



Financial Market Report

Hungary

Country Profile: Hungary

Raiffeisen Research. As in April 2009.

Currency: forint

Gross Domestic Product and Budget

	2007	2008	2009 (est.)
Real GDP growth, % p.a.	1.1	0.6	-6.0
Nominal GDP, €bn	101.1	108.4	90.2
Per capita GDP, PPP basis, €	15,751	16,145	15,015
Growth in industrial output, % p.a.	8.1	-0.8	-16.3
Consolidated budget deficit, % of GDP	-5.0	-3.4	-4.0

Inflation and Employment

Jobless rate, annual average, %	7.5	7.9	10.5
Average monthly gross wage, €	736	790	712
Consumer price inflation, annual average, % p.a.	8.0	6.1	4.7

Balance of Trade and Current Account

Goods exports, €bn	69.0	72.8	60.2
Goods imports, €bn	69.1	73.0	57.5
Current account deficit, €bn	-6.6	-8.9	-4.1
Current account deficit, % of GDP	-6.5	-8.2	-4.6
Foreign debt, % of GDP	97.2	106.5	135.3

Rates of Exchange and Interest Rates

Local currency/US\$ (average)	183.6	172.4	197.9
Local currency/€ (average)	251.3	251.7	281.0
3-month money market rate (ZIBOR), average, %	7.8	8.9	8.9

Country Ratings

S&P	BBB-
Moody's	Baa1

The Hungarian Financial Market

1. The Economic and Political Situation in Hungary	4
2. Company Law	5
3. Accounting	16
4. Taxes and Legislation	18
5. Privatization	23
6. Arbitration	27
7. Support and Subsidies	28
8. Risk Mitigation and Finance	31
9. Payment and Account Services at Raiffeisen Bank Zrt.	36
10. Raiffeisen Bank Zrt. in Hungary	40
11. Your International Business Specialists at Raiffeisen Bank Zrt. and the Global Raiffeisen Network	41

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

Copy deadline: April 2009.

1. The Economic and Political Situation in Hungary

A long and difficult path out of the crisis

The global financial crisis has also caused radical economic and political changes in Hungary. In the economy, falling demand in the eurozone led to a nosedive in Hungarian exports. At the same time, the financial crisis made it difficult to raise funds. Domestic demand is currently very weak, so no support is coming from that quarter, and because of the difficult financial climate, the government cannot provide much economic stimulus either.

Just as the economic crisis was unfolding, the coalition partners pulled out of the governing coalition, so the socialists under the leadership of Premier Gyurcsany were forced to form a minority government. Cooperation with the former governing parties only resumed when Gyurcsany made it known that he would resign as premier if a successor could be found within two weeks. The parties were able to agree on non-partisan Gordon Bajnai as his successor. Bajnai had already been Hungary's non-partisan economy minister under Gyurcsany. Even if the present poor opinion polls mean that neither the governing socialists nor the smaller parties want new elections at this juncture, the government's ability to act will be diminished until the elections in April 2010.

Because of the difficult situation in the financial markets, Hungary was forced to ask the International Monetary Fund (IMF) for financial help to ensure its debt sustainability in 2009. In all, the financial package put together by the IMF, EU and World Bank came to €20 billion. It was very well received by the market. It signalled to investors readiness to provide support and showed that the necessary funds would, if necessary, be made available to Central and Eastern Europe and, therefore, to Hungary as well. However, the money is tied to conditions imposed by the IMF, prohibiting Hungary from backtracking from its austerity course and obliging it to carry through the necessary reforms.

We expect Hungary's economic expansion to decline substantially in 2009, resulting in growth of negative 5 per cent. Given Hungary's weak fundamentals, we also not very optimistic about 2010 and anticipate no more than a slight recovery. Further painful changes and reforms will be needed to restore Hungary's solid foundations, but such reforms are absolutely essential.

2. Company Law

2.1. General partnership

Hungarian: *Közkereseti Társaság* (Kkt.)

The form of business organization is essentially the same as the Austrian *Offene Gesellschaft*. It is a partnership without legal personality that can, in its own name, acquire rights and obligations (e.g. conclude contracts, buy property), sue and be sued. The partnership shall be primarily liable for its obligations with its assets. If the assets of the partnership do not cover an obligation, the members shall bear unlimited and joint and several liability with their private assets for the obligations of the partnership. Without prejudice to their subsidiary liability, members may also be sued together with the partnership. Decisions in favor of the plaintiff may be passed and enforcement may be carried out in connection with the assets of the partnership without the members being involved in the proceedings, however, such decision may be passed concerning the private assets of members only with their involvement in the proceedings.

Forming the partnership

A memorandum of association must be adopted to form the partnership. This agreement must be prepared by a notary or lawyer, signed by every partner and countersigned by the notary or lawyer who prepared it as an indication of his or her acceptance of liability for the legality of its contents.

The memorandum of association must, in particular, state:

- a) the corporate name and registered office of the business association;
- b) members of the business association, indicating - unless otherwise provided by law - their name (corporate name) and address (registered office), for legal persons and business associations lacking the legal status of a legal person their (company) registration number;
- c) the business association's activities which the company intends to indicate in the register of companies;
- d) the subscribed capital of the business association, the financial contribution of each member as well as how and when the subscribed capital is made available;
- e) the mode of representation and the method of signing for the company;
- f) the name and address (registered office) of the first executive officers appointed by the members (shareholders), and of the first appointed supervisory board members and auditor where applicable, and for legal persons and business associations lacking the legal status of a legal person their (company) registration number;
- g) the duration of the business association, if established for a limited period of time

Capital and assets

Because of the partners' unlimited liability, there are no minimal capital requirements to protect creditors; the members however shall make available to the partnership the capital contribution necessary for such activities. Unless otherwise specified in the memorandum of association, contributions of assets must be made at the time the partnership is formed.

Registration

An application for registration of the partnership's formation must be submitted to the companies court by a Hungarian lawyer within 30 days of the adoption of the memorandum of association. The companies court must rule on the application within eight working days of receiving it and inform the partnership of its decision within 15 working days. If the applicant submits the application for the partnership's registration using the statutorily predefined formats, the court's work will be made easier. As a result, the maximum processing time will then be reduced to two days. The partnership will come into being for legal purposes upon being registered.

The companies court will allocate a companies register number directly upon receiving the application for the partnership's registration in the companies register as well as obtaining the new partnership's tax reference number and statistical number electronically and recording those numbers in the companies register. An official certificate of this information will be issued to the registering party. Once the application for registration has been made, the partnership can commence business operations as a pre - company. However, in the pre - company phase, it cannot carry on activities for which a licence would be required, the partners cannot be changed, the enterprise cannot convert into another form of business organization, may not establish a business association, nor may it join one as a member, the memorandum of association cannot be changed other than providing any missing information as requested by the companies court, and legal action cannot be taken to exclude a partner,.

Fees

The court fee will be Ft50,000 (approximately €200). In addition, there will be publication fees of Ft14,000 (approximately €56) and the costs of having the specimen signature(s) verified by a notary of about Ft2,500 (approximately €10) per signature. If the applicant submits the application for registration in the companies register electronically and/or using the statutorily predefined formats, the court's work will be made easier. As a result, lower fees are provided for in this case. In addition, there will be the costs of certified translations of any foreign documents. Lawyers' fees are freely negotiable (Hungary does not have official scales of fees for lawyers). We put them at (roughly) €1,500.

2.2. Limited partnership

Hungarian: *Betéti Társaság* (Bt.)

This form of business organization is essentially the same as the Austrian *Kommanditgesellschaft*. The Bt. is a special variant of a general partnership (see above) in which at least one partner is not personally liable but liable up to the amount of his/her/its contractually agreed contribution (limited partner). A Bt. is without legal personality but can, in its own name, acquire rights and is capable of suing or being sued. A creditor of a Bt. can assert claims in respect of overdue receivables in court both against the partnership and against the personally liable partners and can subsequently levy execution against the partnership's assets and the private assets (insofar as located in the EU) of the personally liable partner(s). In contrast, limited partners are only liable up to the amount of their contributions.

Forming the partnership

The formation process and minimum contents of the memorandum and articles of association are the same as for a general partnership (see above).

At least one partner (general partner) must be liable for the partnership's obligations without limit, with all his/her/its assets and jointly and severally (with any other general partner(s)). The liability of at least one other partner (limited partner) is limited to the amount of the assets contributed by that partner. Both the general partners and the limited partners of a Bt. can be Hungarian or foreign individuals or legal entities.

Capital and assets

Because of the unlimited liability of the general partners, there are no minimal capital requirements to protect creditors; the members however shall make available to the partnership the capital contribution necessary for such activities. Unless otherwise specified in the memorandum and articles of association, contributions of assets must be made at the time the partnership is formed.

Registration

The registration process is the same as for a general partnership (see above).

2.3. Limited liability company

Hungarian: *Korlátolt Felelősségű Társaság* (Kft.)

Forming the company

A memorandum of association must be adopted to form the company. This agreement must be prepared by a notary or lawyer, signed by all the partners and countersigned by the notary or lawyer who prepared it as an indication of his or her acceptance of liability for the legality of its contents.

The memorandum of association must regulate the following (minimum required contents):

- a) the corporate name and registered office of the business association;
- b) members of the business association, indicating - unless otherwise provided by law - their name (corporate name) and address (registered office), for legal persons and business associations lacking the legal status of a legal person their (company) registration number;
- c) the business association's activities which the company intends to indicate in the register of companies;

- d) the subscribed capital of the business association, the financial contribution of each member as well as how and when the subscribed capital is made available;
- e) the mode of representation and the method of signing for the company;
- f) the name and address (registered office) of the first executive officers appointed by the members (shareholders), and of the first appointed supervisory board members and auditor where applicable, and for legal persons and business associations lacking the legal status of a legal person their (company) registration number;
- g) the duration of the business association, if established for a limited period of time
- h) the amount of capital contribution of each member;
- i) the extent of voting rights.

Minimum capital

The company's assets at the time of its formation consist of the assets contributed by the partners. Contributions can also be furnished in kind. The company's capital stock comprises the sum of the capital contributions made by the individual partners. It must be at least Ft500,000 (roughly €2,000). The capital stock can also be agreed and contributed in a foreign currency (e.g. in euros). The individual capital contributions may not be smaller than Ft100,000 (about €400), but one capital share can be held by more than one owner. At least half of each contributions in cash must be made at the time of the company's formation (prior to registration at the companies court). The remainder must be contributed within one year of registration. In the case of a "one-man" company, the entirety of the company's capital stock must be paid in at the time of its formation.

If they account for more than half of the company's capital stock, contributions in kind must be furnished immediately when the company is formed. Otherwise, they must be made as specified in the memorandum of association and not later than three years after the company's registration.

Registration

The registration process is the same as for a general partnership (see above).

Fees

The companies court fee will be Ft 100,000 (approximately €400). In addition, there will be publication fees of Ft 25,000 (approximately €100) and the costs of having the specimen signature(s) verified by a notary of about Ft 2,500 (approximately €10) per signature. Applications can be submitted electronically only. Lawyers' fees are freely negotiable (Hungary does not have official scales of fees for lawyers). We put them at (roughly) €2,500 to €3,000.

The company's boards and bodies

Partners' meeting

The partners' meeting is the company's senior decision-making body. It must be convened at least once a year. As a rule, decisions by the partners' meeting are made by the partners present by a simple majority of the votes. A qualified majority of three quarters of the votes is required for important decisions. Unless otherwise specified by the memorandum of association, the voting rights correspond to a partner's capital share.

Unless otherwise specified by the memorandum of association, management will convene the partners' meeting at the company's registered office. A "one-man" company does not have partners' meetings. Instead, the sole partner makes decisions in writing.

Manager(s)

Companies are represented by their managers - as their legal representatives - vis-à-vis third parties and before the court and other authorities. The statutory right of representation of managers may be restricted in the memorandum of association, or may be distributed among several managers. Any restriction or division of the right of representation shall be null and void vis-à-vis third parties. Managers are appointed from among the partners (managing partner(s)) or are outsiders (externally hired manager(s)) and can be appointed for a specific period (at most five years) or for an indefinite period (if this is provided for in the memorandum of association). Manager(s) must perform their functions in person. Deputies are not allowed, in respect of specific types of issues however, managers may confer the right of representation upon employees of the business association. Unless otherwise specified by the memorandum of association, all managers and authorized signatories are authorized to sign for the company on their own. In principle, the company can have just foreign managers, but it is at times advisable to have Hungarian managers as well (e.g. to deal with human resources, to communicate with officials). A manager can perform his or her management functions within the scope of a contract of employment or a work agreement (as a freelancer). This must already be decided when preparing the memorandum of association. If a manager does not have an address for service in Hungary, he or she must give the companies court the name of person authorized to accept service.

The supervisory board

A supervisory board must be set up if the average number of full-time employees in a year exceeds two hundred (in which case one third of the members of the supervisory board must be nominated by the staff representatives; the number of members must be rounded up in favour of the staff).

Otherwise, the company *can* set up a supervisory board consisting of at least three and not more than 15 members. The members of the supervisory board are not allowed to appoint proxies.

The supervisory board supervises the company's management and examines the annual financial statements and motions on matters of business policy before they are submitted to the partners' meeting for consideration. The partners' meeting is not allowed to rule on the annual financial statements without having received a written report from the supervisory board. The memorandum and articles of association can assign responsibility for appointing and dismissing managers and deciding their remuneration and for approving certain legal transactions to the supervisory board.

2.4. Joint-stock company

Hungarian: *zártkörűen működő részvénytársaság* (Zrt.: closed joint-stock company) or *nyilvánosan működő részvénytársaság* (Nyrt: public joint-stock company).

The shareholders have a share in the company's capital stock, which is divided into shares, by virtue of their subscriptions. They are not personally liable for the company's obligations. Unless otherwise specified by the memorandum and articles of association, the managing board is appointed by the shareholders' meeting and not by the supervisory board.

Forming the company

A memorandum and articles of association are required to form the company. Subject to legislative provisions, there are no specific requirements regarding its content. The memorandum and articles of association of a closed joint-stock company must be signed by the shareholders and formulated by a notary or countersigned by a lawyer.

The memorandum and articles of association of a public joint-stock company must also be formulated by a notary or countersigned by a lawyer. However, they do not have to be signed by the shareholders. Instead, they must be approved by the shareholders' meeting.

Capital and assets

A closed joint-stock company's must have capital stock of at least Ft5 million (approximately €20,000). If it is formed by way of cash subscriptions, at least 25 per cent of the cash subscriptions must be made at the time of the company's formation and the remainder must be paid within one year of its formation. A public joint-stock company must have capital stock of at least Ft20 million (approximately €80,000). A joint-stock company's assets at the time of its formation consist of the shareholders' cash subscriptions and any contributions in kind that have been furnished. A closed joint-stock company may also be formed exclusively on the basis of contributions in kind.

Contributions in kind must be furnished to the joint-stock company in full at the time of its formation unless they account for less than of 25 per cent of its capital stock. In that case, they must be furnished within the deadline set in the memorandum and articles of association and not later than five years after the company's formation. However, this does not apply to a public joint-stock company, where the entirety of the contributions in kind must be furnished at the time of the company's formation.

Memorandum and articles of association

The memorandum and articles of association must, in particular, regulate the following:

- a) the corporate name and registered office of the business association;
- b) members of the business association, indicating - unless otherwise provided by law - their name (corporate name) and address (registered office), for legal persons and business associations lacking the legal status of a legal person their (company) registration number;

- c) the business association's activities which the company intends to indicate in the register of companies;
- d) the subscribed capital of the business association, the financial contribution of each member as well as how and when the subscribed capital is made available;
- e) the mode of representation and the method of signing for the company;
- f) the duration of the business association, if established for a limited period of time
- g) the amount of share capital, the amount of cash contributions to be paid upon foundation, and the conditions for paying the face value or issue price of shares;
- h) the declaration of the founders concerning their commitment to subscribe for all shares, and on the division of the shares among themselves; (closed joint-stock company only).
- i) the number and face value or issue price of the shares to be issued upon foundation, the face value of fraction shares, where applicable, and type of shares (printed or dematerialized);
- j) the name (address) of the first management board members;
- k) the name of the private limited company's first auditor (address, registered office);
- l) the name of members of the first supervisory board, with the exception of public limited companies controlled by the one-tier system
- m) the procedure for calling general meetings, as well as the conditions and method of exercising voting rights;

Registration

Assuming that the shareholders have subscribed the entire of the shares and at least 25 per cent of the shares subscribed have been paid up, an application for registration can be made to the companies court. In general, 100 per cent of contributions in kind must have been furnished. The shareholders must pay in the prescribed cash amount (par value plus premium) within one year of the company's registration in the companies register. Within 30 days of the adoption of the memorandum and articles of association, an application for registration of the joint-stock company's formation must be made to the companies court by a Hungarian lawyer. The joint-stock company will come into being upon being registered. The companies court will immediately allocate a companies register number and will, upon receiving the application for the registration, obtain the new joint-stock company's tax reference number and statistical number and record them in the companies register. Once the application for registration has been made, the company can commence business operations as a so-called pre - company. However, in this phase, it cannot carry on activities for which a licence will be required (e.g. operate banks), and the shareholders cannot change, the enterprise cannot be wound up or converted into another form of business organization, may not establish a business association, nor may it join one as a member, and the memorandum and articles of association cannot be changed other than providing any missing information as requested by the companies court.

Fees

The court fee for a closed joint-stock company will be Ft100,000 (approximately €400). The court fee for a public joint-stock company will be Ft600,000 (approximately €2,400). In addition, there will be publication fees of Ft25,000 (approximately €100) and the costs of having the specimen signature(s) verified by a notary of about Ft2,500 (approximately €10) per signature.

The application for registration in the companies register can only be submitted electronically. Using the statutorily predefined formats, the court's work will be made easier, as a result, lower fees are provided for in this case. In addition, there will be the costs of certified translations of any foreign documents. Lawyers' fees are freely negotiable (Hungary does not have official scales of fees for lawyers). We put them at (roughly) €3,000 to €5,000.

The company's boards and bodies

Shareholders' meeting

The shareholders' meeting is the company's senior decision-making body. It consists of all the shareholders. They have the following rights:

- a) decisions to approve and amend the articles of association,
- b) decisions on changing the operating form of the private limited company;
- c) decisions on transformation or termination of the company without succession;
- d) the election and removal of the members of the management board or the general director, members of the supervisory board and the auditor or the audit board, and establishing their remuneration;
- e) approval of the annual report prepared pursuant to the Accounting Act;
- f) decisions to pay interim dividends,
- g) decisions to convert printed share certificates into dematerialized shares;
- h) alteration of the rights attached to the various series of shares, and the conversion of categories or classes of shares;
- i) decisions to issue convertible bonds or bonds with subscription rights,
- j) decisions to increase the share capital,
- k) decisions to reduce the share capital,
- l) decisions to abolish pre-emptive subscription rights;
- m) decisions on all issues which are assigned to the competence of the general meeting by law or the articles of association.
- n) a decision - mandatory or otherwise depending on the provisions of the articles of association - concerning the guidelines and framework for a long-term salary and incentive scheme for executive officers, supervisory board members and executive employees (only in case of public joint stock company)

Managing board

The managing board is the joint-stock company's executive body. It must have at least three and not more than 11 members. They are appointed by the shareholders' meeting. The managing board must report to the shareholders' meeting about the company's management, asset position and business policy at least once a year and must report to the supervisory board about the course of business on quarterly basis. In case of closed joint-stock companies the managing board may be substituted by the general director.

The managing board or the general director must convene the shareholders' meeting within eight days to decide what action needs to be taken if

- a) losses have reduced the value of the joint-stock company's equity to two thirds or less of its capital stock;
- b) the company's equity has fallen in value to below its regulatory minimum capital stock;
- c) the joint-stock company has ceased making payments and its assets do not suffice to settle its debts.

Supervisory board

All public joint-stock companies (with the exception of joint-stock companies which - when the articles of association so provides - can be controlled by the board of directors under the one-tier system instead of the management board and the supervisory board) and closed joint-stock companies with over 200 employees must, if shareholders representing more than 5 per cent of the voting rights so require, set up a supervisory board consisting of at least three and not more than 15 members. The members of the supervisory board are elected by the shareholders' meeting. Persons from outside the company can also be elected as members of the supervisory board. The members of the supervisory board are not allowed to appoint proxies. If the number of full-time employees exceeds 200, one third of the supervisory board's members must be nominated by the staff council, and only those persons can subsequently be appointed as staff representatives by the shareholders' meeting. The supervisory board supervises the managing board and examines its motions on matters of business policy before they are submitted to the partners' meeting for consideration. The memorandum and articles of association of a closed joint-stock company can assign responsibility for appointing and dismissing members of the managing board and deciding their remuneration and for approving certain legal transactions to the supervisory board.

2.5. Association

Hungarian: *Egyesülés* (ES)

The association — a form of business organization that is, in practice, of little importance in Hungary — is a cooperative organization with legal personality that serves “the coordination of individuals”. It is similar to a cooperative. Its purpose is to promote the business activities of its members. It must not be profit-orientated. The members of the association are only secondarily liable for the association's debts, but without limit and jointly and severally.

2.6. Commercial agency

Hungarian: *Kereskedelmi Képviselet* (KK)

The commercial agency must be registered as such in the companies register. However, it is not subject to the provisions of the financial reporting act and cannot do business in its own name. A commercial agency can only act as a go-between and acquire business, concluding contracts in the name and for the account of its foreign “parent”. Commercial agencies can be set up by foreign enterprises that have a company name in accordance with the law of their home country or are registered in a commercial register (or other business register).

Definition

A commercial agency is an organizational unit of a foreign enterprise that does not itself have legal personality. It comes into being upon being registered in the companies register.

Registration

The following documents in particular are required for registration in the companies register:

- the document of formation (memorandum and articles of association) of the foreign “parent” (founder) and a certified translation thereof into Hungarian;
- the “parent’s” resolution concerning the creation of the commercial agency;
- verified specimen signatures of the managing agents who will represent the commercial agency vis-à-vis third parties;
- a declaration by each of the appointed representatives that they accept their appointment;
- authority to accept service for the foreign “parent” and/or managing agents and a declaration of acceptance of this power by the authorized party;
- a certified extract from the companies register of the entry pertaining to the foreign “parent” together with a certified translation;
- a lawyer’s power of attorney (representation by a lawyer is mandatory); and
- proof that the court and publication fees have been paid.

Activities as an agent can be performed by a Hungarian or foreign employee. The employment relationship exists directly between the employee and the foreign enterprise. The commercial agency must pay income tax and social security contributions to the inland revenue for such employees and must, therefore, be registered with the inland revenue and social insurance authority.

Cost

The court fee for the application (including the cost of registration in the companies register) is currently Ft150,000 (approximately €600). In addition, there will be publication fees of Ft14,000 (approximately €56) and the costs of having the specimen signature(s) verified by a notary of about Ft2,500 (approximately €10) per signature. In addition, there will be the costs of certified translations of the foreign documents. Lawyers’ fees are freely negotiable (Hungary does not have official scales of fees for lawyers). We put them at (roughly) €2,000.

2.7. Branch

Hungarian: *Fióktelep*

Enterprises registered abroad can carry on business activities in Hungary as branches within the meaning of the Hungarian branches act. They can set up one or more branches in Hungary and pay for them with their own funds or borrowed funds. An application for the branch’s registration in the companies register must be made to the companies court.

Definition

A branch is an organizational unit assigned with economic separateness of a foreign enterprise that does not itself have legal personality. It comes into being upon being registered in the companies register.

Registration

The following documents in particular are required for registration in the companies register:

- the document of formation (memorandum and articles of association) of the foreign “parent” (founder) and a certified translation thereof into Hungarian;
- the “parent’s” resolution concerning the creation of the branch;
- a declaration by each of the appointed representatives that they accept their appointment;
- a certified extract from the companies register of the entry pertaining to the foreign “parent” together with a certified translation;
- a lawyer’s power of attorney (representation by a lawyer is mandatory); and
- proof that the court and publication fees have been paid.

Activities of the branch can be performed by a Hungarian or foreign employee.

A branch is subject to the provisions of the Hungarian financial reporting act. In certain configurations, the setting up a branch for a foreign “parent” can be more tax efficient than forming a Hungarian subsidiary. However, according to Hungarian case law, a branch cannot hold an investment (business interest, share) in a Hungarian company. The same documents are needed to register a branch at the companies court as to register a commercial agency, but in addition, a tax return is needed for the allocation of a tax reference number inclusive of VAT number.

Accounts and financial reporting

The branch must keep accounts in accordance with the Hungarian financial reporting act (e.g. with respect to accounting policies, compulsory double-entry bookkeeping).

Cost

The court fee for the application (including the cost of registration in the companies register) is currently Ft250,000 (approximately €1,000). In addition, there will be publication fees of Ft14,000 (approximately €56) and the costs of having the specimen signature(s) verified by a notary of about Ft2,500 (approximately €10) per signature. In addition, there will be the costs of certified translations of the foreign documents. Lawyers’ fees are freely negotiable. We put them at roughly €2,500.

2.8. Electronic submission of the application for registration in the companies register or registration of a change

Companies shall submit the application for the registration (amendment notification) by way of electronic means. The companies' court shall confirm the receipt of applications submitted by way of electronic means. All electronic documents submitted for registration (amendment notification) shall be executed by means of qualified electronic signatures and time stamping, where the time stamp must have facilities to verify that the qualified electronic signature was legally valid at the time the signature was executed and the time-stamp was affixed. A legal representative may effect compliance with this obligation by executing the application for registration (amendment notification) by means of an advanced electronic signature and a time stamp. Electronic documents conveyed by the companies' court shall be treated as authentic instruments. The companies' court shall keep all documents of a company in electronic format.

3. Accounting

Hungarian financial reporting law was reformed by act “C” in 2000. This act takes account of the 4th and 7th EU accounting directives and individual principles laid down in international standards.

The financial reporting act applies to enterprises, including their branches, but not to sole traders or commercial agencies.

The Hungarian financial reporting act is based on the following principles of proper accounting: going concern principle, completeness, accuracy, clarity, prudence, identity, balance sheet consistency, comparability, gross accounting, item-by-item valuation, accrual, priority of substance over form, materiality and cost-benefit comparison. Hungarian enterprises must present their own internal accounting principles (measurement policies, etc.) in a statement of accounting policies.

By law, invoices issued in Hungary must be issued in Hungarian (description of the supplied goods or services).

3.1. Duty of disclosure, compulsory bookkeeping

The duty to prepare annual financial statements encompasses reporting in Hungarian on the enterprise’s activities and on its assets and liabilities, financial position and results of operations. The special forms of annual financial statement are consolidated financial statements and simplified financial statements.

Annual financial statements must consist of a balance sheet, an income statement and notes. At the same time as the annual financial statements, enterprises must prepare an annual report (management report). Enterprises that do double-entry bookkeeping whose assets did not exceed Ft500 million (approximately €2 million), whose annual revenues did not exceed Ft1,000 million (approximately €4 million) and whose average workforce did not exceed 50 in the year under review with two of these criteria being met in two consecutive years can prepare simplified annual financial statements (without an annual report). This simplification does not apply to joint-stock companies, branches and consolidated groups or enterprises whose securities (e.g. bonds, equities) are traded on a stock exchange or which have made an application for admission to the stock exchange.

“Parents” — enterprises that hold a majority stake in another company, whether directly or indirectly, or control another company — must prepare consolidated financial statements and a group management report if they met at least two of the following criteria in the preceding two years:

- assets of over Ft2,700 million;
- revenues of over Ft4 billion;
- an average of more than 250 employees.

The financial year is generally identical to the calendar year, but in special cases (e.g. consolidated subsidiaries and branches of foreign enterprises), a financial year can be adopted that differs from the calendar year.

Records must be kept for 10 years.

Not only non-resident companies can keep accounts or report in foreign currencies. However, at least 75 per cent of income, costs, other expenses and financial assets and liabilities must have been in the chosen “functional” currency in the preceding year and the year under review.

3.2. Annual audits

Under the financial reporting act, audits are mandatory in Hungary for all companies that do double-entry bookkeeping with the exception of enterprises whose net revenues did not exceed Ft50 million (approximately €200,000) in the preceding two years.

Hungarian company law provides for mandatory annual audits for joint-stock companies, limited liability companies with capital stock of Ft50 million or more, and “one-man” limited liability companies.

4. Taxes and Legislation

Hungary's tax system taxes income, revenues and consumption. It has already been brought extensively into line with EU tax law. Hungarian tax law is based on the principle of treating all forms of business organization as equally as possible for tax purposes.

4.1. Corporation and dividend tax

Hungarian: *társasági és osztalék adó*

The taxation of companies and their shareholders and partners is regulated in act LXXXI on corporation and dividend tax of 1996.

Hungarian corporations, branches and permanent establishments of foreign enterprises are subject to corporation tax, as are Hungarian partnerships (Bt.s or Kkt.s) and European associations. The tax base is profit before tax subject to various deductions and additions.

There is a standard corporation tax rate of 16 per cent.

The tax base can be reduced by 100 per cent of the business tax paid if the entity does not have any public debts; In practice, 200 per cent of business tax is tax deductible.

The tax rate is 10 per cent up to a tax base of Ft50 million if the following criteria are met:

- no use is made of a corporation tax privilege;
- payment of pension and health insurance contributions based on an average of at least 200 per cent (or 100 per cent, if the registered seat of the company is located in an underdeveloped region of Hungary) of the minimum wage;
- an average workforce of at least one.
- the corporate tax base in the last two years reached at least 2 per cent of the total revenue decreased by the costs of goods sold;
- no breach of any regulation of the labour code has been established by any court or authority during the last two years.

With the exception of distributions to individuals taxed within the scope of income tax, profit distributions to foreign partners and shareholders are not subject to withholding tax.

Foreign companies and other organizations must pay Hungarian tax on their worldwide income if their place of management is in Hungary.

In addition, all entities subject to corporation tax as well as profit-making enterprises and sole traders must pay a solidarity tax. The tax base is their profit before tax modified by the amount of a number of deductions and additions. The tax rate is 4 per cent of the tax base.

4.2. Income tax

Hungarian: *személyi jövedelemadó*.

Individuals (private persons) are liable for income tax. Income derived from self-employment and employment and all other forms of income are subject to a progressive tax rate (from 18 to 36 per cent). A rate of 18 per cent applied up to 1,900,000. From that amount up to the cap for social security contributions (Ft 7,446,000 in 2009), the rate is 36 per cent. Above the cap for social security contributions, the rate is 40 per cent. Special tax concessions can only be claimed up to annual income of Ft6,000,000.

In general, sole traders are subject to the special regulations regarding “business income tax” (16 per cent of profits and 25 per cent of dividends). Hungarian income tax law lays down flat rates of tax for other forms of income (asset transfers, income from capital such as interest and dividends, various other forms of income such as rental income).

As a rule, dividends are taxed at a rate of 25 per cent. However, dividends distributed by companies listed on an approved stock exchange of any EFA Member State are taxed at a rate of 10 per cent.

Other, parallel forms of taxation on income from capital have been introduced, including interest tax and tax on stock market profits at a rate of 20 per cent from 1st September 2006 (until which time interest and stock market profits were not taxed)

4.3. Simplified enterprise tax

Hungarian: *egyszerűsített vállalkozói adó (Eva)*.

The simplified enterprise tax is a flat tax on certain small businesses owned by private persons whose gross annual revenues (i.e. inclusive of VAT) do not exceed Ft 26 million (approximately €100,000). Gross revenue is modified by a number of deductions and additions before being taxed at a flat rate of 25 per cent.

Simplified income tax not only replaces income tax for a sole trader (business income tax). It also replaces corporation tax (e.g. for a limited liability company), dividend tax, VAT and company car tax.

4.4. Value added tax

Hungarian: *általános forgalmi adó (áfa)*.

As of 1 July 2009, Hungary's standard VAT rate is 25 per cent. The reduced rate of 5 per cent applies mainly to drugs, medical aids and books. Effective from 1 July 2009, another reduced rate has been introduced at 18%. This rate applies to basic foodstuff and district heating. The only genuine VAT exemptions (VAT rate 0 per cent with the right to reclaim input tax) exist for sales within the European Union and the associated services and exports under certain circumstances.

The pseudo-exemptions (exemptions from tax without the right to reclaim input tax) consists of “subjective” and “material” VAT exemptions.

The subjective VAT exemption is an arrangement for small businesses.

Material exceptions apply to a catalogue of services, including the sale of real estates (other than plot or buildings constructed within the previous 2 years), postal and financial services, educational activities, medical care, games of chance, etc. There are also material VAT exemptions for the lease of real estates, but the lessor also has the option of being taxed normally.

Generally, only taxpayers registered with the tax authorities who have a tax reference number can reclaim input tax. Non-reclaimable items include input tax on services not purchased for business use, input tax in connection with turnover to which a material exemption applies and input tax paid on cars, etc.

4.5. Monopoly excise

Hungarian: *jövedéki adó*.

The monopoly excise is only levied on products over which the government wishes to have greater financial control such as alcohol, tobacco and mineral oils. It is only payable by a few enterprises and by manufacturers, distributors, exporters and importers of goods that attract monopoly excise duty. The tax base is the quantity/amount and/or value of the goods.

4.7. Registration tax

Registration tax is charged the first time a car, caravan, mobile home or motor bike is registered. The tax must be paid by the person applying for registration, or by the importer if the vehicle is imported, or by the party obliged to pay the VAT if the vehicle is bought in the European Union or by the owner if the vehicle has been modified. The tax must be paid if the vehicle is imported or supplied from another EU Member State.

4.8. Road tax

Hungarian: *gépjárműadó*

Road tax is charged for vehicles and trailers with Hungarian plates and for foreign vehicles used in the territory of the Republic of Hungary.

4.9. Land transfer tax

Hungarian: *vagyónátruházási illeték*

Land transfer tax is charged as a fee. It is generally 10 per cent of a property's market value, the VAT being included in the basis of assessment. Real estates purchased for resale purposes are taxed at 2%. When residential property is transferred, the rate ranges from 2 per cent (on amounts up to a market value of Ft4,000,000) to 6 per cent (on amounts exceeding Ft4,000,000).

As of 1 January 2010, real estate transfer tax will be significantly reduced.

4.10. Local taxes

Local taxes are charged by the financial authorities of municipalities. The most important local tax is business tax, which is not allowed to exceed 2 per cent. The tax base is revenues net of payments to subcontractors, the cost of goods purchased and expenditure on raw materials, auxiliary supplies and consumables.

The other local taxes are either wealth taxes (building tax, land tax) or municipal taxes (personal municipal tax, municipal tax on enterprises, tourism tax).

4.11. Double tax agreement

The agreement is based on the OECD Model Tax Convention. As a result, the following income is taxed in the source country:

- income from immovable property (Article 6);
- enterprise profits from permanent establishments in the source country (Article 7);
- withholding tax;
- income from independent personal services rendered in a permanent establishment in the source country (Article 14);
- income from employment if the remuneration is paid by, or on behalf of, an employer who is resident in the source country or if the remuneration is borne by a branch or permanent establishment of the employer in the source country or if the recipient is present in the source country for a period or periods exceeding the aggregate 183 days in the fiscal year concerned (Article 15);
- supervisory board and managers' fees derived from companies in the source country (Article 16: *Directors Fees*);
- income of artistes and sportsmen in the source country (Article 17).

5. Privatization

Foreign individuals and legal entities can buy real estate that is not deemed to be arable land with the permission of the competent administrative authority.

When real estate is being bought by a citizen of another Member State, it makes a difference whether the foreigner wants to buy the property as a primary residence or secondary residence.

A primary residence is the apartment, building or part of a building used for residential purposes that consists of one or more rooms used as living quarters where the citizen of a Member State wishes to live.

A secondary residence is the apartment, building or part of a building used for residential purposes that consists of one or more rooms used as living quarters that is not considered to be that citizen's primary residence.

In the transitional period (i.e. 2004–2009), the permission of the competent administrative authority will be needed to buy a property as a secondary residence. After the end of the transitional period, the same rules will apply to citizens of other Member States as to Hungarians.

A real estate purchase contract must be in writing and must be countersigned by a lawyer or take the form of a notarial deed in order to be registered in the land register. The contract must state the names of the parties, the subject matter of the purchase contract, the intention to transfer ownership and the purchase price.

The contract must be subject to Hungarian law.

Regarding arable land, we stress that only Hungarian individuals are allowed to buy arable land, so foreign individuals and legal entities cannot.

Hungarian individuals can only acquire ownership of arable land to the extent that the arable land they own does not exceed 300 hectares (741 acres) or have a value of more than 6,000 gold crowns.

Foreigners can acquire a farm with maximum area of 6,000 m² (64,593 sq. ft.). A farm is defined as residential and farm buildings and the land belonging to them with an area of no more than 6,000 m² not located in a residential area).

However, arable land can be let to anybody, i.e. both Hungarian and foreign legal entities.

There are special requirements regarding the maximum durations of leases for woods, vineyards, orchards and other plantations.

Foreigners and Hungarians alike can rent arable land up to a maximum area of 300 hectares or value of 6,000 gold crowns.

5.1. Land register

Under Hungarian law, purchases of real estate must be registered in the land register. The land register is the official register of all real estate in Hungary. It is a reliable record of the most important information about real estate as required by the law.

The land register must contain at least the following information about a piece of real estate: information about the property: location, cadastral number, size, usage, whether the plot is cultivated; information about the owner (personal details): interest owned, legal title through which ownership was acquired; information about any encumbrances: e.g. easements, options, mortgages (with the name of the beneficiary(ies) and the size of the encumbrance; information about rights eg. rights of ownership, rights of use, easements, rights of use within the scope of a housing cooperative, cultivation rights, rights of use and easements in the public interest, rights of purchase and rights of first refusal, annuity and maintenance rights, mortgage rights, rights of execution and usufruct.

. Without these rights and the other facts that can also be recorded in the land register, an entitled party cannot assert a right vis-à-vis a third party. Registration will take place upon application by the entitled party. Legal representation during the registration process is mandatory, so a notarial deed or private deed countersigned by a lawyer will be required. The deed regarding the coming into being, change or termination of ownership, right of use, usufruct, easement, right of purchase or mortgage right must be countersigned by a lawyer or recorded in a notarial deed. The application must be made to the land register authority within 30 days of the signature of the contract serving as the basis for the entry. The application for registration of the transfer of ownership of a piece of real estate must be made to the competent land registry within 30 days of the contract being signed. If one of the parties to the contract is a legal entity, an extract from the companies register and specimen signatures for the legal entity must be included with the contract. If one of the parties to the contract is a foreigner, an Hungarian resident must be authorized to accept service. When the application for the acquirer's registration is received by the land registry, the application will in 24 hours be recorded in the property's land register record sheet by way of a margin note.

The costs of the process must be paid either when the application is filed or by bank transfer.

(Although the land register is already kept electronically, it still takes officially 30 days (which can be extended) for an application to be processed and the right to be registered. This means that the recording of the acquirer's application in the form of a margin note that appears in the extract from the land register from the time it is filed is advantageous for the acquirer.)

5.2. Taxes and fees when buying real estate

In Hungary, transfers of assets (by inheritance or gift or against payment) are liable to charges. When a piece of real estate is purchased, a fee of 10 per cent is normally charged (land transfer duty). Land transfer duty is calculated on the basis of the market value of the purchased real estate. It will fall due as soon as the contract is concluded unless the contract is concluded conditionally, in which case it will fall due at a later time. It will be charged by the Hungarian Tax Authority.

If an apartment is purchased, this duty will be 2 per cent up to a value of Ft 4 million (approximately €16,000) plus 6 per cent of any amount greater than that. If the property is purchased for resale by a business proprietor or enterprise whose principle activity is selling real estate or if the property is bought from a business proprietor or enterprise within the scope of a finance lease, the aggregate duty will be just 2 per cent. A property's acquisition will be exempt from the duty if it is building land upon which the owner builds a residential building within four years of the contract being concluded.

No duty will be payable on the purchase of a new apartment with a market value of less than Ft 15 million that has been newly built for sale by a business proprietor or enterprise.

The VAT on real estate transfers is usually 20 percent, but no VAT is charged on transfers of land that cannot be developed and on transfers of residential property (with the exception of the first sale of a residential property). The other costs incurred when buying real estate (besides lawyers' fees) will be the fees charged by the land registry. Currently, they are Ft 6,000 (approximately €24) per property. The fee for extinguishing a mortgage is Ft 12,000.

Income from selling real estate is taxed at a rate of 25 per cent. An individual shall not pay this tax if he or she owns the real estate for more than 5 years.

5.3. Acquisition by way of a “share deal”

Because of the high land transfer tax and the need for permission, foreign companies often purchase real estate in Hungary by way of a “share deal”. This means that they do not buy the real estate itself. Instead, they buy a share of the company that owns the real estate (usually a project company). Instead of a real estate purchase contract, they conclude a share transfer agreement, which must be registered with the companies court. No land transfer tax or VAT will be payable on this share transfer. A thorough financial and legal due diligence is required in this case in order to avoid the risks deriving from a share deal.

5.4. Letting real estate

The scope of the Hungarian landlord and tenant act covers the letting of residential premises and the letting of non-residential premises (e.g. offices, shops). In principle, the parties to a lease are free to choose what they put in it. However, the act does contain a few mandatory requirements to protect the tenant and strengthen the tenant's position. One of the most important points regulates termination.

A tenancy agreed for an indefinite period can be terminated by both the lessee and the lessor, but, unless the parties have agreed otherwise, the lessor can only terminate the lease citing exceptional circumstances or can only terminate while at the same time offering the tenant another, similar apartment. One must therefore take care to make sure that the parties specify in the lease that the lessor can also terminate the lease at will. If the lease is concluded for a limited period of time, both parties can only terminate citing exceptional circumstances.

The parties are generally free to choose what to put in it a lease for premises not used for residential purposes, but here too, the requirement regarding termination must be observed.

Furthermore, the Hungarian landlord and tenant act does not regulate many of the issues that are normal in leases for business premises such as indexation, deposits, etc. For this reason, the parties are fairly free make these arrangements in any way they wish, although the relevant provisions of the civil code must be adhered to.

6. Arbitration

The principal significance of arbitration is that it makes it possible to avoid long cases in the courts of ordinary jurisdiction by providing a legal framework for out-of-court settlements.

Hungary has ratified the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the New York Convention) of 10 June 1958 as well as the European Convention on International Commercial Arbitration of 21 April 1961. As a result, not just Hungarian arbitral awards but also arbitral awards made in Austria and other contracting states that are covered by the New York Convention can be directly enforced. This means that the jurisdiction of national, institutional courts of arbitration, the court of arbitration of *Wirtschaftskammer Österreich* (Austrian Federal Economic Chamber) in Vienna and other foreign and international arbitrators can be agreed.

The parties to the contract can thus leave it to a court of arbitration to settle disputes. This requires an express, written agreement (arbitration clause). The party electing to go to arbitration must pay the costs of the proceedings in advance.

The Austrian Federal Economic Chamber and Hungary's Chamber of Trade and Industry have reached an agreement on working together in the commercial arbitration field. Under this agreement, individuals and legal entities in Austria and business organizations with legal personality in Hungary are offered administered arbitration in accordance with the UNCITRAL Arbitration Rules in connection with contracts concluded with Hungarian or Austrian counterparties as well as counterparties resident or domiciled in non-member countries.

The recommended arbitration clause is:

“All disputes arising out of or in connection with the present contract, including disputes about its validity, interpretation or cancellation, shall be finally and exclusively settled by a court of arbitration created and administered in accordance with Articles 2 and 3 of the arbitration agreement between the Austrian Federal Economic Chamber, Vienna, and the Hungarian Chamber of Trade and Industry.”

7. Support and Subsidies

The EU Cohesion Policy (2007 – 2013)

Point of Departure and Status Quo

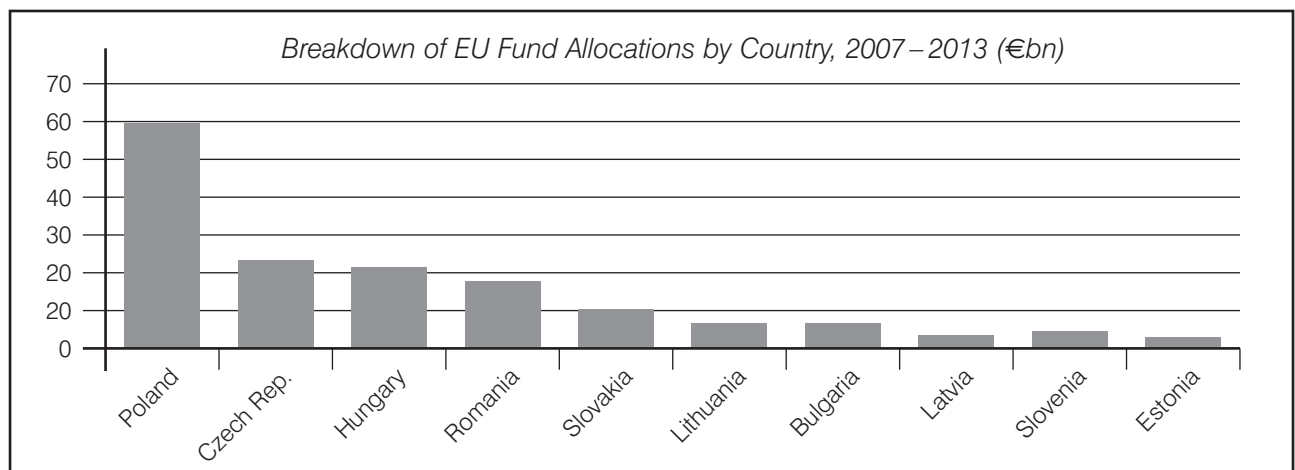
There are considerable economic and social disparities between the different regions of Europe, and this is particularly true in Central and Southeastern Europe.

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

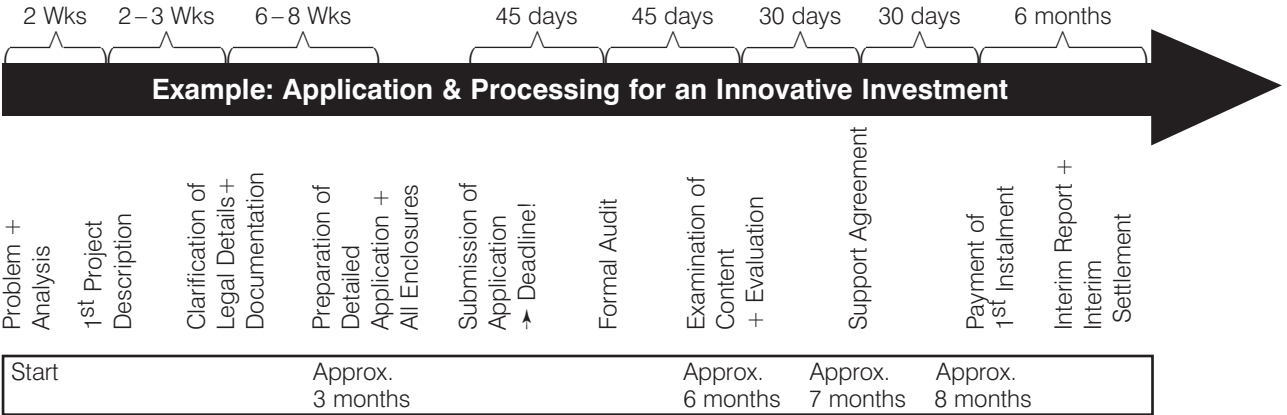
The individual EU Member States define their national and regional priorities on the basis of the EU objectives named above and derive individual operational support programmes (OPs) from them. The OPs are structured according to region and theme. Support focuses (so-called *priority axes*) regulated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

Petra Reok
Raiffeisen Bank Zrt.
Akademia utca 6
H-1054 Budapest
Phone: +36-1-484 4684
email: petra.reok@raiffeisen.hu

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.

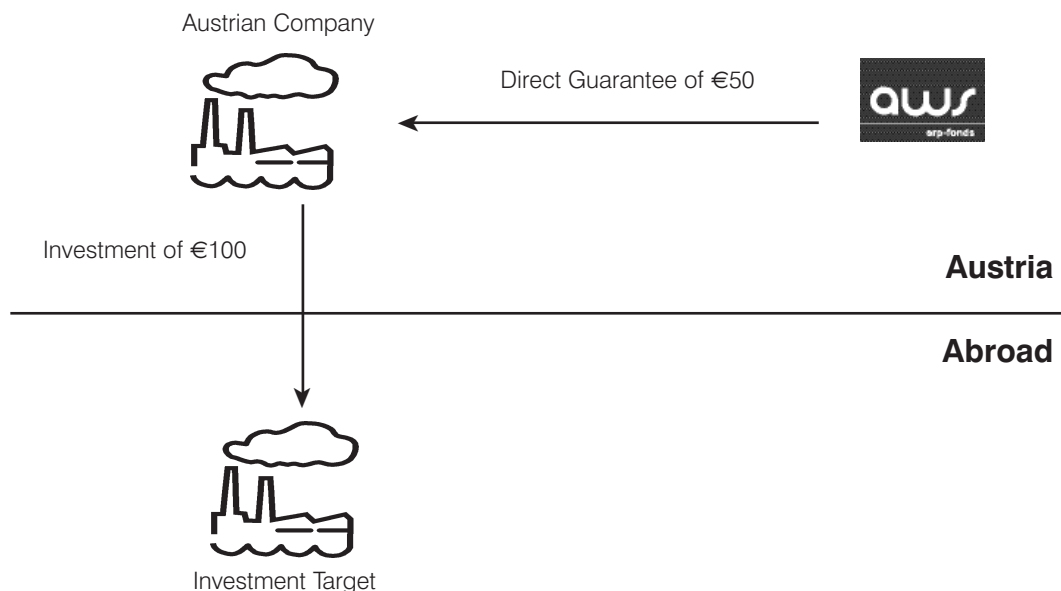
Two kinds of protection are available, the direct guarantee and the finance guarantee (with or without risk sharing).

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:



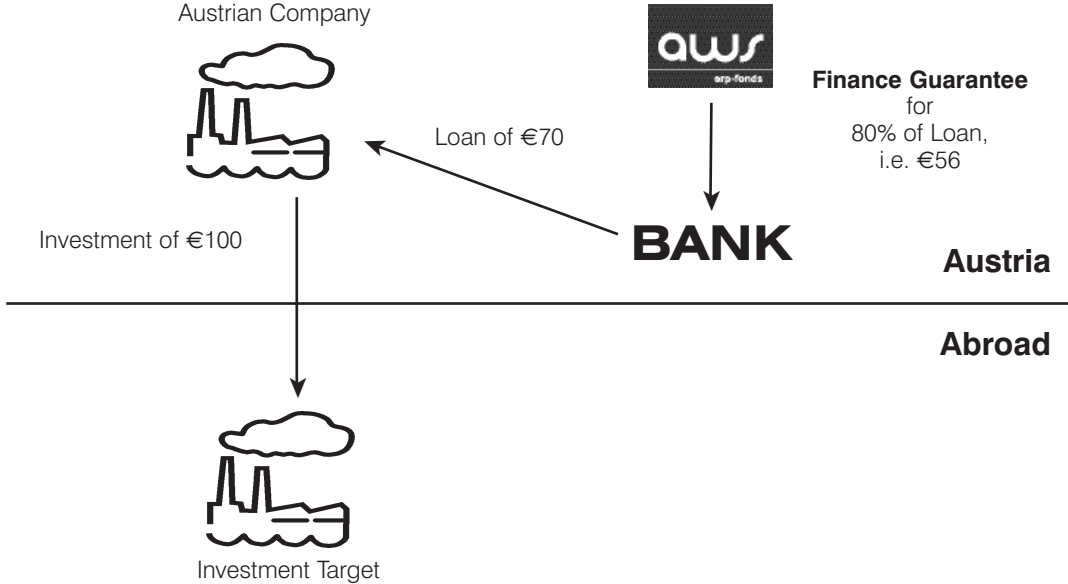
aws guarantees up to 50 per cent of the amount invested by the Austrian company should a project in another country fail. The guarantee will cost SMEs 0.5 per cent of the guaranteed outstanding loan amount per half year.

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:



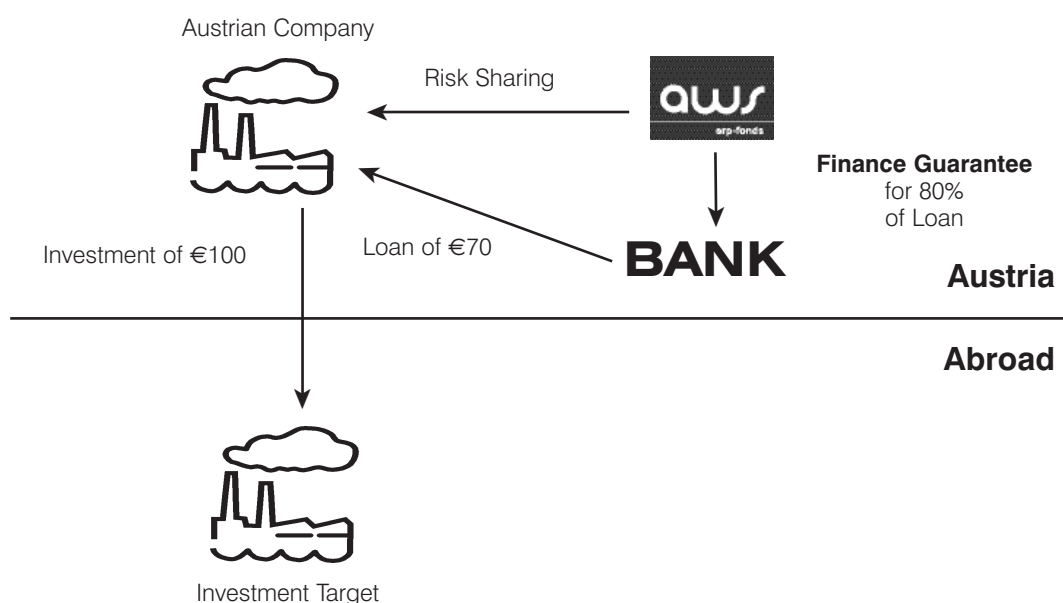
In the case of large enterprises, *aws* guarantee up to one third of a project’s value. The guarantee will cost SMEs from 0.3 per cent of the guaranteed outstanding loan amount per half year. In the case of large enterprises, the guarantee fee will be set in line with the market.

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:

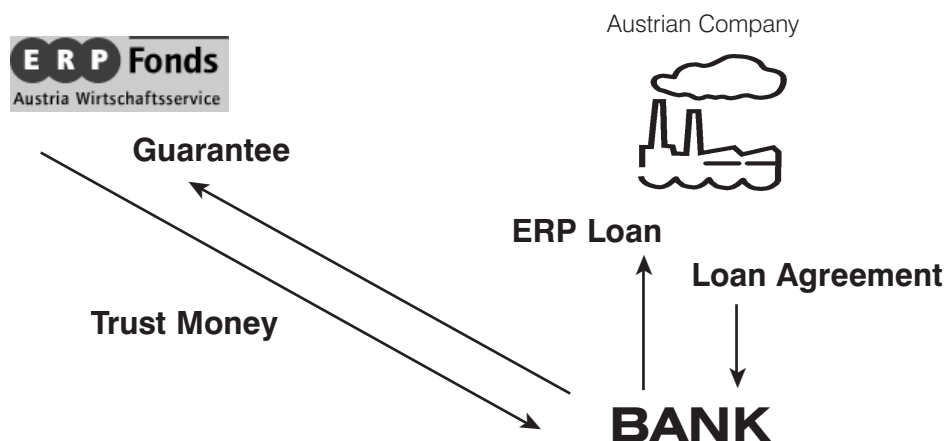
- the assumption of liability by the Republic of Austria in the form of a bill guarantee or other guarantee or
- a guarantee from a loan insurer or
- an *aws* guarantee or
- a guarantee from an international organization and
- a direct or indirect improvement to Austria's current account.

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 Raiffeisen Bank Zrt.

9.1. 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 (NC)
- Foreign payments (FCs)
- Domestic debits
- Cheques (FCs only)
- Cheque collections
- Cash deposits / withdrawals (NC)
- Cash deposits / withdrawals (FCs)
- Foreign currency buying and selling
- Bank cards
- *Vámonline*

Electronic Banking

- Local Electronic Banking (Raiffeisen Express)
- MultiCash
- SWIFT MT940
- SWIFT MT101 (processing of individual incoming orders, only)
- EDIFACT (PAYMUL) (only via Multicash)
- Internet Banking (DirektNet) (payments, deposits, currency translation, account statements)
- Call Center (RADIR) (payments, deposits, currency translation, account statements)

Liquidity Management

- Overdrafts
- Cash Pooling Zero Balancing
- Cash Pooling Interest Offsetting
- Cross border Cash Pooling
- Collection of daily takings

Cash Management: Group Products and Services

- Cash Management International (CMI)
- International Account Reporting
- International Disbursement Service
- Intra Group Payments (IGP)
- UniCash Member
- Cross-border Target Balance Pooling
- CMI@WEB

9.2. Legislative Provisions and Exchange Control

Account Services

- Hungarian and foreign corporate and business banking customers can, without limit, hold both foreign currency and forint accounts.

Domestic Payments

- For the purposes of domestic payments, the forint accounts of foreign accountholders are treated like domestic accounts.
- Hungarian banks hold nostro forint accounts with the Hungarian national bank.
- Domestic foreign currency payments between Hungarian and foreign corporate and business banking customers take place in the requisite foreign currency. Foreign currency payments between Hungarian corporate and business banking customers are also allowed.

Foreign Payments

- Both Hungarians and foreigners can make cross-border forint payments out of Hungary and foreign currency payments from forint accounts.
- The customer must state a code for every incoming and outgoing foreign currency payment giving the reason for the transaction. It is required for statistical purposes. The codes specified by the Hungarian national bank are published in the official gazette.

9.3. Clearing mechanisms

Mechanisms

- Description: The Hungarian national bank operates two kinds of payment system:
 - GIRO: standard payments
 - VIBER: priority paymentsThe data for all domestic payments are processed through the Hungarian national bank. All banks must be members of the national GIRO clearing system. VIBER—a new real-time gross settlement (RTGS) clearing system—was introduced for the customers of commercial banks. This Hungarian RTGS processes and clears payments while simultaneously sending notification to the parties concerned. Each transaction is cleared through the respective bank's account. VIBER clears big priority payments in a final and irrevocable process.
- Type of payment: GIRO – in batches overnight
VIBER: real-time
- Settlement speed:

Payer's bank:	0 days
Giro clearing system:	1 day
VIBER clearing system:	0 days
Beneficiary's bank:	0 days

Banks' clearing system memberships

Mandatory

9.4. Value dates

Order Type	Cut-off Times		
<ul style="list-style-type: none"> • DPs, paper-based (GIRO) • DPs, electronic (GIRO) • DPs, paper-based (VIBER) • DPs, electronic (VIBER) • FPs, paper-based • FPs, electronic • NC payments within the bank, paper-based • NC payments within the bank, electronic • FC payments within the bank, paper-based, with currency translation • FC payments within the bank, electronic, with currency translation • FC payments within the bank, paper-based, without currency translation • FC payments within the bank, electronic, without currency translation 		12:00 CET	
		16:00 CET	
		15:00 CET	
		15:30 CET	
		10:00 CET	
		12:00 CET	
		15:00 CET	
		16:00 CET	
		10:00 CET	
		12:00 CET	
		15:00 CET	
		15:00 CET	
Process	DPs	FPs	
<ul style="list-style-type: none"> • Debit from customer's account • Transmission to other bank • Credit to beneficiary's account (without currency translation) • Credit to beneficiary's account (with currency translation) 	<p style="text-align: center;">D</p> <p style="text-align: center;">D+1 or D</p> <p style="text-align: center;">C</p> <p style="text-align: center;">C, C+1, C+2</p>	<p style="text-align: center;">Main Currency*</p> <p style="text-align: center;">D, D+1</p> <p style="text-align: center;">D, D+1</p> <p style="text-align: center;">C</p> <p style="text-align: center;">C, C+1, C+2</p>	<p style="text-align: center;">Other</p> <p style="text-align: center;">D+2</p> <p style="text-align: center;">D+2</p> <p style="text-align: center;">C</p> <p style="text-align: center;">C, C+1, C+2</p>

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

* Main currencies: Ft, €, US\$, sterling.

10. Raiffeisen Bank Zrt.

Assets, €m	9,568
Branches	164
Staff	3,960
As at 31 December 2008	

Shareholder structure:	
<i>Raiffeisen-RBHU Holding GmbH</i>	100.00%
[of which <i>Raiffeisen International</i>]	70.31%]

Raiffeisen Bank Zrt. is one of the biggest *Network Banks* in the Raiffeisen International Group. It commenced operations in 1987. At the end of 2008, it was Hungary's fifth-largest bank with assets of approximately €9.6 billion. As part of an expansion programme that has lasted several years, the number of *Raiffeisen* branches in Hungary grew by 24 to 164 during 2008. At year-end, *Raiffeisen Bank* had 3,960 employees servicing over 657,000 customers following growth of 8.9 per cent in the customer base in the course of 2008. As a so-called *universal* bank, *Raiffeisen Bank* services SMEs and numerous corporate customers in addition to retail banking customers.

Thanks to the bank's innovative and extensive product line, the customer loan portfolio grew by 13.3 per cent to €7.2 billion in 2008. At the same time, customer deposit balances grew by 16.4 per cent to €5.7 billion.

11. Your International Business Specialists at Raiffeisen Bank Zrt. and the Global Raiffeisen Network

Your specialist at Raiffeisen Bank Zrt.

Petra Reok
petra.reok@raiffeisen.hu
Phone: +36-1-484 4684

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

**Raiffeisen
Meine Bank**



Received from: