

# Slovenská sporiteľňa

Issuer View • 27 September 2022

Authors: Stefan Rahaus // Dr Frederik Kunze

In 1825, Slovenská sporiteľňa (SLSP) was established as the first savings bank in Slovakia. Since 2001, this domestic systemically important bank (D-SIB; subject to direct ECB supervision) headquartered in Bratislava has been wholly owned by the Erste Group in Austria. The Erste Group is one of the most important banking groups for retail and corporate customers in the Central and Eastern Europe (CEE) region. As measured by its balance sheet total (H1 2022: EUR 24.0bn), SLSP is the largest commercial bank in Slovakia, with more than 3,630 employees serving 2.0 million customers in nationwide 195 branches. In addition to its original banking services, SLSP also offers its retail and corporate customers as well as SMEs and public institutions products from the asset management sector. The bank has market shares of 23.3% and 22.5% (June 2022) respectively in the deposit and lending businesses. In a national comparison, it ranks second for loans, while it takes the top spot for deposits. The institute reports across the following segments: Retail (FY 2021: 48% of operating income), Corporates (26%), Asset Liability Management, Local Corporate Center (22%) and Group Markets (4%). The overwhelming majority of the funding mix comprises retail funding (FY 2021: 66.1% of the overall funding mix). In June 2021, the bank issued its first green bond in a volume of EUR 100 million as part of its sustainability activities. The bond was placed in compliance with Sustainable Finance Framework of the Erste Group. At the end of June 2022, the NPL ratio was 1.8%, while the NPL ratio was 104.2%. The CET1 ratio of 15.6% (H1 2022) met the regulatory requirements.

## Ratings

	Rating	Outlook
Fitch	-	-
Moody's	A2	Stable
S&P	-	-

## Homepage

[www.slsp.sk](http://www.slsp.sk)

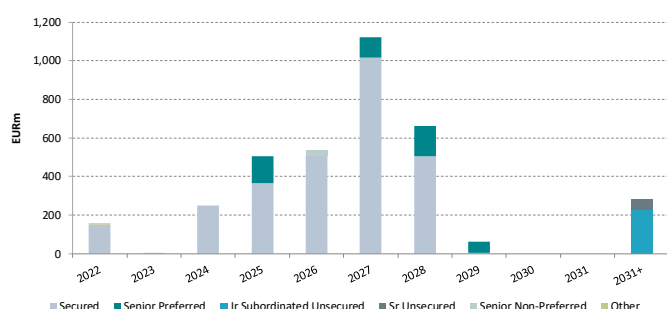
## Balance Sheet

(EURm)	2020Y	2021Y	2022H1
Net Loans to Customers	14,820	15,768	16,846
Total Securities	3,789	3,991	3,983
Total Deposits	14,869	15,973	16,302
Tier 1 Common Capital	1,250	1,400	1,503
Total Assets	20,706	23,154	24,041
Total Risk-weighted Assets	8,629	8,971	9,647

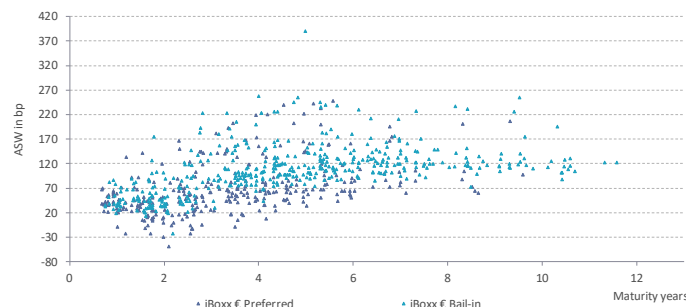
## Income Statement

(EURm)	2020Y	2021Y	2022H1
Net Interest Income	434	428	213
Net Fee & Commission Inc.	147	174	94
Net Trading Income	9	6	9
Operating Expense	287	292	155
Credit Commit. Impairment	108	1	25
Pre-tax Profit	148	302	130

## Redemption Profile



## Senior Unsecured Bonds (EUR BMK)



## Company Ratios

	2020Y	2021Y	2022H1	2020Y	2021Y	2022H1
Net Interest Margin	2.27	1.93	1.86	Liquidity Coverage Ratio	-	-
ROAE	6.24	12.23	9.90	IFRS Tier 1 Leverage Ratio	6.08	6.07
Cost-to-Income	52.91	49.10	50.02	NPL/ Loans at Amortised Cost	2.43	1.84
Core Tier 1 Ratio	14.49	15.61	15.58	Reserves/Loans at Amort. Cost	2.54	2.08

As of: 27.09.2022; Source: Bloomberg, S&P Global Market Intelligence, NORD/LB Markets Strategy & Floor Research

## Strengths / Opportunities

- Franchise position
- Capitalisation
- Deposit basis

## Risks / Weaknesses

- Credit growth
- Focus on domestic market
- Pressure on earnings due to intense competition

# Covered Bonds

Authors: Stefan Rahaus // Dr Frederik Kunze

## Outstanding covered bond volume of around EUR 2.8bn

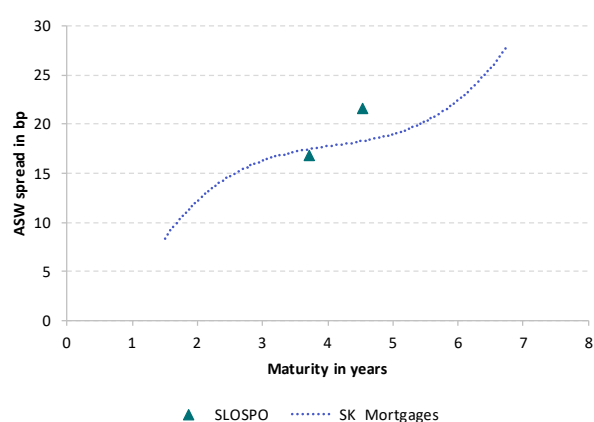
According to the cover pool overview as at the reporting date of 30 June 2022, Slovenská sporiteľňa has a covered bond volume of EUR 2.811bn outstanding. This includes two EUR benchmark issues of EUR 500m and a EUR subbenchmark of EUR 250m. Furthermore, the issuer has retained covered bonds outstanding with a total volume of EUR 1.0bn. The bonds have a weighted average remaining maturity of 4.3 years as at 30 June 2022 and the EUR benchmark and EUR subbenchmark issues are issued in soft bullet format. Slovenská sporiteľňa last appeared on the market at the beginning of April 2022 with a five-year covered bond and was able to issue EUR 500m at a reoffer spread of ms +15bp.

### Programme data

30 Juni 2022	Mortgage
Covered bonds outstanding	EUR 2,811.4m
Cover pool volume	EUR 4,814.6m
Current OC (nominal / regulatory)	71.3% / 5.0%
Type	96.7% Residential
Country	100% Slovakia
Number of borrowers	93,022
Number of loans/exposures	101,377
Average loan/exposure size	EUR 45,914
WA indexed LTV	48.93%
Fixed interest (Cover Pool / CBs)	85.7% / 100%
WAL (Cover Pool / CBs)	20.8y / 4.3y
CB Rating (Fitch / Moody's / S&P)	- / Aaa / -

Source: Issuer, rating agencies, Bloomberg, NORD/LB Markets Strategy & Floor Research

### Spread overview (BMK; maturity >1y) – Slovakia



### Primary cover is composed exclusively of residential cover assets

The mortgage cover pool (EUR 4.814bn; overcollateralisation 71.3%) contains 96.7% primary cover assets (residential loan balance: EUR 4.655bn). The remaining 3.3% are replacement cover assets. The primary cover consists exclusively of Slovakian residential mortgage loans issued in euros. The average weighted loan-to-value ratio on an indexed basis as at 30 June 2022 is 48.93% and the average weighted residual maturity is 20.8 years. The homogeneity of the regional scattering of the cover pool is expressed by the following distribution: Bratislava has the largest share with 23.1%, the rest is distributed quite evenly across Slovakia with shares between 8.9% and 11.6%. The average loan volume amounts to EUR 45,914. The substitute cover of EUR 160m comprises entirely Slovakian government bonds.

### Regulatory and rating

The rating agency Moody's has given Slovenská sporiteľňa's covered bond programme its top rating of Aaa. The covered bonds can thus benefit from a preferred risk weight of 10% according to CRR. Covered bonds in benchmark format ( $\geq$ EUR 500m) can also be used as Level 1 LCR assets in our view. As a member of the euro area, the covered bonds can be purchased by the Eurosystem under the CBBP3 and are eligible for repo transactions with the ECB. The Issuer is also subject to the new EU Covered Bond Directive and, following full national implementation, may market its covered bonds with the label "European Covered Bond" and, subject to compliance with the prescribed conditions, as "European Covered Bond (Premium)".

# Appendix

## Contacts at NORD/LB

### Markets Strategy & Floor Research



**Jan-Phillipp Hensing**  
SSA/Public Issuers  
+49 172 4252877  
[jan-phillipp.hensing@nordlb.de](mailto:jan-phillipp.hensing@nordlb.de)



**Dr Frederik Kunze**  
Covered Bonds/Banks  
+49 172 354 8977  
[frederik.kunze@nordlb.de](mailto:frederik.kunze@nordlb.de)



**Melanie Kiene, CIIA**  
Covered Bonds/Banks  
+49 172 169 2633  
[melanie.kiene@nordlb.de](mailto:melanie.kiene@nordlb.de)



**Dr Norman Rudschuck, CIIA**  
SSA/Public Issuers  
+49 152 090 24094  
[norman.rudschuck@nordlb.de](mailto:norman.rudschuck@nordlb.de)

### Sales

Institutional Sales	+49 511 9818-9440
Sales Sparkassen & Regionalbanken	+49 511 9818-9400
Sales MM/FX	+49 511 9818-9460
Sales Europe	+352 452211-515

### Origination & Syndicate

Origination FI	+49 511 9818-6600
Origination Corporates	+49 511 361-2911

### Treasury

Collat. Management/Repos	+49 511 9818-9200
Liquidity Management	+49 511 9818-9620 +49 511 9818-9650

### Trading

Covereds/SSA	+49 511 9818-8040
Financials	+49 511 9818-9490
Governments	+49 511 9818-9660
Laender/Regionen	+49 511 9818-9550
Frequent Issuers	+49 511 9818-9640

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Asset Finance	+49 511 361-8150

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