

CZECH BANKING ASSOCIATION

AGREEMENT ON CREATION OF SECURITY INTEREST AND ITS MAINTENANCE (“PLEDGE AGREEMENT”)

dated as of [●]
entered into in relation to

THE MASTER AGREEMENT FOR FINANCIAL TRANSACTIONS (“MASTER AGREEMENT”)

dated as of [●]
between

[PARTY A]
(with its registered office at [●],
identification number [●])

as pledgee
(the “**Pledgee**”)

[PARTY B]
(with its registered office at [●],
identification number [●])

as pledgor
(the “**Pledgor**”)

Edition 10/2018

This Pledge Agreement is a Guarantee in the sense of the Master Agreement; therefore it is subject to the parts of the Master Agreement that refer to the Guarantee. The Master Agreement is composed of the General Provisions, the Special Provisions and Annexes and Supplements. Unless expressly defined in this Pledge Agreement, capitalised terms have the same meaning as in the General Provisions, Special Provisions or Annexes.

The parties may supplement or replace the provisions of this Pledge Agreement in the Special Provisions.

IN THIS RESPECT IT IS AGREED as follows:

1. Interpretation

1.1 Definitions.

Account Bank means the bank keeping the Bank Account.

Adjusted Exposure means, on each Valuation Date, the result of the following calculation, whereas if the result is lower than zero, the Pledgee’s Adjusted Exposure will be deemed to be zero:

- (i) the Pledgee’s Exposure plus
- (ii) the Independent Amount applicable to the Pledgor minus
- (iii) the Exposure Threshold applicable to the Pledgor.

Bank Account means the Pledgor’s bank account specified in the relevant table in the Special Provisions.

Bank Account Agreement means each agreement between the Account Bank and the Pledgor specified in the Special Provisions.

Book-Entry Security means any book-entry security, immobilised security or other similar investment instrument of the Pledgor registered on any Securities Account on which the parties have agreed that it is eligible to be pledged and have specified it in the Special Provisions.

Claim means each present and future claim of the Pledgor against the Account Bank arising under or in connection with the relevant Bank Account Agreement, including each claim for:

- (i) the payment of any amount standing to the credit of a Bank Account from time to time;
- (ii) the payment of any amount (including a claim which results from unjust enrichment) if a Bank Account Agreement is void, non-existent (in Czech *zdanlivý*), ineffective or unenforceable, cancelled, rescinded or terminated in any other way; and
- (iii) the payment of any amount on the basis of a contractual penalty or breach of contractual or statutory duties by an Account Bank,

including their accessions (in Czech *příslušenství*) standing to the credit of the Bank Account in the Eligible Currency.

Current Value means, as at each Valuation Date, a value determined as:

- (i) the nominal value of the Claims in the Base Currency;
- (ii) the value of other Claims after conversion using the Applicable Exchange Rate;
- (iii) the Market Value of Securities or Book-Entry Securities; and
- (iv) zero in relation to other assets.

Decrease Amount has the meaning specified in Clause 6.2(i) of this Pledge Agreement.

Due Claims has the meaning specified in Clause 5.5(i) of this Pledge Agreement.

Eligible Currency is a currency regarding which the parties have agreed in the Special Provisions that the Pledgor's Claims may be kept in it on a Bank Account.

Exposure means, in relation to each party and each Valuation Date, the Potential Final Settlement Amount, whereas the Exposure will be expressed as a positive number in relation to the party for which the Potential Final Settlement Amount represents a claim against the other party, and as a negative number in relation to the party for which the Potential Final Settlement Amount represents a debt to the other party.

Exposure Threshold means, in relation to the Pledgor, the amount agreed in the Special Provisions.

Final Security Day means the day agreed in the Special Provisions.

Financial Collateral Arrangements Act means Act No. 408/2010 Coll., on Financial Collateral Arrangements, as amended.

Increase Amount has the meaning specified in Clause 6.1(ii) of this Pledge Agreement.

Independent Amount means, in relation to the Pledgor, the amount agreed in the Special Provisions.

Maximum Secured Amount means CZK 1,000,000,000,000 (or its equivalent in a foreign currency determined using the exchange rates of CZK to foreign currencies announced by the Czech National Bank as at the date of this Pledge Agreement), unless the parties agree a different amount in the Special Provisions.

Minimum Amount means, in relation to the Pledgor, the amount agreed in the Special Provisions.

Pledge means, as at each Valuation Date, the group of assets in relation to which the Pledgor has created a security interest in accordance with this Pledge Agreement and which consists of:

- (i) Securities and Book-Entry Securities;
- (ii) Claims; and
- (iii) Securities Accounts, including any Book-Entry Security.

Potential Final Settlement Amount means an amount that, as at each Valuation Date on which Exposure is calculated, is determined as the amount equal to the Final Settlement Amount if it was calculated at that time on that day.

Secured Debts means each debt specified in Clause 2 of this Pledge Agreement.

Securities means the Pledgor's securities specified in the relevant table in the Special Provisions.

Securities Account means any of the Pledgor's securities accounts specified in the relevant table in the Special Provisions.

Security Period means, in relation to the Pledgee, the period beginning on the date of this Pledge Agreement and the Special Provisions referring to this Pledge Agreement and ending on the earliest of:

- (i) the date on which all the Secured Debts of the Pledgor have been unconditionally and irrevocably paid and discharged in full and on which no new Secured Debt of the Pledgor to the Pledgee may arise; or
- (ii) the date on which the Pledgee has unilaterally waived in writing its rights created under this Pledge Agreement; or
- (iii) the date on which the Pledgee's rights created under this Pledge Agreement otherwise terminate with the Pledgee's written consent; or
- (iv) the date that is the Final Security Day.

Substitute Assets has the meaning specified in Section 3(2)(b) of the General Provisions.

Transaction means, in accordance with Section 1(1) of the General Provisions, any financial transaction entered into under the Master Agreement.

Valuation Date means any date agreed between the parties in the Special Provisions for the calculation of the Exposure or each Business Day if no such agreement is reached.

1.2 Construction.

- (i) The provisions of this Pledge Agreement apply to each security interest created under this Pledge Agreement (the "**Security Interest**").
- (ii) Application of provisions on financial collateral arrangements. The Security Interest created under this Pledge Agreement has the nature of a financial collateral arrangement pursuant to the Financial Collateral Arrangements Act.
- (iii) Creation of Secured Debts. For purposes of the definition of Security Period, the Secured Debt can be created at any time during validity and effectiveness of the Master Agreement.
- (iv) Available Pledge. The Security Interest under this Pledge Agreement will be created only in relation to the Pledge on which the parties have agreed in the Special Provisions. If the Pledgor hands over to the Pledgee any assets on which the parties have not agreed under this Pledge Agreement, they will be

disregarded for the purposes of calculation of the Current Value of the Pledge. This is without prejudice to any lien of the Pledgee on such assets.

- (v) Market exchange rate. If a term market exchange rate is used in this Pledge Agreement, it represents the exchange rate of CZK to a given foreign currency as announced by the Czech National Bank at the moment of exchange. In cases of different currency pairs, it will be used such exchange rate that is at the moment of exchange available and commercially reasonable on foreign exchange market.

2. Secured Debts

- (i) The Security Interest secures all financial debts of the Pledgor to the Pledgee that have arisen under or in connection with the Transactions and that exist as at the Date of this Agreement.
- (ii) The Security Interest further secures, up to the Maximum Secured Amount at any time, all financial debts of the Pledgor to the Pledgee that will arise under or in connection with the Transactions in the future at any time up to and including the Final Security Day, and that may be of the following type:
 - (a) interest or default interest;
 - (b) debts arising under or in connection with the Transactions;
 - (c) debts corresponding to claims for the payment of the Final Settlement Amount;
 - (d) debts under a guarantee;
 - (e) costs or expenses incurred in connection with the protection, preservation or enforcement of rights or security;
 - (f) damages including loss of profit and other than proprietary harm;
 - (g) debts resulting from unjust enrichment; or
 - (h) debts arising due to a party rescinding an agreement (in Czech *odstoupení*) or the invalidity, non-existence (in Czech *zánlivost*), ineffectiveness, illegality or unenforceability of an agreement or other legal act wilfully caused by the Pledgor.

3. Creation of security interest

3.1 Security interest.

- (i) Under Section 1309 *et seq.* of the Civil Code and Section 8 of the Financial Collateral Arrangements Act, for the purposes of securing its Secured Debts to the Pledgee, the Pledgor creates a Security Interest in the Pledge for the benefit of the Pledgee.
- (ii) The Pledgee accepts the Security Interest in the Pledge.

- 3.2 General. The Security Interest is continuing security for the payment, discharge and performance of the Secured Debts and will extend to the ultimate balance of all sums due as the Secured Debts regardless of any intermediate payment or discharge in whole or in part, and is not in any way prejudiced by any other security now or subsequently granted by any party or a third party.

4. Perfection of security interest

- 4.1 Perfection of security interest in the Securities. If the parties have agreed that the Pledge is formed by the Securities, the Pledgor must, at its own cost and expense, promptly, but no later than on the next Business Day after the date of this Pledge Agreement and the Special Provisions referring to this Pledge Agreement, execute

a pledge endorsement (in Czech *zástavní rubopis*) on each of its Securities in accordance with Section 1328(2) of the Civil Code for the benefit of the Pledgee in the agreed wording and deliver each such endorsed Security to the Pledgee.

4.2 Perfection of security interest in the Claims. The Security Interest created in the Claims is perfected at the moment of execution of this Pledge Agreement and the Special Provisions referring to this Pledge Agreement.

4.3 Perfection of security interest in the Securities Account. If the parties have agreed that the Pledge is formed by the Book-Entry Securities kept on the Securities Account, the Pledgor must, at its own cost and expense, promptly, but no later than on the next Business Day after the date of this Pledge Agreement and the Special Provisions referring to this Pledge Agreement, (i) ensure that the Security Interest be registered on the Pledgor's account in the relevant records under Section 1333 of the Civil Code by completing and submitting an order complying with all the requirements of Section 95 of the Capital Markets Act and all other applicable regulations, including the relevant rules issued by the person keeping the relevant records; and (ii) deliver to the Pledgee a copy of entry in the relevant records issued by the person keeping the relevant records.

5. **Disposing of the Pledge**

5.1 The Pledgee may transfer, pledge or use the Pledge, or enable a person other than the Pledgor to use the Pledge, and keep any interest, dividend or other natural or civil fruits from the Pledge (together “**disposing of the Pledge**”).

5.2 If the Pledgee pledges the Claims, for the purposes of determination of the Current Value of the Pledge it is deemed that the Claims still form the transferred Pledge in the state and quality as if the Pledgee has not disposed of them.

5.3 If the Pledgee has disposed of the Securities or the Book-Entry Securities, for the purposes of determination of the Current Value of the Pledge it is deemed that the Securities or the Book-Entry Securities still form the transferred Pledge in the state and quality as if the Pledgee has not disposed of them.

5.4 Substitution of the Pledge.

(i) If the Pledgee disposes of the Pledge, it must substitute it on the earliest of the day on which the Pledge is to be returned pursuant to Clause 6.2 of this Pledge Agreement, the day on which the Secured Debts become due, or the last day of the Security Period (including) (the “**Substitution Day**”).

(ii) If the Pledgee has disposed of the Securities or the Book-Entry Securities, it must substitute them by the same number of equivalent Securities or Book-Entry Securities. Equivalent Securities or Book-Entry Securities means financial instruments issued by the same person in the same currency, in the same issue or class, in the same form and of the same type (if they have these characteristics). If such financial instruments are not available, the Pledgee must substitute them by the same number of Substitute Assets that have replaced them or by other financial instruments on which the Pledgee agrees with the Pledgor; if no such agreement is reached, the Pledgee must substitute them by funds in CZK, EUR or USD according to their Default Value determined at the end of trading if the financial instrument is traded on a regulated market, otherwise at any commercially reasonable time on the Business Day immediately preceding the Substitution Day.

5.5 Set-off of substituted Pledge.

(i) If, on the Substitution Day, the Pledgee has any due claims against the Pledgor from Transactions or from the Agreement, including a claim for the payment of the Final Settlement Amount, in the form of a right to the payment of monetary funds or transfer of Financial Instruments (the “**Due Claims**”), instead of substituting the Pledge under Clause 5.2 of this Pledge Agreement, the Pledgee may set off its Due Claims against the amount corresponding to the value of the substituted Pledge. For these

purposes, the Pledgee may transfer the Pledge or Due Claims in monetary funds to another currency using a market exchange rate determined by the Pledgee.

- (ii) If the claims from the Transactions or the Agreement are not of the same type as the substituted Pledge, the Pledgee may re-calculate the substituted Pledge in the form of substituted Securities or Book-Entry Securities to their Default Value determined at the end of trading, if the Security or Book-Entry Security is traded on a regulated market, otherwise at any commercially reasonable time on the Business Day immediately preceding the Substitution Day.

5.6 Rights of the Pledgor in disposing with the Pledge in the form of Securities and Book-Entry Securities

- (i) The provisions of Section 4 of the Annex for Repurchase Transactions (concerning Distributions and Subscription Rights) will apply with the necessary modifications also to the Pledge in the form of Securities or Book-Entry Securities pledged under this Pledge Agreement.
- (ii) Section 4 of the Annex for Repurchase Transactions, Edition 2017, is hereby inserted into this Pledge Agreement, irrespective of whether the parties have inserted it in the Master Agreement.
- (iii) For the purposes of interpretation, Transaction means this Pledge Agreement, Buyer means the Pledgee, Seller means the Pledgor, and owners or former owners of the Purchased Securities means owners or former owners of financial instruments equivalent to the Pledge. Any references to the Repurchase Date will be disregarded.

5.7 If the Pledgee has any Due Claims, it may set off its Due Claims against the amount corresponding to the value of the Current Value of the Pledge held by the Pledgee. For these purposes, the Pledgee may transfer the Pledge or any Due Claims in monetary funds to another currency using a market exchange rate determined by the Pledgee. The Due Claims may be set off only against the Pledge in the form of Receivables.

6. **Duty to increase security and right to decrease security**

6.1 Increasing of security.

- (i) If, on the Valuation Date, the Increase Amount in relation to the Pledgor is higher than or equal to the Minimum Amount applicable to the Pledgor, on request by the Pledgee the Pledgor must increase the security at least by the Increase Amount.
- (ii) The Increase amount (the “**Increase Amount**”) in relation to the Pledgor will, on each Valuation Date, equal the amount by which:
 - (a) the Adjusted Exposure of the Pledgee
exceeds
 - (b) the Current Value of the Pledge held by the Pledgee on such Valuation Date.
- (iii) The increasing of security pursuant to paragraph (i) above means a transfer of monetary funds to the Bank Account, transfer of the Book-Entry Securities to the Securities Account or handover of the Securities with the relevant endorsement to the Pledgee.

6.2 Returning of the Pledge.

- (i) If, on the Valuation Date, the Decrease Amount in relation to the Pledgor is higher than or equal to the Minimum Amount applicable to the Pledgor, on request by the Pledgor the Pledgee must return the required part of the Pledge up to the Decrease Amount.

- (ii) The Decrease amount (the “**Decrease Amount**”) in relation to the Pledgor will, on each Valuation Date, equal the amount by which:
 - (a) the Current Value of the Pledge held by the Pledgee on such Valuation Date exceeds
 - (b) the Adjusted Exposure of the Pledgee.
 - (iii) The returning of the Pledge pursuant to paragraph (i) above means a transfer of monetary funds from a Bank Account, transfer of the Book-Entry Securities from a Securities Account or request to return the Securities to the Pledgor.
- 6.3 Assistance. The parties must render each other all necessary assistance in connection with the increasing of security or returning of the Pledge.
- 7. Transfers and calculations**
- 7.1 Transfers.
- (i) If, in accordance with this Pledge Agreement, a party receives a request to increase security or return the Pledge by 11:00 a.m. Prague time, it must meet the request on the same Business Day, or if it receives it later, on the immediately following Business Day.
 - (ii) The Pledgor expressly authorises the Pledgee to, in accordance with the preceding paragraph, credit to the Pledgor’s Bank Account payments corresponding to increases of security in accordance with the obligations arising under this Pledge Agreement.
 - (iii) The Pledgor expressly authorises the Pledgee to, in accordance with paragraph (i) above, credit Book-Entry Securities to the Pledgor’s Securities Account in the value corresponding to increases of security in accordance with the obligations arising under this Pledge Agreement.
- 7.2 Calculations.
- (i) The calculations of the Adjusted Exposure, Current Value of the Pledge and the Increase Amount or the Decrease Amount and the related partial calculations for the purposes of Clause 6 of this Pledge Agreement will be made by the Pledgee on each Valuation Date using the values valid always at the end of the Business Day preceding the relevant Valuation Date. The Pledgee will notify the results to the Pledgor on the same Business Day. On the Pledgor’s request, the Pledgee will provide the Pledgor with a detailed calculation of the Adjusted Exposure, Current Value of the Pledge or the Increase Amount or the Decrease Amount.
 - (ii) The notification may be connected with a request to increase security or with a recommendation to request the return of the Pledge.
 - (iii) If the Pledgor does not agree with the results notified to it by the Pledgee pursuant to Clause 7.2(i) of this Pledge Agreement, the Pledgor may, within one Business Day following the day of sending of the notification, notify to the Pledgee its justified objections to the content of a particular result. After a lapse of this period to no effect, the Pledgor must not use the procedure pursuant to Clause 7.3 of this Pledge Agreement.
- 7.3 Procedure for settlement of disputes regarding the amount of calculation.
- (i) If the Pledgor notifies to the Pledgee its justified objections to the content of a particular result pursuant to Clause 7.2(i) of this Pledge Agreement, the Pledgee must re-calculate the contested result

and notify to the Pledgor the result of the new calculation without undue delay. If the Pledgor, within one Business Day following receipt of the new calculation, delivers to the Pledgee its justified objections to the content of the new result, both parties will make reasonable efforts to settle the dispute.

- (ii) In relation to the part of the Increase Amount that is not contested by the Pledgor, the Pledgor continues to be obliged to increase the security pursuant to Clause 6.1 of this Pledge Agreement.

8. When the security interest becomes enforceable

The Security Interest created by the Pledgor under this Pledge Agreement will become immediately enforceable if an Event of Default occurs and is continuing and the Pledgor fails to pay any of its Secured Debts when due.

9. Contractual manners of enforcement of the security interest

9.1 Direct sale. The Pledgee may determine that it will realise all or only selected Securities or Book-Entry Securities in its own name on the account of the Pledgor; during this the Pledgee must act in accordance with this Clause.

- (i) The Pledgee will notify the Pledgor that it commences the enforcement of the Pledge. Non-delivery of the notice will not affect the validity of the enforcement; the notice is for information purposes only.
- (ii) When carrying out the direct sale, the Pledgee must act with due professional care so as to sell the pledged Securities or Book-Entry Securities for a price for which a comparable asset with similar liquidity can be sold under comparable circumstances in the particular place and at the particular time.
- (iii) The Pledgee may choose not to accept any bid and may make another attempt at realising the pledged Securities or Book-Entry Securities through direct sale at any time.
- (iv) In connection with the enforcement of the Security Interest under this Clause, the Pledgor must:
 - (a) hand over to the Pledgee, without undue delay, all documents and information relating to the Pledge that are required by the Pledgee for the purposes of providing them to bidders;
 - (b) render any other assistance required for, and suffer, the enforcement of the Security Interest.
- (v) If the Pledgor fails to provide the required documents or information or to render other assistance under this Clause, the Pledgee may carry out the direct sale of the pledged Securities or Book-Entry Securities solely on the basis of the documents and information available to it at that particular time.

9.2 Forfeiture of the Pledge. The Pledgee may determine that it will keep all or only selected Securities or Book-Entry Securities. During this, the Pledgee must act in accordance with this Clause.

- (i) The Pledgee may keep the Pledged Securities or Book-Entry Securities and must notify to the Pledgor the day on which the Pledgee enforced the Security Interest. Non-delivery of the notice will not affect the validity of the enforcement; the notice is for information purposes only.
- (ii) In the notice, the Pledgee will determine which pledged Securities or Book-Entry Securities it will keep, for the price corresponding to their Default Value determined on the day the Pledgee determines as the day of enforcement of the Pledge pursuant to Clause 9.2(i).
- (iii) In connection with the enforcement of the Security Interest under this Clause, the Pledgor must:
 - (a) hand over to the Pledgee, without undue delay, all documents and other information relating to the Pledge that are required by the Pledgee for the purposes of valuation;

- (b) duly exercise all rights attached to the Pledge so that its value does not decrease;
 - (c) comply with all legal regulations in any way relating to or affecting the Pledge; and
 - (d) render any other assistance required for, and suffer, the enforcement of the Security Interest.
- (iv) If the Pledgor fails to provide the required documents or information or to render other assistance under this Clause, the Pledgee may carry out the valuation and keep all or only selected pledged Securities or Book-Entry Securities solely on the basis of the documents and information available to it at that particular time.
- 9.3 Set off of Receivables. The Pledgee may unilaterally set off the Receivable or any portion thereof against the Secured Debt. For these purposes, the Pledgee may transfer the Receivable or any portion thereof to another currency using a market exchange rate determined by the Pledgee.

10. Enforcement of the security interest

After the Security Interest created under this Pledge Agreement has become enforceable, the Pledgee may immediately, in its absolute discretion, exercise any right under this Pledge Agreement or applicable law, including a set-off or assignment of the Claims from the Secured Debts.

11. Application of proceeds

- 11.1 Application of proceeds. Any moneys received by the Pledgee after the Security Interest created for its benefit has become enforceable or any moneys by which the Pledgee's claims are decreased as a result of exercising its rights under this Pledge Agreement must be applied in the following order of priority:
- (i) **first**, in or towards payment of all costs and expenses incurred by the Pledgee in connection with the enforcement of its rights under this Pledge Agreement; and
 - (ii) **second**, in or towards payment of the remaining Secured Debts.
- 11.2 Return of surplus. If, after the application of the proceeds under the preceding paragraph, any monetary funds are held by the Pledgee, the Pledgee must transfer it to the Pledgor.

12. Restrictions on dealings

For the duration of this Pledge Agreement, without the prior written consent of the Pledgee, the Pledgor must not:

- (i) create or permit to subsist any other security interest in the Pledge;
- (ii) create or permit to subsist any other encumbrance on the Pledge;
- (iii) transfer the Book-Entry Securities from the Securities Account;
- (iv) attach a Bank Account or a Securities Account to any collective business asset (in Czech *věc hromadná*);
- (v) waive any right in respect of, or terminate, the Bank Account Agreement; and
- (vi) dispose of the funds on the Bank Account in the amount in which they are equal to the Pledgee's Exposure.

Disposing of monetary funds on the Bank Account includes any disposing of the funds, including giving of orders to payments to any third parties, to other bank accounts or to the Pledgor, and any withdrawing of funds from the Bank Account.

13. Changes to the parties

None of the parties may assign or transfer any of its rights or duties under this Pledge Agreement without the consent of the other party

14. Release and termination

At the end of the Security Period:

- (i) the Pledgee's rights to the Pledge and other restrictions created under this Pledge Agreement will terminate; and
- (ii) all rights of both parties under this Pledge Agreement will terminate, except for the Pledgee's duty to return or substitute the Pledge to the Pledgor.

15. Governing law

- (i) This Pledge Agreement, any obligations under it and any non-contractual obligations arising in connection with it are governed by Czech law.
- (ii) The Security Interest that has been or is to be created under this Pledge Agreement is governed by Czech law.

16. Enforcement

The courts of the Czech Republic have exclusive jurisdiction to settle any dispute in connection with this Pledge Agreement.

[PLEDGEE]

Pledgee

Name:

Position: [●] / [under power of attorney]

Name:

Position: [●] / [under power of attorney]

[PLEDGOR]

Pledgor

Name:

Position: [●] / [under power of attorney]

Name:

Position: [●] / [under power of attorney]