

MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – Solely for the purposes of each 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 manufacturers' 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 manufacturers' target market assessment) and determining appropriate distribution channels.

19 March 2018

ARION BANK HF

Issue of EUR300,000,000 1.000 per cent. Notes due 2023 under the EUR2,000,000,000 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 19 June 2017 and the supplement to it dated 6 March 2018 which together constitute a base prospectus for the purposes of the Prospectus Directive (the **Base Prospectus**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Bank and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published on the Luxembourg Stock Exchange's website (www.bourse.lu).

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| 1. | (a) Series Number | 17 |
| | (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: | EUR |
| 3. | Aggregate Nominal Amount: | |
| | (a) Series: | EUR300,000,000 |
| | (b) Tranche: | EUR300,000,000 |
| 4. | Issue Price: | 99.560 per cent. of the Aggregate Nominal Amount |

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| 5. | (a) | Specified Denominations: | EUR100,000 and integral multiples of EUR1,000 in excess thereof up to and including EUR199,000. No Notes in definitive form will be issued with a denomination above EUR199,000. |
| | (b) | Calculation Amount (in relation to calculation of interest in global form see Conditions). | EUR1,000 |
| 6. | (a) | Issue Date: | 20 March 2018 |
| | (b) | Interest Commencement Date: | Issue Date |
| 7. | | Maturity Date: | 20 March 2023 |
| 8. | | Interest Basis: | 1.000 per cent. Fixed Rate |
| 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: | Not Applicable |
| 12. | | Status of Notes: | Unsubordinated |

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

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| 13. | | Fixed Rate Note Provisions | Applicable |
| | (a) | Rate(s) of Interest: | 1.000 per cent. per annum payable in arrear on each Interest Payment Date |
| | (b) | Interest Payment Date(s): | 20 March in each year up to and including the Maturity Date |
| | (c) | Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions) | EUR 10.00 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: | Actual/Actual (ICMA) |
| | (f) | Determination Date(s): | 20 March in each year |

14. Fixed Reset Provisions: Not Applicable
15. Floating Rate Note Provisions: Not Applicable
16. Zero Coupon Note Provisions: Not Applicable

PROVISIONS RELATING TO REDEMPTION

17. Issuer Call: Not Applicable
18. Final Redemption Amount: EUR1,000 per Calculation Amount
19. Early Redemption Amount: EUR1,000 per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

20. Form of Notes
(a) Form: Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes upon an Exchange Event
(b) New Global Note: Yes
21. Additional Financial Centre(s): Not Applicable
22. Talons for future Coupons to be attached to Definitive Notes: No

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

By: *Eiríkur Magnús Jenss*

Duly authorised

Eiríkur Magnús Jenss:
Head of Funding
Arion Bank

By: *Stefán Pétursson*

Duly authorised

Stefán Pétursson
CFO

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 Notes to be admitted to trading on the Luxembourg Stock Exchange and listed on the Official List of the Luxembourg Stock Exchange with effect from 20 March 2018. |
| (ii) | Estimate of total expenses related to admission to trading: | EUR3,400 |

2. RATINGS

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| Ratings: | The Notes to be issued are expected to be rated:

BBB+ by Standard & Poor's Credit Market Services Europe Limited (S&P).

S&P is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended). |
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3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

Save for any fees payable to the Managers, so far as the Bank is aware, no person involved in the issue of the Notes has an interest material to the offer. The Managers and their 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 Bank and its affiliates in the ordinary course of business.

4. REASONS FOR THE OFFER

The net proceeds from the issue of the Notes will be applied by the Bank for its general corporate purposes, which include making a profit.

5. YIELD

Indication of yield:	1.091 per cent. per annum
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6. OPERATIONAL INFORMATION

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| (i) | ISIN: | XS1794196615 |
| (ii) | Common Code: | 179419661 |
| (iii) | Any clearing system(s) other | Not Applicable |

than Euroclear and Clearstream, Luxembourg and the relevant identification number(s):

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| (iv) | Delivery: | Delivery against payment |
| (v) | Names and addresses of additional Paying Agent(s) (if any): | Not Applicable |
| (vi) | Intended to be held in a manner which would allow Eurosystem eligibility: | Yes. Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met. |

7. DISTRIBUTION

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| (i) | Method of distribution: | Syndicated |
| (ii) | If syndicated, names of Managers: | Barclays Bank PLC
Citigroup Global Markets Limited
Deutsche Bank AG, London Branch |
| (iii) | Date of Subscription Agreement: | 19 March 2018 |
| (iv) | Stabilisation Manager(s) (if any): | Deutsche Bank AG, London Branch |
| (v) | If non-syndicated, name of relevant Dealer: | Not Applicable |
| (vi) | U.S. Selling Restrictions: | Reg. S Compliance Category 2;
TEFRA D |
| (vii) | Prohibition of Sales to EEA Retail Investors: | Not Applicable |