

# Arion Bank Covered Bonds

Risk Report: February 2019



## Stress Test: Interest Rate Sensitivity

Description	Nominal	Base Case	Up 100 bp	Down 100 bp
Covered Bonds Issuance	140.658	153.563	144.613	163.408
Underlying Loan Pool	155.357	209.609	182.646	243.059
Bank Account	3.784	3.784	3.784	3.784
Over Collateralization	18.483	59.830	41.817	83.435
Over Collateralization %	13,1%	39,0%	28,9%	51,1%

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	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	Feb 2020
Bank Account	3.784,2												
Covered Bonds:			712,5		754,4	5.398,2		933,4	835,5		3.494,4	289,1	
Loans in Default:		8,4	8,5	8,5	8,5	8,5	8,5	8,5	8,5	8,5	8,5	8,5	8,5
Performing Loans:		119,7	864,5	865,9	863,8	864,3	863,1	863,2	862,2	864,5	862,6	863,0	861,7
Cumulative Balance:	3.784,2	3.903,9	4.055,9	4.921,9	5.031,3	497,4	1.360,5	1.290,3	1.317,0	2.181,5	-450,2	123,8	985,5

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
Underlying Loans	107.818	47.540	155.357
Covered Bonds Issuance	-102.274	-38.384	-140.658
Net	5.544	9.155	14.699

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.  
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