

**Report of the Cover Pool Monitor of the Covered Bond Programme at
Slovenská sporiteľňa, a. s. for 2021**

23 April 2022

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 underlying assets; fixation times and weighted interest rates; categorisation of the weighted interest rates and credit volumes by fixation time; categorisation of the underlying 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 underlying assets in the cover pool are secured, i.e. breakdown into family houses, flats, building land plots and buildings under construction,
- i) Proportional distribution of the real estate/collateral assets by which the underlying 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 Monitor

In the course of 2021, 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 organisational, 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, 23/04/2022

Ing. Vladimír Jánošík
Monitor of the Covered Bond Programme

Report of the Monitor on the Covered Bond Programme for 2021 - Information Requirements

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

The Bank did not issue any covered bond in 2021.

Table 1 - Assignment of primary assets and substitution assets to the issues (no substitution assets were recorded at the Bank as of 31/12/2021)

Issue (ISIN)	Issue amount (EUR million)	Primary asset value (Eur million)	Weighted LTV of issue (%)	Proportion of primary asset value to issue amount (%)
SK4120010489	35,0	61,9	43,8	176,9
SK4120009895	11,0	19,6	42,7	178,4
SK4120013020	5,0	9,0	43,5	180,6
SK4120010968	10,0	17,7	43,6	177,2
SK4120013392	150,0	265,3	43,3	176,9
SK4120014812	250,0	442,4	43,5	176,9
SK4120008947	4,4	7,7	42,0	178,0
SK4120012683	100,0	177,0	43,4	177,0
SK4120010950	10,0	17,8	44,5	178,0
SK4120014507	250,0	442,7	43,4	177,1
SK4120011586	9,0	16,0	43,5	178,0
SK4000015400	500,0	884,9	43,5	177,0
SK4120005505	16,6	29,6	43,0	178,4
SK4000017190	500,0	884,8	43,4	177,0
SK4120009218	6,6	11,8	44,1	179,1
SK4120009804	4,9	8,8	43,7	182,4

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

Table 2 - Volume of primary assets and covered bonds, EUR million

Item*	12/2020	12/2021
Primary assets	3 446,7	3 297,1
Covered bonds	2 125,8	1 862,4

* 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 3 - Cover pool change, EUR million

Item	12/2020	12/2021
Cover pool	3 571,5	3 417,7
Primary assets	3 446,7	3 297,1
Substitution assets	-	-
Hedging derivatives	-	-
Liquid assets	124,7	120,6

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

d) Coverage ratio

As of 31/12/2021, the coverage ratio is 183.2%, which highly exceeds the required 105.0% and 107.5%, respectively.

Table 4 - Coverage ratio change, in %

Item	12/2020	12/2021
Coverage ratio	167,8	183,2

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

Table 5 - Characteristics of primary assets

Item	12/2020	12/2021
Average volume(EUR million)	39 848,0	39 524,0
Maturity (year)	19,9	19,5
Fixation period (year)	4,4	4,6
Wighted IR (%)	1,44	1,27

Table 6 - Categorisation of weighted interest rates and credit volumes by fixation time, EUR million

Interest rate type	Primary assets (mil.eur)	Weighted IR(%)
Variable	-	-
Fixed, up to 1 year	34,2	1,34
Fixed, 1 - 3 years	911,3	1,26
Fixed, 3 - 5 years	2 261,9	1,26
Fixed, 5 - 10 years	84,2	1,37
Fixed, over 10 years	5,5	4,35
Total	3 297,1	1,27

Table 7 - Categorisation of primary assets by residual maturity

Residual maturity of primary assets	Primary assets (mil.eur)
0 to 1 year	2,2
1 to 2 years	6,6
2 to 5 years	74,9
5 to 10 years	306,0
10 to 15 years	512,3
15 to 20 years	674,8
20 to 25 years	847,7
25 to 30 years	872,6
Total	3 297,1

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

Table 8 - Excluded and defaulted mortgage loans, EUR million

Item (EUR million)	12/2020	12/2021
Total exclusions	67,0	139,6
Exclusions due to repayment	44,9	48,2
Exclusions due to default	0,7	1,6

The change in the "Total exclusions" item is due to the CBR management based on internal criteria, primarily the reduction of the required LTV of the cover pool asset portfolio.

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 an 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 the conditions arising from the set of additional internal criteria, or application of internal criteria for the management of cover pool assets. 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/Early loan repayment.

In 2021, 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 family houses, flats, building land plots and buildings under construction

Table 9 - Structure of the real estate by which the primary assets in the cover pool are secured: type, volume and ratio as of 31/12/2021

Item	Real estate value (EUR million)	Primary assets (EUR million)	Proportion of primary assets (%)
Multi-family houses - flats	3 107,8	1 241,0	37,6
Single-family houses	5 324,3	1 809,3	54,9
Buildings under construction	614,7	246,8	7,5
Total	9 046,8	3 297,1	

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 10 - Distribution of the real estate by territorial division of the SR (region) and by LTV ratio as of 31/12/2021

Region	Primary assets (mil.eur)	Distribution percentage (%)	Weighted LTV (%)
Bratislava City	450,9	13,7	43,4
Banská Bystrica region	297,4	9,0	44,0
Bratislava region (excl. of Bratislava city)	311,3	9,4	43,1
Košice region	379,8	11,5	43,6
Nitra region	306,3	9,3	44,1
Prešov region	335,6	10,2	43,4
Trenčín region	376,9	11,4	43,4
Tmava region	423,1	12,8	43,8
Žilina region	415,8	12,6	42,6
Total	3 297,1	100,0	43,5

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

In 2021, 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 31/12/2021. 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 31/12/2021, 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 2022 on the basis of scenarios prepared by the Market Research & Customer Experience Department for 2022 to 2024 and with the application of a 34.4% decline in residential real estate prices for 2022 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 31/12/2021, 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 Monitor and NBS supervision in relation to the CB Programme for the last calendar year

During 2021, 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.
- 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 31/12/2021 is 108% as minimum;
- Impact of Covid-19: the amount of the loans to which the Covid legislation was actively applied is EUR 5.4 million (109 loans, i.e. 0.16% of the total amount of primary assets); this amount does not materially affect the quality of CBR.

