

# Arion Bank Covered Bonds

Risk Report: January 2019



## Stress Test: Interest Rate Sensitivity

Description	Nominal	Base Case	Up 100 bp	Down 100 bp
Covered Bonds Issuance	135.295	146.971	138.308	156.505
Underlying Loan Pool	148.108	196.803	171.989	227.484
Bank Account	3.765	3.765	3.765	3.765
Over Collateralization	16.577	53.597	37.446	74.744
Over Collateralization %	12,3%	36,5%	27,1%	47,8%

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	Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020
Bank Account	3.764,9												
Covered Bonds:			933,4	657,5		756,3	5.413,9		933,4	719,1		3.496,3	289,9
Loans in Default:		18,3	20,7	20,7	20,7	20,7	20,7	20,7	20,7	20,6	20,6	20,6	20,6
Performing Loans:		31,7	807,5	807,3	809,0	807,0	807,5	806,3	806,4	805,5	807,7	805,9	806,3
Cumulative Balance:	3.764,9	3.796,6	3.670,7	3.820,5	4.629,5	4.680,2	73,9	880,2	753,2	839,5	1.647,3	-1.043,2	-526,8

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	105.757	42.351	148.108
Covered Bonds Issuance	-100.343	-34.952	-135.295
Net	5.414	7.399	12.813

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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