

10 March 2015

ARION BANK HF

**Issue of €300,000,000 3.125% Notes due 2018
under the €1,000,000,000
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 23 April 2014 and the supplements to it dated 10 June 2014, 8 September 2014, 19 November 2014 and 26 February 2015 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: 1
- (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: 99.673 per cent. of the Aggregate Nominal Amount
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: EUR1,000
6. (a) Issue Date: 12 March 2015
- (b) Interest Commencement Date: Issue Date

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| 7. | Maturity Date: | 12 March 2018 |
| 8. | Interest Basis: | 3.125 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. | Put/Call Options: | Not Applicable |
| 12. | Status of the Notes: | Senior |

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

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| 13. | Fixed Rate Note Provisions | Applicable |
| | (a) Rate(s) of Interest: | 3.125 per cent. per annum payable in arrear on each Interest Payment Date |
| | (b) Interest Payment Date(s): | 12 March in each year up to and including the Maturity Date |
| | (c) Fixed Coupon Amount(s): | EUR31.25 per Calculation Amount |
| | (d) Broken Amount(s): | Not Applicable |
| | (e) Day Count Fraction: | Actual/Actual (ICMA) |
| | (f) Determination Date(s): | 12 March in each year |
| 14. | Floating Rate Note Provisions | Not Applicable |
| 15. | Zero Coupon Note Provisions | Not Applicable |

PROVISIONS RELATING TO REDEMPTION

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| 16. | Issuer Call: | Not Applicable |
| 17. | Final Redemption Amount: | EUR1,000 per Calculation Amount |

GENERAL PROVISIONS APPLICABLE TO THE NOTES

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| 18. | Form of Notes: | |
| | (a) Form: | Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes only upon an Exchange Event |

(b) New Global Note: Yes

19. Additional Financial Centre(s): Not Applicable

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

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

By:

Duly authorised



By:

Duly authorised



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's regulated market with effect from 12 March 2015. |
| (ii) | Estimate of total expenses related to admission to trading: | EUR1,690 |

2. RATINGS

- Ratings: The Notes to be issued have been rated:
- BB+ 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) (the **CRA Regulation**).

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

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| Indication of yield: | 3.241 per cent. per annum |
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5. OPERATIONAL INFORMATION

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| (i) | ISIN Code: | XS1199968303 |
| (ii) | Common Code: | 119996830 |
| (iii) | Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): | Not Applicable |
| (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

6. DISTRIBUTION

(i) Method of distribution: Syndicated

(ii) If syndicated, names of Managers: Citigroup Global Markets Limited, Deutsche Bank AG, London Branch and Nomura International plc

(iii) Date of Subscription Agreement: 10 March 2015

(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