

# Arion Bank Covered Bonds

Risk Report: August 2021



## Stress Test: Interest Rate Sensitivity

Description	Nominal	Base Case	Up 100 bp	Down 100 bp
Covered Bonds Issuance	206.710	230.137	221.438	239.543
Underlying Loan Pool	242.662	293.497	255.411	340.794
Bank Account	17.557	17.557	17.557	17.557
Over Collateralization	53.509	80.918	51.531	118.808
Over Collateralization %	25,9%	35,2%	23,3%	49,6%

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	Aug 2021	Sep 2021	Oct 2021	Nov 2021	Dec 2021	Jan 2022	Feb 2022	Mar 2022	Apr 2022	May 2022	Jun 2022	Jul 2022	Aug 2022
Bank Account	17.556,9												
Covered Bonds:			2.043,8		12.940,5	313,5		1.518,4	2.043,8		526,9	313,5	
Loans in Default:		18,1	19,0	19,0	19,0	19,0	19,0	19,0	19,0	19,0	18,9	18,9	18,9
Performing Loans:		62,3	1.164,1	1.164,0	1.163,4	1.163,9	1.162,5	1.162,2	1.162,5	1.162,1	1.175,5	1.162,4	1.160,6
Cumulative Balance:	17.556,9	17.619,2	16.739,6	17.903,6	6.126,4	6.976,8	8.139,3	7.783,1	6.901,9	8.063,9	8.712,6	9.561,5	10.722,0

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	118.011	124.650	242.662
Covered Bonds Issuance	-117.384	-89.326	-206.710
Net	627	35.325	35.952

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.  
Arion Bank is regulated by the Icelandic Financial Supervisory Authority ([www.fme.is](http://www.fme.is)).

This report has been automatically generated by Arion Bank's Risk Management. The information within are obtained from different sources, not all of which are controlled by Arion Bank, but which Arion Bank deems to be reliable. Whilst reasonable care has been taken to ensure that the contents of this publication are not untrue or misleading, no representation is made as to its accuracy or completeness and no liability is accepted for any loss arising from reliance on it. Arion Bank endeavours to ensure that the information is accurate and up-to-date, and reserves the right to make corrections to the content at any time, without prior notice. However, Arion Bank cannot guarantee that such information is complete or that it has not been modified by an outside party, by means of a virus or system intrusion, for example.

The report is prepared for general circulation and general information only, but it is not intended for any person in the United States. This publication may not be re-produced in whole or in part without permission.

The report shall under no circumstances be used or considered as an investment advice or investment research, or an offer to sell, or a solicitation of any offer to buy any securities. It does not have regard to the specific investment objectives, financial situation or the particular needs of any person who may receive the report. Arion Bank accepts no liability whatsoever for any direct or consequential loss arising from the use of this publication or its contents.

Contact:  
Investor Relations: [samskiptasvidj@arionbanki.is](mailto:samskiptasvidj@arionbanki.is)  
Head of Funding: [EirikurMagnusJensson@arionbanki.is](mailto:EirikurMagnusJensson@arionbanki.is)