn with a stable outlook. The rating is one notch below the sovereign credit rating for Iceland.

During the year 2013, the Bank completed corrections of its previous recalculations of 18,000 loans which fall under precedent of the Supreme Court's ruling on foreign currency indexation of vehicle loans, real estate mortgages and loans to corporates. Since May 2013 the emphasis has been on recalculations of interest payments of vehicle loans indexed to foreign currencies in accordance with the Supreme Court's ruling in case No. 50/2013. The Supreme Court's ruling in this case confirmed the precedent of the Court's previous rulings from 2012, in cases where retroactive calculations under certain circumstances were also disputed. The majority of these recalculations were completed before or shortly after year-end 2013.

In 2014, the Bank intends to correct recalculations of an additional 17,000 loans which fall under recent Supreme Court's rulings, that of cases No. 430/2013 and No. 463/2013, where the substance of loan contracts and retroactive calculations under certain circumstances were disputed. The corrections are expected to be completed by the end of the first half of 2014. Further Supreme Court rulings in the coming months are expected to provide additional clarifications on the matter.

Risk management

The Bank's core operations are sound and have been improving in recent years. Processes are being revised on a continuous basis to improve risk management, efficiency and customer relationship management. The Group has a strong equity and liquidity base and is, therefore, in a position to deal with the challenges ahead and maintain its strong financial position. However, the political and legal environment in Iceland, as well as the risk associated with the country's current capital controls, continues to pose uncertainty.

Regular instalments of the Bank's secured bonds, denominated in foreign currencies and issued to LBI hf., are scheduled for the years 2014-2018. At year-end 2013 the Bank continued to maintain its strong liquidity position in

foreign currencies and the Bank's concentration of currency risk was well within acceptable risk limits. However, it is important for the Bank to maintain a strong liquidity position in foreign currencies and extend the maturity profile of its foreign currency funding in a timely manner, through renegotiations or refinancing. At the beginning of October 2013, the Winding-up Board of LBI hf. agreed to the Bank's request to commence discussions on possible amendments to contractual obligations under the bonds.

Due to capital controls, the Group's ability to mitigate the risk from ISK-related currency fluctuations is limited. However, the Group has taken various measures to decrease its overall currency risk and expects future currency risk levels to be within acceptable limits.

Outlook

The domestic economic recovery continued in 2013. GDP grew for the third year in a row with growth expected in 2013 at 2.5%. Unemployment levels went down, inflation slowed and the ISK exchange rate was fairly stable. The recovery is expected to continue over the coming years as GDP is expected to grow by 2.3% on average to 2016. Landsbankinn Economic Research forecasts about 3% GDP growth in 2014, driven equally by increased capital formation, net exports and private consumption.

The sharp year-over-year income increase in net adjustments in valuation is attributed to the settlement of the Contingent Bond. Prior to 1 January 2013, net adjustments to loans and advances acquired at deep discount were offset to a large extent by the fair value change of the Contingent Bond. Since 1 January 2013 the value adjustments of the loans have been that of the Bank but within the next few years these adjustments will decrease as restructuring of these loans is gradually coming to an end. Therefore the net adjustments in valuation, plus increased taxation levied on the Bank, are factors that need to be considered in terms of sustainable profitability.

Other matters

In April 2013, the Bank issued additional secured bonds to LBI hf. in an amount equivalent to ISK 92,000 million, denominated in foreign currencies. The bonds were issued under the settlement agreement of December 2009 between the Bank, LBI hf. and the Icelandic State and as a result of the conclusion of third-party valuation agent Deloitte UK LLP of the additional consideration for the acquired assets and liabilities transferred from LBI hf. In return for the secured bonds, LBI hf. surrendered its entire holding in Landsbankinn to the Icelandic State and Landsbankinn.

Following the change in ownership, the Icelandic State holds 98% of shares in Landsbankinn while Landsbankinn received 2% of own shares, or 500 million shares. The Bank received the shares from LBI hf. with the obligation to allocate them to employees. The Bank made an arrangement for the allocation of its own shares in accordance with LBI hf. requirements and a resolution passed at a shareholders' meeting of the Bank in July 2013. In September 2013, 317 million own shares were allocated to employees, of which employees received 119 million shares and 198 million of own shares were repurchased by the Bank for settlement of tax obligations and pension liabilities. The allocation of the remainder of the own shares was completed in February 2014.

In the first and fourth quarters of 2013, the Bank made a mandatory and an optional partial early redemption of the secured bonds, respectively, equivalent to ISK 52,201 million in total. The Bank's strong liquidity position in foreign currencies has enabled the Bank to reduce its long-term liabilities faster than contractual provisions require.

In March 2013, the Icelandic Competition Authority submitted to the Bank its preliminary assessment and conclusions in two cases. The first case concerns certain preferential terms and conditions offered during 2004-2010 by Landsbanki Íslands hf. (now LBI hf.) and, subsequently, by the Bank to clients for retail banking services, in particular for household mortgage loans. In June 2013 the Bank gave its response and refuted allegations of a breach of competition rules. The Bank does not have information as to whether the Competition Authority will take further action in the case but has expressed willingness to discuss the matter. The second case concerns, in particular, an alleged involvement of Landsbanki Íslands hf. (now LBI hf.) and, subsequently, of the Bank during 2007-2009 in the way in which decisions were taken on interchange fees. In June 2013 the Bank gave its response and refuted allegations of a breach of competition rules. The Bank and the Competition Authority have entered into discussions regarding the settlement of the case.

In April 2013, the EFTA Surveillance Authority (ESA) announced its decision that Landsbankinn's repayment of interest to customers in the year 2011 did not constitute state aid. ESA found that the Bank's actions were based on business reasons without involvement or instructions from the Icelandic State. ESA has in this regard assessed the Icelandic State's applicable policy and arrangements on public ownership of financial undertakings, as well as the available evidence on the adoption of the decision by Landsbankinn. ESA concluded that there are insufficient grounds to question the commercial nature of Landsbankinn's measure.

On 1 October 2013, the Bank paid dividends for the operating year 2012 to its shareholders in accordance with a resolution passed at the Bank's Annual General Meeting held on 17 April 2013. This is the first time dividends are paid since the Bank was established. The dividend payment amounted to ISK 10,080 million, equivalent to ISK 0.42 per share for the year 2012, or 39% of net profit for the year 2012.

Ownership

The total number of shareholders at year-end 2013 was 1,394, but was 2 at the beginning of 2013. The ten largest shareholders in the Bank at year-end 2013 are as follows:

Shareholder		Number of shares (in ISK million)	%
Ríkissjóður Íslands	Icelandic State Treasury	23,300.0	97.08%
Eignarhlutir ehf.	Government-related entity	200.0	0.83%
Árni Þ. Þorbjörnsson	Managing Director	0.3	0.00%
Helgi T. Helgason	Managing Director	0.3	0.00%
Hjördís D. Vilhjálmisdóttir	Former Managing Director	0.3	0.00%
Hrefna Ö. Sigfinnsdóttir	Managing Director	0.3	0.00%
Hreiðar Bjarnason	Managing Director	0.3	0.00%
Jensína K. Böðvarsdóttir	Managing Director	0.3	0.00%
Helgi Þ. Arason	Head of Department	0.2	0.00%
Hermann M. Þórisson	Managing Director of a subsidiary	0.2	0.00%
Top 10 total		23,502.3	97.93%
Other shareholders		119.0	0.50%
Landsbankinn hf.	Own shares	378.7	1.58%
Total shares issued		24,000.0	100.00%

Icelandic State Financial Investments (ISFI) manages the State's holding in the Bank on behalf of both Ríkissjóður Íslands (the Icelandic State Treasury) and Eignarhlutir ehf.

Governance

The Bank's good governance practices form the foundation for trust in the interrelationship between shareholders, Board of Directors, management, employees and interested parties and they promote objectivity, integrity, transparency and responsibility in the management of the Bank.

Each year, the Bank reviews compliance with generally accepted guidelines on corporate governance and whether the Bank's governance practices are in accordance with those guidelines at any time.

The underlying regulatory framework for the Bank's corporate governance policy and procedures is, *inter alia*, Act No. 75/2010, Amendments to the Act on Financial Undertakings (No. 161/2002), Act No. 118/2011, Amendments to the Act on Annual Financial Statements (No. 3/2006), as well as other applicable laws and regulations.

Landsbankinn complies with all the recommendations of the latest Corporate Governance Guidelines issued in March 2012 (fourth edition) by the Iceland Chamber of Commerce, NASDAQ OMX Iceland and the Confederation of Icelandic Employers, except for certain items in Articles 1.1, 2.7, 5.B.3 and 5.B.4 in the Guidelines. Further details on the Bank's corporate governance in general and these exceptions are provided in the Annual Report of the Group for the year 2013 and on the Bank's website www.landsbankinn.is.

Statement by the Board of Directors and the CEO

The Consolidated Financial Statements of Landsbankinn hf. for the year ended 31 December 2013 have been prepared on a going concern basis in accordance with International Financial Reporting Standards as adopted by the EU.

In our opinion, the Consolidated Financial Statements of Landsbankinn hf. give a true and fair view of the consolidated financial performance of the Group for the year 2013, its consolidated financial position as at 31 December 2013 and its consolidated cash flows for the year 2013.

Furthermore, in our opinion, the Consolidated 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 and the CEO have today discussed the Consolidated Financial Statements of Landsbankinn hf. for the year 2013 and confirmed them by their signatures. The Board of Directors and the CEO recommend that the Consolidated Financial Statements of Landsbankinn hf. be approved at the Annual General Meeting of Landsbankinn hf.

Reykjavík, 4 March 2014.