

Arion Bank Covered Bonds

Risk Report: September 2020



Stress Test: Interest Rate Sensitivity

Description	Nominal	Base Case	Up 100 bp	Down 100 bp
Covered Bonds Issuance	163.280	191.113	181.573	201.526
Underlying Loan Pool	176.344	251.569	216.396	295.689
Bank Account	10.517	10.517	10.517	10.517
Over Collateralization	23.582	70.973	45.340	104.680
Over Collateralization %	14,4%	37,1%	25,0%	51,9%

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 2020	Oct 2020	Nov 2020	Dec 2020	Jan 2021	Feb 2021	Mar 2021	Apr 2021	May 2021	Jun 2021	Jul 2021	Aug 2021	Sep 2021
Bank Account	10.516,8												
Covered Bonds:		1.413,7		713,8	302,2		933,4	1.413,7		713,8	302,2		933,4
Loans in Default:		3,8	4,0	4,0	4,0	4,0	4,0	4,0	4,0	4,0	4,0	4,0	4,0
Performing Loans:		30,7	873,0	871,7	872,3	870,9	870,4	870,7	870,6	871,2	870,1	868,5	867,5
Cumulative Balance:	10.516,8	9.133,9	10.006,8	10.164,8	10.734,9	11.605,8	11.542,8	10.999,8	11.870,5	12.027,9	12.595,7	13.464,2	13.398,3

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	117.994	58.351	176.344
Covered Bonds Issuance	-113.669	-49.610	-163.280
Net	4.325	8.740	13.065

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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