Creditreform Covered Bond Rating

Slovenská sporiteľňa, a.s.

Mortgage Covered Bond Program

Creditreform Rating

Rating Object	Rating Information	
Slovenská sporiteľňa, a.s. Mortgage Covered Bond Program	Rating / Outlook : **AAA / Stable**	Type: Initial Rating (unsolicited)
Type of Issuance : Mortgage Covered Bond under Slovak law Issuer : Slovenská sporiteľňa, a.s. LT Issuer Rating: A (Slovenská sporiteľňa, a.s.) ST Issuer Rating: L2 Outlook Issuer: Stable	Rating Date : Rating Renewal until : Maximum Validity: Rating Methodology :	25.02.2022 Withdrawal of the rating 01.01.2050 CRA „Covered Bond Ratings"

Program Overview

Bond Nominal value	EUR 1,862 m.	WAL maturity covered bonds	4.03 (Years)
Cover pool value	EUR 3,407 m.	WAL maturity cover pool	19.50 (Years)
Cover pool asset class	Mortgages	Overcollateralization (nominal/committed)	82.94%/ 7.50%
Repayment method	Soft Bullet	Min. overcollateralization	5.00%
Legal framework	Slovak Act on Banks	Covered bonds coupon type	Fix (100.00%), Floating (0.00%)

Cut-off date Cover Pool information: 31.12.2021.

Content

Analysts

Philip Michaelis
Lead-Analyst
p.michaelis@creditreform-rating.de
+49 2131 109 2157

Yannick Sagert
Analyst
y.sagert@creditreform-rating.de
+49 2131 109 2083

Neuss, Germany

Summary

This rating report covers our analysis of the mortgages covered bond program issued under Slovak law by Slovenská sporiteľňa, a.s. („SLSP"). The total covered bond issuance at the cut-off date (31.12.2021) had a nominal value of EUR 1,862.40 m., backed by a cover pool with a current value of EUR 3,407.10 m. This corresponds to a nominal overcollateralization of 82.94%. The cover assets solely include Slovak mortgages obligations in Slovakia.

Taking into consideration the issuer rating, our analysis of the regulatory framework, liquidity- and refinancing risks, as well as our cover pool assessment and results of the cash flow analysis, Creditreform Rating AG ("Creditreform Rating" or "CRA") has assigned the covered bond program an AAA rating. The AAA rating represents the highest level of credit quality and the lowest investment risk.

Key Rating Findings

+ Covered Bonds are subject to strict Slovak legal framework for covered bonds
+ Committed overcollateralization above the minimum required
+ Covered bond holders have recourse to the issuer
+ Current high overcollateralization (OC) of 82.94% as of 31.12.2021

+/- High cost of risk depressed earnings of the issuer's parent company, however successful cost savings in context of Corona crisis

+/- Issuer's parent company has strong presence in developing markets and high degree of diversification as compared to other European banks. Risk potential in South east Europe.

Table1: Overview results

Risk Factor	Result
Issuer rating	A (rating as of 27.08.2021)
+ Legal and regulatory framework	+4 Notches
+ Liquidity and refinancing risk	+1 Notch
= Rating after 1st uplift	AAA
Cover pool & cash flow analysis	AAA
+ 2nd rating uplift	+/-0 Notch
= Rating covered bond program	**AAA**

Issuer Risk

Issuer

Our rating of Slovenská sporiteľňa, a.s. mortgage covered bond program is reflected by our issuer rating opinion of Erste Group Bank AG (Group) due to its group structure. Erste Group was founded in 1819 when wealthy citizens of Vienna donated a fund to found a savings bank. The Austrian savings bank group consists of 49 institutes: 46 savings banks in the federal states as well as Erste Bank, Erste Group and Zweite Sparkasse. Erste Group Bank AG acts as the holding company and central institution of the savings banks in Austria. Erste Bank and Sparkassen are represented nationwide in Austria and are subject to a de facto regional principle, whose areas are determined by a joint liability agreement.

All savings banks in Austria are members of a group of credit institutions whose parent institution is Erste Group Bank AG. As a result, all institutions are part of an "institutional guarantee system" in accordance with CRR and thus part of the IFRS scope of consolidation of Erste Group Bank AG. The consolidation takes place on the basis of the joint liability agreement, although Erste Group Bank AG holds no or only a minority share. Erste Bank Österreich and its subsidiaries include only those savings banks that are wholly or majority owned by the Erste Group. The savings banks segment comprises those savings banks that are members of the joint liability agreement of the Austrian savings banks sector and in which Erste Group does not hold a majority interest but exercises control under IFRS. Erste Group Bank AG is the holding company and central institution responsible for the strategic business alignment of all subsidiary banks in Austria and abroad. In the following section, the name of Erste Group Bank AG always refers to the consolidated group, not to the holding company. The banking business of Erste Group Bank AG focuses on Austria and the eastern part of the European Union, in particular the neighboring countries. Erste Group is a diversified bank with the aim of being the leading bank for private and corporate clients. In seven core markets, the bank manages 16 million customers, of which 4.5 million in the Czech Republic and 3.8 million in Austria.

CRA has upgraded the long-term issuer rating of Erste Group Bank AG (hereinafter: Erste Group) by one notch from A- to A in a Rating Update dated 27.08.2021 following an update in the bank rating methodology. Erste Bank Group's role as a strong partner of SMEs, retail and corporate customers in middle and east Europe coupled with the Joint liability agreement between Erste Group and Sparkasse Austria acts as a key driver of the rating of the issuer. CRA does not expect the substantial deteriorations on earnings and risk provisions during the COVID-19 crisis to have any sustainable effect on asset quality and earning capacity of the bank. The expected steep rise in default rates, which was the main driver of the rating downgrade of the issuer in the previous year, has been so far avoided, owing to the generous state support therefore, justifying a rating upgrade. For a more detailed overview of the issuer rating, please refer to the webpage of Creditreform rating AG.

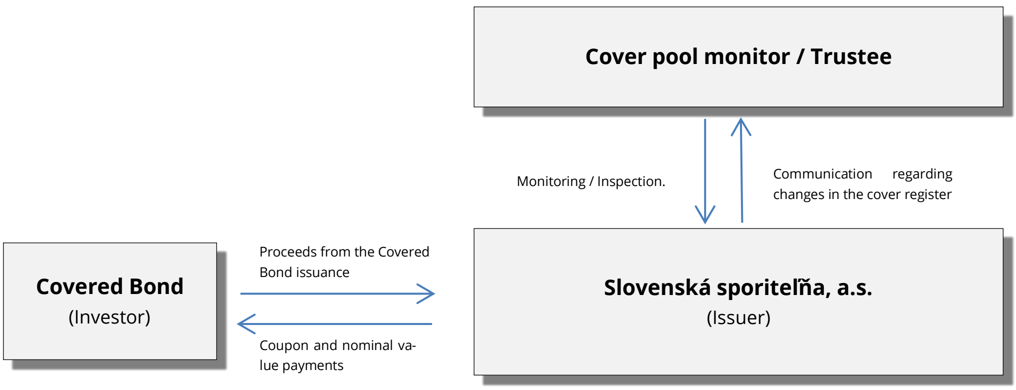
Structural Risk

Transaction structure

Table 2: Overview of all transaction's parties | Source: CRA

Role	Name
Issuer	Slovenská sporiteľňa, a.s.
Cover Pool Monitor/ Trustee	Specific Controller is appointed by the National Bank of Slovakia
Cover pool administrator	General bankruptcy administrator of the issuer

Figure1: Overview of Covered Bond emission | Source: CRA



Legal and Regulatory Framework

The legal basis of covered bond ("krytý dlhopis") programs in Slovakia is the Act on Bonds (Act No. 530/1990 Coll., Part Four, Article 20b), the Act on Banks (No. 483/2001 Coll., Part 12), the Insolvency Act (Act No. 7/2005 Coll., Part 6), and five Decrees of the National Bank of Slovakia (Národná banka Slovenska, "NBS") for covered bonds programs.

According to the Act on Bonds, the public supervision of Slovak covered bond banks is divided between the cover bond program administrator and the NBS, which also grants licenses to operate the covered bond business. The supervision of the issuing and administration of covered bonds by the NBS is regulated by the Act on Financial Market Supervision (Act No. 747/2004 and amending certain laws). If necessary, the NBS can request additional information and information at any time.

The Act on Banks enacts the implementation of the European Union's Bank Recovery and Resolution Directive ("BRRD") in national law, providing the resolution authorities with special resolution tools including the so-called "bail-in tool". Among others, this law ensures that covered bonds are exempted from a potential bail-in. In addition, the European Capital Requirements

Directive (CRD) is also enacted by the Slovak law by the Act on Banks. Slovak covered bonds fulfil the criteria according to UCITS 52 (4) and listed issues are eligible for repo transactions.

It can be noted that, the European Commission on November 2019 has adopted the legislative package to provide for enhanced harmonisation of the EU covered bond market. Each of the Member States shall implement the Covered Bond Directive by 8 July 2021 and the national measures shall be applied at the latest from 8 July 2022. Once fully implemented, the directive might have a potential impact on legal and regulatory framework on the issuer and the covered bonds of each EU member states. The Act on Bonds was last updated in 2017, and its amendments came into force on 1 January 2018, while the last amendment of the Act on Banks came into force on 1 January 2022. The transposition of EU Directive into national law is completed in Slovakia[1].

Insolvency Remoteness and Asset Segregation

While cover assets remain on the balance sheet as long as the bank is solvent ("in-balance" transaction), the Slovak Act on Banks stipulates that the issuer create a cover register in order to identify the cover assets. Covered bonds must be fully backed by the appropriate cover asset class. In addition, the framework complies with the principle of uniform coverage, i.e. each covered bond program includes only one cover pool which contains all the claims of this cover class. The legal framework prohibits the mixing of the primary cover asset classes, but allows for substitution assets up to an amount of 10% of the total value of the cover pool.

In the event of a default by the issuer, the registered cover assets will be marked as a non-insolvent part of the issuer´s estate and will be isolated from the insolvency estate; they form the insolvency-free assets of the issuer and are not affected by insolvency proceedings. Then, only the asset values in the covered bond register can be used as collateral to service the claims of the covered bond holders. If the cover pool is insufficient to fulfil the covered bond holders' claims, the covered bond holders have recourse to the bank's aggregate bankruptcy estate in a pari passu relationship with other unsecured bond creditors.

In addition, there is no automatic sale of the cover assets or accelerated repayment of the covered bonds in the event of a default. Only in the event of insolvency and no option for the bankruptcy administrator to transfer the program to one or several solvent banks is a special procedure permitted to liquidate the assets of the covered bond issuer, and thereby accelerating the repayment of the covered bonds.

Trustee

In order to ensure that the cover assets are correctly recorded in the relevant cover register and that their inclusion meets eligibility criteria, the NBS reviews and appoints a trustee and his deputy for a covered bonds program issuer, either on its own initiative or at the suggestion of the issuer. The responsibilities of the trustee include i.e. the supervision of the issuance of covered bonds, the review of the cover register and the statutory coverage ratios of the cover pool, the assurance of compliance with the criteria for the cover assets and underlying real properties, and the monitoring of agreements on the hedging derivatives in the cover pool.

The trustee must submit a report to the NBS every year before 30 April. If the trustee becomes

[1] https://ec.europa.eu/info/publications/covered-bonds-supervision-directive-transposition-status_de

aware of any deficiencies or breaches of the Act on Banks in relation to the Covered Bond Programme, it must immediately inform the NBS.

Special Administrator

Slovakia fully complies with EBA's best practice regarding the administration of the covered bond program post the issuer's insolvency or resolution. This task is executed by the general bankruptcy administrator of the issuer, which will manage the cover pool. The bankruptcy administrator may perform all legal transactions with effect to the cover pool, insofar as these are necessary for an orderly settlement in the interest and to the full satisfaction of the covered bond creditors. The bankruptcy administrator may, subject to special procedures, extend the original maturities of the covered bonds. Should a reduction in the claims of the covered bond holders nevertheless become apparent, the bankruptcy administrator, together with the cover pool trustee and with the approval of the NBS, is permitted to transfer the entire covered bond programme to one or more solvent banks. If this is not feasible, only then the bankruptcy administrator is entitled to liquidate the assets of the covered bond issuer, thereby accelerating the repayment of the covered bonds.

Eligibility Criteria

A cover pool may consist of primary assets, substitution assets, hedging derivatives, and liquid assets. According to the Act on Banks, eligible cover assets are mortgage loans, which are secured by a lien or other security right to real estate. The geographical scope of mortgage loans is confined to the Slovak Republic. The maturity of the loans may not exceed 30 years. In addition, the loans may only be granted to retail customers. The legal framework sets a soft LTV limit for the eligibility of residential mortgage loans at 80%. Mortgage loans with an LTV above the 80% limit are included up to the amount that does not exceed the 80% of the value of the pledged property. Mortgage loans with an LTV above 100% are not allowed to be part of the cover pool. If a value for a property should drop to the point where the LTV rises above 100%, the loan must be removed from the register of covered bonds.

At least 90% of the total value of the cover pool must consist of these primary assets, while the residual 10% can consist of substitution assets. Liquid assets are not included in this calculation. Substitution assets include exposures to the European Central Bank, central banks in the European Union or to appropriate credit institutions, which qualify for the CQS 1 with respect to the Directive 2006/48/EC.

Once assets or asset values have been registered in the register of cover assets, they are part of the cover pool until they are deleted from the register.

Systemic Relevance and External Support

While the total volume of outstanding covered bonds in Slovakia was only EUR 3.8 billion in 2011, it almost doubled to EUR 7.3 billion in 2020[2]. During the same period, the number of issuers decreased from eight to only six institutions. The highest growth in new issuances was observed in 2019, where an increase of 37.1% of the total volume of outstanding covered bonds was recorded.

[2] Source: EMF-ECBC (2021), ECBC: European Covered Bond Fact Book 2021-online, EMF-ECBC

With total assets of EUR 20.7 billion, SLSP was the largest bank in Slovakia in terms of total assets in 2020. In addition, with a market share of approximately 29.0% in the covered bond segment, SLSP is the largest covered bond issuer in the Slovak covered bond market.

Summary Structural Risk

In general, the Slovak framework defines the legal basis for covered bond programs in Slovakia, it defines clear rules to mitigate risks in particular regarding: insolvency remoteness, asset segregation, investor's special claim vis-à-vis other creditors, the roll and appointment of a trustee and bankruptcy administrator, among other provisions.

We considered the structural framework in Slovakia as positive, accomplishing an adequate set of rules for Slovak covered bonds. Furthermore, we contemplate the importance of SLSP in the Slovak Covered Bond market in our analysis. Due to those reasons we have set a rating uplift of four (+4) notches.

Liquidity and Refinancing Risk

Minimum Overcollateralization

According to the Slovak Act on Banks, it is compulsory to maintain an overcollateralization (OC) of at least 5% measured as of the last day of the relevant month. The ratio is calculated by the value of the cover pool, which is determined by the aggregated sum of primary and substitution assets as well as hedging derivatives and liquid assets, and the sum of liabilities and costs of the covered bond program. The mandatory overcollateralization has to be covered under interest rate and currency stress scenarios, among others. The bank can determine a higher OC for an issued covered bond, but then is obligated to maintain this fixed value until the maturity of the debt instrument for all covered bonds.

Short-term Liquidity Coverage

The issuer is required to maintain a liquidity buffer for the next 180 days to cover all debt service outflows (interest and principal) and derivative transactions. The calculation of the buffer size takes into account positive and negative cash flows. Should there be uncovered outflows, these must be covered with liquid assets, which can be included in the calculation for the period of 30 days.

Stress Tests and Matching

The issuer must ensure that the coverage and OC is also maintained in the case of stress periods. For this purpose, the underlying cover pool must be subjected to a stress test at least once a year. The stress test shall include among other things credit risk, interest rate risk, foreign exchange risk, and liquidity risk. The NBS can request documents on form, scope, methodology and results of stress tests of the last 24 months.

Asset-Liability Mismatch

Asset-liability mismatches ("ALM") arise with different maturities of cover assets and covered bonds. According to the Slovak framework, natural matching - i.e. the congruence of present values – forms the essential approach to reduce ALM risk. In addition, the statutory liquidity coverage requirement for 180 days is a safeguard mechanism to ensure the servicing of pending principal and interest payments.

Repayment Method

This covered bond program issues covered bonds with soft bullet maturity, i.e. according to the legal framework the bankruptcy administrator can extend the original maturities of the covered bonds by up to 12 months under special procedures. This mechanism is not considered in our cash flow analysis due to the lack of relevant information on the repayment structure under the extension provisions.

Refinancing Costs

In the event of the issuer's insolvency, the Slovak legal framework provides that the bankruptcy administrator may sell assets of the cover pool, but only if a transfer of the covered bond programme to one or more solvent banks has not been possible.

CRA's analysis assumes that refinancing gaps due to ALM will be closed by a sale of assets from the cover pool. In doing so, we take into account related costs in the form of a discount to the nominal value. The quantification of this discount is adjusted following an analysis of relevant market data and will be used in our cash flow analysis.

Other liquidity risks

Derivatives can be an additional measure to hedge interest rate and currency risks. The legal framework provides for yearly stress tests to be conducted on interest rate- and foreign exchange risks. The stress scenarios are either static, dynamic or model-based.

Information on, among other things, the yields and maturity of outstanding bonds, the structure of the cover assets, the average amount and maturity of primary assets, fixed interest periods, the stress tests and the respective coverage shall be published in each year.

Summary Liquidity and Refinancing Risk

Compared to other jurisdictions, the Slovak legal framework and the stipulated risk management processes for liquidity risks constitute a comparatively strict framework by which they can be effectively reduced.

Refinancing risks can be structurally reduced due to the soft bullet repayment structure in case of a bankruptcy of the issuer. In addition, refinancing risks can be cushioned by sufficiently high overcollateralization, short-term cash availability, or other liquid funds to bridge the asset-liability mismatches in the portfolio. Therefore, we assess the overall legal provisions on liquidity management for Slovak Covered Bond programs as positive and set a rating uplift of one (+1) notch.

ESG Criteria

CRA generally takes ESG-relevant factors (environmental, social and governance) into account when assessing Covered Bond ratings. Overall, ESG factors have a significant impact on the current rating of this Covered Bond program. CRA identifies governance factors, in particular, to have a highly significant impact on Covered Bond ratings. Since Covered Bonds are subject to strict legal requirements, regulatory risk plays an important role in assessing the credit rating.

The Slovak covered bonds legislation defines clear rules to mitigate risks in particular regarding insolvency remoteness, asset segregation, investor's special claim vis-à-vis other creditors, the roll and appointment of a trustee and bankruptcy administrator, among other provisions. Additionally, Risk management and internal controls as well as the macroeconomic factors such as hedging strategies, interest rates and yield curve are considered to have a highly significant impact on the assessment of the credit rating. Other individual factors with a potential key rating influence were not identified, and therefore did not affect the final rating.

Credit and Portfolio Risk

Cover pool analysis

The analysis of the cover pool is based on public information which has been made available by the issuer, in particular the Cover Pool Overview („CPO“) as per regulatory requirements. This information was sufficient according to CRA´s rating methodology “Covered Bond Ratings”.

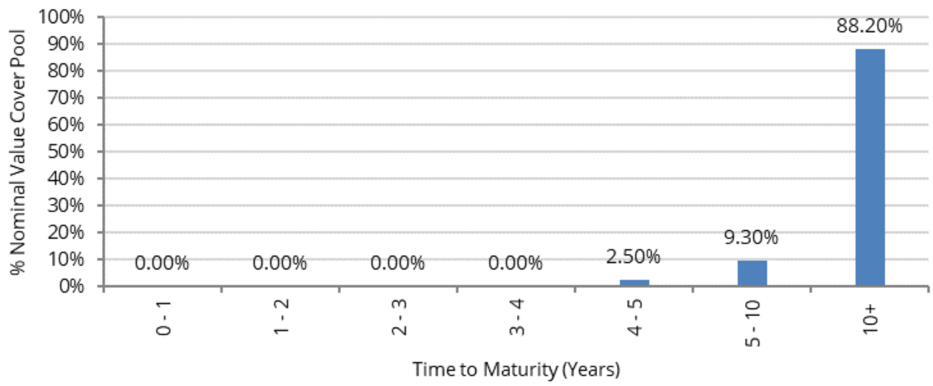
At the cut-off-date 31.12.2021, the pool of cover assets consisted of 83,421 debt receivables from 76,576 debtors, of which 100.00% are domiciled in Slovakia. The total cover pool volume amounted to EUR 3,407.10 m. in residential (100.00%), commercial (0.00%) and others (0.00%). The residential cover pool has an indexed weighted average LTV of 43.46%. Table 3 displays additional characteristics of the cover pool:

Table 3: Cover pool characteristics | Source: SLSP

Characteristics	Value
Cover assets	EUR 3,407 m.
Covered bonds outstanding	EUR 1,862 m.
Substitute assets	EUR 110.00 m.
Cover pool composition	
Mortgages	96.77%
Substitute assets	3.23%
Other / Derivative	0.00%
Number of debtors	76,576
Mortgages Composition	
Residential	100.00%
Commercial	0.00%
Other	0.00%
Average asset value (Residential)	EUR 39.52 k.
Average asset value (Commercial)	EUR 0 k.
Non-performing loans	NR
10 biggest debtors	NR
WA seasoning	4.50 Years
WA maturity cover pool (WAL)	19.50 Years
WA maturity covered bonds (WAL)	4.03 Years

We have listed an extended view of the composition of the cover pool in the appendix section "Cover pool details", with, for example, a detailed regional distribution. The following chart displays the maturity profile of the cover assets at the cut-off date 31.12.2021 (see figure 2):

Figure 2: Distribution by remaining time to maturity I Source: SLS



Maturity profile

The following charts present the cash flow profile of the issuer (see figure 3 and figure 4):

Figure 3: Cover asset congruence | Source: SLSP

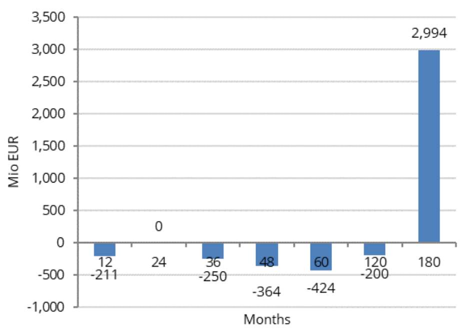
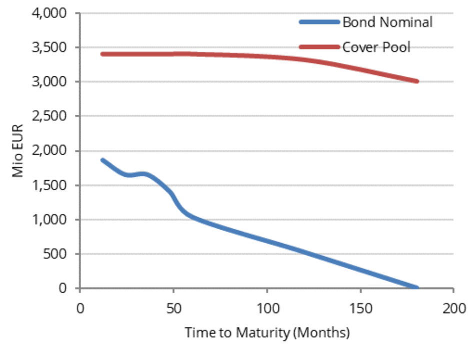


Figure 4: Amortization profile | Source: SLSP



During its cash flow modelling, CRA has taken into consideration the maturity structure of cover assets and liabilities. This structure was an integral part of the cash flow analysis.

Interest rate and currency risk

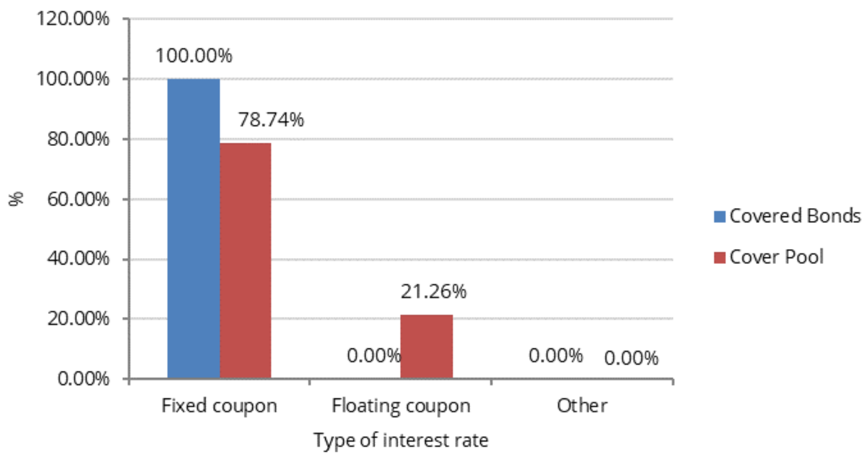
This covered bond program does not use derivatives to hedge interest rate- and currency risk. However, the legal framework provides for yearly stress tests to be conducted on interest rate- and currency risks to maintain the mandatory OC. Therefore, interest rate risk could be mitigated by the 5% OC requirement. Currency risk, on the other hand, is also limited for this program as 100.00% of the cover pool assets and 100.00% of the cover bonds are denominated in euro. Therefore, we have not applied foreign exchange stresses but applied interest rate stresses on the cash flows for each rating level according to our methodology. The overall rating impact of interest rate mismatches was negligible for this program, which has been presented in our 'Breakeven Analysis' segment.

Table 4: Program distribution by currency | Source: SLSP

Currency	Volume	Share (%)
Cover Pool		
EUR	3,407 m.	100.00%
Covered Bond		
EUR	1,862 m.	100.00%

Figure 5 shows the types of interest rate used in this program.

Figure 5: Type of interest rate | Source: SLSP



Credit Risk

The credit risk assessment for Mortgage Covered Bond have been determined in accordance with CRA rating methodology for Covered Bonds by means of historical data and particular parameters from the Covered Bonds.

Due to the high granularity of mortgage pools we have characterized these portfolios as big enough and with a homogeneous composition i.e. ("Large Homogeneous Portfolio", LHP). Furthermore under that premise we have assumed that it is possible to derive a loss distribution. CRA has used the historical issuer's NPL ratio to derivate a conservative default rate proxy for the approximation through the LHP distribution. For the SLSP it has been assumed an expected default rate of 0.85% for the LHP. Furthermore CRA has considered a 15.00% correlation to define the LHP distribution. Table 5 disclosed the expected default rate for each relevant rating level.

In order to derive recovery and loss-severity base case assumption CRA has used historical data from mortgage price indexes. To determine loan-level recovery assumptions the resulting stressed recoveries assumptions were compared with the portfolio's existing loan-to-value ratios (LTVs).

Based on the default rates and taking into account the recovery assumptions, the following loss assumptions were determined for the current cover pool (see Table 5):

Table 5: Cover Pool Base case assumptions | Source: CRA

Rating	Default Rate (%)	Recoveries (%)	Expected Loss (%)
AAA	**27.53%**	**53.22%**	**12.88%**
AA+	24.68%	56.36%	10.77%
AA	20.96%	61.18%	8.14%
AA-	17.71%	66.61%	5.91%
A+	16.49%	68.76%	5.15%
A	16.43%	68.87%	5.11%
A-	15.54%	70.65%	4.56%

Cash-Flow Analysis

Model Assumptions

Based on public information and using the base case loss assumptions, we implement a scenario-based cash flow model. This model aims to test the ability of the structure to service all covered bonds according to their payment profile in diverse stress scenarios. The CRA cash flow analysis assumes that the issuer has defaulted, i.e. all obligations will be met using cash flows from the cover pool assets only. We also assume that no additional assets will be added to the cover pool during the wind-down phase.

Asset-Sale Discount

In our model, short-term liquidity needs and liquidity needs due to asset-liability mismatches will be met with a sale of cover assets available for monetization. Based on secondary market data, CRA assumes a rating-level haircut on the asset value („Asset-Sale Discount“) which represents additional costs of disposal and market risks during the sale of cover assets (see Table 6).

Yield Spread

Since cover assets often have a positive yield spread against the covered bonds issued, CRA uses available public information (i.e. issuers´ annual accounts) to size this assumed spread („Yield Spread“) (see table 6):

Table 6: Cash-Flow Model assumptions | Source: CRA

Rating level	Asset-Sale Discount	Yield Spread
AAA	**71.71%**	**1.07%**
AA+	66.09%	1.19%
AA	62.48%	1.27%
AA-	59.03%	1.35%
A+	56.38%	1.41%
A	54.21%	1.45%
A-	51.37%	1.52%

Rating Scenarios

Scenarios that have been tested in our cash flow model rely on the variation of several central input parameters, such as:

- Portfolio composition (diversification, concentration, granularity)

- Probability of default of cover assets
- Correlations of cover assets and systematic risk factors
- Recoveries
- Maturity profile of covered bonds and cover assets (ALM)

Within an **AAA** rating scenario, the cash flow model showed that obligations can be paid fully and in a timely manner. In total, the cash flow analysis revealed that the portfolio, given all information available as of 31.12.2021, could be sufficient to repay bond nominal capital notwithstanding the occurrence of any extraordinary events. On this basis, the rating of the cover pool within our covered bond program rating has been set at AAA.

Overcollateralization Break-Even Analysis

CRA also performed a break-even OC analysis. Such OC levels should bear the corresponding losses for a given rating scenario. Main drivers of the analysis are:

- ALM
- Loss level
- Interest rate spreads
- Foreign currency mismatches
- Recoveries.

Performing the break-even OC analysis, we took rating-level specific stressed outcomes into account. Based on these analyses, the maximum OC required for each relevant rating level during the whole period has been presented in table 7.

Table 7: Breakeven Analysis | Source: CRA

Rating Level	Break-Even OC
AAA	**72.05%**
AA+	62.18%
AA	54.17%
AA-	47.39%
A+	43.71%
A	41.55%
A-	32.34%

Sensitivity Analysis

CRA also evaluates the sensitivity of the structure and program with respect to important input parameters. In particular, the following factors have been varied:

- Credit quality of cover assets
- Recoveries

The following table presents the rating impact of a decline in recoveries and an increase in the credit risk of single debtor. Starting from the best-case, which is represented by our base case assumptions, the analysis reveals the sensitivity of the rating with respect to recovery rates and credit risk. In the worst-case scenario, in which we reduce recoveries by 50% and increase credit risk by 50%, the impact can be seen by a change in the implied rating scenario of 2 notches (see Table 8):

Table 8: Covered Bond Program Sensitivity: Credit Quality und Recovery Rates | Source: CRA

Defaults \ Recovery	Base Case	-25%	-50%
Base Case	**AAA**	AAA	AA+
+25%	AAA	AA+	AA
+50%	AA+	AA+	AA

Summary Cash-Flow Analysis

Based on public information and using the base case loss assumptions, the analysis showed that obligations can be paid in full and in a timely manner. Overall, the cash flow analysis revealed that the portfolio, given the used information, may ensure the repayment of bonds' nominal capital notwithstanding the occurrence of the presented stressed scenarios. Therefore, the rating of the cover pool within our covered bond program rating has been set at AAA. Considering the issuer rating as the rating floor in combination with the analysis of the legal framework and the resulting primary rating uplift, this has already led to a rating of AAA for the program, the secondary rating uplift with potentially three (+3) notches only serves as a further buffer against a downgrade of the issuer.

However, it is worth mentioning that, the ongoing Covid-19 crisis could have a potential impact on the cover pool. It remains to be seen how serious the effects of the lockdown, among other things, will be. Should there be any changes to the cover pool and the issuer rating in the future, we will include them during our monitoring process.

Counterparty Risk

Transaction parties

Table 9: Participant counterparties | Source: SLSP

Role	Name	Legal Entity Identifier
Issuer	Slovenská sporiteľňa, a.s.	549300S2T3FWVVXWJI89
Administrator	Slovenská sporiteľňa, a.s.	549300S2T3FWVVXWJI89
Arranger	Erste Group Bank AG	PQOH26KWDF7CG10L6792

Derivatives

No derivatives in use at present.

Commingling

In the event of issuer's bankruptcy, in order to avoid commingling of funds, the Slovak covered bonds legislation stipulates that the cover assets should be isolated from the general bankruptcy estate (insolvency-free assets) and the general bankruptcy administrator will manage the cover pool. The bankruptcy administrator will have first priority on the up-coming cash flows from the cover pool assets, which in turn should be used to cover interest and principal payments of the covered bond holders in event of the issuer's insolvency.

Appendix

Rating History

Event	Initial Rating
Result	**AAA / Stable**
Rating Date	25.02.2022
Publication Date	09.03.2022

Details Cover Pool

Table 10: Characteristics of Cover Pool | Source: SLSP

Characteristics	Value
Cover Pool Volume	EUR 3,407 m.
Covered Bonds Outstanding	EUR 1,862m.
Substitute Assets	EUR 110 m.
Share Derivatives	0.00%
Share Other	100.00%
Substitute Assets breakdown by asset type	
Cash	0.00%
Guaranteed by Supranational/Sovereign agency	100.00%
Central bank	0.00%
Credit institutions	0.00%
Other	0.00%
Substitute Assets breakdown by country	
Issuer country	100.00%
Eurozone	0.00%
Rest European Union	0.00%
European Economic Area	0.00%
Switzerland	0.00%
Australia	0.00%
Brazil	0.00%
Canada	0.00%
Japan	0.00%
Korea	0.00%
New Zealand	0.00%
Singapore	0.00%
US	0.00%
Other	0.00%
Cover Pool Composition	
Mortgages	96.77%
Total Substitute Assets	3.23%
Other / Derivatives	0.00%
Number of Debtors	76,576

Distribution by property use	
Residential	100.00%
Commercial	0.00%
Other	0.00%
Distribution by Residential type	
Occupied (main home)	69.60%
Second home	0.00%
Non-owner occupied	0.00%
Agricultural	0.00%
Multi family	0.00%
Other	30.40%
Distribution by Commercial type	
Retail	0.00%
Office	0.00%
Hotel	0.00%
Shopping center	0.00%
Industry	0.00%
Land	0.00%
Other	100.00%
Average asset value (Residential)	EUR 39.52 k.
Average asset value (Commercial)	EUR 0 k.
Share Non-Performing Loans	NR
Share of 10 biggest debtors	NR
WA Maturity (months)	NR
WAL (months)	234
Distribution by Country (%)	
Slovakia	100.00
Distribution by Region (%)	
Banská Bystrica	9.00
Bratislava	23.10
Košíce	11.50
Nitra	9.30
Prešov	10.20
Trenčín	11.40
Trnava	12.90
Žilina	12.60

Figure 6: Program currency mismatches | Source: SLSP

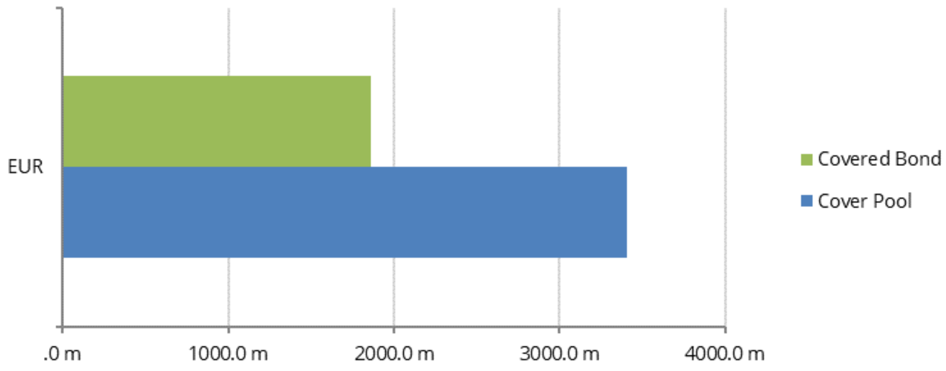
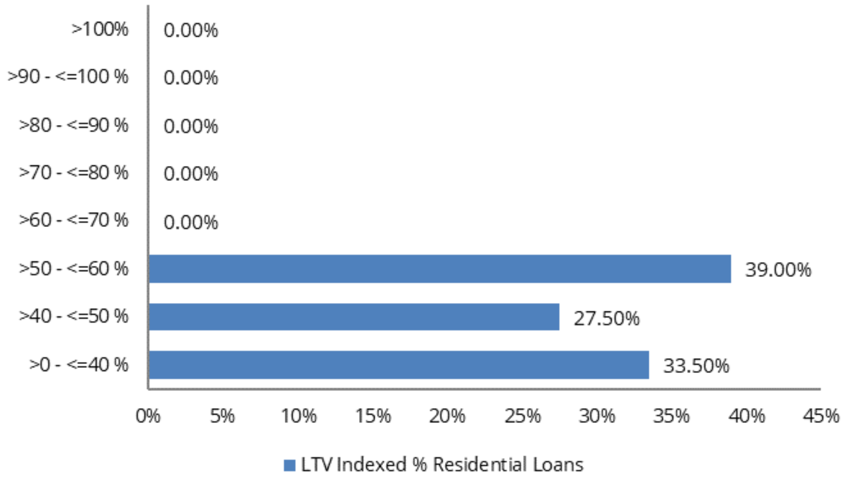


Figure 7: Indexed LTV breakdown - residential pool | Source: SLSP



Key Source of Information

Documents (Date: 31.12.2021)
Issuer ▪ Audited consolidated annual reports of Erste Group Bank AG (Group) 2017-2020 ▪ Audited consolidated annual reports of Slovenská sporiteľňa, a.s. 2017-2020 ▪ Issuer rating update report dated 27.08.2021 ▪ Miscellaneous Investor Relations Information and Press releases ▪ Data from eValueRate/CRA databank
Covered Bond and Cover Pool ▪ Cover Pool Overview from SLSP (31.12.2021) ▪ Base Prospectus as of 12.03.2021 ▪ Market data Mortgage Covered Bond Program

Regulatory and Legal Disclosures

Creditreform Rating AG was neither commissioned by the rating object nor by any other third parties for the rating. The analysis took place on a voluntary basis by Creditreform Rating AG and is to be described in the regulatory sense as an unsolicited rating. The rating was conducted on the basis of Creditreform Rating´s "Covered Bond Ratings" methodology (v1.0, July 2017) and "Technical Documentation Portfolio Loss Distributions" (v.1.0, July 2018) in conjunction with Creditreform`s basic document "Rating Criteria and Definitions" (v1.3, January 2018). On the subject of ESG (environment, social and governance), Creditreform Rating AG has published the basic document "The Impact of ESG Factors on Credit Ratings" (March 2020).

Unsolicited Credit Rating	
With Rated Entity or Related Third Party Participation	NO
With Access to Internal Documents	NO
With Access to Management	NO

The rating is based on publicly available information and internal evaluation methods for the rated bank and program. The issuer's quantitative analysis is based mainly on the latest annual accounts, interim reports, and other information of the bank pertaining to investor relations. The cover pool's quantitative analysis for the rated Covered Bond Program was based on the Cover Pool Overview published by the SLSP.

Information on the meaning of a rating category, definition of default and sensitivity analysis of relevant key rating assumptions can be found at "Creditreform Rating AG, Rating Criteria and Definitions":

https://www.creditreform-rating.de/en/about-us/regulatory-requirements.html

This rating was carried out by analysts Philip Michaelis (Senior Analyst) und Yannick Sagert (Analyst) both based in Neuss/Germany. On 25.02.2022, the rating was presented to the rating committee by the analysts and adopted in a resolution. The function of Person Approving Credit Ratings (PAC) was performed by Christian Konieczny (Senior Analyst).

On 25.02.2022, the rating result was communicated to SLSP, and the preliminary rating report was made available. The issuer and all relevant parties examined the rating report prior to publication and were given at least one full working day to appeal the rating committee decision and provide additional information. The rating decision was not amended following this examination.

The rating is subject to one-year monitoring from the creation date (see cover sheet). Within this period, the rating can be updated. After one year at the latest, a follow-up is required to maintain the validity of the rating.

In 2011 Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG (CRA) is permitted to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

Endorsement

Creditreform Rating did not endorse the rating according Article 4 (3), CRA-Regulation.

Conflict of Interests

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or approving credit ratings and rating outlooks.

In the event of provision of ancillary services to the rated entity, CRA will disclose all ancillary services in the credit rating report.

Rules on the Presentation of Credit Ratings and Rating Outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our policy "Rating Committee," all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, CRA has used following substantially material sources:

1. Transaction structure and participants

2. Transaction documents

3. Issuing documents

4. Other rating relevant documentation

There are no other attributes and limitations of the credit rating or rating outlook other than displayed on the CRA website. Furthermore, CRA considers satisfactory the quality and extent of information available on the rated entity. In regard to the rated entity, Creditreform Rating AG regarded available historical data as sufficient.

Between the disclosure of the credit rating to the rated entity and the public disclosure no amendments were made to the credit rating.

The rating report and/or the press release indicate the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In cases where the credit rating is based on more than one methodology, or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating and indicates how the different methodologies and other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery, and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions, such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings as well as best-case scenario credit ratings, are explained.

The date at which the credit rating was released for distribution for the first time and when it was last updated including any rating outlooks, is indicated clearly and prominently in the rating report and/or the press release as a “Rating action”; first release is indicated as “initial rating”, other updates are indicated as an “update”, “upgrade or downgrade”, “not rated”, “confirmed”, “selective default” or “default”.

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within the rating report and/or the press release.

In accordance to Article 11 (2) EU-Regulation (EC) No 1060/2009 registered or certified credit rating agency shall make available in a central repository established by ESMA information on its historical performance data, including the ratings transition frequency, and information about credit ratings issued in the past and on their changes. Requested data are available at the ESMA website: https://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml.

An explanatory statement of the meaning of Creditreform`s default rates are available in the credit rating methodologies disclosed on the website.

Disclaimer

Any rating performed by Creditreform Rating AG is subject to the Creditreform Rating AG Code of Conduct which has been published on the web pages of Creditreform Rating AG. In this Code of Conduct, Creditreform Rating AG commits itself – systematically and with due diligence – to establish its independent and objective opinion as to the sustainability, risks and opportunities concerning the enterprise or the issue under review.

Future events are uncertain, and forecasts are necessarily based on assessments and assumptions. This rating is therefore no statement of fact, but an opinion. For this reason, Creditreform Rating AG cannot be held liable for the consequences of decisions made on the basis of any of their ratings. Neither should these ratings be construed as recommendations for investors, buyers or sellers. They should only be used by market participants (entrepreneurs, bankers, investors etc.) as one factor among others when arriving at corporate or investment decisions. Ratings are not meant to be used as substitutes for one’s own research, inquiries and assessments.

We have assumed that the documents and information made available to us by the client are complete and accurate and that the copies provided to us represent the full and unchanged contents of the original documents. Creditreform Rating AG assumes no responsibility for the true and fair representation of the original information.

Contacts

Creditreform Rating AG

Europadamm 2-6
D - 41460 Neuss

Fon	+49 (0) 2131 / 109-626
Fax	+49 (0) 2131 / 109-627
E-Mail	info@creditreform-rating.de
Internet	www.creditreform-rating.de

CEO:
Dr. Michael Munsch
Chairman of the board:
Michael Bruns

HRB 10522, Amtsgericht Neuss