

**SUPPLEMENT DATED 18 FEBRUARY 2025 TO THE BASE PROSPECTUS DATED 7
NOVEMBER 2024**



Arion Bank hf.

(Incorporated with limited liability in Iceland)

€3,000,000,000

Euro Medium Term Note Programme

This Supplement (the **Supplement**) to the base prospectus dated 7 November 2024, as supplemented by the supplement dated 6 February 2025 (as so supplemented, the **Base Prospectus**), which comprises a base prospectus for the purposes of the Prospectus Regulation, constitutes a supplement to the Base Prospectus for the purposes of Article 23(1) of the Prospectus Regulation and is prepared in connection with the €3,000,000,000 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. When used in this Supplement, **Prospectus Regulation** means Regulation (EU) 2017/1129.

The *Commission de Surveillance du Secteur Financier* (the **CSSF**) of the Grand Duchy of Luxembourg in its capacity as competent authority under the Prospectus Regulation has approved this Supplement as a supplement within the meaning of Article 23(1) of the Prospectus Regulation. The CSSF only approves this Supplement as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the CSSF should not be considered as an endorsement of the Bank or of the quality of the Notes that are the subject of the Base Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes.

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 from time to time.

The Bank accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Bank 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.

Purpose of the Supplement

The purpose of this supplement is to update the “Recent Developments” section of the Base Prospectus in relation to the interest expressed by the board of directors of the Bank in a merger between the Bank and Íslandsbanki.

Recent Developments

By virtue of this Supplement, the following paragraph is added at the end of the section entitled “Recent Developments” on page 173 of the Base Prospectus:

“Expression of interest in a merger with Íslandsbanki

On 14 February 2025, the Bank published a press release in which the board of directors of the Bank expressed interest in starting talks with the board of directors of Íslandsbanki on a merger between the two companies (the **Merger**). A letter dated 14 February 2025 regarding the Merger was sent to the chairman of the board of directors and the CEO of Íslandsbanki (the **Letter**) and was appended to the press release.

In the press release, the Bank explained that it sees opportunities in the Merger for customers, shareholders and the Icelandic economy. Despite the numerous actions taken to rationalise the Icelandic banking system in recent years, the cost of the financial system remains relatively high in Iceland by international standards. This is both due to the small size of the Icelandic economy and the fact that the three largest banks in the country (the Bank, Íslandsbanki and Landsbankinn) are all classed as systemically important financial institutions under European law. Therefore, they are each required to meet the requirements of a complex and extensive regulatory framework created by the European Union designed for much larger banks, in addition to rules which specifically apply to Iceland.

The Merger would therefore aim to create a more efficient and more robust bank which would be in a better position to meet the needs of its customers, invest more resources in development and innovation and support the growth of the Icelandic economy. In addition, the Merger would aim to achieve significant synergies and thereby reduce the costs of the Icelandic financial system for the benefit of consumers and the shareholders of both banks.

The Bank explained that it is prepared to work closely with the ICA to ensure that a minimum of ISK 5 billion of the amount saved annually by the Merger would be passed on to consumers. Over a 10-year period the direct savings for Icelandic households would therefore amount to ISK 50 billion, in addition to the other benefits and savings generated by the Merger.

It is proposed that the consideration for the transaction would be in the form of shares, and that the relevant exchange ratio would be determined based on the average share price over the 30 days prior to the Merger, taking into account relevant adjustments. In addition, the Bank explained that it is prepared to offer shareholders of Íslandsbanki, including the Icelandic government which owns 42.5 per cent. of Íslandsbanki, a 5 per cent. premium when setting the exchange ratio. The government's stake in the merged company would be over 20 per cent. The Icelandic public would therefore indirectly own a majority holding in the merged bank via the Icelandic government and pension funds.

The Bank believes the Merger would meet the three cumulative conditions from the European Commission's Merger Guidelines: the consumer benefits are substantial, quantifiable and could not be achieved through alternative means. It is expected that any potential Merger would be subject to conditions including, but not limited to, (i) any conditions imposed by the relevant competition authorities (including the ICA) and the Bank's assessment of such conditions, (ii) approval from the FSA and (iii) approval by the requisite majority of shareholders at shareholder meetings of both banks.

The board of directors of the Bank have requested that the board of Íslandsbanki notify the Bank within fourteen days from the date of the Letter as to whether they are willing to engage in discussions with the Bank regarding the Merger.”

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 into, 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.

A copy of this Supplement may be obtained from <https://www.arionbanki.is/english/about-us/investor-relations/debt-investors-and-rating/funding-programmes-and-prospectuses/#emtn>. A copy of this Supplement may also be obtained from the Luxembourg Stock Exchange's website at www.luxse.com. Copies of documents incorporated by reference in the Base Prospectus can also be viewed electronically free of charge at <https://www.arionbanki.is/>.

The Bank has requested the CSSF to notify the Financial Supervisory Authority of the Central Bank of Iceland

(Fjármálaeftirlitið), as competent authority under the Prospectus Regulation in Iceland, of its approval of this Supplement pursuant to Article 25 of the Prospectus Regulation.