

# Arion Bank Covered Bonds

Risk Report: October 2023



## Stress Test: Asset Coverage Test

Element	Amount	Description
A	335.387.027.964	Loan Pool
B	2.275.280.130	Cash
C	16.406.437.364	Collateral Reserve Account
D	4.944.668.000	Liquidity Reserve Ledgers
W	0	Customer Deposits
Sum	359.013.413.458	A + B + C + D - W
CB	318.670.604.615	Principal Amount Outstanding of the Covered Bonds
Surplus/Gap	40.342.808.843	Sum - CB
OC	12,7%	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	318.671	308.862	299.296	318.985
Underlying Loan Pool	335.387	415.527	369.032	472.079
Bank Account	23.626	23.626	23.626	23.626
Over Collateralization	40.343	130.292	93.363	176.721
Over Collateralization %	12,7%	42,2%	31,2%	55,4%

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	Oct 2023	Nov 2023	Dec 2023	Jan 2024	Feb 2024	Mar 2024	Apr 2024	May 2024	Jun 2024	Jul 2024	Aug 2024	Sep 2024	Oct 2024
Bank Account	23.626,4												
Covered Bonds:		104,8	676,5	1.199,5			30.903,8	157,1	676,5	1.223,0			2.162,7
Loans in Default:		24,3	24,5	24,6	24,7	24,7	24,7	24,7	24,8	24,8	24,8	24,8	24,8
Performing Loans:		1.688,0	1.999,5	1.985,4	1.999,1	2.006,7	2.013,8	2.021,2	2.030,5	2.068,7	2.074,2	2.102,1	2.134,6
Cumulative Balance:	23.626,4	25.209,6	26.532,7	27.318,5	29.317,6	31.324,3	2.434,3	4.298,5	5.652,5	6.498,2	8.572,4	10.674,5	10.646,4

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	158.648	200.365	359.013
Covered Bonds Issuance	-138.407	-180.264	-318.671
Net	20.242	20.101	40.343

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.