

Arion Bank Covered Bonds

Risk Report: December 2021



Stress Test: Asset Coverage Test

Element	Amount	Description
A	263.108.756.582	Loan Pool
B	8.035.594.368	Cash
C	8.538.692.767	Collateral Reserve Account
D	4.292.284.425	Liquidity Reserve Ledgers
W	0	Customer Deposits
Sum	283.975.328.142	A + B + C + D - W
CB	239.425.092.745	Principal Amount Outstanding of the Covered Bonds
Surplus/Gap	44.550.235.397	Sum - CB
OC	18,6%	Over Collateralization
Passed	1	Is Test Passed? (1=Yes/0=No)

As is outlined in the prospectus, the Asset Coverage Test (ACT) must be passed.

Stress Test: Interest Rate Sensitivity

Description	Nominal	Base Case	Up 100 bp	Down 100 bp
Covered Bonds Issuance	239.425	260.309	250.154	271.227
Underlying Loan Pool	263.109	311.610	272.293	360.234
Bank Account	12.328	12.328	12.328	12.328
Over Collateralization	36.012	63.628	34.468	101.335
Over Collateralization %	15,0%	24,4%	13,8%	37,4%

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	Dec 2021	Jan 2022	Feb 2022	Mar 2022	Apr 2022	May 2022	Jun 2022	Jul 2022	Aug 2022	Sep 2022	Oct 2022	Nov 2022	Dec 2022
Bank Account	12.327,9												
Covered Bonds:				1.518,4	2.063,8		539,4	321,0		48.238,4	2.085,9		539,4
Loans in Default:		9,7	13,3	14,3	14,3	14,3	14,3	14,2	14,2	14,2	14,2	14,2	14,2
Performing Loans:		4,5	38,8	1.286,5	1.286,6	1.286,2	1.299,4	1.286,6	1.284,9	1.284,8	1.284,2	1.284,4	1.283,3
Cumulative Balance:	12.327,9	12.332,4	12.371,2	12.139,2	11.362,1	12.648,3	13.408,2	14.373,8	15.658,7	31.294,9	32.096,6	30.812,3	30.068,4

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	112.411	150.698	263.109
Covered Bonds Issuance	-106.722	-88.418	-195.440
Net	5.689	62.280	67.669

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.