

**Report of the Cover Pool Monitor of the Covered Bond Programme at  
Slovenská sporiteľňa, a. s. for 2020**

25 April 2021

## Reason for Report Submission

This report is prepared and submitted to the National Bank of Slovakia (hereinafter “NBS”) on the basis of the Act No 483/2001 on banks and on amendments to certain laws, as amended (hereinafter referred to as “Banks Act”) laying down the obligation of the Cover Pool Monitor of the covered bond programme (hereinafter referred to as “Monitor”) to submit a report on the Covered Bond Programme (hereinafter referred to as “Report”) for the previous year by 30 April of the current calendar year.

## Contents of the Submitted Report

The Report contains mainly information on the Covered Bond Programme (hereinafter referred to as “CB Programme”) of Slovenská sporiteľňa, a.s. (hereinafter referred to as “Bank”), including the:

- a) Number, volume, yields and maturities of issued covered bonds (hereinafter referred to as “CBs”) and assignment of primary assets and substitution assets to the issues;
- b) Volume of assets in the cover pool and CBs in EUR or in a foreign currency;
- c) Cover pool structure;
- d) Coverage ratio;
- e) Average amounts and maturities of the primary assets; fixation times and weighted interest rates; categorization of the weighted interest rates and credit volumes by fixation time; categorization of the primary assets by maturity;
- f) Volume of defaulted mortgage loans and volume of mortgage loans excluded from the cover pool;
- g) Reasons for substantial changes in adding or excluding assets to and from the cover pool;
- h) Structure of the real estate by which the primary assets in the cover pool are secured, i.e. breakdown into single-family houses, multi-family houses/flats, building land plots and buildings under construction,
- i) Proportional distribution of the real estate/collateral assets by which the primary assets are secured across the territorial divisions of the Slovak Republic (hereinafter referred to as “SR”) and the loan-to-value ratio;
- j) Method of calculation and amount of estimated liabilities or costs of the Bank;
- k) Methodology and results of stress testing,
- l) Monitor’s activity and NBS supervision in relation to the CB Programme for the last calendar year; and
- m) Other facts related to the activity of the Bank being the CB issuer.

## Opinion of the Cover pool monitor

In the course of 2020, the Bank performed activities related to the CB Programme in compliance with the Banks Act, Measure No 13 of NBS of 6 November 2018 on the register of covered bonds (hereinafter “NBS Measure No 13”) and other related legislation of general application. As part of its internal processes and procedures, the Bank created the required organizational, technical, legal and personnel conditions in order to comply with the requirements imposed on a CB issuer by the respective provisions of the Banks Act.

My opinion is based on the findings identified in executing the supervision and inspection of the operation of the CB Programme at the Bank, mainly with regard to compliance with Section 79 of the Banks Act, which I performed on a regular monthly basis. I performed the Monitor’s activity autonomously, independently and impartially and in coordination with the Bank, which allowed me to inspect the required records, documents, systems, and premises related to the CB Programme in the course of the year. In case of my absence and during the monthly supervision and inspection I also cooperated with my deputy, Ing. Soňa Vágnerová.

Bratislava, 25 April 2021

Ing. Vladimír Jánošík  
Cover pool monitor of the CB Programme

## Report of the Cover pool monitor on the CB Programme for 2020 - Information Requirements

- a) Number, volume, yields and maturities of the CB issues and assignment of primary assets and substitution assets to the issues

Table 1 - Covered Bonds issued in 2020

ISIN	Number of issued CBs	Amount of issued CBs (EUR million)	Issue date	Maturity date	Currency	Type of interest rate	Current interest rate (31/12/2020)
SK4000017190	5 000	500.0	15/05/2020	15/11/2027	EUR	FIX	0.125%

Prior to a CB issue, the Monitor's written certificate was issued proving the existence of coverage of the CBs in compliance with the Banks Act. The issue was not sold to investors and was retained in the Bank's property.

Table 2 - Assignment of primary assets and substitution assets to the issues (no supplementary assets were recorded at the Bank as of 31/12/2020)

Issue	Issue amount (EUR million)	Primary asset value (Eur million)	Weighted LTV of issue (%)	Proportion of primary asset value to issue amount (%)
SK4120011453	50.0	80.9	47.1	161.8
SK4120011479	6.8	11.0	47.8	162.5
SK4120009812	8.2	13.5	47.3	165.0
SK4120011552	4.9	7.9	47.7	162.0
SK4120005927	16.6	27.3	47.2	164.3
SK4120011602	4.9	8.4	46.5	171.3
SK4120009333	4.8	7.9	48.3	165.5
SK4120011644	3.8	6.3	46.0	164.9
SK4120010034	9.3	15.3	47.5	164.5
SK4120011768	4.8	8.1	48.2	168.4
SK4120010075	3.4	5.7	47.8	168.2
SK4120011875	4.9	8.0	46.1	165.2
SK4120011974	4.8	7.8	46.5	164.5
SK4120012014	4.8	8.2	47.0	170.0
SK4120012089	4.9	8.1	48.5	166.7
SK4120012295	100.0	161.9	47.5	161.9
SK4120011321	17.0	27.7	47.1	162.9

Issue	Issue amount (EUR million)	Primary asset value (Eur million)	Weighted LTV of issue (%)	Proportion of primary asset value to issue amount (%)
SK4120012303	9.6	16.3	47.7	170.3
SK4120010489	35.0	56.9	46.1	162.5
SK4120009895	11.0	18.0	46.2	163.5
SK4120013020	5.0	8.1	47.3	161.8
SK4120010968	10.0	16.7	47.2	167.1
SK4120013392	150.0	242.6	46.9	161.8
SK4120014812	250.0	404.7	46.7	161.9
SK4120008947	4.4	7.2	46.3	165.3
SK4120012683	100.0	162.2	46.9	162.2
SK4120010950	10.0	16.2	45.7	162.3
SK4120014507	250.0	404.6	47.1	161.8
SK4120011586	9.0	14.6	47.1	162.2
SK4000015400	500.0	808.8	46.9	161.8
SK4120005505	16.6	27.0	45.8	162.5
SK4000017190	500.0	810.0	46.8	162.0
SK4120009218	6.6	10.7	45.2	162.3
SK4120009804	4.9	8.0	48.2	164.3

- b) Volume of primary assets in the cover pool and CBs in EUR or in a foreign currency

Table 3 - Volume of primary assets and covered bonds, EUR million

Item*	12/2019	12/2020
Primary assets	3 135.6	3 446.7
Covered bonds	1 823.4	2 125.8

\*SLSP, a.s. records only primary assets and covered bonds denominated in EUR

The rate of coverage of the total nominal value of issued CBs together with pro-rata interest yields by the cover pool assets is at least equal to the coverage ratio laid down in Section 69 of the Banks Act (105.0%).

- c) Cover pool structure

Table 4 - Cover pool development, in EUR million

Item	12/2019	12/2020
<b>Cover pool</b>	<b>3 255.5</b>	<b>3 571.5</b>
Primary assets	3 135.6	3 446.7
Substitution assets	-	-
Hedging derivatives	-	-
Liquid assets	119.9	124.7

The Bank meets the requirements for the cover pool structure in compliance with the Banks Act.

d) Coverage ratio

As of 31/12/2020, the coverage ratio is 167.8%, which highly exceeds the required 105.0% and 107.5%, respectively.

Table 5 - Coverage ratio change, in %

Item	12/2019	12/2020
Coverage ratio	178.2	167.8

e) average amounts and maturities of primary assets; fixation times and weighted interest rates; categorization of weighted interest rates and credit volumes by fixation time; categorization of primary assets by maturity

Table 6 - Characteristics of primary assets

Item	12/2019	12/2020
Average volume (EUR million)	39 846.0	39 848.0
Maturity (year)	19.9	19.9
Fixation period (year)	4.3	4.4
Wighted IR (%)	1.57	1.44

Table 7 - Classification of weighted interest rates and credit volumes by fixation time

Interest rate type	Primary assets (mil.eur)	Weighted IR (%)
Variable	-	-
Fixed, up to 1 year	29.5	1.61
Fixed, 1 - 3 years	1 123.5	1.35
Fixed, 3 - 5 years	2 222.3	1.47
Fixed, 5 - 10 years	66.4	1.45
Fixed, over 10 years	5.0	6.10
Total	3 446.7	1.44

Table 8 - Classification of primary assets by maturity

Residual maturity of primary assets	Primary assets (mil.eur)
0 to 1 year	1.5
1 to 2 years	6.5
2 to 5 years	68.2
5 to 10 years	308.4
10 to 15 years	511.2
15 to 20 years	682.5
20 to 25 years	840.3
25 to 30 years	1 028.0
Total	3 446.7

f) Volume of defaulted mortgage loans and volume of mortgage loans excluded from the cover pool

Table 9 - Excluded and defaulted mortgage loans

Item (EUR million)	12/2019	12/2020
Total exclusions	78.9	67.0
Exclusions due to repayment	48.7	44.9
Exclusions due to default	0.7	0.7

g) Reasons for substantial changes in adding or excluding assets to and from the cover pool

Primary assets were excluded from the cover pool for the following reasons:

- 1) Non-compliance with the basic criteria for including a primary asset in the covered bond register (hereinafter "CBR"):
  - Mortgage loan repayment term exceeding 30 years;
  - Borrower deemed to be in default (as per the default criteria laid down in Article 178 of the Regulation of the European Parliament and of the Council (EU) No 575/2013, namely "the obligor is past due more than 90 days on any material credit obligation"). The Bank chose to take a significantly more responsible approach and adopted a stricter criterion of 30 days for primary assets to be added to the cover pool;
  - Mortgage loan not secured by residential real estate, as required by the Act No 90/2016 on housing loans and on amendments to certain laws, as amended;

- The loan-to-value (LTV) ratio, expressing the ratio of the outstanding mortgage loan principal amount to the real estate collateral value, which must not be higher than 80% for covered bonds issued after 1 January 2018 and 70% for re-registered mortgage bonds, is not met. The Bank's internal limit is 70% for all mortgage loans entered in the CBR.
- 2) Non-compliance with requirements arising from the set of additional internal criteria (new criteria were added to the set in 2020). Since this information is considered confidential from the Bank's perspective, it is not specifically covered in this Report; nevertheless, I consider the introduction and application of the internal criteria to provide relevant additional protection for investors.
  - 3) With effect from 30/06/2019, the Bank includes in the CBR only mortgage loans supported by an expert opinion/appraisal (Articles 125, 208 and 229 of the Regulation of the European Parliament and of the Council (EU) No 575/2013) and other types or valuation have been excluded from the criteria for inclusion of a mortgage loan in the CBR.
  - 4) Potential low quality of data, arising mainly from non-compliance with the Banks Act and the NBS Measure No 13.
  - 5) Premature loan repayment - prepayments.

In 2020, the Bank did not make any substantial changes in the addition or exclusion of assets to and from the cover pool;

- h) Structure of the real estate by which the primary assets in the cover pool are secured, i.e. breakdown into single-family houses, multi-family houses/flats, building land plots and buildings under construction

Table 10 - Structure of the real estate by which the primary assets in the cover pool are secured: type, volume and ratio as of 31/12/2020

Item	Real estate value (EUR million)	Primary assets (EUR million)	Proportion of primary assets (%)
Multi-family houses - flats	2 876.3	1 259.7	36.5
Single-family houses	5 272.5	1 937.3	56.2
Buildings under construction	584.7	249.7	7.2
<b>Total</b>	<b>8 733.5</b>	<b>3 446.7</b>	

Primary assets secured by a building land plot collateral are not included in the CBR.

- i) Proportional distribution of the real estate by which the primary assets are secured across the territorial divisions of the SR and LTV ratios

Table 11 - Distribution of the real estate by territorial division of the SR (region) and by LTV ratio as of 31/12/2020

Region	Distribution percentage (%)	Weighted LTV (%)
Bratislava City	13.4	46.5
Banská Bystrica region	8.8	47.6
Bratislava region (excl. of Bratislava city)	9.7	46.4
Košice region	11.4	47.4
Nitra region	9.8	47.8
Prešov region	10.0	46.9
Trenčín region	11.3	46.9
Trnava region	13.0	47.2
Žilina region	12.5	45.9
<b>Total</b>	<b>100.0</b>	<b>46.9</b>

j) Method of calculation and amount of estimated liabilities and expenses of the Bank

In 2020, the estimated liabilities and expenses of the Bank as a CB issuer incurred in connection with the Banks Act and directly related to the management and settlement of CBs vis-à-vis persons pursuing business under the Banks Act, or incurred on the basis of the terms and conditions of issue, included only the fees of the CB Programme Monitor and its deputy in the amounts determined by NBS.

k) Methodology and results of stress testing

Carrying out its statutory obligation under Section 76 of the Banks Act to perform stress testing at least once a year (before 31 March), the Bank performed the stress testing to identify possible changes in the coverage ratio over the data as of 31/12/2020. The stress testing was performed in compliance with Section 27 (7) of the Banks Act for the purposes of Internal Capital Adequacy Assessment (ICAAP). The bank has defined in its internal regulations the details of procedures for quantifying the various types of risk.

As of 31/12/2020, the Bank identified the following risks for the individual cover pool items:

Cover pool	Credit risk	Interest rate risk	FX risk	Liquidity risk	Counterparty risk	Operational risk	Real estate price drop risk
Primary assets	X		X			X	X
Substitution assets	X	X	X	X	X		
Hedging derivatives		X	X	X	X		
Liquid assets	X	X	X	X	X		

X - risk relevant to the given cover pool portion  
X - risk relevant to the Bank

The Bank performed a one-year stress test, i.e. quantified the coverage ratio value in 2021 on the basis of scenarios prepared by the Market Research & Customer Experience Department for 2020 to 2025 and with the application of a 23% decline in residential real estate prices for 2021 for risks with the highest impact on the coverage ratio calculation. The Bank quantified the coverage ratio using a scenario based on the statutory requirements for primary assets of the cover pool (80% LTV value and a maximum of 90 days past due for a credit obligation). During the stress testing, the Bank did not consider the diversification effect between the individual types of risks, i.e. the total impact of the test scenario on the coverage ratio is the sum of impacts of the individual types of risks.

Based on the stress testing, there was a slight decline in the coverage ratio and its value, even after the stress testing, highly exceeds the statutory minimum level of 105.0%, as well as the higher level of coverage rate declared by the investor, namely 107.5%. According to the submitted analyses of cover pool stress testing as of 31/12/2020, the Bank ensures compliance with its obligations under the CB Programme sufficiently and securely, beyond statutory obligations.

The Bank treats the individual scenarios and results of the calculation of individual risks as confidential and, accordingly, they are not included in this Report.

l) Activity of the Cover pool monitor and NBS supervision in relation to the CB Programme for the last calendar year

During 2020, the Monitor and the Deputy Monitor of the CB Programme carried out the following activities:

- Monthly controls of the CBR consisting in checks of the underlying data kept in the CBR under the Banks Act, including new CBR items effective as of 1 July 2019 on the basis of the NBS Measure No 13. Identified errors were reported to the Bank and corrections were subsequently checked. Continuous monitoring of the COVID-19 situation.
- Issuance of a written certificate in respect of the preparation of the CBR for the CB issue of 05/2020;
- Inspection of random samples of loan documentation for the mortgage loans included in the CBR;

m) Other facts related to the operations of the Bank as a CB issuer

- In line with its commitment, the Bank maintained a coverage ratio higher than defined in Section 69 of the Banks Act (105.0%), namely 107.5%. This higher coverage is specified and declared to the investors in the basic prospectus of the programme for issuing debt securities. In order to maintain the achieved CB rating and demonstrate the quality of the CB Programme, the value of the coverage ratio set as of 31/12/2020 is 118.5% as minimum;
- The Bank finalized by 31/12/2020 the IT system for the CB Programme management (Consolidated Data Reporting Store (CRDS)) for the purposes of reporting to the CBR, NBS, Moody's rating agency and other internal purposes and used the new system as a data source for the preparation of the CBR for the first time as at 31/03/2021.
- Impact of COVID-19: based on the analyses of the loan portfolio provided by the Bank and communication with the Bank and the CBR development, no major impact of COVID-19 on the Bank has been recorded. As of 31/12/2020, the Bank recorded a 9.8% proportion of loans meeting the conditions for the repayment deferment option, 75.3% of which were applications seeking the maximal allowed deferment time, i.e. 9 months and most of which were filed within the first two months of the effective date of the repayment deferment option, i.e. 9 April 2020. The deferment of repayment had no substantial effect on the positive cash flows of the CBR and, given the internal criteria in place, a delay in repayment after the end of the repayment deferment period will have no essential impact on the quality of the CBR. As regards credit risk management, the Bank has created sufficient provisions and no major negative transitions between rating classes were recorded. The Bank possesses a sufficiently extensive loan portfolio to be able to supplement the CBR, if necessary, and 1 and 2A level liquid assets to cope with any worsening in the COVID-19 situation.

