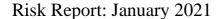
Arion Bank Covered Bonds





Stress Test: Interest Rate Sensitivity							
Description	Nominal	Base Case	Up 100 bp	Down 100 bp			
Covered Bonds Issuance	203.053	229.996	220.349	240.416			
Underlying Loan Pool	239.619	289.304	252.368	335.064			
Bank Account	9.780	9.780	9.780	9.780			
Over Collateralization	46.346	69.089	41.799	104.428			
Over Collateralization %	22,8%	30,0%	19,0%	43,4%			

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	Jan 2021	Feb 2021	Mar 2021	Apr 2021	May 2021	Jun 2021	Jul 2021	Aug 2021	Sep 2021	Oct 2021	Nov 2021	Dec 2021	Jan 2022
Bank Account	9.780,3												
Covered Bonds:			1.518,4	2.021,1		720,4	305,0		1.518,4	2.021,1		12.590,9	305,0
Loans in Default:		11,5	11,8	11,8	11,8	11,8	11,8	11,8	11,8	11,7	11,7	11,7	11,7
Performing Loans:		56,4	1.175,0	1.175,0	1.174,3	1.187,2	1.174,2	1.172,6	1.173,9	1.173,4	1.173,1	1.171,9	1.172,1
Cumulative Balance:	9.780,3	9.836,7	9.493,3	8.647,1	9.821,5	10.288,3	11.157,5	12.330,1	11.985,6	11.137,8	12.310,9	891,9	1.759,0

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	123.781	115.838	239.619				
Covered Bonds Issuance	-114.181	-88.872	-203.053				
Net	9.600	26.966	36.566				

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. Arion Bank is regulated by the Icelandic Financial Supervisory Authority (www.fme.is)

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