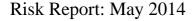
Arion Bank Covered Bonds





| Stress Test: Interest Rate Sensitivity | | | | | | |
|--|---------|-----------|------------------|-------------|--|--|
| Description | Nominal | Base Case | Up 100 bp | Down 100 bp | | |
| Covered Bonds Issuance | 11.567 | 11.691 | 11.211 | 12.212 | | |
| Underlying Loan Pool | 13.702 | 15.269 | 13.638 | 17.269 | | |
| Over Collateralization | 2.135 | 3.578 | 2.427 | 5.057 | | |
| Over Collateralization % | 18,5% | 30,6% | 21,6% | 41,4% | | |

As is outlined in the prospectus, the Mark-To-Market (MTM) value of the underlying loan pool must exceed the MTM value of the Covered Bonds issuance. Furthermore, the program must withstand a parallel shift in the risk free interest curve with respect to net MTM value. The Base Case shows MTM values for the current environment, the next column shows an upward parallel shift of a 100 basis points and the third column similarly shows a parallel 100 bp downward shift.

| Cashflow Projection | | | | | | | | | | | | | |
|------------------------|----------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|----------|
| Description | May 2014 | Jun 2014 | Jul 2014 | Aug 2014 | Sep 2014 | Oct 2014 | Nov 2014 | Dec 2014 | Jan 2015 | Feb 2015 | Mar 2015 | Apr 2015 | May 2015 |
| Bank Account | 5.785,9 | | | | | | | | | | | | |
| Covered Bonds: | | | 57,5 | 90,1 | | | 141,1 | | 57,5 | 90,1 | | | 4.481,1 |
| Loans in Default: | | 2,4 | 3,0 | 3,0 | 3,0 | 3,0 | 3,0 | 3,0 | 3,0 | 3,0 | 3,0 | 3,0 | 3,0 |
| Performing Loans: | | 1,4 | 77,4 | 77,4 | 77,3 | 77,3 | 77,3 | 77,3 | 77,2 | 77,2 | 77,2 | 77,1 | 77,1 |
| Cumulative Balance: | 5.785,9 | 5.787,4 | 5.807,3 | 5.794,5 | 5.871,8 | 5.949,1 | 5.885,3 | 5.962,6 | 5.982,3 | 5.969,3 | 6.046,5 | 6.123,6 | 1.719,7 |

The cashflow coverage measures the ability of the underlying loan pool to service the programs debt obligation on its own. Ignoring both infusion of cash and new loans it is a snapshot view of the debt servicing capability of the pool. Cashflow from mortgages in default (30 days or more) is ignored. The cumulative Balance shows how cash is accumulated or drained from the Covered Bond account.

| Stress Test: Interest Coverage Test | | |
|-------------------------------------|--------|--|
| Parameters | Amount | Description |
| A= | 578,4 | Interest expected to be received in respect of the Cover Pool the next year. |
| B= | 0 | Amount standing to the credit of the Transaction Account |
| C= | 0 | Senior Expenses |
| D= | 488,2 | Interest due on Cover Bond |
| A + B - C > D | PASS | |

The interest coverage test involves taking a haircut in the underlying loan pools' interest flow. The haircut is equal to each loans probability of default, based on the banks proprietary credit default model, but never less than 20 percent. The test measures how well the portfolio covers its liabilities in a stress scenario were borrowers are largely unable or unwilling to pay and Arion Bank is unable to supplement the Covered Bonds program with cash or new mortgages.

| Indexation Balance | | | | | | | |
|------------------------|---------|-------------|---------|--|--|--|--|
| Description | Indexed | Non-Indexed | Total | | | | |
| Underlying Loans | 8.623 | 5.079 | 13.702 | | | | |
| Covered Bonds Issuance | -7.216 | -4.351 | -11.567 | | | | |
| Net | 1.407 | 728 | 2.135 | | | | |

Arion Bank strives to keep a balance between indexed loans and liabilities and non-indexed loans and liabilities. A part of this effort is to keep the balance of loans higher than liabilities for both indexed and non-indexed products.

| Planned frequency for updates of this summary: 12 times per year. Arion Bank is regulated by the Icelandic Financial Supervisory Authority (www.fme.is). |
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