

Slovenská sporiteľňa

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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 (September 2022: EUR 24.9bn), SLSP is the largest commercial bank in Slovakia, with more than 3,600 employees serving 2.0 million customers in nationwide 192 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 23.7% and 22.5% (September 2022) respectively in the deposit and lending businesses. In a national comparison, it ranks first for loans and deposits. The institute reports across the following segments: Retail (September 2022: 44% of operating income), Corporates (27%), Asset Liability Management, Local Corporate Center (24%) and Group Markets (5%). The overwhelming majority of the funding mix comprises retail funding (September 2022: 60.6% of the overall funding mix). In June 2021, the bank issued its first green bond in a volume of EUR 100m as part of its sustainability activities. The bond was placed in compliance with Sustainable Finance Framework of the Erste Group. At the end of September 2022, the NPL ratio was 1.6%, while the NPL coverage ratio was 128.7%. The CET1 ratio of 14.9% (September 2022) met the regulatory requirements.

Ratings

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

Homepage

www.slsp.sk

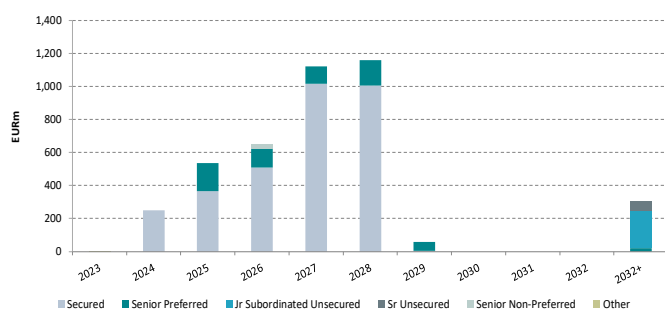
Balance Sheet

(EURm)	2020Y	2021Y	2022T3
Net Loans to Customers	14,820	15,768	17,538
Total Securities	3,789	3,991	4,019
Total Deposits	14,869	15,973	16,992
Tier 1 Common Capital	1,250	1,400	-
Total Assets	20,706	23,154	24,799
Total Risk-weighted Assets	8,629	8,971	-

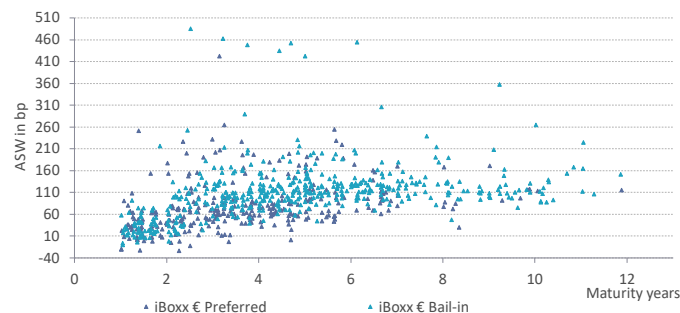
Income Statement

(EURm)	2020Y	2021Y	2022T3
Net Interest Income	434	428	327
Net Fee & Commission Inc.	147	174	143
Net Trading Income	9	6	20
Operating Expense	287	292	227
Credit Commit. Impairment	108	1	46
Pre-tax Profit	148	302	211

Redemption Profile



Senior Unsecured Bonds (EUR BMK)



Company Ratios

	2020Y	2021Y	2022T3	2020Y	2021Y	2022T3
Net Interest Margin	2.27	1.93	1.87	Liquidity Coverage Ratio	-	-
ROAE	6.24	12.23	10.59	IFRS Tier 1 Leverage Ratio	6.08	6.07
Cost-to-Income	52.91	49.10	46.92	NPL/ Loans at Amortised Cost	2.43	1.84
Core Tier 1 Ratio	14.49	15.61	-	Reserves/Loans at Amort. Cost	2.54	2.08

As of: 20.01.2023; 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

Author: Melanie Kiene

Outstanding covered bond volume of around EUR 2.8bn

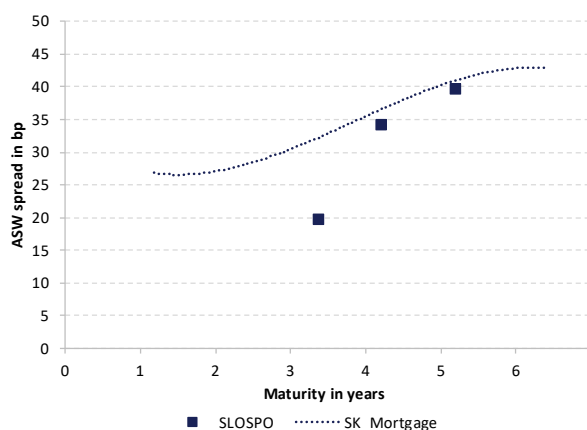
According to the cover pool overview as at the reporting date of 30 September 2022, Slovenská sporiteľňa has a covered bond volume of EUR 2.801bn outstanding. Currently, three EUR benchmark issues of EUR 500m and one EUR subbenchmark of EUR 250m have been publicly placed. The covered bonds outstanding as at 30 September 2022 had a weighted average remaining maturity of 4.0 years and the EUR benchmark and EUR subbenchmark issues are issued in soft bullet format. Slovenská sporiteľňa launched its first covered bond in the green ESG format (EUR 500m) at the end of the third quarter of 2022. The bond, with a maturity of 5.5 years, was issued at a spread of ms +35bp.

Programme data

30 September 2022	Mortgage
Covered bonds outstanding	EUR 2,801.4m
Cover pool volume	EUR 5,314.1m
Current OC (nominal / regulatory)	89.7% / 5.0%
Type	96.7% Residential
Country	100% Slovakia
Number of borrowers	98,819
Number of loans/exposures	107,969
Average loan/exposure size	EUR 47,737
WA indexed LTV	45.02%
Fixed interest (Cover Pool / CBs)	88.4% / 100%
WAL (Cover Pool / CBs)	4.1y / 4.0y
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 exclusively of a residential nature

The mortgage cover pool (EUR 5.314bn; overcollateralisation 89.7%) contains 96.7% primary cover assets (residential loan balance: EUR 5.154bn). The remaining just above 3.0% 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 September 2022 is 45.02% and the average weighted residual maturity is 21.1 years. The homogeneity of the regional scattering of the cover pool is expressed by the following distribution: Bratislava has the largest share with 24.1%, the rest is distributed quite evenly across Slovakia with shares between 9.1% and 12.7%. The average loan volume amounts to EUR 47,737. 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 (≥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 may, according to its own statements, market its covered bonds with the label "European Covered Bond (Premium)" after full national implementation and fulfilment of the resulting requirements.

Annex

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