Raiffeisen Meine Bank

# Financial Market Report

# Slovakia

AUSSENWIRTSCHAFT ÖSTERREICH

In cooperation with AUSSENWIRTSCHAFT ÖSTERREICH (AWO) at WKÖ (the Austrian Federal Economic Chamber)

# Country Profile: Slovakia

Raiffeisen Research. As in April 2009.

**Basic Information about Slovakia**

**System of government:** Republic
**Area:** 49,035 square kilometres (18,918 square miles)
**Population:** 5.4 million
**Capital:** Bratislava (430,000 inhabitants)
**Head of state:** Ivan Gašparovič
**Premier:** Róbert FICO
**Official language:** Slovakian (other languages used in business: German, English)
**Currency:** euro (since 1 January 2009)

| **Gross Domestic Product and Budget** | **2007** | **2008 (est.)** | **2009 (forecast)** |
|---|---|---|---|
| Real GDP growth, % p.a, | 10.4 | 6.4 | 2.0 |
| Nominal GDP, €bn | 54.8 | 64.8 | 68.1 |
| Per capita GDP, PPP basis, € | 16,700 | 17,300 | 17,300 |
| Growth in industrial output, % p.a. | 12.8 | 2.0 | -3.0 |
| Consolidated budget deficit, % of GDP | 2.2 | 2.3 | -3.0 |
| **Inflation and Employment** | | | |
| Jobless rate, annual average, % | 11.0 | 9.6 | 11.0 |
| Average monthly gross wage, € | 596 | 703 | 760 |
| Consumer price inflation, annual average, % p.a. | 2.8 | 4.6 | 2.0 |
| **Balance of Trade and Current Account** | | | |
| Goods exports, €bn | 42.1 | 47.7 | 48.0 |
| Goods imports, €bn | 42.7 | 48.4 | 49.0 |
| Current account deficit, €bn | 2.9 | 4.1 | -4.5 |
| Current account deficit, % of GDP | 5.3 | 6.3 | -6.6 |
| Foreign debt, % of GDP | 54.7 | 58.9 | — |
| **Rates of Exchange and Interest Rates** | | | |
| Local currency/US$ (average) | 24.7 | 21.1 | * |
| Local currency/€ (average) | 33.8 | 31.2 | * |
| 3-month money market rate (BRIBOR), average, % | 4.2 | 4.0 | * |

* Joined the euro on 1 January 2009

| **Country Ratings** | |
|---|---|
| S&P | A+ |
| Moody's | A1 |

# The Slovakian Financial Market



Important:

Despite thorough research and the use of reliable sources, we cannot accept responsibility or liability for the completeness or accuracy of this brochure's contents. The purpose of this brochure is to give you initial, general information to help you develop business relationships in Slovakia. The content of this brochure does not constitute any form of advice or offer or invitation to make an offer.


Prepared in cooperation with AUSSENWIRTSCHAFT ÖSTERREICH (AWO) at WKÖ (the Austrian Federal Economic Chamber).

Sources:
Raiffeisen Zentralbank Österreich AG
WKO: AWO Slovakia Country Report; AWO Special Reports: Setting up a Company and Taxes in Slovakia, Property and Receivables in Slovakia.

Copy deadline: April 2009.

# 1. The Economic and Political Situation in Slovakia

## From laggard to star pupil

The transformation of the Slovakian economy that has taken place over the past 10 years has exceeded the hopes of even the biggest optimists. Today, Slovakia's is one of the most dynamic and competitive economies in the European Union. At the beginning of 2009, Slovakia became the second of the new EU Member States in Central and Eastern Europe that acceded to the EU in 2004 to join the euro, after Slovenia. This ended a remarkable decade that began with a political turnaround in 1998 during which far-reaching economic reforms were implemented and the process of integration into the EU was successfully completed. In 2008, *per capita* GDP in Slovakia (PPP basis) is estimated to have reached about 70 per cent of the EU average (EU-27), or 20 percentage points more than 10 years earlier. The average gross monthly wage (in euro terms) has doubled in the past five years alone.

One of the major reasons for Slovakia's economic success has been its attractiveness as a manufacturing base for the European market. Ambitious reforms and improvements in legal and economic conditions in the course of the EU integration process have made Slovakia a target of choice for foreign direct investors. As a result, *per capita* foreign direct investment in Slovakia has grown from less than €1,000 ten years ago to over €6,000 today, catching up with Hungary and the Czech Republic. At the same time, employment has risen and the jobless rate has fallen sharply. Unemployment was still a serious social problem at the end of the 1990s, at over 18 per cent, but it had fallen to just 8.4 per cent by the close of 2008.

Developments in the financial sector have also mirrored Slovakia's spectacular economic upturn. Today, Slovakia's banks are virtually all owned by international banking groups and are able to offer their customers a full range of banking services. Despite robust growth, Slovakian banks have been able to avoid overheated lending, even in the run-up to the euro's introduction. Although joining the euro did necessitate big adjustments in the banking industry, the euro's relatively early introduction (compared with neighbours Hungary and the Czech Republic) and the Slovakian currency's resulting stability during the global financial crisis have already paid off.

# 2. Company law

## 2.1. Forms of business organization

An enterprise with foreign partners or shareholders can be set up as a:

– joint-stock company (a.s.);
– limited liability company (s.r.o.);
– limited partnership (k.s.); or
– general partnership (v.o.s.).

## 2.2. Joint-stock company

- Capital stock: at least €25,000. At least 30 per cent of the capital stock must have be paid in at the time the company is formed.
- Boards and bodies:
  The shareholders' meeting is the enterprise's senior decision-making body. It decides on any changes to the memorandum and articles of association (e.g. changes in capital stock, changes in the rights attached to individual classes of share, winding the company up). The managing board is responsible for the company's management and represents it. It is elected by the shareholders' meeting. The members of the managing board do not have to be shareholders. Its members are subject to a bar on competition (*§196*). The supervisory board has a general supervisory role and supervises the activities of the managing board.

The joint-stock company can also be formed by one legal entity. If individuals are shareholders, there must be at least two.

The capital stock can be changed by a two-thirds majority at the shareholders' meeting, but it must not be reduced to below the statutory minimum.

When the company is formed, a reserve fund must be created in the amount of at least 10 per cent of the company's capital stock. 10 per cent of net profit must be added to it each year until it totals at least 20 per cent of the capital stock.

## 2.3. Limited liability company

The legislative requirements are very similar to Austria's:

- minimum capital of €5,000 and
- a minimum contribution of €750 per partner.

Moreover,

- the company can be formed by one individual alone but subject to the restriction that the same individual cannot be the sole partner of more than two limited liability companies;
- "one-man" companies cannot be "chained"; in other words, a limited liability company with just one partner cannot be the sole founder or sole partner of a limited liability company in Slovakia.

If the manager is a foreigner but a citizen of an EU Member State or OECD country, no residence permit will be required for registration in the commercial register, but he or she may have to obtain a residence permit to satisfy other regulations. Any legally required small business licence or permit will be a prerequisite for registration. If the manager is employed and receives a regular wage or salary, he or she will also need a work permit for Slovakia. The manager does not have to speak Slovakian.

## 2.4. Limited partnership

- Founders: The company can be founded by a minimum of two individuals and/or legal entities, one of the two being a general partner, the other a limited partner.
- There is no legislative minimum capital requirement.
- A limited partner must contribute at least €250.
- A general partner is not required to contribute capital.
- Only general partners can act in the company's name.

All company decisions must be made jointly by the general partner(s) and limited partner(s). One of the disadvantages of a limited partnership is the fact that a general partner is liable for the company's obligation with all of his/her/its assets. However, since the liability of partners in a limited liability company is limited, one can get round this by having a limited liability company as the general partner. By mitigating business risks in this way, a limited partnership can therefore be an advantage for a foreigner. In addition, a limited partnership has a number of tax advantages for foreign equity investors.

## 2.5. General partnership

A general partnership is a legal entity that requires at least two founders. They can be individuals or legal entities. The partners' liability is not limited.

## 2.6. Joint venture partners

– Slovakian joint venture partner:
  A Slovakian partner in a joint venture can be any legally capable party, including an individual.

– Foreign joint venture partner:
  Foreign joint venture partners can be individuals or legal entities.

## 2.7. Equity investments

Foreigners can also hold up to 100 per cent of a company's capital.

Both cash contributions and contributions in kind are allowed. The foreign contribution can take the form of financial contributions, machinery, licences, etc. The memorandum and articles of association will specify how large each contribution is to be. The value of contributions in kind must be assessed by an expert.

A foreigner

- can participate in the formation of a legal entity in Slovakia;
- be a partner or shareholder in an existing legal entity; and also
- can alone set up a Slovakian legal entity or become sole partner or shareholder of a legal entity insofar as the law allows a sole founder, partner or shareholder. The law expressly states that foreigners have the same rights and obligations as Slovakians in the conduct of these activities.

# 2.8. Forming a company, registration

- The company will come into being on the day it is registered in the commercial register.

- The following information will be recorded in the commercial register:

  – the company's trading name or, in the case of individuals, the first name and surname if it differs from the trading name;
  – the company's registered office (legal entity) or place of residence and, if different, business address and date of birth (individual);
  – ID number;
  – type of activity;
  – in the case of a legal entity, form of business organization;
  – first name and surname, place of residence, date of birth and birth reference number of the person(s) acting as (a) statutory officer(s) or members of the company or the nature of the power of attorney in the case of (a) legal entity(ies) together with the date when the function begins and the date when it ends;
  – the name, address and object of a branch or other organizational unit insofar as it is registered in the commercial register together with the first name and surname, place of residence, date of birth and birth reference number of the head of the branch or other organizational unit together with the date when his or her function begins and the date when it ends;
  – the first name and surname of the company's authorized signatory (if one has been appointed) and his or her place of residence, date of birth and birth reference number and the manner in which he or she acts for the business proprietor or enterprise together with the date when the function begins and the date when it ends;
  – the first name and surname, place of residence, date of birth and birth reference number of each member of the supervisory board (if one has been created) together with the date when his or her function begins and the date when it ends;
  – other particulars insofar as required by other legislative provisions.

- The following are also recorded in the commercial register:

  – in the case of a general partnership, the name and place of residence of each partner and, if applicable, trading name or designation and registered office of any legal entity that is a partner;
  – in the case of a limited partnership, the names and places of residence of the partners and, if applicable, the trading name and registered office of any legal entity that is a partner, stating which partner(s) is/are (a) general partner(s) and which is/are (a) limited partner(s); the amount of the contribution from each limited partner and the amounts that have been paid in;
  – in the case of a limited liability company, the name and place of residence of each partner and, if applicable, the trading name and registered office of any legal entity that is a partner, stating the amount of the capital stock (minimum: €5,000), the amount contributed by each partner and the amounts that have been paid in;

- in the case of a joint stock company, the amount of capital stock (minimum: €25,000), the amount paid in, and the type, class, quantity and par values of the individual shares;
- in the case of a cooperative, the amount of its registered assets and the amount of the basic contributions from its members.

- Special regulatory approval procedures are required to set up banks and insurance companies. Here, we recommend consulting the guidelines prepared by the banks (e.g. www.rzb.at), which also provide information about investing, the economic situation, forecasts, etc.

- The following documents must be included with the application for registration in the commercial register:

  - memorandum and articles of association or notarial deed and list of founders;
  - small business licence or permit or other form of permission from the competent authority if the company's activity has not been defined as business activity in general;
  - confirmation from the bank or administrator of contributions that the contributions have been paid;
  - certified signature(s) of the authorized signatory(ies) (if appointed);
  - specimen signatures of the members of the company's statutory bodies and supervisory board;
  - other documents concerning particulars that are to be registered in the commercial register such as a companies register extract relating to each founder (in the case of a legal entity, a notarized translation of the extract into Slovakian), residence permits of foreign individuals authorized to act in the company's name (e.g. managers of a limited liability company), etc.

- Fees for registration in the commercial register:

  - joint stock company: €829.50;
  - other forms of business organization (e.g. limited liability company): €331.50;
  - organizational unit: €165.50.

By law, registration will take five working days from the time of the application and submission of all the required documents.

One part of the commercial register is the documents collection, in which the legally required documents pertaining to each company and organizational unit must be lodged.

- Small business permits and licences:
  The small businesses act differentiates between two different types of small business activity:
  a) small business activities requiring registration: handicrafts, regulated trades, unregulated trades;
  b) licensed small business activities.

In the case of small business activities that require registration, proof of the right to carry on the small business takes the form of small business permit. In the case of a licensed small business activity, it takes the form of a licence.
The application for a small business permit or licence must be made to the locally competent small business supervision office. The application must contain the following information:

- details of the company;
- the activity;
- permanent establishments;
- the time of commencement of activities together with any time limits.

## 2.9. Setting up a “one-man” company

Under the small businesses act, an individual who is resident in Slovakia and a legal entity domiciled outside Slovakian territory can carry on a small business under the same conditions and to the same extent as a Slovakian unless the small businesses act or other legislation specifies otherwise.

The general prerequisites for being allowed to carry on a small business are:
a) being of legal age (18 years);
b) capacity to act;
c) good character (proven by a police check/certificate).

The detailed requirements will vary depending on the category of small business. They will usually include various kinds of proof of proficiency, qualifications and/or practical experience or similar.

## 2.10. Issuing licences

In line with internationally accepted practice, licences can be issued to and used by Slovakian companies.

# 3. Accounting

Financial reporting standards in Slovakia are based on the relevant EU regulations and directives. Slovakia has a three-tier regulatory system. The overarching legal standard is the commercial code, but this only prescribes general principles. The accounting act gives concrete form to the provisions of the commercial code and imposes requirements regarding the bookkeeping system and the preparation of annual financial statements. The third tier is made up of directives issued by the ministry of finance. The key directives include the accounting system directive (defining nine account classes) and the directive on the format of line items on the balance sheet and in the income statement.

Slovakian enterprises can adopt a 12-month accounting period that differs from the calendar year. However, to do so, they must inform the tax authorities at least 15 days before they plan to switch period.

# 4. Taxes and Legislation

## 4.1. Taxes

a) Income tax (profit tax) is charged at a rate of 19 per cent. This tax has replaced all former direct taxes and payroll tax.

Profits distributed to foreign joint venture partners in the form of dividends are not taxed.

b) Social security contributions are payable as follows (base = gross pay).

| **Social Security Category** | **Employer** | **Employee** |
|---|---|---|
| Old age insurance | 14.00% | 4.0% |
| Disability insurance | 3.00% | 3.0% |
| Health insurance | 10.00% | 4.0% |
| Sick pay insurance | 1.40% | 1.4% |
| Unemployment insurance | 1.00% | 1.0% |
| Guarantee insurance | 0.25% | |
| Reserve fund | 4.75% | |
| Accident insurance | 0.80% | |

The monthly wage contribution base is capped at

- €2,675 for pension and disability insurance, unemployment insurance and contributions to the social security system's reserve fund;
- €1,808 for health insurance; and
- €1,003 for sick pay and guarantee insurance.

The minimum wage contribution base is calculated according to the minimum monthly wage on the first day of the month for which insurance is paid. Since 1 January 2009, the minimum wage has been set at €295.50.

c) The standard VAT rate is 19 per cent. The reduced VAT rate is 10 per cent.

d) Excise: Excise duties are levied at various rates on certain products, including petrol, tobacco, spirits, beer, etc. The tax base for VAT is increased by the amount of any excise duty.

## 4.2. Tax incentives for big foreign investors

The relevant provisions are contained in the “rules regarding individual government support for investors.” Investments must total at least €13,277,567, and the investor must finance at least €6,638,783.77 million of the investment itself, although both these amounts will be halved if the investor carries out the project in a region with a jobless rate of no less than 10 per cent.

## 4.3. Registering for tax

This is done at the locally competent inland revenue office. The competent office will be the office competent for the company’s registered office.

Registration must take place in Slovakia within 30 days of the company’s formation or must be carried out at home by a foreign (Austrian) legal subject if it does not have a permanent establishment in Slovakia.

## 4.4. Double tax agreement between Slovakia and Austria

The agreement on the avoidance of double taxation with respect to income taxes is based largely on the OECD Model Tax Convention. It applies to persons who are resident either in Austria or in Slovakia. The place of residence of individuals will be determined based on the following criteria in the order stated:

- permanent abode;
- centre of vital interests in the case of dual domicile;
- usual place of abode;
- nationality;
- agreement with the authorities.

In the case of legal entities and other companies, domicile will depend on where the business is actually managed.

# 4.5. Real estate law

Since Slovakia joined the EU, foreigners have also been able to buy real estate with the exception or agricultural and forest land, for which a transitional period lasting until 2011 has been agreed.

Foreigners have been able to rent land for some time.

Inheritance and gift tax and land transfer tax have been abolished. Real estate tax is levied by cities and municipalities. It will vary depending on the size of the town or city. Income tax at a rate of 19 per cent is charged on the profits from selling real estate.

Purchase prices are freely negotiable and can also be paid in foreign currency. However, a property's value is usually assessed by an expert (surveyor). If government or city property is sold to a private individual, the price must be in line with legal standards governing the prices of land and buildings.

We recommend checking:

– whether the vendor and the vendor's predecessor are/were really the owners of the real estate;
– that there are no registered or unregistered encumbrances or restrictions;
– whether there are other leases, ongoing legal proceedings, restitution proceedings, etc.

The purchase price will usually be paid by documentary letter of credit or through a notary.

All contracts must be in writing and signatures must be notarized.

Ownership of real estate is registered in the property register (a public institution freely accessible to all). Information must be provided in Slovakian and any documents must be translated and certified.

Fees charged by the property registry: €66, and possibly an additional €265.50 for processing within 15 days in the form of a stamp duty.

The property registries in most cities are overstretched and are therefore often unable to adhere to the standard processing period of 30 days (or 60 days in more complex cases).

## 4.6. Investor protection

The assets of foreign individuals or legal entities and the assets of legal entities in which foreigners have capital stakes can only be compulsorily purchased (or ownership can only be restricted) if there is legislation to this effect and public interest cannot be served in any other way. Moreover, one can appeal against such action in court. If such an order is issued, compensation appropriate to the value of the asset must be paid immediately at the time of the order. Such compensation can be freely transferred abroad in a foreign currency.

Austria and the Czech Republic signed an investor protection agreement in 1990. It entered into force on 1 October 1991 and has also been adopted by Slovakia.

## 4.7. Customs-free zones

There are customs-free zones in three cities (Bratislava, Banská Bystrica and Košice). There are bonded warehouses throughout the country.

## 4.8. Customs

Imports from within the European Union are duty-free. No bonding or other customs regimes exist vis-à-vis EU Member States.

## 4.9. Profit distributions

Once tax and reserve fund contributions have been paid, an enterprise's net profit can be shared out between the partners and shareholders with an interest in its profit according to their stakes or, in the case of a joint venture, according to the agreement made between the partners.

Profits can be distributed to foreign joint venture partners in a foreign currency.

## 4.10. Exchange control

The euro has been Slovakia's official currency since 1 January 2009.
Individuals and legal entities can buy foreign currencies without restrictions. Legal entities deemed to be residents such as Slovakian companies and foreign companies domiciled in Slovakia that are registered in the commercial register must transfer foreign currency earned abroad to Slovakia (exceptions only being made if a special application has been submitted and approved). Permission is not needed to borrow money in OECD countries (but it must be reported to the Slovakian national bank).

Individuals and legal entities deemed to be Slovakian residents must transfer their foreign currency held abroad to Slovakia but do not require permission to hold and operate foreign currency accounts in Slovakia.

Banks can furnish the foreign exchange needed for imports without restrictions.

Slovakian legal entities that are residents for exchange control purposes can buy real estate or securities in an OECD country without obtaining special permission from the national bank.

# 5. Privatization

The private sector accounts for over 80 per cent of GDP. The privatization process is to continue this year as part of the restructuring of the economy and financial sector (encompassing, above all, selected enterprises in strategic industries like energy and public transport). As far as possible, foreign capital will be involved. Foreign investors already hold stakes in the telecommunication, savings bank, energy and steel sectors.

# 6. Arbitration

Slovakia has ratified the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the New York Convention). In it, the contracting states undertake to recognize and enforce arbitral awards made in another contracting state.

Consequently, the jurisdiction of the International Chamber of Commerce (ICC) or another arbitrator can be agreed in a contract concluded with a foreign party.

The International Chamber of Commerce is a globally represented organization based in Paris.

The arbitration clause of the International Chamber of Commerce (ICC) reads as follows:
"All disputes arising out of or in connection with the present contract shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with the said Rules."

This arbitration clause is also available in many other languages.

Useful agreements to supplement the arbitration clause:

- The number of arbitrators shall be .......................... (one or three).
- The applicable law shall be ............................
- The language used in arbitration proceedings shall be .....................................

# 7. Support and Subsidies

## The EU Cohesion Policy (2007 – 2013)

**Point of Departure and Status Quo**

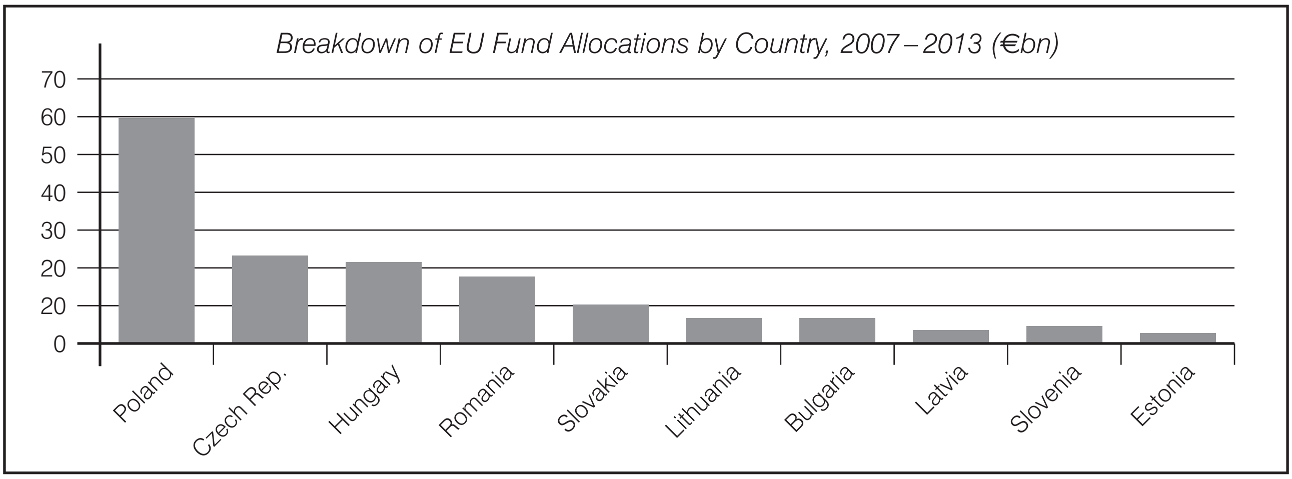
There are considerable economic and social disparities between the different regions of Europe, and this is particularly true in Central and Southeastern Europe.

The EU has set itself three policy objectives to create a balance within these regions:

| Objective | Priorities |
|---|---|
| Convergence | Support for development and restructuring in the less developed regions (formerly Objective 1) |
| Regional competitiveness and employment | Promotion of innovation and sustainable development, support for the adaptation and modernization of education, training and employment policies |
| European territorial cooperation | Strengthening of cross-border, transnational and interregional cooperation (formerly INTERREG) |

*Source: Enterprise Europe Network.*

In order to realize these policy objectives, the European Union has allocated structural funds (European Regional Development Fund [ERDF], European Social Fund [ESF] and European Cohesion Fund)) in the amount of €347.4 billion. This EU aid consists of non-repayable grants.



**Structure of the Support Programmes: From EU Objective to National Promotional Programme**

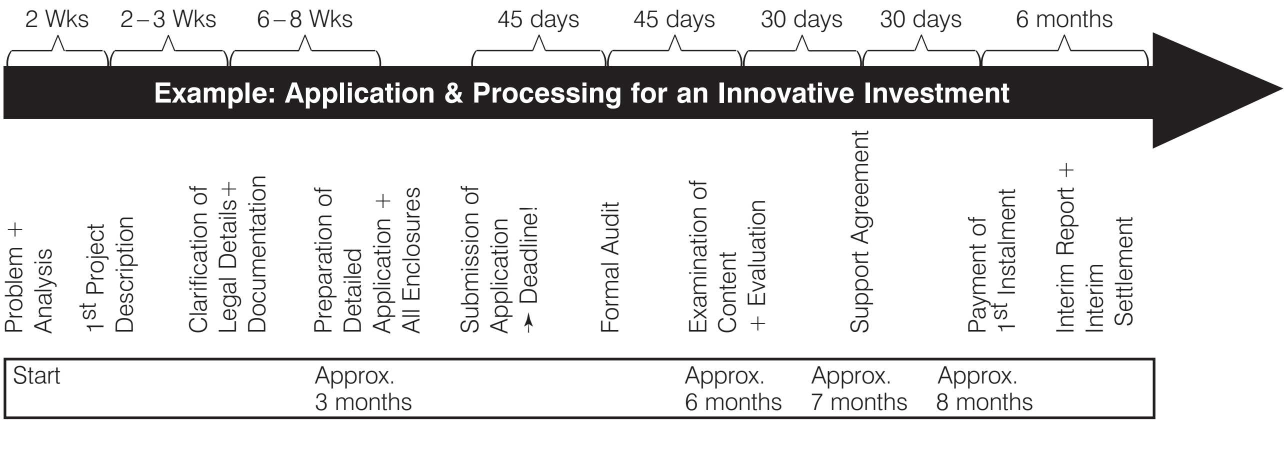
The individual EU Member States define their national and regional priorities on the basis of the EU objectives named above and derive individual operational support programmes (OPs) from them. The OPs are structured according to region and theme. Support focuses (so-called *priority axes*) regulated by guidelines approved by Brussels are defined within these programmes. The following themes are deemed to be the principal focuses for the individual countries: innovation, research and development, creating jobs, environmental protection, training, SMEs, transportation and regional support.

Special national funding agencies (ministries and investment agencies) are responsible for distributing promotional funds. While support can be continuously applied for in Austria within the scope of framework programmes, in Eastern Europe it is granted within the scope of “calls” (tender invitations). Calls for each of the focuses of support named above take place once or twice a year, and they are open for between one and three months. The principal criteria of assessment for the granting of support to companies are the size of a company, its location and the nature of the project to be supported.

**How can your company apply for support?**

One can submit applications for clearly defined projects while calls are open. Applications will only be accepted if they are complete (project description, approvals, budgeting, …) and in the language of the country concerned. Projects that have been submitted are then assessed by evaluators using a points system in accordance with the guidelines that have been stipulated or laid down in the programme. All the projects in a call compete with one another. Only those with the largest number of points will be shortlisted for support.

*Timescale of a project receiving support:*




A complex and time-consuming process takes place between the time of the application and any disbursement of funds. One needs experience dealing with pubic authorities and the targets they set.

**National Subsidies**

In addition to the EU structural funds, companies can also apply for support from national funds. To be worthy of support, it is very important for an investment project to be of economic importance to the country or region. The criteria of assessment are the minimum size of the investment, the number of jobs it will create and the minimum period those jobs will continue to exist.

The following investment incentives are possible:

- tax reductions, tax deferrals and tax exemptions;
- grants;
- loans;
- guarantees;
- equity investments;
- cheaper land.

However, these incentives are subject to the national regulations applicable in the particular country (special economic zones, investment certificates, ...) and must be applied for to regional funding bodies.

**Please note:**

- An application for support must be made before the project begins.
- The guidelines for support must be mirrored in the project description.
- Details of the guidelines may change during a call, so one must always keep up to date with them.
- Investment plans must never depend on support. A project must also be viable without support.
- There is no legal right to support.

For more information, go to http://www.ri.co.at/index.php?id=307&L=1 or contact our support and subsidy experts:

Peter Roba, Alexandra Ščevlíková
TATRA BANKA, A.S.
Hodžovo nám. 3
SK-811 06 Bratislava
Phone: +421-2-5919 1652 (Peter Roba)
Phone: +421-2-5919 1195 (Alexandra Ščevlíková)
email: peter_roba@tatrabanka.sk
email: alexandra_scevlikova@tatrabanka.sk

# 8. Risk Mitigation and Finance

## Guarding against investment risks abroad

*aws* (*Austria Wirtschafts Service GmbH* = the federal government's funding agency)

*aws* provides guarantees to protect Austrian companies against financial risks arising from their equity investments abroad within the scope of *Ost-West-Fonds* (East-West Fund) guarantees.

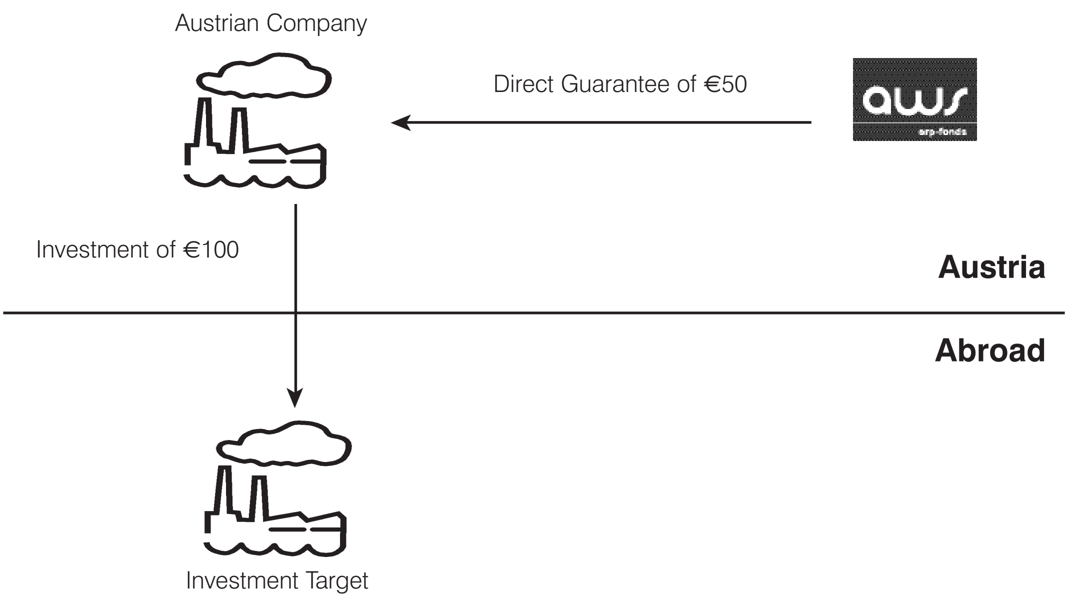
Two kinds of protection are available, the direct guarantee and the finance guarantee (with or without risk sharing).

www.awsg.at

**The Direct Guarantee**

An *aws* direct guarantee provides protection against the possible failure (insolvency or similar circumstances) of an equity investment project. *aws* undertakes to provide a specific capital sum up to the maximum guaranteed amount.

Direct guarantee to cover project risk:



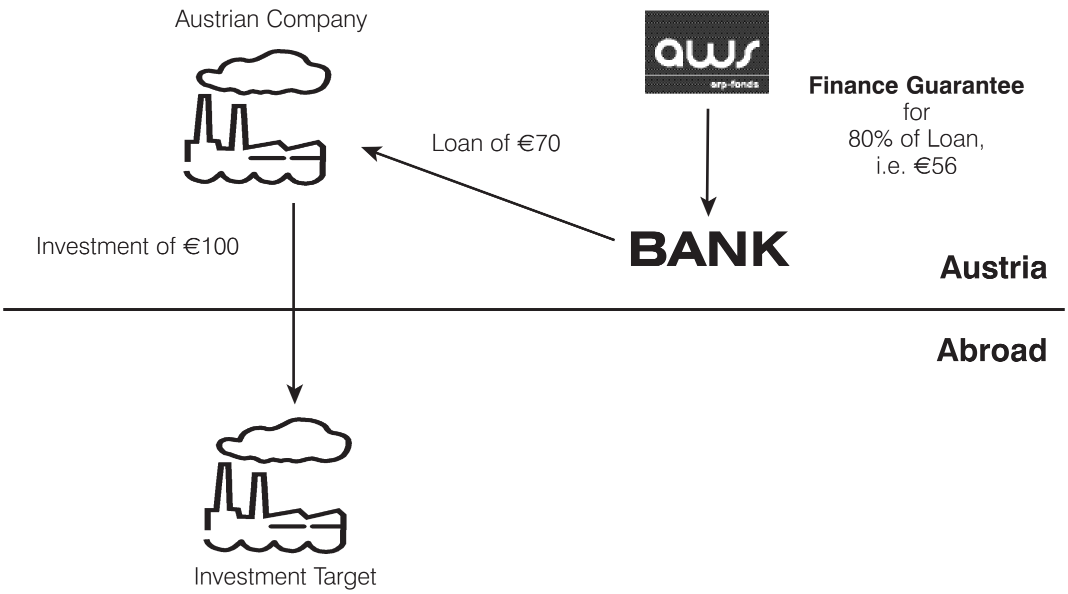

*aws* guarantees up to 50 per cent of the amount invested by the Austrian company should a project in another country fail. The guarantee will cost SMEs 0.5 per cent of the guaranteed outstanding loan amount per half year.

In the case of large enterprises, the maximum guarantee is one third of the value of the project. The guarantee fee will be set in line with the market.

**Finance Guarantee**

An *aws* finance guarantee safeguards the bank with protection against the investor's financial risk (loan loss caused by the Austrian company's insolvency). A finance guarantee covers up to 80 per cent of the loan.

Finance guarantee to provide cover against credit risk:



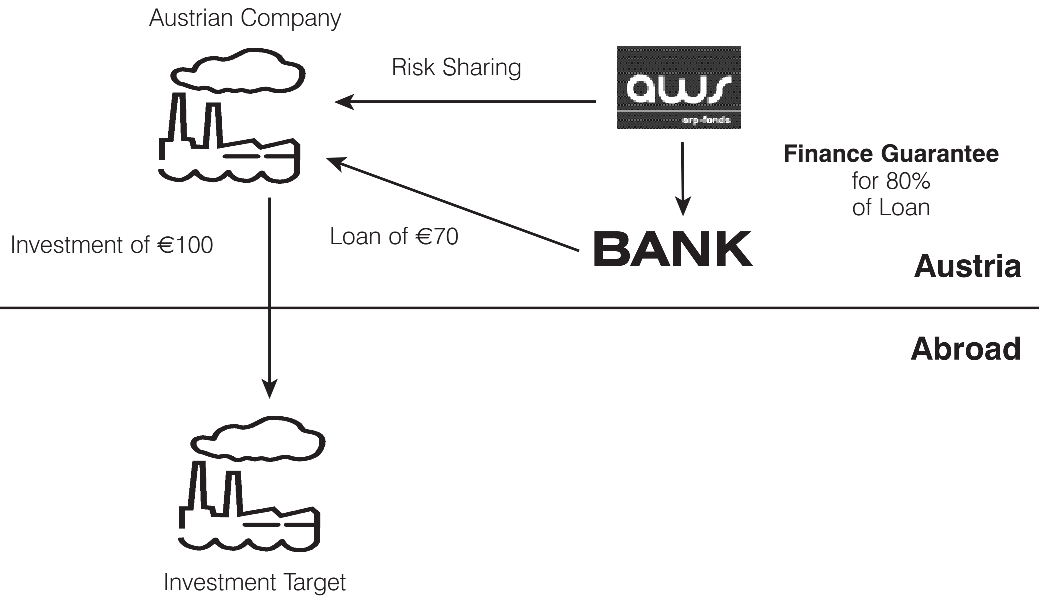

In the case of large enterprises, *aws* guarantee up to one third of a project's value. The guarantee will cost SMEs from 0.3 per cent of the guaranteed outstanding loan amount per half year. In the case of large enterprises, the guarantee fee will be set in line with the market.

**Finance Guarantee with Risk Sharing or Combination of Direct Guarantee and Finance Guarantee**

It is possible to supplement a finance guarantee with protection against the financial risk associated with an equity investment project in another country (finance guarantee with risk sharing).

If the equity investment project fails, *aws* takes on the role of financier, offering the investor a cheaper form of finance (soft loan). Alternatively, it may offer the investor a settlement on a present value basis to allow early repayment of the loan. It is important to note that *aws* will only agree to risk sharing if it is ensured that the Austrian parent company is not in a position to deliberately make the equity investment fail (e.g. by charging excessively high internal prices).

Finance guarantee with risk sharing to cover the credit risk and project risk:




The guarantee will cost SMEs 0.3 per cent of the guaranteed outstanding loan amount per half year plus another 0.2 per cent per half year for risk sharing. In the case of large enterprises, the guarantee fee will be set in line with the market.

Low-interest finance, credit for internationalization projects:

**OeKB *(Österreichische Kontrollbank AG)***

Good risk management and attractive sources of funds are essential if companies are to achieve sustainable success as exporters and when investing abroad. *OeKB* offers federal export guarantees, bill guarantees and funding variants that are processed through a company's own bank, thus providing instruments that strengthen Austrian companies and their partners in the global competitive environment.
By issuing and processing export guarantees, *OeKB* therefore acts as the Republic of Austria's export credit agency (ECA). Export guarantees give Austrian companies protection against manufacturing and default risks when exporting abroad (whether caused by economic or political events in the importing country), and an export guarantee provides protection against political risks when investing abroad. The broad range of possible forms of protection is available to all small, medium-sized and large enterprises. If the export transaction or investment abroad helps improve Austria's current account (e.g. export of goods or services that are predominantly of Austrian origin, repatriation of dividends, repatriation of interest and capital, creation of jobs in Austria, know-how transfers), one of the key prerequisites for an *OeKB* guarantee has already been met. Further information about protecting oneself with federal export guarantees can be obtained directly from the *OeKB* website (www.oekb.at).

In addition to protecting export transactions and investments, you can also apply for *OeKB* funds to finance exports and investments abroad through your bank.

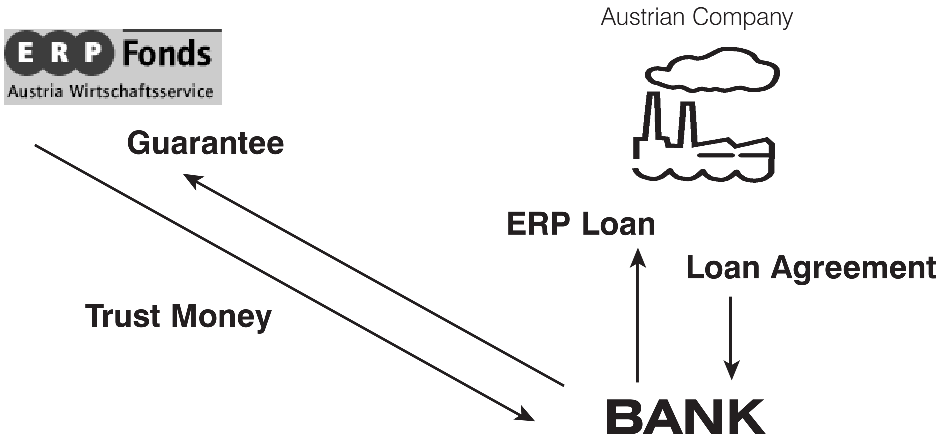
The principal prerequisites are:
- the assumption of liability by the Republic of Austria in the form of a bill guarantee or other guarantee or
- a guarantee from a loan insurer or
- an *aws* guarantee or
- a guarantee from an international organization and
- a direct or indirect improvement to Austria's current account.

**ERP Fund**

The ERP Fund is a fund with a separate legal personality that has been affiliated with *aws* (*Austria Wirtschaftsservice*) since 2002. The fund's assets derive from capital allocated within the scope of the United States' Marshall Plan. The Marshall Plan (European Recovery Program, or ERP for short) was set up to promote Europe's economic recovery after World War II. Low-interest advances with grace periods of several years are available within the scope of ERP loans:

The ERP internationalization programme for direct investments abroad:

- Target group: Austrian SMEs, large enterprises within the *de minimis* limit (present value of loan not more than €200,000 within 3 years) .
- Support for: equity and other investments that will improve the applicant's strategic position.
- Equity and other investments in the following countries: Albania, Algeria, Argentina, Bosna and Herzegovina, Brazil, China, Croatia, Egypt, India, Indonesia, Iran, Korea, Libya, Malaysia, Morocco, Macedonia, Mexico, Montenegro, Pakistan, Russia, Saudi Arabia, Serbia, Sri Lanka, Thailand, Tunisia, Turkey, the Ukraine.



- Terms and conditions:
  - Maximum loan: €7.5 million
  - Duration: 6 years
    - Period of utilization: 0.5 years
    - Grace period: 2 years, interest rate of 1.75% p.a. (fixed)
    - Redemption period: 4 years, interest rate of 2.25% p.a. (fixed)
  - In a number of programmes, longer grace periods and redemption periods are also on offer: sunrise industries within the technology programme, regional programme with a longer duration.
  - Interest charged on an accrual basis.
  - Processing fee: 0.9% of the ERP loan.
  - In addition to these costs, there will also be the guaranteeing bank's guarantee fee.

- Projects eligible for support:
  - investments in:
    - manufacturing facilities
    - setting up subsidiaries
    - manufacturing joint ventures
  - acquisition of a minority stake (at least 25%)

- Costs that can be subsidized:
  - capital contributions
  - partners' loans
  - cost of acquiring an equity investment
  - costs directly associated with investments

**The KfW Banking Group (Kreditanstalt für Wiederaufbau, Frankfurt, Germany)**

*KfW-Bank* offers subsidized, fixed-rate loans to pay for investments carried out abroad in connection with internationalization projects by German companies or by their subsidiaries or joint ventures with German partners (German stake > 25%). They can be applied for through partner banks (e.g. RZB).

The following programmes come into question in connection with internationalization projects:

*Corporate Loans*, the *KfW Environmental Programme*, and *KfW Capital for Jobs and Investment* (all three programmes may be combined).
Essentially, any investment can be financed (e.g. corporate acquisitions, investments in plant, equipment, land and buildings).
Link: www.kfw-foerderbank.de/

# 9. Payment and Account Services at Tatra banka, a.s.

## 9.1. Cash management products

**Account Services**

| | National Currency (NC) | NC Deposits | Foreign Currencies (FCs) | FC Deposits |
|---|---|---|---|---|
| Residents | ✓ | ✓ | ✓ | ✓ |
| Non-residents | ✓ | ✓ | ✓ | ✓ |
| Interest on credit balances | ✓ | ✓ | ✓ | ✓ |
| Overdrafts | ✓ | | ✓ | |

**Cash Management: Local Products and Services**

**Payments, Deposits**
- Domestic payments (NC)*
- Domestic payments (FCs)*
- Foreign payments (NC)*
- Foreign payments (FCs)*
- Domestic debits
- Cheque collections
- Travellers cheques
- Cash deposits / withdrawals (NC)*
- Cash deposits / withdrawals (FCs)*
- Foreign currency buying and selling
- Bank cards
- Credit cards
- Western Union

**Electronic Banking**
- Local Electronic Banking – GEMINI
- MultiCash
- eBanking solutions:
  - Internet banking
  - email / text message banking
  - email account statements
  - telebanking
  - TatraPay
  - Dialog
  - Mobile banking
- SWIFT MT940, 941, 942
- SWIFT MT101
- EDIFACT (PAYMUL)**
  (with exceptions)

**Liquidity Management**
- Overdrafts
- Cash Pooling Zero Balancing
- Cash Pooling
  Interest Offsetting
- Cross Border Cash Pooling
- Collection of daily takings

* Subject to restrictions due to local regulations.
** Executed by RZB (via MultiCash/CMI@WEB).

**Cash Management: Group Products and Services**

- Cash Management International (CMI)
- International Account Reporting
- International Disbursement Service
- Intra Group Payments (IGP)
- Cross Border Cash Pooling
- Low Value Payments
- UniCash Member
  CMI@WEB

# 9.2. Legislative Provisions and Exchange Control

**Account Services**

- Permission from the Slovakian national bank is no longer needed to open a foreign currency account at a local bank.
- Foreign and Slovakian corporate and business banking customers are allowed to have foreign currency and euro accounts.

**Domestic Payments**

- The euro accounts of foreign accountholders are treated in the same way as domestic accounts for the purposes of domestic payments.
- Foreign currency payments within Slovakia are either routed through bilateral accounts at correspondents (being converted into euros) or the amount is furnished by a correspondent. There is no national clearing system for foreign currency payments.

**Foreign Payments**

- Cross-border euro payments are allowed.
- Resident and non-residents must give each payment a number and state the reason for the payment. Standard codes are required for euro payments. In the case of foreign currency payments, the payment just be given a designation and the reason for the payment must be stated. (Banks are obliged to disclose the reason for the payment). The reason for a foreign payment need not be given up to an amount of €12,500.

**Cash Deposits / Withdrawals**

- Up to €3,350: no notice required.
- Over €3,350: 2 days' prior notice of cash withdrawals.

# 9.3. Clearing mechanisms

**Mechanisms**

- Description: Slovakian banks have mutual euro accounts. All domestic payments data is processed through the bank clearing system (a separate legal entity owned by the participating banks). All banks must be clearing participants and have an account with the bank clearing system. All euro payments are processed in the same way (via the clearing centre), regardless of amount.
- Valuation:

| | |
|---|---|
| Income domestic | clearing |
| Outgoing domestic | clearing + 1 |

- Settlement procedure: Local interbank payments and value date information are processed in a two-day cycle (assuming the cut-off times are adhered to): debit on D; transfer to the clearing centre on D (in the evening) or D+1 (in the morning); global interbank clearing on D+1; transfer of the data to the beneficiary's bank on D+1; beneficiary's account credited on D+1 (in the evening).

| | |
|---|---|
| Customer's bank | 0 days |
| Clearing centre | 1 day |
| Beneficiary's bank | 0 days |

**Banks' clearing system memberships**

Mandatory

# 9.4. Value dates

| Order Type | Cut-off Times | |
|---|---|---|
| DPs, paper-based<br>DPs, electronic<br>FPs, paper-based<br>FPs, electronic<br>Incoming payments | 14:00 CET<br>18:00 CET<br>13:00 CET<br>14:00 CET<br>12:00 CET | |
| **Process** | **DPs** | **FPs** |
| Debit from customer's account | D | D |
| Transmission to other bank | D+1 | D+2, EUR D+1 |
| Credit to beneficiary's account | C | C (C+2 with currency translation, C without currency translation) |
| Exception for VIP customers | D | D+1, D+0 |

D = Day order is received from customer
C = Day order is received from customer's bank
DPs = Domestic payments
FPs = Foreign payments
CET = Central European Time

# 10. Tatra banka, a. s. in Slovakia

| | |
|---|---|
| Assets, €m | 10,973 |
| Branches | 162 |
| Staff | 3,885 |
| As at 31 December 2008 | |

| Shareholder structure: | |
|---|---|
| *Raiffeisen International* | 64.54% |
| *Tatra Holding GmbH* | 12.57% |
| Other | 22.89% |

*Tatra banka, a.s. w*as set up in 1991. It was Slovakia's first private bank and is now the country's third-largest. On 31 December 2008, *Raiffeisen* had assets of €11.0 billion in Slovakia and a network of 162 branches (year-end 2007: 156). At the end of 2008, its 3,885 employees were servicing roughly 744,000 customers.

From the outset, *Tatra banka* was one of the country's most successful corporate and retail banks. Although its products and services are in the higher-price bracket, its personal banking operations have grown more rapidly than the market as a whole. *Raiffeisen*'s customer deposit balances in Slovakia grew by 34,6 per cent to €7.5 billion during 2008, while the loan portfolio grew by €1.7 billion to €6.2 billion.

Subsidiary *Tatra Asset Management s.r.o.* has a market share of one third of the Slovakian market.

In December 2008, *Moody's* assigned *Tatra banka* a rating of A1 with a stable outlook, and *Standard & Poor's* rated it A- with a negative outlook. The bank won a number of awards in 2008, including "Best Bank" from *Euromoney* and "Bank of the Year" from *The Banker*.

# 11. Your International Business Specialists at Tatra banka, a.s. and the Global Raiffeisen Network

## Your specialists at Tatra banka, a.s.

Oswald Brandstetter
Head of International Clients
oswald_brandstetter@tatrabanka.sk
Phone: +421-2-5919 – 1849

Dominique Bernard
dominique_bernard@tatrabanka.sk
Phone: +421-2-5919 – 1721

## Your international business specialists

**Raiffeisen Zentralbank Österreich AG**
Herwig Haidn
herwig.haidn@rzb.at
Phone: +43-1-71 707 – 1574

**Raiffeisen International Bank-Holding AG**
Rudolf Lercher
rudolf.lercher@ri.co.at
Phone: +43-1-71 707 – 3537

**Raiffeisenlandesbank NÖ-Wien AG**
Alfred Götsch
alfred.goetsch@raiffeisenbank.at
Phone: +43-5-1700 – 92 359

Irene Kammerhofer
irene.kammerhofer@raiffeisenbank.at
Phone: +43-5-1700 – 92 157

Andreas Hopf
andreas.hopf@raiffeisenbank.at
Phone: +43-5-1700 – 93 304

Eszter Ruzsa
eszter.ruzsa@raiffeisenbank.at
Phone: +43 / 5 / 1700 – 93307

**Raiffeisen-Landesbank Steiermark AG**
Franz Rogi
franz.rogi@rlb-stmk.raiffeisen.at
Phone: +43-316-4002 – 7110

Günther Geieregger
guenther.geieregger@rlb-stmk.raiffeisen.at
Phone: +43-316-4002 – 7170

**Raiffeisenlandesbank Oberösterreich AG**
Helmut Zeindlinger
zeindlinger@rlbooe.at
Phone: +43-732-6596 – 3113

Artem Snegirev
snegirev@rlbooe.at
Phone: +43 / 732 / 6596 – 3161

**Raiffeisenverband Salzburg**
Friedrich Buchmüller
friedrich.buchmueller@rvs.at
Phone: +43-662-8886 – 3860

**Raiffeisen-Landesbank Tirol AG**
Andrea Zankl
andrea.zankl@rlb-tirol.at
Phone: +43-512-5305 – 2230

**Raiffeisenlandesbank Vorarlberg**
Konstanze Thym
konstanze.thym@raiba.at
Phone: +43-5574-405 – 524

**Raiffeisenlandesbank Burgenland**
Rudolf Raimann
rudolf.raimann@rlb-bgld.raiffeisen.at
Phone: +43-2682-691 – 260

Hubert Wolfger
hubert.wolfger@rlb-bgld.raiffeisen.at
Phone: +43-2682-691 – 179

**Raiffeisenlandesbank Kärnten**
Michael Stegmüller
michael.stegmueller@rbgk.raiffeisen.at
Phone: +43-463-99 300 – 2280

Herbert Schöffmann
herbert.schoeffmann@rbgk.raiffeisen.at
Phone: +43-463-99 300 – 2269

# Notes

# Notes

Received from: