

Arion Bank Covered Bonds

Risk Report: July 2023



Stress Test: Asset Coverage Test

Element	Amount	Description
A	344.901.094.664	Loan Pool
B	-62.032.638	Cash
C	16.052.294.532	Collateral Reserve Account
D	4.959.420.629	Liquidity Reserve Ledgers
W	0	Customer Deposits
Sum	365.850.777.187	A + B + C + D - W
CB	312.613.664.025	Principal Amount Outstanding of the Covered Bonds
Surplus/Gap	53.237.113.162	Sum - CB
OC	17,0%	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	312.614	305.872	295.798	316.554
Underlying Loan Pool	344.901	450.353	397.788	514.649
Bank Account	20.950	20.950	20.950	20.950
Over Collateralization	53.237	165.431	122.939	219.045
Over Collateralization %	17,0%	54,1%	41,6%	69,2%

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	Jul 2023	Aug 2023	Sep 2023	Oct 2023	Nov 2023	Dec 2023	Jan 2024	Feb 2024	Mar 2024	Apr 2024	May 2024	Jun 2024	Jul 2024
Bank Account	20.949,7												
Covered Bonds:				3.053,3	55,4	671,7	1.179,0			32.977,3	83,1	671,7	1.174,4
Loans in Default:		23,1	23,4	23,2	23,4	23,5	23,6	24,1	24,2	24,1	24,2	24,2	24,3
Performing Loans:		1.662,8	1.997,7	2.004,4	2.011,4	2.049,3	2.035,0	2.047,8	2.054,7	2.061,4	2.068,4	2.077,1	2.113,6
Cumulative Balance:	20.949,7	22.612,5	24.610,2	23.561,3	25.517,2	26.894,8	27.750,8	29.798,6	31.853,3	937,4	2.922,7	4.328,2	5.267,3

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	156.586	188.315	344.901
Covered Bonds Issuance	-132.082	-72.176	-205.009
Net	24.504	116.140	139.892

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.