

Arion Bank Covered Bonds

Risk Report: September 2019



Stress Test: Interest Rate Sensitivity

Description	Nominal	Base Case	Up 100 bp	Down 100 bp
Covered Bonds Issuance	157.726	178.506	168.553	189.398
Underlying Loan Pool	174.521	253.953	220.554	295.414
Bank Account	4.570	4.570	4.570	4.570
Over Collateralization	21.365	80.017	56.572	110.586
Over Collateralization %	13,5%	44,8%	33,6%	58,4%

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	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	Feb 2020	Mar 2020	Apr 2020	May 2020	Jun 2020	Jul 2020	Aug 2020	Sep 2020
Bank Account	4.570,5												
Covered Bonds:		1.317,7		3.506,3	294,1		933,4	1.317,7		690,9	294,1		933,4
Loans in Default:		8,5	8,8	8,8	8,7	8,7	8,7	8,7	8,7	8,7	8,7	8,7	8,7
Performing Loans:		39,1	945,5	942,7	944,1	941,9	942,0	941,3	943,1	943,9	942,4	940,4	940,8
Cumulative Balance:	4.570,5	3.291,8	4.237,3	1.673,7	2.323,7	3.265,6	3.274,1	2.897,8	3.840,9	4.093,9	4.742,1	5.682,5	5.690,0

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	112.996	61.525	174.521
Covered Bonds Issuance	-106.298	-51.427	-157.726
Net	6.698	10.097	16.795

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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