

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 (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 2002/92/EC (as amended, the Insurance Mediation Directive), 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 Directive. 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.

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.

21 November 2018

ARION BANK HF

Legal Entity Identifier (LEI): RIL4VBPDB0M7Z3KXSF19

**Issue of SEK 500,000,000 Floating Rate 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 10 July 2018 and the supplement to it dated 6 November 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).

1. (a) Series Number: 18
- (b) Tranche Number: 1
- (c) Date on which the Notes Not Applicable

will be consolidated and form a single Series:

2. Specified Currency or Currencies: Swedish Krona (**SEK**)
3. Aggregate Nominal Amount:
 - (a) Series: SEK 500,000,000
 - (b) Tranche: SEK 500,000,000
4. Issue Price: 100 per cent. of the Aggregate Nominal Amount
SEK 2,000,000
5. (a) Specified Denominations:
 - (b) Calculation Amount (in relation to calculation of interest in global form see Conditions): SEK 2,000,000
6. (a) Issue Date: 22 November 2018
 - (b) Interest Commencement Date: Issue Date
7. Maturity Date: Interest Payment Date falling on or nearest to 22 November 2028
8. Interest Basis: 3 month STIBOR + 3.10 per cent. Floating Rate (see paragraph 15 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 17 below)
12. Status of Notes: Subordinated

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13. Fixed Rate Note Provisions: Not Applicable
14. Fixed Reset Provisions: Not Applicable
15. Floating Rate Note Provisions: Applicable

- (a) Specified Period(s)/Specified Interest Payment Dates: Interest will be payable quarterly on 22 November, 22 February, 22 May and 22 August each year, commencing 22 February 2019 up to and including the Maturity Date, subject to adjustment in accordance with the Business Day Convention set out in (b) below
- (b) Business Day Convention: Modified Following Business Day Convention
- (c) Additional Business Centre(s): TARGET and London
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: Screen Rate Determination
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Fiscal Agent): Not applicable
- (f) Screen Rate Determination: 3-month STIBOR
- (i) Reference Rate:
- (ii) Interest Determination Date(s): 11.00 a.m. Stockholm time on the Business Day prior to the start of each Interest Period
- (iii) Relevant Screen Page: Reuters screen "SIDE" Page
- (g) ISDA Determination: Not applicable
- (h) Linear Interpolation: Not Applicable
- (i) Margin(s): + 3.10 per cent. per annum
- (j) Minimum Rate of Interest: Not applicable
- (k) Maximum Rate of Interest: Not applicable

(l) Day Count Fraction: Actual/360

16. Zero Coupon Note Provisions Not Applicable

PROVISIONS RELATING TO REDEMPTION

17. Issuer Call: Applicable

(a) Optional Redemption Date(s): 22 November 2023 and on every Interest Payment Date thereafter (subject to prior approval of Icelandic FSA)

(b) Optional Redemption Amount: SEK 2,000,000 per Calculation Amount

(c) If redeemable in part:

(i) Minimum Redemption Amount: Not applicable

(ii) Maximum Redemption Amount: Not applicable

(d) Notice periods: Minimum period: 30 days
Maximum period: 60 days

18. Final Redemption Amount: SEK 2,000,000 per Calculation Amount

19. Early Redemption Amount payable on redemption for taxation reasons, upon the occurrence of a Capital Event or on an event of default: SEK 2,000,000 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): Stockholm
22. Talons for future Coupons to be attached to Definitive Notes: Yes

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

By: *Eiríkur M. Jensson*

Duly authorised

Eiríkur Magnús Jensson
Head of Funding
Arion Bank

By: 

Duly authorised

Stefan Pétursson
CFO

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 Notes to be admitted to trading on the Luxembourg Stock Exchange's regulated market and listed on the Official List of the Luxembourg Stock Exchange with effect from on or about 22 November 2018.
- (ii) Estimate of total expenses related to admission to trading: EUR 5,400

2. RATINGS

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).

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. YIELD

Indication of yield: Not Applicable

5. OPERATIONAL INFORMATION

- (i) ISIN: XS1914314726
- (ii) Common Code: 191431472
- (iii) CFI: DTVXFB
- (iv) FISN ARION BANKI HF/VAREMTN 20281100
- (v) Any clearing system(s) Not Applicable

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

- (vi) Delivery: Delivery against payment
- (vii) Names and addresses of additional Paying Agent(s) (if any): Not Applicable
- (viii) Intended to be held in a manner which would allow Eurosystem eligibility: No

6. DISTRIBUTION

- (i) Method of distribution: Syndicated
- (ii) If syndicated, names of Managers: Nordea Bank Abp
Skandinaviska Enskilda Banken AB (publ)
Swedbank AB (publ)
- (iii) Date of Subscription Agreement: 21 November 2018
- (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 D
- (vii) Prohibition of Sales to EEA Retail Investors: Applicable
- (viii) Prohibition of Sales to Belgian Consumers: Applicable
- (ix) Relevant Benchmark: STIBOR is provided by the Swedish Bankers' Association. As at the date hereof, Swedish Bankers' Association does not appear in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 of Regulation (EU) No. 2016/1011 (the **Benchmarks Regulation**). As far as the Bank is aware, as at the date hereof, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that Swedish Bankers' Association is not currently required to obtain authorisation/registration.