

CZECH BANKING ASSOCIATION

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MASTER AGREEMENT FOR FINANCIAL TRANSACTIONS

MARGIN MAINTENANCE ANNEX (VARIATION MARGIN – DERIVATIVE TRANSACTIONS)

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This Annex amends supplements the General Provisions which form part of any Master Agreement. This Annex becomes an inseparable part of the Agreement if the parties incorporate it in the Master Agreement

1. Net Exposure VM

(1) General Principles. If, at any time when Net Exposure VM is calculated pursuant to subsection 2 and one party (the "**Margin Provider**") has a Net Exposure VM to the other (the "**Margin Recipient**") resulting from any Transactions that are Affected 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 Net Exposure VM. Transactions, that are Affected Transactions, or transfers of margin under this Annex serve for the calculation of the Net Exposure VM subject to Section 2(4) only under this Annex. If the parties enter into any other margin maintenance annex, nothing in this Annex (except for Section 2(9) on Margin Offset, if applicable in the Special Provisions) affects the obligations between the parties relating to the Independent Amount or to the initial margin from such other annexes with regard to the Transactions that are Affected Transactions.

After the determination of the Net Exposure VM a transfer of the Margin will be required in relation to all the Transactions that are Affected Transactions under this Annex.

The "**Market Value**" of cash shall be the nominal amount thereof, converted, if not expressed in the Base Currency, in accordance with subsection 2.

(2) Calculation. The person designated by the parties for this purpose, more such persons or, failing such designation, the Margin Recipient (each the "**Valuation Agent**") shall calculate the Net Exposure VM on each Valuation Date by (and including) 11 a.m. Prague time as of the value of Net Exposure VM at the

end (or other commercially more suitable moment the Calculation Agent may determine) of the last Business Day before the Valuation Date. The Net Exposure VM 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 expressed in the Base Currency shall be converted into the Base Currency at the Applicable Exchange Rate.

(3) Definitions.

"**Net Exposure VM**" means the Potential Final Settlement Amount, provided that

- (a) the amount of any prior Net Exposure VM in respect of which a transfer of Margin has already been required, but not completed, shall be subtracted from any Net Exposure VM subsequently calculated;
- (b) if both parties act as Valuation Agent and their calculations of Net Exposure VM differ from each other, (i) the Net Exposure VM 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 the higher negative or the lower positive amount; and
- (c) if there occurs and continues a dispute between the parties regarding the amount of the Net Exposure VM, they will transfer to each other at least the part of the Margin relating to the Net Exposure VM that they do not contest by this dispute.

"**Potential Final Settlement Amount**" means the amount which, at the time on each Valuation Date when Net Exposure VM is calculated pursuant to subsection 2, the Valuation Agent, acting as if it were the Calculation Party (as defined in Section 7(1)(a) of the General Provisions), determines to be equal to the Final Settlement Amount calculated in respect of Derivative Transactions that are Affected Transactions and excluding Repurchase Transactions and Securities Simple Loans, if the same had to be calculated as of such time

and date, such adjusted determination to be made in accordance with Section 7(1)(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 each Business Day.

Unless expressly defined in this Annex, capitalized terms have the same meaning as in the General Provisions, the Special Provisions and other respective Annexes or Supplements.

(4) **Independent Amount.** The parties may agree in the Special Provisions that, irrespective of the amount of the Net Exposure VM, one party transfers to the other, or both parties transfer to each other, an additional amount of Margin ("**Independent Amount**") that will apply only to the Transactions that are Affected Transactions under this Annex. The provisions of this Annex relating to the transferred Margin will apply by analogy also to the Independent Amount, with a difference that the Independent Amount will not be included in the calculation of the Net Exposure VM and in the calculation of the Minimum Transfer Amount under Section 2(10).

For the purposes of the calculation of the Final Settlement Amount (as it is defined in Section 7(1)(a) of the General Provisions), the transferred Independent Amounts means the Margin Claims (as they are defined in Section 7(1)(a) of the General Provisions).

2. Notification of Net Exposure VM and Transfer of Margin

(1) **Notification.** Each day after determining the Net Exposure VM, the Valuation Agent shall notify the parties (or only the other party if the Valuation Agent is a party) of the amount of the Net Exposure VM on the same day and upon request of a party provide such party with a statement setting forth in reasonable detail the calculation basis of the Net Exposure VM. 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 Net Exposure VM no later than on the day on which such notice is received, if such notice is received on a Business Day no later than 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. This does not affect subsections (6) to (11) of this Section.

(4) **Cash Margin.** Cash Margin shall be acceptable for the purpose of Section 1(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. The interest on the debt set out in this Section 2(4) may, in the relevant interest period, be positive or negative. If, in the relevant interest period, the interest is a positive amount, the Margin Recipient shall pay it to the Margin Provider on its relevant maturity date. If, in the relevant interest period, the interest is a negative amount, the Margin Provider shall pay the absolute value of such amount to the Margin Recipient on its relevant maturity date.

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

- (a) have been specified by the parties as eligible (in the Special Provisions or otherwise) and
- (b) satisfy the requirements for eligibility of Margin set out by the law of the country of the Margin Recipient at the moment of transfer.

By the transfer of Margin Securities that are not eligible under this subsection are not satisfied the requirements for the transfer of the Margin for the purposes of Section 1(1) and the Margin Provider still must transfer the Margin to the Margin Recipient.

(6) **Legally Ineligible Margin.** Upon delivery of a Legal Ineligibility Notice by a party, on the Transfer Ineligibility Date the Margin specified in the Legal Ineligibility Notice will cease to satisfy the requirement for the transfer of the Margin for the purposes of Section 1(1) and, on the Transfer Ineligibility Date, the Margin Provider will become obliged to transfer to the Margin Recipient the missing Margin (or its specific amount) in accordance with this Annex.

"Legal Ineligibility Notice" means a written notice from the Margin Recipient to the Margin Provider in the manner set out in Section 8 of the General Provisions and in which the Margin Recipient states

- (a) a justified representation that one or more items of the Margin (or a specified amount of any such item) either does not satisfy, or as of a specified date will cease to satisfy, Margin eligibility requirements in the form of a variation margin (the "**Variation Margin**") under the law of the country of the Margin Recipient (the "**Legal Eligibility Requirements**");
- (b) a list of the item(s) of the Margin (and, if applicable, the specified amount of such item) that have ceased to satisfy, or as of a specified date will cease to satisfy, the Legal Eligibility Requirements; and
- (c) the Transfer Ineligibility Date.

"Transfer Ineligibility Date" means the date on which the relevant item of the Margin (or a specified amount of such item) has ceased to satisfy, or will cease to satisfy, the Legal Eligibility Requirements for the purposes of transfers of the Margin under this Annex, *provided that*, unless otherwise specified in the Special Provisions or elsewhere in the Agreement in relation to the Transactions that are Affected Transactions, if such date is earlier than the fifth Business Day following the date on which the Legal Ineligibility Notice is delivered, the Transfer Ineligibility Date will be the fifth Business Day following the date of such delivery, unless the condition in this subsection 2(5)(b) has not been satisfied.

(7) *Return of Ineligible Margin*. The Margin Recipient will, promptly upon demand by the Margin Provider (but in no event later than the time at which an additional transfer occurs under subsection (6) of this Section), transfer to the Margin Provider the Margin that is not eligible under subsections (4), (5) or (6) of this Section in respect of any item comprised in the Net Exposure VM ("**Ineligible Margin**"). The Margin Recipient will only be obligated to transfer any Ineligible Margin if, as of the date of transfer of such item, the Margin Provider has satisfied all of its transfer obligations under this Annex, if any.

(8) *Reinstatement of eligibility of Margin*. Upon a reasonable request by the Margin Provider, the Margin Recipient will determine whether an item (or a specified amount of such item) of the eligible Margin that was the subject of a prior Legal Ineligibility Notice currently satisfies the Legal Eligibility Requirements. If the Margin Recipient determines that such item (or specified amount of such item) satisfies the Legal Eligibility Requirements, the Margin Recipient will promptly rescind the relevant Legal Ineligibility Notice with respect to such item (or specified amount of such item) of the Margin by written notice to the Margin Provider. Upon delivery of such notice, the relevant item (or specified amount of such item) of the Margin will constitute eligible Margin under this Annex.

(9) *Margin Offset*. If the parties specify in the Special Provisions that Margin Offset is applicable and on any date:

- (a) a Margin is due under this Annex and a margin is also due under any other margin maintenance annex;
- (b) the parties have notified each other of the margin that they intend to transfer under this Annex and transfer under any such other margin maintenance annex to satisfy their respective obligations; and
- (c) a party intends to transfer one or more types of margin that is fully fungible with one or more types of margin the other party intends to transfer (each such margin, a "**Fungible Margin Type**"),

then, on such date and in respect of each such Fungible Margin Type, each party's obligation to make a transfer of any such Fungible Margin Type under this Annex or under such other margin maintenance annex will be automatically satisfied and discharged and, if the aggregate amount that would have otherwise been transferred by one party exceeds the aggregate amount that would have otherwise been transferred by the other party, replaced by an obligation under this Annex or

under such other margin maintenance annex, as applicable, upon the party by which the larger aggregate amount would have been transferred to transfer to the other party the excess of the larger aggregate amount over the smaller aggregate amount. If a party's obligation to make a transfer of margin under this Annex or any other margin maintenance annex is automatically satisfied and discharged pursuant to this subsection, then for the purposes of this Annex or the other margin maintenance annex, as applicable, the other party will be deemed to have received margin of the applicable Fungible Margin Type in the amount that would otherwise have been required to be transferred, in each case on the day on which the relevant transfer was due.

(10) *Minimum Transfer Amount*. Except in the case of a return of Margin pursuant to subsections 7 and 11 and irrespective of an amount of the Independent Amount transferred under this Annex, a transfer of Margin will take place only 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.

(11) *Return of Margin*. Upon satisfaction by a party of all its debts under Transactions that are Affected Transactions as provided in Section 1(1), any Margin previously transferred and not returned, including an Independent Amount (if its provision has been agreed), under this Annex shall be returned to the party which transferred it.

3. Provisions Applicable to Margin Securities

The provisions of Sections 3 and 4 of the Repurchase Annex (regarding substitution of Purchased Securities and Distributions and subscription rights) and Sections 2(3), 2(5)(b)(ii) and (d), 2(6) and 3 of the Securities Simple 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 Simple 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.