

Arion Bank Covered Bonds

Risk Report: January 2020



Stress Test: Interest Rate Sensitivity

Description	Nominal	Base Case	Up 100 bp	Down 100 bp
Covered Bonds Issuance	155.355	173.458	164.141	183.626
Underlying Loan Pool	172.890	242.452	210.679	281.854
Bank Account	5.738	5.738	5.738	5.738
Over Collateralization	23.272	74.733	52.276	103.965
Over Collateralization %	15,0%	43,1%	31,8%	56,6%

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	Jan 2020	Feb 2020	Mar 2020	Apr 2020	May 2020	Jun 2020	Jul 2020	Aug 2020	Sep 2020	Oct 2020	Nov 2020	Dec 2020	Jan 2021
Bank Account	5.738,0												
Covered Bonds:			933,4	1.318,0		691,1	292,6		933,4	1.317,9		691,1	292,6
Loans in Default:		18,3	21,2	21,0	21,0	21,0	21,0	21,0	21,0	21,0	21,0	21,0	21,0
Performing Loans:		14,0	893,0	908,2	907,7	910,9	908,6	906,8	906,6	906,3	906,4	905,5	906,2
Cumulative Balance:	5.738,0	5.751,9	5.711,6	5.301,7	6.209,4	6.429,2	7.045,1	7.951,9	7.925,1	7.513,5	8.419,9	8.634,3	9.247,8

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	111.551	61.291	172.842
Covered Bonds Issuance	-106.282	-49.074	-155.355
Net	5.269	12.217	17.486

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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