



Financial Market Report

Romania

Country Profile: Romania

Raiffeisen Research. As in April 2009.

Currency: leu

Gross Domestic Product and Budget	2007	2008	2009 (est.)
Real GDP growth, % p.a.	6.2	7.1	0.5
Nominal GDP, €bn	123.7	136.8	129.4
Per capita GDP, PPP basis, €	10,500	11,400	11,500
Growth in industrial output, % p.a.	5.4	0.9	(3.0)
Consolidated budget deficit, % of GDP	2.5	5.0	5.0
Inflation and Employment			
Jobless rate, annual average, %	4.3	4.0	5.5
Average monthly gross wage, €	422	475	433
Consumer price inflation, annual average, % p.a.	4.8	7.9	5.7
Balance of Trade and Current Account			
Goods exports, €bn	29.5	33.4	30.3
Goods imports, €bn	47.4	51.5	42.0
Current account deficit, €bn	16.7	16.8	11.6
Current account deficit, % of GDP	13.5	12.3	9.0
Foreign debt, % of GDP	47.3	53.4	60.0
Rates of Exchange and Interest Rates			
Local currency/US\$ (average)	2.44	2.50	2.99
Local currency/€ (average)	3.34	3.68	4.25
3-month money market rate (ROBOR), average, %	6.67	11.52	11.50
Country Ratings			
S&P		BB+	
Moody's		Baa3	

The Romanian Financial Market

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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 Romania. 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

WKÖ: AWO Romania Country Report; AWO Special Reports: Setting up a Company and Taxes in Romania, Property and Receivables in Romania.

Copy deadline: April 2009.

1. The Economic and Political Situation in Romania

Convergence continues

After seven years of preparation, Romania was accepted as a full member of the European Union on 1 January 2007. Real convergence has progressed rapidly in recent years. The preparations for EU accession have meant considerable headway in the economy, reforms of the country's institutions and political and social changes. Romania's *per capita* GDP (PPP basis) grew from 26 per cent of the EU-27 average in 2000 to 45 per cent in 2008. However, this is still a low figure by the standards of other EU Member States, so further progress is needed. Since 2000, we have seen impressive economic growth, with annual rates of growth averaging 6.2 per cent between 2001 and 2008. The principal motor of growth has been aggregate demand in the private sector within Romania (household spending and gross fixed capital formation). Aggregate domestic demand has grown so fast that domestic supply could not keep up, leading to ever bigger trade imbalances.

Romania too has been affected by the increased aversion to risks in foreign markets and by the international credit squeeze. Because of its big current account deficit (12.3 per cent of GDP in 2008) and high foreign debt—significant weaknesses against the backdrop of economic turmoil and recession in external markets—foreign investors have become more pessimistic about Romania's economic prospects. At the same time, the rating agencies *Standard & Poor's* and *Fitch* assigned Romania a negative rating of BB+ with a poor outlook ("non-investment grade") at the end of 2008. In anticipation of a decrease in the availability of funds from abroad and in view of negative economic forecasts, banks have become more reluctant to lend to companies or private households in Romania, and the country's rising risk premium has driven up the cost of borrowing in foreign currencies. More expensive access to credit and increasingly restrictive lending policies have subdued domestic demand (consumption and investment).

The government has done a variety of things to mitigate the effects of the crisis, including paying companies for goods and services supplied to the public sector in 2008 (overdue amounts having come to the sizeable sum of €2 billion). From the second quarter of 2009, ploughed back profits will be tax-free, and a scrapping fee of about €1,000 will be paid for one's old car when one buys a new one (affecting up to 60,000 vehicles). In March 2009, Romania reached an agreement with the IMF, EU Commission and World Bank for a financial package worth about €20 billion.

However, there is still a lot of scope for real convergence, as has been signalled by the strong inflow of foreign direct investment in recent years. The low level of wages in Romania is still a potential advantage in many sectors and industries. It will therefore be up to the government to take appropriate action to win back the confidence of foreign investors, to prevent a hard landing in the short term and to ensure sustainable growth in the long term. Given the amount of pre-accession funds that Romania could receive from the European Union (about €30 billion between 2007 and 2013), the government also has an important role to play in the convergence process. However, the government's principal aim should be to improve the economy's capacity to absorb this money.

Romania intends to join the euro no earlier than 2014, which would involve joining the Exchange Rate Mechanism (ERM II) in 2012. Romania does not currently satisfy the Maastricht inflation criteria (nor, implicitly, Maastricht's long-term interest rate target). On the other hand, public debt is still well below the Maastricht ceiling (i.e. the budget deficit is currently under the 3 per cent limit). However, low tax revenues and growing pressure on the spending side of the account mean that this limit could be exceeded in years to come. Since the nominal convergence criteria will be hard to meet given the slow pace of real convergence, Romania really cannot be expected to join the euro before 2014.

2. Company Law

Companies domiciled in Romania that will be deemed to be Romanian legal entities can be formed with the following forms of business organization:

A. Partnerships

General partnership
Limited partnership
Partnership limited by shares

B. Corporations

Limited liability company
Joint-stock company

The capital of any of these forms of business organization can be partly or totally foreign. Contributions from Romanian partners or shareholders can be freely negotiated. Besides the above forms of business organization, there are also commercial agencies, branches and joint ventures.

All companies registered in Romania are deemed to be Romanian legal entities. They can buy real estate (even if their capital is 100 per cent foreign owned). One must remember that the government charges very high redesignation fees if one wants to have agricultural land redesignated as building land. Because of an amendment to the relevant act, a valuation by an expert licensed by the ministry of agriculture will always be required when redesignating land.

A foreign investor has the right to sell his/her/its business shares and rights in a company to other investors, whether Romanian or foreign. Foreign and Romanian investors are equal in the eyes of Romanian law.

2.1. Forming a company

When forming a company in Romania, it is essential to consult a lawyer and a tax advisor. The trade register authority (*Oficiul National al Registrului Comertului*) has one-stop offices (Romanian: *Birou unic*) that are responsible for registering new companies in the trade register and obtaining all the necessary certificates and permits (fire certificate, health certificate, sanitary and veterinary certificate, environmental certificate, labour safety certificate). The trade register offices nationwide are listed at www.onrc.ro.

The application for the registration of a company must be made using a standard form. The customary documents (most recent income statement and balance sheet of the parent, memorandum and articles of association, lease, credit report from the parent's bank and confirmation from the bank in Romania that the company's capital has been deposited, proofs regarding contributions in kind; in the case of individuals: CV and police report/certificate) must be enclosed with the application. The *Birou unic* will issue a certificate of registration. The registration number from the trade register that it contains will also be the tax reference number of the particular company.

Registration in the trade register and all the necessary permits will cost about €600. Fees are regularly being updated. If the memorandum and articles of association have already named them as managers or representatives of the company, the company's representatives must register their signatures with the trade register at the time the company is registered.

2.2. Small and medium-sized enterprises

A business proprietor—who or which can be an authorized individual or legal entity—can set up a “microenterprise” with up to nine employees, a small enterprise with between 10 and 49 employees, or a medium-sized enterprise with between 50 and 249 employees. Any small or medium-sized enterprise that records annual revenue of up to €8 million and whose capital is exclusively private can apply for various forms of preferential treatment. Exception: If the partner or shareholder of a small or medium-sized enterprise is a legal entity that holds a stake of over 25 per cent in the company and itself has more than 250 employees, that small or medium-sized enterprise cannot apply for preferential treatment.

The application for registration of the newly formed small or medium-sized enterprise is made to the *Birou unic* of the competent trade register office. This merely involves filling in a form. The rest of the registration process is handled by the *Birou unic*. The ministry of small and medium-sized enterprises is responsible for this type of company.

2.3. Microenterprise

Microenterprises are firms that manufacture products, render services and/or trade and have up to nine employees and revenues of no more than €100,000 in a financial year and are completely private. Banks, insurance companies, investment firms, firms that manage investments and firms that exclusively carry on foreign trade cannot be microenterprises. Furthermore, less than half of the turnover of a microenterprise is allowed to derive from consultancy or management activities.

Microenterprises used to be taxed at a rate of 2.5 per cent of the turnover reported in their revenue and expense statement, but the rate of this turnover tax was increased to 3 per cent in 2009. The tax is payable each quarter.

2.4. Subsidiary (= branch)

Foreign companies can operate branches in Romania. Branches must have one of the forms of business organization permitted in Romania. They can conclude contracts in their own name. The parent is the sole partner of such a branch as well as its sole owner. A foreign investor must apply to the trade register office for permission to set up a branch. The application must be accompanied by proof of the parent's registration, the parent's deed of formation or memorandum and articles of association (attested copies) and a report from a bank confirming the parent's good credit standing. Once the application has been approved, the branch will be registered in the trade register. It will enjoy the status of a Romanian legal entity domiciled in Romania.

2.5. Representative office

Foreign companies are allowed to open representative offices in Romania. Representative offices can only conclude contracts in the name of the parent company they represent but not in their own name. Because of the advantages associated with limited liability companies, representative offices are rarely set up. To set up a representative office, one must make an application to Romania's foreign trade department for a permit accompanied by the following documents: extract on the parent company from the relevant trade register; report on the parent company from its bank; the memorandum and articles of association or other deed of formation showing the parent company's legal form and manner of operation; notarized power(s) of attorney giving authority to the representative(s) (all in the original with certified translations). The equivalent of US\$1,200 a year in leu (current rate) will be charged for issuing the permit.

The lawyer's fees for setting up a representative office must be negotiated separately in each case. If the representative office is not approved, 80 per cent of the permit fee will be refunded. An annual tax of €4,000 is levied on representative offices.

2.6. Limited liability company (S.R.L.)

Forming an S.R.L. inclusive of all fees and the lawyer, notary and minimum capital will cost roughly between €1,500 and €2,500 and currently takes somewhere between four and six weeks. The merger and acquisition are freely negotiable. An S.R.L. can be set up with between one and 50 partners. Since a limited liability company can also be formed with just one partner, this form of business organization has gained particularly widespread acceptance. However, an individual or legal entity can only be the sole partner of one limited liability company and is liable up to the amount of the subscribed capital. The company must have capital stock of at least RON200 (approximately €60), and the minimum value of one share is RON10. The manager(s) are allowed to do anything that is necessary to contribute to the company's realization of its object subject to any restrictions laid down in the memorandum and articles of association. They must attend partners' meetings and meetings of the supervisory board or other similar body of directors. The manager(s) who has/have the right to represent the company can only transfer or assign this right with express permission.

The manager(s) is/are jointly and severally liable to the company in respect of:

- the correctness of the payments of contributions made by the partners;
- the genuine existence of the funds needed to pay the distributed dividends;
- the setting up and correct keeping of the books that are required by law;
- the meticulous implementation of the resolutions of the partner's meeting;
- the conscientious fulfilment of the obligations imposed by the law and the memorandum and articles of association.

In the event of the company's insolvency, the company's creditors can sue the manager(s) for liability. The latest amendment to the companies act also provides for personal liability on the part of the partner(s).

2.7. Joint-stock company

There must be at least two shareholders. They are liable up to the amount of the subscribed capital. The company must have capital stock of at least €25,000.

Shares can be issued in registered and/or bearer form and must have a par value of at least RON0.1. Preference shares that carry a right to a dividend but no vote can also be issued.

There are ordinary and extraordinary shareholders' meetings. A joint-stock company's ordinary shareholders' meeting must be convened within five months of the close of each financial year. Under certain circumstances, it can also be convened electronically. The ordinary shareholders' meeting only has a quorum if shareholders representing at least half of the capital stock are present. Dividends must be distributed to the shareholders within the time limit set by the shareholders' meeting but not later than six months after the adoption of the annual financial statements for the preceding financial year. Otherwise, the company will be liable for damages.

A joint-stock company is managed by one or more managers appointed for a specific period. The amended version of the act specifies that the members of the supervisory board (Romanian: *administratori*) are not allowed to conclude an employment contract with the limited liability company during their period of office.

If there is more than one manager, the managers make up the managing board. The supervisory board must always have an odd number of members. The members of the managing board are appointed and dismissed exclusively by the shareholders' meeting. Managers are appointed for a maximum of four years.

One innovation in the act is that the memorandum and articles of association can specify that the company is to be administered by a board of directors and a board of control. The board of directors can be made up of one or more directors, one of them being the CEO. The directors are appointed (for a maximum of four years) and dismissed by the board of control. However, if the memorandum and articles of association so allow, the director(s) can also be dismissed by the shareholders' meeting. The memorandum and articles of association will also specify how many members the board of control is to have (between three and 11). The shareholders' meeting can dismiss them at any time.

A joint-stock company has three auditors and three deputy auditors. Their period of office will be three years.

3. Taxes and Legislation

Romania has been a tax haven since introducing a flat tax of 16 per cent on all income and profits as of 1 January 2005. The ulterior motive was to shrink Romania's shadow economy (estimated at up to 30 per cent of GDP).

Every taxpayer must have a tax reference number. This also applies to foreigners carrying on an activity in Romania, who must report their place of residence to the inland revenue within 15 days. Foreigners can nominate a tax representative who is responsible for filing their annual income tax return. They must do so by way of a professional agreement with the tax representative or a power of attorney. The latter must be notarized. The tax representative's declaration of consent must be enclosed with the power of attorney.

3.1. Taxes affecting enterprises

Romanian income and profit tax must be paid on the Romanian and foreign income of Romanian legal entities and the income of foreign individuals and legal entities in Romania. Since 1 January 2005, tax has been charged at a rate of 16 per cent. Since 1 May 2005, a flat rate of 16 per cent has also been charged on all capital gains derived from the transfer of real estate or shares in a Romanian legal entity. The income of individuals derived from the transfer of real estate is also taxed at a rate of 16 per cent. The principles practised within the EU in accordance with the EU Parent-Subsidiary Directive apply to the taxation of dividends. Under this directive, the dividends distributed by a Romanian legal entity to an EU parent organized as a corporation (e.g. limited liability company or joint-stock company) are now exempt from Romanian withholding tax if the beneficiary company in another EU Member State has held at least 25 per cent (since 2009: 10 per cent) of the shares of the Romanian company for more than two years. Dividends distributed to a Romanian parent by a Romanian enterprise are also exempt from dividend tax subject to the same conditions.

The standard VAT rate is 19 per cent. The reduced rate (drugs, supplies of manuals, etc.) is 9 per cent.

The enterprise will be notified of its Romanian VAT number by registered letter or by email (if the email address field has been filled in on the form).

An application for a VAT refund can also be made directly by the respective foreign company. Experience shows that it can take some time to get input VAT refunded.

A manufacturer or importer must pay excise duty on numerous products. Excise duty is levied on the cost price of the merchandise. Excise duty is levied on alcoholic beverages, including beer, tobacco products, mineral oils, coffee, cars, fur garments, perfume products, certain electrical equipment, crude oil and natural gas.

Companies liable to pay excise duty as manufacturers or importers of any of the above products must register for excise with the inland revenue. Having submitted their registration, the companies concerned will receive a special code within 15 days. In the case of vehicles, the base price for excise duty is the basis of assessment for calculating their value at the border. The at-border value assigned to used cars must not be less than their reference value in euros as set by the ministry of finance. At-border values are continually being adjusted.

Foreign individuals who do not have a place of residence in Romania but carry on an activity in the country are subject to the provisions of the general income tax act. If a foreigner is in the country for a period or periods exceeding the aggregate 183 days in 12 months, his or her income from employment will be taxed with effect from the day of his or her arrival in Romania.

Foreign individuals who do not spend more than 183 days in Romania are subject to income tax in their country of origin.

Withholding tax must be paid on certain types of income derived on Romanian territory by individuals and legal entities not resident in Romania. This usually involves services rendered to Romanian customers by a foreign enterprise. The tax is calculated by applying the specified tax rates to the gross amount paid to the non-resident. This resulting figure is translated into leu applying the national bank's reference rate on the day preceding the day on which the payer/customer in Romania ordered the payment to the non-resident. The competent inland revenue office will issue a certificate as proof that the tax has been paid. To prevent double taxation, the provisions of the double tax agreement are applicable.

3.2. Customs

When it joined the EU, Romania automatically adopted the European Union's customs regulations. Customs duties on products from non-member countries have been brought into line with the EU customs regime.

Information about current duty rates can be obtained from the European Union's TARIC database (http://ec.europa.eu/taxation_customs/dds/cgi-bin/tarchap?Lang=EN).

3.3. Double tax agreement

There is a double tax agreement between Romania and Austria based on the concept of the *fiscal permanent establishment*.

4. Privatization

The privatization process in Romania is making it possible to acquire some companies on favourable terms if one has a medium-term investment horizon and sees market potential. During the negotiations, investors should make sure that the assumption of old debts is regulated in detail in the contract and should, where applicable, consider involving the EBRD, World Bank or international investment funds, several of which are active in Romania, as partners when forming a company. One should ensure that one has a clear majority, and if possible, make a so-called “greenfield” investment, which is wholly owned by the foreign investor. Foreign investors who want to become involved in Romania’s privatization programme can contact the Authority for State Assets Recovery (AVAS for short, at www.avas.ro). This authority holds up to 70 per cent of the equity capital of the companies available for privatization.

The privatization act lays down basic privatization policies and coordinates and controls the privatization process. No minimum price is set when enterprises are sold, and the acquirer does not get any of the purchase price back. Real estate leases are also provided for by Romania’s privatization implementing regulations and the way invitations for offers for equities, business shares and assets are organized. The relevant contracts must be registered in Part III of the land register. Roughly 300 enterprises have yet to be privatized.

5. Arbitration

Romania 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

6. Support and Subsidies

The EU Cohesion Policy (2007 – 2013)

Point of Departure and Status Quo

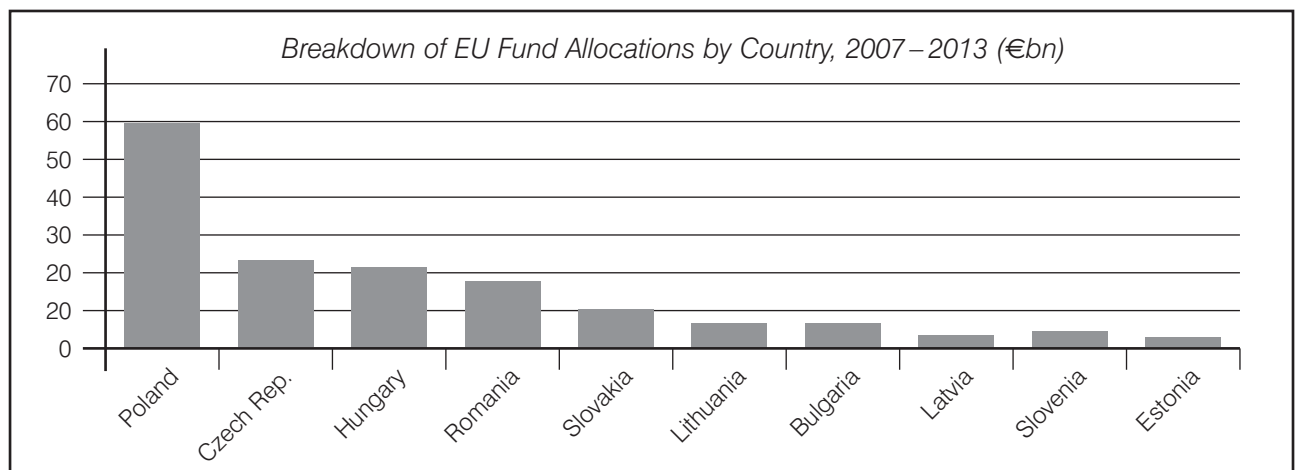
There are considerable economic and social disparities between the different regions of Europe, and this is particularly true in Central and Southeastern Europe.

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

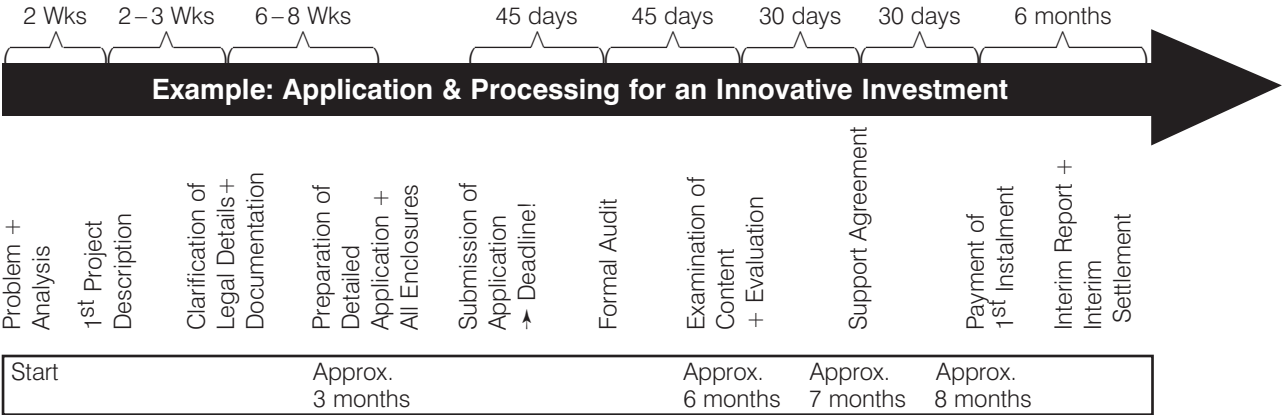
The individual EU Member States define their national and regional priorities on the basis of the EU objectives named above and derive individual operational support programmes (OPs) from them. The OPs are structured according to region and theme. Support focuses (so-called *priority axes*) regulated 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 public 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 expert:

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7. 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.

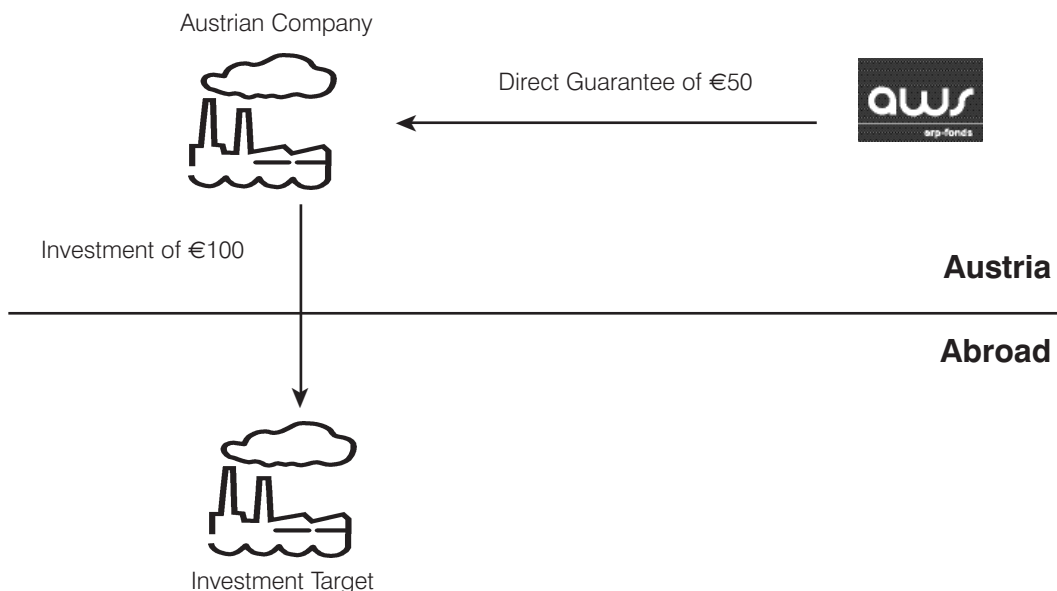
Two kinds of protection are available, the direct guarantee and the finance guarantee (with or without risk sharing).

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:



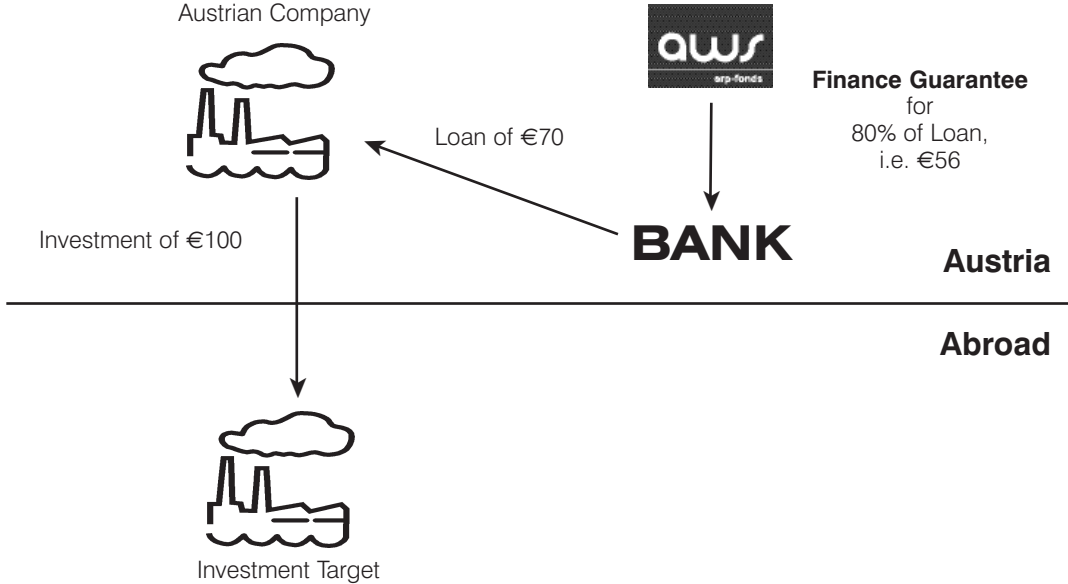
aws guarantees up to 50 per cent of the amount invested by the Austrian company should a project in another country fail. The guarantee will cost SMEs 0.5 per cent of the guaranteed outstanding loan amount per half year.

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:



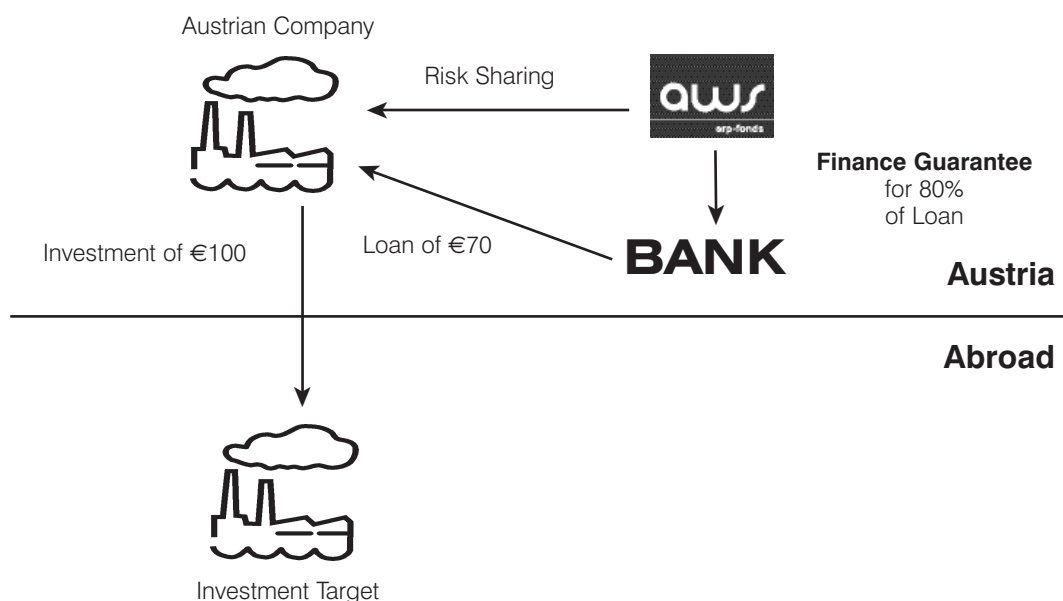
In the case of large enterprises, *aws* guarantee up to one third of a project’s value. The guarantee will cost SMEs from 0.3 per cent of the guaranteed outstanding loan amount per half year. In the case of large enterprises, the guarantee fee will be set in line with the market.

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:

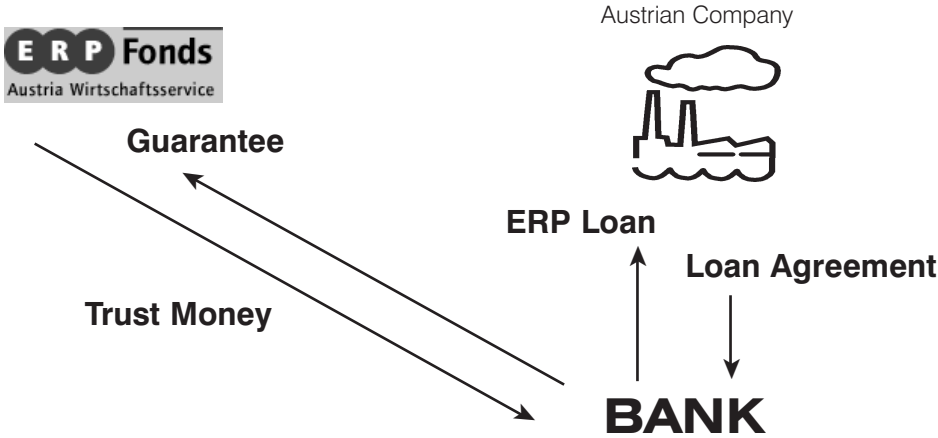
- the assumption of liability by the Republic of Austria in the form of a bill guarantee or other guarantee or
- a guarantee from a loan insurer or
- an *aws* guarantee or
- a guarantee from an international organization and
- a direct or indirect improvement to Austria's current account.

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/

8. Payment and Account Services at Raiffeisen Bank S.A.

8.1. Cash management products

Account Services

	National Currency		Foreign Currencies	
	(NC)	NC Deposits	(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 (FCs)
- Foreign payments (NC)
(not Multicash)
- Domestic debits
- Domestic standing orders
(FixPay)
- Direct debits (NC)
- Debit collections (NC)
- Cheque collections (FCs)
- Travellers cheques – redemption
- Travellers cheques – sale
- Conditional payments*
- Cash deposits / withdrawals (NC)
- Cash deposits / withdrawals (FCs)
- Regional Cash Distribution Service
(RDS)
- Caixa

Electronic Banking

- MultiCash
- SWIFT MT 940
- SWIFT MT 101
(receive only)
- EDIFACT (PAYMUL)
- Internet Banking
(currently available to private individuals and businesses; also available to corporate customers by the end of 2009)
- Free-Way
(electronic payment confirmations for the customs authorities)

Liquidity Management

- Zero Balancing
(within a legal entity)*
- National Pooling
- Collection of daily takings
- Cash Concentration (Sweep)
- Collections Management
- Collection of daily takings using postal services

* Subject to restrictions due to local regulations.

Cash Management: Group Products and Services

- Cash Management International (CMI)
- International Account Reporting
- International Disbursement Service
- Intra Group Payments
- Cash Plus (web service based on the Cash Payment Tool group application)
- CMI@WEB

8.2. Legislative Provisions and Exchange Control

Domestic Payments

- There are no legal restrictions on RON payments between either Romanian or foreign accountholders.
- RON payments between Romanian and foreign accountholders are allowed.

Foreign Payments

- There are no restrictions on foreign accountholders making foreign currency payments within Romania.
- Payments between Romanian and foreign accountholders can currently be made at any time without restrictions.
- If a resident makes a RON payment of the equivalent of €12,500 or more to a non-resident, data will be collected and passed on the national bank for statistical purposes.
- Cross-border foreign currency payments will be made in the original currency and adhering strictly to Romanian law and exchange control regulations.
- Residents and non-residents can buy foreign currency without their documents being checked.
- There are no restrictions on non-residents opening and holding local currency time deposit accounts.
- Foreign currency payments can be ordered without presenting any original documents.
- Foreign currency transactions need no longer be reported to the Romanian national bank.

8.3. Clearing mechanisms

Mechanisms

- Description: The clearing system (SEP) has the following components:
 - **ReGIS** (real-time) exchanges interbank payment instructions between the participants and final clearing system. Since ReGIS is a real-time clearing system, it executes procedures booking by booking. The system is used for large-volume payments in excess of RON50,000 and for priority RON payments.
 - **SENT** is an automatic clearing system through which small payments (payments and debit collections below RON50,000) between banks and between banks and financial authorities are cleared. At the moment, there are three clearing cycles a day. On 10 October 2008, a new module was introduced that allows the electronic forwarding of paper-based debit instruments (cheques, promissory notes, bills).
 - **SaFIR** is used as a clearing instrument in trade with government bonds. The paper-based clearing of cheques, promissory notes and bills is the last remnant of the old, national paper-based clearing system. Because of its inefficiency, the Romanian national bank and the commercial banks launched the PAID-07 project to implement fully electronic clearing. The system went into operation on 10 October 2008, cutting clearing times from between two and six days to two days as well as cutting costs.
- Type:
 - electronic transmission of payment orders
 - paper-based clearing of cheques, promissory notes and bills
- Settlement procedure: Payment orders:
 - ReGIS: online processing
 - ACH: three clearing cycles a dayCheques, promissory notes and bills: since 10 October 2008, two working days
- Comments: The electronic clearing system has been extended to include cheques, promissory notes and bills since 10 October 2008.

Banks' clearing system memberships

Transfond (electronic clearing system for small and large volume RON payments)

8.4. Value dates

Order Type	Cut-off Times
<ul style="list-style-type: none"> • NC direct debit, intrabank • NC debit, interbank 	<p style="text-align: center;">15:00 local time (14:00 CET)</p> <p style="text-align: center;">15:00 local time (14:00 CET)</p>
<ul style="list-style-type: none"> • FC cheque collection 	<p style="text-align: center;">As per list at branch</p>
<ul style="list-style-type: none"> • DPs, paper-based intrabank payments (payments between Raiffeisen branches in Romania) <p>Interbank payments, including taxable payments</p> <p>RON amounts < 50,000</p> <p>RON amounts ≥ 50,000</p> <ul style="list-style-type: none"> • DPs, electronic intrabank payments <p>Interbank payments, including taxable payments</p> <p>RON amounts < 50,000</p> <p>RON amounts ≥ 50,000</p> <ul style="list-style-type: none"> • FPs, paper-based <p>Intrabank payments</p>	<p style="text-align: center;">As per list at branch</p> <p style="text-align: center;">13:00 local time (12:00 CET)</p> <p style="text-align: center;">15:00 local time (14:00 CET)</p> <p style="text-align: center;">18:00 local time (17:00 CET)</p> <p style="text-align: center;">14:30 local time (13:30 CET)</p> <p style="text-align: center;">15:00 local time (14:00 CET)</p> <p style="text-align: center;">As per list at branch</p> <p style="text-align: center;">14:00 local time (13:00 CET)</p>

Order Type	Cut-off Times			
Interbank payments (within Romania and to abroad) – standard – priority • FPs, electronic (details below) Intrabank payments Interbank payments – standard – priority	CHF: 10:00 local time (9:00 CET) USD, EUR, GBP: 11:00 local time (10:00 CET) CAD, DKK, SEK, NOK, HUF, PLN: 12:00 local time (11:00 CET) 18:00 local time (17:00 CET) 15:00 local time (14:00 CET) CHF: 10:00 local time (9:00 CET) USD, EUR, GBP: 11:00 local time (10:00 CET) CAD, DKK, SEK, NOK, HUF, PLN: 12:00 local time (11:00 CET)			
Process: DPs, electronic	Cut-Off Time, Day D (local time)	Transmission (Multicash only, local time)	Debit	TransFond submission, credit to bene- ficiary's a/c
• NC intrabank payments • NC interbank payments RON amounts < 50,000 RON amounts ≥ 50,000	18:00 After 18:00 14:30 14:30 – 18:00 After 18:00 15:00 15:00 – 18:00 After 18:00	13:30, 18:00 — 14:30, 18:00 14:30, 18:00 14:30, 18:00 15:00, 18:00 15:00, 18:00 15:00, 18:00	D D+1 D D D+1 D D D+1	D D+1 D D+1 D+1 D D+1 D+1

Process: FPs, electronic	Cut-Off Time, Day D (local time)	Transmission	Debit	Value Date
• FC intrabank payments	18:00	11:30, 14:30,	D	D
	After 18:00	18:00	D+1	D+1
		—		
• FC interbank payments (standard)	15:00	15:30	D	D+2
	15:00 – 18:00	18:00	D	D+3
	After 18:00	—	D+1	D+3
• FC interbank payments (priority) CHF	10:00	—	D	D/D+1
	10:00 – 18:00	—	D	D+1/D+2
	After 18:00	—	D+1	D+1/D+2
USD, EUR, GBP	11:00	12:00	D	D/D+1
	11:00 – 18:00	—	D	D+1/D+2
	After 18:00	—	D+1	D+1/D+2
CAD, DKK, SEK, NOK, HUF, PLN	12:00	—	D	D+1
	12:00 – 18:00	—	D	D+2
	After 18:00	—	D+1	D+2

Process	Debit from customer's account, transmission to clearing system	Credit to beneficiary's a/c
<ul style="list-style-type: none"> • NC debits, intrabank 	D (debit from customer's account)	D
<ul style="list-style-type: none"> • NC debits, interbank 	D	D+2
<ul style="list-style-type: none"> • FC cheque collection <ul style="list-style-type: none"> – USD cheques up to US\$5,000 		NOSTRO + 7
<ul style="list-style-type: none"> – EUR, GBP, CHF, CAD, AUD, JPY, SEK up to equivalent of USD5,000 		NOSTRO + 21
<ul style="list-style-type: none"> – Amount larger than US\$5,000 or equivalent or cheque denominated in a currency other than that of the country where the cheque is drawn 		NOSTRO

- 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

9. Raiffeisen Bank S.A.

Assets, €m	6,561
Branches	557
Staff	6,899

Shareholder structure:	
<i>Raiffeisen International</i>	99.49%
Other	0.51%

Raiffeisen has been operating in Romania since forming *Raiffeisen Bank S.A.* in 1998. At year-end 2008, it had assets of €6.6 billion — 17 per cent more than at the end of 2007 — and employed 6,900 people. Since merging with *Banca Agricola* in 2002, *Raiffeisen Bank* has been the country's third-largest bank. As a so-called *universal bank*, it was offering its comprehensive line of financial products and services to roughly 2 million customers at the end of 2008. Its nationwide network grew by 122 business outlets in 2008, giving a total of 557 on 31 December 2008.

The bank's principal focus is on developing and extending every area of its retail operations. This has included designing products for high net worth private banking customers and lending to medium-sized corporate customers. At year end 2008, customer deposit balances with *Raiffeisen* in Romania came to €3.5 billion. The customer loan portfolio was worth approximately €4.6 billion.

Besides banking, *Raiffeisen* is among Romania's leaders in the leasing, insurance, asset management, building society and capital market segments. *Raiffeisen Asset Management S.A.* is one of the country's three foremost suppliers of asset management services, and *Raiffeisen Capital & Investment S.A.* is the country's second-largest investment bank. In 2008, *Raiffeisen Leasing IFN S.A.* recorded roughly €150 million of new business.

Moody's has assigned *Raiffeisen Bank* a foreign currency bank deposit rating of Baa3 with a stable outlook. In 2008, *Global Finance* awarded it the title of "Best Consumer Internet Bank in Romania".

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