

# Arion Bank Covered Bonds

Risk Report: February 2022



## Stress Test: Asset Coverage Test

Element	Amount	Description
A	275.065.116.203	Loan Pool
B	7.182.328.743	Cash
C	7.089.866.479	Collateral Reserve Account
D	2.795.149.648	Liquidity Reserve Ledgers
W	0	Customer Deposits
Sum	292.132.461.073	A + B + C + D - W
CB	237.617.492.931	Principal Amount Outstanding of the Covered Bonds
Surplus/Gap	54.514.968.142	Sum - CB
OC	22,9%	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	237.617	258.647	248.806	269.234
Underlying Loan Pool	275.065	319.238	279.053	368.938
Bank Account	9.977	9.977	9.977	9.977
Over Collateralization	47.425	70.568	40.225	109.682
Over Collateralization %	20,0%	27,3%	16,2%	40,7%

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 2022	Mar 2022	Apr 2022	May 2022	Jun 2022	Jul 2022	Aug 2022	Sep 2022	Oct 2022	Nov 2022	Dec 2022	Jan 2023	Feb 2023
Bank Account	9.977,5												
Covered Bonds:			2.074,4		546,1	324,9		45.651,2	2.095,7		546,1	324,9	
Loans in Default:		8,3	9,6	9,5	9,5	9,5	9,5	9,5	9,4	9,4	9,4	9,4	9,4
Performing Loans:		20,1	1.341,2	1.362,9	1.375,9	1.374,3	1.360,7	1.360,3	1.359,4	1.359,6	1.358,0	1.358,2	1.355,8
Cumulative Balance:	9.977,5	9.997,6	9.264,4	10.627,3	11.457,1	12.506,4	13.867,1	-30.423,8	31.160,0	29.800,4	28.988,5	27.955,2	26.599,4

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	116.835	158.230	275.065
Covered Bonds Issuance	-107.879	-87.191	-195.370
Net	8.956	71.040	79.695

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.