

MIFID II product governance/Professional investors and ECPs only target market – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

APPLICABLE FINAL TERMS

9 December 2022

ARION BANK HF

Legal Entity Identifier (LEI): RIL4VBPDB0M7Z3KXSF19

**Issue of ISK 2,240,000,000 9.25 per cent. Tier 2 Notes due 2023
under the €3,000,000,000
Euro Medium Term Note Programme**

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 2 September 2022 which constitutes a base prospectus for the purposes of the Prospectus Regulation (the **Base Prospectus**). This document constitutes the Final Terms of the Notes described herein for the purposes of the Prospectus Regulation and must be read in conjunction with the Base Prospectus in order to obtain all the relevant information. The Base Prospectus has been published on the Bank's website (<https://www.arionbanki.is/english/about-us/investor-relations/debt-investors/funding-programmes-and-prospectuses/#Tab1>).

1.
 - (a) Series Number: 32
 - (b) Tranche Number: 1
 - (c) Date on which the Notes will be consolidated and form a single Series: Not Applicable
2. Specified Currency or Currencies: Icelandic Krona (**ISK**)
3. Aggregate Nominal Amount:
 - (a) Series: ISK 2,240,000,000
 - (b) Tranche: ISK 2,240,000,000
4. Issue Price: 100.00 per cent. of the Aggregate Nominal Amount

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| 5. | (a) Specified Denominations: | ISK 20,000,000 |
| | (b) Calculation Amount (in relation to calculation of interest in global form see Conditions): | ISK 20,000,000 |
| 6. | (a) Issue Date: | 15 December 2022 |
| | (b) Interest Commencement Date: | Issue Date |
| 7. | Maturity Date: | 15 December 2033 |
| 8. | Interest Basis: | 9.25 per cent. Fixed Rate
(see paragraph 13 below) |
| 9. | Redemption/Payment Basis: | Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount |
| 10. | Change of Interest Basis: | Not Applicable |
| 11. | Call Options: | Issuer Call
(see paragraph 19 below) |
| 12. | Status of Notes: | Subordinated |

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

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| 13. | Fixed Rate Note Provisions | Applicable |
| | (a) Rate(s) of Interest: | 9.25 per cent. per annum payable semi-annually in arrear on each Interest Payment Date |
| | (b) Interest Payment Date(s): | 15 June and 15 December in each year up to and including the Maturity Date, commencing on 15 June 2023 |
| | (c) Fixed Coupon Amount(s) for Notes in definitive form. (and in relation to Notes in global form see Conditions) | ISK 925,000 per Calculation Amount |
| | (d) Broken Amount(s) for Notes in definitive form. (and in relation to Notes in global form see Conditions) | Not Applicable |
| | (e) Day Count Fraction: | 30E/360 (which for the purposes of the definition of “Day Count Fraction” in Condition 3.1 shall have the meaning given in Condition 3.3(d)) |

- (f) Determination Date(s): Not Applicable
14. Inflation Linked Amortising Notes: Not Applicable
15. Fixed Reset Provisions: Not Applicable
16. Floating Rate Note Provisions: Not Applicable
17. Zero Coupon Note Provisions: Not Applicable
18. Inflation Linked Notes: Not Applicable

PROVISIONS RELATING TO REDEMPTION

19. Issuer Call: Applicable
- (a) Optional Redemption Date(s): Any Interest Payment Date from (and including) 15 December 2028 to (but excluding) the Maturity Date
- (b) Optional Redemption Amount: ISK 20,000,000 per Calculation Amount
- (c) If redeemable in part: Not Applicable
- (d) Notice periods: Minimum period: 30 days
Maximum period: 60¹ days
20. Issuer Residual Call: Not Applicable
21. Final Redemption Amount: ISK 20,000,000 per Calculation Amount
22. Early Redemption Amount payable on redemption for taxation reasons, upon the occurrence of a Capital Event or a MREL Disqualification Event or following an Event of Default: ISK 20,000,000 per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

23. Form of Notes:
- (a) Form: ISD Notes
ISD Notes issued in uncertificated and dematerialised book entry form. See further paragraph 7 of Part B below.
- (b) New Global Note: No
24. Additional Financial Centre(s): Not Applicable

25. Talons for future Coupons to be No
attached to Definitive Notes:

Signed on behalf of **ARION BANK HF.:**

By:

Duly authorised

By:

Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

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| (i) | Listing and Admission to trading | Application has been made by the Bank (or on its behalf) for the ISD Notes to be admitted to trading on Nasdaq Iceland Main Market with effect from the Issue Date. |
| (ii) | Estimate of total expenses related to admission to trading: | ISK 810,000 |

2. RATINGS

Ratings: The Notes to be issued will not be rated

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

Not Applicable.

4. REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS

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| (i) | Reasons for the offer: | See "Use of Proceeds" in the Base Prospectus |
| (i) | Estimated net proceeds: | ISK 2,240,000,000 |

5. YIELD

Indication of yield: 9.46 per cent. per annum

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

6. PERFORMANCE OF FORMULA/CPI, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING

Not Applicable

7. OPERATIONAL INFORMATION

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| (i) | ISIN: | IS0000034791 |
| (ii) | Common Code: | Not Applicable |
| (iii) | CFI Code: | DBFUGR, as updated, as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN |
| (iv) | FISN: | ARION BANKI/9.25 BD 20330615, as updated, as set out on the website of the Association of National |

Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN

- (v) Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): Icelandic Securities Depository, Iceland. The Bank shall be entitled to obtain certain information from the register maintained by the ISD for the purpose of performing its obligations under the issue of ISD Notes. The ISD Agent shall be entitled to obtain such information as is required to perform its duties under the Conditions of the Notes and rules and regulations of, and applicable to, the ISD.
- (vi) Delivery: Delivery against payment
- (vii) Names and addresses of additional Paying Agent(s) (if any) or, in the case of ISD Notes, the ISD Agent: Arion Bank hf. will act as ISD Agent as provided in the Conditions
- (viii) Intended to be held in a manner which would allow Eurosystem eligibility: No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.

8. DISTRIBUTION

- (i) Method of distribution: Non-syndicated
- (ii) If syndicated, names of Managers: Not Applicable
- (iii) Date of Subscription Agreement: Not Applicable
- (iv) Stabilisation Manager(s) (if any): Not Applicable
- (v) If non-syndicated, name of relevant Dealer: Not Applicable
- (vi) U.S. Selling Restrictions: Reg. S Compliance Category 2; TEFRA C
- (vii) Prohibition of Sales to EEA Retail Investors: Not Applicable
- (viii) Prohibition of Sales to UK Retail Investors: Not Applicable
- (ix) Prohibition of Sales to Belgian Consumers: Not Applicable

(x) Relevant Benchmark: Not Applicable

Undirritunarsíða

Kristín Erla Jónsdóttir

Eiríkur Dór Jónsson