

# Arion Bank Covered Bonds

Risk Report: December 2020



## Stress Test: Interest Rate Sensitivity

Description	Nominal	Base Case	Up 100 bp	Down 100 bp
Covered Bonds Issuance	184.012	210.523	200.982	220.857
Underlying Loan Pool	215.925	269.951	234.768	313.637
Bank Account	8.874	8.874	8.874	8.874
Over Collateralization	40.786	68.301	42.660	101.654
Over Collateralization %	22,2%	32,4%	21,2%	46,0%

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	Dec 2020	Jan 2021	Feb 2021	Mar 2021	Apr 2021	May 2021	Jun 2021	Jul 2021	Aug 2021	Sep 2021	Oct 2021	Nov 2021	Dec 2021
Bank Account	8.873,7												
Covered Bonds:					2.022,0		721,1	305,3		933,4	2.022,0		12.604,4
Loans in Default:		3,7	6,9	10,6	14,2	14,2	14,2	14,2	14,2	14,2	14,1	14,1	14,1
Performing Loans:		0,2	3,6	34,6	992,4	992,2	1.005,1	992,2	990,3	989,6	989,2	989,0	987,8
Cumulative Balance:	8.873,7	8.873,8	8.877,5	8.912,0	7.882,5	8.874,6	9.158,6	9.845,4	10.835,8	10.892,0	9.859,2	10.848,2	-768,3

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	128.084	87.841	215.925
Covered Bonds Issuance	-113.978	-70.034	-184.012
Net	14.106	17.806	31.913

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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