

Arion Bank Covered Bonds

Risk Report: September 2023



Stress Test: Asset Coverage Test		
Element	Amount	Description
A	332.049.713.803	Loan Pool
B	1.174.434.995	Cash
C	16.209.902.722	Collateral Reserve Account
D	4.985.127.137	Liquidity Reserve Ledgers
W	0	Customer Deposits
Sum	354.419.178.656	A + B + C + D - W
CB	316.815.340.098	Principal Amount Outstanding of the Covered Bonds
Surplus/Gap	37.603.838.559	Sum - CB
OC	11,9%	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	316.815	305.129	295.704	315.104
Underlying Loan Pool	332.050	419.108	371.634	476.938
Bank Account	22.369	22.369	22.369	22.369
Over Collateralization	37.604	136.348	98.299	184.203
Over Collateralization %	11,9%	44,7%	33,2%	58,5%

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 2023	Oct 2023	Nov 2023	Dec 2023	Jan 2024	Feb 2024	Mar 2024	Apr 2024	May 2024	Jun 2024	Jul 2024	Aug 2024	Sep 2024
Bank Account	7.303,8												
Covered Bonds:		3.057,5	65,1	674,2	1.188,4			32.981,0	97,6	674,2	1.214,5		
Loans in Default:		7,6	8,0	8,0	8,1	8,1	8,1	8,1	8,1	8,1	8,1	8,1	8,1
Performing Loans:		1.598,6	1.978,3	2.017,6	2.003,9	2.017,8	2.025,4	2.032,5	2.039,9	2.049,4	2.087,6	2.092,9	2.120,5
Cumulative Balance:	7.303,8	5.845,0	7.758,2	9.101,5	9.917,0	11.934,8	13.960,3	16.988,2	15.045,9	13.670,7	12.797,6	10.704,6	-8.584,1

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	153.166	178.883	332.050
Covered Bonds Issuance	-134.271	-72.851	-207.875
Net	18.896	106.032	124.175

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.