Arion Bank Covered Bonds

Risk Report: October 2021

Stress Test: Interest Rate Sensitivity

Description	Nominal	Base Case	Up 100 bp	Down 100 bp
Covered Bonds Issuance	205.714	228.256	219.842	237.355
Underlying Loan Pool	276.388	321.020	280.286	371.470
Bank Account	12.282	12.282	12.282	12.282
Over Collateralization	82.956	105.046	72.726	146.396
Over Collateralization %	40,3%	46,0%	33,1%	61,7%

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	Oct 2021	Nov 2021	Dec 2021	Jan 2022	Feb 2022	Mar 2022	Apr 2022	May 2022	Jun 2022	Jul 2022	Aug 2022	Sep 2022	Oct 2022
Bank Account	12.282,0												
Covered Bonds:			13.151,5	318,4		1.518,4	2.056,8		535,1	318,4		48.238,4	2.056,8
Loans in Default:		8,7	13,6	16,0	16,0	16,0	16,0	16,0	16,0	16,0	16,0	16,0	16,0
Performing Loans:		1,4	28,6	1.305,1	1.303,9	1.304,1	1.304,2	1.303,7	1.316,8	1.304,1	1.302,3	1.302,1	1.301,4
Cumulative Balance:	12.282,0	12.283,4	-839,6	147,2	1.451,1	1.236,8	484,2	1.787,9	2.569,7	3.555,4	4.857,7	-42.078,7	-42.834,1

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	116.519	159.868	276.388
Covered Bonds Issuance	-118.204	-87.510	-206.014
Net	-1.684	72.359	70.374

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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