

# Arion Bank Covered Bonds

Risk Report: January 2023



## Stress Test: Asset Coverage Test

Element	Amount	Description
A	297.235.556.784	Loan Pool
B	8.862.096.907	Cash
C	17.056.138.661	Collateral Reserve Account
D	4.068.855.990	Liquidity Reserve Ledgers
W	0	Customer Deposits
Sum	327.222.648.342	A + B + C + D - W
CB	287.361.136.100	Principal Amount Outstanding of the Covered Bonds
Surplus/Gap	39.861.512.242	Sum - CB
OC	13,9%	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	287.361	287.540	277.403	298.308
Underlying Loan Pool	297.236	348.805	309.024	397.295
Bank Account	29.987	29.987	29.987	29.987
Over Collateralization	39.862	91.252	61.609	128.974
Over Collateralization %	13,9%	31,7%	22,2%	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 2023	Feb 2023	Mar 2023	Apr 2023	May 2023	Jun 2023	Jul 2023	Aug 2023	Sep 2023	Oct 2023	Nov 2023	Dec 2023	Jan 2024
Bank Account	29.987,1												
Covered Bonds:				2.461,8		636,9	970,1			2.500,2		636,9	1.032,2
Loans in Default:		26,2	27,2	27,2	27,2	27,2	27,2	27,2	27,2	27,2	27,2	27,2	27,3
Performing Loans:		232,6	1.705,4	1.704,9	1.705,0	1.705,2	1.722,3	1.705,4	1.706,7	1.708,8	1.713,5	1.744,5	1.725,3
Cumulative Balance:	29.987,1	30.219,7	31.925,2	31.168,2	32.873,2	33.941,5	34.693,7	36.399,1	38.105,7	37.314,4	39.027,9	40.135,5	40.828,6

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	105.624	191.612	297.236
Covered Bonds Issuance	-119.665	-52.613	-173.029
Net	-14.041	138.999	124.207

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.