

SUPPLEMENT DATED 10 DECEMBER 2015 TO THE BASE PROSPECTUS DATED 5 JUNE 2015



Arion Bank hf.

(incorporated with limited liability in Iceland)

€1,000,000,000

Euro Medium Term Note Programme

This Supplement (the **Supplement**) to the base prospectus dated 5 June 2015 (the **Base Prospectus**) constitutes a prospectus supplement for the purposes of article 13 of Chapter 1 of Part II of the Luxembourg Act dated 10 July 2005 on prospectuses for securities, as amended (the **Prospectus Act**) and is prepared in connection with the €1,000,000,000 Euro Medium Term Note Programme (the **Programme**) established by Arion Bank hf. (the **Bank**). Terms defined in the Base Prospectus have the same meaning when used in this Supplement.

This Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus and any other supplements to the Base Prospectus issued by the Bank.

The Bank accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Bank (which has taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

Interim Financial Statements as at and for the six month period ended 30 June 2015 and as at and for the nine month period ended 30 September 2015

On 26 August 2015 the Bank published its unaudited consolidated interim financial statements (including the auditor's review report thereon) as at and for the six month period ended 30 June 2015 (the **Q2 2015 Interim Financial Statements**).

On 11 November 2015 the Bank published its unaudited consolidated interim financial statements as at and for the nine month period ended 30 September 2015 (the **Q3 2015 Interim Financial Statements**).

A copy of each of the Q2 2015 Interim Financial Statements and the Q3 2015 Interim Financial Statements has been filed with the *Commission de Surveillance du Secteur Financier*.

By virtue of this Supplement, the following information contained in the Q2 2015 Interim Financial Statements, and set out at the pages below, is incorporated by reference in, and forms part of, the Base Prospectus:

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| Interim Consolidated Statement of Financial Position | Page 8 |
| Interim Consolidated Statement of Changes in Equity | Page 9 |

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By virtue of this Supplement, the following information contained in the Q3 2015 Interim Financial Statements, and set out at the pages below, is incorporated by reference in, and forms part of, the Base Prospectus:

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|---|---------------|
| Interim Consolidated Statement of Comprehensive Income..... | Page 6 |
| Interim Consolidated Statement of Financial Position | Page 7 |
| Interim Consolidated Statement of Changes in Equity | Page 8 |
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The non-incorporated parts of the Q2 2015 Interim Financial Statements and the Q3 2015 Interim Financial Statements are either deemed not relevant for an investor or are otherwise covered elsewhere in the Base Prospectus.

Copies of documents incorporated by reference in the Base Prospectus and copies of this Supplement can be obtained from the Luxembourg Stock Exchange's website at www.bourse.lu, from the registered office of the Bank and from the specified offices of the Paying Agents for the time being in London. Copies of documents incorporated by reference in the Base Prospectus can be viewed electronically free of charge at <http://www.arionbanki.is/>.

Increase in the Programme Size

Pursuant to the amended and restated programme agreement dated 5 June 2015 (as further modified and/or supplemented and/or restated from time to time, the **Programme Agreement**), the maximum aggregate nominal amount of medium term notes issued by the Bank (the **Notes**) that may be outstanding from time to time under the Programme (the **Programme Size**) is increased from the current size of €1,000,000,000 to €2,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement). From the date of this Supplement, all references in the Base Prospectus to the Programme Size of €1,000,000,000 shall be deemed to be references to the Programme Size of €2,000,000,000. The Programme Size may be further increased from time to time in accordance with the Programme Agreement.

General Information

The increase of the Programme Size from €1,000,000,000 to €2,000,000,000 has been duly authorised by a resolution of the Board of Directors of the Bank dated 6 October 2015.

The paragraph "Significant or Material Change" on page 126 of the Base Prospectus shall be deemed deleted and replaced with the following paragraph:

"Significant or Material Change

There has been no significant change in the financial position of the Group since 30 September 2015, and there has been no material adverse change in the prospects of the Bank since 31 December 2014."

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement and (b) any other statement in or incorporated by reference in the Base Prospectus, the statements in (a) above will prevail.

Save as disclosed in this Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus since the publication of the Base Prospectus.