Financial Market Report
Ukraine
Country Profile: Ukraine
Raiffeisen Research. As of April 2019.

Currency: Ukrainian Hryvnia (UAH)

<table>
<thead>
<tr>
<th>Gross Domestic Product and Budget</th>
<th>2017</th>
<th>2018</th>
<th>2019e</th>
<th>2020f</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GDP growth, % p.a.</td>
<td>2.5</td>
<td>3.3</td>
<td>2.7</td>
<td>3.1</td>
</tr>
<tr>
<td>Nominal GDP, €bn</td>
<td>99.3</td>
<td>110.9</td>
<td>128.4</td>
<td>136.4</td>
</tr>
<tr>
<td>Per capita GDP, PPP basis, €</td>
<td>6,300</td>
<td>n.v.</td>
<td>n.v.</td>
<td>n.v.</td>
</tr>
<tr>
<td>Growth in industrial output, % p.a.</td>
<td>0.4</td>
<td>1.6</td>
<td>1.8</td>
<td>2.0</td>
</tr>
<tr>
<td>Consolidated budget deficit, % of GDP</td>
<td>-1.6</td>
<td>-1.7</td>
<td>-2.1</td>
<td>-2.0</td>
</tr>
</tbody>
</table>

Inflation and Employment

| Jobless rate, annual average, %   | 9.5  | 8.6  | 8.7   | 8.5   |
| Average monthly gross wage, €     | 236  | 276  | 327   | 349   |
| Consumer price inflation, annual average, % p.a. | 14.4 | 10.9 | 8.3   | 7.7   |

Balance of Trade and Current Account

| Goods exports, €bn                | 35.1 | n.v. | n.v.  | n.v.  |
| Goods imports, €bn                | 43.7 | n.v. | n.v.  | n.v.  |
| Current account deficit, €bn      | -2.2 | -3.9 | -4.9  | -5.0  |
| Current account deficit, % of GDP | -2.2 | -3.6 | -3.8  | -3.7  |
| Foreign debt, % of GDP            | 102.9| 89.4 | 79.7  | 70.3  |

Rates of Exchange and Interest Rates

| Local currency/US$ (average)      | 26.6 | 27.2 | 28.0  | 28.5  |
| Local currency/€ (average)        | 30.0 | 32.1 | 32.0  | 34.5  |
| 3-month money market rate (TRIBOR), average, % | 17.83| 20.44| 17.0  | 15.0  |

Country Ratings

<table>
<thead>
<tr>
<th>S&amp;P</th>
<th>B-</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moody’s</td>
<td>Caa1</td>
</tr>
<tr>
<td>Fitch</td>
<td>B-</td>
</tr>
</tbody>
</table>

n.a.: not available.
U: unrated.
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 the Ukraine. 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 AUSTRIA at WKÖ (the Austrian Federal Economic Chamber).

Sources:
Raiffeisen Bank International AG
WKO: Ukraine Country Report; Special Report: Setting up a Company and Taxes in the Ukraine, of the AUSSENWIRTSCHAFT AUSTRIA.

Copy deadline: May 2019.
1. The Political and Economic Situation in the Ukraine

Ukraine has a GDP per capita equivalent to EUR 2,900, which is approximately 10% of the GDP per capita in the Eurozone; in terms of purchasing power parity, GDP per capita corresponds to around 20% of the Eurozone or EUR 6,300. GDP per capita has fallen markedly in the last few years because of a deep recession and the massive devaluation of the local currency. After two years of deep recession (2014 and 2015), Ukraine’s economic performance in 2016 and 2017 was able to increase again considerably by over 2% against the previous year. Economic growth was mainly driven by a clear rise in investments and consumption. We expect a further increase in GDP in 2018 and 2019 of 2.5% and 3.0% respectively compared to the previous year. Average inflation for 2017 was 14.4% compared to the previous year. This was once again significantly above the long-term trend. It is only expected to drop slowly over the course of the year, towards single figures by the end of 2018 or beginning of 2019. The unemployment rate in 2017 was 9.5%. We expect unemployment to fall further during 2018 and 2019. The budget deficit for 2017 amounted to 3.1% of GDP. We expect slightly falling budget deficits for 2018 and 2019, one of the reasons for this being that the country is still dependent on the continuation of a treaty with the International Monetary Fund. A considerable drop to 70.1% of GDP was recorded for the national debt in 2017. In view of the above described development in the budget deficit, we expect the national debt ratio to fall in the coming years. Ukraine’s current account had a deficit of 3.4% of GDP in 2017. We expect the current account deficits to increase slightly in the coming years. Foreign debt was relatively high, at 102.1% of GDP (2017), but has dropped considerably in comparison to the previous year. However, we expect the foreign debt ratio to drop further in the coming years. The local currency only devalued moderately against the euro in 2017. We expect the local currency to experience moderate devaluation against the US dollar in the coming years, with somewhat greater devaluation against the euro. The base rate is still in the two-digit range. We assume that the monetary conditions will remain restrictive due to the high inflation and that interest rate cuts will only occur towards the end of the year. The pace of reform has slowed considerably as some of the reforms have been delayed (anti-corruption legislation and adjustment of gas prices) or half-heartedly implemented (pension reform). The crucial issues for 2018 are whether the current IMF programme will be further delayed or even frozen and whether the policies of a pre-election year – there will be both parliamentary and presidential elections in 2019 – will yield severe political turbulence. Our baseline scenario for 2018 in the Ukraine is cautiously optimistic. We assume that the IMF programme will continue in 2018, with some major disagreements either being resolved partially or their solution being put off until later.
2. Company Law

Ukrainian law recognizes a number of legal forms of business organization such as private entrepreneurs, private companies, family businesses, state-owned enterprises, associations and societies, company groups, private and public joint stock companies, limited liability companies, etc. Private joint stock and limited liability forms of business organization are usually of relevance to foreign companies. Subsidiaries, – Dotschernie Pidpriemstva – are no longer mentioned in the new legislation, but those that have already been formed continue to exist on the basis of the old regulations.

**Limited liability company**

In practice, the limited liability company is often the chosen legal form of simple joint ventures or wholly owned subsidiaries because it avoids the complex organizational structure of a joint stock company. Since 1 January 2004, it has been possible for one member to form a limited liability company. It is possible to create a body along the lines of a supervisory board. Protection of minority members has been eased, making it harder to block important company decisions. In particular, a unanimous decision is no longer needed to expel a member or to alter the company’s basic orientation. The critical membership interest is 50 per cent plus one share, which is, among other things, the quorum for a members’ meeting. In other words, a member with a stake of over 50 per cent can control the company. A 75 per cent majority (of those members who are present or represented) is required to sell 50 per cent of the company’s assets or dissolve the company.

**Joint stock company**

In the Ukraine, a joint stock company can be formed as a private joint stock company or a public joint stock company. A majority of 75 per cent plus one vote is required to decide material changes to the memorandum and articles of association (termination of business activities, forming or terminating the activities of subsidiaries, branches, representative offices, etc.). A joint stock company must have share capital of at least roughly EUR 110,000.

**2.1 Forming a company**

In essence, foreign companies are given the following options in order to become active on the Ukrainian market:

- Representative office
- Limited liability company/joint-stock company (100% subsidiary)
- Joint venture (joint subsidiary in the form of a limited liability company/joint-stock company, or as part of a joint manufacturing and cooperation agreement)
Representative office

Representative offices are often founded in order to supervise imports and exports on site. These offices may take the form of a “non-resident” or – for tax purposes – a “resident” office. As a “non-resident” office, these offices do not form a legal unity; they solely represent the interests of the foreign company without trading in the company’s own name. If, however, a representative office does trade and carry out commercial transactions in its own name, it is will be classified as a “resident” office by Ukrainian legislation. In addition, in terms of tax law, it will be treated as a subsidiary in accordance with the double taxation agreement between Austria and the Ukraine. In accordance with tax law, the parent company will be held liable in Austria under the double taxation agreement if non-resident status is granted to the representative office.

Employees in a non-resident representative office are paid in domestic currency. Transferring funds abroad or purchasing foreign currency at the Ukrainian Currency Auction is forbidden. Sales cannot be made in domestic currency, and contracts cannot be concluded in the name of the representative office. An instruction by the Ministry of Labour stipulates that employees cannot be hired directly, but are taken on via the General Directorate for Servicing Foreign Representative Offices (GDIP). The minimum fee for registering an employee with the GDIP is approx.

Investments and joint ventures

Essentially, companies with foreign investors are on an equal footing with companies formed with Ukrainian capital, although there are some ambiguities when the former purchase land. In individual cases, the government may grant tax concessions to large-scale investors which are negotiated on a case-by-case basis.

The Foreign Investment Law defines a foreign investor as a company with foreign investment amounting to at least 10% of its capital. The foreign investment must be registered with the local authorities in order to claim any preferential treatment. However, there are hardly any benefits provided for foreign investors.

The Investment Law provides the following guarantees:

• Protection against expropriation (except in the event of natural catastrophes)
• The right to claim damages if a government body acts negligently = public liability (the basis for this is an assessment examined by an auditor; compensation is paid in foreign currency plus interest/Libor)
• If the company is liquidated, the investment can be repatriated within six months without having to pay customs duties
3. Taxation and Legislation

There are a number of national and local taxes. The following are the most important to foreign investors:

• Corporation tax: 2012 – 21 per cent; 2013 – 19 per cent; from 2014 – 18 per cent, 2016: 18%
• Employer contributions: 2015: min. 36.77 per cent, 2016: 22%
• VAT: 20 per cent;
• Import duties (customs duties, luxury tax, import VAT)

See below for double taxation agreements in place between Austria and the Ukraine.

Company taxation

Individuals with income in the Ukraine are liable for income tax. A 17 per cent flat tax has been in place since 1 January 2016. Legal entities are liable for corporation tax, which has been levied at 18 per cent since 2016

20 per cent VAT is levied on imports and resales. The basis of assessment in the case of imports is customs value inclusive of customs duties and any excise duty (luxury tax). The VAT on domestic sales is calculated on the basis of the total selling price.

Excise tax

Excises (luxury taxes) are levied when selling and/or importing luxury goods, with the highest tax rates being up to 200 per cent. Luxury goods include alcohol, cigarettes, cars, petroleum products, etc. When importing and selling certain goods, for example alcohol and cigarettes, special duty stamps must be affixed to every bottle and packet of cigarettes, otherwise the goods may be immediately confiscated.

Double taxation agreement

A double taxation agreement has been signed between Austria and the Ukraine (Federal Law Gazette III no. 113/1999 of 16 June 1999; available at www.ris.bka.gv.at).

Input tax deduction

A reform to the VAT system entered into force on 1 February 2015. It is possible to deduct input taxes in the Ukraine, but this can be difficult and time-consuming.
Rebate procedure

As a fundamental principle, a VAT rebate can only be issued in the Ukraine after twelve months of the company being founded; however, import VAT must be paid in cash to the customs office when importing (including assets in kind). It can therefore be advantageous for companies to open a branch for tax purposes one year before starting active transactions.

VAT that is paid by foreign companies from outside of the Ukraine cannot be refunded. If a foreign company only has a representative office in the Ukraine which can be operated in the name of the foreign company, but not in its own name, then receiving a VAT rebate is not possible.

Income tax

Individuals with income in the Ukraine are liable for income tax. Physical persons earning income in the Ukraine are subject to income tax. Since the tax reform of December 2015 (which has been in force since 1 January 2016), all income has been taxed at a level of 18%.

A “military tax” was introduced for an indefinite period in 2014, which is also calculated on the basis of taxable income. All income of private persons which is subject to income tax is taxed at a rate of 1.5%. Currently, it is impossible to tell how long this tax will be levied, as its abolition requires a decision of the Verhova Rada (Ukrainian parliament) - and, according to the wording of the law, this is to be taken “when military reform in the Ukraine is complete”.
4. Arbitration

The Ukraine has ratified the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the New York Convention). Here, the contracting states undertake to recognise and enforce arbitral awards made in another contracting state. Consequently, the jurisdiction of the Internationales Schiedsgericht der Wirtschaftskammer Österreich (International Arbitral Centre of the Austrian Federal Economic Chamber), the International Chamber of Commerce (ICC) or another arbitrator can be agreed in your contract with a Ukrainian counterparty. However, the International Commercial Arbitration Court at the Ukrainian Chamber of Commerce and Industry represents a reasonable alternative to the international courts of arbitration. Ad-hoc agreements to arbitrate are also an option.

Enforcing arbitral awards

Both Austria and the Ukraine (as one of the successor states of the Soviet Union) are contracting states of the Convention on the Recognition and Enforcement of Foreign Arbitral Awards of 10 June 1958, Federal Law Gazette no. 200/1961. In this convention, the contracting states undertake to recognise and enforce arbitral awards made in the territory of another contracting state.

Unlike the judgements of state courts, arbitral awards can be enforced practically worldwide. For a dispute to be settled by a court of arbitration, its jurisdiction must have been agreed upon beforehand in writing. It is therefore advisable to include an arbitration clause in the contract with your foreign counterparty. The Austrian Federal Economic Chamber offers institutional arbitration as a service through the International Arbitral Centre of the Austrian Federal Economic Chamber.

The arbitration clause of the International Arbitral Centre of the Austrian Federal Economic Chamber reads as follows (versions are also available in the languages that are most important for Austrian exporters):

‘All disputes arising out of this contract or related to its violation, termination or nullity shall be finally settled under the Rules of Arbitration and Conciliation of the International Arbitral Centre of the Austrian Federal Economic Chamber in Vienna (Vienna Rules) by one or more arbitrators appointed in accordance with these Rules.’

Useful agreements to supplement this arbitration clause:

• the number of arbitrators shall be .......................... (one or three);
• the applicable law shall be ..............................;
• the language used during arbitration proceedings shall be .................................

Detailed information:
Internationales Schiedsgericht der Wirtschaftskammer Österreich
International Arbitral Centre of the Austrian Federal Economic Chamber
Dr. Manfred Heider; Phone: +43-5-90 900-4398; Fax: +43-5-90 900-216.
E-mail: arb@wko.at; Internet: wko.at/arbitration
The fact that you as an Austrian company are a member of the Federal Economic Chamber can in some circumstances be a cause for concern for a strong foreign counterparty. In this case we recommend that you agree on a different arbitral court, such as the one belonging to the International Chamber of Commerce. This has its headquarters in Paris and is represented in Austria by ICC Austria.

Therefore you have the following options:

• If your company has a strong starting position in contract negotiations or if you and your counterparty are roughly equal, we recommend you use the arbitration clause of the Austrian Federal Economic Chamber.
• If on the other hand your company holds a weaker position, or if your counterparty is of equal strength and will not agree to the Austrian Federal Economic Chamber’s arbitration clause, then we recommend that you agree on a different arbitral court, such as that of the International Chamber of Commerce (ICC).

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 other languages.

Detailed information:

ICC Austria, International Chamber of Commerce
Dr. Maximilian Burger-Scheidlin; Phone: +43-5-90 900-3701; Fax: +43-5-90 900-3703;
E-mail: icc@wko.at; Internet: www.icc-austria.org.
5. Subsidies and Support

EU cohesion policy / regional policy 2014-2020

Initial situation / status quo
The various regions of Europe, especially Central and Southeastern Europe, exhibit large differences in economic and social development. To strike a balance between the regions, the EU has set the following targets as part of its Europe 2020 strategy:

• Creation of jobs
• Strengthening companies’ competitive position
• Promotion of economic growth and sustainable development
• Improvement in EU citizens’ life quality

The cohesion / regional policy is aimed at all regions in the EU in order to create intelligent, sustainable and integrative growth. The cohesion policy is defined for a seven-year period (2014-2020). A budget of EUR 351.8 billion, i.e. almost one third of the entire EU budget, is set aside for achieving the above targets in the timeframe mentioned. Within the scope of this budget, funding is granted in the form of non-repayable grants.

Structure of the funding programmes / from the EU target to the national funding programme
The individual EU member states use the EU targets set under the Europe 2020 strategy to define their national and regional priorities, from which the individual Operational Programmes (OPs) are derived. The Operational Programmes are structured according to region and topic. Within these programmes “priority axes” are defined, which are subject to guidelines approved by the European Commission. The following topics are priorities for the individual countries: Innovation, research & development, job creation, environmental protection, education, SMEs, transport and regional development.

Dedicated national funding agencies (ministries and investment agencies) are responsible for awarding the grants. While grants can be applied for continuously in framework programmes in Austria, they are mostly awarded in the context of “calls” (tender exercises) in Eastern Europe.

For each priority axis mentioned above, tender exercises are held once or twice a year and are open for one to three months. The main assessment criteria for company grants are company size, location, content and impact of the funding project.

How can your company obtain funding?
Clearly defined projects can be submitted during the period when the tender exercise is open. Only complete applications (project description, approvals, budget,...) in the respective national language are accepted. The submitted projects are then evaluated by assessors using a points system based on the guidelines specified/defined in the program. All projects within a “call” take part in a competition. Only those with the highest score are shortlisted for funding commitments.
Getting from the application to the possible disbursement of grants involves going through a complex, time-consuming process. It requires experience in dealing with public authorities and their targets.

**National grants**
The economic importance for the country or region is very important for determining whether the investment project can be funded.
The criteria for evaluation are: Minimum investment volume and the number of jobs created as well as the minimum period for which these jobs will exist.

The following investment incentives are possible:
- Tax reductions, tax deferrals and tax exemptions
- Grants
- Loans
- Sureties
- Equity participations
- Discounted land purchases

However, these are subject to the respective national regulations and must be applied for at regional funding agencies.

**Warning:**
- The application must be made before the project begins (= first legally binding obligation).
- The details of the guidelines can change during the tender exercise and must therefore always be kept in view.
- Make contact with the company’s bank/funding agency as early as possible.
6. Risk Hedging and Financing

Risk hedging of Austria Wirtschaftsservice Gesellschaft mbH (aws, federal funding agency)

Legal framework conditions:

The legal framework conditions of the guarantees issued by aws were redrafted on 1 January 2017. In detail, the regulations are based on the guidelines of the Austrian Federal Ministry of Finance (BMF) for accepting guarantees by aws pursuant to the Guarantees Act 1977, including supplementary conditions for grants.

The aws offers small and medium-sized companies (max. 3,000 employees) with their registered office and operating site in Austria guarantees for loans and lease financing as part of domestic and foreign investments.

Guarantees for national investments:
aws guarantees the financing of economically desirable projects by Austrian companies, i.e.: Construction/expansion investments, modernisation of production facilities, the innovation of processes and procedures, environmental measures or the purchase of, or participation in, companies.

aws guarantees up to 80% (max. EUR 25 m) of the financing amount in the form of a financing guarantee and covers the economic risk of the investor (loan default due to the insolvency of the domestic company) for the bank. In the case of large projects, aws guarantees up to a maximum of one third of the project volume.

Guarantees for international investments:
aws supports Austrian companies (max. 3,000 employees) with direct investments abroad, i.e. establishment of subsidiaries/joint ventures, acquisition of companies/company shares, expansion investments and investments in environmental technologies.

The risk hedging of aws is provided either in the form of a project guarantee or a financing guarantee.

Under the project guarantee, aws hedges the economic risks (insolvency or similar circumstances) of a company’s investment project and undertakes to provide a certain amount of capital up to the maximum guaranteed amount in the event of damage or loss.
aws guarantees up to 50% of the loan used (for large projects up to 1/3 of the project volume). The guarantee fee is dependent on the ratings result calculated when examining the respective project, as well as the term of the guarantee.

Under the international financing guarantee, aws guarantees the financing of Austrian companies for economically desirable projects abroad, i.e.: construction/expansion investments, modernisation of production facilities, the innovation of processes and procedures, environmental measures or the purchase of, or participation in, companies.

aws guarantees up to 80% (max. EUR 25 m) of the financing volume and thereby covers the economic risk of the investor for the bank.

**Conditions of the aws guarantee:**

**National guarantees:**
- Processing fee: 0.25% (one-off) of the assessment basis (max. EUR 30,000)
- Guarantee fee: The guarantee fee depends on the ratings result calculated when examining the respective project as well as the term of the guarantee

**International guarantees:**
- Processing fee: 0.25% (one-off) of the assessment basis (max. EUR 50,000)
- Guarantee fee: The guarantee fee depends on the ratings result calculated when examining the respective project as well as the term of the guarantee.
OeKB (Oesterreichische Kontrollbank AG)

In order to achieve sustainable success in the export business and for investments made abroad, companies need good risk management and attractive financing arrangements. With federal export guarantees and OeKB refinancing packages, the OeKB offers instruments via the respective house banks that strengthen Austrian companies and their partners in global competition. By processing export guarantees, the OeKB acts as the Export Credit Agency (ECA) of the Republic of Austria.

Export guarantees protect the entrepreneur against payment defaults (for economic or political reasons) related to export transactions. In the case of foreign investments, export guarantees provide protection against political risks.

Federal export guarantees also offer an attractive way to access financing for export and investment activities. Export guarantees can be utilised by all large, medium and small companies whose guaranteed transactions have a positive impact on Austria’s current account balance or are in the national interest.

Companies can learn more about the ideal kinds of guarantee from the OeKB Export Service (www.exportservice.at) or from their house bank. OeKB’s export financing process provides the possibility of refinancing exports and equity participations abroad. This export financing process is available as a source of refinancing at domestic and foreign commercial banks and is offered to companies via these banks within the scope of their export business and foreign investments.

The prerequisites for this type of financing are
• A federal guarantee as required by the Export Funding Act (EFA), or
• A guarantee from a credit insurer within the meaning of the EFA
• A guarantee from aws, or
• A guarantee of an international organisation within the meaning of the EFA.
Furthermore, the financing of the underlying supplies/services must bring about a direct or indirect improvement in the Austrian current account balance or be in the Austrian national interest.

ERP fund

The ERP fund is a fund with its own legal personality, which was attached to aws in 2002. ERP loans are reduced-interest loans with multi-year redemption-free periods and multi-year redemption periods, and are collateralised by a guarantee from aws or a bank.

ERP financing programme
Companies are eligible to apply which have their registered office and operating site in Austria and which are active in one of the following sectors: industrial or commercial production, research and development services, transport, processing of agricultural products, and trading companies.
The following provides an overview of the available ERP financing programmes:

- ERP - Micro-Credit
- ERP - Technology Programme
- ERP - SME Programme
- ERP - Regional Programme
- ERP - Tourism Programme
- ERP - Transport Programme
- ERP - Forestry Programme
- ERP - Agriculture Programme

**Conditions of ERP loans**

The maximum financing volume is EUR 30 m.
- Term: 6 years (up to 15 years is possible)
- Utilisation period: 0.5 years
- Redemption-free period: 2-3 years, interest fixed at 0.50% p.a.
- Redemption period: 3–4 years, interest fixed at 0.75% p.a.
  - Longer redemption-free and redemption periods are offered for some programmes, i.e.:
  - Future industries, research infrastructure within the scope of the technology programme
  - Infrastructure measures within the scope of the Regional Programme
- Interest rate and redemption costs are anticipatory
- Processing fee: 0.5% - 0.9% of the ERP loan
- The guarantee fee of the guaranteeing bank must be added to these costs.

![Chart 2: ERP Loan Process](chart2.png)
The fundable projects/costs are dependent upon the respective ERP financing programmes, based on the purpose and mandate of the respective programme.

**ERP loans for large companies:**
For large companies, ERP loan financing is provided by the ERP Regional Programme and the ERP Technology Programme. Within the scope of these two programmes, large companies in particular can apply for funding for the following projects/costs:

**Fundable projects for large companies:**
- Initial investment in NEW economic activities (new NACE-4 provider)
- Construction of a NEW independent operating site
- Within the de minimis limits (max. fundable value of EUR 200,000 within the last 3 years), further projects can also be funded (product and process innovations, innovative services through implementation of in-house research results, purchase and adaptation of new technologies, modernisation and expansion investments, construction/acquisition of start-up, technology and innovation centres)
- Research/development projects for the introduction of new/significantly improved products
- Projects for prototype production
- Construction of pilot/demonstration/testing facilities

**Fundable costs for corporations:**
- New investments and in-house services to be capitalised
- Construction investments
- Land purchases for founding new companies, business expansion and business location to the extent required by the business
- Costs for intangible assets (patents, licences, etc.) and consultancy costs
- Regarding R&D projects: Staff costs, laboratory facilities, costs of consultancy and provision of services, equipment costs for pilot and demonstration facilities
7. Payment and Account Services at VAT Raiffeisen Bank Aval

7.1. Cash management products

**Account Services**

<table>
<thead>
<tr>
<th></th>
<th>Local Currency (LCY)</th>
<th>LCY Deposit</th>
<th>Foreign Currency (FCY)</th>
<th>FCY Deposit</th>
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<tr>
<td>Resident</td>
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<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Non-resident</td>
<td>✓*</td>
<td>✓*</td>
<td>✓*</td>
<td>✓*</td>
</tr>
<tr>
<td>Credit Interest</td>
<td>✓**</td>
<td>✓**</td>
<td>✓**</td>
<td>✓**</td>
</tr>
<tr>
<td>Overdraft Facility</td>
<td>✓, ✓***</td>
<td>✓**</td>
<td>✓**</td>
<td>✓**</td>
</tr>
</tbody>
</table>

* however, restrictions due to local regulations
** under the terms of agreement
*** under the terms of agreement

**Cash Management local Products & Services**

**Payments, Deposits**
- Domestic payments LCY
- Domestic payments FCY* (only exceptions)
- Foreign payments LCY*
- Foreign payments FCY*
- Cheques (only for LCY cash withdrawal)
- Check collection
- Cash payments / withdrawals LCY*
- Cash payments / withdrawals FCY*
- Purchase & Sale of FCY*
- Corporate credit cards*
- Salary cards projects*
- Acquiring
- Internet-acquiring
- Western Union*
- Aval-Express (internal payment system)*
- Cash payments through Cash desks (receiving payments from private individuals and legal entities in favor of legal entities for products, services, receipts from trade etc.)
- Cash payments through Self-Service (RBA Debit/Credit card required)
- Utility payments

**Electronic Banking**
- Local electronic banking
  - With the following services:
    - On line/off-line access
    - Interface on three languages: English, Ukrainian, Russian
    - Financial control centre (additional control by applying additional electronic digital signature)
    - Consolidated statement
    - Structured debit payments
    - User’s rights partition in account
    - Establishment additional fraud protection level and fraud prevention
    - Remote control of keys of the electronic digital signature
    - Limits establishment per payment order (LCY, per each authorized person, max. amount)
    - Limits establishment for payment orders per day/month (LCY/FCY, per each authorized person, max. amount)
    - SMS/e-mail notification
- SWIFT MT 940
- SWIFT MT 941
- SWIFT MT 942
- SWIFT MT 101 (Only incoming MT 101 in FCY)

**Liquidity Management**
- Cash Collection
- Zero Balancing
- Cash Pooling
  - With the following types:
    - Sweeping of Defined amount
    - Sweeping of percentage of balance
    - Sweeping of percentage from net turnover
    - Sweeping of percentage from credit turnover
    - Maximum balance maintenance
    - Minimum balance maintenance
    - Threshold balance maintenance
    - Exact balance maintenance

**Cash Management Group Products & Services**
- International Account Reporting (SWIFT MT940/SWIFT MT941/MT942/MT950)
- Cross-border Margin Pooling
- SWIFT for Corporates (SCORE)
7.2. Legal & Foreign Exchange Regulations

**Currents Accounts**
- Bank opens current accounts and term (deposit) accounts on the basis of bank agreements for resident and non-resident companies.
- Bank does not open and conduct anonymous (numbered) accounts (it is forbidden for bank). Bank is obliged to do identification of customers.
- Resident and non-resident companies may now open accounts with more than two banking institutions in local and foreign currencies.
- Non-resident can open accounts in UAH such types as “N” and “P”.

  In order to obtain the status of non-resident and to have an account it is necessary to be officially registered as:
  - An official representative office using diplomatic privileges and immunity - "N" type account;
  - An official representative office of a legal entity (non-resident) without commercial activity in the Ukraine - "N" type account;
  - A representative office of a foreign bank – “N” type account;
  - A representative office conducting commercial activities in the Ukraine – “P” type account;
  - A non-resident investor conducting investment activity in the Ukraine – “Investing account”.
- Commercial transactions via a FCY account of non-residents are only allowed for representative offices conducting commercial activities in the Ukraine – “P” type accounts.
- Specification of transactions allowed to be executed via accounts of non-resident is subject to National Bank of the Ukraine (NBU) regulations.
- According the requirements of NBU all transactions in local currency of non-resident investor can be executed via clearing account.

**Domestic Payments**
- Standardized system of payments in UAH. (All domestic payments in a local currency are done through the Clearing Centre of the NBU via the System of Electronic Payments (SEP).

**Foreign Payments**
- Cross-border payments from the Ukraine are subject to strict regulations of currency monitoring.
- Customers can transfer foreign currency abroad or within Ukraine, only by presenting a set of documents (foreign trade contract, custom declaration, invoice (with full details of transfer), pricing expertise conclusion etc.) to the bank.
- Any cross-border deliveries of goods and/or settlements (export/import operations) have to be completed within 90 days from the foreign currency payment date; otherwise the operation will require a license issued by the National Bank of Ukraine.

* however, with restrictions due to local regulations
Cash Payments / Withdrawals

- Bank offers a Cash Collection agreement to customers
- Cash payments from private individuals to customer (legal entity) via cash desks - receiving payments from private individuals and legal entities in favour of legal entities for products and/or services.
- Cash payments from private individuals to customer (legal entity) via self service centers - receiving payments from private individuals and legal entities in favour of legal entities for products and/or services.
- Cash payments from authorized person of legal entity in favour of legal entities as receipts from trade within Ukraine.
- Withdrawals available in LCY/FCY with restrictions

7.3. Clearing Mechanisms

Settlement

- **Description**: System of Electronic Payments (SEP).
  All licensed banks have to participate in the national clearing system and to maintain accounts with the NBU. The Payment system of the NBU is a Real Time Interbank Settlement System both for interbank and customers payments in UAH.

- **Type**: Internal, incoming, outgoing, customers and banks

- **Settlement cycle**: Same Day value or Future value*
  SEP works with payments from 8:00 till 18:00 local time

- **Comments**: Ordering Customer – Ordering Bank - Clearing Centre of the NBU – Beneficiary’s Bank – Beneficiary

* If the cut-off time has already passed, will depend on the bank’s technical possibilities.

Clearing Membership of the Bank
Mandatory for all Ukrainian banks.
8. Raiffeisen Bank Aval JSC

| Assets, €m | 2,347 |
| Branches   | 501   |
| Staff      | 7,923 |

Shareholder structure

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raiffeisen Bank International AG</td>
<td>68.16 %</td>
</tr>
<tr>
<td>EBRD</td>
<td>30 %</td>
</tr>
<tr>
<td>Others</td>
<td>1.84 %</td>
</tr>
</tbody>
</table>

Founded as a universal bank in 1992, Bank Aval was acquired by Raiffeisen in 2005 and re-branded into Raiffeisen Bank Aval. It is present countrywide by way of its tightly woven distribution network and offers its customers the full range of financial services and products. Raiffeisen Leasing Aval complements the scope of services offered. At the end of 2018, Raiffeisen Bank Aval had about 2.5 million customers. It has strengthened its position as an innovative and reliable partner for both its corporate and retail customers by further increasing service quality and enhancing product scopes. The bank is considered a leader in innovation among banks in the market and is constantly aiming at implementing new products and services for its customers via the most relevant and attractive channels.

It was recognized as “Best Bank in Ukraine in 2018” by The Banker, EMEA Finance, Global Finance and Euromoney magazines. Global Finance issued this award also for 2019. Furthermore, it was awarded the most active issuing bank in Ukraine under the Trade Facilitation Program (TFP) of the European Bank for Reconstruction and Development (EBRD) and “Best Trade Finance Bank” in 2018, thereby further confirming its position as ideal partner for international business. The EBRD owns 30 per cent of Raiffeisen Bank Aval’s shares.

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9. Your International Business
Specialists at Raiffeisen Bank Aval JSC
and the Global Raiffeisen Network

Your specialist at Raiffeisen Bank Aval JSC

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