

# Arion Bank Covered Bonds

Risk Report: March 2023



## Stress Test: Asset Coverage Test

Element	Amount	Description
A	361.894.781.382	Loan Pool
B	2.806.837.334	Cash
C	16.565.158.056	Collateral Reserve Account
D	4.904.550.492	Liquidity Reserve Ledgers
W	0	Customer Deposits
Sum	386.171.327.264	A + B + C + D - W
CB	318.249.234.587	Principal Amount Outstanding of the Covered Bonds
Surplus/Gap	67.922.092.677	Sum - CB
OC	21,3%	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	318.249	313.732	303.040	325.065
Underlying Loan Pool	361.895	436.815	385.047	500.320
Bank Account	24.277	24.277	24.277	24.277
Over Collateralization	67.922	147.359	106.284	199.531
Over Collateralization %	21,3%	47,0%	35,1%	61,4%

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	Mar 2023	Apr 2023	May 2023	Jun 2023	Jul 2023	Aug 2023	Sep 2023	Oct 2023	Nov 2023	Dec 2023	Jan 2024	Feb 2024	Mar 2024
Bank Account	24.276,5												
Covered Bonds:		3.293,4		651,0	960,1			3.330,6		651,0	1.082,7		
Loans in Default:	0,1	18,9	19,0	19,2	19,0	19,1	19,2	19,0	19,1	19,2	19,0	19,4	19,5
Performing Loans:		1.582,2	1.997,2	1.997,4	2.015,3	1.997,8	1.999,1	2.001,8	2.007,2	2.039,8	2.021,9	2.029,8	2.034,0
Cumulative Balance:	24.276,5	22.565,4	24.562,5	25.909,0	26.964,1	28.961,9	30.961,0	29.632,2	31.639,3	33.028,1	33.967,3	35.997,1	38.031,1

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	157.806	204.089	361.895
Covered Bonds Issuance	-122.920	-83.357	-207.029
Net	34.886	120.731	154.866

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.