

27 June 2017

ARION BANK HF**Issue of EUR300,000,000 0.750 per cent. Notes due 2020
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 which constitutes 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 | 14 |
| | (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: | 99.891 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 (in relation to calculation of interest in global form see Conditions). | EUR1,000 |
| 6. | (a) Issue Date: | 29 June 2017 |
| | (b) Interest Commencement Date: | Issue Date |

7.	Maturity Date:	29 June 2020
8.	Interest Basis:	0.750 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

13.	Fixed Rate Note Provisions	Applicable
	(a) Rate(s) of Interest:	0.750 per cent. per annum payable in arrear on each Interest Payment Date
	(b) Interest Payment Date(s):	29 June 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)	EUR7.50 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):	29 June 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. (a) Form of Notes: 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: *Eirikur M. Jenson*

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 and listed on the Official List of the Luxembourg Stock Exchange with effect from 29 June 2017. |
| (ii) | Estimate of total expenses related to admission to trading: | EUR2,400 |

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 and as set out below, 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. On 19 June 2017, the Bank announced an invitation to the holders of its outstanding €300,000,000 3.125% Notes due 2018 (the **2018 Notes**) to tender the 2018 Notes for purchase by the Bank for cash (the **Offer**). Certain of the Managers hold 2018 Notes and may tender those 2018 Notes for purchase in the Offer. To the extent the net proceeds from the issue of the Notes are applied by the Bank towards the purchase of 2018 Notes pursuant to the Offer, those Managers may receive a portion of such net proceeds.

4. REASONS FOR THE OFFER

The net proceeds from the issue of the Notes will be applied by the Bank towards the purchase of the 2018 Notes accepted by the Bank for purchase pursuant to the Offer and otherwise for its general corporate purposes, which include making a profit.

5. YIELD

Indication of yield: 0.787 per cent. per annum

6. OPERATIONAL INFORMATION

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| (i) | ISIN: | XS1637351138 |
| (ii) | Common Code: | 163735113 |
| (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. 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: | Goldman Sachs International
J.P. Morgan Securities plc
Nomura International plc |

		UBS Limited
(iii)	Date of Subscription Agreement:	27 June 2017
(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:	Not Applicable