

ANNEX 1 BANKING OUTSOURCING

1. The contractor takes into account, that rendering of services to the customer might be qualified as a banking outsourcing according to the Decree No. 163/2014 Coll., on the performance of the activity of banks, credit unions and investment firms ("the Decree").

2. For this purpose the contractor undertakes to accept rules set down by the Decree that might be elaborated in detail in this Annex or in any agreement meeting the requirements for the rendering of outsourcing concluded between the contractor and the customer.

3. Person performing screening, inspection or audit is obligated to adhere to all contractor's security measures, with which will the customer be provably made familiar with.

4. The contractor undertakes to cooperate and enable the customer (eventually the Czech national bank [„CNB"]) for the purpose of meeting the requirement set down by the Decree especially the following:

a) The contractor check before and during the rendering of Performance – including in particular a check of credibility, entrepreneurial license or other license to exert given activity, professional qualification and experience, financial stability and qualification to assure Performance.

b) Regular inspections of the contractor – including in particular:

- verification whether the Performance is permanently rendered in compliance with all applicable law regulations, commercial terms and Agreement,
- verification whether the contractor remains trustworthy and legally, financially, professionally and technically qualified to render the Performance,
- verification whether the contractor regularly verifies functionality and sufficiency of his mechanisms of internal control mechanisms and risk management including the risk management of occurrence of extraordinary events, which might have significant negative effect on due rendering of Performance. The customer undertakes to take into account in reasonable measure written suggestions about risks from the contractor regarding the Performance, and to accept suggested measures to minimize them, assuming that this doesn't transfer duties of the contractor to prevent risks on the customer in unreasonable extend,.
- verification whether the protection of bank secrecy and the customer's client's personal data is secured permanently and sufficiently,
- verification whether there are violations of customer's internal principles and procedures while rendering the Performance,
- verification whether contractor's internal control mechanisms secure timely recognition of incidental faults of the Performance, implementation of remedial measures, overall functionality and effectiveness of the Performance,
- evaluation of Performance's compliance with the Decree
- verification whether the contractor implemented and maintains at least such management and control principles and mechanisms which in comparison with similar rules of the customer provide at least a comparable level of quality and reliability.

The contractor undertakes within the regular inspection to provide cooperation and enable access to data and other information regarding the Performance, including the access to primary information and consequential data, to verify the correctness of processing of primary information, if such processing is a part of the Performance.

c) Inspections of IT security aspects, including in particular the undertaking of the contractor to

- provide the customer with documents (in form allowing its permanent storage) containing description:
 - of security strategy (including main principles to ensure the confidentiality, integrity, classification and availability of data),
 - of relevant internal regulations, e.g. security policy, description of security organization including the divisions of powers and responsibilities,
 - of solutions of security incident, incl. the obligation to clarify security incidents without undue delay, and related documents from the IS security area, backup, versioning of pertinent regulations (security policy), proof of publication of changes, auditing and archiving of security incidents at least 5 years after resolving security incident,
 - of personnel policy, including the method for employees screening and ensuring confidentiality, user management, staff training, carried out of reviewing and evaluating the safety of IS,
 - purchase, exchange, canceling HW / SW including safe disposal of data, etc.,
- provide the customer with the description of specific architecture solution of the rendered Performance, including settings of security parameters in individual components and units

- establish reporting, including communication channels, communication matrix, deadlines etc. on security incidents, planned changes in architecture, communication.

d) Inspections of Physical security aspects, including the undertaking of the contractor to

- render the Performance in compliance with the generally recognized standards ISO EN, PCI, DSS
- provide the customer with a list of his assets (buildings, systems and equipment) relevant to the rendering of Performance and keeping this list up to date. If the assets (buildings, systems and equipment) do not meet the agreed standards and requirements of the customer, the contractor must identify discrepancies and both parties must agree to resolve them,
- enable and support the customer in independent verification of the safety of the rendered Performance, including regular and accidental safety inspection of assets (buildings, systems and equipment) relevant to the rendered Performance,
- inform the customer in advance of any scheduled change in the security level of the rendered Performance. If the change is unscheduled the contractor informs the customer about change immediately after identifying such changes,
- keep records of safety-related facts / events that may affect the security of rendered Performance to the customer. The records must apparently state what, where and when the event took place, what was the impact of the event and what measures were taken in response to this incident. In case that the event will threaten the safety of the Performance, the contractor shall immediately inform the customer. The records must be kept in a way that prevents any subsequent modification. The records must be kept throughout the duration of the contract and at least another 5 years after termination of the contractual relationship.
- enable the customer to review records relating to the safety of the rendered Performance to the customer,
- hand over the entire list of the subcontractors used in the outsourcing of the rendered Performance (HW, SW equipment or support having access to data) to the customer. If changing the aforesaid list, the contractor must provide the customer with a up to date list of subcontractors,
- enable the customer to review data and information relating to subcontractors (similarly the representatives acting on their behalf) in the event of chain outsourcing and the fact that cooperation with them is not in conflict with prudential rules of the customer (legislation, directly applicable legislation of the European Union, etc.). The contractor undertakes to negotiate in contracts with subcontractors the possibility of immediate termination of cooperation with the subcontractors, if the prudential rules of the customer require so,
- prove, that his subcontractors apply at least the same security requirements as the contractor and that their compliance with these requirements is regularly inspected and maintained.

e) Audit performed by the customer and CNB and inspection of CNB – including

1. an audit of financial statement ;
2. an audit of the governance including the reports on performed inspections ;
3. eventually the accessing of reports on performed inspections carried out under a) and b);

The contractor shall annually forward to the customer its annual balance sheet (compiled in compliance with Czech Accounting Standards) certified by the auditor previously agreed by the customer together with the corresponding auditor's report for the past financial year, as soon as he will have them available but no later than 180 days after the end of the reporting period. Default in aforesaid obligation constitutes a material breach of contractor's contractual obligations and the customer is entitled to withdraw from the contract with the contractor;

5. The contractor agrees to allow checks, inspections or audits carried out in order to meet the requirements of the Decree, (including monitoring the objective correctness of the provided outsourced activities) by employees of the customer, CNB, or a third party appointed or authorized by the customer, even at the registered office of the contractor or other places of the Performance (even if they are abroad.

6. the contractor agrees to notify the customer in advance of any changes that adversely affects or could adversely affect rendering of the Performance (e.g. ownership, organization, or asset structure, financial liabilities, risks, change in legislation) and all relevant data and other information relating to activities carried out under agreement.;

7. the contractor shall establish at least such risk governance procedures and control mechanisms, which the customer would use in accordance with its guidelines for governance, if the customer would assure the

Performance by himself. Upon customer's request the contractor will allow the customer access to the documents containing the required procedures and control mechanisms. The contractor is obliged to ensure notification of all reports of all operational risk events associated with rendering of the Performance for which the potential loss exceeds the limit of EUR 1000 via e-mail sent to oprisk@csas.cz. Reports shall in particular include the following:

- Place and date of the event occurrence
- Brief description of the event
- A contact person who is informed about the event
- Claim amount (if unknown at the time of notification, then its qualified assessment)

8. the contractor shall perform an annual risk assessment, containing a description of the risks in activities that are rendered to the customer, including an evaluation of their potential impact. The customer has the right to request output information from the risk assessment or eventually participate in it. If the contractor has no standard risk classification system, the contractor may ask the customer for cooperation on risk assessment activities related to the rendering of Performance for the customer. The Customer will provide cooperation and will recommend his standards, which will be without undue delay implemented by the contractor. The contractor further undertakes to provide the customer with a processed risk analysis (depending on the offered supply of Performance);

9. the contractor undertakes to prepare a business continuity plan, i.e. documentation for the case of threats to the availability of supply of the Performance due to extraordinary events, and this documentation, respectively its resume in accordance with internal regulations and confidentiality undertakings, the aforesaid documents shall be made available by the contractor to the customer within 3 months after conclusion of the Agreement. The customer undertakes to use the aforesaid information exclusively for his internal use and for processing of extraordinary procedures in connection with the subject of the Agreement. The customer shall arrange with the contractor a minimum scope of renewed supply of Performance, that might be accepted by the customer as the renew of the Performance in partial scope;

10. The contractor declares that he will continuously develop and improve measures to ensure the minimization of the risk of interruptions of the Performance supply and that he has at his disposal sufficient backup capacities for renewal of Performance supply. The contractor agrees with the presence of a contractor's representative while testing of business continuity plan and other documentation prepared by the contractor to ensure continuity of the Agreement's subject.

11. The contractor undertakes to notify the customer in advance of the necessity of ensuring the rendering of Performance, whether wholly or partly by another entity (hereinafter the „outsourcing chain ") and will ask a prior consent of the customer with the usage of such entity. The agreement concluded between the contractor and aforesaid further entity shall conform to the principles and rules laid down in this Annex. The contractor shall ensure and provide all the necessary and required cooperation and cooperation of another entity in the event that the customer or the CNB is authorized to carry out the aforementioned control activities also at the other entity.

12. If a breach of contractual obligations by the contractor, or eventually other entity in the outsourcing chain is a consequence of imposition of penalties by the Czech National Bank on the customer, then the customer is entitled to demand pro rata payment of such penalties by the contractor according to the customer's culpability (including negligence). The compensation of penalties imposed by the CNB on the customer, does not limit the customer's claim for compensations against the contractor of all provable damages resulting from breach of the contractual obligation by the contractor to which the CNB sanctions applied.

13. Unless otherwise stated in the Agreement, the customer is entitled to withdraw from the Agreement in the event of a serious breach of contractor's obligations listed in the provisions of this Annex. The customer by himself is entitled to assess the seriousness of the breach and either provide the contractor with additional reasonable time to remedy, or to withdraw from the Agreement in question with effect since the time of delivery of the withdrawal. The customer may also withdraw from the Agreement if so required by remedial measures by the CNB.

14. The contractor is required to take into account written recommendations from the customer concerning the risks associated with rendered Performance and take measures to minimize them, the customer undertakes to use the information and audit findings solely for his internal use and communication between the customer and the contractor.

15. In the event of termination of rendering of the Performance the contractor is obliged to provide full cooperation to the customer with transferring of performance back to the customer or to a third entity appointed by the customer in order to ensure continuity of activities even after the termination of the Agreement . The aforesaid cooperation also includes the obligation to transfer all data and information to the customer related to the Performance in a format specified by the customer, transfer of all relevant documents and further steps leading towards the acquisition of rendering of the Performance by himself (or third entity).