

Arion Bank Covered Bonds

Risk Report: November 2021



Stress Test: Interest Rate Sensitivity

Description	Nominal	Base Case	Up 100 bp	Down 100 bp
Covered Bonds Issuance	207.153	228.735	220.462	237.686
Underlying Loan Pool	269.417	314.645	274.711	364.089
Bank Account	12.363	12.363	12.363	12.363
Over Collateralization	74.626	98.272	66.612	138.765
Over Collateralization %	36,0%	43,0%	30,2%	58,4%

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	Nov 2021	Dec 2021	Jan 2022	Feb 2022	Mar 2022	Apr 2022	May 2022	Jun 2022	Jul 2022	Aug 2022	Sep 2022	Oct 2022	Nov 2022
Bank Account	12.362,7												
Covered Bonds:		13.151,5	318,4		1.518,4	2.056,8		535,1	318,4		48.238,4	2.056,8	
Loans in Default:	0,1	6,6	7,1	7,1	7,1	7,1	7,1	7,0	7,0	7,0	7,0	7,0	7,0
Performing Loans:		34,1	1.315,7	1.314,5	1.314,7	1.314,8	1.314,3	1.327,4	1.314,7	1.312,8	1.312,7	1.312,0	1.312,1
Cumulative Balance:	12.362,7	-754,7	242,5	1.557,1	1.353,3	611,3	1.925,6	2.717,9	3.714,2	5.027,0	-41.898,7	-42.643,5	-41.331,4

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	114.348	155.069	269.417
Covered Bonds Issuance	-119.190	-87.964	-207.153
Net	-4.841	67.105	62.264

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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