

# Arion Bank Covered Bonds

Risk Report: March 2022



## Stress Test: Asset Coverage Test

| Element     | Amount          | Description                                       |
|-------------|-----------------|---|
| A           | 265.978.314.278 | Loan Pool   |
| B           | 10.492.275.864  | Cash  |
| C           | 7.100.031.524   | Collateral Reserve Account                        |
| D           | 2.170.313.044   | Liquidity Reserve Ledgers                         |
| W           | 0               | Customer Deposits                                 |
| Sum         | 285.740.934.710 | A + B + C + D - W                                 |
| CB          | 237.775.274.430 | Principal Amount Outstanding of the Covered Bonds |
| Surplus/Gap | 47.965.660.280  | Sum - CB  |
| OC          | 20,2%           | 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   | 237.775 | 258.992   | 249.228   | 269.497     |
| Underlying Loan Pool     | 265.978 | 304.558   | 266.719   | 351.254     |
| Bank Account             | 12.663  | 12.663    | 12.663    | 12.663      |
| Over Collateralization   | 40.866  | 58.228    | 30.153    | 94.420      |
| Over Collateralization % | 17,2%   | 22,5%     | 12,1%     | 35,0%       |

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         | Mar 2022 | Apr 2022 | May 2022 | Jun 2022 | Jul 2022 | Aug 2022 | Sep 2022 | Oct 2022 | Nov 2022 | Dec 2022 | Jan 2023 | Feb 2023 | Mar 2023 |
|---------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Bank Account        | 12.662,6 |          |          |          |          |          |          |          |          |          |          |          |          |
| Covered Bonds:      |          |          |          | 551,0    | 327,9    |          | 45.651,2 | 2.103,5  |          | 551,0    | 327,9    |          |          |
| Loans in Default:   |          | 18,3     | 21,5     | 21,6     | 21,7     | 21,5     | 21,7     | 21,5     | 21,6     | 21,7     | 21,5     | 21,6     | 21,7     |
| Performing Loans:   |          | 14,7     | 1.327,0  | 1.338,7  | 1.339,1  | 1.326,0  | 1.325,8  | 1.325,3  | 1.325,5  | 1.324,5  | 1.325,4  | 1.323,2  | 1.322,9  |
| Cumulative Balance: | 12.662,6 | 12.677,3 | 14.004,4 | 14.792,1 | 15.803,3 | 17.129,4 | 27.196,0 | 27.974,2 | 26.648,7 | 25.875,2 | 24.877,7 | 23.554,5 | 22.231,6 |

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       | 114.296  | 151.683     | 265.978  |
| Covered Bonds Issuance | -109.422 | -85.743     | -195.465 |
| Net                    | 4.874    | 65.940      | 70.513   |

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.