

Arion Bank Covered Bonds

Risk Report: April 2019



Stress Test: Interest Rate Sensitivity

Description	Nominal	Base Case	Up 100 bp	Down 100 bp
Covered Bonds Issuance	146.836	163.769	154.339	174.123
Underlying Loan Pool	161.992	230.288	200.518	267.179
Bank Account	3.458	3.458	3.458	3.458
Over Collateralization	18.613	69.977	49.637	96.514
Over Collateralization %	12,7%	42,7%	32,2%	55,4%

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	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	Feb 2020	Mar 2020	Apr 2020
Bank Account	3.457,6												
Covered Bonds:			759,6	5.440,0		933,4	964,4		3.499,6	291,3		933,4	964,4
Loans in Default:		8,0	8,8	8,3	8,3	8,8	8,3	8,3	8,8	8,3	8,3	8,8	8,3
Performing Loans:		57,7	905,6	906,6	905,3	905,4	904,5	906,9	904,4	905,2	904,1	903,7	903,4
Cumulative Balance:	3.457,6	3.515,3	3.661,2	-872,2	33,1	5,0	-54,9	852,0	-1.743,2	-1.129,3	-225,2	-254,9	-315,9

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	108.801	53.190	161.992
Covered Bonds Issuance	-105.932	-40.904	-146.836
Net	2.869	12.286	15.156

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.

Planned frequency for updates of this summary: 12 times per year.
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Contact:
Investor Relations: samskiptasvidj@arionbanki.is
Head of Funding: EirikurMagnusJensson@arionbanki.is