Bulletin

III/2011

The Netherlands Chamber of Commerce in the Slovak Republic

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Content

Bulletin

Bulletin is a magazine published quarterly by the Netherlands Chamber of Commerce in the Slovak Republic

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Front cover photo:
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The President Speaks

Dear Members,
The theme of this bulletin is financing and we could not have chosen a more topical one. Recently finance has become the number one topic in politics, indeed, the Slovak government fell over the approval of the support fund for Greece. As you know, SMER finally approved the changes to the European Financial Stability Fund under the condition of new elections being held – which have been announced for March 10, 2012.

Ironically, while I wrote this editorial, the Greek Prime Minister announced that a referendum would be held on acceptance of the support agreed in Brussels. This could mean the Slovak government fell over approval of assistance for Greece which Greece ultimately rejects.
Fortunately, our focus is business finance, so the issues are less complicated and the amounts involved are comprehensible. It remains true, however, that whether you are handling your company's money or public money, integrity and prudence are of the greatest importance. We apply these principles in the Chamber to the charity that we support each year from funds collected at our Annual Charity Gala. I would like to express my gratitude to all of you who contributed to this year's gala dinner and to the fantastic amount of 18,500 euro which we collected for deaf-blind people in Eastern Slovakia.

Hope to see you soon!
Emile Roest

Patron Members

Welcome New Members

Conweco s.r.o. is part of the Dutch company, Wicon Industries, and is a dedicated supplier of steel construction and powder coated products. Our production facility in Slovakia is suitable for the largest production series. Supported by our subsidiaries, we are able to offer a wide range of services from product development to production of parts and final products. Thanks to automation which ensures low cost supply, Conweco is a reliable and widely-respected business partner for a wide range of customers.

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Banking in 2050

How the financial crisis has affected the long-term outlook for the banking industry

Alexander Mitro

The accelerating shift in economic power from developed to emerging economies is dramatically changing the banking industry across the world. Leaders of financial institutions need to take advantage of the growth opportunities this change is creating..

The PwC report "Banking in 2050" gives projections of probable long-term trends within the banking sector based on the underlying macro-economic trends, from now until 2050 for the world's leading economies. Our aim is to help organisations develop long-term strategies and plans following the recent global financial crisis which shook the world economy and set in motion significant changes to the banking industry. We have identified the probable timing of key transitions when emerging economies will become leading players.

What did we find?

- The banking sectors of emerging economies are expected to outgrow those in the developed economies by an even greater margin than we projected before the financial crisis.
- By 2050 it is expected that the leading E7 emerging economies will have domestic banking assets and profits exceeding those in the G7 by around 50 %.
- China will probably overtake the US regarding the size of their domestic banking sectors by 2023. However, we expect China's growth rate to slow over time due to its rapidly ageing population as a result of its single child policy and as its growth will need to become increasingly based on its own innovations, rather than just replicating the innovations of the developed economies.
- India has a particularly strong long-term growth potential together with its strong working age population growth and our projections suggest it could become the third largest domestic banking sector by 2050 behind China and the US, but ahead of Japan, the UK and Germany. India's share of global GDP in $ terms may therefore increase from 2 % in 2009 to around 13 % in 2050 after allowing for potential real exchange rate increases.
- Brazil will probably also climb rapidly up the global banking league table over this period.

Table 1: Dates at which E7 economies overtake G7 in terms of the size of their domestic banking assets

Country pairs	Overtaking year (2011 analysis)	Overtaking year (2007 analysis)
E7 overtakes G7	2036	2046
China overtakes US	2023	2043
India ovetakes Japan	2033	2041
Brazil overtakes UK	2045	-
Russia overtakes Italy	2039	2047
Mexico overtakes Italy	2048	2038
Turkey overtakes Canada	2045	-

Source: PwC model projections (where no date is shown this indikates overtaking dates beyond 2015

[1] E7 countries: China, India, Brazil, Russia, Mexico, Indonesia, Turkey
[2] G7 countries: US, Japan, Germany, UK, France, Italy, Canada

What questions does this raise?

The analysis in this report will assist banks, other financial corporations and policymakers to identify the key long-term macroeconomic trends likely to affect banking over the next 40 years. This should help to formulate strategic discussions and identify key opportunities and threats relating to particular emerging markets.

Questions your organisation should be asking:

- Which economies have the greatest future potential for growth and investment? Which areas offer the greatest competitive advantage for our organisation?
- What growth strategies should our businesses adopt to compete in this shifting global landscape? Will competition become more intense? Is greater consolidation an effective strategy? How should opportunities be valued given these growth expectations?
- What types of banks will we see developing in the emerging economies and how will they integrate with and shape the future evolution of the global financial system?
- How will new regulatory capital and other requirements impact these growth trends globally and within regions where implementation may be more or less restrictive? How will the use of securitisations impact these growth trends?
- The pace of prospective growth in global banking assets is likely to exceed the sector's capital generation from retained earnings, which raises the question: Where will the capital to support the growth in banking assets come from?
- To what extent will non-bank investors such as funds and insurance companies be able to access the lending markets across the world directly (as lenders) or indirectly (through securitisations)?
- Will asset growth at Asian banks create a new group of international banks that will dominate the global markets and feature prominently in banking M&A? What threat could this pose to the current leading banks and could this lead to a defensive phase of banking consolidation?

Country trends

The banking assets to GDP ratio for the UK and Spain has increased very strongly over the past 7 years (resulting in ratios of over 200 % of GDP) due to property booms in these countries and the general expansion of the financial sector's role in these highly leveraged economies. We predict these indicators will fall over the coming decades.

The US has a relatively low banking assets / GDP ratio probably due to the fact that in the US a much greater proportion of financing occurs via the securities markets rather than through bank lending.

China has by far the highest ratio of the E7 economies. This is primarily due to high levels of lending to state enterprises. In recent years, state enterprise lending has declined as the Chinese economy has been increasingly driven by private sector companies.

Key changes due to the financial crisis

Differing trends regarding how banking assets / GDP ratios have developed during the financial crisis period since 2007 can be detected. This ratio continued to increase in most developed economies, which probably reflects a combination of a decrease/ slowdown in GDP and increased lending to governments to finance their fiscal interventions and growing budget deficits. Ratios also increased in the E7 and newly emerging economies, but this largely reflected continued healthy private sector growth after relatively short cyclical downturns due to the crisis. >>

In addition, some countries such as China embarked on significant fiscal stimulus programmes and encouraged higher bank lending to prevent recessions from taking hold.

Our analysis suggests that China and India could have a combined share of around 35 % of global banking assets by 2050. Other smaller emerging economies, such as Brazil and Russia, will also see their shares rise significantly. The US, Japan and Western Europe are all projected to see large falls in their share of global banking assets in the coming decades.

How will banking systems adapt?

How will banking and financial systems in emerging and developing economies evolve in response to the rising significance of emerging economies? For instance: where will all the new capital to underpin these additional banking assets come from? Will it come from domestic sources or will we see increased international capital flows?

As the emerging economies develop, they will require increasingly sophisticated financial services and banks are likely to expand to meet this need and reap the benefits of greater economies of scale as a result. This raises questions regarding strategic options and scenarios that banks in emerging and developed economies should be looking at, as well as how policy-makers should respond to this challenge. For example:

- Will we see increasing consolidation in markets with a reduced share of global banking assets (e.g. Europe)?
- Will we see overseas expansion of banks from emerging economies or will they tend to focus their operations mostly within their own home markets?
- Will economies develop market- or bank-oriented financial systems?
- How can established banks from emerging economies tap into the markets where expected profits are highest? Will policymakers in emerging economies open up their markets to foreign competition?

What will this mean for Slovakia?

The above stated long-term worldwide trends, coupled with the most recent developments within the euro-zone will certainly impact the Slovak banking sector, which at the time of writing remains stable and individual banks have a good capital positions.

While the magnitude of the impact is currently difficult to predict, under almost any plausible scenario, capital will remain scarce, meaning banks will need to focus their available resources and be more precise with their business propositions and operating models. Increasing the efficiency of operating models, retaining existing customers and fine-tuning business models to service the Small and Medium Enterprise (SME) segment will continue to be the most important factors.

Managers will also need to continue to focus on meeting new regulations, e.g. Basel III and FATCA. However, the number of proposed regulatory reforms means the actual impact on banks and economies cannot be gauged with any certainty. This means there may be significant unintended consequences with a negative impact on the real economy; especially if access to credit is limited.

Alexander Mitro
Manager, PwC

Note: For the methodology used in the Banking in 2050 report see: http://www.pwc.com/gx/en/banking-capital-markets/publications/banking-in-2050.html

How the Current Greek Sovereign Debt Crisis Could Affect Your Bank Loan & What to Do When Your Bank Loan Turns Sour

Richard Kellner

Pinnacle Consulting & Investments

It is very common that during an economic slowdown a company can run into financial difficulties that result in a decreased ability to repay a loan or the related interest. This may happen due to worsening business results of the company, or due to various external reasons.

Credit crunch

One of the possible external reasons is a credit crunch, during which banks suddenly reduce the availability of bank loans or tighten the conditions required to obtain them. This can often be caused by a period of imprudent and inappropriate lending that results in losses for the banks if the loans turn sour and the banks are forced to realize the full extent of their bad debts. Greek sovereign over-indebtedness may turn out to be exactly such a situation. At the end of 2010, around USD 54.2 bil. of Greek sovereign bonds were owned by foreign banks. Assuming a 50% debt write down, which is currently being discussed, this would mean a loss of more than EUR 27 bil. for the banks involved.

Banks exposed to such losses may be very quick to reduce the availability of credit and to increase the cost of credit by raising interest margins (the component of interest rate that banks charge in addition to the base interest rate, typically Euribor). In some cases, these banks may be unable to lend further, even if they wish to. Often, a credit crunch is also accompanied by a flight to quality by the banks, as they seek less risky large corporates, often at the expense of small to medium size companies.

Slovak companies would be naïve to expect that the current financial developments abroad will not impact them. A majority of banks in Slovakia have a foreign parent/shareholder and major developments impacting this

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parent will, in one form or another, also have an impact on their Slovak units. As a result, many companies in Slovakia may soon discover that their bank is more critical during the annual credit review, and that the bank requires an increase of the interest margin, or even that their bank tells the company to look for financing elsewhere. And this may occur even if the company's business operations have not (yet) shown a material deterioration vis-à-vis the recent past.

What to do when a loan turns sour

A company may become financially troubled for a number of reasons, and the reality is that in the last 3 years the number of bad loans in Slovakia has increased significantly (*see Figure 1*). If a company cannot service its financial liabilities in a timely manner as they become due in the normal course of business, it will need to resolve its problems and re-establish its financial health.

A company in financial distress can either try to solve its problems by working out a solution with its creditors in an informal, consensual, non-judicial way; or, on the other hand, it can seek judicial protection afforded by the applicable bankruptcy laws (in Slovakia covered by Act No. 7/2005 Coll. the Bankruptcy Act).

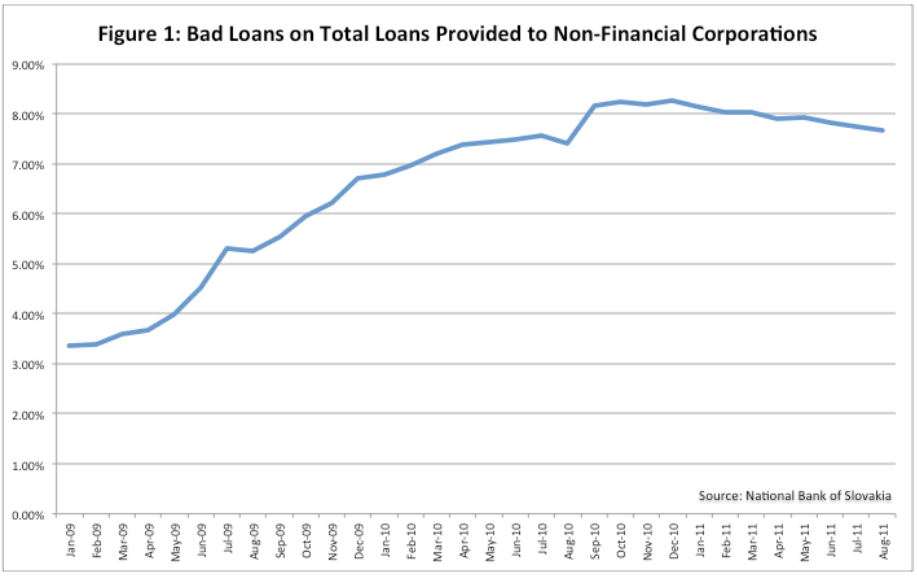
Often, a troubled company may be better off trying to negotiate an out-of-court debt restructuring before considering bankruptcy law protection. Such an out-of-court financial restructuring is commonly known as a "workout".

A workout generally has several advantages for a company:

- It maximizes the preservation of the going-concern value of the troubled business.
- It tends to be simpler with respect to the necessary procedures than a court case and it affords much more flexibility to the company.
- It is usually less costly as the restructuring costs (charges, fees, and professional services such as accountant, auditors, attorneys) tend to be significantly lower in consensual out-of-court debt restructuring than in bankruptcy or insolvency.
- It avoids the stigma of bankruptcy and reduces damage to the firm's reputation and standing in the market.
- It allows business experts to make the business decisions. In a judicial restructuring, bankruptcy judges or trustees are actively involved in all material aspects of a company's business operations that are not of an ordinary-course-of-business nature. This is not the case in workout situations.

How it works

Step 0: The banks do not like negative surprises, therefore the earlier the company management signals the difficulties, the earlier it can start discussions with the bank. Such an approach is far more professional and honest than if the management pretend that everything is fine until the last moment and the bank learns about the financial problems from the media or when they do not receive a loan instalment or interest when it is due. Giving the bank an early signal that something is happening also creates more time for considering the available options and finding a compromise.



Step 1: Ideally, the company's management should call a meeting as soon as it concludes that there is a significant probability that the company could breach its obligations towards the bank. The obligations include not only the payment of instalment and interest, but also other conditions included in the loan agreement. During the meeting the management should inform the bank about the reasons, seriousness, and likely duration of the company's financial problems.

Step 2: Management should also prepare and present to the bank any potential temporary solution to overcome or mitigate the distress in the short term and any proposed course of action moving forward. Banks value a proactive approach and expect that companies will come up with proposals without unnecessary delays.

Step 3: In the third step, the company may expect that the bank will wish to conduct (with the assistance of professional advisers) a preliminary due diligence analysis of the business operations, finances and legal obligations of the troubled company.

Subsequent steps will depend on the result of such due diligence. If a bank concludes that there is a better chance of maximizing recovery value by keeping the company as a going concern, rather than by pursuing liquidation, then a workout may indeed become a preferred option by both parties.

Finding a compromise via a workout is also often the preferred solution for a bank. Assuming a company can convince the bank regarding its turn-around plan and overall business viability, the bank will usually gladly accept a compromise (e.g. decreasing or even postponing some debt instalments). If possible, banks prefer to maintain good relationships with their clients and they seek to avoid the negative publicity that can be generated by putting a company into bankruptcy.

Successful workouts represent a tremendous challenge, and require significant efforts and concessions by all the parties involved. However, there is no question that in many cases they constitute a better option for a company facing distress and its creditors than a traditional judicial solution. When your company is unfortunate enough to experience financial distress, a workout is a route worth considering.

Richard Kellner
Managing Partner,
Pinnacle Consulting & Investments

Overview of Regulations Relating to Corporate Financing in Slovakia

PETERKA & PARTNERS

1. Basic framework

The basic framework governing loans granted by banks in Slovakia has been fully adapted to comply with EU law. The basic framework for loan transactions with regard to borrowers/corporate clients is set down by general commercial law in rules issued by the regulatory body – the National Bank of Slovakia, and in uniform acts on capital adequacy known as Basel II. The Basel II rules apply to all EU banks. The aim of these rules is to strengthen the stability of the international banking system and to lay down identical requirements for all banks. The Basel II rules have a substantial impact on financing, especially via the credit approval process, and on the methods used by banks to measure the risks of granting credit.

In general, the more risks a bank bears with regard to financing, the more of its own financial resources will be required. In practice, the more solvent a client is, the lower the bank's requirements will be regarding its own resources, which will impact the total costs borne by the client in connection with the loan.

In September 2010 in Basel, Switzerland, new banking rules were issued, known as Basel III. Basel III is the most extensive reform of banking sector regulation in the last two decades. It will require banks to increase the volume of their most liquid assets and will have a substantial impact on new financing criteria. Banks are obliged to implement Basel III rules by the beginning of 2019.

2. Loan agreements – key provisions

As stated above, there are no substantial differences between legislation on loans in EU member states. Restrictions on the provision of loans to clients abroad and on the provision of foreign currency loans have been cancelled. Major differences do exist with regard to the commercial conditions of various banks and in the rights and obligations of borrowers contained in loan agreements. The majority of Slovak commercial banks use their own model contracts, usually drafted by external legal counsel. Exceptions to the standard loan contract framework on an individual basis are only permitted for large loan transactions requested by large local corporate or large international corporate clients.

The contractual basis on which a loan is made is governed by the key provisions of the loan agreement. In addition to the creditor's obligation to grant a loan at the borrower's request, the borrower's obligation to repay the loan with interest, and provisions on the amount of the loan and the interest rate, which are statutory provisions, other important provisions of a loan

agreement which are usually required by banks are:

- Representations and Warranties
- Covenants
- Events of default.

Representations and Warranties usually include declarations regarding the borrower's legal or financial status. A borrower's legal representations and warranties usually include declarations regarding the borrower's powers and authorisations and the legal validity and enforceability of the borrower's obligations. Commercial representations and warranties include declarations such as the borrower not being a party to litigation, not being in default with regard to contracts or not having other debts and that information regarding its financial situation, entrepreneurial activities and recent financial statements which have been submitted to the bank is correct and without material omissions. Banks usually require representations and warranties to remain in force throughout the contractual relationship. To achieve this, loan contracts include a provision that the representation and warranties are deemed to be repeated regularly, for instance, on each interest payment date.

The purpose of these clauses is to protect the bank, as lender, from material changes in the borrower's legal or financial situation. The borrower usually bears the risk of future negative changes in the content of its representations and warranties under the loan agreement to the bank.

Covenants can be formulated as positive covenants, which means obligations on the borrower to fulfil conditions under which the bank is ready to provide a loan to a borrower, or which are a condition for the continued existence of the contractual relationship without the loan being called in by the lender. Positive covenants include the submission of specific information to the lender, or the meeting of specific financial obligations, such as limits, coefficients, or covenants in relation to protecting the borrower's assets, for instance, the conclusion of special insurance for the borrower's assets, or that the corporation continues to exist.

A special category of positive covenants are pari passu clauses. The purpose of a pari passu clause is to avoid creating preferential creditors if the borrower becomes insolvent or has its assets otherwise forcibly distributed. The usual wording of the clause is: "The borrower's obligations under the loan agreement will rank pari passu with all its other unsecured obligations".

Negative covenants are, for example, an obligation not to dispose of assets, not to accept new liabilities, not to make corporate changes, and not to enter into a negative pledge. A negative pledge is an obligation of the borrower not to create or permit (usually without the bank's prior consent) to exist any security over its assets or those of its subsidiaries. A negative pledge clause is important for a creditor, especially with regard to unsecured loans, by giving the bank an equal position in insolvency proceedings.

Events of default enable the bank, as lender, to call in outstanding loans, i.e. to request the immediate repayment of the whole loan and to withdraw from a commitment to grant further loans. If the loan agreement includes a cross-default clause, a bank may also transfer the default to the borrower's other financial obligations to the bank under other loan agreements which the borrower has entered into with the same acceleration consequences. The most common events of default are non-payment on the due date, in the required amount, at the required place, in the required currency, and breaches of other representations, warranties or of the covenants under the loan agreement.

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3. Non-committed funding

In practice, especially for accounting purposes, client requests for so-called "non-committal funding" are relatively common. The concept behind non-committal funding is the absence of an unconditional contractual obligation for a bank to provide a loan. Some loans solve this issue by linking the loan to other additional conditions, for example, the bank's consent to the granting of a loan, the bank's right to terminate a loan agreement at any time, or excluding the application of credit agreements covered by commercial law and replacing them with an institute called non-binding funding. Formulating any of these variants can cause problems with regard to the provisions of Basel II, and can lead to litigation, especially when a bank may, in accordance with the contract (taking into account other circumstances), withhold a loan which a client was relying on. As a consequence, it is necessary to select the most appropriate contract wording.

An important aspect of loan provision is the security granted by borrowers or third parties. Slovak law includes a wide range of security instruments, of which the most usual is a pledge of assets such as receivables, shares in limited liability companies, or mortgages. Slovak legislation on pledges gives lenders a high level of security by allowing pledges to be registered and by allowing them to be realised without acquiring the previous legal title (such as via a court judgment).

Slovakia currently has 29 commercial banks, 14 of which are fully licensed and 15 of which are branches of foreign banks. The majority are banks targeting business clients, so potential business borrowers have a good chance of finding a suitable lender. Part of the selection process should include a review of the model loan agreement so that the borrower understands the extent of the conditions based on which the bank is willing to provide a loan, and of the legal consequences of a loan relationship under the specific loan agreement.

Katarína Novotná, Lawyer
Přemysl Marek, Partner
Law Office PETERKA & PARTNERS v.o.s.

News from the Netherlands-Czech Chamber


Prinsjesdag

HOW TO COOPERATE WITH NGOs

November 9, 2011

A meeting, organized by the Corporate Responsibility Club, focused on the ways of non-financial support of the NGOs.

WORKING CAPITAL OPTIMIZATION

November 16, 2011

Steef Klop (PwC CR), and Petr Ullmann (ING Bank) offered useful tips to the audience, on how to ensure enough working capital for their businesses.

PRINSJESDAG

September 20, 2011

This year´s Prinsjesdag took place at the beautiful Malostransky Palace. The interesting programme, with the amusing speech of the renowned Czech-Dutch historian Hans Renner, together with the great rijsttafel, again made the Prinsjesdag one of the most popular events of the NCCC.

WORKSHOP WITH CSR NETHERLANDS

October 7, 2011

The Corporate Responsibility Club by the NCCC and the Dutch Embassy organized a very inspiring meeting with two organizations that significantly contribute to development of corporate responsibility in their respective countries – CSR Netherlands and Byznys pro společnost.

SPEED BUSINESS MEETING

October 19, 2011

At this series of 8 one-to-one meetings, our member companies discussed possible cooperation with member companies of the French-Czech and the Nordic Chambers of Commerce.

UPCOMING EVENTS

STEAK COOKING LESSON

November 30, 2011; angelo Hotel Prague

PROJECT "SEN/DREAM"

December 1, 2011; Žofín Garden

NEW YEAR´S PARTY 2012

January 12, 2012; Občanská plovárna

Visit our website www.nlchamber.cz to get updated information on the upcoming events.

We Leaf Among You

Building an image and brand awareness can be done via a recruitment campaign as this campaign for a confectionary company shows.

Leaf Slovakia is a company which produces 18 confectionary brands for EU markets. These products have a long history in all its target markets and are some of the favourite candies in these markets. The slogan for all the brands of the Leaf group worldwide is ***"Brands that make people smile"***.

These products are not sold in Slovakia. The employees do not see them on the shelves in their local shops and so it is more difficult for them to identify themselves with the brands and with the company and its values.

The production plant is located in an industrial park in Levice and employs more then 450 people, mainly from this region. 2011 has been a year of growth for Leaf Slovakia. It is entering a new phase that will bring new technologies and new products and which will also include the creation of new jobs.

The company was looking to hire a wide range of employees including kitchen operator, production operator, mechanics and head of maintenance.

We were looking for team players – active people with a positive life attitude.

"Invisible" image

As the company mainly produces candies for foreign markets, we were "invisible" to the Slovak customer. People in the region were aware of us, but did not know much about what we do.

Our idea was therefore to show people in the region that working in Leaf is not just routine commuting to the plant, but that we are also a modern, joyful and human company.

We established the Leaf Children's fund that supports organizations working with young people in the Levice region. We also communicate with our employees – at the plant they are met but positive slogans underlying the character of our company with the aim of creating a positive mood. For example, when entering the canteen you are welcomed by the slogan: bon appetit and the toilets are not marked Ladies – Gentleman, but rather Candy – Praline.

Another aim of the campaign was to create a dialogue with the region and introduce people to the company image, which had previously been hidden.

Reinforced identity

The campaign was: unconventional, surprising, and attractive. Not only products were communicated, but also the Leaf brand and its values: passion, focus, and teamwork. It was stressed that the Levice plant will continue to grow and Leaf wants the region to grow with them. We also created awareness that Leaf is a good employer with a sense of fun, where people enjoy working and are happy to be shown in communication campaigns.

"When entering the canteen you are welcomed by the slogan: bon appetit and the toilets are not marked Ladies – Gentleman, but rather Candy – Praline"

The visuals portray real employees with fun candy decorations which were taken in the plant. The key message of the recruitment campaign was "You can expect more (fun) then just (boring) work on a conveyer belt from us". This message was communicated by the slogan "Chcete robiť v práci cukravinky?" (Do you want to have fun at work?) Come and join us.

The campaign was successful as it addressed and captured the interest of the target group as well as strengthening internal identity and external brand perception. "We caught the attention of people we would not attract by standard job advertising. At the same time the personal commitment of existing Leaf employees was increased. The execution of the campaign and the personal commitment of our employees helped give our company a "human face".

The company received more then 700 applications and 174 new employees have been hired since 1. 3. 2011.

Martina Zomborská
LEAF Slovakia

Questions for the New Deputy Head of the Netherlands Embassy

Koninkrijk der Nederlanden

Eveline Molier

On August this year, Eveline Molier, took up the post of Deputy Head of Mission/Head of Economic Department at the Embassy of the Kingdom of the Netherlands. Previously she worked in The Hague as advisor to the Director General for European Affairs and in New Delhi at the Economic Department of the Netherlands Embassy in India. She studied law in Utrecht and holds a Master of Laws in European Community Law (College of Europe, Bruges).

What are the plans of the embassy regarding strengthening business relations between the Netherlands and Slovakia?

The Dutch Minister of Economic Affairs has identified 9 "top sectors" for The Netherlands, including water, energy and the creative industry. We plan to give special attention to these three sectors, as we see possibilities for increased business relationships in these areas. More specifically, we see opportunities regarding water management (flood prevention) and energy efficient buildings.

How do you see new investments in Slovakia?

The Netherlands tops the list of FDI in Slovakia and at the embassy we will do all we can to maintain this position. Over the last couple of months, the embassy has seen an increasing number of trade-related inquiries. Not all of them are investment leads, but it demonstrates that Dutch companies are still very interested in Slovakia. I hope that this trend will continue over the next few years, despite the current turmoil in the Eurozone.

What services can the Embassy offer to businesses already established in Slovakia or wanting to set up here?

The main task of the economic department of the embassy is to assist Dutch businesses wishing to enter the Slovak market. We provide them with basic information regarding legislation, the business environment, sector information and potential business partners and other relevant contacts. For more specific questions, we refer them to companies and organizations already established on the Slovak market. In this regard, we will also inform them about the Netherlands Chamber of Commerce – a network of Dutch and Slovak companies that can be very useful for newcomers.

Companies that are already established in Slovakia, but encounter trade-related or business obstacles that have to be dealt with at a government level can also turn to the embassy. For example, we can help in getting the right people around the table or by raising the issue with the relevant government authorities. These kinds of activities are generally referred to as "economic diplomacy".

The embassy recently organized a workshop on Corporate Social Responsibility. Will there be a follow-up?

Certainly, it was a successful and inspiring workshop, not least because of the active participation of the members of this Chamber! There are many aspects of corporate responsibility that we could explore further in Slovakia. For example, with regard to environmental responsibilities. Talking

of which, the embassy was organizing a Sustainable Packaging Exposition at the Faculty of Architecture from 2 – 11 November this year. The expo will feature a collection of ecological packaging, most of which is of Dutch design. We hope this will provide inspiration! By the way, more information on this exposition and other embassy activities can be found on our website (www.holandskoweb.com), which features a regular blog by our ambassador, or on our facebook pages.

Corporate Social Responsibility Workshop

Petra Veeneman from CSR Netherlands

On 6 October 2011, the Embassy of the Kingdom of the Netherlands organized a workshop "Corporate Social Responsibility: Can the Dutch approach add value to business in Slovakia". The workshop was part of a Central European CSR road show: 4 workshops were held in 4 countries – Hungary, Austria, Slovakia and the Czech Republic.

Eveline Molier (The Netherlands Embassy), Iwan Hofmans (Orion Nova), Petra Veeneman (CSR Netherlands), Door Plantenga (Heineken Slovensko)

A week-long road show organized in cooperation with Dutch embassies in other countries was a new concept initiated by the Slovak Embassy.
The main speaker was Petra Veeneman – a Dutch expert on CSR from "CSR Netherlands". CSR Netherlands is a platform for businesses looking to make their processes more sustainable. The workshop brought together companies, NGO´s and government representatives that have an interest in responsible business to discuss the Dutch and Slovak experiences with CSR.

Ms. Veeneman presented Dutch examples and best practices, for example, a coffee shop which is totally energy self-sufficient: by pushing the door at the entrance, customers produce the energy needed for their own cup of coffee! Ms. Door Plantenga from Heineken Slovensko presented a strategy to make Heineken the greenest brewer in the world by 2020. Mr. Iwan Hofmans from Orion Nova talked about a project to create jobs producing freezing boxes and a better future for youngsters from orphanages in east Slovakia. Mr. Michal Kissa from the Pontis Foundation presented the

Door Plantenga presenting Heineken's strategy to be the greenest brewer

Slovak view of CSR and discussed how Slovaks are becoming more aware of responsible business. There was a lively discussion among the participants; many of them shared their experiences. One company for example mentioned that they had created an 'ombudsman' at their company who deals with integrity and corruption complaints from employees, employers, and suppliers.

All participants concluded that more needs to be done to raise awareness on these issues. The critical mass needed for an effective national CSR policy has not yet been reached, although Slovakia is on the right track. All in all, it was a successful event full of responsible ideas: to be continued!

The Academy Gold Approved Learning Partner of ACCA

Eva Hupková
Academy Leader
PwC

The Academy is a new concept for professional training and education in the CEE market, which has been developed to satisfy the needs and wishes of our clients. The aim of the Academy is to support personal and professional development at your organisation, increase the value of your human capital and help your business to grow the future leaders that you need to succeed in the marketplace. The Academy is a holder of high level accreditation from the ACCA: Gold Approved Learning Partner.

The accreditation of ***Gold Approved Learning Partner*** confirms that the Academy is well managed and organized and has received excellent feedback on the high quality of the tutors and the additional course material prepared for each examination paper. Approval is given to tuition providers who demonstrate that they meet the challenging performance targets set by ACCA. Gold approvals are granted only to high-quality tuition providers that ACCA can recommend with confidence to students.

The Academy is also a registered ***Continuing Professional Development*** (CPD) provider. This means that attendance at our courses and training sessions counts towards a verifiable CPD requirement which is mandatory for all active ACCA members in order to demonstrate their ongoing learning and development progression.

VGD AVOS Extends Activities to Include Top Audit

The VGD group continues to grow and extend its activities in Slovakia. Following the recently completed merger with AVOS, the company is proud to announce that it will also integrate the company, TOP AUDIT, into its Bratislava operations.

Mrs. Katarina Bohdalova, a partner at TOP AUDIT explained the reasons for the move as follows: "The aim of the changes is to enlarge the pool of professional staff members, to better organise the work and to increase the specialisation of individual staff, which will enable us to widen the scope of services offered to our clients, increasing the trust when accepting new jobs and providing a guarantee of timely and professional processing of accepted tasks".

"I'm very happy that TOP AUDIT with its 20 years of professional experience has placed its trust in VGD – AVOS and concurs with our plans for the future. I'm also very pleased that their move to our new offices at Moskovska 13 in Bratislava at the end of August went so smoothly and that all the teams are now working in harmony", added Bart Waterloos, a partner at VGD – AVOS.

20 Years of ING Bank N.V. in Slovakia

On Thursday 20th October ING Bank N.V., pobočka zahraničnej banky celebrated its twentieth anniversary of entering the Slovak banking market in Stará Tržnica on the SNP square in Bratislava.

Guests enjoyed the atmosphere created by the Slovak and Dutch artists during the evening. Opera arias were sung by Slovak soloists Ľubica Vargicová, Filip Tůma and Otakar Klein and there was a performance by past and present members of the world-renowned modern dance company – Nederlands Dans Theater.

The gala evening continued with a reception accompanied with a tasting of Dutch cheeses, which had a flower market theme. The bank expressed its gratitude to its all clients, business partners, suppliers and employees for the trust and loyalty they have shown during the last twenty years. The General Manager, Mr. Jaroslav Vittek, stated that he was certain the mutual partnership based on trust and loyalty would continue.

Teleperformance Receives EMEA Company of the Year Award for the Contact Centre Outsourcing Market from Frost & Sullivan

Based on its recent analysis of the contact centre outsourcing market, Frost & Sullivan presented Teleperformance with the 2011 EMEA Frost & Sullivan Award for Company of the Year for its strong organic growth in a commoditized market that saw a general reduction in inbound call volumes from key clients in 2010. The company has more than 34,400 contact centre agents across EMEA, which gives its clients a range of choices in sourcing, pricing and language capabilities.

"Teleperformance has been able to reverse the commoditization trend prevalent in Western Europe and establish itself as a value-add provider through its 'Platinum' offering – a premium level service aimed at optimizing key performance indicators and enhancing business understandings," said Frost & Sullivan Senior Industry Analyst Suvradeep Bhattacharjee.

Shell Celebrates 20 Years in Slovakia

Shell in Slovakia celebrated in style on the Rivers Club boat on the Danube riverfront in Bratislava. On the 8th of September, more than 200 people gathered to mark the 20th anniversary of Shell's operations in Slovakia.
A vibrant artistic performance by award winning singer, Jana Kirschner, and the spectacular views of the city at night created a unique atmosphere, which was enjoyed by Shell employees and business partners.

Shell's journey started in 1991 after which Czechoslovakia went through a major political and social transformation. The first two branches of SHELL Slovakia s.r.o were established in Žilina and Košice immediately after the federation was divided. Throughout the last two decades, Shell has developed a strong presence in three key business areas – petrol stations, oil, and lubricants and aviation. The company launched its pioneering brand new range of premium fuels and the SMART loyalty programme has been running since 1998. In 2008, Shell entered another industrial sector – the gas market.

20 Years of Stepping on the Gas

20 PROBUGAS ROKOV NA PLNÝ PLYN

Since its establishment 20 years ago, Probugas has been a leader in its market. It has been at the forefront of many developments within that market, introducing innovative solutions for its customers, working with the government to improve regulation and promoting LPG as a source of clean and versatile energy. With its dedicated workforce and a network of reliable partners, Probugas continuously offers outstanding service to its customers. It is committed to provide its customers with sustainable energy solutions that improve their lives and businesses. As a result, we are looking forward to another 20 years of successful business with great confidence: let's step on the gas!

Probugas team in 1991

BACK TO WORK BUSINESS COCKTAIL

September 6, 2011

The first event for our members in the back-to-work season was held on September 6 in the wonderful garden of our member, ***Mrs. Door Plantenga***, who generously offered us the use of her house and garden for this special occasion.

Guests enjoyed the company of members as well as the September sun and the start of the autumn and winter season featured many activities organized by the Netherlands Chamber of Commerce.

We would like to thank Mrs. Door Plantenga for her hospitality and Heineken Slovensko a.s. for the perfect beer.

HEINEKEN

Photo: Ana Trninčová

Door Plantenga (Heineken Slovensko) and Emile Roest (President of the Chamber)

Róbert Machalíček (ASB Slovakia s.r.o.), Emile Roest (VVMZ s.r.o.) and Juraj Gerženi (TMF Services Slovakia s.r.o.)

Tomáš Gregor with his team form Radisson Blu Carlton Hotel

BACK TO WORK

Peter Pikuliak (Techo s.r.o.), Romana Ďaďanová (DVSK s.r.o.) and Janka Nemčková (Techo s.r.o.)

Delicious catering served by Radisson Blu Carlton Hotel

Richard Heijnsbroek (Business Lease Slovakia), Peter Pottinga (Crowne Plaza Hotel), Door Plantenga (Heineken Slovensko), Martijn Mulder (Sheraton Bratislava Hotel), Bart Waterloos (VGD -AVOS TAX) and Paul van Dongen

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SPORTS DAY 2011

September 10, 2011

For the 11th time sport teams from nine foreign chambers of commerce in Slovakia met to compete in three sporting disciplines: football, volleyball and tennis.

Sports Day provides a unique opportunity to meet members of your chamber of commerce and other chambers of commerce informally, make new professional contacts and take part in sporting activities.

We would like to thank the sport teams representing our Chamber and congratulate them on their fantastic results against strong competition. This year ING BANK N.V. represented our chamber in the football, beach volleyball and tennis and GEMOR FASHION represented our chamber in the tennis.

Football team from ING Bank

Lucky winner in the raffle

Photo: Andrej Kližan

Beach Volleyball Team from ING Bank

Both were equally successful – ***GEMOR FASHION TEAM*** took 3rd in the tennis and ***ING BANK N.V. TEAM*** placed 3rd in the beach volleyball.

The overall winner and winner of the touring Chambers cup was the ***Swiss Chamber of Commerce.***

Matúš Murajda (honorary consul of the Netherlands and director of Gemor Fashion) with his tennis partner in action

We would like to thank our generous sponsors:

Ahold

dolphin

STARS FOR HARMONY IN KOŠICE

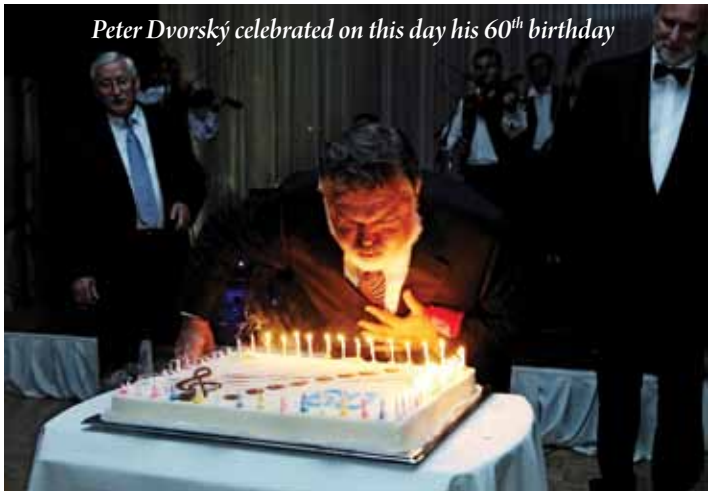
October 8, 2011

Benefit concert for Harmony foundation is great success!

This year the artists met for the second time to create an extraordinary artistic experience for the audience – this time in Košice.

Peter Dvorský with the donation cheque

Marian Lukáč a Jaroslav Dvorský



Peter Dvorský celebrated on this day his 60th birthday

STARS FOR HARMONY

Soprano Michaela Varady

Czech opera diva Eva Urbanova

Mezzo-soprano Denisa Šlepkovská

Zahraničné obchodné komory na Slovensku
Foreign Chambers of commerce in Slovakia

The target of this benefit concert was to support the Harmony centre for children with cerebral palsy. The result of the benefit event was impressive: ***22 000 Eur***!

The event was supported by opera divas, ***Eva Urbanová*** and ***Michaela Várady***. The audience in Košice enjoyed the performance of ***Otokar Klein, Iveta Matyášová, Denisa Šlepkovská, Tatiana Paľovčíková, Jaroslav Dvorský, Peter Berger,*** *Marián Lukáč* and *Martin Gurbaľ*.

Photo: Eugen Bernát

MUSSELS & FRIES EVENING

October 12, 2011

Mussels and fries is a special delicacy which is very popular in Belgium and Holland. We wanted to give our Dutch and Belgians members a taste of home and introduce this delicacy to Slovak members for the 2nd time, due to the great popularity of last year's event.

And we have to say, it was again a great success with around 80 guests taking part in this popular event. We welcomed the ***H.E. Mr. Walter Lion***, the Belgian Ambassador and ***Mrs. Eveline Molier***, Deputy Head of Mission from the Netherlands Royal Embassy.

Just for the record – 12 000 mussels were served during this event!

The guests enjoyed with us an all-you-can-eat buffet of mussels, beer and wines accompanied by live jazz music.

We would like to thank our generous event sponsors:

Sheraton Bratislava HOTEL

HEINEKEN

FINE WINES WINES & SPIRITS

Photo: Andrej Kližan

Miloš Železňák Band

Mario Egger (Sheraton Bratislava Hotel) and Richard Kellner (Pinnacle Consulting & Investments)

MUSSELS & FRIES

Erik Ruttenberg, Petr Milan and Martina Zomborská (Leaf Slovakia)

Martina Pinková and Bruno Fernandez (Volsbank Slovensko) and Marc-Tell Madl (PwC)

Roman Kollár with spouse and Loic Morvay (Heineken Slovensko)

Belgian corner

SPEED BUSINESS MEETING

October 27, 2011

THE FASTEST WAY TO GAIN NEW BUSINESS CONTACTS

The Netherlands Chamber of Commerce in SR together with the Slovak-German Chamber of Commerce and Industry organised a unique event for their members for the first time in Slovakia – Speed Business Meeting.

On October 27, the members of both Chambers met and used this unique space to present their company's products and services during 10 minute one-to-one meetings with the chance to discuss possible cooperation. Each short meeting represented a great chance to widen networks of contacts, and meet potential clients and suppliers.

The individual meetings were followed by a business cocktail.

We hope the meetings bare fruit and are translated into new business contacts for the participants.

Dino Ajanović (TNT Express Worldwide) and Thilo Hoffmann (Weinhold Legal)

Marc-Tell Madl (PwC) and Antonín Pospíšil (Teleperformance)

SPEED BUSINESS MEETING

Ondrej Hort (Qex) and Katarína Bittalová (Lugera & Maklér)

We would like to thank our generous partner for the event – Hotel Crowne Plaza Bratislava.

CROWNE PLAZA
BRATISLAVA

Richard Kellner (Pinnacle Consulting & Investments) and Karolína Černáková (Europlanit)

Gabriel Grosu (Mazars) and Antonín Pospíšil (Teleperformance)

Richard Kellner and Marco den Dekker (ERA SK)

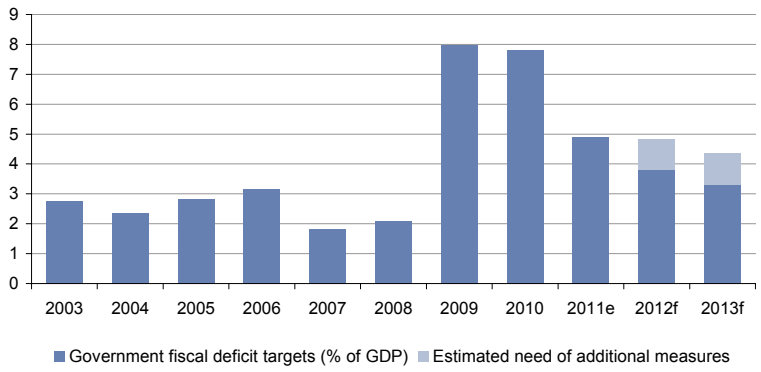
Photo: Andrej Kližan

Economic Update for 3Q11

ING

Government fell in a squabble over the EFSF amendments, adding to the risk that fiscal targets will not be met in upcoming years. While the EFSF amendments were approved quickly with opposition support in a repeat vote (only two days after the first vote), the fall of the centre-right government seems brought the planned reform agenda to a halt. On positive side, 2011 fiscal deficit target seems to be reachable with the year-to-date central state budget deficit down by 31% YoY in September (in € terms, the deficit reduction is worth 951m, which is equivalent to 1.4% of GDP). Looking at the breakdown, YTD tax revenues increased by 8% YoY, while current expenditures declined by 7% YoY (after adjusting for higher debt servicing and payments to social insurance implied by the pension reform). However, political uncertainty adds to risks that fiscal targets will not be met in upcoming years. In recent budget proposal, the government plans to reduce the fiscal deficit from 4.9% of GDP in 2011 to 3.8% in 2012 and to 2.9% in 2013. However, in the proposal, the government assumes GDP growth at 3.4% YoY and 3.7% in 2012 and 2013 (according to MinFin's latest forecast from late August), respectively, while we expect only 1.5% and 3.0% growth. Using our growth assumptions, 2012 budget revenues would be EUR650m (or 0.9% of GDP) lower and the revenues gap would increase to EUR1.1bn (1.4% of GDP) in 2013 according to our estimates. That said, debt worries should remain limited debt worries should remain limited with low public and private debt (at 41% of GDP and 45% in 2010, respectively) and relatively healthy banking sector.

Fig 1: Government fiscal targets at risk



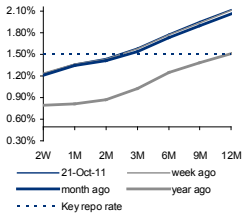
Source: Slovak Statistical Office, Slovak MinFin, ING

Industrial production was slightly better than expected in August. Industrial production rose 4.2% YoY in August after 5.1% in September, coming slightly above the market consensus for 3.3% and our more pessimistic forecast at 2.0%. The breakdown showed that the improvement was mainly in export-oriented manufacturing production, which increased by a strong 5.2% MoM on a seasonally adjusted basis according to our estimates, more than compensating for the 4.3% MoM decline in July. Hence it seems that (at least) part of July's weakness can be explained by a holiday season that was unusually more in July. Nevertheless, the external environment has clearly deteriorated in recent months and so the outlook remains weak.

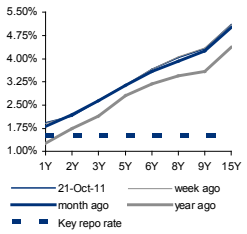
Domestic demand has remained weak in 3Q11. With the ongoing debt crisis affecting consumer confidence, it was no surprise that retail sales were again weak. August retail sales came in at -3.8% YoY, after -4.3% in July. The weak domestic demand was echoed by weak construction, which declined to -6.5% YoY in August from -3.9% in July.

After a strong 1H11, private employment growth came to a stop in July-August. According to our estimates, employment in the private sector (covering almost three-fifths of the full economy's 2.2m employed) stayed constant in July-August on a seasonally adjusted basis after it increased by 13k and 5.5k in 1Q11 and 2Q11, respectively. The National Labour Bureau will release September's unemployment rate this week, but the figure should bring only another confirmation that the labour market remains weak. Together with the weakening global growth outlook, it suggests that consumer spending should remain limited in the remainder of this year.

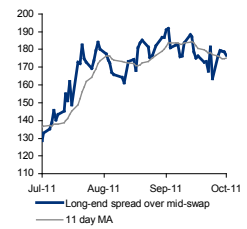
EURIBOR rates



Slovak bond yield curve



Slovak long-end spreads



Inflation accelerated further in September. Inflation (in local methodology) came in at 4.3% YoY in September after 4.0% in August. The breakdown showed that the September acceleration was mainly on increasing prices of restaurant services and a seasonal increase in education prices. At the same time, only 2.1ppt out of the 6% hike in regulated heating prices, approved by the watchdog, was recorded in August-September. With the remainder of the hike coming through in upcoming months, **inflation could accelerate by 0.1-0.2ppt to around 4.5% YoY before the end of 2011, but should ease to 2.5% in January with smaller increases in energy prices expected in 2012 and fading impact of the VAT hike.** In EU-harmonised terms (HICP), inflation reached 4.4% YoY in September from 4.1% in August.

As expected, **the ECB kept its policy rate on hold in October, while refocused on some of its non-standard liquidity measures.** A new covered bond purchasing programme will start in November. In addition, the ECB will conduct two longer-term refinancing operations (the 12-month in October and the 13-month in December), while shorter-term operations will be conducted with full allotment at least until July 2012. As for policy rates, while the ECB decided to stay on hold, it discussed a rate cut as well. However, unexpectedly higher Eurozone inflation in September makes it difficult for the ECB to deliver any rate cut soon. ING expects the ECB to cut rates to 1.0% in 1Q12.


Mussels & Fries Evening
For more information, please go to:
www.netherlandschamber.sk
THE NETHERLANDS
CHAMBER OF COMMERCE
IN THE SLOVAK REPUBLIC