

REPORT

about the Covered bond programme
of Všeobecná úverová banka, a. s.
for the year 2021

Introduction

The report's first part includes the general legislative framework for covered bonds, the second part has information on issuance conditions at Všeobecná úverová banka, a. s. ("VÚB"), and the third part includes information on the VÚB covered bond programme in 2021 and information on covered bond programme activities monitored during 2021.

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

Covered bond ("CB") is a special type of secured bond regulated by Act No. 530/1990 Coll. on Bonds (as subsequently 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 the National Bank of Slovakia ("NBS"). In 2021, the Act on Banks was amended by the Act from November 2, 2021 in order to align Slovak legislation with the Directive (EU) 2019/2162 regulating the issuance of covered bonds. The new amendment will be effective from July 8, 2022 with a transition period till the end of 2023.

In accordance with the Act on Banks, CB is 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 preferential security right to assets and other values constituting the cover pool.

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

- Underlying assets (minimum 90% of cover pool), i.e. mortgage loans,
- Substitute assets (maximum 10% 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 such 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 the 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 a 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 coverage indicator resulting from potential changes in market conditions that 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 of 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 the 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 legal and organizational framework for the issuing of CBs in Všeobecná úverová banka, a. s.

Všeobecná úverová banka, a. s., with registered office at Mlynské nivy 1, 829 90 Bratislava, Identification number: 31 320 155, 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 in maximum volume of outstanding CBs of EUR 5 000 000 and duration of 10 years, until 6.5.2023.

In 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 2021

The report contains in this section information on the covered bond programme of VÚB for 2021, structured in accordance with § 79, article 6 of Act on Banks.

a) the number, volume, revenues and maturity dates of issued CB issues as of 31.12.2021

ISIN	ISSUE DATE	NOMINAL VALUE (EUR)	NO. OF PIECES	ISSUED VALUE (EUR)	OUTSTANDING VALUE (EUR)	COUPON	MATURITY DATE
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
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	0.38%	26.9.2022
SK4120014168	26.6.2018	100 000.00	2 500	250 000 000.00	250 000 000.00	0.50%	26.6.2023
SK4120014531	5.10.2018	100 000.00	500	50 000 000.00	50 000 000.00	1.50%	15.12.2027

SK4120015108	26.3.2019	100 000.00	5 000	500 000 000.00	500 000 000.00	0.25%	26.3.2024
SK4000015475	26.6.2019	100 000.00	5 000	500 000 000.00	500 000 000.00	0.50%	26.6.2029
SK4000017455	23.6.2020	100 000.00	5 000	500 000 000.00	500 000 000.00	0.01%	23.6.2025
SK4000018693	24.3.2021	100 000.00	5 000	500 000 000.00	500 000 000.00	0.01%	24.3.2026

b) the volume of assets in the cover pool and CBs issued in euro or foreign currency as of 31.12.2021

ISIN	UNDERLYING ASSETS VALUE (EUR)	SUBSTITUTE ASSETS VALUE (EUR)
SK4120005547	37 428 103.53	0.00
SK4120005679	22 225 288.34	0.00
SK4120006271	18 627 465.19	0.00
SK4120008228	167 015 88.84	0.00
SK4120008608	28 433 414,12	0.00
SK4120008624	56 421 857.66	0.00
SK4120008939	79 994 989.04	0.00
SK4120009887	42 868 910.69	0.00
SK4120010364	55 481 876.55	0.00
SK4120010794	111 438 447.69	0.00
SK4120011065	110 988 848.31	0.00
SK4120011149	110 954 061.69	0.00
SK4120011529	111 298 706.36	0.00
SK4120012469	277 945 987.86	0.00
SK4120012824	278 601 600.41	0.00
SK4120013251	276 911 456.18	0.00
SK4120014168	277 278 860.14	0.00
SK4120014531	55 521 658.78	0.00
SK4120015108	554 342 011.65	0.00
SK4000015475	554 698 877.99	0.00
SK4000017455	553 445 884.77	0.00
SK4000018693	552 904 896.74	0.00
TOTAL	4 184 514 792.53	0.00

PERIOD	UNDERLYING ASSETS VALUE (EUR)	COVERED BONDS VALUE (EUR)
31.01.2021	3 683 593 972.53	3 328 716 732.77
28.02.2021	3 686 107 345.27	3 331 074 916.57
31.03.2021	4 183 136 516.89	3 781 696 516.20
30.04.2021	4 184 859 395.57	3 781 347 435.00
31.05.2021	4 184 667 629.24	3 783 633 771.66
30.06.2021	4 181 379 877.31	3 779 629 138.54
31.07.2021	4 183 141 279.82	3 779 815 476.40
31.08.2021	4 185 539 915.25	3 782 101 813.06
30.09.2021	4 180 965 225.99	3 779 736 697.22
31.10.2021	4 183 388 597.26	3 780 423 035.48
30.11.2021	4 181 921 782.76	3 779 798 676.88
31.12.2021	4 184 514 792.53	3 781 335 014.74

The total value of liquid assets in the cover pool as of 31.12.2021 was EUR 2,208,433.08. As of 31.12.2021, 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 31.12.2021

PERIOD	COVER POOL (EUR)	UNDERLYING ASSETS (EUR)	SUBSTITUTE ASSETS (EUR)	HEDGING DERIVATES (EUR)	LIQUID ASSETS (EUR)
31.01.2021	3 732 327 178.12	3 683 593 972.53	0.00	0.00	48 733 205.59
28.02.2021	3 735 810 262.63	3 686 107 345.27	0.00	0.00	49 702 917.36
31.03.2021	4 184 798 524.56	4 183 136 516.89	0.00	0.00	1 662 007.67
30.04.2021	4 187 260 992.82	4 184 859 395.57	0.00	0.00	2 401 597.25
31.05.2021	4 188 984 527.09	4 184 667 629.24	0.00	0.00	4 316 897.85
30.06.2021	4 184 798 743.80	4 181 379 877.31	0.00	0.00	3 418 866.49
31.07.2021	4 185 421 939.37	4 183 141 279.82	0.00	0.00	2 280 659.55
31.08.2021	4 189 122 830.96	4 185 539 915.25	0.00	0.00	3 582 915.71
30.09.2021	4 183 670 277.40	4 180 965 225.99	0.00	0.00	2 705 051.41
31.10.2021	4 186 822 861.22	4 183 388 597.26	0.00	0.00	3 434 263.96
30.11.2021	4 183 957 599.32	4 181 921 782.76	0.00	0.00	2 035 816.56
31.12.2021	4 186 723 225.61	4 184 514 792.53	0.00	0.00	2 208 433.08

d) the coverage ratio pursuant to § 69(2), or coverage ratio pursuant to § 69(3), if applicable, as of 31.12.2021

PARAMETER	TOTAL VALUE (EUR)
Cover pool	4 186 723 225.61
Covered bonds	3 781 335 014.74
Estimated costs	27 127.20

PERIOD	COVERAGE RATIO
31.01.2021	112.12%
28.02.2021	112.15%
31.03.2021	110.66%
30.04.2021	110.73%
31.05.2021	110.71%
30.06.2021	110.72%
31.07.2021	110.73%
31.08.2021	110.76%
30.09.2021	110.69%
31.10.2021	110.75%
30.11.2021	110.69%
31.12.2021	110.72%

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

e) the average value, maturity of the underlying assets, as well as fixation period and weighted interest rate as of 31.12.2021

RESIDUAL MATURITY INTERVAL OF UNDERLYING ASSETS	TOTAL VALUE OF UNDERLYING ASSETS (EUR)
0 - 1 year (incl.)	2 379 245.39
1 - 2 year (incl.)	8 053 129.22
2 - 5 year (incl.)	61 137 957.82
5 - 10 year (incl.)	240 618 842.15
10 - 15 year (incl.)	417 679 220.29
15 - 20 year (incl.)	729 987 407.44
20 - 25 year (incl.)	1 072 215 815.24
25 - 30 year (incl.)	1 647 346 765.76

As of 31.12.2021, the average residual maturity of underlying assets was 21.6 years. The average value of loan was EUR 47 660.33, and the weighted average interest rate of underlying assets reached 1.11% at the end of 2021.

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 a fixation period of 3 to 5 years (57.15% or EUR 2.39 billion).

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

During 2021, VÚB excluded from the covered pool mortgage loans in the total value of EUR 165.3 million, due to default representing EUR 13.88 million.

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

In the course of 2021, VÚB replenished to the cover pool mainly underlying assets. The main reason for their replenishment was the issuance of one CB issue in March 2022 in the total value of EUR 500 million, and replacing assets eliminated from the cover pool.

There were no substitute assets nor derivatives in the cover pool in 2021.

The bank excluded from the cover pool 13,861 mortgage loans in 2021. The main reasons for eliminating the underlying assets from the cover pool were:

- early or regular repayment of loan by borrower (86.57%),
- exceeding of regulatory required level of Loan to Value ratio (10.57%),
- default of borrower (2.45%),
- exceeding of maximum allowed maturity (0.38%).

The largest portion of loans eliminated from the cover pool was due to the statutory LTV ratio being exceeded, default of the borrower followed by elimination of assets due to 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 31.12.2021

PROPERTY TYPE	PROPERTY VALUE (EUR)
HOUSES	4 329 715 329.80
FLATS	3 343 314 191.39
UNFINISHED STRUCTURES	442 145 962.24
BUILDING LANDS	63 217 573.12

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 31.12.2021

TERRITORIAL DIVISION OF SLOVAKIA	PROPERTY VALUE (EUR)	WEIGHTED AVERAGE LTV
Bratislava - city	1 999 056 312.77	60.76%
Banská Bystrica region	538 818 530.36	59.40%
Bratislava region (outside Bratislava - city)	965 466 992.19	59.98%
Košice region	715 191 162.30	59.81%
Nitra region	815 419 743.35	60.43%
Prešov region	610 311 354.70	58.28%
Trenčín region	726 856 424.44	58.67%
Trnava region	975 002 525.49	59.37%
Žilina region	832 270 010.96	58.20%

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

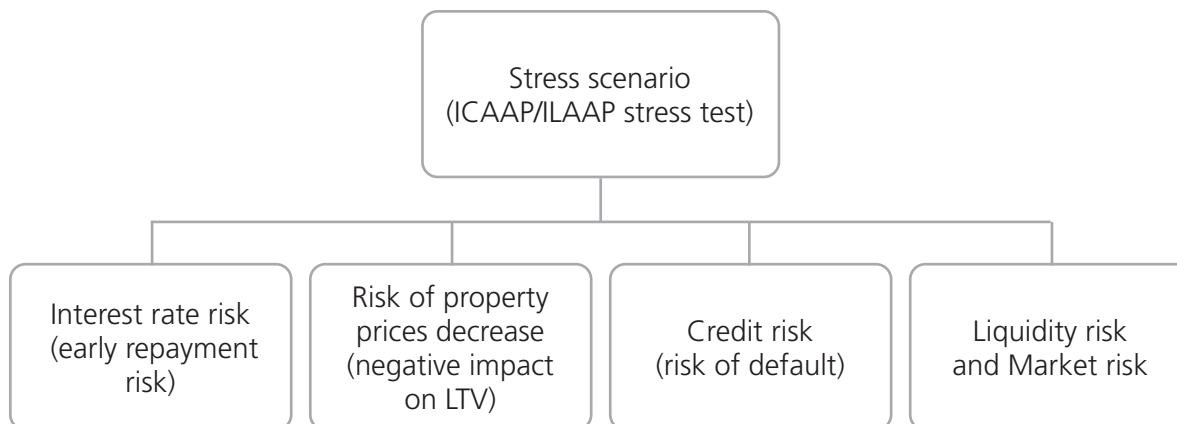
In 2021, estimated costs within the covered bond programme of VÚB consisted of remuneration of the CB Monitor and his deputy, as well as costs of the Listing Agent. The total amount of estimated liabilities as of 31.12.2021 represented EUR 27,127.20.

j) methodology and results of stress tests

Methodology

According to §76 of the Act on Banks, VÚB as a 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. Such stress test shall cover the entire calendar year for which the stress test is performed.

There are four types of relevant risks to a stress test of the covered bond programme of VÚB: Interest rate risk, Risk of property prices decrease, Credit risk, Liquidity risk and Market risk. 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 risk of early repayment – interest rate risk is managed only on the banking book level, the bank does not use hedging derivatives in the cover pool. Therefore, mainly the risk of early repayment as 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 the cover pool.
- Credit risk is defined as the risk of loss in the 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 the case of negative cash flow, the bank has to exclude liquid assets from the cover pool so liquidity risk is also relevant. For this reason, short-term liquid assets are not used in the cover pool.

The following values were inputs for the stress testing of the 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 performs the stress test of underlying assets, substitute assets, and liquid assets using risk parameters for the integrated ICAAP/LAAP stress scenario, considering that the output after using each single stress parameter was the input for the next step of the test. At 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 that could be taken in the case of a need to replenish the assets to the cover pool.

Results

After assuming all stress parameters applied on the cover pool as of 31.12.2021, the resultant coverage ratio was 88.36% excluding liquid assets. The total impact of the stress test on the cover pool was a decrease by EUR 845 million, which is compensated by the buffer of available additional eligible mortgage loans and liquid assets amounting to EUR 2.1 billion as of 31.12.2021. After adding liquid assets, VÚB fulfills the condition of 90% of the required level of underlying assets from 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 thereon, the resultant coverage ratio was 142.82%.

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

k) 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

During 2021 the CB Monitor of VÚB Mr. Rudolf Šujan and his deputy Mrs. Judita Bischofová performed their activities individually, independently, and impartially in accordance with § 78 and § 79 of Act No. 483/2001 Coll. on Banks and on Amendments and Supplements to Certain Acts, as amended.

In 2021 the CB Monitor and his deputy were working under restrictions imposed by the government due to the COVID-19 pandemic. Most of their activities were performed in 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 the compliance of data in the CB registry with the Act on Banks and the Decree of NBS No. 13/2018. In the case of finding incorrect data such was reported to the bank, which subsequently ensured a relevant correction.

On a monthly basis, control of the fulfilment of the coverage ratio for all issues recorded in the CB register, as well as regulatory requirements for 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 performed.

In the course of 2021, the CB Monitor also supervised the exclusion of loans from the registry with a focus on reasons for their exclusion, which included mostly the repayment of the loan, exceeding of LTV limit, default of borrower, and exceeding the maximum allowed maturity (30 years).

In 2021, the CB Monitor issued a certificate evidencing the coverage of a new issue Covered Bonds VÚB, a. s., 6 (ISIN: SK4120018693) with the amount of EUR 500 million realized in March 2021 and maturity date on 24.3.2026. The certificate was issued on the basis of verifying the correctness of the data in the register of CBs, as well as verifying that the pledge over the real estate in favour of VÚB was set up to secure the receivables of VÚB which cover the issue of Covered Bonds VÚB, a. s., 6 and is registered in the relevant Land Registers.

The CB Monitor also controlled during 2021 the eligibility to include assets to Liquid assets within the CB registry. During 2021, the Bank allocated to the CB registry liquid assets with regard to the valid methodology, mainly using securities issued by credit institutions and securities issued by EU member states, fulfilling the regulatory requirements.

Substitute assets were not used in the cover pool during 2021.

In the first quarter of 2021, the CB Monitor completed discussions with representatives of VÚB about the determination of the Date of mortgage loan granting (line No. 12 of the Decree of NBS No. 13/2018 on the CB register).

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

In 2021, VÚB issued one CB issue in the total amount of EUR 500 million. Within the year, two issues of re-registered mortgage bonds matured in the total amount of EUR 47.6 million. Throughout 2021, VÚB maintained overcollateralization above 10%.

In 2021, VÚB in line with the Decree of NBS No. 14/2018 and 15/2018, submitted on a quarterly basis reports on the covered bonds registry to the National Bank of Slovakia, and published information on covered bonds at www.vub.sk.

On December 21, 2021, Moody's rating agency upgraded the rating of the Covered Bond Programme VÚB, a. s. from Aa2 to Aa1. The rating upgrade was driven by legal amendments to Slovak legislation for covered bonds, as well as changes in the Slovak deposit compensation scheme.

In Bratislava 20.4.2022

Ing. Rudolf Šujan

The covered bond programme monitor for VÚB, a. s.