CZECH BANKING ASSOCIATION

On the basis of standard documentation published by the European Banking Federation

MASTER AGREEMENT FOR FINANCIAL TRANSACTIONS

MARGIN MAINTENANCE ANNEX

Edition 2009

This Annex supplements the General Provisions which form part of any Master Agreement for Financial Transactions based on the form published by the CBA.

1. Net Exposure

(1) *General Principles.* If, at any time when Net Exposure is calculated pursuant to subsection 2, one party (the "Margin Provider") has an Adjusted Net Exposure to the other (the "Margin Recipient") resulting from any Transactions and/or from transfers of Margin pursuant to this Annex, the Margin Recipient may by notice to the Margin Provider require the same to transfer to it cash ("Cash Margin") or Securities ("Margin Securities") acceptable to the Margin Recipient and whose aggregate Market Value, when multiplied by the valuation percentage, if any, agreed between the parties ("Valuation Percentage"), shall be at least equal to the Adjusted Net Exposure.

"Adjusted Net Exposure" means the sum of the Net Exposure and any supplementary amount ("Independent Amount") agreed in favour of the Margin Recipient less any Independent Amount agreed in favour of the Margin Provider. Such notice may be given orally or as provided in Section 8(1) of the General Provisions. The Net Exposure will be determined, and accordingly Margin will be required to be transferred, in respect of

(a) all such Transactions,

(b) specified groups of Transactions,

(c) each individual Transaction or

(d) otherwise, as agreed by the parties (in the Special Provisions or otherwise), provided that failing such agreement, (b) shall apply in such a manner that all Repurchase Transactions, all Securities Loans and all Derivative Transactions shall each form a separate group of Transactions to which this Annex applies.

The **"Market Value"** of cash shall be the nominal amount thereof, converted, if not denominated in the Base Currency, in accordance with subsection 2. Any reference in this Annex to Transactions shall be construed as a reference to Repurchase Transactions and/or Securities Loans and/or Derivative Transactions.

(2) *Calculation.* The person designated by the parties for this purpose or, failing such designation, each party (each the "Valuation Agent") shall calculate the Net Exposure on each Valuation Date by 11 a.m. Prague time.

The Net Exposure shall be expressed as a positive number if the Valuation Agent would, pursuant to its calculation, be the Margin Recipient, and shall otherwise be expressed as a negative number. All calculations shall be made in the Base Currency; any amount not denominated in the Base Currency shall be converted into the Base Currency at the Applicable Exchange Rate.

(3) *Definitions.*

"Net Exposure" means (I) in relation to Repurchase Transactions and Securities Loans the excess (if any), calculated pursuant to subsection 2, of the Liabilities of the Margin Provider over the Liabilities of the Margin Recipient, and (II) in relation to Derivative Transactions the Potential Final Settlement Amount, provided that

(a) if the calculation is to be made pursuant to both (I) and (II), the Net Exposure shall be the aggregate of the amounts so calculated,

(b) the amount of any prior Adjusted Net Exposure in respect of which a transfer of Margin has already been required, but not completed, shall be subtracted from any Net Exposure subsequently calculated and

(c) if both parties act as Valuation Agent and their calculations of Net Exposure differ from each other, (i) the Net Exposure shall be one-half of the difference of the amounts so calculated by both parties (such difference being, for the avoidance of doubt, the sum of the absolute values of such amounts if one is positive and the other negative) and (ii) the Margin Provider shall be the party which has calculated a negative or the lower positive amount;

"Liabilities" means, with respect to a party, the aggregate of

(a) the Market Values of any Securities transferred to that party under a Transaction or pursuant to this Annex and not yet returned to the other party,

multiplied (i) in the case of Loaned Securities, by the applicable Margin Ratio and (ii) in the case of Margin Securities, by any applicable Valuation Percentage;

(b) a cash amount equal to the sum of (i) the amount, multiplied by the applicable Margin Ratio, of that party's obligation(s) to pay the Repurchase Price in respect of any Repurchase Transaction if the relevant Valuation Date were the Repurchase Date, and (ii) the Market Value, multiplied by any applicable Valuation Percentage, of any Cash Margin transferred to and not repaid by that party (including unpaid accrued interest on such Cash Margin); and

(c) the cash amount or cash equivalent in respect of any Distribution to be paid or transferred by such party to the other party, but not yet paid or transferred;

"Margin" means either Cash Margin or Margin Securities;

"Margin Ratio" (also called **"Haircut"**) means, with respect to each Repurchase Transaction or Securities Loan, the percentage agreed by the parties by which the Liabilities of the Seller or the Borrower in relation to the Repurchase Price and/or the Loaned Securities, respectively, are multiplied, as provided under "Liabilities" above, in order to determine the Net Exposure; failing an agreement to that effect, the Margin Ratio shall be equal to

(a) with respect to a Repurchase Transaction, the Market Value of the Purchased Securities on the date on which the Transaction was entered into, divided by the Purchase Price, and

(b) with respect to a Securities Loan (i) the Market Value, on the date on which the Transaction was entered into, of any Margin to be provided at the commencement of such Securities Loan, multiplied by the applicable Valuation Percentage and divided by the Market Value of the Loaned Securities as of such date, and (ii) if no Margin is provided at the commencement of such Securities Loan, 100 per cent, unless the parties have expressly excluded the provision of Margin for the entire term of the Transaction, in which case the Margin Ratio shall be zero until the Return Date;

"Potential Final Settlement Amount" means the amount which, at the time on each Valuation Date when Net Exposure is calculated in respect of Derivative Transactions pursuant to subsection 2, the Valuation Agent, acting as if it were the Calculation Party (as defined in Section 7(l)(a) of the General Provisions), determines to be equal to the Final Settlement Amount calculated in respect of Derivative Transactions (but excluding Repurchase Transactions and Securities Loans), if the same had to be calculated as of such time and date, such determination to be made in accordance with Section 7(l)(a) of the General Provisions, except that

(a) if the determination can be made on the basis of bid and offered quotations, the arithmetic mean of such quotations shall be used for such determination, and

(b) the amount of Margin Claims shall be adjusted so as to take into account the applicable Valuation Percentages;

"Valuation Date" means, in respect of calculation of the Net Exposure, each of the dates agreed as such between the parties, and failing such agreement each Business Day.

2. Notification of Adjusted Net Exposure and Transfer of Margin

(1) *Notification.* Promptly after determining the Net Exposure, the Valuation Agent shall notify each relevant party of the Adjusted Net Exposure and upon request of a party provide such party with a statement setting forth in reasonable detail the calculation basis of the Adjusted Net Exposure. The notice may be given orally or as provided in Section 8(1) of the General Provisions.

(2) *Transfer.* The Margin Provider shall, upon receipt of the notice referred to in the first sentence of Section 1(1), transfer to the Margin Recipient Margin with an aggregate Market Value at least equal to the Adjusted Net Exposure no later than the date agreed for such transfer, and failing such agreement on the Business Day immediately following receipt of such notice, if such notice is received on a Business Day prior to 11.00 a. m., and otherwise on the second Business Day following such receipt.

(3) *Composition of Margin.* The Margin Provider is entitled to determine the composition of the Margin to be transferred, unless the Margin Recipient has previously paid Cash Margin which has not been repaid or transferred Margin Securities which have not been returned to it, in which case the Margin Provider shall first repay such Cash Margin or return such Margin Securities.

(4) *Cash Margin.* Cash Margin shall be acceptable for the purpose of Section l (1) if transferred in the Base Currency or such other currency as the parties may have specified as eligible (in the Special Provisions or otherwise). A payment of Cash Margin shall give rise to a debt owing from the Margin Recipient to the Margin Provider and shall bear interest at such rate and payable at such times, as agreed by the parties. In the absence of such agreement, that rate shall be equal to the Interbank Rate less 0.10 per cent per annum, and the interest shall be payable at the end of each calendar month and on each date when the Margin Recipient is required to provide or return Margin.

(5) *Margin Securities.* Margin Securities shall be acceptable for the purpose of Section 1(1) if Securities of the relevant kind

(a) have been specified by the parties as eligible (in the Special Provisions or otherwise) or

(b) have an original maturity of not more than five years and are issued by the central government of the country in which the Margin Recipient has its principal office or in which it is organised, incorporated or resident. A transfer of Margin Securities shall give rise to an obligation of the Margin Recipient to the Margin Provider to return such Securities as provided in this Annex.

(6) *Margin Thresholds.* Except in the case of a return of Margin pursuant to subsection 7, a transfer of Margin will take place only

(a) to the extent that the Adjusted Net Exposure exceeds the threshold amount, if any, agreed by the parties ("Exposure Threshold") in relation to the Margin Recipient's Net Exposure and

(b) if the Market Value of the Margin to be transferred exceeds the minimum amount, if any, agreed for such transfer (the "Minimum Transfer Amount"). In the absence of an agreement on either or both such amounts, such amount, or both, respectively, shall be zero.

(7) *Return of Margin.* Upon satisfaction by a party of all its obligations under Transactions in respect of which Margin is required to be transferred as provided in the fourth sentence of Section 1(1), any Margin previously transferred and not returned shall be returned to the party which transferred it.

3. Provisions Applicable to Margin Securities

The provisions of Section 3 of the Repurchase Annex (regarding substitution of Purchased Securities) and Sections 2(3), 2(5)(b)(ii) and (d), 2(6) and 3 of the Securities Lending Annex (regarding interpretation, failure to return Loaned Securities, special events, Distributions and subscription rights) shall apply *mutatis mutandis* to Margin Securities transferred pursuant to this Annex, provided that

(a) the consent of the Margin Recipient shall not be required for a substitution by the Margin Provider of new Margin Securities acceptable pursuant to Section 2(5) of this Annex for Margin Securities previously transferred and

(b) if any of the special events referred to in Section 2(6) of the Securities Lending Annex occurs in relation to Margin Securities, the relevant Transaction shall not be modified or terminated, but Margin acceptable pursuant to Section 2 (4) or (5) of this Annex shall be substituted for such Securities upon request of either party.