

Arion Bank Covered Bonds

Risk Report: February 2021



Stress Test: Interest Rate Sensitivity

Description	Nominal	Base Case	Up 100 bp	Down 100 bp
Covered Bonds Issuance	203.683	230.060	220.640	240.229
Underlying Loan Pool	244.510	288.015	251.537	333.178
Bank Account	8.140	8.140	8.140	8.140
Over Collateralization	48.967	66.094	39.037	101.089
Over Collateralization %	24,0%	28,7%	17,7%	42,1%

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 2021	Mar 2021	Apr 2021	May 2021	Jun 2021	Jul 2021	Aug 2021	Sep 2021	Oct 2021	Nov 2021	Dec 2021	Jan 2022	Feb 2022
Bank Account	8.139,6												
Covered Bonds:			2.022,0		721,1	305,3		1.518,4	2.022,0		12.604,4	305,3	
Loans in Default:		4,6	4,6	4,6	4,7	4,6	4,6	4,6	4,6	4,6	4,6	4,6	4,6
Performing Loans:	0,1	42,5	1.191,0	1.190,8	1.203,7	1.190,7	1.189,1	1.190,4	1.189,9	1.189,8	1.188,5	1.188,8	1.187,4
Cumulative Balance:	8.139,7	8.182,2	7.351,3	8.542,0	9.024,6	9.909,9	11.099,0	10.771,1	9.939,0	11.128,8	-287,0	596,4	1.783,8

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	131.568	112.942	244.510
Covered Bonds Issuance	-114.388	-89.295	-203.683
Net	17.180	23.647	40.827

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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