

Arion Bank Covered Bonds

Risk Report: December 2022



Stress Test: Asset Coverage Test

Element	Amount	Description
A	301.468.360.373	Loan Pool
B	3.349.449.225	Cash
C	16.856.698.066	Collateral Reserve Account
D	3.477.039.540	Liquidity Reserve Ledgers
W	0	Customer Deposits
Sum	325.151.547.203	A + B + C + D - W
CB	281.621.122.138	Principal Amount Outstanding of the Covered Bonds
Surplus/Gap	43.530.425.065	Sum - CB
OC	15,5%	Over Collateralization
Passed	1	Is Test Passed? (1=Yes/0=No)

As is outlined in the prospectus, the Asset Coverage Test (ACT) must be passed.

Stress Test: Interest Rate Sensitivity

Description	Nominal	Base Case	Up 100 bp	Down 100 bp
Covered Bonds Issuance	281.621	278.264	268.277	288.878
Underlying Loan Pool	301.468	352.908	312.686	401.962
Bank Account	23.683	23.683	23.683	23.683
Over Collateralization	43.530	98.327	68.092	136.767
Over Collateralization %	15,5%	35,3%	25,4%	47,3%

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	Dec 2022	Jan 2023	Feb 2023	Mar 2023	Apr 2023	May 2023	Jun 2023	Jul 2023	Aug 2023	Sep 2023	Oct 2023	Nov 2023	Dec 2023
Bank Account	23.683,2												
Covered Bonds:		482,8			2.361,6		632,7	953,8			2.399,5		632,7
Loans in Default:		22,4	22,6	22,6	22,6	22,6	22,6	22,6	22,6	22,6	22,6	22,6	22,5
Performing Loans:		1.421,7	1.720,9	1.721,7	1.720,6	1.720,8	1.720,8	1.737,7	1.720,9	1.722,5	1.724,0	1.728,5	1.758,6
Cumulative Balance:	23.683,2	24.622,1	26.343,0	28.064,7	27.423,8	29.144,6	30.232,8	31.016,7	32.737,6	34.460,1	33.784,6	35.513,1	36.639,1

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	106.530	194.938	301.468
Covered Bonds Issuance	-118.956	-48.899	-168.606
Net	-12.426	146.039	132.862

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.