



**Arion Bank hf.**

**\$100,000,000 Fixed Rate Reset Perpetual Additional Tier 1 Convertible Notes**

Issuer:	Arion Bank hf.
Issuer Legal Entity Identifier (LEI):	RIL4VPDB0M7Z3KXSF19
Securities:	Fixed Rate Reset Perpetual Additional Tier 1 Convertible Notes
Issuer Ratings:	BBB+ (negative) (S&P)
Expected Issue Ratings:	BB (S&P)
Maturity:	Perpetual NC5.5
Currency:	USD
Principal Amount:	USD 100,000,000
Form of Securities:	Reg-S Registered
Issue Price:	100.00%
Re-offer Yield (Semi-Annual):	6.250%
Day Count Fraction:	30/360
Pricing Date:	19 <sup>th</sup> February 2020
Settlement Date:	26 <sup>th</sup> February 2020 (T+5)
First Interest Payment Date:	26 <sup>th</sup> August 2020
First Reset Date:	26 <sup>th</sup> August 2025
Reset Dates:	26 <sup>th</sup> August 2025 and each five-year anniversary thereafter
Ranking:	Direct, unsecured and subordinated obligations of the Bank and rank pari passu without any preference among themselves, pari passu with any other Additional Tier 1 Instruments, in priority to all classes of share capital of the Bank and claims of any other subordinated creditors which rank junior to the notes, and junior to the claims of Senior Creditors
Interest Rate:	Fixed, 6.250%, payable semi-annually in arrears on the outstanding principal amount, subject to interest cancellation. Reset on the First Reset Date and every 5 years thereafter (non-step) to the sum of the applicable CMT Rate (as defined in the Information Memorandum) and the Initial Margin
Initial Margin:	484.2 bps
Reference Rate:	UST 1.375% Jan-2025 @ 99-27
Interest Payment Dates:	February 26 <sup>th</sup> and August 26 <sup>th</sup> of each year, commencing August 26 <sup>th</sup> 2020
Optional Redemption:	Subject to regulatory approval, the Bank may redeem the Notes at par (i) at any time within the period from 26 <sup>th</sup> February 2025 and ending on (and including) the First Reset Date or on any Interest Payment Date thereafter, or (ii) upon a Withholding Tax Event, Tax Deductibility Event or a Capital Disqualification Event
Discretionary Interest Cancellation:	The Bank may elect to cancel any payment of interest in whole or in part at any time and for any reason. All cancelled interest payments are non-cumulative
Mandatory Interest Cancellation:	The Bank shall not make an interest payment on the Notes if (i) the amount of Distributable Items is insufficient, or (ii) if and to the extent that such payment would cause a breach of any binding regulatory restriction (including in relation to any Maximum Distributable Amount restriction)
Substitution or Variation:	Applicable upon a Withholding Tax Event, Tax Deductibility Event or a Capital Disqualification Event; subject to conditions including new terms not being materially less favourable to holders

Automatic Conversion:	Upon the occurrence of a Trigger Event, each Security shall, irrevocably and automatically on the Conversion Date, be converted in whole and not in part into Ordinary Shares of Arion Bank credited as fully paid at the Conversion Price
Trigger Event:	The Notes will be converted into Conversion Shares at the prevailing Conversion Price (i) if at any time the CET1 ratio of the Bank on a solo basis or of the Group on a consolidated basis is less than 5.125%, or (ii) upon the occurrence of a Non-Viability Event ("NVE")
Conversion Price:	The highest of (i) the Current Market Price of an Ordinary Share, translated into U.S. dollars at the Prevailing Exchange Rate, (ii) U.S.\$ 0.473, or (iii) the par value of an Ordinary Share. The Conversion Price is subject to adjustment following certain corporate actions or if a Qualifying Takeover Event occurs
Settlement Shares Offer:	Upon conversion, the Issuer may elect, in its sole and absolute discretion, that a Settlement Shares Offer be made by the Settlement Shares Depository to all or some of the ordinary shareholders of the Issuer, at a cash price being not less than the Conversion Price during the Offer Settlement Period
Disapplication of the NVE clause:	Automatic disapplication of the Non-Viability Event clause from the date on which an Applicable Statutory Loss Absorption Regime becomes effective in respect of the Notes
Governing Law:	English law, except with respect to the status and subordination, which are governed by, and shall be construed in accordance with, the laws of Iceland
Listing:	Luxembourg Stock Exchange, Euro MTF Market
Clearing:	Euroclear/Clearstream
Documentation:	Drawdown of EMTN Program
Sales into Canada:	Yes, via exemption
Selling Restrictions:	US: Reg S Category 2. TEFRA D (no communication with or into the US); EEA: The Notes are not intended to be sold and should not be sold to retail clients in the EEA, as defined in the rules set out in the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, as amended or replaced from time to time, other than in circumstances that do not and will not give rise to a contravention of those rules by any person. Iceland; Qualified investors pursuant to the private placement exemption under the Icelandic Securities Act. Japan: sales only to a list of 49 qualified institutional investors. Hong Kong: professional investors. Singapore: institutional investors and relevant persons. State of Qatar: No offers or sales unless in compliance with all applicable laws and regulations of Qatar. Kuwait: Professional clients. UAE: No offers or sales into the UAE unless in compliance with applicable UAE laws. Prospective investors are referred to the section headed "Restrictions on marketing and sales to retail investors" of the Preliminary Information Memorandum for the transaction for further information
Target Market:	Manufacturer target market (MIFID II product governance) is eligible counterparties and professional clients only (all distribution channels). No PRIIPs key information document (KID) has been prepared as not available to retail in EEA or the United Kingdom
Denomination:	USD 200,000 x USD 1,000
ISIN:	XS2125141445
Use of Proceeds:	General corporate purposes and strengthen its capital base
Sole Structuring Advisor:	Barclays
Bookrunners:	Barclays, Goldman Sachs International, Morgan Stanley

Please refer to the Preliminary Listing Particulars for the definition of capitalized terms and for any further details

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