

## Issuer's Market Announcement

### **Funding Agreement dated 13 October 2009 between the European Investment Bank and the Czech Republic, acting through the Ministry of Finance**

On 13 October 2009, the European Investment Bank (the "EIB") and the Czech Republic acting through the Ministry of Finance (the "Issuer") entered into a Funding Agreement whereby the Czech Republic agreed to make available to the EIB and the EIB agreed to consider purchasing Czech Republic Treasury Bonds issued from time to time by the Issuer, in order to part-finance the national investment programme in Czech Republic, consisting of schemes in the sectors of health and social care, culture and public administration (the "Public Sector Investment Facility").

Under the Public Sector Investment Facility, the EIB may agree to purchase up to an amount of CZK 13 670 million of Czech Republic Treasury Bonds, subject to satisfaction of certain conditions. The EIB also agreed to retrocede to the Issuer, the difference between the coupon on the bonds purchased and the applicable EIB rate, minus fees and other costs, subject to certain conditions and as calculated pursuant to the Public Sector Investment Facility.

The main features of the Public Sector Investment Facility:

Amount: up to CZK 13 670 000 000

Eligible bonds: Czech Republic Treasury Bonds issued by the Czech Republic from time to time in Czech koruna under a bond issuance programme or otherwise in accordance with Section 25 of Act. No. 190/2004 Coll., on Bonds, as amended, with a residual maturity not less than 3 years and not above 18 years. Interest can be fixed or variable. Only bonds with bullet repayment structure will be considered.

Purchase: from time to time, until disbursement of the full amount but not later than 31 December 2011, the Issuer will propose that the EIB purchase bonds from its portfolio. The face value of each individual bond acquisition is expected to vary between CZK 250 000 000 and CZK 1 400 000 000.

Purchase price: the purchase price will be market price, either determined as the average price at an auction of bonds by the Issuer or pursuant to a contractually agreed price discovery mechanism.

Retrocession: a retrocession amount will be calculated by the EIB at the end of each interest period. Payment of the retrocession will be conditional on, among others, the realisation of the projects included in the investment programme.

Termination of the Agreement: in case of a breach of certain project related conditions and/or other conditions set out in the Funding Agreement, including (but not limited to) if the investment programme is not or not fully realised or in case of breach of certain credit covenants, payment of retrocession will be stopped and the Issuer will be required to repurchase either in whole or in part a particular bond or all bonds purchased by EIB, as the case may be, from the EIB.

Minister of Finance on behalf of the Czech Republic

Date: 13 October 2009