

# Arion Bank Covered Bonds

Risk Report: January 2022



## Stress Test: Asset Coverage Test

Element	Amount	Description
A	280.999.450.375	Loan Pool
B	13.671.949.053	Cash
C	7.168.866.830	Collateral Reserve Account
D	4.295.759.272	Liquidity Reserve Ledgers
W	0	Customer Deposits
Sum	306.136.025.530	A + B + C + D - W
CB	239.026.555.290	Principal Amount Outstanding of the Covered Bonds
Surplus/Gap	67.109.470.240	Sum - CB
OC	28,1%	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	239.027	257.842	248.035	268.375
Underlying Loan Pool	280.999	317.695	278.319	366.304
Bank Account	17.968	17.968	17.968	17.968
Over Collateralization	59.941	77.821	48.251	115.896
Over Collateralization %	25,1%	30,2%	19,5%	43,2%

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 2022	Feb 2022	Mar 2022	Apr 2022	May 2022	Jun 2022	Jul 2022	Aug 2022	Sep 2022	Oct 2022	Nov 2022	Dec 2022	Jan 2023
Bank Account	17.967,7												
Covered Bonds:			1.518,4	2.063,8		539,4	321,0		48.238,4	2.085,3		539,4	321,0
Loans in Default:		22,8	25,8	25,7	25,7	25,7	25,7	25,7	25,7	25,7	25,7	25,6	25,6
Performing Loans:		31,5	1.376,3	1.376,3	1.375,9	1.389,2	1.387,9	1.374,7	1.374,5	1.373,8	1.374,1	1.373,1	1.373,6
Cumulative Balance:	17.967,7	17.999,2	17.857,1	17.169,7	18.545,6	19.395,4	20.462,3	21.837,0	25.026,8	25.738,3	24.364,2	23.530,6	22.477,9

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	118.638	162.361	280.999
Covered Bonds Issuance	-107.135	-88.872	-196.307
Net	11.503	73.490	84.693

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.