



REPORT

**of the Cover Pool Monitor of the covered bond programme of
Československá obchodná banka, a. s. for the year 2023**

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Reason for submitting the report

This Report has been prepared and is submitted to the National Bank of Slovakia (“NBS”) on the basis of Act No. 483/2001 Coll. on banks and on the amendment of certain acts, as amended (“Banking Act”), which stipulates the obligation of the Cover Pool Monitor (the “Monitor”) to submit a Report on the covered bond programme (the “Report”) for the previous year by 30 April of the respective calendar year.

Content of the Report

The contents of the report include, in particular, information on the covered bond programme (hereinafter referred to as the “CB programme”) of Československá obchodná banka, a. s. (hereinafter referred to as “ČSOB”), namely:

- (a) number, volume, yields and maturities of covered bond issues (hereinafter referred to as “CBs”) issued, the allocation of primary and additional assets to each issue,
- (b) amount of assets in the cover pool and the CBs in euros or a foreign currency,
- (c) structure of the cover pool,
- (d) coverage ratio,
- (e) average amounts, maturities of the primary assets, the fixing period and the weighted interest rates, a breakdown of the weighted interest rates and the volume of lending by fixing period, a breakdown of the primary assets by maturity,
- (f) volume of defaulted mortgage loans and the volume of mortgage loans removed from the cover pool,
- (g) reasons for material changes in addition of assets or removal of assets from the cover pool,
- (h) structure of the real estate by which the cover pool primary assets are secured, broken down into houses, apartments, building land and buildings under construction,

- (i) proportional distribution of the real estate by which the primary assets are secured according to the territorial divisions of the Slovak Republic (hereinafter referred to as “SR”) and loan-to-value ratio,
- (j) calculation method and the amount of the Bank’s estimated liabilities or costs,
- (k) methodology and results of stress testing,
- (l) Monitor’s activity and the supervision of the NBS in relation to the CB programme for the last calendar year,
- (m) other facts related to the activities of the bank issuing the CBS.

Monitor’s statement

On 14 November 2023, ČSOB received a permit for the performance of activities related to a CB programme from the National Bank of Slovakia, and on 13 November 2023, as part of the permitting process, the NBS appointed the Cover Bond Programme Monitor pursuant to the provisions of Section 77(1) of Act No. 483/2001 Coll. on Banks and on the amendment of certain acts, as amended (the “Banking Act”) and the Cover bond Programme Deputy Monitor.

In all activities ČSOB acted in accordance with the Banking Act, NBS Measure No. 5 of November 2023 on the Covered Bond Register (hereinafter referred to as “NBS Measure No. 5”) and other related generally binding legal regulations. The Bank established the required organisational, technical, legislative and staffing conditions within its internal processes and procedures in order to meet the requirements imposed by the relevant provisions of the Banking Act on an issuer of CBs.

The opinion is based on findings I obtained during my supervision and control of the implementation of the CB programme in December and in connection with the issuance of the CSOB European Covered Bonds (Premium) SK 2026 I under the debt securities issuance programme with an aggregate nominal value of up to EUR 5 500 000 000 as per the Base Prospectus. The total amount of the first issue of covered bonds is EUR 600 000 000, ISIN SK4000024378, in a nominal value of EUR 100 000, the number of units is 6 000, the bonds are without interest income, the issue date was 14.12.2023, the maturity date is 14.12.2026. Prior to the issue of the Covered Bonds, I executed a written certificate confirming that the Covered Bonds are secured in accordance with this Act (Section 79(2)).

Pursuant to Section 122 ye “Transitional provisions to adjustments effective as of July 8, 2022”, as per the specified requirements the Bank re-registered two old issues of mortgage bonds (HZL XIII, SK 4120008178, maturity 20 years and HZL XIX, SK 4120008640, maturity 24 years) as covered bonds on 19 December 2023. At the same time, on the same date, it also made a deletion from the register of mortgages and an entry in the register of covered bonds.

In January, the Bank requested the covered bond programme administrator to reconcile the retired and classified underlying assets to the Covered Bond Register. The movements of the underlying assets, their total amount, the reasons for removal, as well as the amount of the underlying assets included will be documented in detail at the end of January and the Administrator’s assessment of the reasons for removal of the underlying assets from the register will form a part of the 2024 report. This is an objective time lag, as the Bank made the move in January, which corresponds to the provision of Section 70(5) “...The Bank shall delete the data from the covered bond register pursuant to the first sentence no later than 30 days after the date of approval by the covered bond programme administrator. Any deletion of data from the covered bond register pursuant to the first sentence without the consent of the covered bond programme administrator shall be null and void.”

I performed my activity as administrator autonomously, independently, and impartially, in close liaison with the Bank, which allowed me to inspect the requested records, documents, systems and premises related to the CB programme during December.

In my absence, as well as in the monthly supervision and control, especially in the preparation of the report, I cooperated intensively with the deputy covered bond programme administrator until 31.12.2023 Ing. Vladimír Milo and in the preparation of the Report I have been cooperating with the deputy covered bond programme administrator Iveta Brúderová since 4.1.2024.

Done in Bratislava on 21 April 2024. Ing. Viktória Múčková, CSc.

The report in this section contains information on the covered bond programme of Československá obchodná banka, a. s. in the structure pursuant to Section 79(6) of the Banking Act.

a) number, volume, yields and maturities of CBs issued, the allocation of primary and substitution assets to each issue

ISIN	Issue date	Nominal value (€)	Number of bonds	Volume (€)	Issue yield	Maturity date	Remark
SK4000024378	14.12.2023	600 000 000	6 000	600 000 000	0	14.12.2026	
SK4120008178	07.11.2011	25 000 000	2 500	25 000 000	5.5	07.11.2031	Reregistered mortgage bond
SK4120008640	09.07.2012	25 000 000	2 500	25 000 000	4.7	09.07.2036	Reregistered mortgage bond

b) volume of assets in the cover pool and the CBs in euros or a foreign currency

Issue	Value of primary assets (€)	Value of substitution assets (€)
SK4000024378	72 153 728	0.00
SK4120008178	30 120 268	0.00
SK4120008640	30 302 158	0.00

c) cover pool structure

Period	Cover pool	Primary assets	Substitution assets	Hedging derivatives	Liquid assets
31.12.2023	780 576 153	780 576 153	0	0	0

d) coverage ratio

In calculating the coverage ratio, the Bank has followed Section 69(1), (2), (5) and calculated its amount as of the last day of the relevant month.

The coverage ratio at 31.12.2023 is 119.91%, which is well above the required level of 105% applicable to the primary assets (housing loans).

The Bank did not specify a higher coverage ratio in its terms and conditions of issue for the first issue of covered bonds pursuant to Section 69(4).

Parameter	Value of primary assets (€)
Cover pool	780 576 153.35
Balance of issued bonds	650 771 653.00
Estimated operating liabilities	207 369.00

- e) **average amount, maturity of the primary assets, the fixing period and the weighted interest rate, a breakdown of the weighted interest rates and the volume of lending by fixing period, a breakdown of the primary assets by maturity**

Maturity interval of primary assets	Total value of primary assets (€)
from 0 to 1 years inclusive	651 424
from 1 to 2 years inclusive	1 375 852
from 2 to 5 years inclusive	10 950 016
from 5 to 10 years inclusive	52 360 857
from 10 to 15 years inclusive	114 553 069
from 15 to 20 years inclusive	198 619 059
from 20 to 25 years inclusive	214 912 785
from 25 to 30 years inclusive	187 153 092
Weighted average maturity (years)	20.59
Average loan amount	56 680
Weighted average interest rate on underlying assets	1.60%

Interest rate type	Mortgage loans – housing	Mortgage loans – commercial	Mortgage loans – housing	Mortgage loans – commercial
Variable	0.00	0.00	0.00	0.00
Fix up to 1 year	508 868.85	0.00	4.37	0.00
Fix up to 3 years	170 239 751.99	0.00	1.64	0.00
Fix up to 5 years	277 348 600.63	0.00	1.79	0.00
Fix up to 10 years	305 457 280.15	0.00	1.36	0.00
Fixed more than 10 years	27 021 651.73	0.00	1.67	0.00

- f) **volume of defaulted mortgage loans and the volume of mortgage loans removed from the cover pool**

In January, the Bank requested the covered bond programme Monitor to reconcile the retired and classified underlying assets to the Covered Bond Register. The movements of the underlying assets, their total amount, the reasons for removal, as well as the amount of the underlying assets included will be documented in detail at the end of January and February 2024. The Monitor's assessment of the reasons for removal of the underlying assets from the register will form a part of the 2024 report.

g) reasons for material changes in addition of assets or removal of assets from the cover pool

The substantial movement in the addition of primary assets and the removal of primary assets from the cover pool as at 31.12.2023 was mainly influenced by the re-registration of two issues of mortgage bonds into covered bonds under the statutory conditions. The details of the reasons for the inclusion of assets in the cover pool, as well as the removal of assets from the cover pool and their detailed analysis, will be the subject of an assessment only in the next period.

h) structure of the real estate securing the primary assets in the cover file, broken down into houses, apartments, building land and others

Property type	Property value (€)
Apartment building	5 271 590
Apartment	741 008 939
Land plots	5 553 903
House	987 970 476
Other	26 947 961

i) proportional distribution of the real estate by which the primary assets are secured according to the territorial divisions of the Slovak Republic (hereinafter referred to as “SR”) and the loan-to-value ratio

Location of mortgaged property	Primary assets value – mortgages (apartment – house – Ap)	Weighted LTV	Average amount of mortgage loan	Average weighted interest rate (%) (only apartment – house – Ap)
Bratislava – city	163 784 648	51.31	81 607	1.48
Banská Bystrica region	58 879 869	52.46	45 050	1.64
Bratislava region	89 800 435	51.94	77 548	1.52
Košice region	87 084 928	53.50	57 710	1.57
Nitra region	65 551 565	52.72	46 490	1.71
Prešov region	57 142 498	52.73	47 540	1.65
Trenčín region	72 881 174	52.45	46 362	1.62
Trnava region	87 913 181	52.41	54 267	1.61
Žilina region	77 483 932	52.45	53 548	1.64

(j) calculation method and amount of the Bank’s estimated liabilities or costs,

The method of calculation and the amount of the estimated liabilities or expenses of ČSOB was carried out pursuant to Section 68(3)(b). In 2023, the Bank’s estimated liabilities under the covered bond programme and the first covered bond issuance were primarily related to the cost of the covered bond administrator and the deputy covered bond programme administrator, costs with

fees for registration in the Central Securities Depository, financial market fees, legal fees and rating agency fees. The total estimated liabilities as at 31.12.2023 were EUR 207 369.

k) methodology and results of stress testing

Pursuant to Section 76(1), a bank that is an issuer of covered bonds shall conduct stress testing under the covered bond programme to identify any change in the performance of the coverage ratio resulting from potential changes in market conditions that could adversely affect the coverage ratio. The Bank, as an issuer of covered bonds, is obliged to perform stress testing at least once a year, based on data as of 31 December of the previous year, where the stress testing should cover the period of the entire calendar year in which the stress testing is performed. From the relevant provisions of Section 76 in question for ČSOB, a. s., it applies that stress testing is to be carried out for December 2023, i.e. only for the last month of the year in which it issued the first issue of covered bonds.

Stress testing, pursuant to Section 76(3), must include testing for credit, interest rate, foreign exchange, liquidity, counterparty, operational and house price downside risks.

Interest rate and prepayment risk – the Bank does not use derivatives in the cover pool. The highest component of interest rate risk is prepayment risk; these primary assets are removed from the cover pool.

Downside price risk – a fall in market house prices adversely affects the LTV, the loan-to-value ratio; its deterioration reduces the value of mortgage loans that can be included in the cover pool.

Credit risk – the risk of loss in the event of loan default; such loans are removed from the cover pool.

Liquidity and counterparty risk – the market value of the substitution assets or liquid assets in the cover pool is generally adversely affected by changes in credit spreads. Liquid assets have to be removed from liquid assets in case of negative cash flow, so in this context there is a potential liquidity risk,

In the case of ČSOB, based on the structure of the cover pool (only the primary assets are included in the cover pool), the following values enter into stress testing:

1. nominal value of the primary assets,
2. nominal value and interest yield on the covered bonds, including the Bank's liabilities and expenses, associated with the tested cover pool

Results of stress testing of underlying assets

ČSOB Banka, in accordance with the legal obligation under Section 76 of the Banking Act, conducted stress testing on data as at 31.12.2023 to identify a possible change in the coverage ratio.

ČSOB Bank performed one-year stress testing, i.e. quantified the value of the coverage ratio within 2024 based on an adverse scenario developed by a macroeconomist, which was also used for ICAAP purposes.

The Bank quantified the coverage ratio on an adverse scenario based on internal requirements for the underlying assets of the cover pool. The Bank did not consider the diversification effect between different types of risks in the stress testing, i.e. the total impact of the stress scenario on the coverage ratio is the sum of the impacts of the individual types of risks.

After applying the stress scenarios to the cover pool at 31.12.2023, the resulting coverage ratio would fall to 92.26% without adding additional liquid assets. However, the Bank has additional eligible mortgage loans and other liquid assets (meeting all the criteria for underlying assets in the cover pool). After adding these mortgage loans and liquid assets suitable for cover (up to a maximum of EUR 2.3 billion), when the value of the cover pool would reach a maximum of EUR 2.9 billion (after applying the stress scenarios), the coverage ratio would rise to 447.33% (taking into account one CB issue of EUR 600 million, and the re-registration of a mortgage bond of EUR 50 million).

According to the submitted stress testing analyses of the cover pool as of 31.12.2023, the Bank sufficiently and safely, beyond its legal obligations, ensures the fulfilment of its obligations under the CB programme.

l) activity of the Monitor and the NBS supervision in relation to the CB programme for the last calendar year

The covered bond programme Monitor at Československá obchodná banka, a. s., Ing. Viktória Múčková, CSc., was appointed by the National Bank of Slovakia pursuant to the provisions of Section 77(1) of Act No. 483/2001 Coll. on Banks and on the amendment of certain acts, as amended (hereinafter the “Banking Act”) by Decision No.: 100-000-602-946 to file No. NBS1-000-86-974 dated 13 November 2023.

The agreement on the performance of the activity of a covered bond programme Monitor between Československá obchodná banka, a. s. and Ing. Viktória Múčková, CSc. was entered into on 14.11.2023.

Intensive cooperation between CSOB started in the preparation of the new register of covered bonds, though particularly in connection with the issuance of European covered bonds (premium) CSOB SK 2026 I. in the framework of the programme of issuance of debt securities with a total nominal value of up to EUR 5 500 000 000 according to the base prospectus. (Total issue amount EUR 600 000 000, ISIN SK4000024378, nominal value EUR 100 000, number of units 6 000, bonds without interest yield, issue date was 14.12.2023, maturity date is 14.12.2026).

By my signature, I certified that I have verified in the Covered Bond Register established as at 11.12.2023 for the purpose of covering the issue of EUR 600 million all legal requirements and requirements for the coverage of assets included in the Covered Bond Register, in particular in accordance with Section 70 Underlying assets, paragraphs (1) to (4), as well as Section 71 Requirements for real estate securing underlying assets, paragraphs (1) to (8) of the Banking Act, as well as other statutory conditions for coverage and for calculation of the coverage ratio,

All costs associated with the issuance of the covered bonds, the supervision and control of the issuance, and other liabilities associated with the issuance are reasonable and appropriate.

During the month of December 2023, control activities were carried out in accordance with Sections 78 and 79, and focused mainly on the control of the underlying assets in the cover pool prior to the issuance of the covered bonds, i.e., up to 14 December 2023, but also after the issuance of the covered bonds, i.e., up to the end of the month, i.e., 31 December 2023. On 19 December, two old issues of mortgage bonds were re-registered as covered bonds, as required by the Banking Act. All the requirements and conditions set out in the Banking Act, as well as those set out in the relevant NBS measures and related generally applicable laws and regulations, were monitored.

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

On 14 December 2023, ČSOB issued the first issue of Covered Bonds in a total amount of EUR 600 million, shortly after receiving authorisation to conduct activities related to a covered bond programme and after the appointment of the covered bond programme Monitor and the Deputy Monitor of the covered bond programme administrator by the National Bank of Slovakia.

Prior to the issuance of the Covered Bonds, the covered bond programme Monitor prepared a certificate for the purpose of checking the cover pool. The cover pool included primary assets as defined in the Banking Act. The Bank did not use substitution assets, liquid assets, or hedging derivatives to cover the issue. The primary assets complied with the terms of the Banking Act.

After the issuance of the first issue, the Bank proceeded to re-register old issues of mortgage bonds in a total value of EUR 50 million. The re-registration of the mortgage bonds affected the movement of the primary assets in the cover pool, as several mortgage loans had to be removed from the covered bond register and replaced by new primary assets. The Bank prepared a list of loans and the reasons and causes for the removal, as well as a list of newly listed underlying assets. After a mutual discussion with ČSOB, the covered bond programme Monitor agreed to the deletion of the mortgage loans in January 2024 (the aforementioned objective time delay).