

REPORT

on the Covered Bond Programme of Všeobecná úverová banka, a. s. for the Year 2020

Introduction

The report contains in its first part a general legislative framework for covered bonds, in the second part there are information on conditions of issuance in Všeobecná úverová banka, a. s. ("VÚB"). The third part includes information on the covered bond programme in VÚB in the year 2020 and information on activities of the covered bond programme monitor during the year 2020.

I. A general legislative framework for covered bonds in the Slovak Republic

A covered bond ("CB") is a special type of secured bond regulated by Act No. 530/1990 Coll. on Bonds (as later amended) in §20b), as well as Act No. 483/2001 Coll. on Banks and on Amendments and Supplements to Certain Acts, as amended (hereinafter as "Act on Banks") in its part 12, Act on Bankruptcy in its sixth part and five decrees of National Bank of Slovakia ("NBS").

A CB is, in accordance with the Act on Banks, a secured bond, the nominal and accrued interest income of which are fully covered by assets values in a cover pool under §68(1).

Assets covering claims arising from CBs

The owners of CBs have a preferred security right to assets and other values constituting the cover pool.

A cover pool dedicated to cover claims arising from CBs in accordance of Act on Banks consists of following assets and other assets values:

- Underlying assets (minimum 90% out of cover pool) i.e. mortgage loans,
- Substitute assets (maximum 10% out of cover pool),
- Hedging derivatives and
- Liquid assets.

Register of CBs

The bank issuing CBs is obliged to enter the cover pool, the issued CBs, the liabilities and costs in the register of CBs. Assets and other asset values registered in the register of CBs are used by the bank issuing the CBs, preferentially to cover the bank's liabilities registered in the register of CBs and the bank must not dispose of them or use them to secure other liabilities until they are deleted from the register of CBs.

In the event of the issuing bank's failure to pay its liabilities arising from the CBs in a due and timely manner, the assets and other asset values recorded in the register of CBs, including their collateral or proceeds from their transfer, shall be preferentially used to pay liabilities arising from issued CBs.

Coverage ratio

Coverage ratio is a ratio of the value of the cover pool and the total of the values of liabilities and costs incurred by the bank issuing the CBs. The bank issuing the CBs is obligated to calculate the coverage ratio as of the last day of the relevant month and to keep it continuously at the minimum level of 105%.

Stress Test

The bank issuing CBs carries out stress tests as part of its covered bond programme, in order to identify potential change in compliance with the coverage indicator resulting from potential changes in market conditions, which might have an adverse effect on the coverage indicator. The bank issuing CBs performs a stress test at least once per year according to the data available as on 31 December of the preceding calendar year on or before 31 March of the subsequent calendar year. The aim is to prove in the stress test that the bank is able to and can maintain the minimum required coverage ratio.

Covered Bonds Programme Monitor

The covered bonds programme monitor ("CB Monitor") verifies whether the bank issuing CBs fulfils the regulatory obligations in connection with covered bond programme.

On or before 30 April of a current calendar year, the CB Monitor is obliged to elaborate and submit to the NBS a report on the covered bonds programme covering the preceding year, the content of which is described in the Act on Banks.

Information for investors and public

The bank issuing CBs is required to publish at least once a quarter the following information on its website:

- the structure of CBs, maturity thereof, the number and volume of the CB issues, the currency and the interest rates thereof,
- the amount, type and ratio of assets in the cover pool and important changes in it,
- the volume of CBs according to the currency of the nominal value, weighted average residual maturity, weighted average interest rate and weighted average coverage ratio of underlying assets in the cover pool,
- the proportional geographical distribution of the underlying assets and real estates which secure them and constitute the cover pool,
- other documents and information related to the covered bond programme.

II. Main information on a legal and organizational framework for issuing of CBs in Všeobecná úverová banka, a. s.

Všeobecná úverová banka, a. s., with the registered office at Mlynské nivy 1, 829 90 Bratislava, Identification number: 31320155, registered in the Commercial Register of District Court Bratislava I, section: Sa, file no. 341/B is authorized to issue, in compliance with the generally binding legal regulations, individual covered bond issues under the Offering programme of CBs at a maximum volume of outstanding CBs of EUR 5,000,000 and duration of 10 years, until 6.5.2023.

In the year 2018 VÚB re-registered the whole outstanding portfolio of mortgage bonds as well as mortgage loans from the register of mortgage loans to the Register of CBs in line with §122ya (3) and (4) of the Act on Banks.

III. Covered bond programme report of VÚB for the year 2020

In this section the report contains information on the covered bond programme of VÚB for the year 2020, structured in accordance with §79, Article 6 of the Act on Banks.

a) the number, volume, revenues and maturity dates of the issued CB issues as of 31.12.2020

ISIN	ISSUE DATE	NOMINAL VALUE (EUR)	NO. OF PIECES	ISSUED VALUE (EUR)	OUTSTANDING VALUE (EUR)	COUPON	MATURITY DATE
SK4120004946	9.3.2006	331,939.19	50	16,596,959.50	16,596,959.50	4.30%	9.3.2021
SK4120005547	5.9.2007	33,193.92	1,000	33,193,920.00	33,193,920.00	5.00%	5.9.2032
SK4120005679	29.11.2007	33,193.92	600	19,916,352.00	19,916,352.00	4.90%	29.11.2037
SK4120006271	26.9.2008	33,193.92	750	24,895,440.00	16,596,960.00	5.10%	26.9.2025
SK4120008228	29.11.2011	50,000.00	300	15,000,000.00	15,000,000.00	5.35%	29.11.2030
SK4120008608	21.6.2012	100,000.00	250	25,000,000.00	25,000,000.00	4.70%	21.6.2027
SK4120008624	11.7.2012	100,000.00	500	50,000,000.00	50,000,000.00	4.20%	11.7.2022
SK4120008939	16.1.2013	100,000.00	700	70,000,000.00	70,000,000.00	3.35%	15.12.2023
SK4120009879	27.3.2014	1,000,000.00	50	50,000,000.00	31,000,000.00	1.85%	27.3.2021
SK4120009887	27.3.2014	1,000,000.00	50	50,000,000.00	38,000,000.00	2.55%	27.3.2024
SK4120010364	14.11.2014	100,000.00	500	50,000,000.00	50,000,000.00	2.25%	14.11.2029
SK4120010794	9.6.2015	100,000.00	1,000	100,000,000.00	100,000,000.00	1.25%	9.6.2025
SK4120011065	29.9.2015	100,000.00	1,000	100,000,000.00	100,000,000.00	1.20%	29.9.2025
SK4120011149	29.10.2015	100,000.00	1,000	100,000,000.00	100,000,000.00	1.60%	29.10.2030
SK4120011529	21.3.2016	100,000.00	1,000	100,000,000.00	100,000,000.00	0.60%	21.3.2023
SK4120012469	18.1.2017	100,000.00	2,500	250,000,000.00	250,000,000.00	0.50%	18.1.2024
SK4120012824	27.4.2017	100,000.00	2,500	250,000,000.00	250,000,000.00	1.05%	27.4.2027
SK4120013251	26.9.2017	100,000.00	2,500	250,000,000.00	250,000,000.00	0.375%	26.9.2022
SK4120014168	26.6.2018	100,000.00	2,500	250,000,000.00	250,000,000.00	0.500%	26.6.2023
SK4120014531	5.10.2018	100,000.00	500	50,000,000.00	50,000,000.00	1.500%	15.12.2027
SK4120015108	26.3.2019	100,000.00	5,000	500,000,000.00	500,000,000.00	0.250%	26.3.2024
SK4000015475	26.6.2019	100,000.00	5,000	500,000,000.00	500,000,000.00	0.500%	26.6.2029
SK4000017455	23.6.2020	100,000.00	5,000	500,000,000.00	500,000,000.00	0.010%	23.6.2025

b) the volume of assets in the cover pool and CBs issued in euro or foreign currency as of 31.12.2020

ISIN	UNDERLYING ASSETS VALUE (EUR)	SUBSTITUTE ASSETS VALUE (EUR)
SK4120004946	19,036,642.05	0.00
SK4120005547	37,378,629.11	0.00
SK4120005679	22,129,716.86	0.00
SK4120006271	18,607,958.64	0.00
SK4120008228	16,686,390.17	0.00
SK4120008608	28,350,094.01	0.00
SK4120008624	56,432,980.91	0.00
SK4120008939	79,937,956.11	0.00
SK4120009879	34,818,024.18	0.00
SK4120009887	42,851,466.19	0.00
SK4120010364	55,516,356.96	0.00
SK4120010794	111,483,591.99	0.00
SK4120011065	110,989,982.19	0.00
SK4120011149	111,045,100.98	0.00
SK4120011529	111,167,884.93	0.00
SK4120012469	277,870,651.91	0.00
SK4120012824	278,545,174.17	0.00
SK4120013251	276,903,198.77	0.00
SK4120014168	277,464,383.58	0.00
SK4120014531	55,404,920.24	0.00
SK4120015108	554,302,176.77	0.00
SK4000015475	554,638,060.67	0.00
SK4000017455	553,410,370.65	0.00
TOTAL	3,684,971,712.04	0.00

PERIOD	UNDERLYING ASSETS VALUE (EUR)	COVERED BONDS VALUE (EUR)
31.01.2020	3,365,527,020.15	3,066,026,654.89
28.02.2020	3,342,179,394.35	3,043,660,964.32
31.03.2020	3,330,439,660.74	3,013,154,309.06
30.04.2020	3,220,958,724.01	2,912,690,915.14
31.05.2020	3,224,114,599.58	2,915,125,021.30
30.06.2020	3,773,240,891.83	3,411,301,698.22
31.07.2020	3,773,985,959.17	3,411,639,972.28
31.08.2020	3,776,737,342.98	3,414,078,245.14
30.09.2020	3,682,864,079.04	3,329,724,222.82
31.10.2020	3,684,878,364.85	3,330,515,996.98
30.11.2020	3,683,493,581.89	3,329,987,699.28
31.12.2020	3,684,971,712.04	3,329,915,354.17

The total value of liquid assets in cover pool as of 31.12.2020 was EUR 50,225,503.85. As of 31.12.2020, all assets in the cover pool were only in euro currency.

c) the structure of the cover pool as referred to §68(1) as of 31.12.2020

PERIOD	COVER POOL (EUR)	UNDERLYING ASSETS (EUR)	SUBSTITUTE ASSETS (EUR)	HEDGING DERIVATES (EUR)	LIQUID ASSETS (EUR)
31.01.2020	3,493,352,065.53	3,365,527,020.15	0.00	0.00	127,825,045.38
28.02.2020	3,471,987,875.12	3,342,179,394.35	0.00	0.00	129,808,480.77
31.03.2020	3,501,799,978.46	3,330,439,660.74	0.00	0.00	171,360,317.72
30.04.2020	3,293,874,740.62	3,220,958,724.01	0.00	0.00	72,916,016.61
31.05.2020	3,299,611,369.77	3,224,114,599.58	0.00	0.00	75,496,770.19
30.06.2020	3,849,564,447.54	3,773,240,891.83	0.00	0.00	76,323,555.71
31.07.2020	3,849,522,638.19	3,773,985,959.17	0.00	0.00	75,536,679.02
31.08.2020	3,854,180,732.71	3,776,737,342.98	0.00	0.00	77,443,389.73
30.09.2020	3,734,593,063.60	3,682,864,079.04	0.00	0.00	51,728,984.56
31.10.2020	3,737,553,725.92	3,684,878,364.85	0.00	0.00	52,675,361.07
30.11.2020	3,734,907,040.34	3,683,493,581.89	0.00	0.00	51,413,458.45
31.12.2020	3,735,197,215.89	3,684,971,712.04	0.00	0.00	50,225,503.85

d) the coverage ratio pursuant to §69(2), or coverage ratio pursuant to §69(3), if applicable, as of 31.12.2020

PARAMETER	TOTAL VALUE (EUR)
Cover pool	3,735,197,215.89
Covered bonds	3,329,915,354.17
Estimated costs	26,600.00

PERIOD	COVERAGE RATIO
31.01.2020	113.94%
28.02.2020	114.07%
31.03.2020	116.22%
30.04.2020	113.09%
31.05.2020	113.19%
30.06.2020	112.85%
31.07.2020	112.83%
31.08.2020	112.89%
30.09.2020	112.16%
31.10.2020	112.22%
30.11.2020	112.16%
31.12.2020	112.17%

VÚB does not apply the coverage ratio pursuant to §69(3).

e) the average value, maturity of the underlying assets, as well as the fixation period and weighted interest rate as of 31.12.2020

RESIDUAL MATURITY INTERVAL OF UNDERLYING ASSETS	TOTAL VALUE OF UNDERLYING ASSETS (EUR)
0 - 1 year (incl.)	2,199,252.80
1 - 2 years (incl.)	6,388,328.28
2 - 5 years (incl.)	55,944,241.98
5 - 10 years (incl.)	234,403,286.56
10 - 15 years (incl.)	382,088,238.05
15 - 20 years (incl.)	704,469,851.77
20 - 25 years (incl.)	981,522,916.01
25 - 30 years (incl.)	1,312,402,630.76

As of 31.12.2020, the average residual maturity of underlying assets was 21.2 years. The average value of loan was EUR 43,951.38 and the weighted average interest rate of underlying assets reached 1.25% at the end of 2020.

The underlying assets bear fixed rates. The fixation period was in intervals of up to 1 year, between 1 and 3 years, between 3 and 5 years, between 5 and 10 years and over 10 years. The highest volume of underlying assets has the fixation period in the interval of 3 to 5 years (70.45% or EUR 2.60 billion).

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

During the year 2020 VÚB eliminated from the covered pool mortgage loans in the total value of EUR 1.446 billion, out of it the reason of default represented EUR 403.26 million.

g) the reasons of material changes in asset replenishment or asset elimination from the cover pool

In the course of the year 2020, VÚB replenished to the cover pool mainly underlying assets. The main reason of their replenishment was the issuance of one CB issue in June 2020 in the total value of EUR 500 million and replacing of assets eliminated from the cover pool. The cover pool did not contain any substitute assets or derivatives in the year 2020.

The main reasons for eliminating of underlying assets from the cover pool were:

- exceeding of regulatory required level of Loan to Value ratio,
- default of borrower,
- early or regular repayment of loan by borrower,
- exceeding of maximum allowed maturity (30 years),
- incomplete data.

The largest portion of loans eliminated from the cover pool was due to the exceedance of the statutory LTV ratio, default of the borrower followed by elimination of assets for the reason of repayment of loan by borrower.

h) the structure of immovable properties securing the underlying assets, broken down by family houses, flats, building plots and unfinished structures as of 31.12.2020

PROPERTY TYPE	PROPERTY VALUE (EUR)
HOUSES	3,779,947,553.07
FLATS	2,846,429,033.85
BUILDING LANDS	53,975,440.71
UNFINISHED STRUCTURES	588,897,357.27

i) the relative situation of immovable properties securing the underlying assets according to territorial division of the Slovak Republic and the ratio of the value of the immovable property to the amount of mortgage loan as of 31.12.2020

TERRITORIAL DIVISION OF SR	PROPERTY VALUE (EUR)	WEIGHTED AVERAGE LTV
Bratislava - city	1,760,066,699.85	60.47%
Banská Bystrica region	479,327,991.01	59.00%
Bratislava region (outside Bratislava - city)	836,785,617.07	59.87%
Košice region	652,380,480.13	59.85%
Nitra region	731,125,984.62	60.46%
Prešov region	536,481,299.27	57.84%
Trenčín region	653,528,533.68	58.30%
Trnava region	864,250,507.65	59.06%
Žilina region	755,628,453.62	57.77%

j) the method of calculation and amount of the estimated liabilities or costs of VÚB pursuant to §68(3)(b)

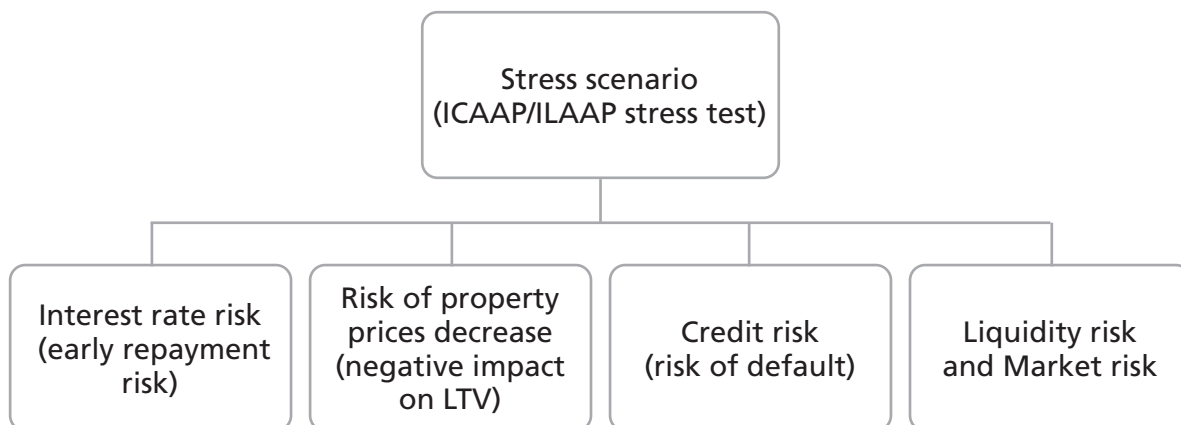
In the year 2020, the estimated costs within the covered bond programme of VÚB consisted of remuneration of the CB Monitor and his/her deputy as well as costs of the Listing Agent. The total amount of estimated liabilities as of 31.12.2020 represented EUR 26,600.

k) methodology and results of stress tests

Methodology

According to §76 of the Act on Banks, VÚB as an CBs issuer is obliged to perform a stress test at least once per year, according to the data as of 31 December of the preceding calendar year on or before 31 March of the subsequent calendar year. Stress test shall cover the entire calendar year for which the stress test is performed.

There are four types of relevant risks to the stress test of the covered bond programme of VÚB. While the first three are relevant mainly to underlying assets, the last type is relevant for substitute assets:



- Interest rate risk of banking book and the risk of early repayment – the interest rate risk is managed only at the banking book level; the bank does not use hedging derivatives in the cover pool. Therefore, mainly the risk of early repayment as a part of interest rate risk is relevant. For the calculation of the cover pool, the amount of mortgage loans without early repaid loans excluded from the cover pool is used.
- The risk of property prices decrease – decrease of market prices of properties has a negative impact on the Loan to value ratio. The increase of LTVs lowers the volume of mortgage loans eligible for cover pool.
- Credit risk is defined as the risk of loss in case of default of the loan. Therefore, during stress testing any mortgage loans in default are excluded from the cover pool.
- Liquidity risk and counterparty risk – fair value of substitute or liquid assets in the cover pool is negatively affected by the potential negative change of credit spreads. In case of negative cash flow the bank has to exclude liquid assets from the cover pool, therefore the liquidity risk is also relevant. Short-term liquid assets are not used in the cover pool for this reason.

The following values were the inputs for the stress testing of covered bond programme:

- nominal value of underlying assets,
- fair value of substitute and liquid assets,
- nominal value of principal and accrued interest of outstanding CBs (including estimated costs)

VÚB implements the stress test of underlying assets, substitute assets and liquid assets using risk parameters for integrated ICAAP/ILAAP stress scenario, considering that the output after using of each single stress parameter was the input for the next step of the test. In every step of the stress test, the bank monitors the fulfilment of 90% as the required minimum level of underlying assets in the cover pool.

After conducting the stress test, the coverage ratio is calculated and VÚB provides an analysis of possible measures, which could be taken in case of necessity to replenish the assets to the cover pool.

Results

After assuming of all stress parameters applied on the cover pool as of 31.12.2020 the resultant coverage ratio was 89.90% without liquid assets. The total impact of the stress test on the cover pool was the decrease by EUR 741.5 million, which is compensated by the buffer of available additional eligible mortgage loans and liquid assets amounting to EUR 1.85 billion as of 31.12.2020. After adding liquid assets VÚB fulfills the condition of 90% of the required level of underlying assets out of the whole cover pool in every step of the stress test.

When adding the above mentioned buffer of liquid assets and eligible mortgage loans (i.e. fulfilling all the regulatory criteria for underlying assets in the cover pool) and the application of the same stress parameters on them, the resultant coverage ratio was at the level of 145.38%.

The results of stress testing the cover pool demonstrated that VÚB is able to maintain the coverage ratio at a level of at least 105% even in adverse conditions.

l) the activities of the CB Monitor and the supervision carried out by the NBS in relation to the covered bond programme for the last calendar year

The National Bank of Slovakia, the financial market supervision section, appointed on 22.5.2018 Mr. Rudolf Šujan to the function of the CB Monitor of VÚB in line with §77 Article 1 of the Act on Banks and at the same time it appointed Judita Bischofová to the function of deputy of the CB Monitor.

In the course of the year 2020 as well as at the beginning of 2021, the CB Monitor and her deputy were working under restrictions imposed by the government due to the COVID-19 pandemic. Most of their activities were carried out under the home office regime. During the whole period the CB Monitor carried out the regular control of the covered bond registry, with a focus on compliance of data in the CB registry with the Act on Banks and the Decree of NBS No. 13/2018. In case of finding incorrect data it was reported to the bank, which subsequently managed a relevant correction.

On a monthly basis, the control of the fulfilment of coverage ratio for all issues recorded in the CB register as well as regulatory requirements for the recording of mortgage loans into the cover pool (LTV, maximum maturity, condition of non-defaulted borrower, lien to real estate recorded in the Land Registry) and the control of completeness of data was carried out.

In the course of the year 2020, the CB Monitor also supervised the exclusion of loans from the registry with the focus on the reasons of their exclusion, among which were mostly repayment of the loan, exceeding of the LTV limit, the default of the borrower and exceeding the maximum allowed maturity (30 years).

In 2020 the CB Monitor issued certificates evidencing the coverage of a new issue Covered Bonds VÚB, a. s., 5 (ISIN: SK4120017455) with the amount of EUR 500 carried out in June 2020, with a maturity date on 23.6.2025. The certificate was issued on the basis of verifying the correctness of the data in the register of CBs, as well as verifying of the fact that the pledge over the real estate in favor of VÚB was set up to secure the receivables of VÚB, which cover the issue of Covered Bonds VÚB, a. s., 5 and is registered in the relevant Land Registers.

During the year 2020 the CB Monitor also controlled the eligibility to include assets in Liquid assets within the CB registry. The Bank allocates to the CB Registry the liquid assets with regard to valid methodology, using mainly securities issued by credit institutions and securities issued by EU member states, fulfilling regulatory requirements.

Substitute assets were not used in a cover pool during the year 2020.

In the first quarter of 2020 the CB Monitor has finished the discussions with the representatives of VÚB about the determination of the Date of the Mortgage Loan Granting (line No. 12 of the Decree of NBS No. 13/2018 on the CB register), whereas mostly during April and May 2020 the higher amount of loans (approx. 1500) was excluded from the CB Registry due to exceeding the maximum allowed maturity.

m) the other factors related to the activities of the bank issuing CBs

In 2020, VÚB issued one CB in the total amount of EUR 500 million. Within the year, six issues of re-registered mortgage bonds matured in the total amount of EUR 236 million. During the whole year of 2020 VÚB kept the overcollateralization on the level above 10%.

In 2020, VÚB, in line with the Decree of NBS No. 14/2018, and 15/2018 submitted on a quarterly basis reports on covered bonds registry to the National Bank of Slovakia as well as published information on covered bonds on its website www.vub.sk.

In the course of 2020, VÚB made additional necessary technical adjustments and settings of IT systems to ensure the correct selection of assets for the CB Registry, precise evidence of complete and correct data on these assets in the CB Registry, and the timely reporting of data from it.

In Bratislava. 21.4.2021

Ing. Rudolf Šujan

Covered Bond Programme Monitor for VÚB, a. s.