

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the **EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (**UK**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**); (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

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

[12] December 2023

ARION BANK HF

Legal Entity Identifier (LEI): RIL4VBPDB0M7Z3KXSF19

**Issue of ISK 8,740,000,000 Inflation Linked Senior Preferred notes due 2028
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 16 October 2023 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: | 37 |
| | (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 8,740,000,000 |
| | (b) | Tranche: | ISK 8,740,000,000 |
| 4. | | Issue Price: | 100 per cent. of the Aggregate Nominal Amount |
| 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 2023 |
| | (b) | Interest Commencement Date: | Issue Date |
| 7. | | Maturity Date: | 15 December 2028 |
| 8. | | Interest Basis: | Inflation Linked
(see paragraph 18 below) |
| 9. | | Redemption/Payment Basis: | Inflation linked redemption in accordance with Condition 6.15 |
| 10. | | Change of Interest Basis: | Not Applicable |
| 11. | | Call Options: | Not Applicable |
| 12. | | Status of Notes: | Senior Preferred |
| | (i) | Unrestricted Events of Default: | Applicable – Condition 9.1 applies |

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- | | | |
|-----|----------------------------|----------------|
| 13. | Fixed Rate Note Provisions | 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: | Applicable |
| | (a) Rate(s) of Interest: | 4.35 per cent. per annum payable semi-annually in arrear |
| | (b) Interest Payment Date(s): | 15 June and 15 December in each year up to and including the Maturity Date commencing on 15 June 2024 |
| | (c) Base Index: | 604,5733, being the value of the CPI on 15 December 2023 |
| | (d) Day Count Fraction: | 30E/360 (and for these purposes “Day Count Fraction” in Condition 4.5 shall be as defined in Condition 4.3(d)) |

PROVISIONS RELATING TO REDEMPTION

- | | | |
|-----|---|---|
| 19. | Issuer Call: | Not Applicable |
| 20. | Issuer Residual Call: | Not Applicable |
| 21. | Redemption upon the occurrence of a MREL Disqualification Event | Not Applicable |
| 22. | Final Redemption Amount: | To be calculated in accordance with Condition 6.15 per Calculation Amount. Condition 6.1 shall not apply to the Notes |
| 23. | 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: | To be calculated in accordance with Condition 6.15 per Calculation Amount |

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. 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

25. Additional Financial Centre(s): Not Applicable

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

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

By:

By:

Duly authorised

Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (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. USE OF PROCEEDS AND ESTIMATED NET PROCEEDS

- (i) Reasons for the offer: See "Use of Proceeds" in the Base Prospectus
- (ii) Estimated net proceeds: ISK 8,740,000,000

4. YIELD

Indication of yield: Not Applicable

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

The Notes are linked to the performance of the Icelandic Consumer Price Index (CPI) produced based on data from Statistics Iceland

Information about the CPI can be obtained from the website of Statistics of Iceland being https://px.hagstofa.is/pxen/pxweb/en/Efnahagur/Efnahagur_visitolur_1_vnv_1_vnv/VIS01000.px The Bank does not intend to provide post-issuance information

6. OPERATIONAL INFORMATION

- (i) ISIN: IS0000035871
- (ii) Common Code: Not Applicable

- (iii) CFI Code: DBFUFRR, 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 BANK HF / 4.35 BD 20281215, 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 the ISD Agent as provided in the Conditions of the Notes.
- (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.

7. 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: Not Applicable

relevant Dealer:

- (vi) U.S. Selling Restrictions: Reg. S Compliance Category 2; TEFRA C
- (vii) Prohibition of Sales to EEA Retail Investors: Applicable
- (viii) Prohibition of Sales to UK Retail Investors: Applicable
- (ix) Prohibition of Sales to Belgian Consumers: Not Applicable
- (x) Relevant Benchmark: Not Applicable