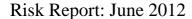
Arion Bank Covered Bonds





Stress Test: Interest Rate Sensitivity						
Description	Nominal	Base Case	Up 100 bp	Down 100 bp		
Covered Bonds Issuance	4.064	4.265	3.935	4.638		
Underlying Loan Pool	5.667	6.179	5.534	6.959		
Over Collateralization	1.603	1.914	1.599	2.321		
Over Collateralization %	39,4%	44,9%	40,6%	50,1%		

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 Proje	ection											
Description	Jul 2012	Aug 2012	Sep 2012	Oct 2012	Nov 2012	Dec 2012	Jan 2013	Feb 2013	Mar 2013	Apr 2013	May 2013	Jun 2013
Covered Bonds:		34,2			32,5			34,2			32,5	
Loans in Default:	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,4
Performing Loans:	34,6	36,2	36,2	36,2	36,2	36,1	36,1	36,1	36,1	36,1	36,0	36,0
Cumulative Balance:	34,6	36,5	72,7	108,9	112,6	148,7	184,8	186,7	222,8	258,8	262,4	298,4

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.

Stress Test: Interest Coverage Test					
Parameters	Amount	Description			
A=	267,1	Interest expected to be received in respect of the Cover Pool the next year.			
B=	0	Amount standing to the credit of the Transaction Account			
C=	0	Senior Expenses			
D=	38,0	Interest due on Cover Bond			
A + B - C > D	PASS				

The interest coverage test involves taking a haircut in the underlying loan pools' interest flow. The haircut is equal to each loans probability of default, based on the banks proprietary credit default model, but never less than 20 percent. The test measures how well the portfolio covers its liabilities in a stress scenario were borrowers are largely unable or unwilling to pay and Arion Bank is unable to supplement the Covered Bonds program with cash or new mortgages.