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USD125,000,000 Fixed Rate Reset Perpetual Additional Tier 1 Convertible Notes

Issuer:	Arion Bank hf. (the “Bank”)
LEI:	RIL4VBPDB0M7Z3KXSF19
Notes:	USD125,000,000 Fixed Rate Reset Perpetual Additional Tier 1 Convertible Notes
Issuer Ratings:	A3 (Stable) (Moody's)
Expected Issue Ratings:	Ba2 (Moody's)
Maturity:	Perpetual
Currency:	USD
Principal Amount:	USD 125,000,000
Form of Notes:	Registered form
Issue Price:	100.000%
Re-offer Yield (Semi-Annual):	8.125%
Day Count Fraction:	30/360
Business Days:	A day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Reykjavik, London and New York City or the relevant place of delivery, as applicable
Pricing Date:	17 September 2024
Settlement Date:	24 September 2024 (T+5)
First Interest Payment Date:	24 March 2025
First Reset Date:	24 March 2030
Reset Dates:	24 March 2030 and each five-year anniversary thereafter
Status and Subordination:	Direct, unsecured, unguaranteed and subordinated obligations of the Bank and rank (subject to any mandatory provisions of Icelandic law) (i) <i>pari passu</i> without any preference among themselves, (ii) at least <i>pari passu</i> with payments to holders of any other Additional Tier 1 Instruments and claims of any other subordinated creditors the claims of which rank, or are expressed to rank, <i>pari passu</i> with the Notes, (iii) in priority to payments to holders of all classes of share capital of the Bank in their capacity as such holders and claims of any other subordinated creditors the claims of which rank, or are expressed to rank, junior to the notes, and (iv) junior to the claims of Senior Creditors.
Interest Rate:	Fixed, 8.125%, payable semi-annually in arrear on the Interest Payment Dates at the sole discretion of the Bank on the outstanding principal amount to (but excluding) the First Reset Date, subject to the Conditions. Reset on the First Reset Date and every 5 years thereafter at each Reset Date to the sum of the applicable CMT Rate for such Reset Period and the Reset Margin.
Reset Margin:	467.5 bps
5-year Treasury Rate:	3.425%
7-year Treasury Rate:	3.514%

Interpolated Treasury Rate:	3.450%
Interest Payment Dates:	24 March and 24 September of each year, commencing 24 March 2025
Interest Cancellation:	<p>Mandatory interest cancellation if and to the extent (i) the Bank has an amount of Distributable Items on such date that is less than the sum of all distributions or interest payments on the Notes and all other own funds instruments of the Bank paid and/or required and/or scheduled to be paid in the then current financial year (excluding any such interest payments or distributions which (x) are not required to be made out of Distributable Items or (y) have already been provided for, by way of deduction, in the calculation of Distributable Items), (ii) that such payment would cause a breach of any binding regulatory restriction or prohibition on payments on Additional Tier 1 Instruments pursuant to Applicable Banking Regulations (including, without limitation, any such restriction or prohibition relating to any Maximum Distributable Amount applicable to the Bank and/or the Group), or (iii) the Relevant Authority requires the Bank to cancel such payment.</p> <p>Subject to the paragraph below, the Bank may elect, in its sole and absolute discretion, to cancel any payment of interest that would otherwise be payable on any date in whole or in part at any time and for any reason.</p> <p>If a Capital Disqualification Event occurs and the aggregate Outstanding Principal Amount of the Notes is excluded in whole (and not in part only) from inclusion in the Additional Tier 1 Capital of the Bank and the Group, the interest cancellation provisions in Condition 5(a) shall, to the extent permitted under then prevailing Applicable Banking Regulations, cease to apply to the Notes and the Bank shall no longer have the discretion to cancel any interest payments, in whole or in part, due on the Notes on any date following the occurrence of that Capital Disqualification Event.</p> <p>As described in Condition 6, if a Capital Adequacy Event occurs at any time on or after the Issue Date, then the Notes will, without delay and in any event on a date within one month of the date of occurrence of the Capital Adequacy Event be converted into Conversion Shares at the prevailing Conversion Price. Following the conversion (i) the Outstanding Principal Amount of the Notes will be permanently reduced to zero; and (ii) any accrued and unpaid interest in respect of the Notes shall be cancelled automatically and no further interest shall accrue or be due and payable on the Notes at any time thereafter.</p> <p>As described in Condition 3(c), interest will only be due and payable if the Solvency Condition is satisfied</p>
Issuer Early Redemption:	<p>Subject to Relevant Authority permission (if such permission is then required under the Applicable Banking Regulations) and other Conditions to redemption pursuant to Condition 7(h), the Bank may redeem the Notes at par (i) on any day falling in the period commencing on and (including) 24 September 2029 and ending on (and including) the First Reset Date or any Interest Payment Date after the First Reset Date, (ii) if a Withholding Tax Event or a Tax Deductibility Event has occurred and cannot be avoided by the Bank taking reasonable measures available to it, (iii) if a Capital Disqualification Event has occurred and is continuing on such date, or (iv) if 75 per cent. or more of the aggregate principal amount of the Notes originally issued has been purchased by or on behalf of the Bank.</p>
Substitution or Variation:	<p>Applicable if at any time a Withholding Tax Event, Tax Deductibility Event or a Capital Disqualification Event occurs or if required in order to ensure the effectiveness or enforceability of Condition 20 on the Acknowledgement of Statutory Loss Absorption Powers, in each case subject to permission of the FME (if such permission is then required under the Applicable Banking Regulations) and the other Conditions pursuant to Condition 7(i).</p>
Conversion following a Capital Adequacy Event:	<p>In accordance with Condition 6, the Notes will be converted into Conversion Shares at the then prevailing Conversion Price if at any time on or after the Issue Date the Bank, the Relevant Authority or any agent appointed for such purpose by the Relevant Authority has determined that the CET1 Ratio of the Bank on a solo basis or of the Group on a consolidated basis is less than 5.125%. In accordance with Condition 6(h), the Bank may, in its sole and absolute discretion, elect that a Settlement Shares Offer of the Conversion Shares shall be made on a <i>pro rata</i> basis to all eligible Shareholders of the Bank, which will delay the delivery of Conversion Shares to a Holder and may result in a Holder receiving, wholly or partly in place of such Conversion Shares, payment of the cash proceeds of such Settlement Shares Offer to which that Holder is entitled, after deduction of the Settlement Shares Offer Expenses.</p>

Conversion Price:	The highest of (i) the Current Market Price of an Ordinary Share, translated into USD, (ii) floor price of USD 0.726, or (iii) the par value of an Ordinary Share translated into USD, subject to certain adjustments pursuant to Condition 6.
Acknowledgement of Statutory Loss Absorption Powers:	Each Noteholder acknowledges, accepts, consents to and agrees to be bound by (a) the effect of the exercise of any Statutory Loss Absorption Powers by the Relevant Resolution Authority, and (b) the variation of the terms of the Notes, as deemed necessary by the Relevant Resolution Authority, to give effect to the exercise of any Statutory Loss Absorption Powers by the Relevant Resolution Authority
Governing Law:	English law, except with respect to Condition 3 (<i>Status</i>) and Condition 20 (<i>Acknowledgement of Statutory Loss Absorption Powers</i>), which are governed by, and shall be construed in accordance with, the laws of Iceland
Listing:	Euro MTF market of the Luxembourg Stock Exchange
Clearing:	Euroclear/Clearstream
Documentation:	The drawdown information memorandum (the " Information Memorandum ") prepared by the Bank in connection with the Notes, which incorporates by reference <i>inter alia</i> certain sections of the Issuer's €3,000,000,000 Euro Medium Term Note Programme base prospectus dated 16 October 2023, as supplemented on 2 May 2024 and 19 August 2024. Capitalised terms used in this term sheet which are not defined shall have the meanings given in the Information Memorandum.
Sales into Canada:	Not Applicable
Selling Restrictions:	As set out in the Information Memorandum. (U.S. selling restriction: Regulation S, Category 2)
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Denomination:	The Notes will be issued in denominations of USD 200,000 and integral multiples of USD 1,000 in excess thereof
ISIN:	XS2901847207
Common Code:	290184720
Use of Proceeds:	The net proceeds of the issue of the Notes will be used by the Bank for general corporate purposes (which includes making a profit), including financing the tender offer with respect to the outstanding Fixed Rate Reset Perpetual Additional Tier 1 Convertible Notes issued in 2020 (ISIN: XS2125141445)
Joint Bookrunners:	BofA Securities Europe SA, Morgan Stanley Europe SE, UBS Europe SE

The Information Memorandum, when published, will be available at the Issuer's website at <https://www.v2.arionbanki.is/english/about-us/investor-relations/debt-investors-and-rating/>. Investors should not subscribe for any Notes except on the basis of information in the Information Memorandum.

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