Raiffeisen Meine Bank

Financial Market Report
Bulgaria

WKO AUSSENWIRTSCHAFT ÖSTERREICH

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

Country Profile: Bulgaria

Raiffeisen Research. As in April 2009.

Currency: lev

Gross Domestic Product and Budget	**2007**	**2008**	**2009 (est.)**
Real GDP growth, % p.a.	6.2	6.0	-1.6
Nominal GDP, €bn	28.9	34.1	35.2
Per capita GDP, PPP basis, €	9,300	10,000	9.600
Growth in industrial output, % p.a.	8.7	0.8	-6.0
Consolidated budget deficit, % of GDP	3.5	3.0	0.5
Inflation and Employment			
Jobless rate, annual average, %	6.9	5.6	8.0
Average monthly gross wage, €	220	265	285
Consumer price inflation, annual average, % p.a.	8.4	12.3	2.0
Balance of Trade and Current Account			
Goods exports, €bn	13.6	15.4	12.5
Goods imports, €bn	20.8	24.1	18.5
Current account deficit, €bn	7.3	8.6	-4.5
Current account deficit, % of GDP	25.1	25.3	-18.8
Foreign debt, % of GDP	99.8	107.4	119.7
Rates of Exchange and Interest Rates			
Local currency/US$ (average)	1.43	1.33	1.38
Local currency/€ (average)	1.95583	1.95583	1.95583
3-month money market rate (SOFIBOR), average, %	4.36	5.93	4.30

Country Ratings	
S&P	BBB
Moody's	Baa3

The Bulgarian 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 Bulgaria. 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 Bulgaria Country Report; AWO Special Reports: Setting up a Company and Taxes in Bulgaria, Property and Receivables in Bulgaria.

Copy deadline: April 2009.

1. The Economic and Political Situation in Bulgaria

Delay joining the euro

Preparations for EU membership were at the centre of government policy in recent years. As soon as Bulgaria had successfully joined the European Union at the beginning 2007, the government started working on its next target — joining the euro. Negotiations on joining EMS II — the waiting room for membership of the eurozone — started at the beginning of 2007. However, there is likely to be a delay, meaning that Bulgaria will not be joining the euro before 2012.

The *Currency Board* (a currency regime with a fixed peg to the euro) was introduced in mid-1997. It has prevented the last three Bulgarian governments from relaxing their financial policies, inevitably affecting their popularity. A new party called GERB (Citizens for Bulgaria's European Development) gained prominence during the EU parliamentary elections and local elections during 2007, which it won. Thanks to the charismatic personality of its leader, Sofia's popular mayor Bojko Borissov, GERB managed to attract a big following within just a few months. This centre-right party was set up at the end of 2006. It is likely to continue to play an important role in the political landscape of the future.

In the last five years, Bulgaria's real GDP growth has averaged over 6 per cent. It has been driven by high foreign direct investment and domestic investment activity. GDP grew by 6.0 per cent in 2008, falling only slightly short of the rates of growth achieved in earlier years. On the supply side of the equation, property, construction, banking and other financial services have been important motors of growth for a number of years. On the demand side, GDP growth has been reinforced by double-digit annual rates of growth in investment and by booming consumer demand. In recent years, strong GDP growth has been accompanied by falling jobless rates. According to official statistics, unemployment fell from roughly 20 per cent in 2001 to 5.6 per cent in 2008. Apart from the jobs created in the private sector, emigration and the government job programme have also helped cut unemployment.

Macroeconomically, the current account deficit continues to be a problem. It has grown in recent years, reaching an all-time high of 25.3 per cent of GDP in 2008. However, in the past few years, capital inflows have balanced out the outflows on the capital account. The steady increase in currency reserves has helped stabilize the currency regime. In addition, Bulgaria has been able to pay for almost all of its current account deficit with inflows of foreign direct investment. This is generally seen as the healthiest way to finance a current account deficit: net foreign direct investment does not create any debt that needs to be repaid at a later date, and it is not speculative money that may disappear again when the capital markets fluctuate.

2. Company Law

2.1. Contractual representation

Commercial representation is regulated by the Republic of Bulgaria's trade act. A commercial representative is an independent trader who arranges or effects commercial business for another trader in exchange for payment. With the exception of a prohibition on competition and right to termination benefits, contract contents are unregulated.

As representative is not one of Bulgaria's traditional professions, finding a representative is often very difficult. Sometimes, a foreign company already operating in Bulgaria, whether a commercial firm or another manufacturer in a related field, can act as representative so as to make better use of its branch in Bulgaria.

2.2. Representative units

Any foreign individual or legal entity with the characteristics of a trader can set up a representative unit ("representative" or "liaison" office) of his/her/its own. Commercial agencies do not have a legal personality of their own. As a result, they cannot themselves carry on a business activity (they are *dependent branches without authority to act*).

Experience has shown that a representative or liaison office is a very simple way to enter the Bulgarian market. However, their scope for action is limited. To set up a representative or liaison office, one must merely register it with the chamber of trade and industry.

It is, of course, extremely important to choose the right office manager, and the choice of office premises is also very important if the office manager's home is not suitable for this purpose. Since a representative unit of this kind does not have a legal personality of its own and cannot carry on a business activity of its own, it does not have to pay corporation tax. The employment contract can charge personal taxes on to office managers and any other employees, but not compulsory social security contributions.

In addition, one can also set up a *dependent branch with representative powers*. It must be registered with the court.

2.3. Companies

Bulgarian company law is laid down in part three of the second book of the trade act. Because foreigners and Bulgarians must be treated equally, Bulgarian trade law also applies to companies set up by foreigners.

Companies can formed as

- general partnerships (*Sabiratelno drushestwo*, abbreviated as SD – СД);
- limited liability companies (*Drushestwo s ogranitschena otgowornost*,abbreviated as OOD – ООД);
- limited partnerships (*Komanditno drushestwo*,abbreviated as KD – КД);
- partnerships limited by shares (*Komanditno drushestwo s akzii*, abbreviated as KDA – КДА); or
- joint-stock companies (*Aktionierno drushestwo*, abbreviated as AD – АД).

According to the trade act, only these kinds of company can be formed. However, a consortium of traders can also be set up on the form of a civil law partnership. In contrast to the situation under Austrian law, every company is a legal entity and is subject to corporation tax. Foreign investors can also establish themselves as sole traders (but to do so, they must be legally competent persons established in Bulgaria), and this too is regulated by the trade act.
The Austrian speciality of a company that has a limited liability company as general partner — the *GmbH & Co KG* — is not provided for in Bulgarian trade law. Although registering one is not ruled out, it would make little sense because of the limited partnership's liability for corporation tax. Instead, one can set up a partnership limited by shares in which shares are issued to evidence stakes in the limited partner.

Establishing oneself as a partnership (sole trader, general partnership, limited partnership or partnership limited by shares) is unusual and entails many risks and other downsides. The normal solution is to enter the market with a representative unit and set up a limited liability company as the scale of the business increases.

Limited liability company

One can set up a limited liability company in Bulgaria with little difficulty much as one can in Austria. As in Austria, its boards and bodies are the partners' meeting and the manager(s). A supervisory board is not provided for. Memoranda and articles of association usually only contain the minimum contents required by the law, with further details normally being laid down in internal rules of procedure.

At the moment, a limited liability company in Bulgaria must have capital stock of at least BGN5,000, which is the equivalent of roughly €2,500. At least 70 per cent of the capital stock must have been paid in at the time the company is formed. Contributions in kind are valued by three experts appointed by the court. The specimen signature(s) of the manager(s) must be notarized. The partners' liability is limited to the amount of their shares of the company's capital stock.

One can also set up a so-called *one-man* (single-person) limited liability company, where 100 per cent of the capital stock remains the property of the company's foreign founder. In this case, an "E" for *Ednolitschno* ("one-man") is placed before the Bulgarian name for limited liability company (OOD, or *Druschestvo ogranitschena otgovornost*). In the case of an EOOD, a deed of formation takes the place of the memorandum and articles of association. In the case of an EOOD, the partners' meeting and manager can be the same person, namely the "managing partner". A limited liability company gains legal personality upon being registered in the trade register.

Joint-stock company

A joint-stock company must have capital stock of at least BGN50,000 (or approximately €25,000). The minimum capital of joint-stock banking, insurance and health insurance companies is regulated in a special act. At least 25 per cent of the capital stock must have been paid in at the time of registration. "One man" joint-stock companies ("EADs") can also be set up. When a joint-stock company is set up through contributions in kind (real estate), a notarized declaration of consent from the contributors and description of contributions in kind will be required. The special requirements for the formation and activities of a public joint-stock company are regulated in the act on public offerings of securities. A joint-stock corporation's boards and bodies are the shareholders' meeting and, in contrast to Austria, optionally, a single tier consisting solely of a senate of directors or a two-tier structure of supervisory board and managing board. We strongly recommend using an experienced lawyer to deal with the formalities involved in forming and registering the company and to prepare the memorandum and articles of association and employing a tax advisor to do the accounting and prepare the financial statements. A joint-stock company gains legal personality upon being registered in the trade register.

Equity investments

According to the investment promotion act, every form of investment in a Bulgarian enterprise is permissible. It is of course simplest to buy shares, but one can also purchase normal business interests or interests as sleeping partners or shareholders. Investments of 50 per cent or less are not advisable, regardless of whether the company is a public or private one.

3. Taxes and Legislation

Because foreigners and Bulgarians must be treated equally, foreign investors are not at a disadvantage compared with Bulgarian investors.

3.1. Taxes

Bulgarian taxes are regulated by the tax and social security procedures code, the income tax act, the corporation tax act, the act on local taxes and charges, the act on excise duties and tax warehouses and the value added tax act. Bulgarian accounting and financial reporting standards (accounting act) are very similar to Austria's.

The taxation of individuals is regulated by the income tax act. Income tax is progressive, with rates ranging between 0 and roughly 24 per cent of the basis of assessment. The top rate is very quickly reached. Taxation of the profits of legal entities is regulated by the corporation tax act.

There is a standard corporation tax rate of 10 per cent. Enterprises can carry tax losses forward for up to five years. Banks can do so for up to 10 years.

Enterprises are wholly exempt from corporation tax if the jobless rate in the municipality in which their production plant is located is 35 per cent or more above the national average in the preceding year. The same applies if production is farmed out. Once the employment rate rises, this preferential treatment continues for another five years from the time the requirement ceases to be satisfied.

Taxable entities can reduce their corporation tax liability by 10 per cent of the value of assets they have acquired if the entirety of the initial investment takes place in a municipality in which unemployment exceeded and exceeds the national average by 50 per cent or more in the previous and current year. This concession applies in the year in which an asset is purchased.

General prerequisites for the preferential treatment described above:

- The taxable entity must meet the requirements for government regional development support as laid down in the act on government support (including, for instance, claiming tax abatements and tax relief for initial investments).
- The enterprise must not owe any tax or insurance contributions to the government.
  In addition, tax relief is granted to promote employment in municipalities with jobless rates of 50 per cent or more above the national average (deduction from the enterprise's net financial profit of the social insurance contributions payed by an employer in connection with newly created jobs).

The general prerequisite for this preferential treatment is satisfaction of the requirements laid down in the EC Regulation 2204/2002 (e.g. employment of jobless persons; the employment created shall be maintained for a minimum period of three years, etc.).

The corporation tax act also regulates the following taxes in the section on withholding tax: the entertainment expenses tax of 10 per cent; the fringe benefit expenses tax of 10 per cent; and the car maintenance costs tax of 10 per cent, all of which can be recognized as business expenses.

Taxpayers domiciled or resident abroad pay a withholding tax of 10 per cent on interest income, licence fees and income from rents, services and similar. The withholding tax charged on dividends is generally 7 per cent, but it can be waived if the parent company is domiciled in the EU and if that parent's stake in the company has exceeded 15 per cent for more than two years. In the case of Austrians, the withholding tax can still be waived in respect of all income (following an application to the Bulgarian tax authorities) under the double tax agreement. One must bear in mind that a new double tax agreement was signed by Austria and Bulgaria in 2005. As soon as it has been ratified, we can expect changes in this area.

Bulgaria has a property tax of 0.15 per cent, which is regulated in the act on local taxes and charges. This act also regulates inheritance and gift tax, motor vehicle tax and a number of local rates and taxes.

The standard VAT rate is 20 per cent. VAT is regulated in the value added tax act. A VAT rate of 7 per cent applies to tourism services sold by hotels and tour operators (incoming tour groups). Certain goods and services are VAT exempt. All individual and entities (natural persons and legal entities, whether Bulgarian or foreign) who have had VATable turnover of more than BGN50,000 (approx. €25,000) in the previous 12 months must be VAT registered.

Generally, VAT on imported goods is charged by the customs authorities. Goods imported for specific investment projects may be VAT exempted. Bulgarian importers of goods from EU Members States calculate the applicable VAT themselves and pass it on the inland revenue.

In addition, quantity-dependent and turnover-dependent excise duties are charged on alcohol, tobacco products and similar luxuries as well as vehicles and energy products. They are regulated by the act on excise duties and tax warehouses. Their amount is fixed.

The rates of tax listed in this section are intended as a guide. The exact amounts (e.g. of income tax) will depend on numerous individual provisions and regulations. Closer examination of the particular case will be needed to calculate them.

3.2. Import duties, customs-free zones

Bulgaria uses the common customs tariff (i.e. the first eight digits are in line with the EU nomenclature). As a result of Bulgaria's accession to the EU, import duties are not charged on imports from the EU.

Preferential tariffs are in place within the scope of the WTO, for instance for developing countries, the CEFTA Member States (Croatia, Macedonia, Albania, Bosnia and Herzegovina, Kosovo, Moldova, Montenegro, Serbia) and the EFTA Member States (Iceland, Liechtenstein, Norway and Switzerland).

Customs-free zones have been set up mainly for trade with non-member countries and for the purposes of tax-favoured processing. Locations include Russe, Burgas, Plovdiv (exhibition centre!) and Sofia (Dragoman). A list of exact addresses is available from the Austrian trade commission.

3.3. Currency

Bulgaria's new, liberal exchange control act has been in force since 1 January 2000. Under this act, contracts in Bulgaria can also be concluded and executed in a foreign currency.

Having been taxed, profits and investment capital can in general be freely transferred abroad applying the rate of exchange ruling on that day (subject to exchange control).

Foreign representative units and other branch establishments in Bulgaria are free to hold foreign currency. Foreign currency loans taken up abroad must be reported to the Bulgarian national bank. It is important to have confirmation that they have been reported when making subsequent, loan-related remittances abroad.

3.4. Buying property

Bulgarian commercial law differentiates between real estate and property rights in real estate, including, in particular, separately salable rights in buildings.

Every transaction relating to real estate must be notarized. Otherwise, it only counts as a provisional agreement.

Under the act on the land and property register, every property transaction must be reported to the local branch of the registration agency and registered in the property register. Entries in the property register take place under the name of the property's owner (e.g. when the property is sold or encumbered). This is the French system. Bulgaria does not have a cadastral system like Austria's, but it is currently under development. Once a legal transaction has been registered in the land register, it is legally valid vis-à-vis third parties. As a result of this system, the legal status of real estate is often very unclear. During any property transaction, it is therefore essential to carry out a very careful, on-the-spot inspection of the property. This is usually done by a lawyer.

In general, foreigners cannot own land in Bulgaria, even via a branch establishment. However, foreign individuals can buy buildings ownership rights (apartments) and can purchase limited property rights (rights in buildings, usufructuary rights, etc.).

EU citizens established in Bulgaria can purchase real estate without limitation. EU citizens not established in Bulgaria will not be permitted to buy land for the following transitional periods calculated from the time of Bulgaria's accession to the EU (1 January 2007): seven years in the case of agricultural and forest land; and five years in the case of so-called "second homes" (a phrase from the capital directive is "for recreational purposes"). Citizens of non-member countries are still not allowed to purchase real estate. In addition, all foreigners can, without limitation, acquire ownership of buildings and apartments by way of an unlimited period, real right in the building. In addition, real estate can still be acquired without limitation by way of a company controlled by foreigners. We point out that the registry agency that keeps the property register (http://www.registryagency.bg/bg/Services/) has, since 1 July 2007, also be operating the commercial register.

The office premises needed for a representative unit of a foreigner need not be rented. They can also be purchased through the acquisition of ownership of a building (apartment). The corresponding right in the building on the land is transferred together with ownership of the building. Even if they are wholly owned by foreigners, legal entities formed in Bulgaria (e.g. limited liability companies) are not foreign but Bulgarian legal entities and can, therefore, acquire ownership of buildings and real estate.

4. Privatization

Privatizations are the responsibility of Bulgaria's specially created PRIVATIZATION AGENCY (Internet: http://priv.government.bg; language for correspondence: English).

The industries that have to date proven to be the most popular targets for privatization are food and beverages, clothing, certain building materials, timber, metal goods and services. The privatization process in the manufacturing sector has largely been completed. The energy, environmental and transport sectors appear to be particularly promising targets for privatization at the moment. Go to the Privatization Agency's website (see above) for up-to-date information about privatization projects.

We recommend hiring a specialist consulting company if you are planning to invest in a privatization project. The Austrian trade commission in Sofia will be pleased to provide relevant information.

5. Arbitration

Bulgaria 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 with a Bulgarian counterparty.

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 during arbitration proceedings shall be ....

6. Support and Subsidies

The EU Cohesion Policy (2007 – 2013)

Point of Departure and Status Quo

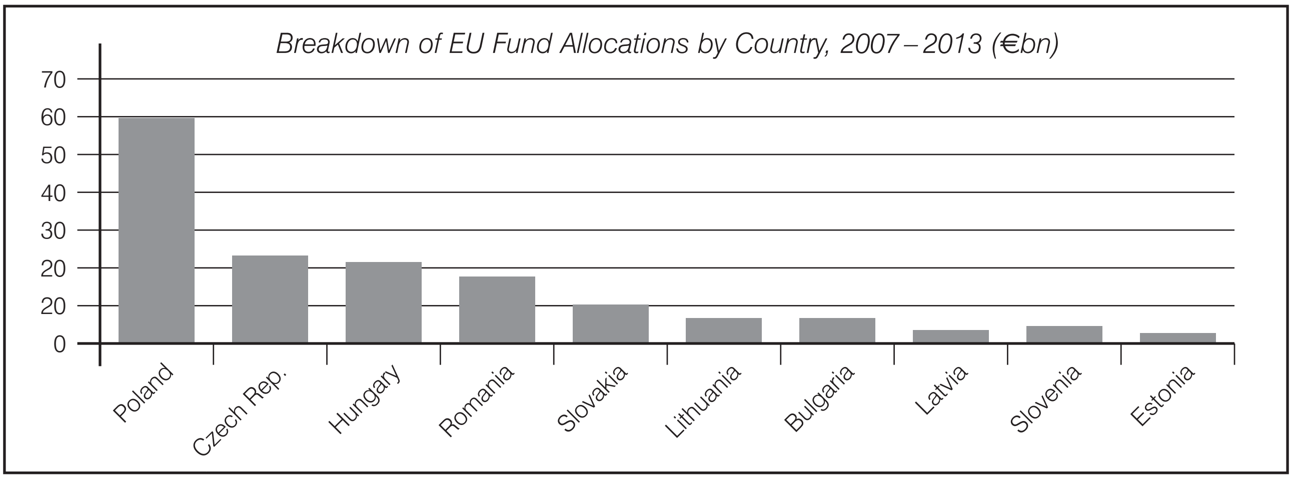
There are considerable economic and social disparities between the different regions of Europe, and this is particularly true in Central and Southeastern Europe.

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

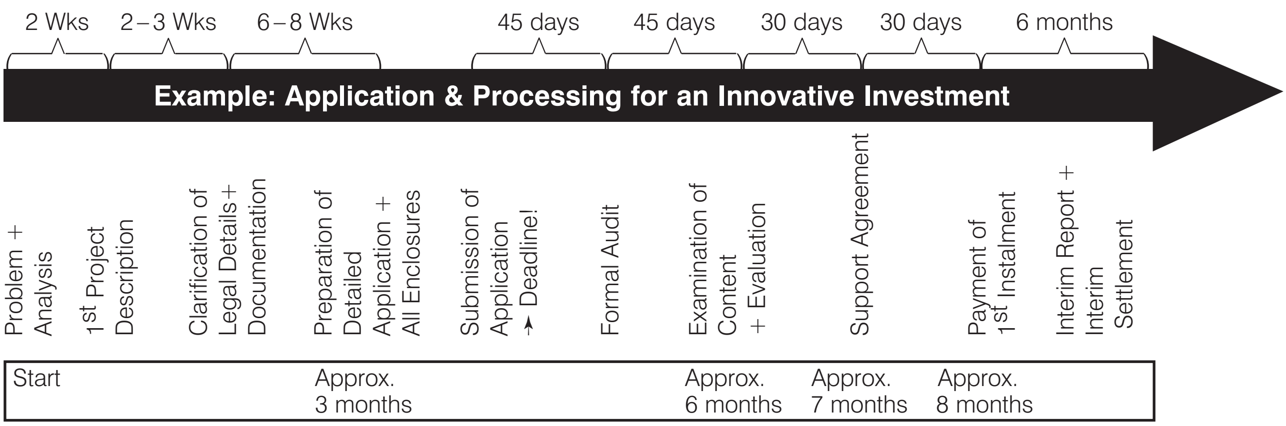
The individual EU Member States define their national and regional priorities on the basis of the EU objectives named above and derive individual operational support programmes (OPs) from them. The OPs are structured according to region and theme. Support focuses (so-called *priority axes*) regulated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

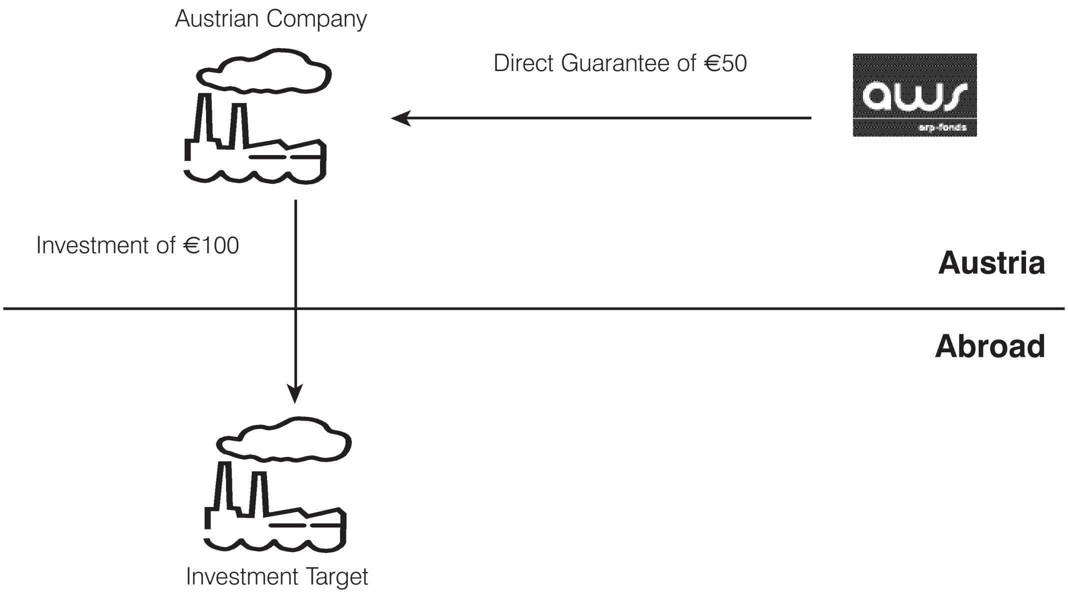
Two kinds of protection are available, the direct guarantee and the finance guarantee (with or without risk sharing).

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:



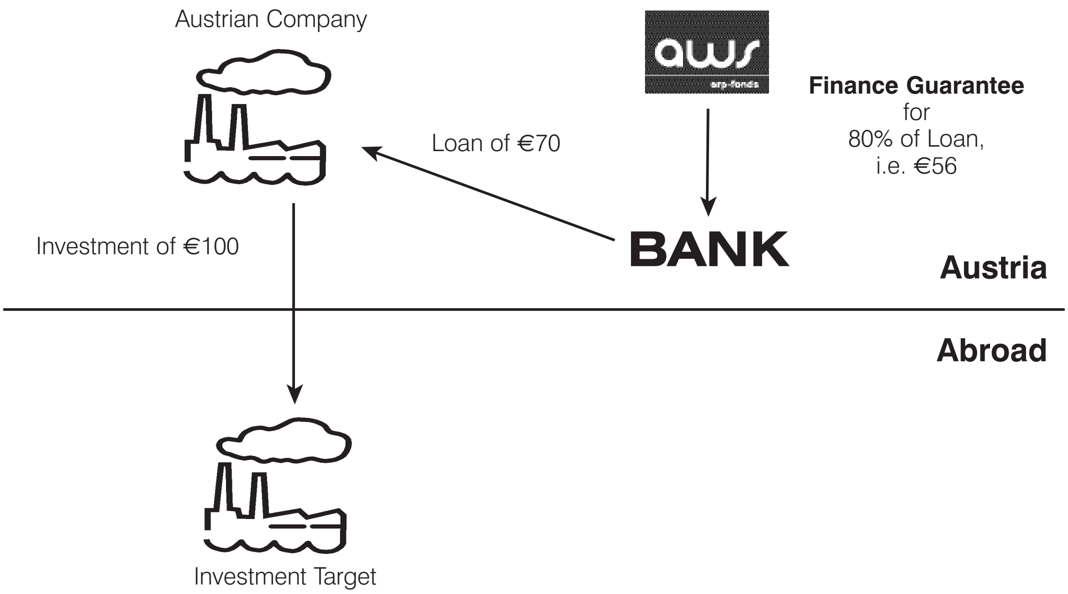
aws guarantees up to 50 per cent of the amount invested by the Austrian company should a project in another country fail. The guarantee will cost SMEs 0.5 per cent of the guaranteed outstanding loan amount per half year.

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:



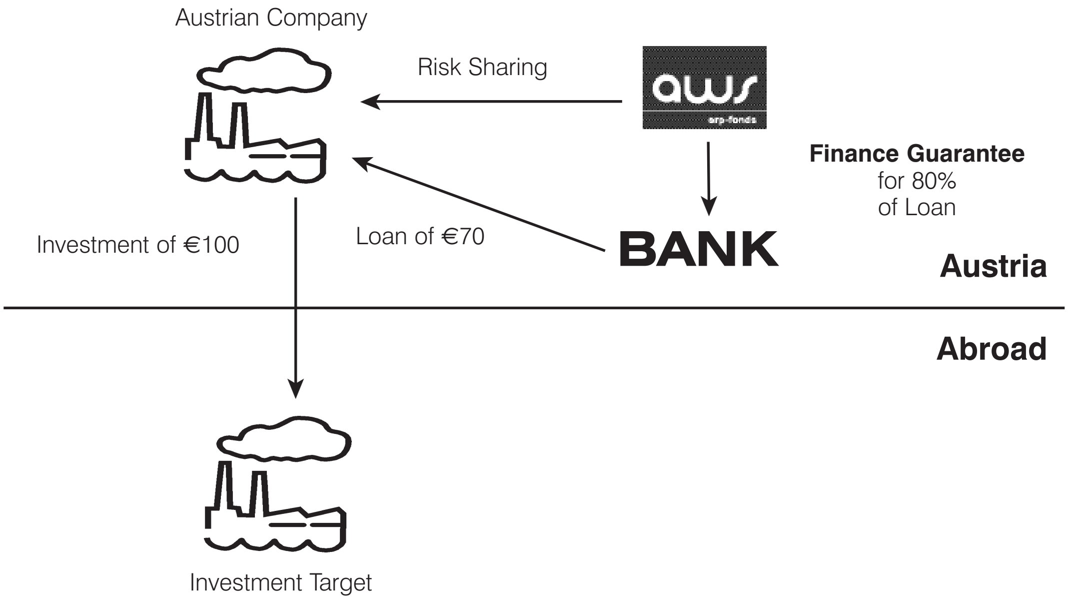
In the case of large enterprises, *aws* guarantee up to one third of a project's value. The guarantee will cost SMEs from 0.3 per cent of the guaranteed outstanding loan amount per half year. In the case of large enterprises, the guarantee fee will be set in line with the market.

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.

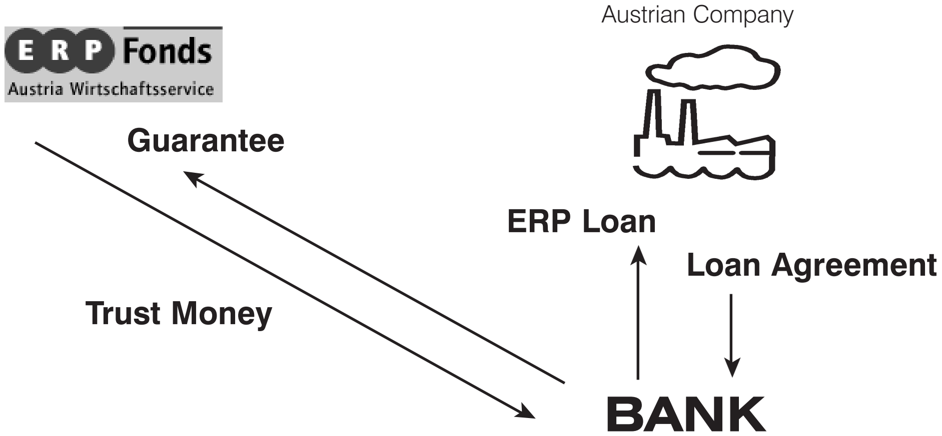
The principal prerequisites are:
- the assumption of liability by the Republic of Austria in the form of a bill guarantee or other guarantee or
- a guarantee from a loan insurer or
- an *aws* guarantee or
- a guarantee from an international organization and
- a direct or indirect improvement to Austria's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

8.1. 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 (FCs)*
- Debits (domestic payments)
- Cheques
- Cheque collections (bank cheques)
- Travellers Cheques
- Cash deposits / withdrawals (NC)
- Cash deposits / withdrawals (FCs)
- Foreign currency buying and selling
- Bank cards
- Credit cards
- Money Grams
- Express – M

Electronic Banking
- MultiCash
- SWIFT MT940
- SWIFT MT101
- SWIFT MT942 (only via MultiCash)
- EDIFACT (PAYMUL)
- Raiffeisen ONLINE
- E-statements**

Liquidity Management
- Overdrafts
- Cash Pooling Zero Balancing (within one legal entity)
- Cash Pooling
- Interest Offsetting (within one legal entity)
- Collection of daily takings

* Subject to restrictions due to local regulations.
** The Raiffeisen E-statement service gives customers access to an account statement listing payments made, RaiCard, Visa and MasterCard statements, incoming and outgoing SWIFT statements, payment order statements and loan confirmation statements.

Cash Management: Group Products and Services

- Cash Management International (CMI)
- International Account Reporting
- International Disbursement Service
- Intra Group Payments (IGP)
- Cash payments
- CMI@Web

8.2. Legislative provisions and exchange control

Account Services

- NC No restrictions.
- FCs Banks in Bulgaria: no restrictions; banks outside Bulgaria: no restrictions for private individuals; business proprietors and sole traders must disclose their accounts to the Bulgarian national bank.

Domestic Payments

- NC No restrictions.
- FCs Statistical forms must be completed for payments between residents and non-residents of BGN5,000 or more. To combat money laundering, a declaration must be filled out for payments of more than BGN30,000.

Foreign payments

- BGN payments outside Bulgaria are prohibited by exchange control regulations.
- According to foreign currency regulations,
  - statistical forms must be completed by the payer/beneficiary for all incoming and outgoing FC payments of BGN5,000 or more,
  - the reason for any incoming FC payment of BGN25,000 or more must be recorded,
  - a declaration just be made in accordance with the law on combating money laundering for payments of BGN30,000 or more.

Cash Deposits and Withdrawals

- NC:
  - Cash deposits: To satisfy the implementing regulation on the combating of money laundering, a declaration is required that states the origin of amounts in excess of BGN10,000.
  - Cash withdrawals at RB Sofia: A day's prior notice is required to withdraw amounts of more than BGN5,000.

- FCs
  - Cash deposits: To satisfy the implementing regulation on the combating of money laundering, a declaration is required that states the origin of amounts in excess of BGN10,000.
  - Cash withdrawals at RB Sofia: Two day's prior notice is required to withdraw amounts of more than BGN3,000.

8.3. Clearing mechanisms

Mechanisms

- Description:
  1) BISERA:
     System for the electronic transfer of interbank payments in BGN. BISERA has two settlement tiers. The first allows same-day settlements. The second provides for settlement on the next banking day.
  2) Real-time payments via RINGS:
     RINGS is a real-time gross settlements system for payments in BGN. RINGS settles payments immediately and individually for each payment. The system uses the S.W.I.F.T. network and a SWIFT FIN Y-Copy service for interbank payment notifications. Interbank payments are processed via RINGS. Commercial payments of less than BGN100,000 are normally routed through BISERA, but if the customer so wishes, such payments can also be routed through RINGS.

- Type
  BISERA – netting system
  RINGS – RTGS system

- Settlement speed
  Payer's bank: 0 – 1 day
  Clearing centre:
  BISERA – same day, equalization next day
  RINGS – same-day settlement
  Beneficiary's bank: BISERA: 0 – 1 day; RINGS: 0 days

8.4. Value dates

Order Type	Cut-off Times	
• DPs, non-urgent – paper – electronically – paper/electronically	1st Settlement: Same-day value Same-day value 2nd settlement: Value D+1:	 09:30 CET 10:30 CET 14:30 CET 14:00 CET
• DPs, urgent via RINGS Value • FPs, paper/electronic	 Same day (€ only) Same day (US$ only) TOM (US$, €) SPOT	 09:00 CET 11:00 CET 14:30 CET 14:30 CET

Process	DPs	FPs
• Debit from customer's account	D	D
• Transmission to other banks	C; C+1 – for non-urgent payments using BISERA; C – for urgent payments using RINGS	C – same day C+1 = TOM C+2 = SPOT
• Credit to customer's account	With specified value date	With specified value date

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

9. Raiffeisenbank (Bulgaria) E.A.D.

Assets, €m	4,766
Branches	197
Staff	3,708

Shareholder structure:	
Raiffeisen International	100%

Raiffeisen International has had a presence in Bulgaria since *Raiffeisenbank (Bulgaria) E.A.D.* was set up in 1994. *Raiffeisenbank's* assets grew by 20 per cent to €4.8 billion in 2008, and at year-end, it had roughly 3,700 employees servicing approximately 653,000 customers. During 2008, the branch network in Bulgaria was enlarged by 45 branches to 197. Its sales activities were supplemented by 272 mobile customer support staff.

Raiffeisenbank continued to grow strongly in 2008, especially in the personal banking and SME segments. Overall, its loan portfolio grew by 33 per cent to €3.4 billion. At the same time, it increased its range of innovative products. As a result, customer deposit balances also grew, increasing by 21 per cent to €2.2 billion.

Since becoming operational in 2006, subsidiary *Raiffeisen Asset Management (Bulgaria) E.A.D.* has been one of the country's top 3 service providers in this field. In 2008, it was managing five local funds worth €45.7 million and selling 14 investment funds managed by *Raiffeisen Capital Management* in Austria It has a market share of about 15 per cent.

The Banker named this bank, which currently ranks fourth in the local market, 2008 "Bank of the Year".

10. Your International Business Specialists at Raiffeisenbank (Bulgaria) E.A.D. and the Global Raiffeisen Network

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