

Arion Bank Covered Bonds

Risk Report: November 2023



Stress Test: Asset Coverage Test

Element	Amount	Description
A	333.248.410.576	Loan Pool
B	918.886.214	Cash
C	16.764.663.079	Collateral Reserve Account
D	5.028.220.272	Liquidity Reserve Ledgers
W	0	Customer Deposits
Sum	355.960.180.141	A + B + C + D - W
CB	322.613.295.117	Principal Amount Outstanding of the Covered Bonds
Surplus/Gap	33.346.885.024	Sum - CB
OC	10,3%	Over Collateralization
Passed	1	Is Test Passed? (1=Yes/0=No)

As is outlined in the prospectus, the Asset Coverage Test (ACT) must be passed.

Stress Test: Interest Rate Sensitivity

Description	Nominal	Base Case	Up 100 bp	Down 100 bp
Covered Bonds Issuance	322.613	314.753	305.230	324.834
Underlying Loan Pool	333.248	432.209	382.791	492.497
Bank Account	22.712	22.712	22.712	22.712
Over Collateralization	33.347	140.167	100.273	190.375
Over Collateralization %	10,3%	44,5%	32,9%	58,6%

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	Nov 2023	Dec 2023	Jan 2024	Feb 2024	Mar 2024	Apr 2024	May 2024	Jun 2024	Jul 2024	Aug 2024	Sep 2024	Oct 2024	Nov 2024
Bank Account	22.711,8												
Covered Bonds:		680,6	1.219,8			30.909,8	158,0	680,6	1.232,5			2.169,5	158,0
Loans in Default:		7,9	8,0	8,0	8,0	8,0	8,0	8,0	8,0	8,0	8,0	7,9	7,9
Performing Loans:		1.724,3	1.993,1	2.007,1	2.016,3	2.025,0	2.031,1	2.039,9	2.077,9	2.083,8	2.112,1	2.145,2	2.173,2
Cumulative Balance:	22.711,8	23.755,5	24.528,8	26.535,9	28.552,2	-332,6	1.540,5	2.899,8	3.745,2	5.829,0	7.941,1	7.916,8	9.931,9

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.

Indexation Balance

Description	Indexed	Non-Indexed	Total
Covered Assets	158.268	197.693	355.960
Covered Bonds Issuance	-139.456	-183.157	-322.613
Net	18.811	14.535	33.347

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.