

REPORT

about the Covered bond programme
of Všeobecná úverová banka, a. s.
for the year 2022

Introduction

The report contains in its first part 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 covered bond programme in VÚB in the year 2022 and information on activities of covered bond programme monitor during the year 2022.

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

Covered bond („CB“) is a special type of secured bond regulated by an 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“). In 2021 the Act on Banks was amended by the act from November 2, 2021 in order to align the Slovak legislation with the Directive (EU) 2019/2162 regulating issuance of covered bonds. The new amendment has been effective from July 8, 2022 with transition period till the end of 2023.

CB is in accordance with 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 the CBs have a preferred security right to assets and other values constituting the cover pool.

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,
- Substitute assets,
- Hedging derivatives and
- Liquid assets.

Underlying assets

In accordance with the amended Act on Banks following categories of underlying assets can be used in cover pool:

- loans to central governments, central banks and other public entities eligible under Article 129(1)(a) of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012 (Capital Requirements Regulation („CRR“));
- mortgage loans eligible under Article 129(1)(d) and (f) of the CRR which are claims of the issuer of covered bonds, from mortgage loans that are secured by pledge over the residential or commercial property according to Section 71(1), while meeting the requirements according to Article 129(1a) to (3) of the CRR;
- mortgage loans other than those referred to in part (ii) above meeting certain other criteria;
- certain loans to public undertakings or loans guaranteed by these public undertakings.

An issuer of covered bonds may maintain only one of the types of underlying assets specified above in each covered bond programme.

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 including claims for payment arising out of hedging derivatives and the sum of an issuer's obligations and costs arising from the covered bonds programme, including

payment obligations arising out of hedging derivatives. Over-collateralization is the part of the cover ratio exceeding 100%. The bank issuing the CBs is obligated to calculate the coverage ratio as of the last day of the relevant month.

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 adverse effect on the coverage indicator. The bank issuing CBs performs 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, 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 including ISIN code, maturity thereof, the number and volume of the CB issues, the currency and the interest rates thereof,
- the total value of cover pool, the amount, type, ratio of assets, structure of maturities and the evaluation method of assets in the cover pool and important changes in it,
- the volume CBs according to currency, the weighted average residual maturity, the weighted average interest rate and the weighted average value of the coverage indicator for primary assets in the cover pool,
- the proportional geographical distribution of primary assets and real properties which are used as collateral for them and which make up the cover pool,
- market risk including interest rate risk, currency risk, credit risk and liquidity risk,
- the possible extension of the maturity period of the covered bonds in accordance with Section 82(3) to (13),
- the levels of required and available coverage, and the levels of statutory, contractual and voluntary overcollateralisation in accordance with Section 69,
- the percentage of loans where a default is considered to have occurred pursuant to other legislation^{35aab} and in any case where the loans are more than 90 days past due,
- other documents and information relevant to the covered bond programme.

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

Všeobecná úverová banka, a. s., with the 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 7 billion and duration until 6.5.2033.

As of 30.9.2022 VÚB, a. s., has fulfilled the conditions in accordance with the Act on Banks valid and effective from 8.7.2022 and from 30.9.2022 all its outstanding issues of covered bonds are considered European (premium) covered bonds in accordance with the regulations in force from 8.7.2022, while their name remain and is not affected, and the rights and obligations associated with them remain and are not affected.

Within the Offering programme of CBs the underlying assets are represented by mortgage loans in accordance with Section 71(1)(b) of Act on Banks, but only mortgage loans pledged by residential real estate. These underlying assets must constitute for at least 90% of total nominal value of covered bonds within the cover pool.

In case of the Offering Programme with the underlying assets consisting solely by mortgage loans covered by residential real estate, VÚB, a. s. is in line with the Article 129(3a) of the CRR obliged to maintain the minimal over-collateralization at the level of 5%.

III. Covered bond programme report of VÚB for 2022

The report contains in this section information on covered bond programme of VÚB for the year 2022, structured in accordance with § 79, article 6 of Act on Banks.

a) the number, volume, yields and maturities of the CB issuances as of 31.12.2022

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
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
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
SK4000020491	22.3.2022	100,000.00	5,000	500,000,000.00	500,000,000.00	0.875%	22.3.2027

b) the volume of assets in the cover pool and volume of covered bonds in euro or in a foreign currency as of 31.12.2022

ISIN	UNDERLYING ASSETS VALUE (EUR)	SUBSTITUTE ASSETS VALUE (EUR)
SK4120005547	37,429,920.59	0.00
SK4120005679	22,171,965.37	0.00
SK4120006271	18,624,926.03	0.00
SK4120008228	16,643,994.71	0.00
SK4120008608	28,294,559.59	0.00
SK4120008939	79,929,474.86	0.00
SK4120009887	42,858,949.97	0.00
SK4120010364	55,524,814.44	0.00
SK4120010794	111,384,462.28	0.00
SK4120011065	110,827,493.52	0.00
SK4120011149	110,950,787.82	0.00
SK4120011529	111,155,068.47	0.00
SK4120012469	277,875,696.94	0.00

ISIN	UNDERLYING ASSETS VALUE (EUR)	SUBSTITUTE ASSETS VALUE (EUR)
SK4120012824	278,656,163.17	0.00
SK4120014168	277,175,149.94	0.00
SK4120014531	55,208,325.23	0.00
SK4120015108	554,127,377.18	0.00
SK4000015475	553,891,436.98	0.00
SK4000017455	552,899,917.69	0.00
SK4000018693	552,799,253.32	0.00
SK4000020491	556,725,530.78	0.00
TOTAL	4,405,155,268.88	0.00

PERIOD	UNDERLYING ASSETS VALUE (EUR)	COVERED BONDS VALUE (EUR)
31.01.2022	4,180,209,407.48	3,780,026,351.80
28.02.2022	4,182,129,899.93	3,782,281,438.49
31.03.2022	4,725,642,458.83	4,275,385,109.28
30.04.2022	4,730,487,536.85	4,275,398,611.38
31.05.2022	4,528,383,149.98	4,270,446,025.13
30.06.2022	4,525,608,163.09	4,266,832,850.49
31.07.2022	4,476,090,498.16	4,217,262,730.25
31.08.2022	4,475,789,475.72	4,219,734,275.51
30.09.2022	4,402,388,702.66	3,981,564,753.45
31.10.2022	4,402,572,949.48	3,982,353,661.23
30.11.2022	4,404,774,740.34	3,981,840,761.03
31.12.2022	4,405,155,268.88	3,983,488,557.29

Total value of liquid assets in cover pool as of 31.12.2022 was EUR 345,226,031.61. Assets in cover pool in the amount of 4,436,634,603.28 were in EUR currency and a part of liquid assets in cover pool in the amount of 7,566,315,349.91 were in Czech currency CZK.

c) the structure of the cover pool under Section 68(1) as of 31.12.2022

PERIOD	COVER POOL (EUR)	UNDERLYING ASSETS (EUR)	SUBSTITUTE ASSETS (EUR)	HEDGING DERIVATES (EUR)	LIQUID ASSETS (EUR)
31.01.2022	4,230,323,507.21	4,180,209,407.48	0.00	0.00	50,114,099.73
28.02.2022	4,233,166,676.63	4,182,129,899.93	0.00	0.00	51,036,776.70
31.03.2022	5,012,196,735.72	4,725,642,458.83	0.00	0.00	286,554,276.89
30.04.2022	5,051,420,187.71	4,730,487,536.85	0.00	0.00	320,932,650.86
31.05.2022	4,845,106,678.34	4,528,383,149.98	0.00	0.00	316,723,528.36
30.06.2022	4,811,395,348.58	4,525,608,163.09	0.00	0.00	285,787,185.49
31.07.2022	4,712,269,370.64	4,476,090,498.16	0.00	0.00	236,178,872.48
31.08.2022	4,714,959,679.56	4,475,789,475.72	0.00	0.00	239,170,203.84
30.09.2022	4,502,126,773.19	4,402,388,702.66	0.00	0.00	99,738,070.53
31.10.2022	4,503,646,766.26	4,402,572,949.48	0.00	0.00	101,073,816.78
30.11.2022	4,504,856,051.42	4,404,774,740.34	0.00	0.00	100,081,311.08
31.12.2022	4,750,381,300.49	4,405,155,268.88	0.00	0.00	345,226,031.61

d) the coverage indicator under Section 69(2) and (3) or coverage indicator under Section 69(4), if applicable, as of 31.12.2022

PARAMETER	TOTAL VALUE (EUR)
Cover pool	4,750,381,300.49
Covered bonds	3,983,488,557.29
Estimated costs	1,030,970.00

PERIOD	COVERAGE RATIO
31.01.2022	111.91 %
28.02.2022	111.92 %
31.03.2022	117.23 %
30.04.2022	118.15 %
31.05.2022	113.46 %
30.06.2022	112.76 %
31.07.2022	111.74 %
31.08.2022	111.62 %
30.09.2022	112.96 %
31.10.2022	112.79 %
30.11.2022	113.02 %
31.12.2022	119.10 %

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

e) the average amount and maturity of the primary assets, as well as the fixation period and weighted interest rate as of 31.12.2022

RESIDUAL MATURITY INTERVAL OF UNDERLYING ASSETS	TOTAL VALUE OF UNDERLYING ASSETS (EUR)
0 - 1 year (incl.)	2,206,412.95
1 - 2 year (incl.)	5,076,942.96
2 - 5 year (incl.)	49,166,857.93
5 - 10 year (incl.)	213,651,943.92
10 - 15 year (incl.)	401,539,234.28
15 - 20 year (incl.)	702,070,238.77
20 - 25 year (incl.)	1,063,538,408.22
25 - 30 year (incl.)	1,963,513,048.88

As of 31.12.2022 the average residual maturity of underlying assets was 22.3 years. The average value of loan was EUR 55,562.38 and the weighted average interest rate of underlying assets reached 1.16 % at the end of 2022.

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 (52.96 % or EUR 2.33 billion).

f) the volume of non-performing mortgage loans and the volume of mortgage loans removed from the cover pool

During the year 2022 VÚB excluded from the covered pool mortgage loans in the total value of EUR 577.85 million, out of it mortgage loans in default in the amount of EUR 11.84 million were removed.

g) the reasons of significant changes in the topping-up or removing of cover pool assets

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

There were no substitute assets nor derivatives in the cover pool in 2022.

The bank excluded from the cover pool 22,406 mortgage loans in 2022.

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

- early or regular repayment of loan by borrower (59.39%),
- residential estate was not insured (24.69%),
- exceeding of regulatory required level of Loan to Value ratio (10.27%),

Considering the value of excluded loans the largest portion of loans eliminated from the cover pool was from the reason of repayment of loan by borrower, the second reason was the fact, that residential estate was not insured, followed by the exceedance of the statutory LTV ratio.

h) the structure of real properties used to secure primary assets in the cover pool, broken down to family houses, apartments, building plots and building under construction as of 31.12.2022

PROPERTY TYPE	PROPERTY VALUE (EUR)
Houses	4,292,462,245.04
Flats	3,593,116,111.48
Unfinished structures	403,636,028.42
Building lands	34,373,124.20

i) the proportional distribution of real properties used to secure primary assets, broken down by the regions of the Slovak Republic and by the LTV ratio; as of 31.12.2022

TERRITORIAL DIVISION OF SLOVAKIA	PROPERTY VALUE (EUR)	WEIGHTED AVERAGE LTV
Bratislava - city	1,995,268,423.92	61.47 %
Banská Bystrica region	575,286,355.75	60.63 %
Bratislava region (outside Bratislava - city)	964,450,232.04	60.55 %
Košice region	750,251,881.08	60.64 %
Nitra region	822,845,778.73	61.37 %
Prešov region	626,489,790.41	59.44 %
Trenčín region	755,492,764.49	59.98 %
Trnava region	994,926,154.20	59.99 %
Žilina region	838,576,128.52	58.95 %

j) the calculation method and the amount of the estimated obligations or costs under Section 68(3) incurred by the bank that is the covered bonds issuer

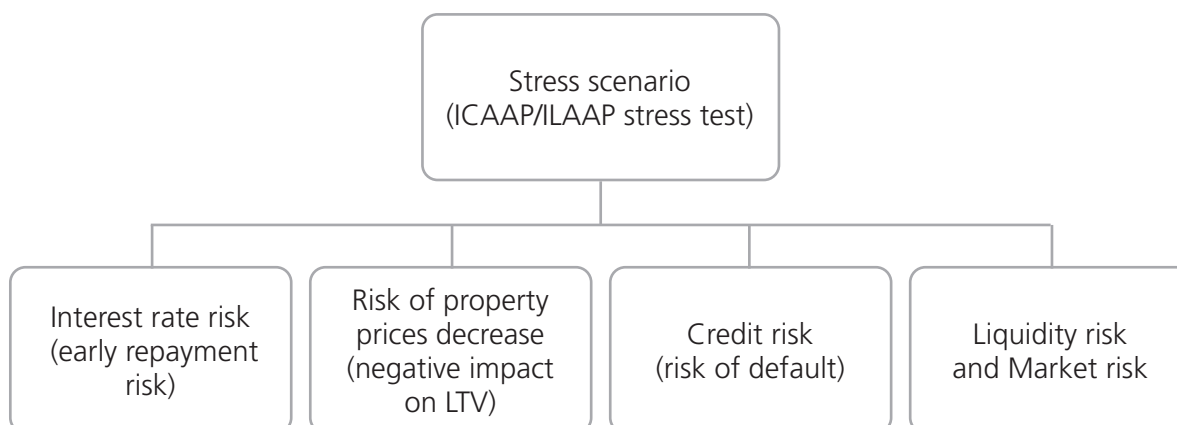
In the year 2022, the estimated costs within the covered bond programme of VÚB consisted of remuneration of CB Monitor and his deputy, costs of Listing Agent as well as other estimated costs. The total amount of estimated liabilities as of 31.12.2022 represented EUR 1,030,970.00.

k) methodology and results of stress tests

Methodology

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

Considering individual types of risks the relevant types for stress test of VÚB covered bonds are mentioned in the chart below. The first three are relevant to base assets and the last one is relevant to substitute and liquid assets:



Interest rate risk of banking book and the risk of early repayment – the interest rate risk is managed only on 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 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 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 for this reason not used in the cover pool.

Following values were the inputs for 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 realizes 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 test. In every step of stress test, the bank monitors the fulfilment of 90% as the required minimum level of underlying assets in the cover pool.

After conducting of 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 31.12.2021 the resultant coverage ratio was 88.67% without liquid assets, when in every step of stress test VÚB, a. s. fulfils the condition of 90% of the value of underlying assets of total value of covered bonds. The total impact of stress test on the cover pool was the decrease by EUR 1.2 billion, which is compensated by the buffer of available additional eligible mortgage loans and liquid assets amounting to EUR 2.3 billion as of 31.12.2022.

When adding of 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 application of the same stress parameters on them, the resultant coverage ratio was at the level of 146.01%.

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

I) the activities of the covered bond programme and the supervisory activities of Národná banka Slovenska related to the covered bond programme for the previous year

During the year 2022 the CB Monitor of VÚB Mr. Rudolf Šujan and his deputy Mrs. Judita Bischofová were carrying out 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.

The CB Monitor issued certificate evidencing the coverage of a new issue Covered Bonds VÚB, a. s., 7 (ISIN: SK4120020491) with the amount of EUR 500 million realized in March 2022 and maturity date on 22.3.2027. 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., 6 and is registered in the relevant Land Registers.

During 2022 the CB Monitor and his deputy supervised the covered bond register with the focus on compliance of data in the CB register with Act on Banks and the Decree of NBS No. 13/2018. In case of finding of incorrect data it was reported to bank, which subsequently managed a relevant correction or deleted data from the register.

On a monthly basis, the control of fulfilment of 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, lien to real estate recorded in the Land Register) and the control of completeness of data was realized.

In connection with the amendment of the Act on Banks, conditions of which VÚB, a. s., applied on 30.9.2022, the focus of the CB monitor and his deputy was on the control of changes made in CB register, specifically on the new eligibility condition of mortgage loans (mainly the condition of insurance of the real estate property) as well as on the changing of coverage ratio calculation.

In 2022 the supervision of the exclusion of loans from the register with the focus on the reasons of their exclusion, among which were mostly repayment of the loan, the reason that the property was not insured, exceeding of LTV limit, default of borrower and exceeding of maximum allowed maturity (30 years) was realized on a regular basis.

The CB Monitor also controlled during the year 2022 the eligibility to include assets to Liquid assets within the CB register. During the year 2022 the Bank allocated to the CB register the liquid assets with regard to valid methodology, using mainly securities issued by credit institutions and securities issued by member states of EU, fulfilling the regulatory requirements.

Neither substitute assets nor hedging derivatives were used in cover pool during the year 2022.

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

In March 2022, VÚB issued one CBs issue in the total amount of EUR 500 million. Within the year, two issues of covered bonds matured in the total amount of EUR 300 million. During the whole year 2021 VÚB kept the overcollateralization on the level above 10%.

In 2022 VÚB, in line with the Decree of NBS No. 14/2018 and 15/2018, submitted reports on quarterly basis on covered bonds register to National Bank of Slovakia, as well as published information on covered bonds on its website www.vub.sk.

During the year 2022, VÚB, a. s. has changed the internal processes and made changes in internal IT systems to be aligned with the amended Act on banks in connection with the Offering Programme and the CB register.

As of 30.9.2022 VÚB, a. s. fulfilled all conditions in accordance with the amended Act on banks and from 30.9.2022 all its outstanding issues are considered covered bonds in accordance with the regulations in force from 8.7.2022.

In Bratislava, 24.4.2023

Ing. Rudolf Šujan

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