CASE STUDY – NON-CASH FOREIGN CURRENCY FORWARD TRANSACTIONS

CASE 1: NON-CASH FOREIGN CURRENCY FORWARD TRANSACTION (HEREINAFTER THE "FORWARD")

Client XY a.s. purchases goods from Italy in EUR and knows that they have to pay the supplier an amount of EUR 1 million no later than in July 2025 based on the invoice maturity. Considering the need for a precise calculation of the costs and positive interest of CZK, the Client decides to pay in the middle of July 2025 using a Non-Cash Foreign Currency Forward Transaction (Forward).

Forward conclusion date	1 February 2025
Forward settlement date	15 July 2025
Forward amount	EUR 1,000,000
(Forward) exchange rate – sale of EUR	25.30 EUR/CZK

Situation A: The Client settles the whole amount on the Settlement Date

Based on the invoice, the Client pays the amount of CZK 25,300,000 on 15 July 2025 and receives EUR 1 million. The liabilities from the Forward are thus fully settled.

Situation B: The Client DOES NOT settle the whole amount on the Settlement Date

As of 15 July 2025, the Client has settled only EUR 900,000 and is unable to send CZK for the remaining EUR 100,000 or does not have any relevant document to identify the goods. Considering that the Forward Settlement Date has expired, the costs related to the Client's failure to settle the transaction in its entirety, as well as any damages incurred by SABF as a result of the Client's breach of its obligation, shall be claimed by SABF for the remaining amount. At the same time, SABF may demand a contractual penalty in the amount of 1 % of the unsettled transactions from the Client.

The current exchange rate as of the Settlement Date may be either higher or lower than the exchange rate at the time of the conclusion of the Forward:

- If the exchange rate applicable on the Forward Settlement Date is lower and the Client sells foreign currency, or the exchange rate is higher and the Client purchases foreign currency, and the agreed Forward is not fulfilled, the Client shall only pay a contractual penalty equalling 1 % of the volume of any non-settled transactions (if SABF requires it), i.e., in this case, at the exchange rate of 25.50 EUR/CZK, the Client shall pay 1%*100,000 EUR = 1,000 EUR, i.e., **CZK 25,500.**
- If the exchange rate applicable on the Forward Settlement Date is higher and the Client sells foreign currency, or if the exchange rate is lower and the Client purchases foreign currency, the Client shall pay a contractual penalty equalling 1 % of the volume of any non-settled transactions (if SABF requires it) plus any costs incurred by SABF in connection with making a counter transaction, i.e., in this case, at an exchange rate of 25.10 EUR/CZK, the Client shall pay (25.30 - 25.10)*100,000 CZK) = 20,000 CZK + 1%*100,000 EUR = 1,000 EUR (CZK 25,100), i.e., **CZK 45,100** in total.

CASE 2: NON-CASH FOREIGN CURRENCY FORWARD TRANSACTION SAB FORWARD+ (HEREINAFTER "SAB FORWARD+")

Client XY a. s. exports goods to Germany and receives payments in EUR. The Client wants to be sure that given the low business margin, the exchange rate will not drop below 25.30 EUR/CZK. Based on the business practice, the Client knows that they sell goods worth EUR 120 to 150 thousand every month. However, as the Client is unable to say exactly on which date the German customer will send the money or whether the business partner will make payments on a monthly basis or with a different frequency, the Client arranges SAB Forward+ with SABF with the Latest Settlement Date for SAB Forward+ in six months.

SAB Forward+ conclusion date	1 February 2025
Latest Settlement Date for SAB Forward+	29 July 2025
Forward Frame	EUR 600,000
(Forward) exchange rate – purchase of EUR	25.30 EUR/CZK

Situation A: The Client settles the whole amount prior to the Latest Settlement Date for SAB Forward+

The Client received EUR 120,000 every month and sent the amount, together with a corresponding invoice (which confirms the identification of the goods) to the credit of SABF and in consideration received the amount in CZK (5x3.12 million CZK)[1]. FWD obligations are thus settled before the Latest Settlement Date for SAB Forward+. As of 31 June 2025, SAB Forward+ is thus fully settled without any further obligations[2].

Situation B: The Client settles the whole amount by the Latest Settlement Date for SAB Forward+

On random days between 1 February 2025 and 29 July 2025, the Client receives payments (and corresponding invoices) from their German supplier, on the basis of which the Client draws the corresponding amount[1]. The last partial transaction will be settled on 29 July 2025; the sum of all the transactions is EUR 600,000, i.e., the obligations from the arranged SAB Forward+ are fully settled.

Situation C: The Client DOES NOT settle the whole amount by the Latest Settlement Date for SAB Forward+

As of 29 July 2025, the Client has settled only EUR 500,000 and is unable to send the remaining EUR 100,000 or does not have any relevant document which would make it possible to identify the goods. Considering that the Latest Settlement Date for SAB Forward+ has expired, the costs related to the Client's failure to settle the transaction in its entirety, as well as any damages incurred by SABF as a result of the Client's breach of its obligation, shall be claimed by SABF for the remaining amount. At the same time, SABF may demand a contractual penalty in the amount of 1 % of the unsettled transactions from the Client.

The current exchange rate as of the Latest Settlement Date for SAB Forward+ may be either higher or lower than the exchange rate at the time of the conclusion of the SAB Forward+:

- If the exchange rate applicable on the Latest Settlement Date for SAB Forward+ is lower and the Client sells foreign currency, or the exchange rate is higher and the Client purchases foreign currency, and the agreed transaction is not fulfilled, the Client shall only pay a contractual penalty equalling 1 % of the volume of any non-settled transactions (if SABF requires it), i.e., in this case, at an exchange rate of 25.10 EUR/CZK, the Client will pay 1%*100,000 EUR = 1,000 EUR, i.e., **CZK 25,100.**
- If the exchange rate applicable on the Latest Settlement Date for SAB Forward+ is higher and the Client sells foreign currency, or if the exchange rate is lower and the Client purchases foreign currency, the Client shall pay a contractual penalty equalling 1 % of the volume of any non-settled transactions (if SABF requires it) plus any costs incurred by SABF in connection with making a counter transaction, i.e., in this case, at an exchange rate of 25.50 EUR/CZK, the Client shall pay (25.50 - 25.30)*100,000 CZK) = 20,000 CZK + 1%*100,000 EUR = 1,000 EUR (CZK 25,500), i.e., **CZK 45,500** in total.

[1] Before each individual partial transaction (money exchange), the Client must notify SABF at least 3 working days in advance, informing SABF (by phone or e-mail) that they wish to exchange a part of the total volume of the funds to be exchanged. No later than on the agreed settlement date of the individual partial transaction, the Client shall also demonstrably provide SABF with a relevant document on the basis of which the goods can be identified, as well as confirmation of the purpose of the transaction.

[2] Unless otherwise agreed, e.g., in connection with the Collateral provided.

CASE 3: NON-CASH FOREIGN CURRENCY FORWARD TRANSACTION SAB TARF (HEREINAFTER "SAB TARF") WITHOUT LEVERAGE, EXPORT

Client XY a. s. exports goods to Germany and receives payments in EUR for them. The Client wants to be sure that given the low business margin, the exchange rate will not drop below the current spot exchange rate 25.00 CZK/EUR. Based on the business practice, the Client knows that they sell goods worth EUR 250,000 to 300,000 every month. The Client decides to hedge part of the volume of EUR 120,000 per month at a fixed forward rate of 25.10 CZK/EUR and part of the volume of EUR 100,000 per month at a SAB TARF rate of 25.20 CZK/EUR.

The Client does not need to hedge the entire volume of the planned transaction at a fixed rate; more importantly, the client needs a better rate for a portion of the volume compared to the standard forward rate at the time the transaction is negotiated, while accepting the risk associated with the uncertainty of the final total hedge volume and the final duration of the SAB TARF hedge. The remainder of the volume can be exchanged at the current spot exchange rate.

Target Profit	2 CZK (200 hellers)
Spot exchange rate on the conclusion date	25.00 CZK/EUR
Forward exchange rate	25.10 CZK/EUR
Negotiated (SAB TARF) rate	**25.20 CZK/EUR**
Leverage	**without leverage**
SAB TARF conclusion date	15 January 2025

Expiry Date	Date of Settlement	Settlement Amount [EUR]	Negotiated (SAB TARF) rate [CZK/EUR]
4 Feb. 2025	6 Feb. 2025	100,000	25.20
4 Mar. 2025	6 Mar. 2025	100,000	25.20
3 Apr. 2025	7 Apr. 2025	100,000	25.20
2 May 2025	6 May 2025	100,000	25.20
4 Jun. 2025	6 Jun. 2025	100,000	25.20
2 Jul. 2025	7 Jul. 2025	100,000	25.20
4 Aug. 2025	6 Aug. 2025	100,000	25.20
4 Sep. 2025	8 Sep. 2025	100,000	25.20
2 Oct. 2025	6 Oct. 2025	100,000	25.20
4 Nov. 2025	6 Nov. 2025	100,000	25.20
4 Dec. 2025	8 Dec. 2025	100,000	25.20
2 Jan. 2026	6 Jan. 2026	100,000	25.20

Possible scenarios:

A. If the spot exchange rate (Bloomberg fixing) on the Expiry Date < the negotiated rate, the Client sells the agreed Settlement Amount at the negotiated rate, while accumulating the difference between the spot exchange rate and the negotiated (SAB TARF) rate up to the Target Profit level.

B. If the spot exchange rate (Bloomberg fixing) on the Expiry Date ≥ the negotiated rate, the Client will sell the agreed Settlement Amount at the negotiated rate and there is no accumulation of the exchange rate differences.

SCENARIO A:

If in the model example the spot exchange rate falls to the level of 24.85 CZK/EUR, the Client will sell in February at 25.20 CZK/EUR (35 hellers profit), in March at 25.20 CZK/EUR (35 hellers profit), in April at 25.20 CZK/EUR (35 hellers profit), in May at 25.20 CZK/EUR (35 hellers profit), in June at 25.20 CZK/EUR (35 hellers profit), in July at 25.10 CZK/EUR (25 hellers profit). The accumulated profit will therefore reach the Target Profit amount of CZK 2 (200 hellers) in July 2025 and SAB TARF will be settled (terminated), i.e. the following months will no longer be hedged.

SCENARIO B:

If in the model example the spot exchange rate increases to 25.10 CZK/EUR in February and remains unchanged at 25.30 CZK/EUR from March, the Client will sell at 25.20 CZK/EUR in February (10 hellers profit) and all other months up to and including 6 January 2026 at 25.20 CZK/EUR (CZK 0 profit). Therefore, the accumulated profit will not reach the Target Profit amount of CZK 2 (200 hellers), and SAB TARF will be active for the entire 12-month period.

CASE 4: NON-CASH FOREIGN CURRENCY FORWARD TRANSACTION SAB TARF WITH LEVERAGE, EXPORT

Client XY a. s. exports goods to Germany and receives payments in EUR for them. The Client wants to be sure that given the low business margin, the exchange rate will not drop below the current spot exchange rate 25.00 CZK/EUR. Based on the business practice, the Client knows that they sell goods worth EUR 250,000 to 400,000 every month.

The Client does not need to hedge the entire volume of the planned transaction at a fixed rate; more importantly, the Client needs a better rate for a portion of the volume compared to the standard forward rate at the time the transaction is negotiated, while accepting the risk associated with the uncertainty of the final total hedge volume and the final duration of the SAB TARF hedge. The remainder of the volume can be exchanged at the current spot exchange rate.

The Client decides to hedge part of the volume of EUR 80,000 per month at a fixed forward exchange rate of CZK 25.10 CZK/EUR per month. For the part of the volume of EUR 100,000 per month, the Client chooses between arranging SAB TARF hedging at the rate of **25.20 CZK/EUR without leverage** with the security of the exchange of the agreed volume (until the Target Profit is met) and arranging SAB TARF hedging at the rate of **25.35 CZK/EUR with leverage of 1:1.5** with the risk of exchanging higher volume in the event of unfavourable exchange rate development. As the Client wants to achieve the highest possible exchange rate against the forward exchange rate of 25.10 CZK/EUR, he decides to hedge EUR 100,000 per month with SAB TARF at 25.35 with leverage of 1:1.5. This means that the Client can hedge a part of the EUR volume at an even more favourable rate compared to the fixed forward exchange rate as well as to SAB TARF without leverage, but at the risk of settling the trade in a higher volume of EUR 150,000 at the negotiated SAB TARF rate in case the spot exchange rate moves against the negotiated SAB TARF rate.

Target Profit	2 CZK (200 hellers)
Spot exchange rate on the conclusion date	25.00 CZK/EUR
Forward exchange rate	25.10 CZK/EUR
Negotiated (SAB TARF) rate	**25.30 CZK/EUR**
Leverage	**1:1.5**
SAB TARF conclusion date	15 January 2025

Expiry Date	Date of Settlement	Settlement Amount A [EUR]	Settlement Amount B [EUR]	Negotiated (SAB TARF) rate [CZK/EUR]
4 Feb. 2025	6 Feb. 2025	100,000	150,000	25.35
4 Mar. 2025	6 Mar. 2025	100,000	150,000	25.35
3 Apr. 2025	7 Apr. 2025	100,000	150,000	25.35
2 May 2025	6 May 2025	100,000	150,000	25.35
4 Jun. 2025	6 Jun. 2025	100,000	150,000	25.35
2 Jul. 2025	7 Jul. 2025	100,000	150,000	25.35
4 Aug. 2025	6 Aug. 2025	100,000	150,000	25.35
4 Sep. 2025	8 Sep. 2025	100,000	150,000	25.35
2 Oct. 2025	6 Oct. 2025	100,000	150,000	25.35
4 Nov. 2025	6 Nov. 2025	100,000	150,000	25.35
4 Dec. 2025	8 Dec. 2025	100,000	150,000	25.35
2 Jan. 2026	6 Jan. 2026	100,000	150,000	25.35

Possible scenarios:

A. If the spot exchange rate (Bloomberg fixing) on the Expiry Date < the negotiated rate, the Client sells the agreed Settlement Amount A at the negotiated rate, while accumulating the difference between the spot exchange rate and the negotiated (SAB TARF) rate up to the Target Profit level.

B. If the spot exchange rate (Bloomberg fixing) on the Expiry Date ≥ the negotiated rate, the Client will sell the agreed Settlement Amount B at the negotiated rate and there is no accumulation of the exchange rate differences.

SCENARIO A:

If in the model example the spot exchange rate remains at the level of 25.00 CZK/EUR for the whole time, the Client will sell in February at 25.35 CZK/EUR (35 hellers profit), in March at 25.35 CZK/EUR (35 hellers profit), in April at 25.35 CZK/EUR (35 hellers profit), in May at 25.35 CZK/EUR (35 hellers profit), in June at 25.35 CZK/EUR (35 hellers profit), in July at 25.25 CZK/EUR (25 hellers profit). The accumulated profit will therefore reach the Target Profit amount of CZK 2 (200 hellers) in July 2025 and SAB TARF will be settled (terminated), i.e. the following months will no longer be hedged.

SCENARIO B:

If in the model example the spot exchange rate increases to 25.20 CZK/EUR in February and remains unchanged at 25.40 CZK/EUR from March, the Client will sell EUR 100.000 at 25.35 CZK/EUR in February (15 hellers profit) and all other months up to and including 6 January 2026 EUR 150.000 at 25.35 CZK/EUR (CZK 0 profit). Therefore, the accumulated profit will not reach the Target Profit amount of CZK 2 (200 hellers), and SAB TARF will be active for the entire 12-month period.

CASE 5: NON-CASH FOREIGN CURRENCY FORWARD TRANSACTION SAB TARF WITHOUT LEVERAGE, IMPORT

Client XY a.s. purchases goods from Italy in EUR and knows that he has to pay the supplier an amount of EUR 250,000 to 300,000 every month based on the invoice maturity. Given the need for a precise calculation of the costs, at the current spot exchange rate of 25.00 CZK/EUR, the Client decides to hedge part of the volume of EUR 120,000 per month at a fixed forward rate of 25.40 CZK/EUR and part of the volume of EUR 100,000 per month at a SAB TARF rate of 25.10 CZK/EUR.

The Client does not need to hedge the entire volume of the planned transaction at a fixed rate; more importantly, the Client needs a better rate for a portion of the volume compared to the standard forward rate at the time the transaction is negotiated, while accepting the risk associated with the uncertainty of the final total hedge volume and the final duration of the SAB TARF hedge. The remainder of the volume can be exchanged at the current spot exchange rate.

Target Profit	2 CZK (200 hellers)
Spot exchange rate on the conclusion date	25.00 CZK/EUR
Forward exchange rate	25.40 CZK/EUR
Negotiated (SAB TARF) rate	**25.10 CZK/EUR**
Leverage	**without leverage**
SAB TARF conclusion date	15 January 2025

Expiry Date	Date of Settlement	Settlement Amount [EUR]	Negotiated (SAB TARF) rate [CZK/EUR]
4 Feb. 2025	6 Feb. 2025	100,000	25.10
4 Mar. 2025	6 Mar. 2025	100,000	25.10
3 Apr. 2025	7 Apr. 2025	100,000	25.10
2 May 2025	6 May 2025	100,000	25.10
4 Jun. 2025	6 Jun. 2025	100,000	25.10
2 Jul. 2025	7 Jul. 2025	100,000	25.10
4 Aug. 2025	6 Aug. 2025	100,000	25.10
4 Sep. 2025	8 Sep. 2025	100,000	25.10
2 Oct. 2025	6 Oct. 2025	100,000	25.10
4 Nov. 2025	6 Nov. 2025	100,000	25.10
4 Dec. 2025	8 Dec. 2025	100,000	25.10
2 Jan. 2026	6 Jan. 2026	100,000	25.10

Possible scenarios:

A. If the spot exchange rate (Bloomberg fixing) on the Expiry Date > the negotiated rate, the Client sells the agreed Settlement Amount at the negotiated rate, while accumulating the difference between the spot exchange rate and the negotiated (SAB TARF) rate up to the Target Profit level.

B. If the spot exchange rate (Bloomberg fixing) on the Expiry Date ≤ the negotiated rate, the Client will sell the agreed Settlement Amount at the negotiated rate and there is no accumulation of the exchange rate differences.

SCENARIO A:

If in the model example the spot exchange rate increases to the level of 25.45 CZK/EUR, the Client will buy in February at 25.10 CZK/EUR (35 hellers profit), in March at 25.10 CZK/EUR (35 hellers profit), in April at 25.10 CZK/EUR (35 hellers profit), in May at 25.10 CZK/EUR (35 hellers profit), in June at 25.10 CZK/EUR (35 hellers profit), in July at 25.20 CZK/EUR (25 hellers profit). The accumulated profit will therefore reach the Target Profit amount of CZK 2 (200 hellers) in July 2025 and SAB TARF will be settled (terminated), i.e. the following months will no longer be hedged.

SCENARIO B:

If in the model example the spot exchange rate increases to 25.20 CZK/EUR in February and from March falls and remains unchanged at 24.90 CZK/EUR, the Client will buy at 25.10 CZK/EUR in February (10 hellers profit) and all other months up to and including 6 January 2026 at 25.10 CZK/EUR (CZK 0 profit). Therefore, the accumulated profit will not reach the Target Profit amount of CZK 2 (200 hellers), and SAB TARF will be active for the entire 12-month period.

CASE 6: NON-CASH FOREIGN CURRENCY FORWARD TRANSACTION SAB TARF WITH LEVERAGE, IMPORT

Client XY a.s. purchases goods from Italy in EUR and knows that he has to pay the supplier an amount of EUR 250,000 to 300,000 every month based on the invoice maturity. Given the need for a precise calculation of the costs, the Client decides to hedge part of the volume of EUR 80,000 per month at a fixed forward rate of 25.40 CZK/EUR. For the part of the volume of EUR 100,000 per month, the Client chooses between arranging SAB TARF hedging at the rate of **25.10 CZK/EUR without leverage** with the security of the exchange of the agreed volume (until the Target Profit is met) and arranging SAB TARF hedging at the rate of **25.00 CZK/EUR with leverage of 1:1.5** with the risk of exchanging higher volume in the event of unfavourable exchange rate development. As the Client wants to achieve the lowest possible exchange rate against the forward exchange rate of 25.40 CZK/EUR, he decides to hedge EUR 100,000 per month with SAB TARF at 25.00 with leverage of 1:1.5. This means that the Client can hedge a part of the EUR volume at an even more favourable rate compared to the forward hedging as well as to SAB TARF without leverage, but at the risk of settling the trade in a higher volume of EUR 150,000 at the negotiated SAB TARF rate in case the spot exchange rate moves against the negotiated SAB TARF rate.

The Client does not need to hedge the entire volume of the planned transaction at a fixed rate; more importantly, the Client needs a better rate for a portion of the volume compared to the standard forward rate at the time the transaction is negotiated, while accepting the risk associated with the uncertainty of the final total hedge volume and the final duration of the SAB TARF hedge. The remainder of the volume can be exchanged at the current spot exchange rate.

Target Profit	2 CZK (200 hellers)
Spot exchange rate on the conclusion date	25.00 CZK/EUR
Forward exchange rate	25.40 CZK/EUR
Negotiated (SAB TARF) rate	**25.00 CZK/EUR**
Leverage	**1:1.5**
SAB TARF conclusion date	15 January 2025

Expiry Date	Date of Settlement	Settlement Amount A [EUR]	Settlement Amount B [EUR]	Negotiated (SAB TARF) rate [CZK/EUR]
4 Feb. 2025	6 Feb. 2025	100,000	150,000	25.00
4 Mar. 2025	6 Mar. 2025	100,000	150,000	25.00
3 Apr. 2025	7 Apr. 2025	100,000	150,000	25.00
2 May 2025	6 May 2025	100,000	150,000	25.00
4 Jun. 2025	6 Jun. 2025	100,000	150,000	25.00
2 Jul. 2025	7 Jul. 2025	100,000	150,000	25.00
4 Aug. 2025	6 Aug. 2025	100,000	150,000	25.00
4 Sep. 2025	8 Sep. 2025	100,000	150,000	25.00
2 Oct. 2025	6 Oct. 2025	100,000	150,000	25.00
4 Nov. 2025	6 Nov. 2025	100,000	150,000	25.00
4 Dec. 2025	8 Dec. 2025	100,000	150,000	25.00
2 Jan. 2026	6 Jan. 2026	100,000	150,000	25.00

Possible scenarios:

A. If the spot exchange rate (Bloomberg fixing) on the Expiry Date > the negotiated rate, the Client sells the agreed Settlement Amount A at the negotiated rate, while accumulating the difference between the spot exchange rate and the negotiated (SAB TARF) rate up to the Target Profit level.

B. If the spot exchange rate (Bloomberg fixing) on the Expiry Date ≤ the negotiated rate, the Client will sell the agreed Settlement Amount B at the negotiated rate and there is no accumulation of the exchange rate differences.

SCENARIO A:

If in the model example the spot exchange rate stays at the level of 25.35 CZK/EUR for the whole time, the Client will buy in February at 25.00 CZK/EUR (35 hellers profit), in March at 25.00 CZK/EUR (35 hellers profit), in April at 25.00 CZK/EUR (35 hellers profit), in May at 25.00 CZK/EUR (35 hellers profit), in June at 25.00 CZK/EUR (35 hellers profit), in July at 25.10 CZK/EUR (25 hellers profit). The accumulated profit will therefore reach the Target Profit amount of CZK 2 (200 hellers) in July 2025 and SAB TARF will be settled (terminated), i.e. the following months will no longer be hedged.

SCENARIO B:

If in the model example the spot exchange rate increases to 25.10 CZK/EUR in February and from March falls and remains unchanged at 24.90 CZK/EUR, the Client will buy EUR 100,000 at 25.00 CZK/EUR in February (10 hellers profit) and all other months up to and including 6 January 2026 EUR 150,000 at 25.00 CZK/EUR (CZK 0 profit). Therefore, the accumulated profit will not reach the Target Profit amount of CZK 2 (200 hellers), and SAB TARF will be active for the entire 12-month period.