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The Managers are acting exclusively for the Bank and Kaupskil ehf. and Trinity Investments Designated Activity Company (the “**Selling Shareholders**”) and no one else in connection with the Offering. They will not regard any other person (whether or not a recipient of this electronic transmission or the attached document) as their clients in relation to the Offering and will not be responsible to anyone other than the Bank and the Selling Shareholders for providing the protections afforded to their clients or for giving advice in relation to the Offering and the listing or any transaction, matter or arrangement referred to herein.

PRICING NOTIFICATION



Arion Banki hf.

(Arion banki hf., a public limited company established under the laws of the Republic of Iceland)

Admission to listing and trading on NASDAQ Iceland of ordinary shares
Admission to listing and trading on NASDAQ Stockholm of Swedish depository receipts
Public offering of ordinary shares in the form of ordinary shares and Swedish depository receipts

This Pricing Notification relates to the Offering as referred to in the Prospectus dated 31 May 2018. The Offering consists of (i) a public offering in Iceland of the Offer Securities and in Sweden of the SDRs, in each case to institutional and retail investors and (ii) a private placement to certain institutional investors in various other jurisdictions. The Offer Securities are being offered within the United States, to persons reasonably believed to be “qualified institutional buyers” (“QIBs”) as defined in, and in reliance on, Rule 144A under the U.S. Securities Act, or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state and other securities laws of the United States and (ii) outside the United States, where all offers and sales of the Offer Securities will be made in compliance with Regulation S under the U.S. Securities Act.

THIS PRICING NOTIFICATION MUST BE READ IN CONJUNCTION WITH THE PROSPECTUS. TERMS USED AND NOT DEFINED HEREIN HAVE THE MEANING ASCRIBED TO THEM IN THE PROSPECTUS.

INVESTING IN THE OFFER SECURITIES INVOLVES RISKS. SEE “RISK FACTORS” BEGINNING ON PAGE 20 OF THE PROSPECTUS FOR A DESCRIPTION OF CERTAIN RISKS THAT SHOULD BE CAREFULLY CONSIDERED BEFORE INVESTING IN THE OFFER SECURITIES.

Trading on an “as-if-and-when-delivered” basis, conditional on admission (otherwise known as “conditional trading”), in the Offer Securities on NASDAQ Iceland and NASDAQ Stockholm is expected to commence on 15 June 2018 (the “**First Trading Date**”). Admission to listing and unconditional trading of the Shares on NASDAQ Iceland and of the SDRs on NASDAQ is expected to occur on 19 June 2018 (“**Admission**”). The Offer Securities will be delivered in book-entry form through the facilities of Nasdaq CSD Iceland hf. (“**Nasdaq CSD Iceland**”) and Euroclear Sweden AB (“**Euroclear Sweden**”).

In connection with the Offering, Citigroup Global Markets Limited, as Stabilising Manager, or any of its agents may (but will be under no obligation to), to the extent permitted by applicable law, over-allot Shares and/or SDRs or effect other transactions with a view to supporting the market price of the Shares and/or SDRs at a higher level than that which might otherwise prevail in the open market. The Stabilising Manager is not required to enter into such transactions and such transactions may be effected on any securities market, over-the-counter market, stock exchange or otherwise and may be undertaken at any time during the period commencing on the first day of trading in the Shares and SDRs on NASDAQ Iceland or NASDAQ Stockholm and ending no later than 30 calendar days thereafter. However, there will be no obligation on the Stabilising Manager or any of its agents to effect stabilising transactions, and no assurance can be given that stabilising transactions will be undertaken. Such stabilisation, if commenced, may be discontinued at any time without prior notice. In no event will measures be taken to stabilise the market price of the Shares and/or SDRs above the Offer Price. Except as required by law or regulation, neither the Stabilising Manager nor any of its agents intends to disclose the extent of any over-allotments made and/or stabilisation transactions conducted in relation to the Offering.

The Offer Securities have not been, and will not be registered, under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and may not be offered or sold within the United States unless the Offer Securities are registered under the U.S. Securities Act or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. There will be no public offer of the Offer Securities in the United States. Prospective purchasers are hereby notified that the Bank, the Selling Shareholders and any other sellers of the Offer Securities are relying on an exemption from the registration requirements of Section 5 of the U.S. Securities Act, which may include Rule 144A or Regulation S.

Joint Global Coordinators and Joint Bookrunners

Arion Bank

Carnegie

Citigroup

Morgan Stanley

Joint Bookrunners

Deutsche Bank

Goldman Sachs International

Co-Lead Managers

Handelsbanken Capital Markets

Fossar Markets

Íslandsbanki

Landsbankinn

PRICING INFORMATION

Offer Price:	75 ISK per Share 6.11 SEK per SDR
Prevailing mid-rate of exchange (ISK:SEK) published by the Icelandic Central Bank on 14 June 2018:	12.273 ISK per SEK
Number of Sale Shares being offered:	398,200,000 Shares by Kaupskil ehf. 54,300,000 Shares by Trinity Investment Designated Activity Company, an investment entity managed by Attestor Capital LLP
Maximum number of Over-allotment Shares being offered in the Offering:	Up to 67,875,000 Shares
Stock loan in connection with Over-allotment Option to be granted by:	Kaupskil ehf.
Number of Shares in issue:	2,000,000,000 Shares
Number of Shares outstanding:	1,810,000,000 Shares
Percentage of Shares in public hands ("Free float"), based on number of Shares outstanding:	30.9%
Market capitalisation of the Company at the Offer Price based on the number of Shares outstanding:	ISK 135,750 million
Number of Shares comprised in the Offering as a percentage of the total number of Shares in issue immediately prior to Admission:	22.6%
Estimated gross proceeds, and proceeds net of expenses, receivable by the Selling Shareholders (assuming no exercise of the Over-allotment Option):	Gross proceeds: ISK 33,938 million Net proceeds: ISK 32,780 million
Estimated gross proceeds, and proceeds net of expenses, receivable by the Selling Shareholders (assuming the Over-allotment Option is exercised in full):	Gross proceeds: ISK 39,028 million Net proceeds: ISK 37,697 million
Number of Shares and percentage of issued share capital held, directly or indirectly, by the Selling Shareholders immediately prior to Admission:	1,360,201,628 Shares (68.0%)
Number of Shares and percentage of issued share capital held, directly or indirectly, by the Selling Shareholders immediately following Admission (assuming no exercise of the Over-allotment Option on or prior to the First Closing Date):	907,701,628 Shares (45.4%)
Number of Shares and percentage of issued share capital held, directly or indirectly, by the Selling Shareholders immediately following the Over-allotment Closing Date (assuming the Over-allotment Option is exercised in full):	839,826,628 Shares (42.0%)