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PRESS ANNOUNCEMENT

Arion Bank publishes prospectus and sets price range for IPO

Reykjavik, 31 May 2018

- The minimum base offer will consist of 452,500,000 ordinary shares, in the form of existing Shares, and Swedish depository receipts (“SDRs”) of Arion Bank hf (“Arion Bank”) from the holdings of current owners Kaupskil ehf (“Kaupskil”) and Trinity Investments Designated Activity Company together the “Selling Shareholders”, with the ability to place up to 724,000,000 ordinary shares and SDRs as part of the base offer
- Arion Bank and the Selling Shareholders have set the price range for shares offered in its Initial Public Offering (the “IPO” or the “Offering”) between ISK 68.00 and ISK 79.00 per share (equals to c. SEK 5.69 and c. SEK 6.61 per share at exchange rate ISK/SEK 0.0837 as of 30 May 2018, with final SEK price per share set at day of pricing)
- Furthermore, the Selling Shareholders may place up to between 67,875,000 – 108,600,000 additional ordinary shares and SDRs of Arion Bank to cover a potential overallotment (the “Over-Allotment Option”), resulting in a minimum offer volume between ISK 35.4 billion and ISK 41.1 billion upon full exercise of the Over-Allotment Option
- The free float following the placement of the base offer will be above 25% of Arion Bank’s outstanding share capital
- Lansdowne and Miton have committed to subscribe through the price range to US\$38 million and US\$22.5 million respectively acting as cornerstone investors. Total commitments correspond to c. 20% of the minimum base offer size
- The offer period is expected to begin on 31 May 2018 and to end on 13 June 2018 for retail investors in Iceland and Sweden, and end on 14 June 2018 for institutional investors. The price will be announced on or around 15 June 2018 and the first day of trading of the ordinary shares on Nasdaq Iceland and of the SDRs on Nasdaq Stockholm is planned for 15 June 2018

Höskuldur H. Ólafsson, CEO of Arion Bank, said: “We have received positive feedback from investors and other stakeholders since we announced our intention to float, confirming our strong belief that this IPO is an important next step for Arion Bank to continue to create value. We are excited to welcome new investors on this journey with Arion Bank”.

Arion Bank and the Selling Shareholders have set the price range for shares offered in its Initial Public Offering between ISK 68.00 and ISK 79.00 per share (equals to c. SEK 5.69 and c. SEK 6.61 per share at exchange rate ISK/SEK 0.0837 as of 30 May 2018, with final SEK price per share set at day of pricing).

Detailed information on the IPO is contained in the Arion Bank IPO Prospectus (the “Prospectus”) which has been now made available on the Company’s IPO website (www.arionbanki.is/IPO). The offer period will begin on 31 May 2018, and Arion Bank has requested that the FME notify the Financial Supervisory Authority of Sweden (Finansinspektionen) (the “FSA”) by providing a certificate of approval of this Prospectus. The final offer price will be determined during the bookbuilding process.

The minimum base offer will consist of 452,500,000 ordinary shares and SDRs currently owned by the Selling Shareholders, with the ability to place up to 724,000,000 ordinary shares and SDRs (the “Base Sale Shares”). Additionally, the Selling Shareholder will provide up to 15% of the Base Sale Shares to cover potential overallotments (the “Over-Allotment Securities”). This implies a minimum base offer volume between ISK 35.4 billion and ISK 41.1 billion (equals to c. SEK 3.0 billion and c. SEK 3.4 billion at exchange rate ISK/SEK 0.0837 as of 30 May 2018, with final SEK price per share set at day of pricing) assuming the placement of all Over-Allotment Securities, and a free float above 25% of Arion Bank’s outstanding share capital.

Lansdowne and Miton have committed to subscribe through the price range to US\$38 million and US\$22.5 million respectively acting as cornerstone investors. Total commitments correspond to c. 20% of the minimum base offer size.

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The Company has agreed a lock-up period of 180 days for the Selling Shareholders and the Company. In respect of Trinity Investments Designated Activity Company, such lock-up arrangement shall not apply to any Shares it holds in excess of 10.44% of the issued share capital of the Bank (being the proportion of the issued share capital which each held prior to the Second Private Placement).

Based on the order book prepared during the book building process, the final offer price per share and the final number of shares to be sold are expected to be determined on or around 14 June 2018. Arion Bank's ordinary shares and SDRs are expected to commence trading on Nasdaq Iceland and Nasdaq Stockholm respectively, on 15 June 2018.

The Offering will consist of an offer to the public of the Base Sale Shares and the Over-Allotment Securities (together, the "Offer Shares") to retail investors and institutional investors in Iceland and Sweden, and to institutional investors outside Iceland under an exemption from the requirement to prepare a prospectus.

Arion Bank Investment Banking, Carnegie, Citigroup and Morgan Stanley are acting as Joint Global Coordinators, Deutsche Bank and Goldman Sachs International as Joint Bookrunners and Fossar, Islandsbanki, Landsbankinn and Svenska Handelsbanken, as Co-Lead Managers in the IPO.

About Arion Bank

Arion Bank is a leading, privately owned universal relationship bank in Iceland with a differentiated and innovative approach. Arion Bank has established itself as a broad and well-balanced bank that provides products and services which meet the needs of Icelandic households and companies. To ensure it is well-balanced and diversified in its product and services offering and expertise, Arion Bank has organised itself across four dedicated divisions, Retail Banking, Corporate Banking, Investment Banking and Asset Management. Arion Bank furthermore operates strategic subsidiaries that add valuable products and services to the business, such as payment processing, fund management and insurance. Arion Bank's diversified and balanced approach to its business also means that it has a broad revenue base and a balanced and diverse loan portfolio with moderate risk profile serving individuals and companies. As a result, Arion Bank enjoys a strong position within domestic financial markets in terms of its return on equity, operational efficiency and product and services offering. Further information can be found on the Company's website: www.arionbanki.is/english

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The securities referred to herein have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States absent registration or an exemption from the registration requirements under the Securities Act. Arion Bank does not intend to register any portion of the offering in the United States or to conduct a public offering of securities in the United States.

Arion Bank has not authorised any offer to the public of securities in any Member State of the European Economic Area, except in Iceland and Sweden. With respect to any Member State of the European Economic Area which has implemented the Prospectus Directive other than Iceland and Sweden (each a "**Relevant Member State**"), no action has been undertaken or will be undertaken to make an offer to the public of securities requiring publication of a prospectus in any Relevant Member State. As a result, the securities may only be offered in Relevant Member States:

- (i) to any legal entity which is a "qualified investor" as defined in the Prospectus Directive; or
- (ii) in any other circumstances falling within Article 3(2) of the Prospectus Directive.

For the purpose of this paragraph, the expression "offer of securities to the public" means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable the investor to decide to exercise, purchase or subscribe for the securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

Any such investor will also be deemed to have represented and agreed that any securities acquired by it in the contemplated offering of securities have not been acquired on behalf of persons other than such investor. This announcement is not an advertisement within the meaning of the Prospectus Directive and does not constitute a prospectus.

In the United Kingdom, this document and any other materials in relation to the securities is only being distributed to, and is only directed at, and any investment or investment activity to which this document relates is available only to, and will be engaged in only with, "**qualified investors**" (as defined in section 86(7) of the Financial Services and Markets Act 2000) and who are (i) persons having professional experience in matters relating to investments who fall within the definition of "**investment professionals**" in Article 19(5) of the Financial Services and Markets Act 2000 ("**Financial Promotion**") Order 2005 (the "**Order**"); or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "**relevant persons**"). This communication is directed only at relevant persons. Persons who are not relevant persons should not take any action on the basis of this document and should not act or rely on it. Any investment activity to which this communication relates will only be available to and will only be engaged with, relevant persons. No action has been taken by Arion Bank that would permit an offer of securities or the possession or distribution of these materials or any other offering or publicity material relating to such securities in any jurisdiction, except for the Iceland and Sweden, where action for that purpose is required.

This document may contain forward-looking statements. These statements are based on the current views, expectations and assumptions of the management of Arion Bank and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those described in such statements due to, among other things, changes in

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the general economic and competitive environment, risks associated with capital markets, currency exchange rate fluctuations and competition from other companies, changes in international and national laws and regulations, in particular with respect to tax laws and regulations, affecting Arion Bank and other factors. Arion Bank does not assume any obligations to update any forward-looking statements.

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Before investing in any securities, persons viewing this publication should ensure that they fully understand and accept the risks which are set out in the Prospectus. The information in this publication is for background purposes only and does not purport to be full or complete. No reliance may be placed for any purpose on the information contained in this publication or its accuracy or completeness.

Stabilisation

In connection with the IPO, Citigroup Global Markets Limited (the “**stabilisation manager**”), or any of its agents, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot Shares and SDRs or effect other transactions with a view to supporting the market price of the Shares and SDRs at a higher level than that which might otherwise prevail in the open market. The stabilisation manager is not required to enter into such transactions and such transactions may be effected on any stock market, over-the-counter market, stock exchange or otherwise and may be undertaken at any time during the period commencing on the date of the commencement of conditional dealings of the Shares and the SDRs on NASDAQ Iceland and NASDAQ Stockholm, respectively, and ending no later than 30 calendar days thereafter. However, there will be no obligation on the stabilisation manager or any of its agents to effect stabilising transactions and there is no assurance that stabilising transactions will be undertaken. Such stabilising measures, if commenced, may be discontinued at any time without prior notice. In no event will measures be taken to stabilise the market price of the Shares and SDRs above the offer price in the IPO. Save as required by law or regulation, neither the stabilisation manager nor any of its agents intends to disclose the extent of any over-allotments made and/or stabilisation transactions conducted in relation to the IPO.

In connection with the IPO, the stabilisation manager may, for stabilisation purposes, over-allot Shares and SDRs up to a maximum of 15% of the total number of Shares and SDRs comprised in the IPO. For the purposes of allowing it to cover short positions resulting from any such over-allotments and/or from sales of Shares and SDRs effected by it during the stabilisation period, the stabilisation manager is expected to enter into over-allotment arrangements pursuant to which the stabilisation manager may purchase or procure purchasers for additional Shares and SDRs up to a maximum of 15% of the total number of Shares and SDRs comprised in the IPO (the “**Over Allotment Securities**”) at the offer price. The over-allotment arrangements will be exercisable in whole or in part, upon notice by the stabilisation manager, at any time on or before the 30th calendar day after the commencement of conditional dealings of the Shares and the SDRs on NASDAQ Iceland and NASDAQ Stockholm, respectively. Any Over-allotment Securities made available pursuant to the over-allotment arrangements, including for all dividends and other distributions declared, made or paid on the Shares and SDRs, will be purchased on the same terms and conditions as the Shares and SDRs being issued or sold in connection with the IPO and will form a single class for all purposes with the other Shares and SDRs, respectively.