

Arion Bank Covered Bonds

Risk Report: April 2023



Stress Test: Asset Coverage Test

Element	Amount	Description
A	358.671.696.331	Loan Pool
B	2.755.021.950	Cash
C	16.653.791.108	Collateral Reserve Account
D	4.956.796.283	Liquidity Reserve Ledgers
W	0	Customer Deposits
Sum	383.037.305.672	A + B + C + D - W
CB	317.095.652.395	Principal Amount Outstanding of the Covered Bonds
Surplus/Gap	65.941.653.277	Sum - CB
OC	20,8%	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	317.096	314.111	303.492	325.371
Underlying Loan Pool	358.672	463.385	407.901	531.527
Bank Account	24.366	24.366	24.366	24.366
Over Collateralization	65.942	173.639	128.775	230.521
Over Collateralization %	20,8%	55,3%	42,4%	70,8%

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	Apr 2023	May 2023	Jun 2023	Jul 2023	Aug 2023	Sep 2023	Oct 2023	Nov 2023	Dec 2023	Jan 2024	Feb 2024	Mar 2024	Apr 2024
Bank Account	24.365,6												
Covered Bonds:			654,9	965,5			3.336,5		654,9	1.147,8			43.479,1
Loans in Default:		7,9	8,2	8,2	8,2	8,1	8,2	8,2	8,1	8,1	8,2	8,2	8,2
Performing Loans:		1.666,3	2.055,7	2.073,8	2.056,5	2.058,4	2.061,7	2.068,9	2.104,2	2.088,2	2.098,8	2.104,5	2.109,9
Cumulative Balance:	24.365,6	26.031,9	27.432,8	28.541,2	30.597,6	32.656,0	31.381,2	33.450,1	34.899,5	35.839,8	37.938,7	40.043,2	-1.326,0

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	157.521	201.151	358.672
Covered Bonds Issuance	-123.008	-81.413	-205.174
Net	34.513	119.738	153.498

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.