CZECH BANKING ASSOCIATION

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

MASTER AGREEMENT FOR FINANCIAL TRANSACTIONS

PRODUCT ANNEX FOR REPURCHASE TRANSACTIONS

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. Purpose, Applicability

(1) *Purpose.* The purpose of this Annex ("Repurchase Annex") is to govern Transactions ("Repurchase Transactions") in which one party (the "Seller") sells to the other (the "Buyer") Securities against payment of an agreed price (the "Purchase Price") and in which the Buyer sells to the Seller Securities of the same kind and quantity as such Securities against payment of another agreed price for delivery and payment at a specified later date or on demand. Any reference in this Annex to a Transaction shall be construed as a reference to a Repurchase Transaction.

(2) *Applicability.* If this Annex forms part of a Master Agreement between any two parties, such Master Agreement (including this Annex) shall apply to any Repurchase Transaction between such parties which is to be conducted by each party through a Booking Office specified in such Master Agreement in respect of Repurchase Transactions.

2. Deliveries and Payments

(1) *Purchase.* On the settlement date agreed for the purchase of Securities by the Buyer under a Transaction (the "Purchase Date"), the Seller shall transfer to the Buyer the Securities sold in that Transaction (the "Purchased Securities") against simultaneous payment of the Purchase Price.

(2) *Repurchase.* On the settlement date agreed for the repurchase of the Purchased Securities (the "Repurchase Date"), the Buyer shall transfer to the Seller Securities of the same kind and quantity as the Purchased Securities against simultaneous payment of the Repurchase Price.

(3) *Definitions, Interpretation.*

"Repurchase Price" means the sum of the Purchase Price and the Price Differential.

"Price Differential" means for any Transaction the aggregate amount obtained by applying the pricing rate agreed for such Transaction and expressed as a percentage per annum (the "Pricing Rate") to the Purchase Price for the actual number of days during the period from (and including) the Purchase Date to (but excluding) the Repurchase Date, on a 360-day basis or on any other basis agreed between the parties.

A payment shall be **"simultaneous"** if it occurs as part of a delivery-*versus*-payment system or, should the use of such system in the given circumstances not be customary, if it occurs on the same day as the transfer of the relevant Securities. Any reference in this Annex to the Purchased Securities or other Securities in the context of the return or retransfer thereof, or to any rights or other assets to be transferred pursuant to Section 4(4), shall be construed so as to mean a reference to Securities, rights or assets of the same kind and quantity as (also referred to below as the "Equivalent" of) such Purchased Securities or other Securities, rights or assets, respectively.

(4) *On Demand Transactions.* The parties may agree that Transactions are terminable on demand, in which case the Repurchase Date shall be the date specified in the demand notice sent by either party to the other, provided that the period between the taking effect of such notice and the Repurchase Date so specified shall be not less than the minimum period customarily required for the payment of money and the delivery of Securities of the relevant kind. In the absence of a demand notice, the Repurchase Date for a Transaction terminable on demand shall be the day which falls 364 days after the Purchase Date.

(5) *Late Payment.* If the Purchase Price or the Repurchase Price is not paid when due, the interest payable pursuant to Section 3(5) of the General Provisions shall be calculated at the higher of the Default Rate and the Pricing Rate, without prejudice to the application of Section 6(l)(a)(i) of the General Provisions.

(6) *Late Delivery*

(a) *Failure by Seller.* If the Seller fails to transfer the Purchased Securities to the Buyer on the applicable Purchase Date, the Buyer may, at any time while such failure continues:

(i) if it has paid the Purchase Price to the Seller, require the Seller immediately to repay the sum so paid;

(ii) require the Seller to pay to the Buyer an amount equal to the excess, if any, of the Buyer's Borrowing Cost over the pro rata portion of the Price Differential attributable to the period of the delay, each calculated for the period from (and including) the Purchase Date to (but excluding) the earlier of the date on which the Purchased Securities are transferred to the Buyer and the Repurchase Date (which in the case of a Transaction terminable on demand shall be deemed to be the earliest date on which the Purchased Securities would be required to be returned following a demand by the Seller);

"Borrowing Cost" of a party means the cost (including fees and expenses), as determined by such party, which such party has or would have reasonably incurred in borrowing the Equivalent of the Purchased Securities in the market for the relevant period; and

(iii) if the parties have not agreed on measures to promptly remedy the failure, give notice that the Repurchase Date shall be advanced so as to occur immediately, whereupon the mutual obligations originally agreed by the parties under the relevant Transaction shall be netted, so that no payments or deliveries are due except that the Seller shall pay to the Buyer (in addition to complying with its obligations pursuant to (i) and (ii), if applicable) an amount equal to the Price Differential for the period from (and including) the Purchase Date to (but excluding) the Repurchase Date so advanced.

(b) *Failure by Buyer.* If the Buyer fails to return the Purchased Securities to the Seller on the applicable Repurchase Date, the Seller may, at any time while such failure continues:

(i) if it has paid the Repurchase Price to the Buyer, require the Buyer immediately to repay the sum so paid;

(ii) require the Buyer to pay to the Seller an amount equal to the excess, if any, of the Seller's Borrowing Cost over the amount receivable if the Repurchase Price were placed on deposit at the Interbank Rate, each calculated for the period from (and including) the Repurchase Date to (but excluding) the date of actual return of the Purchased Securities or, if earlier, the date specified in the notice, if any, given pursuant to (iii); and

(iii) if the parties have not agreed on measures to promptly remedy the failure, give notice requiring cash settlement in lieu of delivery on a date to be specified in such notice, whereupon the obligations of the parties originally agreed in respect of the Repurchase Date shall cease, and the Buyer shall

(A) pay to the Seller (in addition to complying with its obligations pursuant to (i) and (ii), if applicable) an amount equal to the excess, if any, of the Alternative Purchase Cost for such Securities over the Repurchase Price or, as the case may be,

(B) be entitled to receive from the Seller the excess, if any, of the Repurchase Price over such Alternative Purchase Cost;

"Alternative Purchase Cost" means the cost (including fees and expenses), as determined by the Seller, which the Seller has or would have reasonably incurred in purchasing the Equivalent of the Purchased Securities in the market on the date so specified pursuant to (iii) for cash settlement .

(c) *Remedies.* Beyond the remedies provided in this subsection 6, neither party shall, in the event of any failure by the other party to transfer or return Purchased Securities, be entitled to recover any additional damage as a consequence of such failure, and such failure shall not constitute an Event of Default under Section 6(l)(a)(iii) of the General Provisions. This paragraph (c) is without prejudice to any remedy available in the event of any failure by a party to perform any other obligation (including any obligation to make a payment under this subsection (6) when due.

(7) *Special Events.* If, during the term of a Transaction and in respect of some or all of the Purchased Securities:

(i) a payment of any interest or dividend or any other distribution of money or other property by the issuer of the Purchased Securities (collectively a "Distribution", which term shall include a repayment of principal and a payment in the case of a capital reduction) would, as a result of any change in law or in the application or official interpretation thereof occurring after the date on which such Transaction is entered into, be subject to any deduction or withholding in respect of a tax or other duty or would give rise to a tax credit;

(ii) a notice of early redemption has been validly given;

(iii) a public redemption, exchange, conversion or compensation offer or a public purchase bid is made or announced;

(iv) subscription or other rights or assets which are not freely transferable are granted or distributed to the holders; or

(v) if specified in the Special Provisions, a tax credit or tax entitlement is attached to any interest or dividend paid to the holders (whether or not subparagraph (i) would otherwise apply)

then, subject to any other agreement between the parties, the Repurchase Date for such Securities shall, automatically in the case of (v) and otherwise upon demand by either party, be advanced to the third Business Day before, in the case of (i), (ii) and (v), the expected payment or redemption date or before, in the case of (iii) and (iv), the last day on which such bid or offer may be accepted or the day on which such rights or assets are granted or distributed.

3. Substitution

(1) *General Principle.* The Seller may, at its cost and with the consent of the Buyer, substitute for any Purchased Securities other Securities ("New Securities") which at the time at which the parties agree to such substitution have a Market Value at least equal to the Market Value of the Purchased Securities for which they are substituted.

(2) *No Novation.* The substitution shall have no novation effect on the relevant Transaction, and the Transaction shall continue in effect, except that the New Securities will be deemed to be Purchased Securities instead of the Securities that are replaced.

(3) *Simultaneous Retransfer.* The substitution will be carried out by simultaneous transfer of the New Securities in exchange for the Purchased Securities to be replaced.

4. Distributions, Subscription Rights

(1) *Cash Distributions.* If during the term of a Transaction any Distribution of money is made by the issuer to the holders of the Purchased Securities, the Buyer shall pay to the Seller, on the date of such Distribution, an amount in the same currency as, and equal to, the amount received by the holders in respect of such Distribution.

(2) *Withholding Taxes. Tax Credits.* If a Distribution is subject to withholding tax and/or gives rise to a tax credit, the amount payable by the Buyer under subsection 1 shall be equal to the full amount to which the Seller would be entitled, as previously notified by it, in respect of such Distribution if it were the owner of the Purchased Securities, including the amount of

(a) any applicable withholding tax to the extent that the Seller would be entitled to apply for an exemption from, or a refund of, such tax and

(b) any tax credit available to the Seller subject to the fulfillment of the Seller's obligations stipulated in Article 10(4)(b).

For tax purposes, the parties hereby confirm that the Distribution of money belongs to the Seller as an economic owner of the Securities. The Buyer shall be obliged to announce to the issuer of the Securities that the Seller is an economic owner of the Securities and the only recipient of the Distributed money. Thereby, the issuer shall be acquainted with the relevant type of tax to be imposed.

(3) *Subscription Rights.* If subscription rights which are freely transferable are granted with respect to the Purchased Securities, the Buyer shall transfer to the Seller, not later than on the third day on which such rights are traded, the Equivalent of the subscription rights attributable to such Purchased Securities. If the rights are not so transferred by such date, the Seller may purchase their Equivalent in the market for the account of the Buyer. Should the Seller be unable so to purchase the rights, it may require the Buyer to pay to it an amount equal to the Market Value of such rights prevailing on the next following trading day for such rights.

(4) *Non-cash Distributions.* Any freely transferable bonus shares, non-cash Distributions and ancillary rights (other than subscription rights) which are issued, made or allotted with respect to the Purchased Securities during the term of a Transaction shall be transferred to the Seller on the Repurchase Date.

(5) *Transfer Obligations.* For the avoidance of doubt, the provisions of subsections 1 through 4 shall apply whether or not the Buyer retains the ownership of the Purchased Securities during the term of the Transaction.

5. Specific Terms for Buy/Sell Back Transactions

(1) *Applicability. Definitions* Transactions shall be subject to this Section 5 if they are identified as Buy/Sell Back Transactions.

"Buy/Sell Back Transactions" are Repurchase Transactions for which the Purchase Price and the Repurchase Price are each composed of

(a) a price quoted exclusive of Accrued Interest (being the "Clean Price", payable on the Purchase Date, and the "Forward Price", also called "Sell Back Price", payable on the Repurchase Date) and

(b) Accrued Interest, calculated as of the Purchase Date when payable together with the Clean Price and calculated as of the Repurchase Date when payable together with the Forward Price.

"Accrued Interest" means the accrued portion, as of the relevant date of calculation, of the interest (if any) payable by the issuer of the Purchased Securities in respect of such Securities.

(2) *Interpretation.* In the event of any conflict, this Section 5 shall, with respect to Buy/Sell Back Transactions, prevail over any other terms of this Annex. For Buy/Sell Back Transactions,

(a) any reference in the Agreement to the Purchase Price shall be construed as referring to the Clean Price plus Accrued Interest paid or payable on the Purchase Date and

(b) any reference in the Agreement to the Repurchase Price shall, notwithstanding the definition of that term in Section 2(3), be construed as referring to the agreed Forward Price plus Accrued Interest paid or payable on the Repurchase Date or, as the case may be, to the adjusted Forward Price calculated pursuant to subsection 5 (to which no Accrued Interest shall be added).

(3) *Confirmation.* the Confirmation of a Buy/Sell Back Transaction shall specify, the Forward Price and the Pricing Rate.

(4) *Distributions.* Section 4(1) shall apply to Buy/Sell Back Transactions only if specifically so agreed.

(5) *Adjusted Forward Price.* In relation to a date other than the originally agreed Repurchase Date, for example in relation to a Repurchase Date advanced in accordance with Section 2(6)(a)(iii) or Section 2(7), the Forward Price shall be equal to:

(a) the Repurchase Price as defined in Section 2(3), less (except if the parties have agreed that Section 4 (1) shall apply)

(b) the sum of (i) the amount of any Distribution in respect of the Purchased Securities made by the issuer on a date falling between the Purchase Date and the Repurchase Date, and (ii) the aggregate amount obtained by daily application of the Pricing Rate for the relevant Transaction to such amount from (and including) the date of the Distribution to (but excluding) such advanced or postponed Repurchase Date.

6. Margin Maintenance, Repricing

(1) *Margin Provisions.* Any obligations of the parties to transfer cash or Securities as Margin under certain circumstances shall be performed in accordance with the provisions of the applicable Margin Maintenance Annex published by the CBA, or with any other rules to be separately agreed.

(2) *Repricing.* If the parties agree on the repricing of one or more Transactions (the "Original Transactions") instead of a transfer of Margin, then

(a) the Repurchase Date of each Original Transaction shall be deemed advanced to the date as of which the repricing is to occur (the "Repricing Date"),

(b) a new Transaction (the "New Transaction") shall be deemed entered into under which

(i) Purchased Securities shall be the Equivalent of those purchased under the Original Transaction,

(ii) the Purchase Date shall be the Repricing Date,

(iii) the Purchase Price shall be equal to the Market Value of such Securities on the Repricing Date divided by the Margin Ratio, if any, applicable to the Original Transaction, as agreed pursuant to the applicable Margin Maintenance Annex, and

(iv) the Repurchase Date, the Pricing Rate, the Margin Ratio and, subject to the above, the other terms shall be identical to the ones of the Original Transaction, and

(c) the obligations to pay the Purchase Price and to transfer the Purchased Securities under the New Transaction shall be discharged by setting them off against the obligations to pay the Repurchase Price and to retransfer the Equivalent of the Purchased Securities under the Original Transaction, so that only a net cash amount shall be payable by one party to the other on the Repricing Date or, if that is not practicable, on the next Business Day.

Suggested Form of Confirmation

To:
From:
Date:

We refer to our telephone conversation and hereby confirm our agreement to enter into a Repurchase Transaction [in the form of a Buy/Sell Back Transaction] [which shall be subject to the CBA Master Agreement for Financial Transactions between us, dated …..]. The terms of the Transaction are as follows:

Reference Number:
Transaction Date:

Seller [Company name, ID, registered office]:
Buyer [Company name, ID, registered office]:

Purchase Date:	Purchase time:
Repurchase Date:	[(date)] [on demand]
Purchase place (identification data):	
Purchased Securities (designation, type):	
Securities Code:	
Amount/Number of Purchased Securities:	
Purchase Price:	
[Clean Price:][1]	
Total price:	
[Accrued Interest payable on Purchase Date:][2]	
Pricing Rate:	…%p.a.
[Forward Price (Sell Back Price):][3]	
[Accrued Interest payable on Repurchase Date:]	
[Distribution amount payable to Seller:][4]	[Gross without deduction] [plus % tax credit] [net after deduction of... % withholding tax]
Total amount of provision and charged costs:	[will be listed per item on request of the customer]
[Eligible Margin:][5]	[Cash Margin: (specify currency)] [Margin Securities: (specify type)] [other: (specify details)]
[Margin Ratio (Haircut)[6]	
Buyer's account:	
Seller's account:	
Delivery system:	
Delivery period:	
[Agency:]	[The Transaction is an Agency Transaction. [Name of Agent] is acting as agent for [name or identifier of Principal]]
[Additional provisions:]	

[1] Relevant only for Buy/Sell Back Transactions.
[2] Relevant only for Buy/Sell Back Transactions.
[3] Relevant only for Buy/Sell Back Transactions.
[4] Relevant only for Buy/Sell Back Transactions.
[5] Relevant if eligible Margin is not specified in the Special Provisions.

[6] The terms "Margin Ratio" and "Haircut" have the same meaning; either or both may be used

Please confirm that the foregoing correctly sets forth the terms of our agreement by countersigning this Confirmation and returning it to [ ] or by sending us a confirmation substantially similar to this Confirmation, which confirmation sets forth the material terms of the Transaction to which this Confirmation relates and indicates agreement to those terms.

Yours sincerely,

[Signature] [Signature of counterparty]