

FINAL TERMS

3 December 2020

ARION BANK HF

Legal Entity Identifier (LEI): RIL4VBPDB0M7Z3KXSF19

**Issue of ISK 20,000,000,000 Fixed rate Covered Bonds
under the €1,500,000,000
Covered Bond Programme**

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the Conditions) set forth in the Offering Circular dated 9 February 2012, 23 August 2013, 5 December 2014, 18 December 2015, 23 December 2016, 5 January 2018 and 8 January 2019 which are incorporated by reference in the Offering Circular dated 9 January 2020. This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of the Prospectus Regulation and must be read in conjunction with the Offering Circular dated 9 January 2020 which constitute a base prospectus for the purposes of the Prospectus Regulation, including the Conditions incorporated by reference in the Offering Circular, in order to obtain all the relevant information. Copies of such Offering Circulars and Final Terms are available for viewing at Borgartúni 19, 105 Reykjavík, Iceland and on the Luxembourg Stock Exchange's website at www.bourse.lu and copies may be obtained from the registered office of the Issuer and from the specified office of the Agent in London.

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| 1. | (a) | Series Number: | 10 |
| | (b) | Tranche Number: | 11 |
| | (c) | Series which Covered Bonds will be consolidated and form a single Series with: | ISK 2,700,000,000 Fixed Rate Covered Bonds due 12 April 2024 issued on 14 January 2019 |
| | (d) | Date on which the Covered Bonds will be consolidated and form a single Series with the Series specified above: | 10 December 2020 |
| 2. | | Specified Currency or Currencies: | ISK |
| 3. | | Aggregate Nominal Amount: | |
| | | Tranche: | 20,000,000,000 |
| | | Series: | 40,180,000,000 |
| 4. | | Issue Price: | 110.85% of the Aggregate Nominal Amount |

5. (a) Specified Denominations: ISK 20,000,000

(b) Calculation Amount ISK 20,000,000

6. (a) Issue Date: 10 December 2020

(b) Interest Rate: Fixed Rate

(c) Interest Commencement Date: Issue Date

7. Maturity Date: 12 April 2024

8. Extended Final Maturity Date: 12 April 2027

(If an Extended Final Maturity Date is specified and the Final Redemption Amount is not paid in full on the Maturity Date, payment of the unpaid amount will be automatically deferred until the Extended Final Maturity Date, provided that any amount representing the Final Redemption Amount due and remaining unpaid on the Maturity Date may be paid by the Issuer on any Interest Payment Date occurring thereafter up to (and including) the relevant Extended Final Maturity Date.

9. Interest Basis: See paragraph 17 below

10. Redemption/Payment Basis: Subject to any purchase or cancellation or early redemption, the Covered Bonds will be redeemed on the Maturity Date at 100 per cent. of their nominal amount.

11. Change of Interest Basis: Not applicable

12. Put/Call Options: Not Applicable

13. Date of Board approval for issuance of Covered Bonds obtained: 21 November 2019

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| 14. | Method of distribution: | Non-syndicated |
| 15. | Name and address of the Calculation Agent | Arion Bank hf.
Borgartún 19, 105 Reykjavík |

PROVISIONS RELATING TO INFLATION LINKED COVERED BONDS

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| 16. | Inflation Linked Covered Bond Provisions | Not Applicable |
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PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

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| 17. | Fixed Rate Covered Bond Provisions | Applicable |
| | (a) Rate(s) of Interest: | 6% per annum payable in arrear on each Interest Payment Date |
| | (b) Interest Payment Date(s): | 12 April and 12 October in each year up to and including the Maturity Date or the Extended Final Maturity Date, as applicable |
| | (c) Fixed Coupon Amount(s):
<i>(Applicable to Covered Bonds in definitive form.)</i> | Not Applicable |
| | (d) Broken Amount(s):
<i>(Applicable to Covered Bonds in definitive form.)</i> | Not Applicable |
| | (e) Day Count Fraction: | 30/360 |
| | (f) Determination Date(s): | Not Applicable |
| 18. | Floating Rate Covered Bond Provisions | Not Applicable |
| 19. | Zero Coupon Covered Bond Provisions | Not Applicable |
| 20. | Inflation Linked Non-Amortising Covered Bond Provisions | Not Applicable |

PROVISIONS RELATING TO REDEMPTION

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| 21. | Issuer Call | Not Applicable |
| 22. | Investor Put: | Not Applicable |
| 23. | Final Redemption Amount of each Covered Bond | ISK 20,000,000 per Covered Bond of ISK 20,000,000 Specified Denomination |

24. Early Redemption Amount of each Covered Bond payable on redemption for taxation reasons: Not Applicable
25. Relevant Percentage: As at the Issue Date, 6 per cent.

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

26. Form of Covered Bonds: ISD Covered Bonds
ISD Covered Bonds issued in uncertificated and dematerialised book entry form. See further item 7 of Part B below.
27. New Global Covered Bond: No
28. Additional Financial Centre(s): Not Applicable
29. Talons for future Coupons or Receipts to be attached to definitive Covered Bonds in bearer form (and dates on which such Talons mature): No.
30. Details relating to Instalment Covered Bonds; amount of each instalment, date on which each payment is to be made: Not Applicable
31. Redenomination: Not applicable

DISTRIBUTION

32. (a) If syndicated, names of Managers: Not Applicable
- (b) Date of Subscription Agreement: Not Applicable
- (c) Stabilisation Manager(s) (if any): Not Applicable
33. If non-syndicated, name of Dealer: Arion Bank hf.
34. U.S. Selling Restrictions: Reg. S Category 2 TEFRA C

35. Prohibition of Sales to Belgian Consumers: Applicable

36. Relevant Benchmark: Not Applicable

PART B – OTHER INFORMATION

1. ADMISSION TO TRADING

Application has been made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on NASDAQ Iceland hf. (the Icelandic Stock Exchange) with effect from the issue date.

Estimate of total expenses related to admission to trading: ISK 115,000

2. RATINGS

Ratings: The Covered Bonds to be issued have not been rated:

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

Save for any fees payable to the Dealers, so far as the Issuer is aware, no person involved in the issue of the Covered Bonds has an interest material to the offer. The Dealer and its affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business

4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

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| (i) | Reasons for the offer | As set out in “Use of Proceeds” in the Prospectus |
| (ii) | Estimated net proceeds: | Not applicable |
| (iii) | Estimated total expenses: | 115,000 |

5. YIELD (FIXED RATE COVERED BONDS ONLY)

Indication of yield: 2.60 per cent.

6. PERFORMANCE OF FORMULA/CPI, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING (*INFLATION LINKED COVERED BONDS AND INFLATION LINKED NON AMORTISING COVERED BONDS ONLY*)

Not Applicable

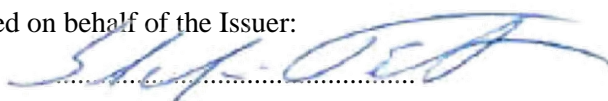
7. OPERATIONAL INFORMATION

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| (i) | ISIN Code: | IS0000030906 |
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| (ii) | Common Code: | Not Applicable |
| (iii) | CFI: | D-G-F-U-F-R |
| (iv) | FISN: | Not Applicable |
| (v) | Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme (together with the address of each such clearing system) and the relevant identification number(s): | Icelandic Securities Depository Ltd., Iceland |
| (vi) | Delivery: | Delivery free of payment |
| (vii) | Names and addresses of additional Paying Agent(s) (if any) or, in the case of ISD Covered Bonds, the ISD Agent: | Arion Bank hf.
Borgartún 19,105 Reykjavík, Iceland |
| (viii) | Deemed delivery of clearing system notices for the purposes of Condition 14 (<i>Notices</i>): | Any notice delivered to Covered Bondholders through the clearing systems will be deemed to have been given on the second business day after the day on which it was given to Euroclear, and Clearstream, Luxembourg and ISD. |
| (ix) | Intended to be held in a manner which would allow Eurosystem eligibility: | No. Whilst 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 Covered Bonds are capable of meeting them the Covered Bonds may then be deposited with one of the ICSDs as common safekeeper (and registered in the name of a nominee of one of the ICSDs acting as common Safekeeper). Note that this does not necessarily mean that the Covered Bonds 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 ECB being satisfied that Eurosystem eligibility criteria have been met. |

Signed on behalf of the Issuer:

By:



Eirikur M. Jensen

Duly authorised signatory