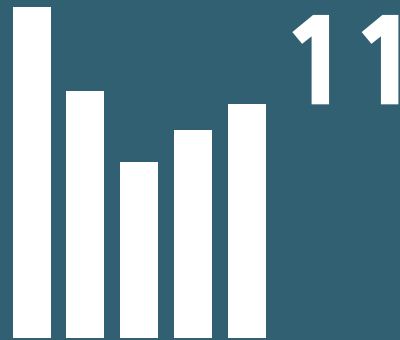


ANNUAL REPORT

CROATIAN FINANCIAL SERVICES SUPERVISORY AGENCY



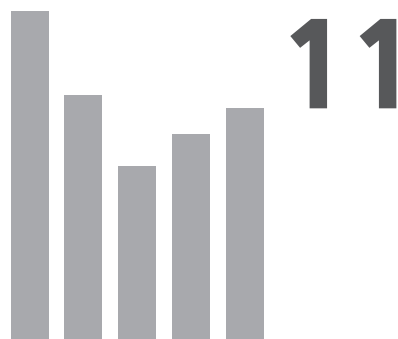
Publisher:
Croatian Financial Services Supervisory Agency
Miramarska 24b, 10000 Zagreb
www.hanfa.hr
Phone: +385 1 6173 200, Fax: +385 1 4811 406
ISSN 1846-6370
Prepress: WSP d.o.o.
Graphic design: RedPoint



Those using data from this publication are requested to cite the source.

ANNUAL REPORT

CROATIAN FINANCIAL SERVICES SUPERVISORY AGENCY



JUNE 2012

 HANFA

ANNUAL REPORT 2011



CONTENTS

INTRODUCTION	7
1 CAPITAL MARKET	11
1.1 Zagreb Stock Exchange Trading Overview	13
1.2 Securities with the Central Depository and Clearing Company	17
1.3 Investment Firms	17
1.3.1 Balance Sheet of Investment Firms	18
1.3.2 Profit and Loss Account of Investment Firms	19
1.3.3 Capital Adequacy	21
1.3.4 Income from Provision of Investment Services and Performance of Investment Activities in 2011	22
1.4 Regulatory Activities and Licensing	24
1.4.1 Capital Market Participants	24
1.4.2 Issue and Listing Prospectuses	25
1.4.3 Takeover of Joint-Stock Companies	25
1.4.4 Opinions	25
1.5 Capital Market Supervision	26
1.5.1 On-Site Supervision	26
1.5.2 Off-Site Supervision	26
1.5.3 Issuer Transparency	27
1.5.3.1 Off-Site Issuer Supervision	27
1.5.3.2 On-Site Issuer Supervision	28
1.5.3.3 Official Register of Prescribed Information (ORPI)	28
1.5.3.4 By-Laws	28
1.5.3.5 Issuer Relations	29
1.5.3.6 Annual Report on Corporate Governance	29
2 INVESTMENT FUNDS	31
2.1 Open-End Investment Funds	34
2.2 Closed-End Investment Funds	37
2.3 Investment Fund Management Companies	38
2.4 Investment Funds Established Pursuant to Special Regulations	40
2.5 Regulatory Activities and Licensing	41
2.6 Investment Fund Supervision	42
3 PENSION FUNDS	45
3.1 Mandatory Pension Funds	47
3.2 Mandatory Pension Companies	53
3.3 Voluntary Pension Funds	55
3.3.1 Open-End Voluntary Pension Funds	55
3.3.2 Closed-End Voluntary Pension Funds	59
3.4 Voluntary Pension Companies	60

3.5 Pension Insurance Companies	63
3.5.1 Market Description	64
3.5.1.1 Balance Sheet	64
3.5.1.2 Profit and Loss Account	65
3.6 Regulatory Activities and Licensing	66
3.7 Pension Fund Supervision	67
4 INSURANCE MARKET	69
4.1 Insurance and Reinsurance Companies	71
4.1.1 Market Description	72
4.1.2 Gross Written Premium	74
4.1.3 Asset Structure	78
4.1.4 Liability Structure	79
4.1.5 Financial Operating Results	81
4.1.6 Technical Provisions	82
4.1.7 Investments of Assets Covering Technical Provisions	83
4.1.8 Investments of Assets Covering Mathematical Provisions	84
4.1.9 Investments of Assets from Capital and other Funds (Except for Assets Covering Mathematical and Technical Provisions)	85
4.1.10 Capital Adequacy	85
4.1.11 Insurance Business Indicators	87
4.2 Regulatory Activities and Licensing	88
4.3 Insurance Market Supervision	89
4.4 Croatian Insurance Bureau	90
4.4.1 Regular Business Operations	91
4.4.2 Guarantee Fund	92
4.5 Croatian Nuclear POOL Economic Interest Grouping	93
4.5.1 Balance Sheet	93
4.5.2 Profit and Loss Account	94
5 LEASING	97
5.1 Market Description	99
5.2 Asset Structure	101
5.3 Liability Structure	103
5.3.1 Capital and Reserves	103
5.3.2 Liabilities	104
5.4 Financial Operating Results	104
5.5 Leasing Industry Portfolio Structure by Periods	105
5.6 Leasing Industry Portfolio Structure by Leased Assets	107

5.7 Leasing Industry Indicators	110
5.7.1 Liquidity Ratios	110
5.7.2 Financial Stability Ratios	110
5.7.3 Debt Indicators	110
5.7.4 Activity Ratios	110
5.8 Regulatory Activities and Licensing	111
5.9 On-Site Supervision of Leasing Companies	112
6 FACTORING	115
6.1 Asset Structure	118
6.2 Liability Structure	120
6.3 Financial Operating Results	121
6.4 Transaction Volume	122
6.5 Factoring Industry Performance Indicators	122
6.5.1 Liquidity Ratios	122
6.5.2 Debt Indicators	122
6.5.3 Profitability Ratios	123
7 COOPERATION AND CONSUMER PROTECTION	125
7.1 Cooperation with Croatian and Foreign Supervisory and Regulatory Bodies and International Organisations	127
7.2 Activities of the Agency Related to the EU Accession Negotiations	127
7.3 Consumer Protection	128
8 PREVENTION OF MONEY LAUNDERING AND TERRORIST FINANCING	131
9 JUDICIAL PROCEEDINGS	135
9.1 Misdemeanour Proceedings	137
9.1.1 Capital Market	138
9.1.2 Insurance Market	138
9.1.3 Leasing	138
9.2 Administrative Disputes	139
9.3 Criminal Charges	139
10 FINANCIAL STATEMENT OF THE AGENCY	141
11 APPENDIX	145
11.1 Statistical Overview	147
11.2 List of Tables	163
11.3 List of Charts	165

INTRODUCTION

The Croatian Financial Services Supervisory Agency (hereinafter referred to as: the Agency or HANFA) is a legal person with public authority, whose scope of activities and competence are regulated by the Act on the Croatian Financial Services Supervisory Agency (Official Gazette 140/05).

The principal objectives of the Agency are fostering and safeguarding the stability of the financial system and supervising the legitimacy of supervised entities' operations. In achieving its objectives, the Agency is governed by the principles of transparency, building confidence among financial market participants and reporting to consumers. The Agency educates the public on the role of the financial system and its functioning, which includes raising awareness of benefits and risks related to different types of investments and financial activities.

At the end of 2011, the Agency had 140 employees in 5 sectors and 6 departments.

Sessions of the Management Board of the Agency in 2011

In accordance with Article 8 of the Act on the Croatian Financial Services Supervisory Agency, all decisions falling within the scope of activities and competence of the Agency are adopted by the Management Board at its sessions.

In 2011, the Management Board held 64 sessions (50 regular and 14 extraordinary) and adopted a total of 1,240 decisions.

Council of the Croatian Financial Services Supervisory Agency

In accordance with Article 11 of the Act on the Croatian Financial Services Supervisory Agency, the Agency has a Council. The Council is an advisory body of the Agency.

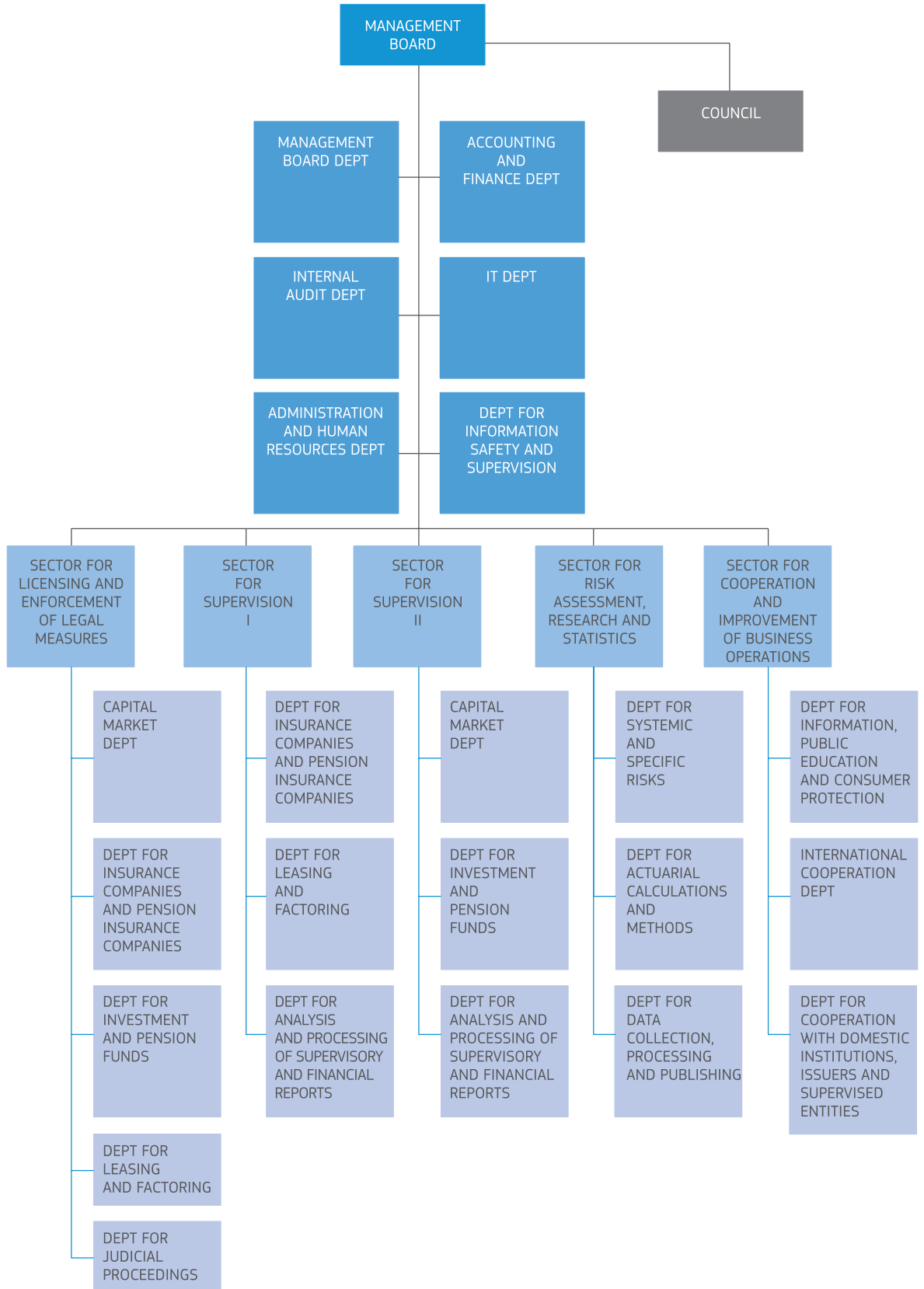
The Council consists of nine members, three of them being delegated by the Government of the Republic of Croatia, and five being nominated by associations of supervised entities established with the Croatian Chamber of Commerce. The President of the Management Board of the Agency is a member of the Council by virtue of his office.

In 2011, the Council held one session, on 6 July, with the following agenda:

- issues related to the whole insurance industry
- issues related to investment funds
- issues related to pension funds.

Organisation Chart of the Agency

Organisation chart of the Agency as at 31 December 2011







CAPITAL MARKET

1 CAPITAL MARKET

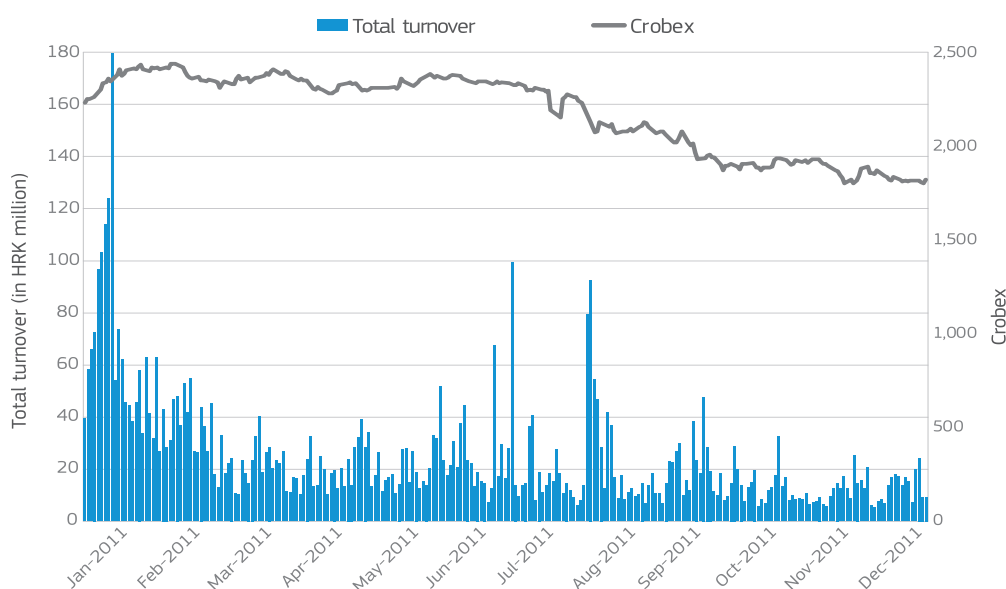
1.1 Zagreb Stock Exchange Trading Overview

At end-2011, the total realised turnover on the Zagreb Stock Exchange (ZSE), including regular and block turnover, amounted to HRK 5.9bn, decreasing by 19.8% compared to the previous year. OTC turnover totalled HRK 18.2bn, up 229.2% from 2010. A total of 344 issues of securities were actively traded, a 36.0% increase relative to 2010. Regular share turnover amounted to

HRK 5.2bn, falling by 9.4% in comparison with the previous year. Regular bond turnover on the Zagreb Stock Exchange totalled HRK 137.4m, recording an annual decrease of 49.9%.

The closing value of the ZSE share index, the CROBEX, reached 1,740.21 at the end of the year, falling by 17.6% compared to 2010.

Chart 1.1 Changes in the CROBEX index and in the ZSE turnover in 2011

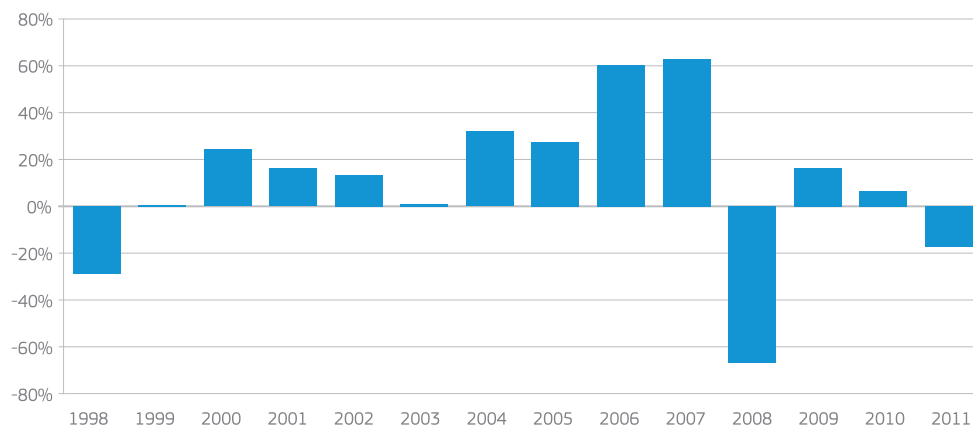


Source: ZSE

The market capitalisation of shares recorded a 7.3% fall on the year, whereas the market capitalisation of bonds went up by 2.6%. The annual decline of total market capitalisation stood at 4.6%.

The following charts and tables show trends in the CROBEX value and in the values of indices worldwide and realised rates of return in 2011.

Chart 1.2 Annual rate of return of the CROBEX index in the period from 1998 to 2011



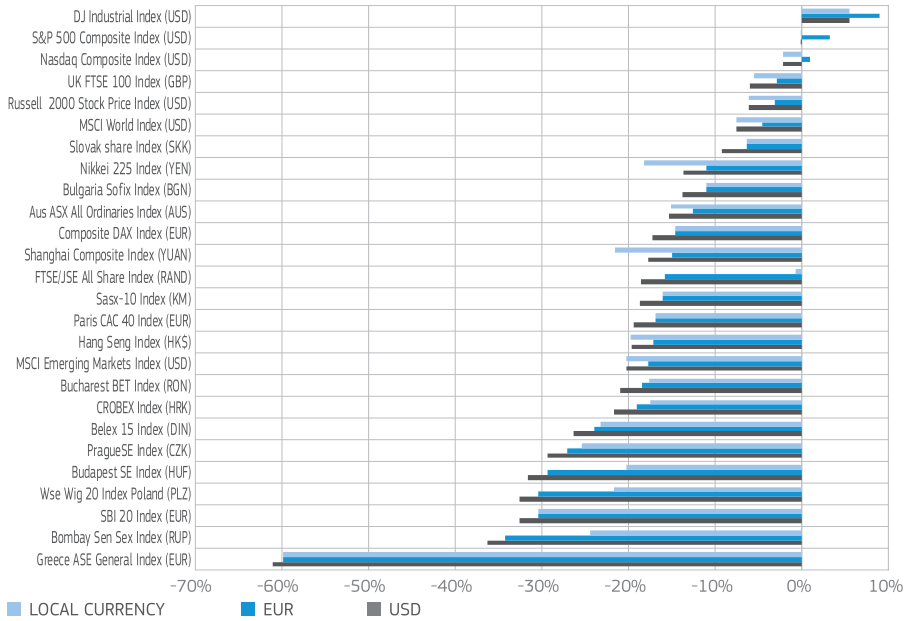
Source: ZSE

Table 1.1 Trends in values of stock exchange indices in 2011

Index (Currency)	Index value in 2011				Change in index value in 2011		
	Open	High	Low	Close	DOMESTIC CURRENCY	EUR	USD
CROBEX Index (HRK)	1,729	1,740	1,727	1,740	-17.56%	-19.21%	-21.81%
DJ Industrial Index (USD)	12,286	12,290	12,214	12,218	5.60%	9.05%	5.60%
S&P 500 Composite Index (USD)	1,263	1,264	1,257	1,258	-0.02%	3.24%	-0.02%
Nasdaq Composite Index (USD)	2,310	2,616	2,605	2,605	-2.17%	1.02%	-2.17%
Russell 2000 Stock Price Index (USD)	744	746	740	741	-6.18%	-3.12%	-6.18%
Composite DAX Index (EUR)	5,867	5,898	5,818	5,898	-14.69%	-14.69%	-17.38%
Paris CAC 40 Index (EUR)	3,140	3,160	3,120	3,160	-16.95%	-16.95%	-19.57%
UK FTSE 100 Index (GBP)	5,567	5,588	5,535	5,572	-5.55%	-2.84%	-5.99%
Aus ASX All Ordinaries Index (AUS)	4,129	4,141	4,110	4,111	-15.18%	-12.60%	-15.39%
Nikkei 225 Index (YEN)	8,435	8,455	8,416	8,455	-18.26%	-11.04%	-13.79%
Hang Seng Index (HK\$)	18,489	18,506	18,416	18,434	-19.85%	-17.18%	-19.79%
Shanghai Composite Index (YUAN)	2,178	2,201	2,178	2,199	-21.68%	-15.04%	-17.79%
Bombay Sen Sex Index (RUP)	15,584	15,694	15,407	15,455	-24.64%	-34.44%	-36.52%
FTSE/JSE All Share Index (RAND)	31,996	32,095	31,986	31,986	-0.70%	-15.96%	-18.63%
SBI 20 Index (EUR)	578	590	574	590	-30.67%	-30.67%	-32.85%
Belex 15 Index (DIN)	497	499	495	499	-23.43%	-24.11%	-26.50%
Bulgaria Sofix Index (BGN)	320	323	320	322	-11.11%	-11.10%	-13.89%
Prague SE Index (CZK)	906	911	904	911	-25.61%	-27.26%	-29.57%
Budapest SE Index (HUF)	17,246	17,267	16,822	16,974	-20.41%	-29.59%	-31.83%
Sasx-10 Index (KM)	777	791	777	791	-16.18%	-16.18%	-18.82%
Wse Wig 20 Index Poland (PLZ)	2,163	2,165	2,137	2,144	-21.85%	-30.64%	-32.81%
Slovak Share Index (SKK)	216	216	215	215	-6.35%	-6.35%	-9.30%
Bucharest BET Index (RON)	4,278	4,337	4,274	4,337	-17.68%	-18.53%	-21.11%
Greece ASE General Index (EUR)	259	265	260	265	-60.29%	-60.29%	-61.54%
MSCI Emerging Markets Index (USD)	914	916	913	916	-20.41%	-17.81%	-20.41%
MSCI World Index (USD)	1,179	1,186	1,178	1,183	-7.62%	-4.60%	-7.62%

Source: Bloomberg

Chart 1.3 Realised rates of return of indices worldwide in 2011

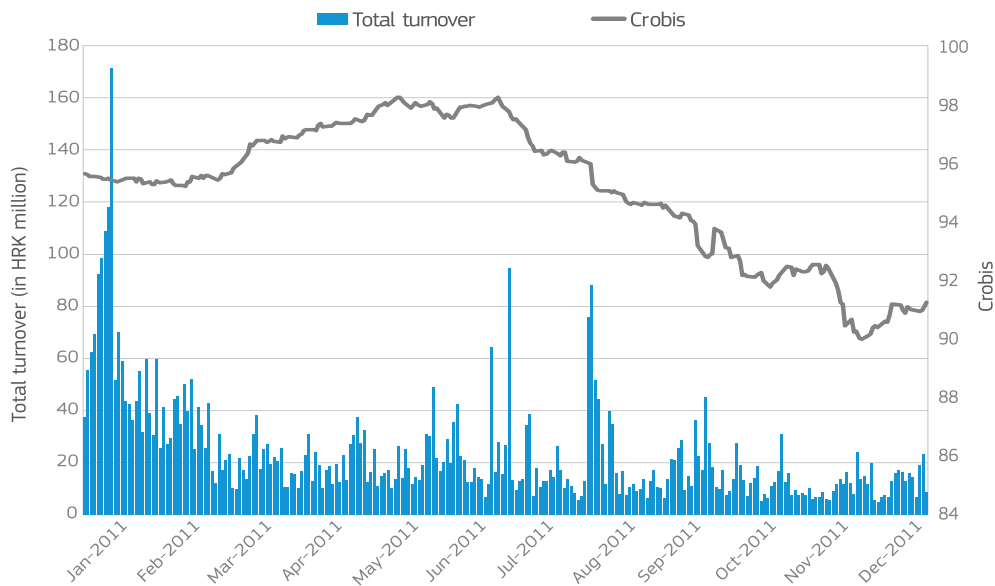


Source: Bloomberg

The official ZSE bond index, the CROBIS, reached 91.27 points at the end of 2011. CROBIS is a market capitalisation-weighted price index. In order to be included in the CROBIS index, government bonds and government agency bonds admitted to the Zagreb Stock Exchange must meet the following requirements:

- nominal value of the issue equal or higher than EUR 75m
- maturity of bonds longer than 18 months
- bonds have a fixed interest rate, with one-off principal payment, at the end of maturity period.

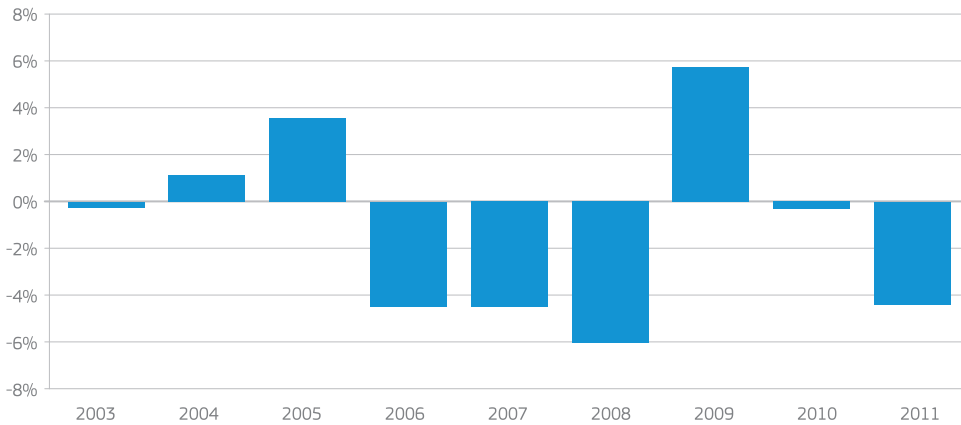
Chart 1.4 Changes in the CROBIS index and in the ZSE turnover in 2011



Source: ZSE

As shown in Chart 1.5, in 2011 the CROBIS index value declined by 4.5% compared to 2010.

Chart 1.5 Annual rates of return of the CROBIS index for the 2003-2011 period

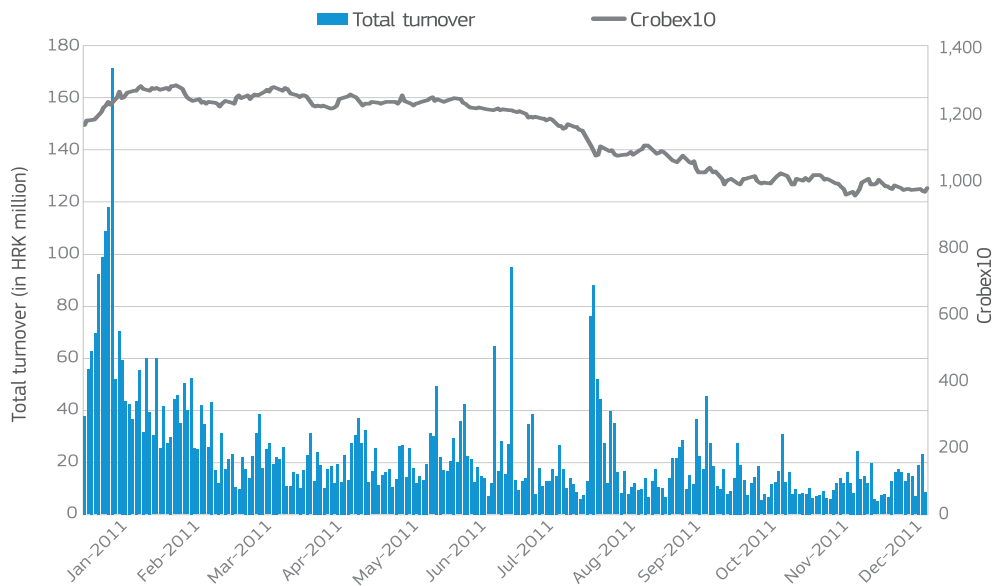


Source: ZSE

The share index CROBEX 10 was first published on 7 September 2009. The base date of the index is 31 July 2009 and the base value is set on 1,000.

The CROBEX 10 consists of 10 shares from the CROBEX composition with the highest free-float market capitalisation and turnover.

Chart 1.6 Changes in the CROBEX 10 index and in the ZSE turnover in 2011



Source: ZSE

Since 2 December 2011, a new official bond index, the CROBIStr, has been published along with the CROBIX index. The index has a base date of 1 December 2011, with a base value of 100. CROBIStr is a total return market capitalisation-

weighted index. The weight of any individual bond within the index is limited to 35%, and is calculated at the end of each trading day taking into account the acquired interest and coupon payment. When calculating the index, average

daily prices weighted by traded volume for bonds constituting the index are used, taking into account regular transactions, block transactions and OTC transactions. If a bond included in the index was not traded on a given day, the index is calculated by using the average daily price of the previous day, i.e. the last day bond was traded. The requirements for the inclusion of a bond in the CROBIStr index are the same as those for the inclusion of a bond in the CROBIS index.

As at 2 December 2011, when it was first published, the value of the CROBIStr index stood at 99.9782, while as at 30 December 2011 its value reached 101.8128.

1.2 Securities with the Central Depository and Clearing Company

As at 31 December 2011, a total of 1,125 securities were deposited with the Central Depository and Clearing Company Inc., while their number totalled 1,141 as at 31 December 2010. The market value of those securities amounted to HRK 296.7bn, decreasing by HRK 15.7m or 5.3% compared to 31 December 2010.

According to the ownership structure, major investors in securities stored in the depository are domestic legal persons, with a market value reaching HRK 154.4bn, followed by foreign persons with a market value amounting to HRK 80.1bn, and domestic natural persons with a market value totalling HRK 25.7bn.

A total of 1,561 corporate actions were carried out in 2011, with payments resulting from corporate actions reaching HRK 30.9bn. (Source: Central Depository and Clearing Company)

1.3 Investment Firms

As at 31 December 2008, there were 31 active investment firms, while as at 31 December 2011, only 13 investment firms were active (investment firms do not include credit institutions authorised to provide investment services and carry out investment activities). Such a significant decrease in the number of investment firms was primarily due to the market situation and the new regulatory framework which increased the costs of investment firms' business operations.

Table 1.3.1 Number of active investment firms

Date	Number of firms
31 Dec 2008	31
31 Dec 2009	23
31 Dec 2010	18
31 Dec 2011	13

Source: HANFA

1.3.1 Balance Sheet of Investment Firms

As at 31 December 2011, the total value of investment firms' assets amounted to HRK 474.7m, rising by 10.4% relative to the end of the previous year. The largest share in total assets was accounted for by financial assets (HRK 302.1m or 63.6% of total assets), which increased by 4.2% in comparison with 31 December 2010. Within the structure of financial assets, securities and other financial

instruments available for sale increased significantly, by 33.0%, compared to 31 December 2010.

Payables dominated the liability structure, making up 70.4% of total liabilities, while the remaining 29.6% were accounted for by capital and reserves. Compared to end-2010, capital and reserves fell by 6.0%, and total payables rose by 19.1%.

Table 1.3.2 Investment firms' balance sheet as at 31 December 2010 and 31 December 2011 (in HRK thousand)

ASSETS	31 Dec 2010	31 Dec 2011	CHANGE
1 Intangible, tangible assets and long-term investments	62,020	46,891	-24.39%
2 Cash and receivables	78,035	125,709	61.09%
3 Financial assets	289,920	302,126	4.21%
a Securities and other financial instruments at fair value through profit or loss	173,306	147,014	-15.17%
b Securities and other financial instruments available for sale	116,614	155,112	33.01%
c Securities and other financial instruments held to maturity	0	0	
4 TOTAL ASSETS	429,975	474,726	10.41%
LIABILITIES			
1 Capital and reserves	149,454	140,500	-5.99%
a Initial (subscribed) capital	97,775	74,765	-23.53%
b Reserves from profit	522	481	-7.81%
c Capital reserves	479	390	-18.65%
d Retained profit	84,901	54,665	-35.61%
e Loss brought forward	20,452	12,138	-40.65%
f Profit or loss for the current year	-12,758	-1,144	-91.03%
g Revaluation reserves	-1,013	23,481	
2 Payables	280,521	334,226	19.14%
3 TOTAL LIABILITIES	429,975	474,726	10.41%

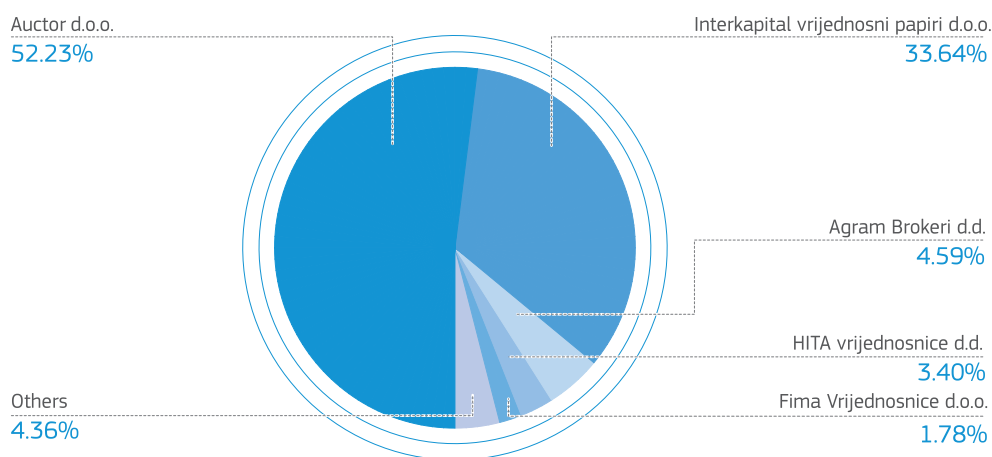
Source: HANFA

Krentschker vrijednosnice d.o.o. submitted their audited financial report for 2010 only on 14 June 2011, therefore the 2010 Annual Report included unaudited data relating to this firm; the 2010 data relating to Trcin vrijednosnice d.o.o. are the data after the firm split up, whereas the 2010 Annual Report contained the data before the firm split up.

As at 31 December 2011, 13 investment firms managed the portfolio amounting to a total of HRK 201.2m, whereas at 31 December 2010 18 investment firms managed the portfolio amounting to a total of HRK 274.1m.

The largest share in total assets as at 31 December 2011 was made up of Auctor d.o.o. (52.2% of total assets) and Interkapital vrijednosni papiri d.o.o. (33.6% of total assets), as shown in the following chart:

Chart 1.3.1 Assets shares of investment firms in total assets of investment firms as at 31 December 2011



Source: HANFA

1.3.2 Profit and Loss Account of Investment Firms

In 2011, four investment firms realised a profit totalling HRK 7.2m, whereas nine investment firms recorded a loss amounting to HRK 8.4m. In the 2011 income structure, the largest share was accounted for by income from fees and commissions for investment services provided,

reaching 46.3% of total realised income. In the 2011 cost structure, the most significant share was made up of staff costs (21.9% of total costs), followed by expenses on fees and commissions for investment services provided (15.7% of total costs) and interest expenses (15.7% of total costs).

Table 1.3.3 Investment firms' profit and loss account for 2010 and 2011 (in HRK thousand)

	2010	2011	CHANGE
1 Net income/expenses on fees and commissions	28,470	27,878	-2.08%
2 Net realised income/expenses on financial assets at fair value through profit or loss	11,357	5,749	-49.38%
3 Net unrealised income/expenses on financial assets at fair value through profit or loss	-350	-2,693	669.23%
4 Net realised income/expenses on financial assets available for sale	-2,100	5,502	
5 Net value adjustment of loans, credits and assets held to maturity	0	0	
6 Other net provisions and value adjustments	1,403	8	-99.44%
7 Net interest income/expenses	2,119	-3,649	
8 Net exchange rate differences	-2,031	-3,498	72.24%
9 Total other income	7,812	8,642	10.63%
Depreciation	3,011	2,168	-27.98%
Staff costs	30,603	20,012	-34.61%
Other costs	23,598	16,010	-32.16%
10 Total other costs	57,211	38,190	-33.25%
11 Total income	88,728	91,228	2.82%
12 Total costs	102,065	91,495	-10.36%
Pre-tax profit or loss	-13,337	-267	-98.00%
Profit tax	-579	877	
13 Profit or loss	-12,758	-1,144	-91.03%

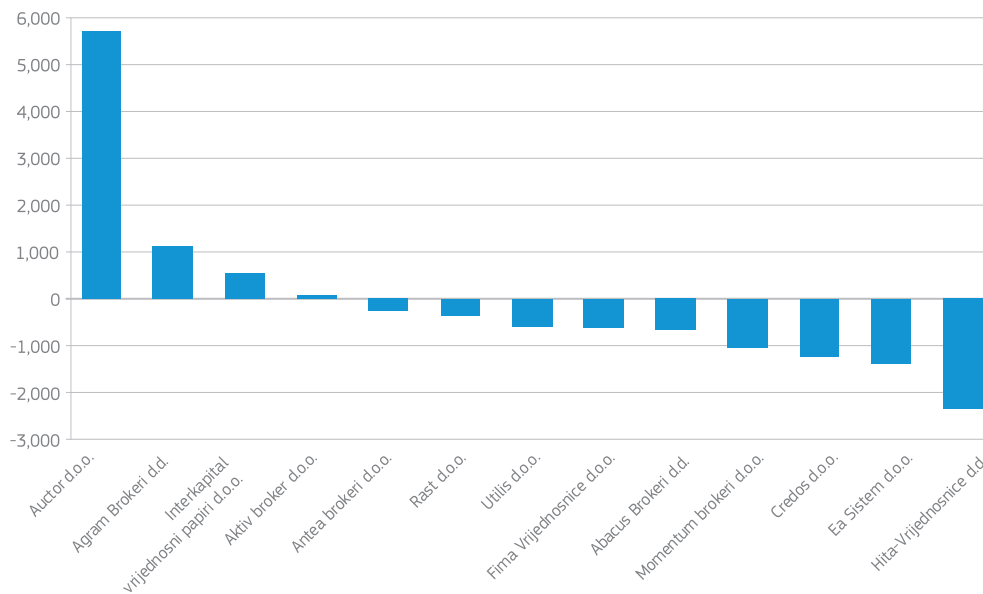
Source: HANFA

Krentschker vrijednosnice d.o.o. submitted their audited financial report for 2010 only on 14 June 2011, therefore the 2010 Annual Report included unaudited data relating to this firm; the 2010 data relating to Trcin vrijednosnice d.o.o. are the data after the firm split up, whereas the 2010 Annual Report contained the data before the firm split up.

In 2011, the highest profit was reported by Auctor d.o.o. and Agram Brokeri d.o.o., and the greatest loss

was recorded by Hita-Vrijednosnice d.d., Ea Sistem d.o.o. and Credos d.o.o., as shown in Chart 1.3.2.

Chart 1.3.2 Profit/loss of investment firms in 2011 (in HRK thousand)



Source: HANFA

1.3.3 Capital Adequacy

Pursuant to the provisions of Article 155 of the Capital Market Act (Official Gazette 88/08, 146/08 and 74/09), the capital of investment firms may not at any time fall below the prescribed minimum capital (HRK 400 thousand, HRK 1m or HRK 6m), depending on the type of the investment firm defined according to investment services provided and investment activities performed. The minimum amount of the investment firm's capital is calculated in accordance with the provisions of the Ordinance on own funds of investment firms (Official Gazette 48/09), and it consists of original own funds, additional own funds I and additional own funds II decreased by prescribed deductible items.

Furthermore, investment firms must maintain the capital level which must at any time be higher than or equal to the sum of capital requirements for market risks, credit risk and operational risk or to one quarter of their preceding year's fixed overheads.

The following table shows that as at 31 December 2011, three investment firms failed to meet the minimum capital requirements, whereas the capital adequacy ratio (ratio of capital to the sum of capital requirements) of two investment firms was lower than the prescribed minimum ratio (1).

Table 1.3.4 Investment firms' capital adequacy as at 31 December 2011 (in HRK thousand)

Investment firm	Minimum own funds	Own funds according to the Ordinance	Original own funds	Additional own funds I	Additional own funds II	Capital adequacy
ABACUS BROKERI d.d.	1,000	1,424	2,588	-1,164	0	0.85
AGRAM BROKERI d.d.	6,000	7,852	7,604	249	0	7.96
AKTIV BROKER d.o.o.	1,000	1,210	1,090	120	0	3.37
ANTEA BROKERI d.o.o.	1,000	737	737	0	0	1.52
AUCTOR d.o.o.	6,000	106,085	81,595	24,490	0	3.96
CREDOS d.o.o.	1,000	29	29	0	0	0.12
EA SISTEM d.o.o.	1,000	1,750	1,750	0	0	5.82
FIMA VRIJEDNOSNICE d.o.o.	6,000	6,441	4,907	2,123	0	4.35
HITA VRIJEDNOSNICE d.d.	1,000	4,675	4,332	343	0	2.59
INTERKAPITAL VRIJEDNOSNI PAPIRI d.o.o.	6,000	8,534	8,534	0	0	1.74
MOMENTUM BROKERI d.o.o.	1,000	1,469	1,469	0	0	2.75
RAST d.o.o.	1,000	767	767	0	0	2.67
UTILIS d.o.o.	1,000	1,614	1,614	0	0	3.53

Source: HANFA

1.3.4 Income from Provision of Investment Services and Performance of Investment Activities in 2011

In 2011, investment firms, credit institutions and other legal persons authorised to provide investment services and perform investment activities in accordance with the provisions of the Capital Market Act recorded income on that basis in the amount of HRK 5.4bn.

Income from the provision and performance of core investment services and activities reached HRK 5.3bn, while income from the provision of ancillary services amounted to HRK 148.1m.

As much as 98.5% of total income from

investment services and activities was accounted for by credit institutions. Investment firms reported income from the provision of investment services and performance of investment activities in the amount of HRK 78.1m (approximately 1.4% of total income).

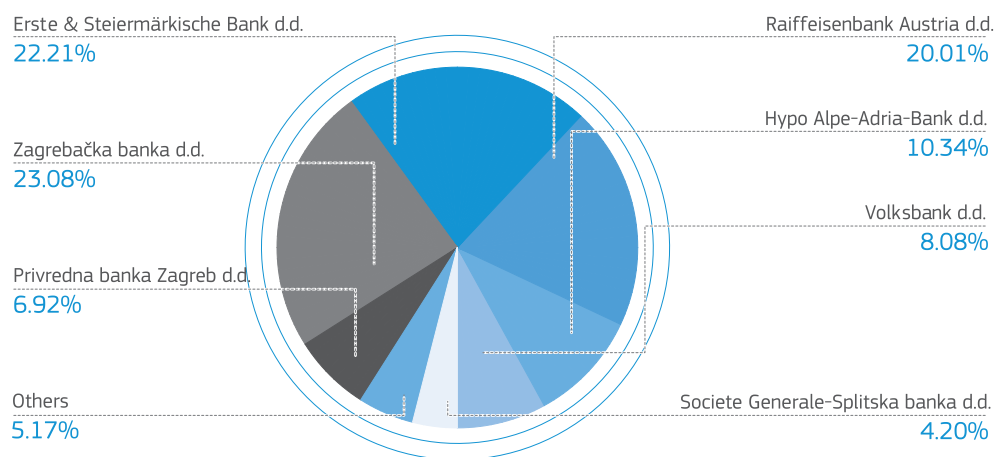
The largest share (94.9%) in the structure of total income was made up of income from activities of dealing on own account, out of which 99.3% was accounted for by income from activities of dealing on own account of credit institutions.

Table 1.3.5 Total income from provision of investment services and performance of investment activities in 2011 (in HRK thousand)

	Investment firms	Credit institutions	Investment fund management companies	Total
I. Income from provision of investment services and performance of investment activities	74,272	5,174,215	5,206	5,253,693
Income from reception and transmission of orders in relation to one or more financial instruments	4,879	1,395	0	6,274
Income from execution of orders on behalf of clients	24,051	24,905	0	48,956
Income from dealing on own account	34,422	5,094,378	0	5,128,800
Income from portfolio management	2,073	1,334	5,105	8,512
Income from provision of investment advice	2,137	6,917	101	9,155
Income from underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis	0	11,234	0	11,234
Income from underwriting of financial instruments and/or placing of financial instruments without a firm commitment basis	6,710	34,052	0	40,762
II. Income from provision of ancillary services	3,863	144,100	108	148,071
Total income from provision of investment services and performance of investment activities	78,135	5,318,315	5,314	5,401,764

Source: HANFA

Chart 1.3.3 Recorded income from provision of investment services and performance of investment activities in 2011 by legal persons



Source: HANFA

1.4 Regulatory Activities and Licensing

1.4.1 Capital Market Participants

In accordance with the provisions of the Capital Market Act, the Agency issues and revokes operating licences of investment firms, brokers, investment advisors, tied agents of investment firms, as well as approvals for management board members of investment firms, the stock exchange and central depository and clearing company and acquirers of qualifying holdings in investment firms, the stock exchange and the central depository and clearing company. The Agency also approves rules, instructions and price lists of the stock exchange and the central depository and clearing company.

At the beginning of 2011, there were 45 firms in the register of firms having approval of the Agency to provide investment services and perform investment activities, maintained by the Agency in accordance with Article 10, paragraph 3 of the Capital Market Act. During the year, at the request of the investment firms, three operating licences ceased to be valid, meaning that three investment firms stopped providing investment services and performing investment activities. At the request of two investment firms, operating licences related to certain investment services and activities ceased to be valid.

Pursuant to the Capital Market Act, the Agency does not issue operating licences to provide investment services and perform investment activities to credit institutions, as they are issued by the Croatian National Bank, subject to prior approval of the Agency. In 2011, at the request of the credit institutions the Agency issued two prior approvals confirming that the requirements have been met for the provision of certain investment services and performance of certain investment activities and related ancillary services in accordance with the provisions of the Capital Market Act.

In the course of 2011, the Agency approved two statutory changes of investment firms.

In 2010, investment firms ended their process of alignment with the provisions of the Capital Market Act, which entered into force on 1 January 2009. Due to the alignment process, in 2010 the

Agency issued a substantial number of operating licences to investment firms. Taking that into account, the number of operating licences issued to investment firms in 2011 was, as expected, not comparable to the number of licences issued in 2010.

In 2011, the Agency issued five approvals for the appointment of management board members of investment firms. In the same period, one application for granting approval for the appointment of the management board member of an investment firm was rejected as it had not been submitted by an authorised person, and two procedures for granting approval for the appointment of management board members of investment firms were terminated.

Pursuant to the Capital Market Act and pursuant to the Ordinance on the requirements for the acquisition and examination of professional knowledge needed to obtain broker's and investment adviser's licence (Official Gazette 80/10), the Agency organises and carries out the education programme and examinations required to obtain broker's and investment adviser's licence.

In 2011, the Agency organised the examinations of professional knowledge needed to obtain broker's and investment adviser's licence. The education programme for the acquisition of professional knowledge needed to obtain broker's and investment adviser's licence was not organised in 2011 due to the insufficient number of applicants, in line with the Ordinance on the requirements for the acquisition and examination of professional knowledge needed to obtain broker's and investment adviser's licence. The total success rate in both first and second examination terms for brokers and investment advisers was 58.3%, and 89.7% respectively.

In 2011, the Agency issued ten licences to brokers and 15 licences to investment advisers. In the same period, 31 broker's licences 16 investment adviser's licences were revoked. Broker's and investment adviser's licences were revoked due to administrative reasons.

Table 1.4.1 Comparison of licences issued and revoked in 2010 and 2011

CASES	2010	2011
LICENCES ISSUED		
Investment firms	31	0
Brokers	11	10
Investment advisers	15	15
LICENCES REVOKED		
Investment firms	4	3
Brokers	52	31
Investment advisers	23	16

Source: HANFA

In the course of 2011, the Agency issued one approval for the acquisition of a qualifying holding in the investment firm, while two applications for approval for the acquisition of qualifying holdings in investment firms were rejected.

Within its competence to issue licences to tied agents of investment firms, in 2011 the Agency issued three licences to tied agents, while one procedure for issuing a licence to a tied agent was terminated. At the request of one firm, one licence of a tied agent of the investment firm ceased to be valid. Following the procedure initiated by virtue of its duty, the Agency revoked one licence of a tied agent of the investment firm.

The Agency issued a decision allowing the Central Depository and Clearing Company Inc., Zagreb, Heinzelova 62/a, as the operator of the Investor Protection Fund, to modify the 2011 fund management fee. The Agency also

issued a decision determining the annual fund management fee for 2012.

In 2011, the Agency approved the amendments to the rules, instructions and price list of the Central Depository and Clearing Company Inc., Zagreb, Heinzelova 62/a, as well as the amendments to the Rules of the Zagreb Stock Exchange, Zagreb, I. Lučića 2a.

1.4.2 Issue and Listing Prospectuses

During 2011, the Agency approved three securities issue prospectuses. It also approved six prospectuses for listing securities, by public offering, in the regulated market in the Republic of Croatia, managed by the Zagreb Stock Exchange. The Agency rejected one application for listing securities in the regulated market managed by the Zagreb Stock Exchange.

Table 1.4.2 Issue and listing prospectuses in 2010 and 2011

CASES	2010	2011
Issue prospectuses	3	3
Listing prospectuses	2	6

Source: HANFA

1.4.3 Takeover of Joint-Stock Companies

In accordance with the provisions of the Act on the Takeover of Joint-Stock Companies (Official Gazette 109/07 and 36/09), in 2011 the Agency approved a total of nine applications for the approval to publish a takeover bid, while one application for the approval to publish a takeover bid was terminated as the Agency determined,

during the procedure, that there were no legal assumptions for the procedure.

Based on the takeover bids published in 2011, the shareholders who had properly deposited their shares during the takeover procedures were paid a total amount of HRK 214,739,214.73.

Table 1.4.3 Takeovers and amounts paid in 2010 and 2011

TAKEOVERS	2010	2011
Number of takeovers	10	9
Amounts paid	287235891.18 HRK	214739214.73 HRK

Source: HANFA

1.4.4 Opinions

In accordance with the provisions of Article 15, paragraph 1, point 9 of the Act on the Croatian Financial Services Supervisory Agency (Official Gazette 140/05), the Agency provides opinions on the implementation of certain acts. In line

with that power, in 2011 the Agency issued two opinions related to the application of provisions of the Capital Market Act and four opinions related to the application of provisions of the Act on the Takeover of Joint-Stock Companies.

1.5 Capital Market Supervision

Within the field of its competence, in 2011 the Agency carried out supervision of investment firms, credit institutions and issuers of financial instruments.

The Agency carries out supervision on the basis of powers referred to in Article 15 of the Act on the Croatian Financial Services Supervisory Agency, Article 541 of the Capital Market Act and Article 47 of the Act on the Takeover of Joint-Stock Companies. Supervision includes on-site and off-site (continuous) examinations. On-site examinations may be regular and targeted.

1.5.1 On-Site Supervision

A total of 15 on-site examinations were carried out in investment firms, 13 of which were regular and two targeted. Thirteen on-site examinations were carried out in credit institutions, eight of them regular and five targeted.

The Agency also carried out two targeted on-site examinations at the Central Depository and Clearing Company Inc., one targeted on-site examination at the Zagreb Stock Exchange, two targeted on-site examinations in one issuer and two examinations in accordance with the provisions of the Act on the Takeover of Joint-Stock Companies.

Therefore, in 2011 the Agency carried out 35 on-site examinations in supervised entities.

Within the framework of regular examination, the Agency examines business operations of supervised entities related to the activities referred to in Article 5 of the Capital Market Act for which operating licences were issued, namely: general organisational requirements, control functions, protection of clients' assets, business conduct towards clients, safekeeping of business documents, managing the conflict of interest, trading, prevention of money laundering and other issues related to a specific investment service and/or activity.

Targeted on-site examinations are carried out in cases where the Agency perceives a special reason for initiating such a procedure. Targeted on-site examinations were carried out in two investment firms and four credit institutions.

Following the on-site examinations carried out and in accordance with Article 255 of the Capital Market Act, the Agency issued 17 decisions ordering supervised entities to align their business operations with the law.

Furthermore, the Agency issued the following decisions: decision on the occurrence of an insured event in accordance with the provisions of Article 224, paragraph 1, point 2 of the Capital

Market Act, decision revoking operating licences of two investment firms, decision determining that operating licence issued to an investment firm ceased to be valid, three decisions issuing a public warning, decision determining market manipulation contrary to the prohibition referred to in Article 465 of the Capital Market Act, decision extending the deadline for the payment of determined amounts of covered claims to clients, two decisions on the occurrence of the obligation to publish a takeover bid, and decision temporary prohibiting an investment firm to dispose of financial instruments and monetary assets.

Pursuant to the provisions of the Act on the Takeover of Joint-Stock Companies, the Agency is authorised to monitor the implementation of its provisions. Within the sphere of its competence, the Agency also issued two decisions ordering amendments to the opinions of the management board of the target company as they had not been prepared in accordance with the provision of Article 41 of the Act on the Takeover of Joint-Stock Companies.

1.5.2 Off-Site Supervision

The Agency carries out off-site examinations in supervised entities on the basis of analysis of financial and supervisory reports submitted to the Agency within prescribed timeframes, as well as by monitoring, collecting and verifying documents, notifications and data obtained at the request of the Agency, and by monitoring, collecting and verifying data and information from other sources. While carrying out continuous supervision, the Agency collects, analyses and processes investment firms' monthly reports on net liquid asset indicator, as well as quarterly reports of investment firms, credit institutions and open-end investment fund management companies on income and expenses arising from the provision of investment services and performance of investment activities. Investment firms are obliged to submit the following financial statements on a quarterly basis: Statement of Financial Position, Statement of Comprehensive Income, Statement of Cash Flows, Statement of Changes in Equity and Notes. In addition, investment firms referred to in Article 35 of the Capital Market Act are obliged to submit Reports on Capital Adequacy to the Agency on a monthly basis, whereas investment firms referred to in Article 32 of the Capital Market Act submit those reports on a quarterly basis.

The Agency continuously monitors trading on the Zagreb Stock Exchange in real time using trade monitoring stations and analyses all the transactions and offers, especially those deviating from regular offers by price, quantity and other criteria, for the purpose of preventing any capital market abuse. The Agency also monitors the

alignment of trading in financial instruments with the Capital Market Act and related by-laws.

The Agency monitors trading on the Zagreb Stock Exchange in order to ensure orderly and regular trading and to detect such activities by capital market participants that might present market abuse, all for the purpose of protecting investors and building confidence among capital market participants, establishing a trade transparency system and preventing market disturbances.

Supervision of trading on the Zagreb Stock Exchange is carried out by monitoring trading on the Zagreb Stock Exchange in real time, by monitoring, collecting and verifying published data and notifications, by monitoring, collecting and verifying reports to be submitted by market participants to the Agency in accordance with the Capital Market Act or other regulations, by monitoring, collecting and verifying documents, notifications and data obtained at the request of the Agency, as well as data and information from other sources, and by examining business operations of the Zagreb Stock Exchange.

Within the framework of supervision, the Zagreb Stock Exchange also provides the Agency with the following reports:

- report on acquisition/disposal of financial instruments by members of the Management Board, Supervisory Board and of the Zagreb Stock Exchange employees in accordance with the provisions of Article 293, paragraph 2 of the Capital Market Act, on a monthly basis;
- report on the Zagreb Stock Exchange ownership structure, pursuant to the provisions of Article 289, paragraph 2 of the Capital Market Act, on a monthly basis;
- decisions and notifications on business operations of the Zagreb Stock Exchange, such as those on the implementation of new systems for the improvement of quality of business operations, sector classification of securities admitted to the market, changes in the boards etc.

All notifications, reports and other information are collected and used by the authorised employees of the Agency in order to monitor trading more efficiently for the purpose of ensuring orderly and regular trading on the market.

Within the framework of continuous supervision, on the basis of its powers referred to in Article 341 of the Capital Market Act, in 2011 the Agency issued seven decisions on temporary suspension of trading in shares of issuers admitted to the official market of the Zagreb Stock Exchange, in order to protect investors' interests and orderly functioning of the market.

In order to improve the quality of off-site examinations and protect clients' assets, on 4 March 2011, the Agency adopted a new Ordinance on supervisory reports for legal persons authorised to provide investment services and perform investment activities (Official Gazette 30/2011). The Ordinance stipulates that supervised entities must submit seven new forms referring to: general data on transaction accounts, report on clients' funds, report on transactions in business purpose accounts, report on realised volume and calculated income from provision of investment services and given/taken credits and loans, and report on portfolio management, clients' asset structure and fees. In addition, the Agency also issued the Instruction for completing supervisory reports for investment firms authorised to provide investment services and perform investment activities. The forms are submitted by supervised entities to the Agency on a monthly basis, weekly or upon a change, depending on the form, and they ensure supervised entities' business operations to be monitored more efficiently, with a special emphasis of clients' asset protection.

1.5.3 Issuer Transparency

The Capital Market Act stipulates requirements relating to issuers of securities admitted to a regulated market managed by a stock exchange, contents of reports and notifications, time limits for compilation and disclosure to the public, manner of their disclosure to the public and their delivery to the official register of prescribed information. The requirements are stipulated in Articles 395 to 449, Article 364 and Articles 450 to 464 of the said Act and in the the Ordinance on disclosure of inside information directly relating to the issuer and on determining legitimate interests of the issuer justifying non-disclosure (Official Gazette 5/09).

1.5.3.1 Off-Site Issuer Supervision

In 2011, the Agency initiated and processed a total of 363 non-administrative procedures: 219 procedures related to prescribed information required to be disclosed to the public by issuers and 144 procedures related to the acquisition and disposal of issuer securities, namely:

- 47 procedures on notifications of the acquisition and disposal required to be delivered by persons discharging managerial responsibilities with the issuer and their related persons,
- 31 procedures on notifications of the acquisition and disposal of own (treasury) shares of the issuer, and
- 66 procedures on notifications of changes in the percentage of voting rights in the issuer as a result of reaching, exceeding or falling below the stipulated thresholds.

The Agency verified the contents, form, and time limit for the delivery of prescribed information in each procedure, as well as the fulfilment of the requirement to disclose the prescribed information in four manners stipulated in Articles 440 and 441 of the Capital Market Act, i.e. using the media: the Croatian News Agency (HINA), the Zagreb Stock Exchange, the Official Register of Prescribed Information and the Agency.

1.5.3.2 On-Site Issuer Supervision

In 2011, the Agency carried out a targeted on-site examination in INA-Industrija nafte d.d., with respect to dealing with prescribed and inside information. The focus of the examination was the fulfilment of the requirements referred to in Part Three, Title II of the Capital Market Act and compliance with the prohibitions and requirements referred to in Articles 450 to 487 of the Act, relating to issuers and issuer shares admitted to the regulated market of the Zagreb Stock Exchange.

Upon the examination, the Agency issued a decision ordering INA-Industrija nafte d.d. to implement supervisory measures, afterwards adopted by the issuer. The decisions issued within the framework of this procedure were published and are available on the website of the Agency.

1.5.3.3 Official Register of Prescribed Information (ORPI)

Since 9 June 2010, the Agency has been maintaining the Official Register of Prescribed Information (hereinafter referred to as: ORPI) referred to in Article 444 of the Capital Market Act, which is a system for the collection, storage, processing and publication of prescribed information.

Issuers deliver prescribed information to the ORPI through the Agency's reports.hanfa.hr system, accessible through the Agency's website. The information collected in the ORPI is intended for the disclosure to the investing public (unprocessed information) and for the purposes of the Agency (information not disclosed to the public). The prescribed information intended for the public can be searched by issuer, type of prescribed information, delivery date and language of delivery (Croatian/English). The prescribed information in the ORPI intended for the public is available free of charge on the website of the Agency in a special section called the Official Register of Prescribed Information.

In 2011, the Agency improved its ORPI system in order to enable issuers to deliver prescribed information signed with the advanced electronic signature, at the same time automatically entering such information into the central records of the Agency. The manner of delivery of prescribed information signed with the

advanced electronic signature and its filing in the central records was improved in compliance with the Capital Market Act, the Regulation on office management (Official Gazette 07/09), the Electronic Signature Act (Official Gazette 10/02 and 80/08) and the Electronic Document Act (Official Gazette 150/05).

With respect to that, the Management Board of the Agency, at its session held on 22 December 2011, adopted the Decision on the form and manner of delivery of prescribed information to the Croatian Financial Services Supervisory Agency and to the Official Register of Prescribed Information.

The ORPI system can only be accessed by persons authorised by issuers (access control), who are obliged to go through a registration process in order to enter the system of the Agency. This enables the Agency to ensure the prescribed quality standards with respect to the protection of the integrity of collected and stored information by providing delivery confirmation, recording the time of receiving the information and by providing simple access to the information to end users.

1.5.3.4 By-Laws

In 2011, the Agency issued five by-laws prescribing implementing guidelines intended for issuers regarding the manner and form of delivery of the prescribed information to the Agency.

In respect of mandatory financial reporting by issuers, the Management Board of the Agency, at its session held on 31 March 2011, adopted the Decision on the form and content of annual financial statements of issuers. The Ordinance on the form and content of interim financial statements of issuers (Official Gazette 47/11) was adopted by the Management Board of the Agency at its session on 14 April 2011. The acts prescribed the form and contents of annual, semi-annual and quarterly issuer reports for each group of reporting entities (real sector, insurance and reinsurance companies, credit institutions, closed-end investment funds, closed-end investment funds with public offering for real-estate investments), including the prescribed standardised financial statement form.

At its session held on 22 December 2011, the Agency adopted the Decision on the form and manner of delivery of prescribed information referred to in Articles 428, 430 and 464 of the Capital Market Act to the Croatian Financial Services Supervisory Agency in XML format and the Decision on the form and manner of delivery of data from the questionnaire for the preparation of annual reports on corporate governance to the Croatian Financial Services Supervisory Agency. The Decisions prescribed the form and manner of delivery to the Agency of specific information

prescribed by the Capital Market Act and the Code of Corporate Governance (jointly adopted by the Agency and the Zagreb Stock Exchange in December 2010).

At its session held on 22 December 2011, the Management Board of the Agency also adopted the Decision on the form and manner of delivery of prescribed information to the Croatian Financial Services Supervisory Agency and to the Official Register of Prescribed Information. The Decisions stipulated that all the prescribed information must be delivered to the Croatian Financial Services Supervisory Agency and to the Official Register of Prescribed Information with electronic signature.

The said by-laws are available on the website of the Agency in a special section intended for issuers.

1.5.3.5 Issuer Relations

In 2011, the Agency organised the second annual education for issuers in cooperation with the Zagreb Stock Exchange. The education offered an insight into relevant changes in regulations and into expectations of the Agency and the Zagreb Stock Exchange regarding its practical implementation. It also included a discussion on complaints, proposals and problems encountered since the entry into force of the Capital Market Act.

Furthermore, the Agency maintained its practise of communicating openly with issuers. A special email address intended for issuers (transparentnost@hanfa.hr) continued to be used by issuers to pose questions to the Agency on the practical implementation of legislation, subordinate legislation and guidelines, as well as to offer their opinions, proposals and comments relating to the subject matter. The email address was also used by the Agency to notify issuers of planned activities and newly adopted implementing regulations of the Agency.

All the relevant regulations and notifications related to transparent issuer reporting are available on the website of the Agency in a special section intended for issuers.

1.5.3.6 Annual Report on Corporate Governance

In 2011, the Agency drew up and published its first Annual Report on Corporate Governance of issuers whose securities were admitted to the regulated market in 2010. Following the good corporate governance practice of EU Member States, the basic idea for the preparation of the report was to gather in one place all corporate data on an annual basis for all issuers whose securities are admitted to the regulated market.

Data for the report were collected from issuers (by means of a questionnaire prepared by the Agency), the Zagreb Stock Exchange and the Central Depository and Clearing Company Inc., as well as from the company register of the competent commercial court.

The tables and charts presented in the report provided a comparative overview of the 2009 and 2010 statistical data on market capitalisation, distribution of capital, issuer bodies (management board, supervisory board, general meeting), system of internal and external control and audit and the level of transparent reporting of issuers whose securities and/or corporate bonds were admitted to the regulated market of the Zagreb Stock Exchange as at 31 December 2010.

The Annual Report on Corporate Governance presents an image of corporate governance of issuers in the Republic of Croatia and the level of corporate governance reached in the domestic capital market compared to the regional environment and the European Union, whose integral part the Republic of Croatia is about to become.

The 2010 Annual Report on Corporate Governance for issuers whose securities are admitted to the regulated market is available on the website of the Agency.



[2 INVESTMENT FUNDS

2 INVESTMENT FUNDS

In 2011, the number of investment funds and investment fund management companies decreased compared with 2010. As at 31 December 2011, there were a total of 128 registered open-end investment funds (three less than in 2010) and seven registered closed-end investment funds (one less than in 2010). At end-2011, there were seven registered venture capital open-end investment funds, five of them established pursuant to the provisions

of the Investment Funds Act (Official Gazette 150/05), but on the basis of the Decision of the Government of the Republic of Croatia of 14 January 2010 on the intention to participate in establishing economic cooperation funds (Official Gazette 8/10).

As at 31 December 2011, there were 30 registered investment fund management companies, four less than in 2010.

Table 2.1 Comparison of the number of investment funds as at 31 December 2010 and 31 December 2011

	31 Dec 2010	31 Dec 2011	Change
Open-end investment funds	131	128	-2.29%
- with public offering	101	103	1.98%
Cash	19	23	21.05%
Bond	9	8	-11.11%
Balanced	20	18	-10.00%
Equity	53	54	1.89%
- with private offering	23	18	-21.74%
Cash	3	0	-100.00%
Bond	1	1	0.00%
Balanced	9	8	-11.11%
Equity	10	9	-10.00%
- venture capital open-end investment funds	7	7	0.00%
venture capital funds with private offering	2	2	0.00%
venture capital funds - economic cooperation funds	5	5	0.00%
Closed-end investment funds	8	7	-12.50%
- with public offering	4	4	0.00%
- with public offering for real estate investments	4	3	-25.00%

Source: HANFA

Out of 128 open-end investment funds, there were 103 open-end investment funds with public offering registered at end-2011 (nine inactive, all of them with public offering), as well as 18 open-end investment funds with private offering and seven venture capital open-end investment

funds with private offering. There were also seven registered closed-end investment funds with public offering. The Fund for Croatian Homeland War Veterans and Members of their Families and the Retired Persons' Fund were registered on the basis of special regulations.

2.1 Open-End Investment Funds

In 2011, seven new open-end investment funds, all with public offering (four cash and three equity funds) obtained the approval for establishment. The 2011 financial market registered a decline resulting in a decrease in investment fund assets.

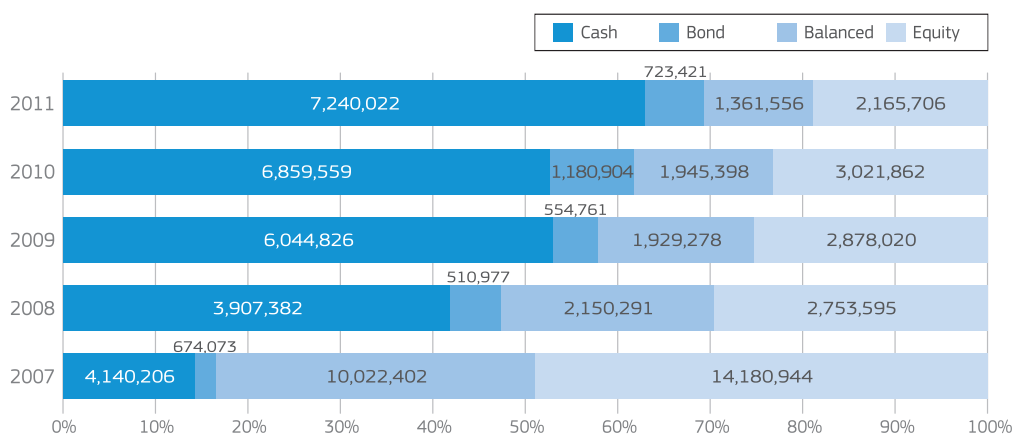
As at 31 December 2011, the total net assets of open-end investment funds, including public and private offering, amounted to HRK 11.9bn, falling by 12.8% relative to end-2010.

Table 2.1.1 Net assets of open-end investment funds as at 31 December 2010 and 31 December 2011 (in HRK thousand)

	31 Dec 2010	31 Dec 2011	Absolute change	Change
Open-end investment funds	13,674,365	11,928,895	-1,745,470	-12.76%
- with public offering	13,007,723	11,490,705	-1,517,018	-11.66%
Cash	6,859,559	7,240,022	380,464	5.55%
Bond	1,180,904	723,421	-457,483	-38.74%
Balanced	1,945,398	1,361,556	-583,842	-30.01%
Equity	3,021,862	2,165,706	-856,156	-28.33%
- with private offering	666,642	438,190	-228,452	-34.27%
Cash	96,587	0	-96,587	-100.00%
Bond	89,105	90,969	1,864	2.09%
Balanced	150,901	79,218	-71,683	-47.50%
Equity	330,049	268,003	-62,046	-18.80%

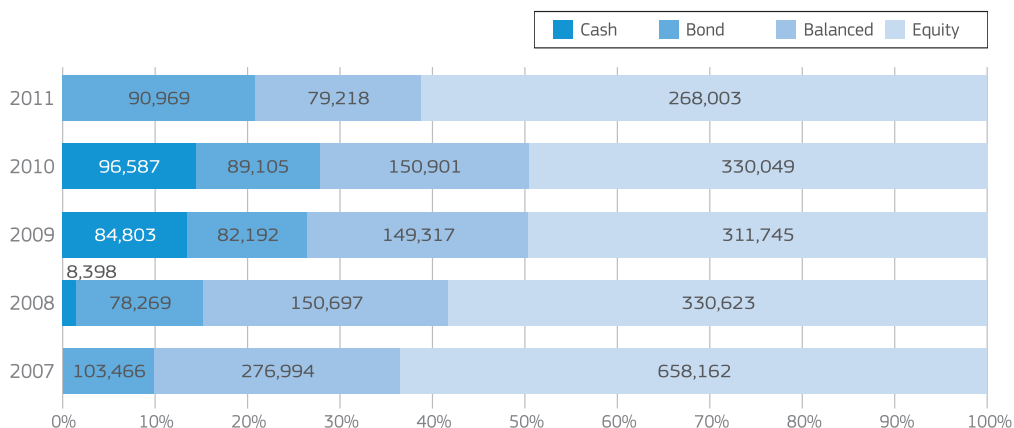
Source: HANFA

Chart 2.1.1 Shares in net assets of open-end investment funds with public offering (in HRK thousand)



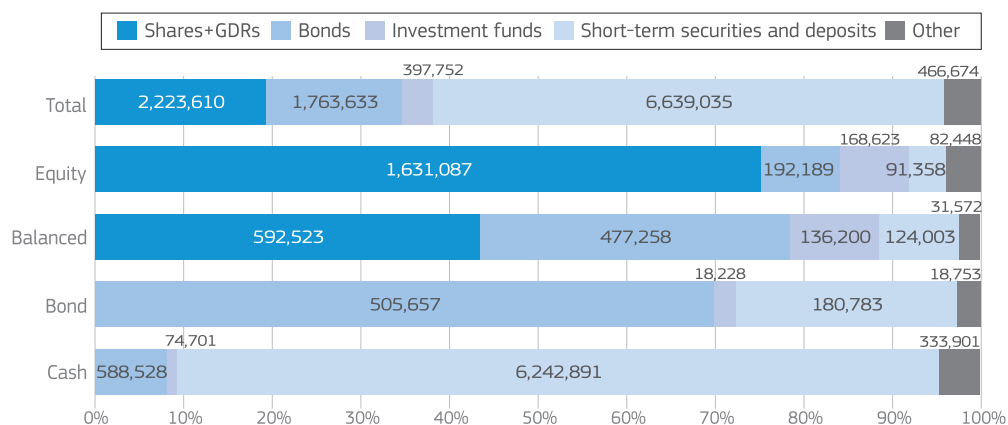
Source: HANFA

Chart 2.1.2 Shares in net assets of open-end investment funds with private offering (in HRK thousand)



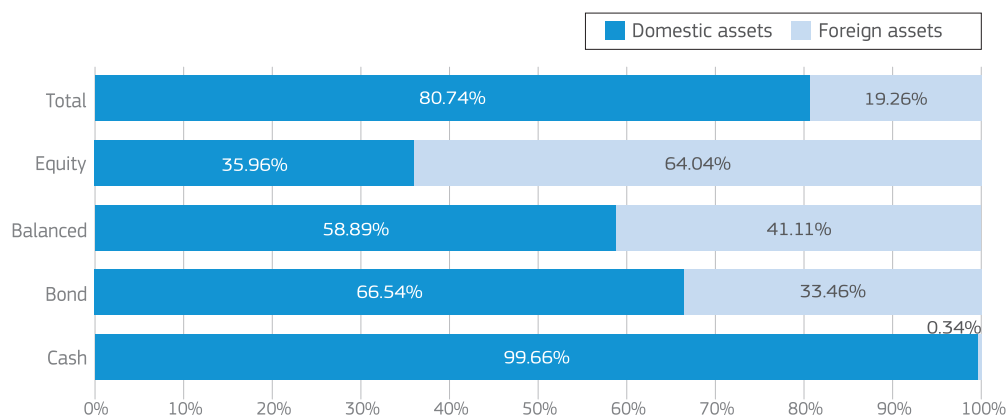
Source: HANFA

Chart 2.1.3 Investment structure of open-end investment funds with public offering as at 31 December 2011 (in HRK thousand)



Source: HANFA

Chart 2.1.4 Domestic and foreign asset share in net assets of open-end investment funds with public offering as at 31 December 2011



Source: HANFA

Table 2.1.2 Net assets managed by companies managing open-end investment funds as at 31 December 2010 and 31 December 2011 (in HRK thousand)

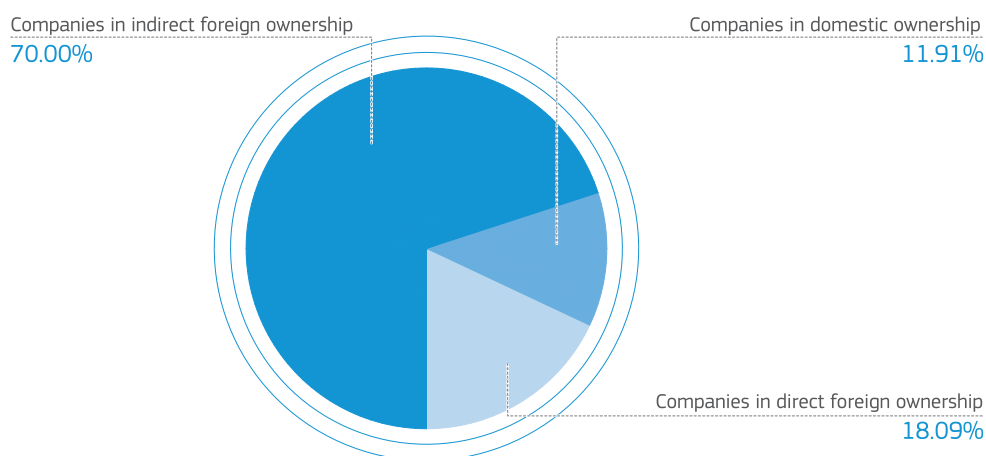
Company	31 December 2010		31 December 2011	
	Net assets	Share in total OIF assets	Net assets	Share in total OIF assets
ZB Invest d.o.o.	4,251,104	31.09%	4,155,704	34.84%
PBZ Invest d.o.o.	2,567,013	18.77%	1,980,143	16.60%
ERSTE - Invest d.o.o.	1,994,818	14.59%	1,807,164	15.15%
RAIFFEISEN Invest d.o.o	2,105,745	15.40%	1,592,299	13.35%
OTP Invest d.o.o	358,875	2.62%	375,992	3.15%
Other	2,396,810	17.53%	2,017,593	16.91%
Total	13,674,365	100.00%	11,928,895	100.00%

Source: HANFA

As to the ownership structure of investment fund management companies, out of 30 investment fund management companies registered as at 31

December 2011, 18 were in domestic ownership, whereas five were in direct and seven in indirect foreign ownership.

Chart 2.1.5 Shares in net assets of open-end investment funds by ownership structure of management companies as at 31 December 2011



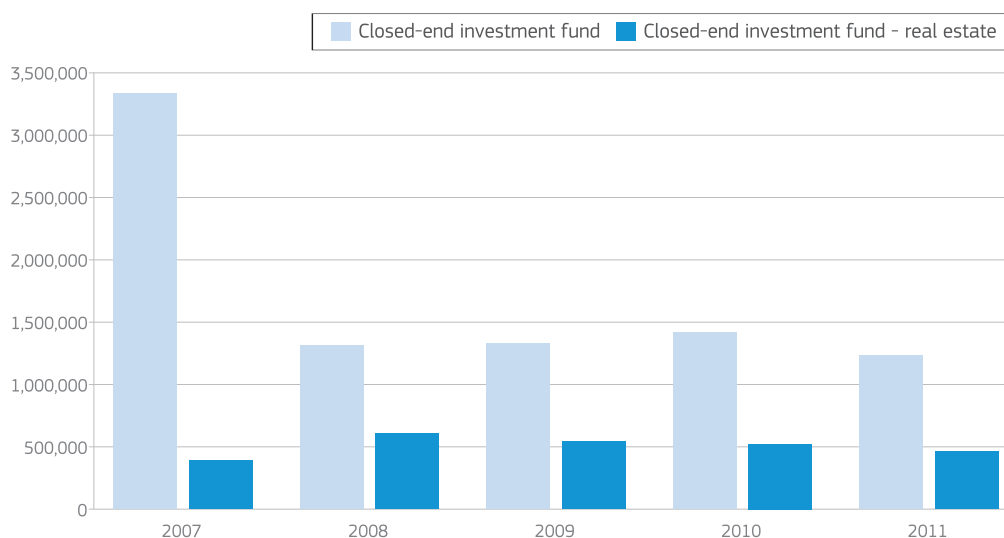
Source: HANFA

2.2 Closed-End Investment Funds

During 2011, HPB Real d.d. closed-end investment fund with public offering for real-estate investments – under winding up, was deleted from the register of closed-end investment funds following the completion of the winding up procedure. Consequently, as at 31 December 2011, there were seven registered closed-end investment

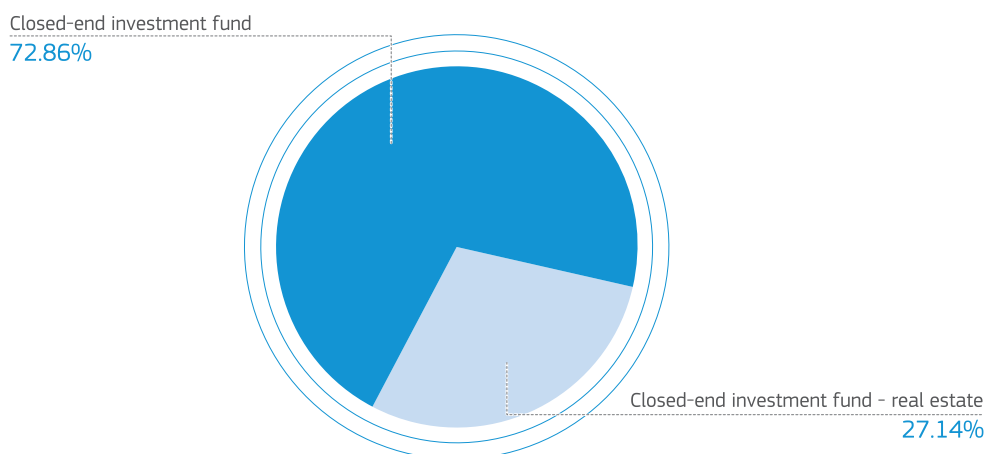
funds, three of which were registered for real-estate investments. The total assets of all closed-end investment funds at end-2011 amounted to HRK 1.7bn, with funds investing in real estate comprising HRK 453.4m, and accounting for a 27.1% share in the total assets of closed-end investment funds.

Chart 2.2.1 Net assets of closed-end investment funds in the 2007-2011 period (in HRK thousand)



Source: HANFA

Chart 2.2.2 Shares of closed-end investment funds with public offering and closed-end investment funds with public offering for real-estate investments in total assets of closed-end investment funds as at 31 December 2011



Source: HANFA

Closed-end investment funds were managed by a total of three companies, all of them in domestic ownership.

Two closed-end investment funds were in the process of winding up and were managed by

liquidators, namely Jadran Kapital d.d. closed-end investment fund with public offering for real-estate investments – under winding up and Velebit d.d. closed-end investment fund with public offering – under winding up.

2.3 Investment Fund Management Companies

As at 31 December 2011, the total assets of investment fund management companies stood at HRK 422.3m, decreasing by 0.5% relative to the end of 2010. The largest asset share (HRK 272.9m or 64.6%) was made up of financial assets, receivables accounted for HRK 58.7m or

13.9% of assets and cash and cash equivalents amounted to HRK 53.2m or 12.6% of assets.

Capital and reserves of investment fund management companies amounted to HRK 233.9m, falling by 9.6%, whereas liabilities totalled HRK 164.9m, recording an 8.5% increase.

Table 2.3.1 Balance sheet of management companies as at 31 December 2010 and 31 December 2011 (in HRK thousand)

	31 Dec 2010	Share	31 Dec 2011	Share
Real estate, machinery and equipment	11,488	2.71%	3,821	0.90%
Investments in real estate	0	0.00%	0	0.00%
Intangible assets	30,261	7.13%	30,334	7.18%
Financial assets	169,456	39.93%	272,938	64.63%
Receivables	132,640	31.26%	58,665	13.89%
Cash and cash equivalents	77,706	18.31%	53,206	12.60%
Prepayments and accrued income	2,653	0.63%	2,764	0.65%
Deferred tax assets	77	0.02%	81	0.02%
Other assets	72	0.02%	523	0.12%
TOTAL ASSETS	424,353	100.00%	422,332	100.00%
Capital and reserves	258,661	60.95%	233,865	55.37%
Liabilities	152,014	35.82%	164,889	39.04%
Provisions	2,637	0.62%	1,926	0.46%
Accruals and deferred income	10,492	2.47%	20,562	4.87%
Deferred tax liabilities	549	0.13%	1,090	0.26%
TOTAL LIABILITIES	424,353	100.00%	422,332	100.00%

Source: HANFA

In 2011, investment fund management companies reported an after-tax profit in the amount of HRK 78.2m, recording an increase of 51.6% compared to 2010. A total of 21 investment fund management companies realised profit amounting to HRK 83.3m, while nine investment fund management companies reported loss totalling HRK 5.1m.

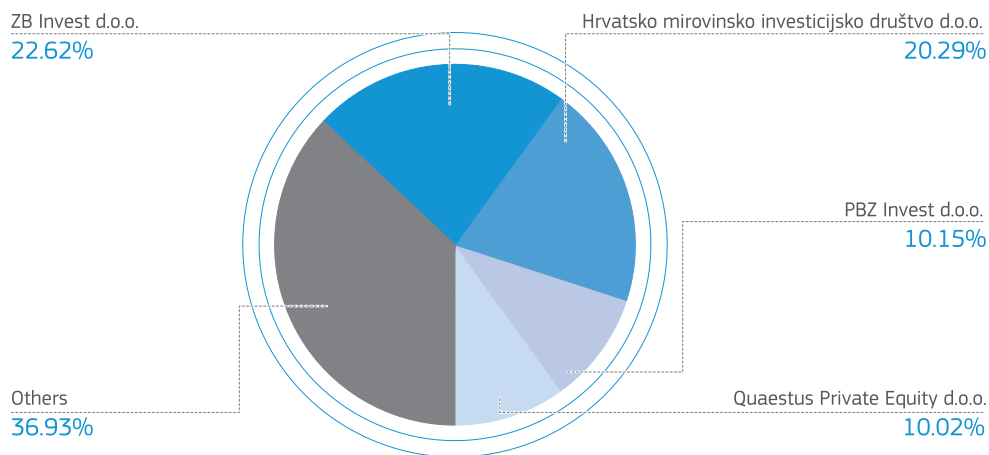
The largest profit was recorded by ZB Invest d.o.o. (HRK 18.9m), followed by Hrvatsko mirovinsko investicijsko društvo d.o.o. (HRK 16.9m), PBZ Invest d.o.o. (HRK 8.5m) and Quaestus Private Equity d.o.o. (HRK 8.3m).

Table 2.3.2 Profit and loss account of management companies in 2010 and 2011 (in HRK thousand)

		2010	2011	Change
I.	Income from investment fund management fees	258,918	291,335	12.52%
II.	Investment fund management expenses	-78,283	-81,970	4.71%
	Net result from investment fund management fees	180,635	209,365	15.91%
III.	Income from portfolio management	2,976	5,213	75.17%
IV.	Income from provision of investment advice	813	386	-52.52%
V.	Financial income and expenses	8,893	6,464	-27.31%
	Net financial income	12,682	12,063	-4.88%
VI.	General and administrative operational expenses	-127,374	-122,492	-3.83%
VII.	Depreciation and value adjustment of other assets	-5,298	-5,309	0.21%
VIII.	Provisions	-488	-193	-60.45%
IX.	Other income and operational expenses	6,573	4,542	-30.90%
X.	Pre-tax profit or loss	66,730	97,978	46.83%
XI.	Profit tax	15,130	19,741	30.48%
XII.	Profit or loss	51,600	78,236	51.62%

Source: HANFA

Chart 2.3.1 Management companies' after-tax profit in 2011



Source: HANFA

2.4 Investment Funds Established Pursuant to Special Regulations

The Fund for Croatian Homeland War Veterans and Members of their Families and the Retired Persons' Fund were established pursuant to special regulations: the Act on the Fund for Croatian Homeland War Veterans and Members of their Families (Official Gazette 163/03, 82/04 and 41/08) and the Act on the Retired Persons' Fund (Official Gazette 93/05, 41/07, 90/11 and 119/11). Net assets of the Fund for Croatian Homeland War Veterans and Members of their

Families, managed by Erste Invest d.o.o., totalled HRK 1.4bn at end-2011, declining by 27.9% relative to the previous year, mainly due to a decrease in financial asset value and expenses on redemption of units. Net assets of the Retired Persons' Fund, managed by HPB Invest d.o.o., amounted to HRK 979.5m, recording a 47.2% fall compared to 2010, due to the compensation of clients.

Table 2.4.1 Investment funds established pursuant to special regulations as at 31 December 2011 (net assets in HRK thousand)

Investment fund	Management company	Net assets
Fund for Croatian Homeland War Veterans and Members of their Families	Erste Invest d.o.o.	1,445,526
Retired Persons' Fund	HPB Invest d.o.o.	979,523

Source: HANFA

Table 2.4.2 Investment structure of the Fund for Croatian Homeland War Veterans and Members of their Families as at 31 December 2010 and 31 December 2011 (in HRK thousand)

	31 Dec 2010		31 Dec 2011	
DOMESTIC ASSETS	1,941,496	94.77%	1,537,787	100.00%
Securities and deposits	1,931,173	94.27%	1,521,993	98.97%
Shares + GDRs	1,728,718	84.38%	1,429,264	92.94%
Government bonds	0	0.00%	0	0.00%
Municipal bonds	0	0.00%	0	0.00%
Corporate bonds	0	0.00%	0	0.00%
Closed-end investment funds	0	0.00%	0	0.00%
Open-end investment funds	0	0.00%	0	0.00%
Short-term securities	0	0.00%	0	0.00%
Deposits	202,456	9.89%	92,729	6.03%
CASH	10,323	0.50%	15,794	1.03%
RECEIVABLES	0	0.00%	0	0.00%
FOREIGN ASSETS	0	0.00%	0	0.00%
Shares	0	0.00%	0	0.00%
Government bonds	0	0.00%	0	0.00%
Corporate bonds	0	0.00%	0	0.00%
Open-end investment funds	0	0.00%	0	0.00%
Short-term securities	0	0.00%	0	0.00%
TOTAL ASSETS	2,048,644	100.00%	1,537,787	100.00%
NET ASSETS	2,005,077	97.87%	1,445,526	94.00%
LIABILITIES	43,567	2.13%	92,261	6.00%
REPURCHASE AGREEMENTS	107,148	5.23%	0	0.00%

Source: HANFA

Table 2.4.3 Investment structure of the Retired Persons' Fund as at 31 December 2010 and 31 December 2011 (in HRK thousand)

	31 Dec 2010		31 Dec 2011	
DOMESTIC ASSETS	2,703,711	100.00%	2,640,030	100.00%
SECURITIES AND DEPOSITS	825,465	30.53%	691,914	26.21%
Shares + GDRs	825,465	30.53%	691,914	26.21%
Short-term securities	0	0.00%	0	0.00%
Deposits	0	0.00%	0	0.00%
CASH	13,740	0.51%	83,627	3.17%
RECEIVABLES	1,864,506	68.96%	1,864,489	70.62%
FOREIGN ASSETS	0	0.00%	0	0.00%
TOTAL ASSETS	2,703,711	100.00%	2,640,030	100.00%
NET ASSETS	1,856,448	68.66%	979,523	37.10%
LIABILITIES	847,263	31.34%	1,660,507	62.90%

Source: HANFA

2.5 Regulatory Activities and Licensing

The Investment Funds Act envisaged the adoption of a several subordinate regulations, most of which have indeed been adopted since the entry into force of the Act on 1 January 2006. In 2011, two new subordinate regulations were adopted, namely the Ordinance on the form and amount of capital investment fund management companies are obliged to maintain (Official Gazette 6/11) and the Ordinance on determination of investment funds' asset value and on calculation of net asset value per unit or per share of investment funds (Official Gazette 154/11). One subordinate regulation was amended, resulting in the adoption of the Ordinance amending the Ordinance on the form and amount of capital investment fund

management companies are obliged to maintain (Official Gazette 11/11).

As at 31 December 2011, there were 30 investment fund management companies authorised by the Agency, four less than in 2010. In the course of 2011, one company merged with another investment fund management company, one company ceased to operate as an investment fund management company, one company had its operating licence revoked as it had not commenced business operations within one year of the issuance of the licence, and one company had its operating licence revoked temporarily, for the period of one year.

Table 2.5.1 Cases processed in 2010 and 2011

CASE TYPE	2010	2011	Change
Operating licence for the management company	4	0	-100.00%
Revoked operating licence from the management company	3	3	0.00%
Approval and registration of fund register entry	10	7	-30.00%
Approval to choose a depositary bank	10	7	-30.00%
Approval to change the depositary bank	4	0	-100.00%
Liquidation	4	5	25.00%
Merger/acquisition	2	6	200.00%
Approval of new, amended prospectuses	105	26	-75.24%
Approval of new, amended statutes	77	25	-67.53%
Promotion of investment funds	16	8	-50.00%
Approval of ordinances on conflicts of interest	8	8	0.00%
Approval for members of the management board	26	10	-61.54%
Approval for management companies to manage portfolios and provide investment advice	6	2	-66.67%
Approval to delegate tasks to third parties	1	9	800.00%

Source: HANFA

2.6 Investment Fund Supervision

Within the framework of off-site supervision of investment funds, the Agency analyses and processes daily and periodic reports on a daily basis, covering the compliance with the regulations on asset valuation, investment limitations, accounting policies, provisions laid down in statutes and prospectuses of investment funds, as well as the assessment of quantitative and qualitative risks of supervised entities' business operations.

The methodology for fund asset valuation and methods of and time limits for reporting on the calculation of net asset value per unit or per share of the fund are defined by prescribed forms used by depositary banks to notify the Agency on each valuation day for investment funds, in accordance with the provisions of the Investment Funds Act and the accompanying subordinate regulations. Apart from the said forms, investment fund management companies submit to the Agency their own annual reports and annual reports for funds they manage, providing information on business operations, as well as audited financial statements within four months after the end of the business year. Their semi-annual reports must be submitted within two months after the end of the six-month accounting period. Quarterly reports for funds managed by management companies are compiled and submitted to the Agency for statistical purposes.

On-site supervision covers business operations of investment fund management companies and investment funds they manage in accordance with the Investment Funds Act and the Capital Market Act (Official Gazette 88/08, 146/08 and 74/09), in the case where management companies provide and pursue investment advice and portfolio management services and activities. On-site examinations imply the examination of documentation and interviews with companies' responsible persons and employees regarding all important issues related to business operations and operating results of investment funds. All relevant documents and data from the sources available to the Agency are analysed with the aim of establishing all the facts and examining the compliance of business operations with the

legislation and subordinate legislation, as well as with the provisions laid down in prospectuses and statutes of investment funds, for the purpose of identifying possible operational risks and protecting unit holders in open-end investment funds and shareholders in closed-end investment funds.

On-site examinations include the examination of institutional documents of management companies and investment funds, agreements on delegating asset management tasks to third parties, agreements with partners on activities significant for business operations of investment funds, internal procedures and policies and organisation of investment fund management activities, organisational structure of management companies and persons related to management companies and investment funds. Such examinations also cover investment decision-making processes, trading activities and settlement procedures, asset valuation and calculation of funds' unit values, observance of provisions on permitted investments and investment limitations, as well as methods of organising, recording and publishing information from the unit holder register. They also check the organisation and manner of running the accounting system, as well as the process of compiling financial statements of management companies and investment funds, with a special emphasis being placed on costs permitted to be charged directly to investors and investment funds. In cases where management companies provide and pursue investment advice and portfolio management services and activities pursuant to the Capital Market Act, on-site examinations include verification of the fulfilment of general organisational requirements and business conduct of management companies when providing those services to clients in accordance with the Capital Market Act and related subordinate regulations.

In the course of 2011, regular on-site examination was carried out in 14 investment fund management companies and targeted on-site examination was carried out in one management company.

Table 2.6.1 On-site examinations carried out in investment fund management companies in 2011

Examinations	Management companies	Investment funds			
		Public offering		Private offering	Special types of funds
		Open-end	Closed-end	Open-end	
Regular	14	49	2	4	1
Targeted	1	3	-	1	-
Total	15	52	2	5	1

Source: HANFA

Based on the findings of the examinations carried out in investment fund management companies and investment funds they manage, following the established actions taken contrary to the Investment Funds Act and the Capital Market Act, the Agency issued decisions for seven management companies imposing the following: preparation of financial statements of management companies and managed funds pursuant to the Accounting Act (Official Gazette 109/07), International Financial Reporting Standards, Investment Funds Act and subordinate regulations adopted pursuant to the said acts (two companies); adoption and orderly implementation of the accounting policy of the company and managed funds (three companies); publication of audited annual financial statements and interim financial statements on the company's website (two companies), adoption of the internal act prescribing business procedures for each organisational unit of the company (one company), adoption of internal acts pursuant to the Act on the Prevention of Money Laundering and Terrorist Financing (Official Gazette 87/08) (two companies), submission of the application for delegating IT services to the Agency (one company), formation of a unique data base on

managed fund's transactions (one company), insurance of the company's capital in accordance with the Ordinance on the form and amount of capital investment fund management companies are obliged to maintain (Official Gazette 97/06) (one company), conclusion of all existing agreements on short-term borrowings payable upon demand at Tržište novca d.d., concluded for the account of managed funds, for a time period no longer than a year (one company), alignment of business operations related to the provision and carrying out of portfolio management services and activities with legislative provisions (three companies), alignment of investments of managed funds' assets with the prospectus and the Investment Funds Act (three companies), valuation of managed funds' assets in accordance with the Ordinance on determination of investment funds' asset value and on calculation of net asset value per unit or per share of investment funds (three companies), refund of entry and exit fees calculated at the moment of purchase and sale of units in funds managed by the same company from the assets of funds that have received the fees into the assets of funds that were charged the fees (one company).



[3 PENSION FUNDS

3 PENSION FUNDS

Pension funds, as a special type of investment funds, were established during the 2002 pension reform and started operating on 30 April 2002. The Mandatory and Voluntary Pension Funds Act (Official Gazette 49/99, 63/00, 103/03, 177/04, 71/07, 124/10 and 114/11) defines two types of pension funds:

- mandatory pension funds, whose membership consists only of persons younger than 40 at the time of employment, in accordance with the Act on Amendments to the Mandatory and Voluntary Pension Funds Act (Official Gazette 114/11)
- voluntary pension funds (having voluntary membership), which may be open-end funds, i.e. funds whose membership is open to any citizen of the Republic of Croatia, or closed-end funds, with members being persons employed with the employer acting as a sponsor of the pension fund, members of trade unions or members of associations of self-employed persons acting as sponsors of the pension fund.

3.1 Mandatory Pension Funds

A pension fund is a fund of a special type, considered as a separate asset with no legal personality, which is established for the purpose of collecting monetary assets through the contributions of fund members and investing those assets in order to increase the fund asset value with the view to ensuring the payment of

pension annuities to fund members. There were four mandatory pension funds (obvezni mirovinski fond – OMF) operating in 2011:

- AZ obvezni mirovinski fond (managed by Allianz ZB d.o.o. društvo za upravljanje obveznim mirovinskim fondom),
- Erste Plavi obvezni mirovinski fond (managed by ERSTE d.o.o. društvo za upravljanje obveznim mirovinskim fondom),
- PBZ Croatia osiguranje obvezni mirovinski fond (managed by PBZ Croatia osiguranje d.d. za upravljanje obveznim mirovinskim fondom), and
- Raiffeisen obvezni mirovinski fond (managed by Raiffeisen mirovinsko društvo za upravljanje obveznim mirovinskim fondom d.d.).

At the end of 2011, the four mandatory pension funds had a total of 1,604,336 members. In the course of 2011, a total of 46,217 members joined one of the mandatory pension funds, meaning that an average of 3,851 members joined mandatory pension funds each month. The Central Registry of Insured Persons (REGOS), in line with its legal power, allocated 92.9% of members upon the expiry of the period for the selection of a pension fund. In 2011, a total of 3,335 personal accounts of mandatory pension funds' members were closed. AZ OMF had the largest number of members (576,858) as at 31 December 2011.

Table 3.1.1 Mandatory pension fund membership

MANDATORY PENSION FUND	AZ OMF	ERSTE PLAVI OMF	PBZ CO OMF	RAIFFEISEN OMF	TOTAL
Balance as at 31 Dec 2010	561,646	240,154	277,623	482,031	1,561,454
First registrations	356	252	434	309	1,351
Subsequently completed registrations	491	432	686	327	1,936
Allocation by REGOS	15,439	6,606	7,640	13,245	42,930
Total number of new members	16,286	7,290	8,760	13,881	46,217
Transfers to another fund	111	78	138	186	513
Transfers from other funds	206	135	88	84	513
Net transfer	95	57	-50	-102	0
Total termination of membership	1,169	495	612	1,059	3,335
Balance as at 31 Dec 2011	576,858	247,006	285,721	494,751	1,604,336
Annual change	2.71%	2.85%	2.92%	2.64%	2.75%

Source: REGOS

In 2011, a total amount of HRK 4.7bn of net pension contributions was paid into mandatory pension funds, 3.7% more than the previous year,

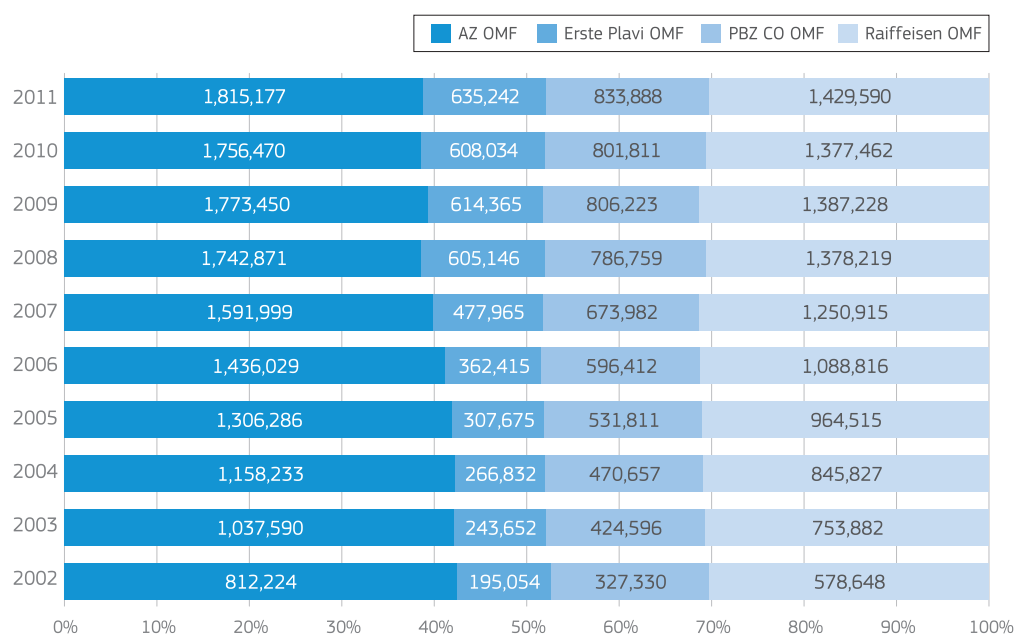
when net paid contributions totalled HRK 4.5bn. Therefore, an average of HRK 392.8m in net contributions was paid in each month.

Table 3.1.2 Net contributions of mandatory pension funds in 2011 (in HRK thousand)

MANDATORY PENSION FUND	AZ OMF	ERSTE PLAVI OMF	PBZ CO OMF	RAIFFEISEN OMF	TOTAL
Net contributions	1,815,177	635,242	833,888	1,429,590	4,713,897
Payments from other OMFs	9,026	3,722	1,050	2,868	16,666
Disbursements to other OMFs	3,076	2,210	4,473	7,035	16,794
Disbursements of funds upon adjustments	1,818	774	909	1,537	5,038
Disbursements of funds upon the closure of personal accounts	35,243	14,297	17,757	28,445	95,742

Source: REGOS

Chart 3.1.1 Net contributions of mandatory pension funds in the 2002 - 2011 period (in HRK thousand)

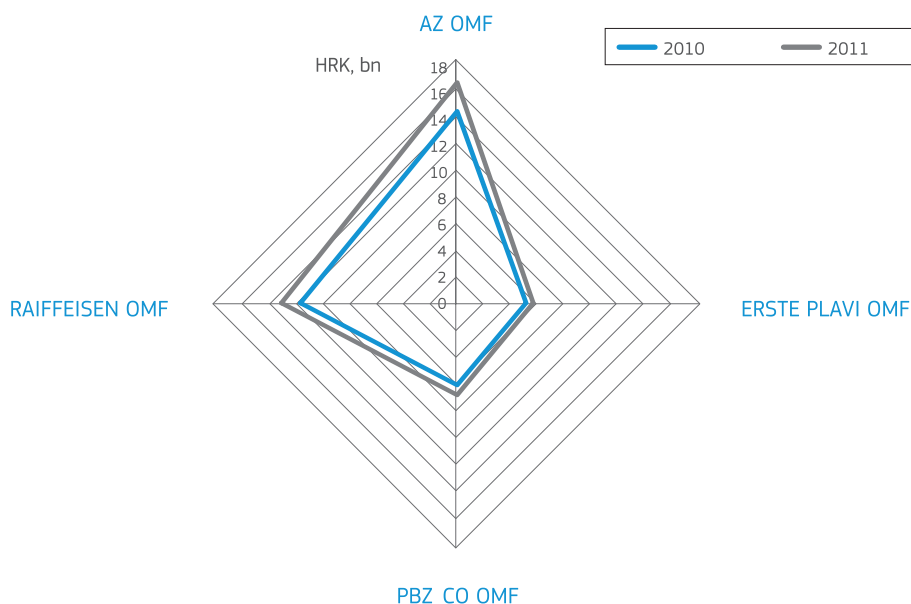


Source: REGOS

As at 31 December 2011, net assets of mandatory pension funds amounted to HRK 41.1bn, or HRK 25.6 thousand per mandatory pension fund member. In comparison with 31 December 2010,

net assets of mandatory pension funds increased by HRK 4.7bn, or 13.0%, as a result of payments by fund members and the realised rate of return.

Chart 3.1.2 Net assets of mandatory pension funds as at 31 December 2010 and 31 December 2011



Source: HANFA

Chart 3.1.3 Net asset to net contribution ratio of mandatory pension funds in the period from 30 April 2002 to 31 December 2011



Source: HANFA

Pension fund assets are invested in line with the investment limitations prescribed by the Act on Mandatory and Voluntary Pension Funds and by the Ordinance on additional investment criteria

and investment limitations for pension funds (Official Gazette 129/07, 32/08, 112/08, 121/08, 2/09, 9/09 and 141/09).

Table 3.1.3 Investment structure of mandatory pension funds as at 31 December 2010 and 31 December 2011 (in HRK thousand)

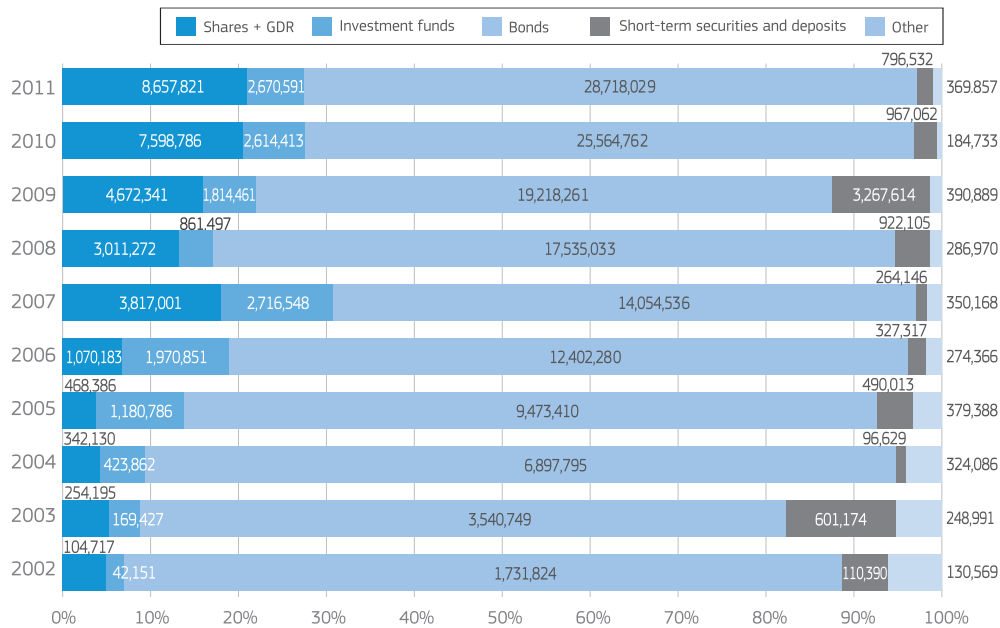
TYPE OF ASSETS	31 December 2010		31 December 2011	
	Amount	Share	Amount	Share
DOMESTIC ASSETS	32,580,847	88.22%	36,473,475	88.50%
Securities and deposits	32,396,114	87.72%	36,103,618	87.60%
Shares + GDRs	5,740,135	15.54%	5,748,319	13.95%
Government bonds	23,776,543	64.38%	27,179,292	65.95%
Municipal bonds	73,539	0.20%	41,348	0.10%
Corporate bonds	1,219,992	3.30%	1,282,334	3.11%
Closed-end investment funds	67,927	0.18%	21,869	0.05%
Open-end investment funds	550,914	1.49%	1,033,923	2.51%
Short-term securities	349,407	0.95%	113,073	0.27%
Deposits	617,655	1.67%	683,459	1.66%
Cash	111,361	0.30%	228,283	0.55%
Receivables	73,372	0.20%	141,574	0.34%
FOREIGN ASSETS	4,348,910	11.78%	4,739,356	11.50%
Shares + GDRs	1,858,651	5.03%	2,909,502	7.06%
Government bonds	444,719	1.20%	213,552	0.52%
Municipal bonds	0	0.00%	0	0.00%
Corporate bonds	49,968	0.14%	1,503	0.00%
Closed-end investment funds	0	0.00%	0	0.00%
Open-end investment funds	1,995,571	5.40%	1,614,799	3.92%
Short-term securities	0	0.00%	0	0.00%
Deposits	0	0.00%	0	0.00%
TOTAL ASSETS	36,929,757	100.00%	41,212,831	100.00%
TOTAL NET ASSETS	36,328,054		41,067,099	
Derivatives	0	0.00%	33,941	0.08%
Repurchase agreements	0	0.00%	0	0

Source: HANFA

The total assets of mandatory pension funds at end-2011 stood at HRK 41.2bn and were by 11.6% higher than at the end of 2010. Most of mandatory pension funds' assets were invested on the domestic market, in domestic government bonds. Investments in Croatian government

bonds rose by 14.3% compared to the previous year. Apart from increasing their investments in domestic government bonds, mandatory pension funds also increased investments in domestic and foreign shares, as well as investments in Croatian companies' corporate bonds.

Chart 3.1.4 Investment structure of mandatory pension funds (in HRK thousand)

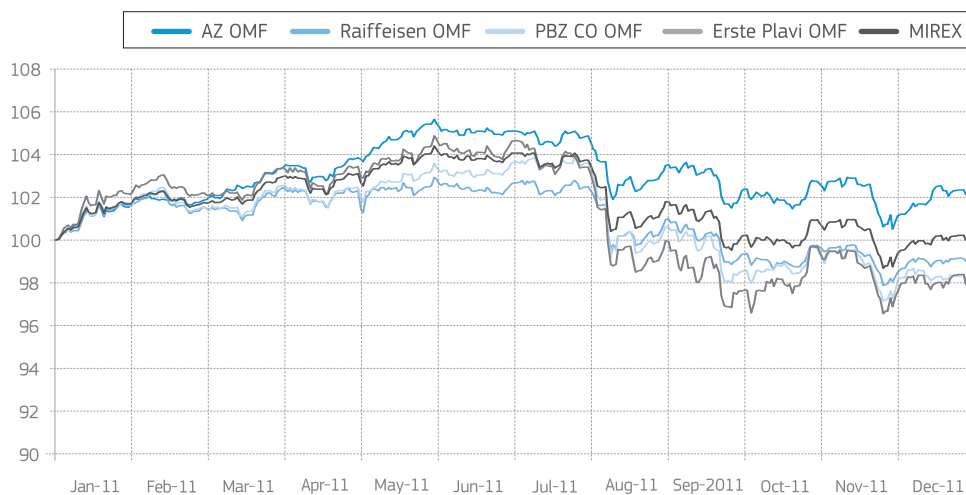


Source: HANFA

Contributions paid by members, reduced by entry fee, are converted into units of account, each of which represents a proportional share of each member in the pension fund's net assets. Units of account are used for the purpose of valuing funds' assets and comparing investment performance of pension fund management companies.

In 2011, out of the four mandatory pension funds, only AZ OMF recorded a positive annual rate of return (2.75%). The 2011 annual rate of return of the MIREX index was also positive. The annual rate of return of Erste Plavi OMF was -1.35%, whereas Raiffeisen OMF recorded a rate of return totalling -0.62%. The annual rate of return of PBZ CO OMF stood at -1.43%.

Chart 3.1.5 Values of accounting units and the MIREX index during 2011



Source: HANFA

Table 3.1.4 Annualised rates of return of mandatory pension funds' accounting units and the MIREX index

AZ OMF											
	from	30 Apr 02	31 Dec 02	31 Dec 03	31 Dec 04	31 Dec 05	31 Dec 06	31 Dec 07	31 Dec 08	31 Dec 09	31 Dec 10
to	AUV	100	108.6759	116.8000	124.0084	131.2816	138.8635	147.7171	134.3385	144.8585	157.1319
31 Dec 02	108.6759	13.20%									
31 Dec 03	116.8000	9.74%	7.48%								
31 Dec 04	124.0084	8.39%	6.82%	6.17%							
31 Dec 05	131.2816	7.70%	6.50%	6.02%	5.87%						
31 Dec 06	138.8635	7.28%	6.32%	5.94%	5.82%	5.78%					
31 Dec 07	147.7171	7.12%	6.33%	6.05%	6.01%	6.08%	6.38%				
31 Dec 08	134.3385	4.52%	3.60%	2.84%	2.02%	0.77%	-1.64%	-9.06%			
31 Dec 09	144.8585	4.95%	4.19%	3.65%	3.16%	2.49%	1.42%	-0.97%	7.83%		
31 Dec 10	157.1319	5.35%	4.72%	4.33%	4.02%	3.66%	3.14%	2.08%	8.15%	8.47%	
31 Dec 11	161.4465	5.08%	4.50%	4.13%	3.84%	3.51%	3.06%	2.25%	6.32%	5.57%	2.75%
ERSTE PLAVI OMF											
	from	30 Apr 02	31 Dec 02	31 Dec 03	31 Dec 04	31 Dec 05	31 Dec 06	31 Dec 07	31 Dec 08	31 Dec 09	31 Dec 10
to	AUV	100	108.4353	116.1018	125.4063	135.4920	146.8004	155.6751	133.2136	147.3339	160.7232
31 Dec 02	108.4353	12.82%									
31 Dec 03	116.1018	9.34%	7.07%								
31 Dec 04	125.4063	8.84%	7.54%	8.01%							
31 Dec 05	135.4920	8.63%	7.71%	8.03%	8.04%						
31 Dec 06	146.8004	8.57%	7.87%	8.13%	8.19%	8.35%					
31 Dec 07	155.6751	8.12%	7.50%	7.61%	7.47%	7.19%	6.05%				
31 Dec 08	133.2136	4.39%	3.49%	2.79%	1.52%	-0.56%	-4.74%	-14.43%			
31 Dec 09	147.3339	5.18%	4.48%	4.05%	3.28%	2.12%	0.12%	-2.72%	10.60%		
31 Dec 10	160.7232	5.62%	5.04%	4.76%	4.22%	3.47%	2.29%	1.07%	9.84%	9.09%	
31 Dec 11	158.5558	4.88%	4.31%	3.97%	3.41%	2.65%	1.55%	0.46%	5.98%	3.74%	-1.35%
PBZ CO OMF											
	from	30 Apr 02	31 Dec 02	31 Dec 03	31 Dec 04	31 Dec 05	31 Dec 06	31 Dec 07	31 Dec 08	31 Dec 09	31 Dec 10
to	AUV	100	109.4154	117.9214	127.1730	133.2243	142.8526	153.7997	126.3414	137.0353	150.3996
31/12/2002	109.4154	14.35%									
31 Dec 03	117.9214	10.37%	7.77%								
31 Dec 04	127.1730	9.42%	7.81%	7.85%							
31 Dec 05	133.2243	8.13%	6.78%	6.29%	4.76%						
31 Dec 06	142.8526	7.93%	6.89%	6.60%	5.99%	7.23%					
31 Dec 07	153.7997	7.89%	7.05%	6.87%	6.54%	7.44%	7.66%				
31 Dec 08	126.3414	3.57%	2.43%	1.39%	-0.16%	-1.75%	-5.96%	-17.85%			
31 Dec 09	137.0353	4.19%	3.27%	2.54%	1.51%	0.71%	-1.38%	-5.61%	8.46%		
31 Dec 10	150.3996	4.82%	4.06%	3.54%	2.84%	2.45%	1.30%	-0.74%	9.11%	9.75%	
31 Dec 11	148.2493	4.16%	3.43%	2.90%	2.21%	1.80%	0.74%	-0.91%	5.47%	4.01%	-1.43%
RAIFFEISEN OMF											
	from	30 Apr 02	31 Dec 02	31 Dec 03	31 Dec 04	31 Dec 05	31 Dec 06	31 Dec 07	31 Dec 08	31 Dec 09	31 Dec 10
to	AUV	100	108.5443	116.1595	126.1430	138.1216	143.6204	153.5363	133.5218	145.7648	157.5504
31 Dec 02	108.5443	12.99%									
31 Dec 03	116.1595	9.38%	7.02%								
31 Dec 04	126.1430	9.08%	7.80%	8.59%							
31 Dec 05	138.1216	9.20%	8.36%	9.04%	9.50%						
31 Dec 06	143.6204	8.06%	7.25%	7.33%	6.70%	3.98%					
31 Dec 07	153.5363	7.85%	7.18%	7.22%	6.77%	5.43%	6.90%				
31 Dec 08	133.5218	4.43%	3.51%	2.83%	1.43%	-1.12%	-3.58%	-13.04%			
31 Dec 09	145.7648	5.03%	4.30%	3.86%	2.93%	1.36%	0.50%	-2.56%	9.17%		
31 Dec 10	157.5504	5.38%	4.77%	4.45%	3.77%	2.67%	2.34%	0.86%	8.63%	8.09%	
31 Dec 11	156.5803	4.75%	4.16%	3.80%	3.14%	2.11%	1.74%	0.49%	5.45%	3.64%	-0.62%
MIREX											
	from	30 Apr 02	31 Dec 02	31 Dec 03	31 Dec 04	31 Dec 05	31 Dec 06	31 Dec 07	31 Dec 08	31 Dec 09	31 Dec 10
to	Mirex	100	108.7306	116.7457	125.3544	134.1982	141.9054	151.5643	132.6237	144.1581	156.5954
31 Dec 02	108.7306	13.28%									
31 Dec 03	116.7457	9.71%	7.37%								
31 Dec 04	125.3544	8.83%	7.37%	7.37%							
31 Dec 05	134.1982	8.34%	7.27%	7.21%	7.06%						
31 Dec 06	141.9054	7.78%	6.88%	6.72%	6.40%	5.74%					
31 Dec 07	151.5643	7.61%	6.87%	6.74%	6.53%	6.27%	6.81%				
31 Dec 08	132.6237	4.32%	3.37%	2.58%	1.42%	-0.39%	-3.33%	-12.50%			
31 Dec 09	144.1581	4.88%	4.11%	3.58%	2.83%	1.81%	0.53%	-2.47%	8.70%		
31 Dec 10	156.5954	5.31%	4.66%	4.28%	3.78%	3.13%	2.49%	1.09%	8.66%	8.63%	
31 Dec 11	157.4119	4.80%	4.19%	3.80%	3.31%	2.69%	2.09%	0.95%	5.88%	4.50%	0.52%

Source: HANFA

3.2 Mandatory Pension Companies

Mandatory pension companies' business operations comprise the establishment and management of pension funds and conduct of activities directly related to pension fund management. A mandatory pension company may establish and manage only one mandatory pension fund. In 2011, there were four active mandatory pension companies:

- Allianz ZB d.o.o. društvo za upravljanje obveznim mirovinskim fondom,
- Raiffeisen mirovinsko društvo za upravljanje obveznim mirovinskim fondom d.d.,
- Erste d.o.o. društvo za upravljanje obveznim mirovinskim fondom, and

- PBZ Croatia osiguranje d.d. za upravljanje obveznim mirovinskim fondom.

As at 31 December 2011, the total assets of mandatory pension companies fell by 11.8% relative to 2010, amounting to HRK 518.6m. Financial assets made up 81.6% of the total assets of mandatory pension companies, reaching HRK 423.4m. The total capital of the mandatory pension companies at the end of 2011 amounted to HRK 479.5m.

Table 3.2.1 Balance sheet of mandatory pension companies as at 31 December 2010 and 31 December 2011 (in HRK thousand)

	31 Dec 2010	31 Dec 2011	Change
I. Financial assets	477,185	423,372	-11.3%
II. Receivables	27,555	25,702	-6.7%
III. Prepayments and accrued income	6,137	2,720	-55.7%
IV. Deferred tax assets	2,931	4,779	63.0%
V. Property, plant and equipment	4,508	6,044	34.1%
VI. Investment property	0	0	0.0%
VII. Intangible assets	16,162	14,675	-9.2%
VIII. Other assets	53,508	41,259	-22.9%
TOTAL ASSETS	587,986	518,551	-11.8%
Capital and reserves	551,586	479,463	-13.1%
I. Subscribed capital	327,844	327,844	0.0%
II. Capital reserves	0	0	0.0%
III. Reserves	8,300	8,300	0.0%
IV. Revaluation reserves	-121	-2,218	
V. Retained earnings or accumulated losses	39,699	44,944	13.2%
VI. Profit or loss of the current year	175,864	100,593	-42.8%
Liabilities	16,509	12,634	-23.5%
Provisions	1,753	4,685	167.3%
Accruals and deferred income	18,017	21,770	20.8%
Deferred tax liabilities	121	0	-100.0%
TOTAL LIABILITIES	587,986	518,551	-11.8%

Source: HANFA

In 2011, mandatory pension companies reported a profit amounting to HRK 160.5m and decreasing by 8.7% compared to the previous year. Income from fund management totalled HRK 288.0m, rising by 4.1% in comparison with 2010. Fee from funds' total assets reached HRK 255.2m, accounting for 88.6% of the management income structure. Fund management expenses amounted

to HRK 51.2m, growing by 85.4% compared with the previous year. Other fund management costs made up 55.6% of the management expenses structure. Mandatory pension companies recorded a profit from fund management in the amount of HRK 236.7m. Their operating expenses reached HRK 61.3m, increasing by 5.2% relative to 2010.

Table 3.2.2 Profit and loss account of mandatory pension companies in 2010 and 2011 (in HRK thousand)

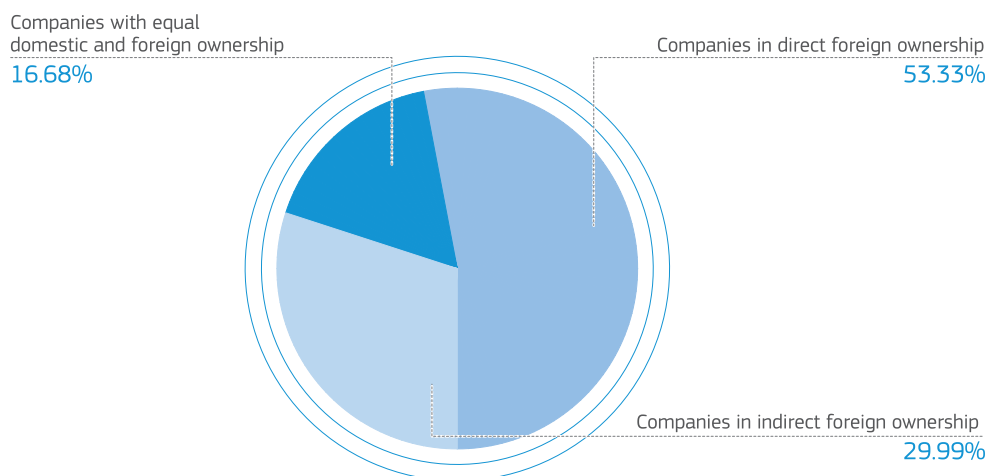
	2010	2011	Change
Income from fund management	276,593	287,952	4.1%
Fee from paid contributions	31,656	32,796	3.6%
Fee from total assets of the pension fund	244,934	255,155	4.2%
Exit fee	4	2	-42.9%
Performance bonus	0	0	0.0%
Expenses on fund management	27,633	51,237	85.4%
Transaction costs	3	3	8.0%
Marketing costs	4,378	10,493	139.7%
Sales agent costs	12,297	12,250	-0.4%
Other pension fund management costs	10,955	28,493	160.1%
Fund management profit	248,960	236,715	-4.9%
Operating expenses	58,236	61,265	5.2%
Material costs	963	967	0.5%
Staff costs	27,413	26,867	-2.0%
Depreciation and adjustment of value of other assets	4,191	4,728	12.8%
Provisions	2,050	80	-96.1%
Other operating expenses	23,620	28,623	21.2%
Profit from regular business activities	190,724	175,450	-8.0%
Net financial result	26,046	19,212	-26.2%
Other income and expenses	3,138	6,090	94.1%
Pre-tax profit	219,908	200,752	-8.7%
Profit tax	44,044	40,259	-8.6%
Profit	175,864	160,493	-8.7%

Source: HANFA

Out of four mandatory pension companies, two were in direct ownership of foreign financial institutions, one was in indirect foreign ownership, whereas in one of them equal ownership shares

were held by foreign and domestic founders. In 2011, the number of mandatory pension companies remained the same as in 2010.

Chart 3.2.1 Shares in assets under management by ownership structure



Source: HANFA

3.3 Voluntary Pension Funds

3.3.1 Open-End Voluntary Pension Funds

In 2011, there were six open-end voluntary pension funds (otvoreni dobrovoljni mirovinski fondovi – ODMFs) managed by four voluntary pension companies (dobrovoljna mirovinska društva – DMDs):

- AZ Benefit ODMF (managed by Allianz ZB d.o.o. društvo za upravljanje dobrovoljnim mirovinskim fondovima),
- AZ Profit ODMF (managed by Allianz ZB d.o.o. društvo za upravljanje dobrovoljnim mirovinskim fondovima),
- Croatia osiguranje ODMF (managed by Croatia osiguranje mirovinsko društvo za upravljanje dobrovoljnim mirovinskim fondom d.o.o.),
- Erste Plavi Expert ODMF (managed by Erste DMD društvo s ograničenom odgovornošću za upravljanje dobrovoljnim mirovinskim fondom),

- Erste Plavi Protect ODMF (managed by Erste DMD društvo s ograničenom odgovornošću za upravljanje dobrovoljnim mirovinskim fondom), and
- Raiffeisen ODMF (managed by Raiffeisen mirovinsko društvo za upravljanje dobrovoljnim mirovinskim fondovima d.o.o.).

By the end of 2011, open-end voluntary pension funds had a total of 184,125 members, which is an increase of 8.4% or 14,274 new members compared to 2010. The largest membership was reported by AZ Profit ODMF.

Table 3.3.1 Open-end voluntary pension funds' membership

FUND	31 Dec 2010	31 Dec 2011	Change
AZ Benefit ODMF	19,304	24,493	5,189
AZ Profit ODMF	65,970	69,215	3,245
Croatia osiguranje ODMF	16,907	17,936	1,029
Erste Plavi Expert ODMF	15,507	16,447	940
Erste Plavi Protect ODMF	7,876	9,339	1,463
Raiffeisen ODMF	44,287	46,695	2,408
TOTAL	169,851	184,125	14,274

Source: HANFA

In 2011, the gross contributions of ODMF members amounted to HRK 303.8m, rising by 5.0% compared to 2010, when they reached HRK

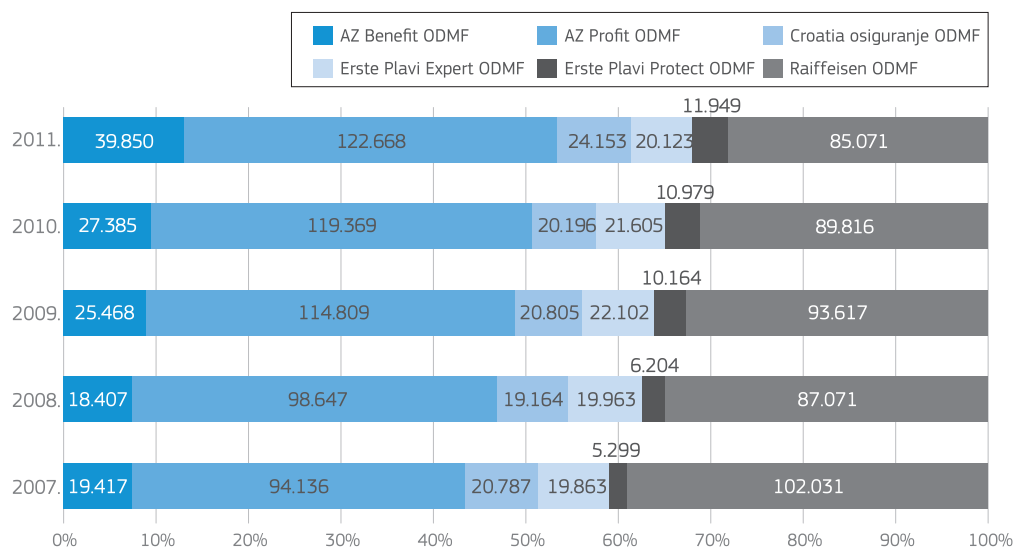
289.4m. The average monthly contribution of ODMF members totalled HRK 25.3m.

Table 3.3.2 Gross contributions of ODMF members (in HRK thousand)

FUND	Gross contributions in 2010	Gross contributions in 2011	Change
AZ Benefit ODMF	27,385	39,850	45.52%
AZ Profit ODMF	119,369	122,668	2.76%
Croatia osiguranje ODMF	20,196	24,153	19.59%
Erste Plavi Expert ODMF	21,605	20,123	-6.86%
Erste Plavi Protect ODMF	10,979	11,949	8.84%
Raiffeisen ODMF	89,816	85,071	-5.28%
TOTAL	289,350	303,814	5.00%

Source: HANFA

Chart 3.3.1 Gross contributions of ODMF members over the last five years (in HRK thousand)



Source: HANFA

As at 31 December 2011, the net assets of all ODMFs stood at HRK 1.6bn, increasing by 11.5% in comparison with end-2010.

Table 3.3.3 Investment structure of open-end voluntary pension funds as at 31 December 2010 and 31 December 2011 (in HRK thousand)

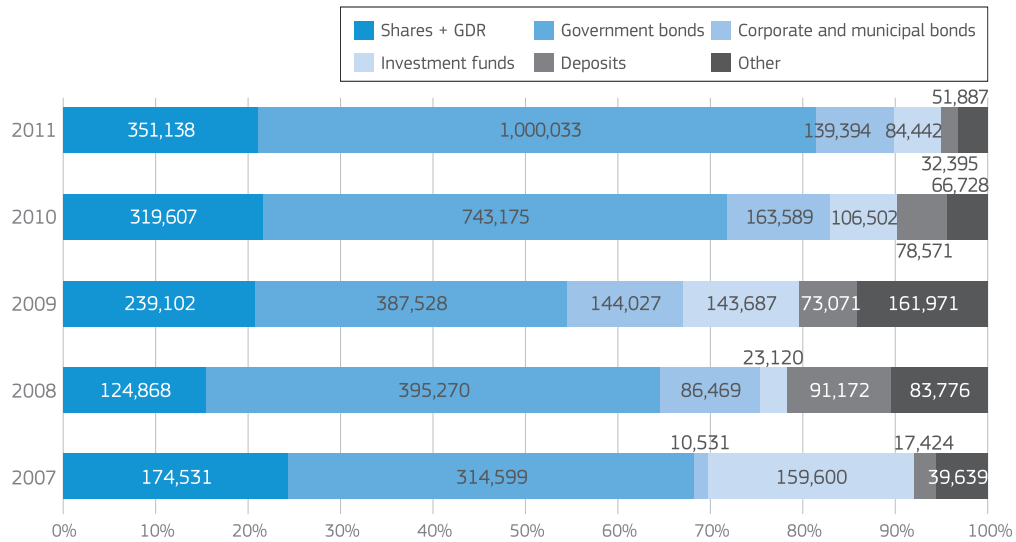
TYPE OF ASSETS	31 December 2010		31 December 2011	
	Amount	Share	Amount	Share
DOMESTIC ASSETS	1,283,511	86.83%	1,503,137	90.59%
Securities and deposits	1,255,358	84.93%	1,462,983	88.17%
Shares + GDRs	194,391	13.15%	236,603	14.26%
Government bonds	743,175	50.28%	1,000,033	60.27%
Municipal bonds	4,616	0.31%	3,343	0.20%
Corporate bonds	158,974	10.75%	136,051	8.20%
Closed-end investment funds	5,403	0.37%	2,053	0.12%
Open-end investment funds	31,654	2.14%	40,773	2.46%
Short-term securities	38,575	2.61%	11,732	0.71%
Deposits	78,571	5.32%	32,395	1.95%
Cash	27,618	1.87%	27,475	1.66%
Receivables	534	0.04%	12,679	0.76%
FOREIGN ASSETS	194,660	13.17%	156,151	9.41%
Shares	125,216	8.47%	114,535	6.90%
Government bonds	0	0.00%	0	0.00%
Municipal bonds	0	0.00%	0	0.00%
Corporate bonds	0	0.00%	0	0.00%
Closed-end investment funds	0	0.00%	0	0.00%
Open-end investment funds	69,444	4.70%	41,616	2.51%
Short-term securities	0	0.00%	0	0.00%
Deposits	0	0.00%	0	0.00%
TOTAL ASSETS	1,478,171	100.00%	1,659,288	100.00%
Net assets	1,472,212		1,642,130	
Derivatives	0	0.00%	605	0.04%
Repurchase agreements	0	0.00%	0	0.00%

Source: HANFA

Total ODMF assets amounted to HRK 1.7bn at end-2011, recording a 12.3% increase compared to the end of 2010. There were some changes in the structure of total ODMF assets at the end of 2011, due to an increase in investments in domestic assets and a decrease in investments in foreign assets: 90.6% of total ODMF assets were

invested in financial instruments in the domestic capital market, while the remaining 9.4% of the assets were invested in foreign markets. The share of investments in domestic government bonds rose from 50.3% in 2010 to 60.3% in 2011. ODMF assets in foreign markets were mostly invested in shares.

Chart 3.3.2 Investment structure of voluntary open-end pension funds over the last five years (in HRK thousand)



Source: HANFA

In 2011, the majority of ODMFs reported negative rates of return. Two ODMFs recorded positive rates of return: AZ Benefit ODMF realised a rate of

return totalling 0.38%, whereas Erste Plavi Protect ODMF recorded a rate of return amounting to 3.28%.

Table 3.3.4 ODMF annualised rates of return

Annualised rate of return for accounting unit of AZ Benefit ODMF										
	from	03 Dec 03	31 Dec 03	31 Dec 04	31 Dec 05	31 Dec 06	31 Dec 07	31 DEC 08	31 DEC 09	31 Dec 10
to	AUV	100	100.5228	110.6070	117.5851	124.9274	130.1425	137.0393	151.7178	163.4479
31 Dec 03	100.5228	7.03%								
31 Dec 04	110.6070	9.82%	10.03%							
31 Dec 05	117.5851	8.11%	8.15%	6.31%						
31 Dec 06	124.9274	7.50%	7.51%	6.28%	6.24%					
31 Dec 07	130.1425	6.68%	6.67%	5.57%	5.20%	4.17%				
31 Dec 08	137.0393	6.40%	6.39%	5.50%	5.24%	4.74%	5.30%			
31 Dec 09	151.7178	7.10%	7.10%	6.52%	6.58%	6.69%	7.97%	10.71%		
31 Dec 10	163.4479	7.19%	7.19%	6.72%	6.81%	6.95%	7.89%	9.21%	7.73%	
31 Dec 11	164.0699	6.32%	6.32%	5.79%	5.71%	5.60%	5.96%	6.18%	3.99%	0.38%
Annualised rate of return for accounting unit of AZ Profit ODMF										
	from	30 Sep 03	31 Dec 03	31 Dec 04	31 Dec 05	31 Dec 06	31 Dec 07	31 DEC 08	31 DEC 09	31 Dec 10
to	AUV	100	102.2404	112.3833	124.8151	140.7790	162.5783	151.0721	172.3404	193.7509
31 Dec 03	102.2404	9.19%								
31 Dec 04	112.3833	9.77%	9.92%							
31 Dec 05	124.8151	10.34%	10.49%	11.06%						
31 Dec 06	140.7790	11.09%	11.25%	11.92%	12.79%					
31 Dec 07	162.5783	12.11%	12.29%	13.10%	14.13%	15.48%				
31 Dec 08	151.0721	8.17%	8.12%	7.68%	6.57%	3.59%	-7.08%			
31 Dec 09	172.3404	9.10%	9.09%	8.93%	8.40%	6.98%	2.96%	14.08%		
31 Dec 10	193.7509	9.55%	9.56%	9.50%	9.19%	8.31%	6.02%	13.25%	12.42%	
31 Dec 11	191.2636	8.18%	8.14%	7.89%	7.37%	6.32%	4.15%	8.18%	5.35%	-1.28%
Annualised rate of return for accounting unit of CO ODMF										
	from	29 Oct 03	31 Dec 03	31 Dec 04	31 Dec 05	31 Dec 06	31 Dec 07	31 DEC 08	31 DEC 09	31 Dec 10
to	AUV	100	100.4406	106.8197	112.8280	121.2594	136.7056	104.9786	113.4797	120.5020
31 Dec 03	100.4406	2.58%								
31 Dec 04	106.8197	5.79%	6.35%							
31 Dec 05	112.8280	5.71%	5.99%	5.62%						
31 Dec 06	121.2594	6.26%	6.48%	6.54%	7.47%					
31 Dec 07	136.7056	7.78%	8.01%	8.57%	10.07%	12.74%				
31 Dec 08	104.9786	0.94%	0.89%	-0.43%	-2.37%	-6.96%	-23.21%			
31 Dec 09	113.4797	2.07%	2.06%	1.22%	0.14%	-2.19%	-8.89%	8.10%		
31 Dec 10	120.5020	2.63%	2.64%	2.03%	1.32%	-0.16%	-4.12%	7.14%	6.19%	
31 Dec 11	117.3576	1.98%	1.96%	1.35%	0.66%	-0.65%	-3.74%	3.79%	1.69%	-2.61%
Annualised rate of return for accounting unit of Raiffeisen ODMF										
	from	06 Aug 02	31 Dec 03	31 Dec 04	31 Dec 05	31 Dec 06	31 Dec 07	31 DEC 08	31 DEC 09	31 Dec 10
to	AUV	100	112.3541	121.9055	130.7163	140.4768	159.7848	127.9079	144.0482	155.3858
31 Dec 03	112.3541	8.66%								
31 Dec 04	121.9055	8.59%	8.50%							
31 Dec 05	130.7163	8.19%	7.86%	7.23%						
31 Dec 06	140.4768	8.03%	7.73%	7.35%	7.47%					
31 Dec 07	159.7848	9.06%	9.20%	9.44%	10.56%	13.74%				
31 Dec 08	127.9079	3.92%	2.63%	1.21%	-0.72%	-4.58%	-19.95%			
31 Dec 09	144.0482	5.05%	4.23%	3.39%	2.46%	0.84%	-5.05%	12.62%		
31 Dec 10	155.3858	5.39%	4.74%	4.13%	3.52%	2.55%	-0.93%	10.22%	7.87%	
31 Dec 11	150.3923	4.44%	3.71%	3.05%	2.36%	1.37%	-1.50%	5.55%	2.18%	-3.21%
Annualised rate of return for accounting unit of EP Expert ODMF										
	from			15 Mar 05	31 Dec 05	31 Dec 06	31 Dec 07	31 DEC 08	31 DEC 09	31 Dec 10
to	AUV			100	109.9721	128.0476	141.4317	108.8732	123.4828	134.4461
31 Dec 05	109.9721			12.66%						
31 Dec 06	128.0476			14.75%	16.44%					
31 Dec 07	141.4317			13.19%	13.40%	10.45%				
31 Dec 08	108.8732			2.26%	-0.33%	-7.79%	-23.02%			
31 Dec 09	123.4828			4.50%	2.94%	-1.20%	-6.56%	13.42%		
31 Dec 10	134.4461			5.24%	4.10%	1.23%	-1.67%	11.13%	8.88%	
31 Dec 11	129.6979			3.90%	2.79%	0.26%	-2.14%	6.01%	2.49%	-3.53%
Annualised rate of return for accounting unit of EP Protect ODMF										
	from			15 Mar 05	31 Dec 05	31 Dec 06	31 Dec 07	31 DEC 08	31 DEC 09	31 Dec 10
to	AUV			100	105.1318	110.7152	112.4339	115.4303	121.5288	131.2787
31 Dec 05	105.1318			6.48%						
31 Dec 06	110.7152			5.83%	5.31%					
31 Dec 07	112.4339			4.28%	3.41%	1.55%				
31 Dec 08	115.4303			3.85%	3.16%	2.11%	2.67%			
31 Dec 09	121.5288			4.15%	3.69%	3.16%	3.97%	5.28%		
31 Dec 10	131.2787			4.81%	4.54%	4.35%	5.30%	6.64%	8.02%	
31 Dec 11	135.5856			4.58%	4.33%	4.14%	4.79%	5.51%	5.63%	3.28%

3.3.2 Closed-End Voluntary Pension Funds

Apart from managing open-end voluntary pension funds, voluntary pension companies also manage closed-end voluntary pension funds (zatvoreni dobrovoljni mirovinski fondovi – ZDMFs), whose membership is open to employees of a particular employer, members of trade unions and members of associations of self-employed persons. At end-2010, there were 15 closed-end voluntary pension funds. T-Mobile ZDMF merged with T-HT ZDMF on 13 April 2011, increasing its assets and membership. The sponsor of T-Mobile ZDMF was

T-Mobile Hrvatska d.o.o., whereas T-HT ZDMF is sponsored by Hrvatski Telekom d.d. As T-Mobile Hrvatska d.o.o merged with Hrvatski Telekom d.d., and both funds are sponsored by the same company, on 8 April 2011, Raiffeisen mirovinsko društvo za upravljanje dobrovoljnim mirovinskim fondovima d.o.o. from Zagreb, which manages the two funds, adopted in agreement with the sponsor the Decision on merging T-Mobile ZDMF with T-HT ZDMF. Auto Hrvatska ZDMF started operating on 29 December 2011.

Table 3.3.5 Closed-end voluntary pension funds

VOLUNTARY PENSION COMPANY	Closed-end voluntary pension fund	Beginning of business operations
Allianz ZB DMD	AZ Auto Hrvatska ZDMF	29 Dec 2011
	AZ Dalekovod ZDMF	14 Dec 2004
	AZ Hrvatska kontrola zračne plovidbe ZDMF	14 Mar 2005
	AZ VIP ZDMF	08 Mar 2004
	AZ Zagreb ZDMF	09 Oct 2008
Croatia osiguranje DMD	Croatia osiguranje ZDMF	20 Sep 2005
	Sindikata pomoraca Hrvatske ZDMF	21 Oct 2004
	ZDMF HAC	03 Jun 2008
	ZDMF HEP grupe	09 May 2006
Erste DMD	Cestarski ZDMF	30 Dec 2008
RAIFFEISEN DMD	Ericsson Nikola Tesla ZDMF	21 Feb 2005
	Hrvatski liječnički sindikat ZDMF	01 Jul 2004
	Novinar ZDMF	14 Oct 2005
	ZDMF Sindikat hrvatskih željezničara	15 Nov 2007
	T-HT ZDMF	20 Dec 2006
	T-Mobile ZDMF	29 Oct 2007

Source: HANFA

Note: T-Mobile ZDMF merged with T-HT ZDMF on 13 April 2011.

At the end of 2011, closed-end voluntary pension funds had a total of 18,155 members, which is an increase of 3.0%, or 537 members compared to 2010, when they had 17,618 members. Net assets of closed-end voluntary pension funds

as at 31 December 2011 stood at HRK 326.6m, growing by 13.5% in comparison with the end of 2010. The average net assets per fund member totalled HRK 18.0 thousand.

Table 3.3.6 Main indicators for closed-end voluntary pension funds

Data	31 Dec 2010	31 Dec 2011
Total ZDMF membership	17,618	18,155
Total ZDMF contributions (in HRK thousand)	270,653	334,508
Total ZDMF assets (in HRK thousand)	287,794	326,598

Source: HANFA

Closed-end voluntary pension funds' rates of return ranged between -2.4% and 4.3% in 2011, while the annualized rates of return from the beginning of business operations ranged from

0.5% to 10.1%. At the end of the 2011, T-HT ZDMF recorded the highest annualised rate of return (4.3%).

Table 3.3.7 Values of accounting units and ZDMF rates of return

CLOSED-END VOLUNTARY PENSION FUND	Value of accounting units		Rates of return	
	31 Dec 2010	31 Dec 2011	2011	Annualised rates of return from the beginning of operations
AZ Auto Hrvatska		99.9871		
AZ Dalekovod ZDMF	180.9951	181.5242	0.29%	8.83%
AZ Hrvatska kontrola zračne plovidbe	176.5970	176.5730	-0.01%	8.72%
AZ VIP ZDMF	189.6581	189.6793	0.01%	8.53%
AZ Zagreb	137.2854	136.4233	-0.63%	10.10%
Croatia osiguranje ZDMF	105.5278	103.0474	-2.35%	0.48%
Sindikata pomoraca Hrvatske ZDMF	106.8950	104.9257	-1.84%	0.67%
ZDMF HAC	118.7516	117.5934	-0.98%	4.63%
ZDMF HEP grupe	109.4027	107.0169	-2.18%	1.21%
Cestarski ZDMF	117.6111	118.3959	0.67%	5.78%
Ericsson Nikola Tesla ZDMF	159.4845	162.6577	1.99%	7.35%
Hrvatski liječnički sindikat ZDMF	166.6221	168.5717	1.17%	7.21%
Novinar ZDMF	146.9408	149.9653	2.06%	6.74%
ZDMF Sindikat hrvatskih željezničara	118.4866	119.8188	1.12%	4.48%
T-HT ZDMF	130.3704	135.9995	4.32%	6.30%
T-Mobile ZDMF	119.7319			

Source: HANFA

Note: T-Mobile ZDMF merged with T-HT ZDMF on 13 April 2011.

3.4 Voluntary Pension Companies

In 2011, there were four voluntary pension companies:

- Allianz ZB d.o.o. društvo za upravljanje dobrovoljnim mirovinskim fondovima,
- Croatia osiguranje mirovinsko društvo za upravljanje dobrovoljnim mirovinskim fondom d.o.o.,
- Erste DMD d.o.o. za upravljanje dobrovoljnim mirovinskim fondom, and
- Raiffeisen mirovinsko društvo za upravljanje dobrovoljnim mirovinskim fondovima d.o.o.

The total assets of voluntary pension companies amounted to HRK 85.0m at end-2011, rising by 12.0% in comparison to the end of the previous year. Financial assets accounted for 84.7% of total voluntary pension companies' assets, increasing by 6.7% compared to 2010. As at 31 December 2011, the total capital of voluntary pension companies rose by 15.3%, reaching HRK 69.1m.

Table 3.4.1 Balance sheet of voluntary pension companies as at 31 December 2010 and 31 December 2011 (in HRK thousand)

	31 Dec 2010	31 Dec 2011	Change
I. Financial assets	67,488	72,009	6.7%
II. Receivables	4,647	7,023	51.1%
III. Prepayments and accrued income	309	650	110.1%
IV. Deferred tax assets	488	904	85.2%
V. Property, plant and equipment	356	255	-28.2%
VI. Investment property	0	0	0.0%
VII. Intangible assets	332	609	83.3%
VIII. Other assets	2,253	3,550	57.6%
TOTAL ASSETS	75,873	84,999	12.0%
Capital and reserves	59,917	69,070	15.3%
I. Subscribed capital	78,445	78,445	0.0%
II. Capital and reserves	0	0	0.0%
III. Reserves	0	0	0.0%
IV. Revaluation reserves	-7	-430	
V. Retained earnings or accumulated loss	-26,831	-18,521	-31.0%
VI. Profit or loss of the current year	8,309	9,576	15.2%
Liabilities	5,768	4,499	-22.0%
Provisions	397	197	-50.5%
Accruals and deferred income	9,737	11,235	15.4%
Deferred tax liabilities	54	0	-100.0%
TOTAL LIABILITIES	75,873	84,999	12.0%

Source: HANFA

In 2011, voluntary pension companies reported a profit reaching HRK 9.6m and rising by 15.2% compared to 2010. Income from fund management amounted to HRK 46.4m, growing by 11.7% compared with 2010. The fee from total assets of the pension fund, amounting to HRK 33.2m, accounted for the largest share (71.6%) of income from fund management. Expenses on fund management fell by 3.6% relative to 2010 and amounted to HRK 17.5m. Sales agent costs made up 67.8% of total expenses on fund management, totalling HRK 11.8m.

Operating expenses of voluntary pension companies in 2011 stood at HRK 20.0m, with staff costs and other operating expenses, including services and other administrative costs, accounting for the largest share. Compared with the previous year, operating expenses rose by 19.6%. In 2011, the average staff costs per pension fund member amounted to HRK 42.9. Marketing cost per fund member reached HRK 12.9, whereas sales agent costs per fund member totalled HRK 58.5.

Table 3.4.2 Profit and loss account of voluntary pension companies in 2010 and 2011 (in HRK thousand)

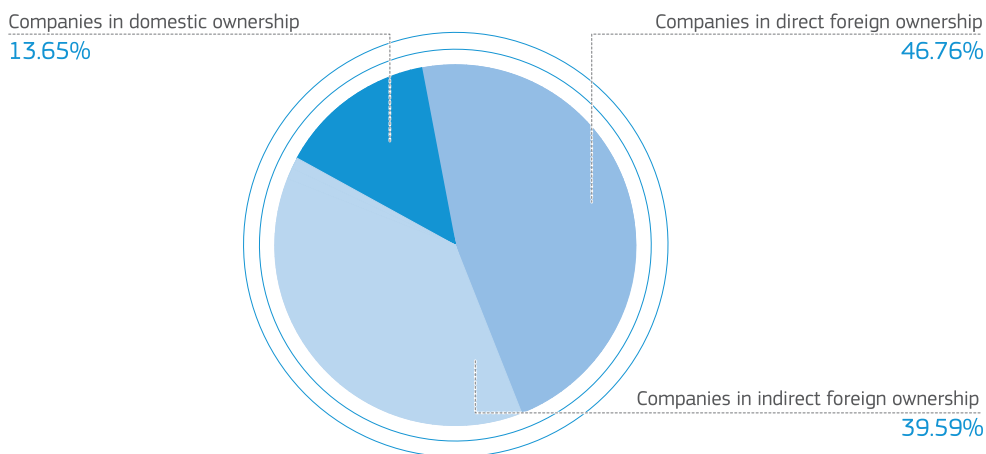
	2010	2011	CHANGE
Income from fund management	41,500	46,365	11.7%
Fee from paid contributions	14,578	13,184	-9.6%
Fee from total assets of the pension fund	26,915	33,176	23.3%
Exit fee	6	5	-13.1%
Performance bonus	0	0	0.0%
Expenses on fund management	18,115	17,470	-3.6%
Transaction costs	153	145	-5.5%
Marketing costs	2,716	2,605	-4.1%
Sales agent costs	12,770	11,837	-7.3%
Other pension fund management costs	2,476	2,883	16.4%
Fund management profit	23,385	28,895	23.6%
Operating expenses	16,743	20,030	19.6%
Material costs	463	369	-20.3%
Staff costs	5,854	8,680	48.3%
Depreciation and adjustment of value of other assets	496	370	-25.3%
Provisions	105	37	-64.6%
Other operating expenses	9,826	10,574	7.6%
Profit from regular business activities	6,642	8,866	33.5%
Net financial result	2,739	2,514	-8.2%
Other income and expenses	124	301	142.5%
Pre-tax profit	9,505	11,680	22.9%
Profit tax	1,195	2,105	76.0%
Profit	8,309	9,576	15.2%

Source: HANFA

Out of four voluntary pension companies operating in 2011, one was directly owned by foreign financial institution, two were in indirect foreign ownership through companies established

in the Republic of Croatia, while one company was in domestic ownership. The number of voluntary pension companies operating in 2011 remained the same as in 2010.

Chart 3.4.1 Shares in assets under management by ownership structure



Source: HANFA

3.5 Pension Insurance Companies

The establishment and pursuit of business of pension insurance companies is regulated by the Act on Amendments to the Act on Pension Insurance Companies and Payment of Pension Annuities Based on Individual Capitalised Savings (Official Gazette 106/99, 63/00, 107/07 and 114/11), which entered into force on 1 January 2000. The Act lays down payments of pension annuities, carried out only by pension insurance companies under the mandatory pension insurance system based on individual capitalised savings (Pension Pillar 2) and under the voluntary pension insurance system based on individual capitalised savings (Pension Pillar 3), and it defines pension annuities and their payment under the mandatory and voluntary pension insurance systems.

Pension fund members entitled to receive pension annuities conclude agreements with the selected pension insurance company, after which capitalised contributions of fund members paid into a (mandatory or voluntary) pension fund are transferred to the pension insurance company which makes annuity payments. Mandatory pension fund members receive life pension annuities defined in accordance with the contributions transferred, whereas voluntary pension fund members receive life or periodic pension benefits, defined in accordance with the agreement concluded.

Since the entry into force of the Act on Pension Insurance Companies and Payment of Pension Annuities Based on Individual Capitalised Savings, there has been only one pension insurance company established and operating in the Republic of Croatia – Raiffeisen mirovinsko osiguravajuće društvo d.o.o., established in 2002, with first pension annuities having been paid in 2003. Payment of pension annuities under the mandatory pension insurance system is guaranteed by the Republic of Croatia, for which purpose a special guarantee fund has been established at the Croatian National Bank. The fund is used in the event that the pension insurance company lacks the ability to pay pension annuities as agreed in the contract.

In accordance with the provisions of Article 22, paragraphs 1 and 2 of the Act on Amendments to the Pension Insurance Companies and Payment of Pension Annuities Based on Individual Capitalised Savings (Official Gazette 107/07), a pension

insurance company may not withhold more than 10% from the remittance from the mandatory pension fund, as a fee to cover the costs incurred in relation to the operations conducted by this pension insurance company. A decision on the maximum fee is rendered by the Agency on an annual basis. Consequently, based on the Decision on the maximum fee from the remittance from the mandatory pension fund to cover the costs of the pension insurance company for the year 2011 (Official Gazette 11/11), adopted by the Agency in January 2011, the maximum fee for the year 2011 amounted to a maximum of 5% from the remittance from the mandatory pension fund.

The latest Amendments to the Act on Pension Insurance Companies and Payment of Pension Annuities Based on Individual Capitalised Savings (Official Gazette 114/11), namely Article 103a, paragraph 1, enabled pension beneficiaries who have joined the mandatory pension scheme based on individual capitalised savings at their own request to have their pension annuities determined and paid under the same terms as if they had been insured only within the mandatory pension scheme based on solidarity between generations, provided that the pension beneficiary submits the application for determination of the pension (in accordance with that Article) to the pension insurance company within 90 days from the entry into force of the said Act. At the time of the pension reform mandatory pension insurance based on individual capitalised savings (Pension Pillar 2) was obligatory for all insured persons younger than 40. Persons between the ages of 40 and 50 were allowed to choose whether they wanted to remain within the intergenerational solidarity system or join the Pension Pillar 2. As already noted, the latest amendments to the regulatory framework enabled all the insured persons who were allowed at the time of the pension reform to choose Pension Pillar 2 and did so, to exit Pension Pillar 2 at the time of retirement, as it would ensure the calculation and payment of their pensions in the same manner had they remained within the intergenerational solidarity system for the whole period of time. The majority of such persons used this opportunity and joined the intergenerational solidarity system within the prescribed time limit. The same category of insured persons already receiving their pensions may require a new calculation and transfer to the payment of the pension from the intergenerational solidarity system only.

3.5.1 Market Description

3.5.1.1 Balance Sheet

According to the balance sheet as at 31 December 2011, the total asset value of the only pension insurance company – Raiffeisen mirovinsko osiguravajuće društvo d.o.o. (hereinafter referred to as: the Company) amounted to HRK 206.4m, increasing by 16.8% in comparison to 31 December 2010. The increase was mainly due to the rise in the value of total investments (15.9%),

which grew by HRK 26.7m relative to end-2010. Technical provisions stood at HRK 179.2m, making up 86.8% of total liabilities at the end of 2011. Technical provisions of voluntary pension insurance reached HRK 163.3m, whereas HRK 15.9m was accounted for by technical provisions of mandatory pension insurance.

Table 3.5.1 Balance sheet as at 31 December 2010 and 31 December 2011 (in HRK thousand)

No.	Item	31 Dec 2010	Share	31 Dec 2011	Share	Index 2011/2010
ASSETS						
1	Receivables for subscribed capital unpaid					
2	Intangible assets					
3	Tangible assets	61	0.03%	49	0.02%	80.42
4	Investments	167,687	94.91%	194,362	94.18%	115.91
5	Share of reinsurance in technical provisions					
6	Deferred and current tax assets	28	0.02%	95	0.05%	341.43
7	Receivables					
8	Other assets	6,240	3.53%	8,274	4.01%	132.59
9	Prepayments and accrued income	2,672	1.51%	3,583	1.74%	134.09
	Total assets	176,689	100.00%	206,364	100.00%	116.80
LIABILITIES						
10	Capital and reserves	13,108	7.42%	11,965	5.80%	91.28
11	Minority interest					
12	Technical provisions	140,363	79.44%	179,195	86.83%	127.67
13	Other provisions - reservations					
14	Non-insurance-technical provisions - reservations					
15	Financial liabilities					
16	Deferred and current tax liabilities					
17	Other liabilities	202	0.11%	1,642	0.80%	812.14
18	Accruals and deferred income	23,016	13.03%	13,562	6.57%	58.93
	Total liabilities	176,689	100.00%	206,364	100.00%	116.80

Source: HANFA

3.5.1.2 Profit and Loss Account

In the period from 1 January to 31 December 2011, the Company recorded a total income in the amount of HRK 151.6m, which was a 46.1% increase relative to the same period in 2010. The largest share in the income structure (62.7% or HRK 95.0m) was made up of income from payments of pension companies and direct lump sum payments under voluntary pension insurance.

Total expenses amounted to HRK 145.8m, growing by 45.4% in comparison with 2010. The largest share of expenses (in the amount of HRK 106.5m) was accounted for by expenses on voluntary pension insurance agreements, out

of which HRK 53.0m was made up of payments under voluntary pension insurance, and HRK 53.5m related to changes in technical provisions. Total expenses rose due to the increase in expenses arising from mandatory pension insurance agreements reaching 89.9% (from HRK 18.0m to HRK 34.1m), and a 35.1% increase in expenses arising from voluntary pension insurance agreements (from HRK 78.9m to HRK 106.5m). The Company reported a pre-tax profit of the accounting period amounting to HRK 5.8m and an after-tax profit of the accounting period totalling HRK 4.7m.

Table 3.5.2 Profit and loss account for 2010 and 2011 (in HRK thousand)

No.	Item	2010	Share	2011	Share	Index 2011/2010
1	Income from payments of pension companies and lump sum payments - mandatory pension insurance	16,677	16.07%	32,421	21.38%	194.41
2	Income from payments of pension companies and lump sum payments - voluntary pension insurance	71,225	68.64%	95,032	62.67%	133.42
3	Income from investments - mandatory pension insurance	1,320	1.27%	2,694	1.78%	204.05
4	Income from investments - voluntary pension insurance	8,224	7.92%	12,503	8.25%	152.04
5	Income from investments - the Company's business operations	706	0.68%	612	0.40%	86.69
6	Income from fees and commission	5,609	5.41%	8,284	5.46%	147.68
7	Other income	5	0.01%	92	0.06%	1715.18
	Total income	103,767	100.00%	151,638	100.00%	146.13
8	Expenses arising from pension agreements - mandatory pension insurance	17,958	17.91%	34,109	23.40%	189.94
9	Expenses arising from pension agreements - voluntary pension insurance	78,879	78.67%	106,546	73.08%	135.08
10	Operating expenses	2,819	2.81%	3,140	2.15%	111.41
11	Investment expenses - mandatory pension insurance	39	0.04%	1,006	0.69%	2559.53
12	Investment expenses - voluntary pension insurance	569	0.57%	987	0.68%	173.44
13	Investment expenses - the Company's business operations	0	0.00%	0	0.00%	0.00
	Total expenses	100,264	100.00%	145,789	100.00%	145.40
14	Pre-tax profit or loss of the accounting period	3,503		5,849		167.01
15	Profit tax	697		1,169		167.66
16	After-tax profit or loss of the accounting period	2,805		4,680		166.84

Source: HANFA

As at 31 December 2011, the total number of pension agreements concluded amounted to 8,581, out of which 8,367 agreements related to voluntary pension insurance (Pension Pillar 3), and 214 agreements related to mandatory pension insurance (Pension Pillar 2). Technical provisions of mandatory pension

insurance at end-2011 totalled HRK 15.9m, while assets invested for their coverage were by HRK 2.0m higher, reaching HRK 17.9m. Assets covering technical provisions of voluntary pension insurance amounted to HRK 163.3m or HRK 3.2m less than total technical provisions, which amounted to HRK 166.5m.

3.6 Regulatory Activities and Licensing

Pursuant to the Mandatory and Voluntary Pension Funds Act, in 2011 the following new ordinances and amendments to the existing ordinances were adopted:

- Ordinance on the contents and duration of the educational programme, requirements for taking the examination and examination procedure for certified pension fund managers and on licensing requirements and the validity of the certified pension fund manager's licence (Official Gazette 6/11),
- Ordinance on documentation to be submitted along with the application for authorisation (Official Gazette 8/11),
- Ordinance on the requirements to be met by members of the management and supervisory board of a pension company, and on the contents of the application and documentation accompanying the application for the issuance of approval to exercise the function of a member of the management and supervisory board of a pension company (Official Gazette 8/11),

- Ordinance amending the Ordinance on informative prospectuses of closed-end pension funds (Official Gazette 21/11) and
- Ordinance amending the Ordinance on the valuation of assets and liabilities of a pension fund (Official Gazette 154/11).

The year 2011 saw the establishment of one closed-end voluntary pension fund – Auto Hrvatska zatvoreni dobrovoljni mirovinski fond, which on 20 October 2011 obtained the operating licence from the Agency and is managed by Allianz ZB d.o.o. društvo za upravljanje dobrovoljnim mirovinskim fondovima.

During 2011, the Agency issued four opinions on the application of the Mandatory and Voluntary Pension Funds Act.

As shown in the following table, in 2011 there was an increase in licensing applications compared to 2010:

Table 3.6.1 Number of cases related to pension companies and pension funds

CASE TYPE	2010	2011	Change
Approval for the establishment of the fund and performance of pension fund management activities (operating licence)	0	1	100.00%
Approval for the appointment of a member of the management board of a mandatory pension company	1	3	200.00%
Approval for the appointment of a member of the management board of a voluntary pension company	1	3	200.00%
Approval for the appointment of a member of the supervisory board of a mandatory pension company	3	8	166.67%
Approval for the appointment of a member of the supervisory board of a voluntary pension company	5	4	-20.00%
Approval for amendments to the statute of a voluntary pension fund	2	15	650.00%
Approval for the informative prospectus and amendments to the informative prospectus of a voluntary pension fund	2	15	650.00%
Marketing of pension funds	32	35	9.38%
Decisions granting the licence to pension fund managers	16	3	-81.25%
Decisions renewing the licence of pension fund managers	6	14	133.33%
Approval for transactions in equity shares in a mandatory pension company	0	1	100.00%

Source: HANFA

3.7 Pension Fund Supervision

In 2011, the Agency supervised on an ongoing basis the compliance of pension companies' and pension funds' business operations with the Mandatory and Voluntary Pension Fund Act and subordinate legislation for the purpose of protecting the interests of mandatory and voluntary pension fund members.

Within the framework of pension fund supervision, the Agency focused on off-site examination of properly submitted daily and periodic reports, which included verification of asset valuation, permitted investments and investment limitations and compliance with other legislation and subordinate legislation regulating financial and investment operations of pension funds. On the basis of data delivered, pension funds' rates of return and the MIREX index value were calculated on a daily basis, whereas the analysis of the performance of pension companies and pension funds and the assessment of quantitative and qualitative risks of their business operations were carried out periodically. The analysis covered changes in equity, monitoring of funds' membership, adequacy of the guarantee deposit, monitoring of potential liability for the payment of the guaranteed return, and monitoring of the structure and relationship between costs and income, as well as the accuracy of fee calculations.

The on-site supervision covered business operations of pension companies and pension funds. It included the examination of documentation and interviews with responsible persons of the company and with employees regarding issues significant for operations and the performance of pension funds.

The on-site examinations comprised the examination of documents of pension companies and pension

funds, the process of enforcing investment decisions, monitoring the ban on the purchase and sale of assets, and on granting loans and offering guarantees to persons connected with pension companies, the inspection of the amount of money borrowed by pension companies, supervision of the accounting system and of the process of drawing up financial reports of pension companies and funds, and supervision of the balance of the guaranteed deposit and all its changes. Documents collected in the course of on-site supervision and data from sources available to the Agency were examined for the purpose of assessing the level of alignment of business operations with the legislation and subordinate legislation, as well as with the provisions of relevant prospectuses of pension funds with a view to identifying potential operational risks of the abovementioned supervised entities, and for the purpose of providing the best possible protection for mandatory and voluntary pension funds' members.

In 2011, the Agency carried out seven regular on-site examinations of pension companies and REGOS, as well as two targeted on-site examinations.

Based on the findings of on-site examinations carried out in pension companies and pension funds, following the established actions taken contrary to the provisions of the Mandatory and Voluntary Pension Funds Act, the Agency adopted a decision relating to a pension company, revoking the certified pension fund manager's licence of a member of its management board for a period of six months and ordering the remaining member of the management board to appoint a new management board member.



[4

INSURANCE MARKET

4. INSURANCE MARKET

The 2011 insurance market was analysed on the basis of financial, statistical and supervisory reports¹ submitted to the Agency and on the basis

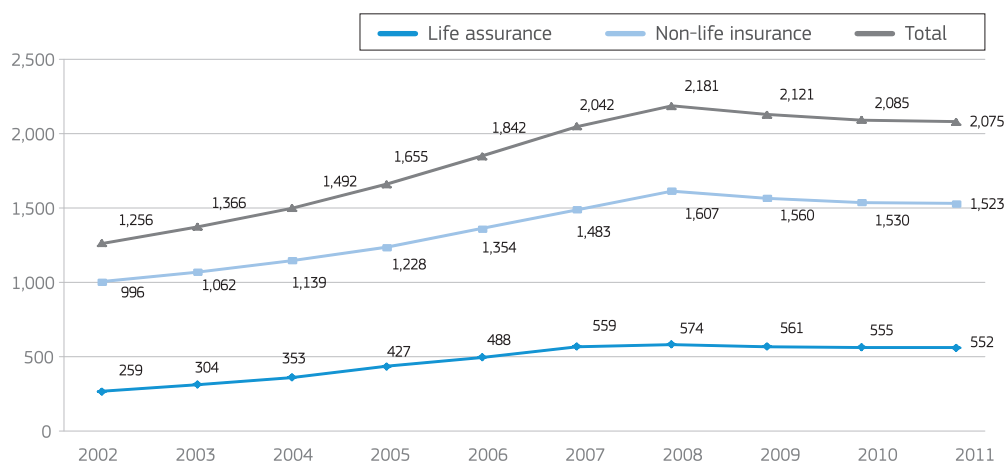
of supervision of business operations of insurance and reinsurance companies, the Croatian Nuclear POOL EIG and the Croatian Insurance Bureau.

4.1 Insurance and Reinsurance Companies²

In the period from 1 January 2011 to 31 December 2011, insurance companies operating in the Republic of Croatia recorded a gross written premium totalling HRK 9.1bn and decreasing by 1.1% compared with 2010. Insurance density in non-life insurance amounted to HRK 1,523 (EUR 202)³, while the insurance density in life assurance

totalled HRK 552 (EUR 73). The insurance density for the 2002-2008 period recorded a continuous growth, interrupted in 2009 mostly due to the financial crisis. The following charts present the changes in insurance density and share of gross written premium in GDP (insurance market indicators) for the 2002-2011 period.

Chart 4.1.1 Insurance density in the 2002-2011 period (in HRK)



Source: HANFA

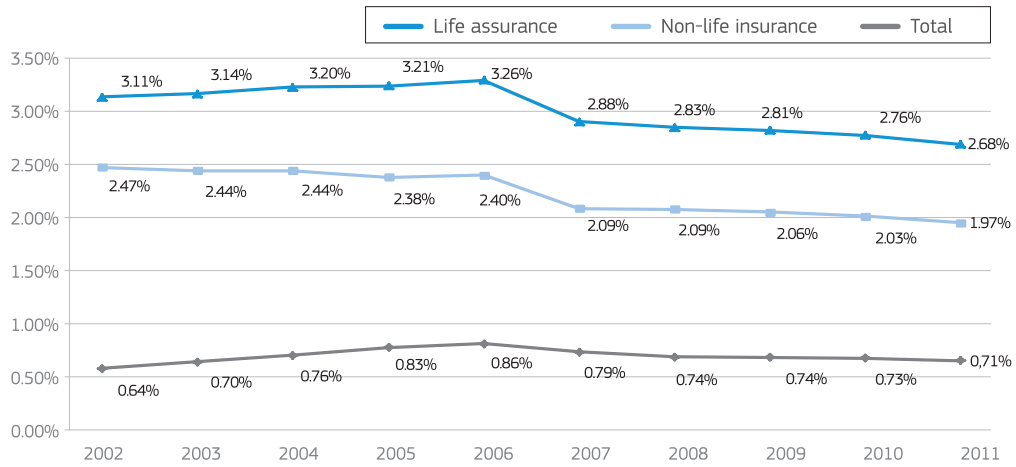
¹ The financial, statistical and supervisory data for 2008, 2009, 2010 and 2011 used in this report have been presented based on audited reports of insurance and reinsurance companies, with data used for the Croatian Nuclear POOL EIG and the Croatian Insurance Bureau in the same period having been presented based on unaudited reports. The financial, statistical and supervisory data for the 2002-2007 period have also been presented based on unaudited financial and statistical reports of all supervised entities. Furthermore, the data for previous years reported in the Agency's 2011 Annual Report might differ from the data in the Agency's Annual Reports for 2006, 2007, 2008, 2009 and 2010 due to the application of the provisions of the Accounting Act (Official Gazette 109/07), Insurance Act (Official Gazette 151/05, 87/08 and 82/09), IFRS (Official Gazette 136/09, 08/10, 18/10, 27/10, 65/10, 120/10, 58/11 and 140/11), as well as due to actions taken by insurance and reinsurance companies following the Agency's instructions based on reports on the supervision of business operations.

² There might be slight discrepancies in sums of certain data due to the rounding of amounts.

³ Calculated according to the midpoint exchange rate of the Croatian National Bank as at 31 December 2011.

⁴ Gross domestic product – data taken from the website of the Croatian Bureau of Statistics (www.dzs.hr, 8 May 2012 is the last access date).

Chart 4.1.2 Share of gross written premium in GDP in the 2002-2011 period



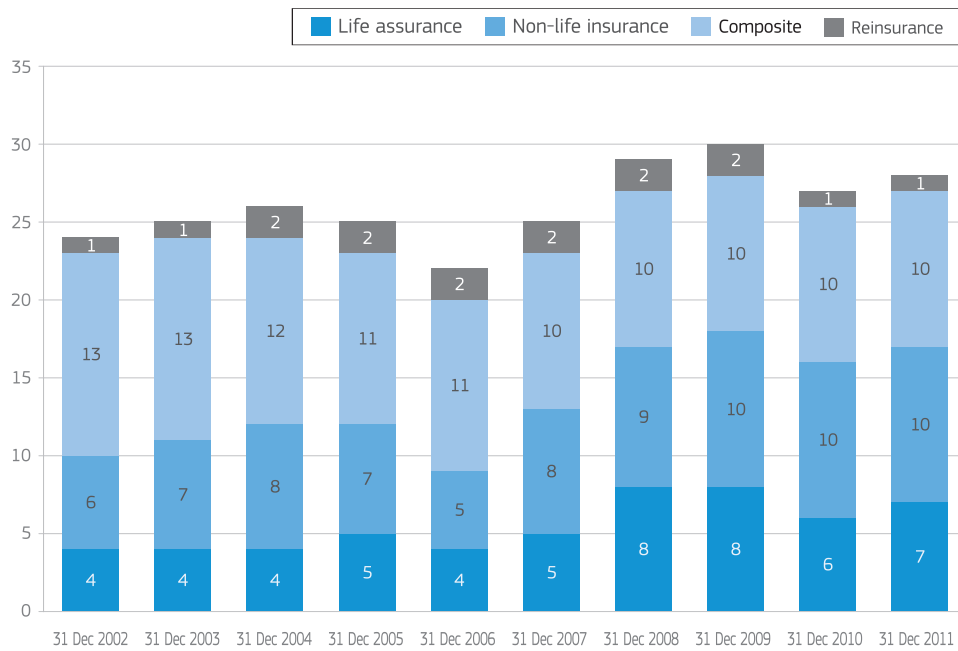
Source: HANFA

The share of the gross written premium in GDP continued its downward trend which began in 2007, totalling 2.68% in 2011. The share in life assurance declined from 0.73% in 2010 to 0.71% in 2011, while in non-life insurance it fell from 2.03% to 1.97%.

4.1.1 Market Description

There were 27 licensed insurance companies and one reinsurance company operating in the insurance market of the Republic of Croatia as at 31 December 2011.

Chart 4.1.3 Number of licensed insurance and reinsurance companies in the 2002-2011 period

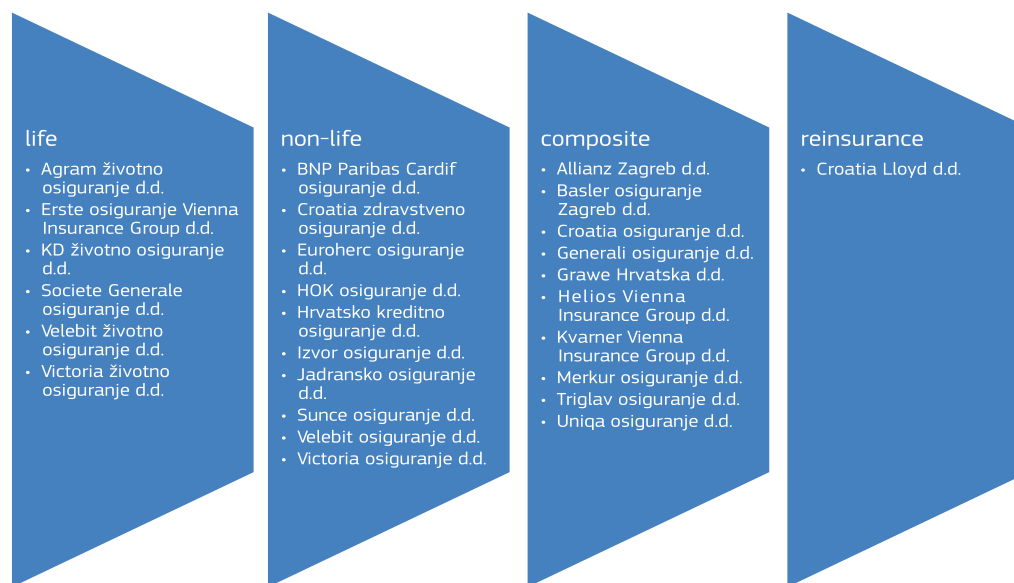


Source: HANFA

In 2011, six insurance companies conducted life assurance business only, ten insurance companies carried on non-life insurance only, ten insurance companies carried on both life assurance and non-life insurance business (composite companies), while Wüstenrot životno osiguranje d.d., which obtained the operating licence from the Agency in 2011, did not start

performing its insurance activities in the same year. One reinsurance company, Croatia Lloyd d.d., conducted reinsurance business in 2011. Allianz reosiguranje d.d., which conducted reinsurance business until the end of 2010, changed its scope of business and name during 2010 to Allianz Usluge d.d. and merged with Allianz Zagreb d.d. in 2011, following the approval of the Agency.

Chart 4.1.4 Insurance activities conducted by insurance and reinsurance companies in 2011



Source: HANFA

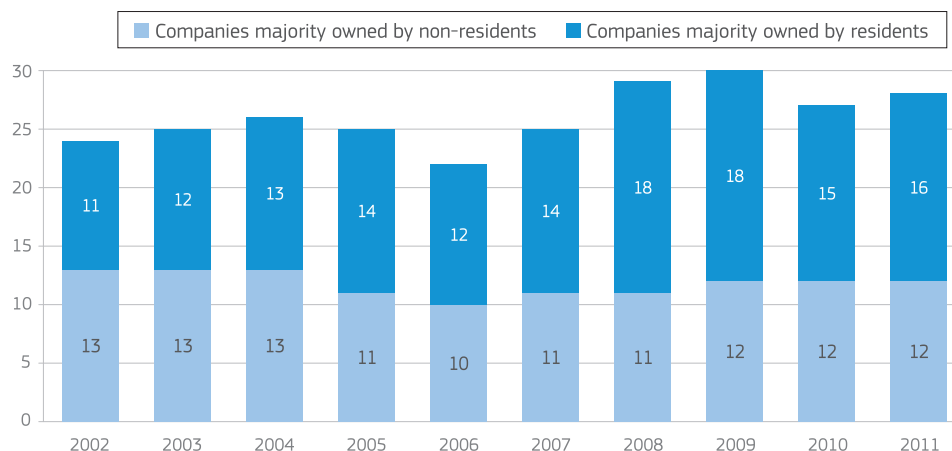
As at 31 December 2011, out of 28 licensed insurance and reinsurance companies, 16

companies were directly owned⁵ by non-residents⁶.

⁵ Indirect ownership relates to the origin of the parent company's initial capital.

⁶ Pursuant to the provisions of Article 3, paragraph 1 of the Profit Tax Act (Official Gazette 177/04, 90/05, 57/06, 146/08 and 80/10) residents are legal and natural persons having their registered office entered in the court register or another register in the Republic of Croatia, residents are also entrepreneurs natural persons with a domicile or habitual residence in the Republic of Croatia, whose business activity has been entered in the register.

Chart 4.1.5 Ownership structure of licensed insurance and reinsurance companies (direct ownership) for the 2002-2011 period



Source: HANFA

4.1.2 Gross Written Premium

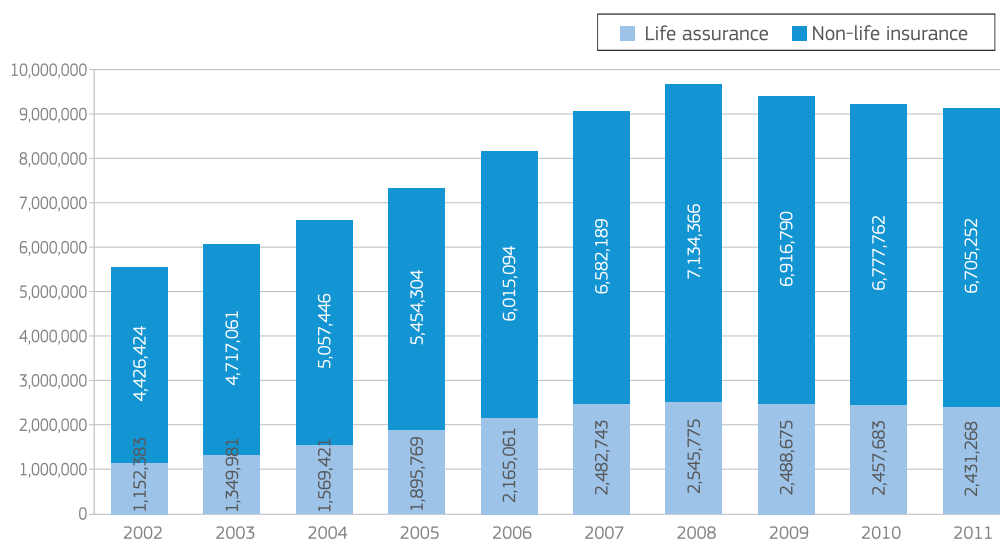
In 2011, insurance companies recorded a gross written premium totalling HRK 9.1bn and decreasing by HRK 0.1bn (1.1%) compared with 2010, when it amounted to HRK 9.2bn. Out of a HRK 98.9m premium decrease, HRK 72.5m related to non-life insurance, while HRK 26.4m related to life assurance. Out of 26 insurance companies, 12 companies recorded an increase in gross written premium in 2011 compared to 2010, while one insurance company reported a gross written premium in 2011 for the first time.

The total gross written premium of reinsurance companies amounted to HRK 473.8m in 2011,

declining by HRK 49.4m (9.4%) compared to the premium recorded by two insurance companies in 2010.

The insurance portfolio concentration by total gross written premium of the top five insurance companies decreased from 65.3% in 2010 to 64.6% in 2011, while the insurance portfolio concentration of the top ten insurance companies fell from 84.9% to 84.4%. Non-life insurance recorded higher concentration than life assurance: five insurance companies accounted for 75.5% of the total non-life insurance premium, whereas five insurance companies made up 58.3% of the total life assurance premium.

Chart 4.1.6 Gross written premium of insurance companies in the 2002-2011 period (in HRK thousand)

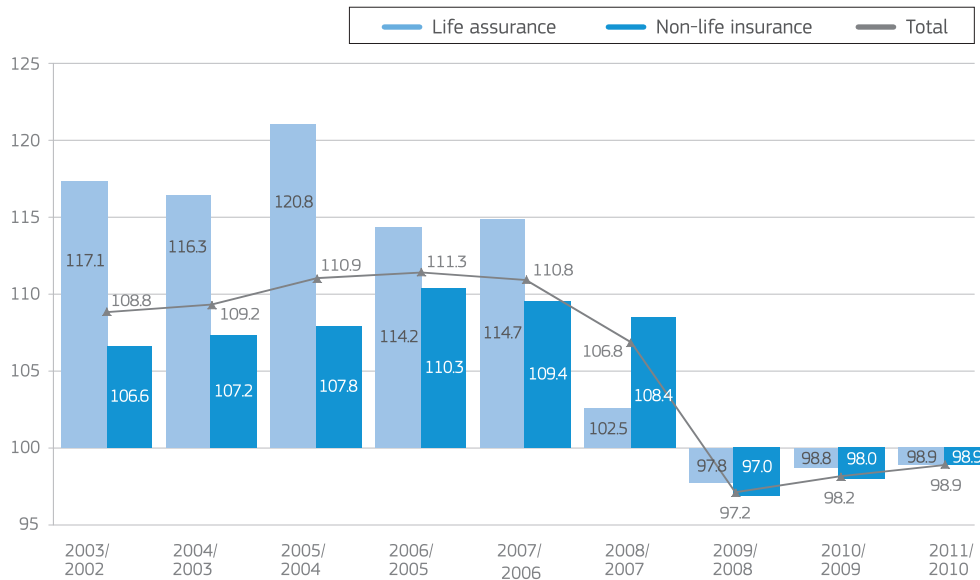


Source: HANFA

The gross written premium in non-life insurance continued its decline which began in 2009. The gross written premium totalled HRK 6.7bn in 2011, recording a HRK 72.5m (1.1%) decrease

compared to 2010. At the same time, the gross written premium in life assurance recorded a HRK 26.4m (1.1%) decline, amounting to HRK 2.4bn in 2011.

Chart 4.1.7 Gross written premium indices in the insurance industry in the 2002-2011 period

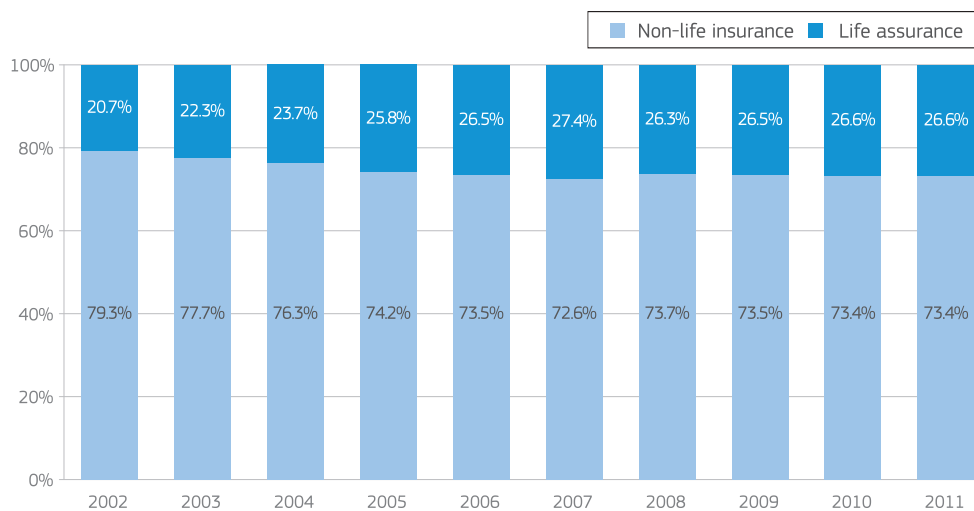


Source: HANFA

Non-life insurance continued accounting for the largest share (73.4%) in the total gross written premium in the insurance industry in the Republic of Croatia, while the share of life assurance

amounted to 26.6% of the gross written premium. There was no change in 2011 in shares of life and non-life insurance in the total gross written premium compared to 2010.

Chart 4.1.8 Shares of life and non-life insurance in the total gross written premium in the 2002-2011 period



Source: HANFA

Shares of individual insurance classes in the total insurance portfolio were unevenly distributed in 2011. Motor vehicle liability insurance made up 32.1% of the total insurance portfolio and life assurance accounted for 22.9% of total insurance

portfolio. Six insurance classes with shares larger than 5.0% made up 83.8% of the total insurance portfolio, while in 2010 they accounted for 84.0% of the total insurance portfolio.

Table 4.1.1 Gross written premium by insurance classes as at 31 December 2010 and 31 December 2011 (in HRK thousand)

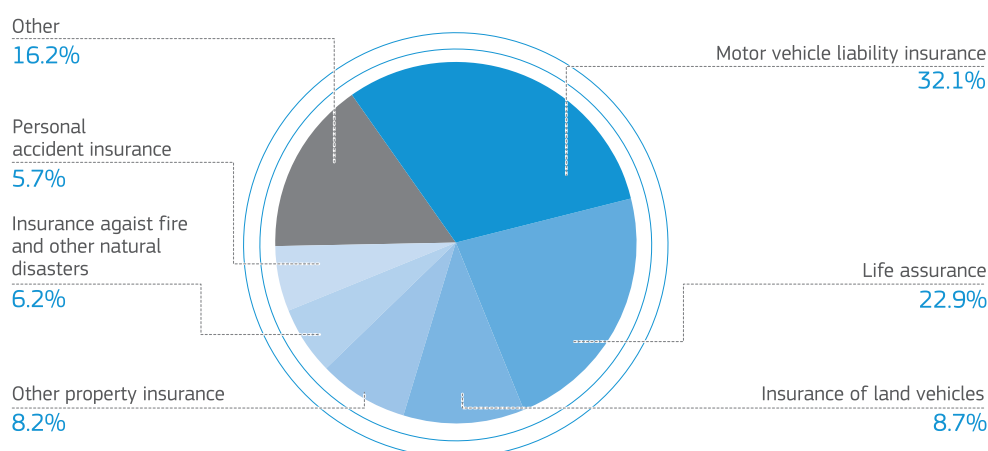
Code	INSURANCE CLASS	31 Dec 2010	Share	31 Dec 2011	Share	Index 2011/2010
01	Personal accident insurance	531,370	5.74%	517,410	5.66%	97.37
02	Health insurance	258,703	2.81%	255,147	2.79%	98.63
03	Insurance of land motor vehicles	888,633	9.62%	797,849	8.73%	89.78
04	Insurance of railway rolling stock	6,094	0.08%	5,325	0.06%	87.39
05	Insurance of aircraft	23,440	0.25%	15,130	0.17%	64.55
06	Insurance of vessels	228,363	2.47%	204,916	2.24%	89.73
07	Insurance of goods in transit	63,976	0.69%	59,805	0.66%	93.48
08	Insurance against fire and natural disasters	573,675	6.22%	565,981	6.19%	98.66
09	Other property insurance lines	758,470	8.22%	751,571	8.23%	99.09
10	Motor vehicle liability insurance	2,890,060	31.29%	2,934,900	32.12%	101.55
11	Aircraft liability insurance	2,287	0.02%	2,565	0.03%	112.14
12	Insurance against liability arising out of the use of vessels	42,810	0.46%	36,617	0.40%	85.53
13	Other liability insurance lines	266,280	2.88%	289,132	3.17%	108.58
14	Credit insurance	116,773	1.26%	130,084	1.42%	111.40
15	Suretyship insurance	4,580	0.05%	7,869	0.09%	171.80
16	Insurance against miscellaneous financial losses	74,625	0.81%	81,376	0.89%	109.05
17	Legal expenses insurance	2,533	0.03%	2,911	0.03%	114.93
18	Travel insurance	45,090	0.49%	46,663	0.51%	103.49
19	Life assurance	2,111,939	22.87%	2,092,895	22.91%	99.10
20	Annuity insurance	7,155	0.08%	9,047	0.10%	126.44
21	Supplementary insurance linked with life assurance policy	162,060	1.75%	156,469	1.71%	96.55
22	Marriage and birth assurance	9,244	0.10%	8,969	0.10%	97.03
23	Life assurance in which the investment risk is held by the policyholder	167,285	1.81%	163,888	1.79%	97.97
24	Tontine	0	0.00%	0	0.00%	-
25	Assurance with paid-up sum assured	0	0.00%	0	0.00%	-
	TOTAL NON-LIFE INSURANCE (classes 01 - 18)	6,777,762	73.39%	6,705,252	73.39%	98.93
	TOTAL LIFE-ASSURANCE (classes 19 - 25)	2,457,683	26.61%	2,431,268	26.61%	98.93
	TOTAL (classes 01 - 25)	9,235,445	100.00%	9,136,520	100.00%	98.93

Source: HANFA

Motor vehicle insurance, comprised of motor vehicle liability insurance and land motor vehicle insurance, made up 40.8% of the total gross written premium in 2011. The gross written premium of motor vehicle liability insurance amounted to HRK 2.9bn, increasing by HRK 44.8m (1.6%) compared to 2010 and recording

the largest increase in premium by individual insurance classes in absolute amount. Land motor vehicle premium totalled HRK 797.8m, dropping by HRK 90.8m (10.2%) compared with 2010 and recording the largest decrease in premium by individual insurance classes in absolute amount.

Chart 4.1.9 Premium structure by insurance classes as at 31 December 2011



Source: HANFA

Motor vehicle liability insurance business was conducted by 15 insurance companies in the Republic of Croatia. The premium in this insurance segment (HRK 2.9bn) made up almost a third of the total gross written premium in 2011, recording a HRK 44.1m (1.5%) increase in comparison with 2010. In 2011, three insurance companies

accounted for 65.2% of the total motor vehicle liability insurance premium, reporting a slightly lower share compared to 2010 when they made up 66.4% of the total premium. Technical result in this insurance class reached HRK 443.9m, growing by 59.9% relative to 2010, when it amounted to HRK 277.6m.

Table 4.1.2 Motor vehicle liability insurance as at 31 December 2010 and 31 December 2011 (in HRK thousand)

No.	Insurance company	Gross written premium (for risk type 10.01)		
		31 Dec 2010	31 Dec 2011	Index 2011/2010
1	Allianz Zagreb d.d.	235,210	252,703	107.44
2	Basler osiguranje Zagreb d.d.	102,482	96,736	94.39
3	Croatia osiguranje d.d.	788,686	788,560	99.98
4	Euroherc osiguranje d.d.	661,399	658,987	99.64
5	Generali osiguranje d.d.	69,893	73,164	104.68
6	Grawe Hrvatska d.d.	53,346	50,725	95.09
7	Helios VIG d.d.	26,207	32,089	122.44
8	HOK osiguranje d.d.	110,828	125,355	113.11
9	Izvor osiguranje d.d.		12,107	-
10	Jadransko osiguranje d.d.	452,724	451,543	99.74
11	Kvarner VIG d.d.	129,242	114,075	88.26
12	Sunce osiguranje d.d.	28,298	29,069	102.73
13	Triglav osiguranje d.d.	123,112	124,356	101.01
14	Uniqa osiguranje d.d.	47,138	58,022	123.09
15	Velebit osiguranje d.d.	38,304	43,487	113.53
	TOTAL	2,866,869	2,910,978	101.54

Source: HANFA

4.1.3 Asset Structure

As at 31 December 2011, the total asset value of insurance and reinsurance companies amounted to HRK 32.9bn, growing by HRK 1.9bn or 6.2% compared to 2010. Life assurance accounted for HRK 15.8bn (48.0%) of total assets, non-life insurance made up HRK 16.1bn (49.0%), while reinsurance accounted for HRK 982.1m (3.0%) of total assets. Investments accounted for the largest share in the total asset structure of insurance

and reinsurance companies (75.6%). Tangible assets and receivables made up 7.3% of assets each, the reinsurers' share of technical provisions accounted for 4.5% of assets, investments for the account of life assurance policyholders who bear the investment risk made up 2.11%, while other items accounted for less than 2.0% of the asset structure.

Table 4.1.3 Asset structure of insurance and reinsurance companies as at 31 December 2010 and 31 December 2011 (in HRK thousand)

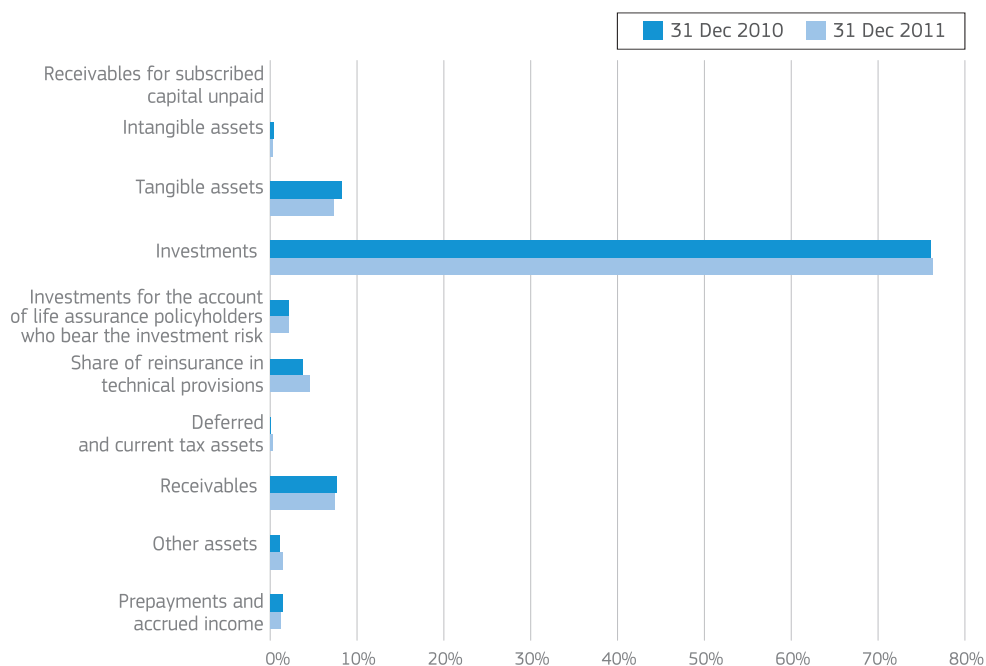
	31 Dec 2010			Total share	31 Dec 2011			Total share	Index 2011/2010
	Life assurance	Non-life insurance	Total		Life assurance	Non-life insurance	Total		
Receivables for subscribed capital unpaid	0	0	0	0.00%	0	0	0	0.00%	-
Intangible assets	11,087	115,211	126,298	0.41%	10,228	88,600	98,828	0.30%	78.25
Tangible assets	139,578	2,393,005	2,532,583	8.18%	118,807	2,272,139	2,390,945	7.27%	94.41
Investments	13,189,405	10,163,424	23,352,829	75.40%	14,072,467	10,815,320	24,887,786	75.63%	106.57
Investments for the account of life assurance policyholders who bear the investment risk	630,662	0	630,662	2.03%	694,621	0	694,621	2.11%	110.14
Share of reinsurance in technical provisions	317,895	861,697	1,179,591	3.81%	353,177	1,133,992	1,487,169	4.52%	126.07
Deferred and current tax assets	23,114	34,909	58,023	0.19%	44,018	27,537	71,555	0.22%	123.32
Receivables	221,495	2,125,795	2,347,290	7.58%	209,147	2,184,126	2,393,274	7.27%	101.96
Other assets	88,308	238,994	327,302	1.06%	84,143	359,313	443,456	1.35%	135.49
Prepayments and accrued income	179,366	236,046	415,413	1.34%	196,757	240,404	437,160	1.33%	105.24
TOTAL ASSETS	14,800,911	16,169,080	30,969,991	100.00%	15,783,364	17,121,431	32,904,794	100.00%	106.25

Source: HANFA

The largest share in life assurance assets (89.2%) was accounted for by investments, with investments for the account of life assurance policyholders who bear investment risk accounting for 4.4%, and other asset items making up less than 3.0% of total assets. The major share in investments was accounted for by investments in debt securities and other securities with fixed income classified in the portfolio of investments held to maturity (48.8% of life assurance assets) and investments in debt securities and other securities with fixed income classified in the portfolio of investments available for sale (19.6% of life assurance assets).

Investments accounted for the most significant share in the structure of non-life insurance assets as well; however, their share was significantly lower than in life assurance (63.2%). Tangible assets made up 13.3% of non-life insurance assets, receivables accounted for 12.8%, while 6.6% was accounted for by the reinsurers' share in technical provisions. The major share in investments was accounted for by deposits, loans and receivables (a total of 21.9% of non-life insurance assets).

Chart 4.1.10 Asset structure of insurance and reinsurance companies as at 31 December 2010 and 31 December 2011



Source: HANFA

4.1.4 Liability Structure

The largest share (70.0%) in the liability structure of the insurance industry at end-2011 was accounted for by technical provisions. Capital

and reserves made up 18.9% of liabilities, other liabilities made up 4.4%, while other liability items accounted for less than 3.0% of total liabilities.

Table 4.1.4 Liability structure of insurance and reinsurance companies as at 31 December 2010 and 31 December 2011 (in HRK thousand)

	31 Dec 2010			Total share	31 Dec 2011			Total share	Index 2011/2010
	Life assurance	Non-life insurance	Total		Life assurance	Non-life insurance	Total		
Capital and reserves	1,468,771	4,292,859	5,761,630	18.60%	1,573,614	4,651,512	6,225,126	18.92%	108.04
Subordinated liabilities	76,548	65,081	141,630	0.46%		41,808	41,808	0.13%	29.52
Technical provisions	11,909,170	9,973,415	21,882,585	70.66%	12,869,357	10,172,138	23,041,495	70.02%	105.30
Special provisions for life assurance policies where the investment risk is borne by the policyholder, gross amount	629,952		629,952	2.04%	690,605		690,605	2.10%	109.63
Other provisions	6,117	96,431	102,548	0.33%	6,656	97,037	103,693	0.31%	101.12
Deferred and current tax liability	14,395	338,807	353,202	1.14%	24,299	375,607	399,907	1.21%	113.22
Deposits held under reinsurance business ceded	297,661	59,344	357,005	1.15%	340,420	76,148	416,568	1.27%	116.68
Financial liabilities	24,910	170,986	195,896	0.63%	13,174	203,339	216,513	0.66%	110.52
Other liabilities	300,081	966,044	1,266,125	4.09%	229,964	1,226,914	1,456,879	4.43%	115.07
Accruals and deferred income	73,305	206,114	279,418	0.90%	35,275	276,927	312,203	0.95%	111.73
TOTAL LIABILITIES	14,800,911	16,169,080	30,969,991	100.00%	15,783,364	17,121,431	32,904,794	100.00%	106.25

Source: HANFA

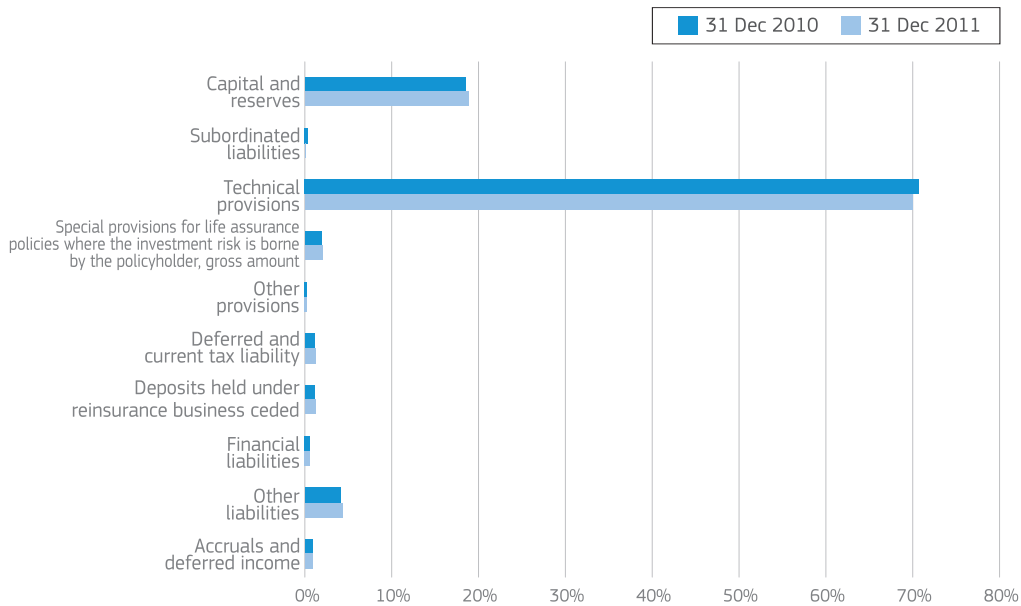
As at 31 December 2011, technical provisions accounted for HRK 12.9bn or 81.5% of total life assurance liabilities. The largest share in technical provisions was accounted for by mathematical provisions totalling HRK 12.6bn or 80.0% of liabilities.

Capital and reserves amounted to HRK 1.6bn or 10.0% of liabilities. Technical provisions for life assurance policies where the investment risk is borne by the policyholder (gross amount) stood at HRK 690.6m or 4.4% of all liabilities, whereas

other life assurance liability items did not reach more than 3.0% each.

The major share in the non-life insurance liability structure was also accounted for by technical provisions amounting to HRK 10.2bn or 59.4% of liabilities, out of which the largest share was made up of the gross amount of claim provisions (40.5% of all liabilities). Capital and reserves reached HRK 4.7bn or 27.2% of liabilities, whereas other liabilities amounted to HRK 1.2bn (7.2% of liabilities).

Chart 4.1.11 Liability structure of insurance and reinsurance companies as at 31 December 2010 and 31 December 2011



Source: HANFA

4.1.5 Financial Operating Results

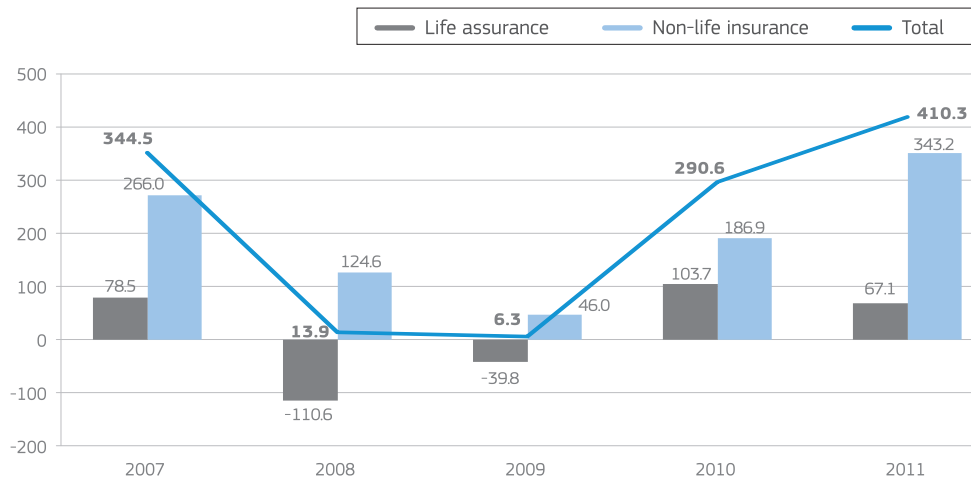
In the period from 1 January to 31 December 2011, insurance and reinsurance companies reported a net profit totalling HRK 410.3m and increasing by HRK 119.7m in comparison with 2010, when the net profit amounted to HRK 290.6m.

In life assurance business, 11 insurance companies reported a net profit in the amount of HRK 167.3m, whereas five insurance companies recorded a loss totalling HRK 100.2m. In non-life insurance business, 13 insurance companies reported a net profit amounting to HRK 479.8m,

whereas seven insurance companies registered a loss in the amount of HRK 165.5m. The reinsurance company recorded a net profit reaching HRK 28.9m.

Out of 26 insurance companies and one reinsurance company that carried on insurance business in 2011, 17 insurance companies and one reinsurance company realised a net profit in the amount of HRK 663.1m, whereas nine insurance companies recorded a loss totalling HRK 252.8m.

Chart 4.1.12 Operating results of insurance and reinsurance companies from 2007 to 2011⁷ (in HRK million)



Source: HANFA

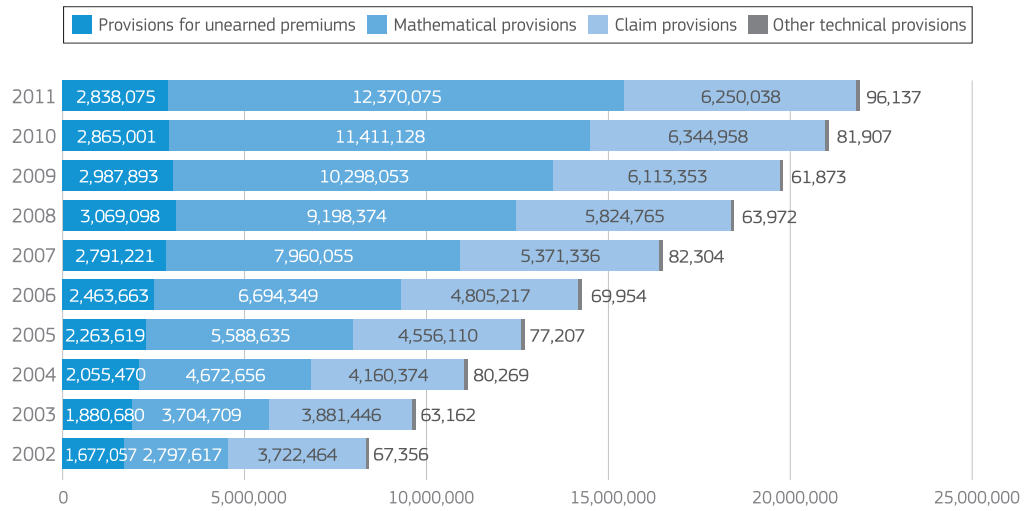
⁷ The requested coverage of technical provisions except for mathematical provisions is comprised of provisions for unearned premiums, provisions for bonuses and discounts, claim provisions, equalisation provisions and other technical provisions.

4.1.6 Technical Provisions

As at 31 December 2011, net reinsurance technical provisions stood at HRK 21.6m, growing by 4.1% compared to 31 December 2010. As in the previous year, the companies allocated the majority of the total amount of net reinsurance

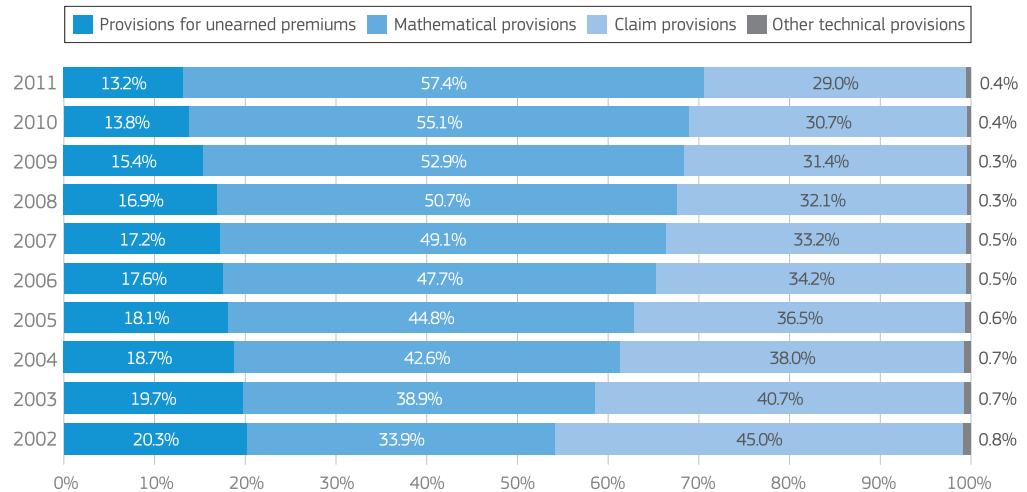
technical provisions to mathematical provisions, which accounted for a 57.4% share of total technical provisions, rising by 8.4% relative to 2010.

Chart 4.1.13 Net technical provisions in the 2002-2011 period (in HRK thousand)



Source: HANFA

Chart 4.1.14 Structure of net technical provisions in the 2002-2011 period



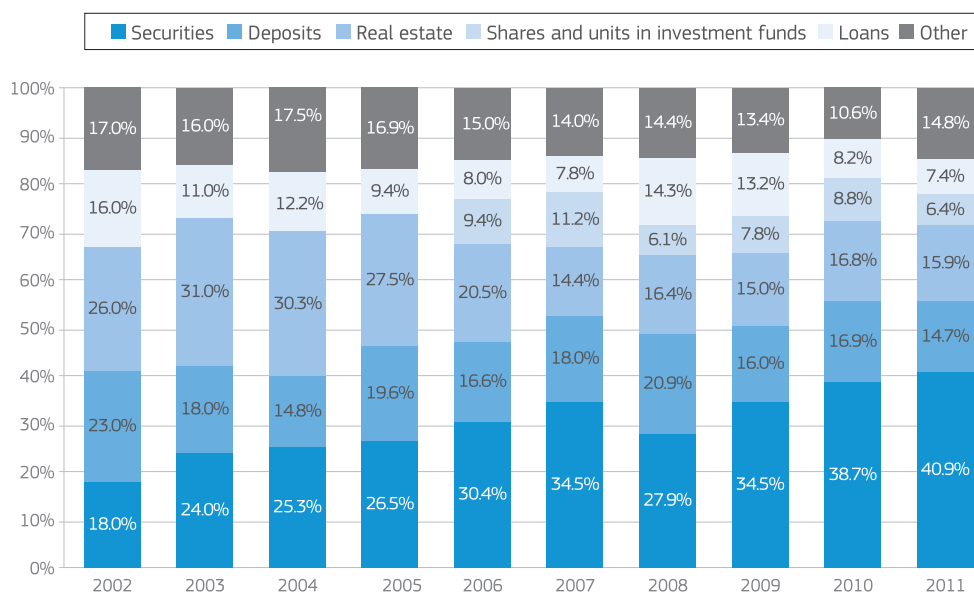
Source: HANFA

4.1.7 Investments of Assets Covering Technical Provisions

Insurance and reinsurance companies are obliged to set up assets covering technical provisions pursuant to Articles 115 and 116 of the Insurance Act (Official Gazette 151/05, 87/08 and 82/09), and provisions of the Ordinance on types and characteristics of assets covering technical provisions, rules on diversification and limitations of investments of assets covering technical provisions, their valuation and compliance with the law, rules on the use of derivative financial instruments, and the manner and time limits for reporting (Official Gazette 119/09 and 155/09, hereinafter referred to as: Ordinance on investments). The required coverage of technical provisions except for mathematical provisions⁸ of insurance and reinsurance companies amounted to HRK 9.1bn at end-2011, whereas total invested assets reached HRK 8.9bn, i.e. HRK 0.2bn or 2.0% less.

The largest share (34.1%) in the investment structure was accounted for by investments in securities issued by the Republic of Croatia, the Croatian National Bank and the Croatian Bank for Reconstruction and Development. Investments in securities, including bonds of other issuers and shares, made up 40.9% of total investments, growing compared to 2010, when they amounted to 38.7% of total investments. The share of other investments in total investments also recorded an increase, from 10.6% in 2010 to 14.8% in 2011, mostly due to a rise in investments with the approval of the supervisory authority. The share of investments in deposits decreased from 16.9% in 2010 to 14.7% in 2011, while the share of loans fell from 8.2% in 2010 to 7.4% in 2011. The share of investments in real estate also decreased, from 16.8% in the previous year to 15.9% in 2011, while the share of investments in investment funds declined from 8.8% to 6.4%.

Chart 4.1.15 Structure of investments of technical provisions in the 2002-2011 period



Source: HANFA

⁸ The requested coverage of mathematical provision is comprised of mathematical provisions, provisions for unearned premiums in risk types for which mathematical provisions must be formed, claim provisions in risk types for which mathematical provisions must be formed, and provisions for bonuses and discounts in risk types for which mathematical provisions must be formed.

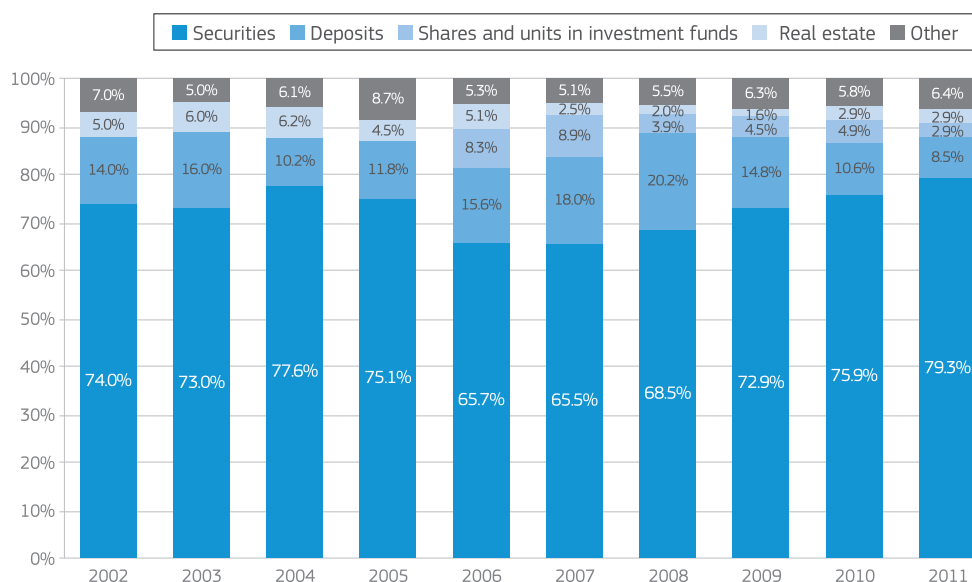
4.1.8 Investments of Assets Covering Mathematical Provisions

An insurance company is obliged to set up mathematical provisions in the amount of the present value of all future liabilities of the insurance company, calculated on the basis of insurance contracts concluded and reduced by the present estimated value of future premiums payable under such insurance contracts. Furthermore, an insurance company conducting insurance business in the lines of insurance in respect of which mathematical provisions are to be formed must set aside assets covering mathematical provisions and must manage those assets separately from other assets. The value of assets covering mathematical provisions must at all times be at least equal to the amount of the required coverage which includes mathematical provisions. Insurance companies are obliged to invest assets covering mathematical provisions in accordance with Articles 122 and 123 of the Insurance Act and provisions of the Ordinance on investments, taking into account the type of insurance business carried on and guaranteeing the safety, profitability and adequate diversity of investments. Free monetary assets must be invested in such a manner as to reduce the investment risk to the lowest possible level through a higher diversity and precise definition of goals of investments. This relates especially to investments of life assurance assets, since the majority of those assets match the definition of long-term savings. Mathematical provisions

registered in the balance sheet as at 31 December 2011 amounted to HRK 12.4bn and were by 8.4% higher in comparison to the previous year, making up 57.4% of the total technical provisions. As at 31 December 2011, insurance companies reported the required coverage of mathematical provisions⁹ in the amount of HRK 12.5bn, while assets covering mathematical provisions stood at HRK 12.7bn, meaning that insurance companies invested HRK 0.2bn or 1.7% more than the required coverage.

In the investment structure, the largest share (77.1%) of assets was invested in securities issued by the Republic of Croatia, the Croatian National Bank and the Croatian Bank for Reconstruction and Development, since insurance companies are obliged to invest, pursuant to the Insurance Act, at least 50.0% of assets covering mathematical provisions in securities issued by the Republic of Croatia, the Croatian National Bank and the Croatian Bank for Reconstruction and Development and in bonds and other debt securities guaranteed by the Republic of Croatia. A significant share of assets was also invested in deposits in banks having their registered offices in the Republic of Croatia (8.5%). Less than 5.0% was invested in each of other asset types and those investments jointly made up a 14.4% share in the structure of investments of assets covering mathematical provisions.

Chart 4.1.16 Structure of investments of assets covering mathematical provisions in the 2002-2011 period



Source: HANFA

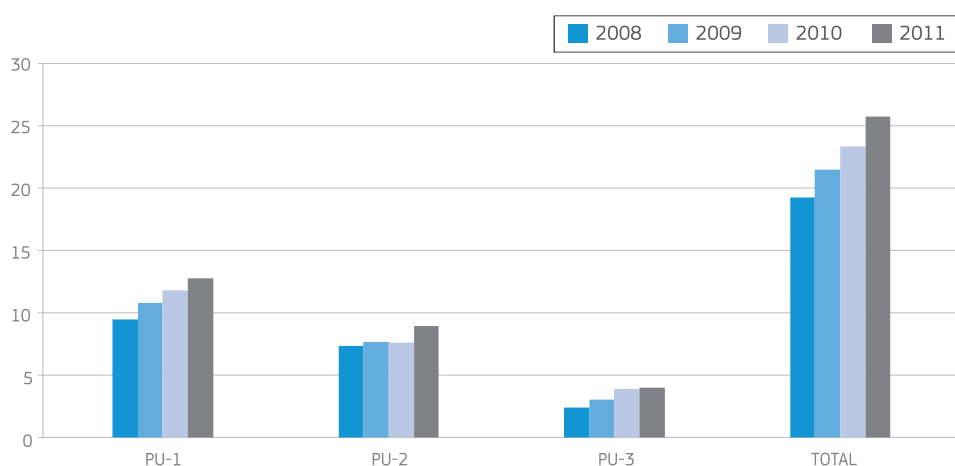
⁹ The requested coverage of mathematical provision is comprised of mathematical provisions, provisions for unearned premiums in risk types for which mathematical provisions must be formed, claim provisions in risk types for which mathematical provisions must be formed, and provisions for bonuses and discounts in risk types for which mathematical provisions must be formed.

4.1.9 Investments of Assets from Capital and other Funds (Except for Assets Covering Mathematical and Technical Provisions)

Total investments of assets from capital and other funds, except for assets covering mathematical and technical provisions (hereinafter referred to as: investments of assets from capital) amounted to HRK 4.0bn in 2011, out of which HRK 1.0bn, or 24.3% related to life assurance and HRK 3.0bn or

75.7% to non-life insurance. The majority share (46.3%) of total investments of assets from capital was accounted for by deposits, loans and receivables in the amount of HRK 1.9bn. Compared to 2010, total investments of assets from capital increased by HRK 0.1bn, or 2.6%.

Chart 4.1.17 Structure of investments of assets covering mathematical provisions¹⁰, technical provisions except for mathematical provisions¹¹ and investments of assets from capital in the 2008-2011 period¹² (in HRK billion)



Source: HANFA

4.1.10 Capital Adequacy

For the purpose of assessing business operations and financial position of insurance and reinsurance companies, special importance is attached to whether companies have enough capital and reserves needed to meet their liabilities towards policyholders, and whether they invest assets in accordance with legal provisions. Pursuant to the provisions of Article 92, paragraph 1 of the Insurance Act, the insurance company is obliged to maintain the capital level corresponding to the volume and types of insurance activities carried

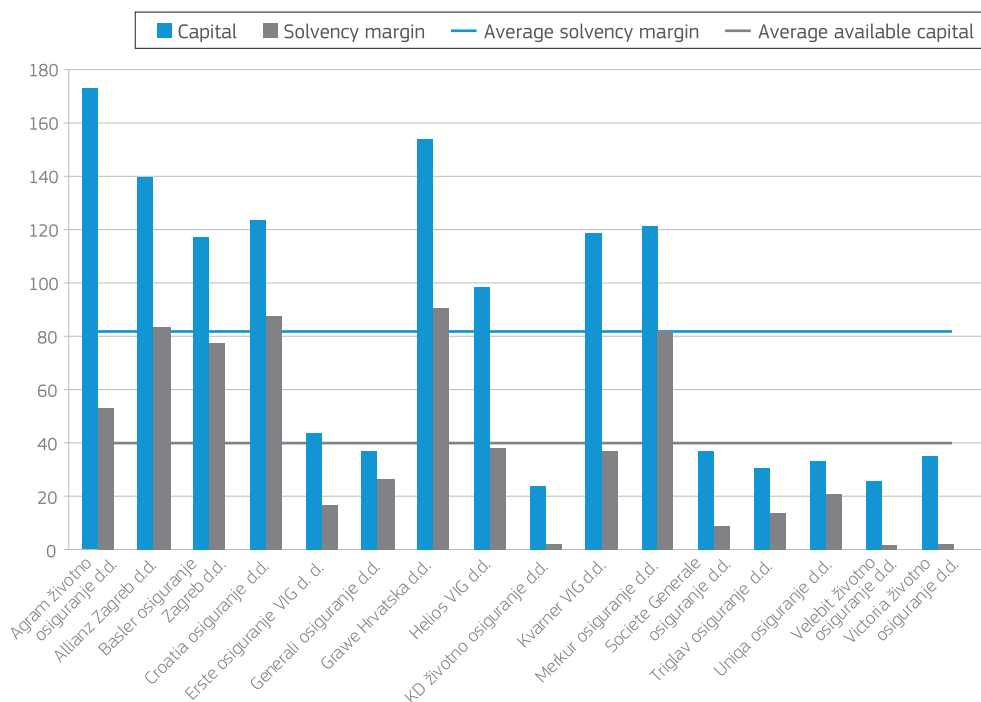
on, and to the risks it is exposed to. In order to meet the capital adequacy requirements, the insurance company must meet three conditions regulated by the Insurance Act: the capital of the insurance company must be at least equal to the solvency margin, the guarantee fund of the insurance company must be at least equal to one third of the solvency margin and the guarantee fund must be at least equal to the minimum initial capital.

¹⁰ Data on investments of assets covering mathematical provisions are taken from the form Overview of investments of assets covering mathematical provisions (form PU-1).

¹¹ Data on investments of assets covering technical provisions except for mathematical provisions are taken from the form Overview of investments of assets covering technical provisions except for mathematical provisions (form PU-2).

¹² Investments made by insurance and reinsurance companies of assets covering mathematical provisions, technical provisions except mathematical provisions and investments from capital for the periods before 2008 are not presented due to the fact that the data from the form Overview of investments of assets from capital and other funds, except for assets covering mathematical and technical provisions (form PU-3) started being collected in 2008.

Chart 4.1.18 Ratio of available capital to solvency margin by life assurance companies as at 31 December 2011 (in HRK million)

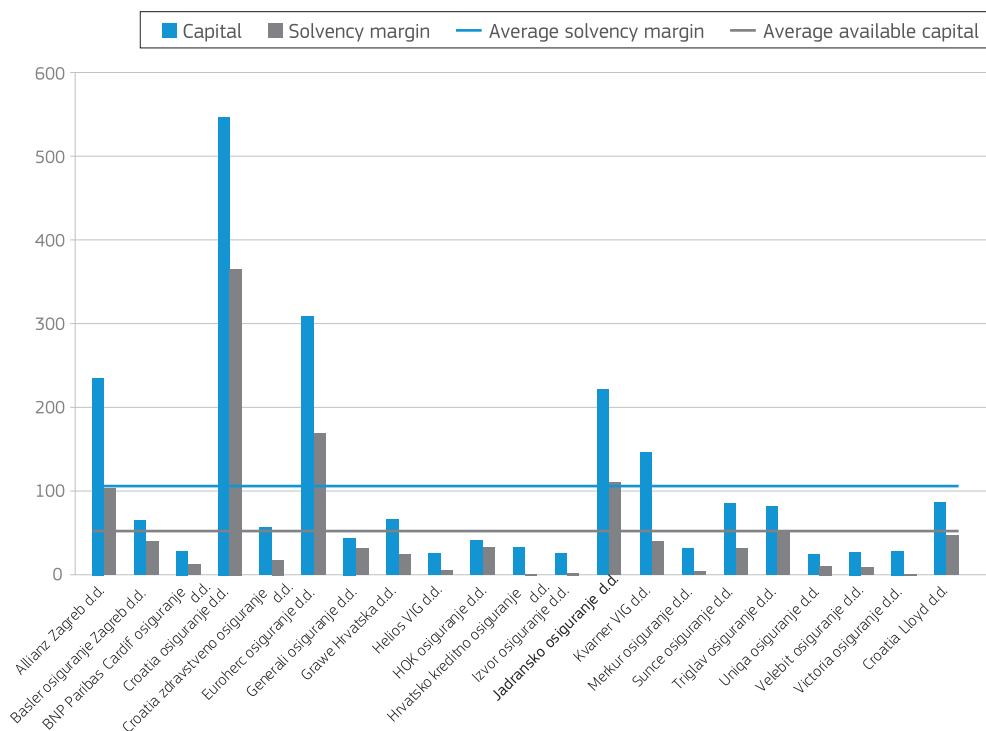


Source: HANFA

As at 31 December 2011, all companies conducting life assurance and non-life insurance business were meeting the capital adequacy

requirements and the three conditions prescribed by the Insurance Act.

Chart 4.1.19 Ratio of available capital to solvency margin by non-life insurance companies as at 31 December 2011 (in HRK million)



Source: HANFA

In 2011, the capital of five insurance companies was increased in the total amount of HRK 508.2m. A total of HRK 234.2m was paid in life assurance, out of which the amount of HRK 97.3m was used to increase the initial capital, while capital reserves were increased by HRK 136.9m. In non-life insurance business, the amount of HRK 274.0m was paid to increase the companies' capital, out of which the amount of HRK 51.9m was used to increase the initial capital, while capital reserves were increased by HRK 222.1m. At the same time, one insurance company carrying on non-life insurance business decreased its initial capital by HRK 15.5m.

4.1.11 Insurance Business Indicators

Insurance business indicators are used to assess business operations of insurance and reinsurance companies.

The Claims Ratio is the ratio of the sum of claims paid, changes in claim provisions and changes in other technical provisions (including changes in life assurance technical provisions where the policyholder bears the investment risk) to insurance premiums earned (multiplied by 100), with net value of reinsurance being included into the calculation. The 2011 claims ratio for life assurance amounted to 96.58%, while in non-life insurance it totalled 51.31%.

The Expense Ratio is the ratio of the sum of operating expenses (acquisition costs and administrative costs) and other technical charges to gross written premium, reduced by premiums ceded to reinsurance (multiplied by 100). The expense ratio in 2011 for life assurance amounted to 34.59%, while in non-life insurance it amounted to 50.05%.

The Combined Ratio amounted to 110.06% in 2011, while in 2010 it reached 111.86%. This ratio is calculated as the sum of the claims ratio and expense ratio, and it shows operating results before including income from investments. The combined ratio in life assurance amounted to 131.17%, while in non-insurance it totalled 101.36%.

Return on Investment is calculated as the ratio of income from investments reduced by investment expenses to the amount of investments (multiplied by 100). In 2011, in life assurance business it amounted to 5.73%, while in non-life insurance it totalled 3.41%.

The Debt Ratio is calculated as the ratio of total liabilities to total assets. It shows the amount of assets financed by liabilities which do not include capital and reserves. The 2011 debt ratio for life assurance business amounted to 0.90, while in non-life insurance it reached 0.73.

Return on Assets (ROA) is a ratio of after-tax profit or loss of the accounting period to total assets. In 2011, in life assurance business, the return on assets reached 0.43%, while in non-life insurance it amounted to 2.00%.

Return on Equity (ROE) represents the relationship between after-tax profit or loss of the accounting period and equity (subscribed capital, premium on shares issued, revaluation reserves, reserves and accumulated profit or loss). It is expressed as a percentage, showing how much net profit or loss of the accounting period can be generated by HRK 100 of equity. In 2011, in life assurance business, the return on equity totalled 4.46%, and in non-life insurance it amounted to 7.97%.

4.2 Regulatory Activities and Licensing

The legislative framework regulating business operations and supervision of insurance and reinsurance companies includes the Act on the Croatian Financial Services Supervisory Agency (Official Gazette 140/05), the Insurance Act (Official Gazette 151/05, 87/08 and 82/09), the Act on Compulsory Insurance within the Transport Sector (Official Gazette 151/05, 36/09 and 75/09), the Companies Act (Official Gazette 111/93, 34/99, 52/00, 118/03, 107/07, 146/08 and 137/09), the Accounting Act (Official Gazette 109/07), the Audit Act (Official Gazette 146/05 and 139/08), the Civil Obligations Act (Official Gazette 35/05 and 41/08) and the Act on the Prevention of Money Laundering and Terrorist Financing (Official Gazette 87/08).

In 2011, the Management Board of the Agency adopted three amendments to ordinances and three technical instructions for drawing up and submitting reports of insurance and reinsurance companies in electronic format. The amendments to the Ordinance on marketing activities (Official Gazette 92/11) adopted by the Agency provided further details on the prescribed requirement to present and the method of presenting promotional information on attributable profit under life assurance contracts with participation in profit for a particular financial year in accordance with the Instruction on the method of presenting profit participation under life assurance contracts in insurance company's marketing activities, which is an integral part of the said Ordinance.

The Ordinance amending the Ordinance on the manner of calculating capital, guarantee fund and capital adequacy of insurance and reinsurance companies (Official Gazette 94/11) provided further regulatory provisions on the delivery of analytical data on investments from capital and other funds of insurance and reinsurance companies, in accordance with the Ordinance on types and characteristics of assets covering technical provisions, rules on diversification and limitations of investments of assets covering technical provisions, their valuation and compliance with the law, rules on the use of derivative financial instruments, and the manner and time limits for reporting (Official Gazette 119/09 and 155/09).

Furthermore, three technical instructions were issued prescribing in detail the preparation, method and time limits for the submission of monthly, quarterly and annual statistical, supervisory and financial reports of insurance and reinsurance companies to the Agency.

In 2011, the Agency issued one licence to conduct insurance business to a newly established insurance company (Wüstenrot životno osiguranje d.d.), specifically to carry on insurance business in life assurance group and in some classes of non-

life insurance business, namely personal accident insurance and health insurance. This company did not start conducting insurance business in 2011. Furthermore, the Agency issued two licences in 2011 to insurance companies to carry out a new insurance activity. The Agency received and processed 16 applications for approval of a member of the management board of the insurance company and seven applications for approval of the acquisition of a qualifying holding in the insurance company.

In the previous year, the Agency also received and processed six applications for approval of marketing activities of the insurance company, and issued approval to Allianz Zagreb d.d. to acquire Allianz Usluge d.d.

In the course of 2011, the Agency issued 18 licences to perform insurance representation activities to insurance agencies and 23 licences to perform insurance representation activities to owners of insurance representation trades. Four licences were issued to insurance agencies and two licences to owners of insurance representation trades to conduct insurance representation business at vehicle roadworthiness test garages. Prior approval to carry out insurance representation business was issued to Raiffeisen stambena štedionica d.d. Four licences were issued to insurance and reinsurance brokerage companies to conduct insurance brokerage business.

On the basis of received notifications of cessation of business operations, 18 decisions were adopted determining that the licence to conduct insurance representation business of insurance agencies ceased to be valid and 15 decisions were adopted determining that the licence to conduct insurance representation business of insurance representation trades ceased to be valid. One decision was adopted determining that the licence to conduct insurance representation business at the vehicle roadworthiness test garage issued to an insurance agency ceased to be valid and one decision was adopted determining that the licence to conduct insurance representation business at the vehicle roadworthiness test garage issued to the owner of an insurance representation trade ceased to be valid. Two decisions were adopted determining that the licence to conduct insurance and reinsurance brokerage business ceased to be valid.

Seven licences of insurance agencies and eleven licences of insurance representation trades to conduct insurance representation business were revoked following violations established in business operations. Following violations established in business operations, one licence to conduct insurance and reinsurance brokerage

business was also revoked of an insurance and reinsurance brokerage company.

In 2011, seven examination terms were organised for applicants taking the examination in order to obtain the authorisation to carry on insurance representation or insurance and reinsurance brokerage business. A total of 1,698 candidates took the examination to obtain the authorisation to carry on insurance representation business, out of which 1,216 candidates passed. A total of 28 candidates sat the examination in order to obtain the authorisation to carry on insurance and reinsurance brokerage business, out of which 18 candidates passed. Following violations established in business operations, two authorisations to conduct insurance representation business were revoked.

Following the receipt of the applications, 12 certificates of the recognition of examinations taken with the Croatian Actuarial Association were issued and 12 authorisations were issued to carry on activities of a certified actuary.

Upon the receipt of the applications, the Agency also issued seven opinions related to the application of the Insurance Act and the Act on Compulsory Insurance within the Transport Sector. Pursuant to the provisions of the Ordinance on the content of regular reports and reports submitted at the request of the Croatian Financial Services Supervisory Agency (Official Gazette 97/09), the Agency received reports of insurance and reinsurance companies, insurance agencies, insurance representation trades and insurance and reinsurance brokerage companies and verified their compliance with the law, taking adequate measures where appropriate. In the course of the previous year, a representative of the Agency participated in the sessions of the Insurance Ombudsman Council.

4.3 Insurance Market Supervision

Within the framework of its competence, the Agency carries out on-going supervision of supervised entities and initiates on-site and off-site examinations. On-site examinations are defined based on an annual on-site examination plan while off-site examinations are initiated based on financial, statistical and supervisory reports received.

During 2011, the Agency carried out 35 examinations within the insurance market, 15 of which were off-site examinations and 20 were on-site examinations.

On-site supervision of insurance companies, reinsurance companies, insurance and reinsurance brokers, insurance agents and

insurance representation trades was conducted on the basis of the Annual Examination Plan for 2011, adopted by the Management Board of the Agency and based on selected requirements and risk parameters.

During 2011, the Agency carried out 20 on-site examinations, out of which three examinations were initiated in 2010 and completed in 2011. Out of 17 on-site examinations initiated in 2011, 15 examinations were completed and followed by relating reports, while the remaining two examinations continued into 2012.

Out of the 20 on-site examinations, 14 examinations related to the supervision of insurance companies, three examinations related to the supervision of insurance agencies, two examinations related to the supervision of insurance representation trades, and one examination related to the supervision of a bank conducting insurance representation business.

Supervision of insurance companies covered the following matters: conclusion of insurance agreements, risk management relating to insurance business operations, risk management relating to the security and adequacy of the IT system, risk management relating to investments in loans, conclusion of motor vehicle liability insurance agreements, application of the Act on the Prevention of Money Laundering and Terrorist Financing, verification of the elimination of violations and irregularities established, accuracy of financial, statistical and supervisory reports and adequacy of assets covering technical provisions. Issues relating to the prevention of money laundering and terrorist financing were addressed within the framework of six on-site examinations of insurance companies and followed by two decisions adopted by the Agency ordering measures for the elimination of violations and irregularities established.

Supervision of insurance agencies, insurance representation trades and a bank conducting insurance representation business covered the alignment of insurance representation activities with the Insurance Act.

Violations and irregularities established during the examination of insurance companies related to capital inadequacy, lack of internal procedures, ensuring risk monitoring and adoption of risk mitigation measures, lack of an appropriate internal control and internal audit system, keeping of business books and documents, forming and recording of value adjustments, non-compliance with the Premium System and Conditions for Motor Vehicle Liability Insurance, conclusion of insurance agreements, processing of claims and settled claims, risk management related to

the security and adequacy of IT system, receipt of annual cash payments of life assurance premiums in amounts higher than allowed by the Act on the Prevention of Money Laundering and Terrorist Financing, non-compliance of investments of assets covering mathematical provisions with legislation and subordinate legislation, non-compliance of investments of assets covering technical provisions with legislation and subordinate legislation and incomplete asset coverage of technical provisions.

In the course of examinations of insurance agencies, insurance representation trades and a bank conducting insurance representation business, violations and irregularities established related to the conduct of insurance representation business by natural persons not having a licence of the supervisory authority and lack of liability insurance or adequate guarantee for the conduct of business.

The violations and irregularities established resulted from the non-compliance with the provisions of the Insurance Act, Act on Compulsory Insurance within the Transport Sector, Accounting Act and International Financial Reporting Standards, Civil Obligations Act and Act on the Prevention of Money Laundering and Terrorist Financing, as well as regulations adopted on the basis thereof.

4.4 Croatian Insurance Bureau

Pursuant to Article 271, paragraph 5 of the Insurance Act, business operations of the Croatian Insurance Bureau (hereinafter referred to as: the Bureau) are financed by insurance companies as members of the Bureau. Membership in the Bureau is mandatory for insurance companies engaged in compulsory insurance within the transport sector, while other insurance and reinsurance companies voluntarily join the Bureau. In 2011, the Bureau had 20 members, out of which 15 were mandatory and five voluntary members.

Financial business operations of the Bureau (regular business operations of the Bureau) as well as financial business operations of the Guarantee Fund for 2011 are presented in the report submitted to the Agency by the Bureau.

The Guarantee Fund is composed of assets of the Bureau intended for meeting liabilities on the basis of: claims arising from accidents occurring outside the territory of the Republic of Croatia in an EU member state or another member state within the Green Card System, caused by insured and uninsured vehicles for which the Bureau provides a guarantee to the foreign national insurance bureau, claims arising from accidents occurring outside the territory of the Republic of Croatia in an EU member state caused by a vehicle bearing a foreign registration plate issued on the basis of Article 35, paragraph 1 of the Act on Compulsory Insurance within the Transport Sector, claims arising from accidents occurring outside the territory of the Republic of Croatia in an EU member state or another member state within the Green Card System, claims arising from accidents occurring in the territory of the Republic of Croatia caused by uninsured vehicles, claims arising on account of death, bodily injury or deterioration of health caused in the territory of the Republic of Croatia by unidentified means of transportation, claims arising from accidents occurring in the territory of the Republic of Croatia caused by vehicles bearing a foreign registration plate, claims arising from losses due to destruction of or damage to property caused in the territory of the Republic of Croatia by unidentified vehicles, claims which could not be collected as a result of dissolution or liquidation of the insurance company and the insured amount if the owner of the vehicle which serves for transportation of passengers, contrary to Article 21 of the Act on Compulsory Insurance within the Transport Sector has not concluded a contract of insurance covering passengers in public transportation against personal accident, or if the insured amount has not been paid out because of the dissolution or liquidation of the insurance company. Costs resulting from processing of claims are also compensated from the funds of the Guarantee Fund; however the funds of the Guarantee Fund may not be used to compensate damage caused by vehicles bearing a foreign registration plate travelling in the territory of the Republic of Croatia on the basis of special agreements to which the Republic of Croatia is a signatory, if such vehicles do not have international documents or evidence on the existence of motor vehicle liability insurance.

4.4.1 Regular Business Operations

Table 4.4.1 Abbreviated balance sheet of regular business operations of the Bureau as at 31 December 2010 and 31 December 2011 (in HRK thousand)

No.	Item	31 Dec 2010	31 Dec 2011	Share		Index 2011/2010
				31 Dec 2010	31 Dec 2011	
ASSETS						
Total assets		8,391	10,222	100.00%	100.00%	121.82
1	Non-financial assets	6,988	7,219	83.29%	70.63%	103.30
2	Financial assets	1,403	3,003	16.71%	29.37%	214.08
LIABILITIES						
Total liabilities and own funds		8,391	10,222	100.00%	100.00%	121.82
1	Liabilities	3,790	4,117	45.17%	40.28%	108.63
2	Sources of financing	4,601	6,105	54.83%	59.72%	132.69

Source: HANFA

According to the balance sheet as at 31 December 2011, the total assets of the Bureau amounted to HRK 10.2m, with financial assets reaching HRK 3.0m and non-financial assets totalling HRK 7.2m. The reported assets increased by 21.8% compared to 2010, which was due to the growth in financial assets, namely shares and units, which recorded an amount higher by HRK 1.0m or 222.2% relative to 2010. The total liabilities of the Bureau at end-2011 stood at HRK 4.1m, rising by 8.6% in comparison with the

previous year. Sources of financing totalled HRK 6.1m, and were comprised of own funds (funds of the establisher) in the amount of HRK 68.0 thousand and excess of income over expenses in the amount of HRK 6.0m. The excess of income was accounted for by funds unspent since the beginning of the Bureau's business operations and all purchases of long-term assets from funds planned in the budget, reduced by the long-term asset value impairment.

Table 4.4.2 Income and expenses from regular business operations of the Bureau for 2010 and 2011 (in HRK thousand)

No.	Item	2010	2011	Index 2011 / 2010
A	Income	10,391	13,765	132.47
1	Total income from regular business	8,797	12,996	147.73
2	Total income - taxable activity	1,594	769	48.22
B	Expenses	12,340	12,004	97.28
1	Total expenses from regular business	10,410	11,027	105.92
2	Total expenses - taxable activity	1,930	977	50.63
C	Profit/loss	-1,949	1,760	-

Source: HANFA

Total income of the Bureau in the period from January to December 2011 amounted to HRK 13.8m, growing by 32.5% compared to the previous year. Income from regular business operations made up 94.4%, while income from taxable activity accounted for 5.6% of total income. Total expenses stood at HRK 12.0m, decreasing by 2.7% compared to 2010. The largest share in

the structure of total expenses was accounted for by expenses from regular business operations (91.9%), with functional expenses accounting for the largest share (52.0%), followed by salaries and fees (45.6%). Total expenses from taxable activity made up 8.1% of the total expenses of the Bureau. The excess of income over expenses amounted to HRK 1.8m.

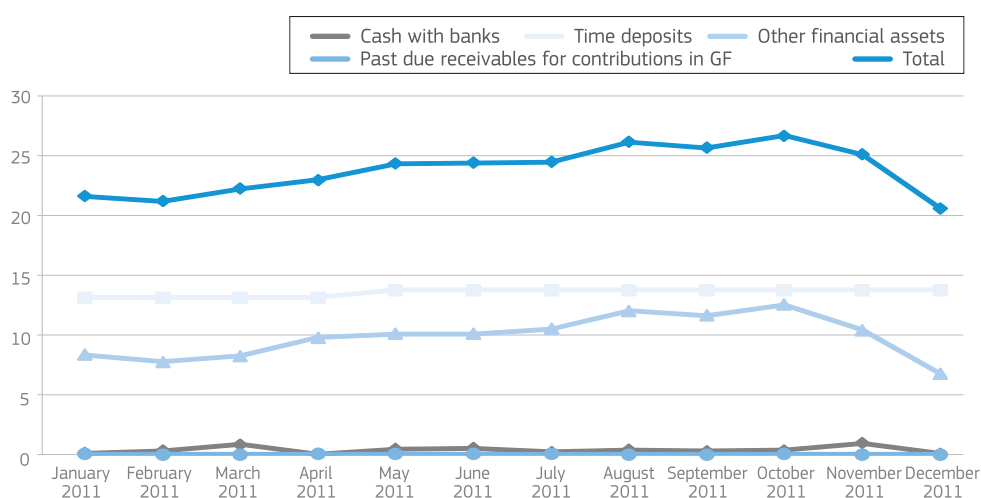
4.4.2 Guarantee Fund

Pursuant to Article 45 paragraph 1 of the Act on Compulsory Insurance within the Transport Sector, the insurance company conducting compulsory insurance business within the transport sector is obliged to pay contributions to the Bureau for the Guarantee Fund, proportionally to the premium earned in a certain class of compulsory insurance in the previous year.

The Ordinance on the method of calculating and time limits for paying contributions and on the manner of maintaining and using assets

intended for meeting liabilities of the Guarantee Fund (Official Gazette 139/06) defines the method of calculating and time limits for paying contributions, the manner of maintaining and using assets intended for meeting liabilities of the Guarantee Fund, as well as time limits for submitting reports on assets intended for meeting liabilities of the Guarantee Fund. The Bureau is obliged to separate assets of the Guarantee Fund from other assets and keep it on a special account.

Chart 4.4.1 Assets of the Guarantee Fund from 1 January 2011 to 31 December 2011 (in HRK million)



Source: HANFA

According to the data from the balance sheet of the Guarantee Fund, the total assets and liabilities of the Guarantee Fund as at 31 December

2011 amounted to HRK 21.8m, falling by 4.1% compared to the previous year.

Table 4.4.3 Abbreviated balance sheet of the Guarantee fund as at 31 December 2010 and 31 December 2011 (in HRK thousand)

No.	Item	31 Dec 2010	31 Dec 2011	Share		Index 2011/2010
				31 Dec 2010	31 Dec 2011	
ASSETS						
	Total assets	22,693	21,760	100.00%	100.00%	95.89
1	Non-financial assets	0	0	0.00%	0.00%	
2	Financial assets	22,693	21,760	100.00%	100.00%	95.89
LIABILITIES						
	Total liabilities and own funds	22,693	21,760	100.00%	100.00%	95.89
1	Liabilities	246	544	1.08%	2.50%	221.54
2	Sources of finance	22,447	21,216	98.92%	97.50%	94.52

Source: HANFA

4.5 Croatian Nuclear POOL Economic Interest Grouping

Pursuant to Article 270, paragraph 1 of the Insurance Act, two or more insurance or reinsurance companies may, for the purpose of carrying on insurance or reinsurance business covering risks of liability claims for great damage arising from nuclear energy or for other great damage, establish an insurance or reinsurance pool. The only association of such nature in the Republic of Croatia is the Croatian Nuclear POOL for Insurance and Reinsurance against Nuclear Risks EIG¹³ (hereinafter referred to as: CN POOL), consisting of five members as at 31 December

2011, namely Allianz Zagreb d.d., Croatia Lloyd d.d., Croatia osiguranje d.d., Generali osiguranje d.d. and Triglav osiguranje d.d.

In accordance with the agreement of establishment, members of the CN POOL jointly take on extraordinary risks with respect to insurance, co-insurance and reinsurance of nuclear plants in Croatia and abroad, i.e. risks with respect to the exploitation of nuclear power for peacetime purposes.

4.5.1 Balance Sheet

As at 31 December 2011, the total value of CN POOL assets amounted to HRK 76.4m, increasing by 9.6% in comparison with end-2010. The total asset structure was dominated by cash at bank and in hand (97.6%), amounting to HRK 74.6m and mostly relating to foreign exchange account (HRK 59.8m) and giro account (HRK 14.8m). These amounts were made up of time

deposits generated by the CN POOL through its business operations, as well as through sidelines connected with its main activities for the purpose of ensuring the safest possible placements and the most favourable possible financial effects. The largest liability share (90.6%) related to the provisions totalling HRK 69.2m and increasing by HRK 6.1m or 9.6% compared to the previous year.

Table 4.5.1 Abbreviated balance sheet as at 31 December 2010 and 31 December 2011 (in HRK thousand)

No.	Item	31 Dec 2010	Share	31 Dec 2011	Share	Index 2011/2010
I	Fixed assets	228	0.33%	426	0.56%	186.68
II	Financial assets	227	0.33%	192	0.25%	84.56
III	Receivables arising from ins. business	0	0.00%	0	0.00%	-
IV	Receivables arising from reins. business	0	0.00%	0	0.00%	-
V	Other receivables	648	0.93%	1,189	1.56%	183.34
VI	Cash at bank and in hand	68,553	98.41%	74,558	97.63%	108.76
VII	Prepayments	8	0.01%	4	0.01%	55.89
	TOTAL ASSETS	69,664	100.00%	76,368	100.00%	109.62
I	Capital	0	0.00%	0	0.00%	-
II	Revaluation and POOL reserves	19	0.03%	19	0.03%	100.00
III	Retained profit	87	0.12%	112	0.15%	129.36
IV	Profit or loss of the current year	25	0.04%	21	0.03%	83.56
V	Reserves	63,085	90.56%	69,164	90.57%	109.64
VI	Current liabilities	6,011	8.63%	6,616	8.66%	110.06
VII	Accruals	0	0.00%	0	0.00%	-
VIII	Deferred income	380	0.54%	380	0.50%	100.00
IX	Liability accounts - payables	56	0.08%	56	0.07%	100.00
	TOTAL LIABILITIES	69,664	100.00%	76,368	100.00%	109.62

Source: HANFA

¹³ Pursuant to Article 583 of the Companies Act (Official Gazette 152/11), an economic interest grouping (EIG) is a legal person established by two or more natural or legal persons with the aim of facilitating and promoting economic activities which constitute the scope of their business operations, and of improving the effect of those operations, provided that that legal person does not generate profits for itself.

4.5.2 Profit and Loss Account

In the period from 1 January to 31 December 2011, the CN POOL generated profit totalling HRK 37.8 thousand and decreasing by 9.8% compared to the previous year. Total income amounted to HRK 18.6m, increasing by 16.4% compared with 2010.

The largest income share was accounted for by premiums for active reinsurance against foreign risks, which amounted to HRK 9.7m, increasing by 42.1% compared to the previous year.

Domestic risk insurance premium totalled HRK 6.2m, increasing by 0.6% relative to the previous year. Considering the fact that the CN POOL generates part of its income arising from insurance and reinsurance business abroad, it was exposed to the effects of the global economic crisis, and especially to the events in Japan at the beginning of 2011 (the earthquake which damaged the Fukushima Daiichi Nuclear Power Plant). Although reinsurance premium payments by ceding companies were slow in 2010, the payment improved in 2011, resulting in partial collection of premiums for active reinsurance, which was supposed to be collected in the previous calendar year.

Interest income amounting to HRK 2.5m increased by 74.9% compared to the previous year, partially as a result of the change in the method of recording interest calculation in 2011. Furthermore, due to the structure of currencies in which CN POOL holds deposits with domestic banks, as well as due to the money market trends, positive exchange rate differences (HRK 3.4m) significantly outweighed the negative ones (HRK 1.4m), which contributed greatly to profit generation. Other income was significantly lower (by 95.7%) compared to 2010, as a result of a large increase in the said income in 2010, considering the fact that as at 31 December 2010 a significant part of the regular claim reserves was released.

Total expenses stood at HRK 18.6m, increasing by 16.5% relative to the previous year. Provisions, comprised of provisions for claims, provisions for bonuses and discounts, provisions for unearned premiums and other technical provisions, amounted to HRK 8.3m, growing by 62.3% compared to 2010. During 2011, claimed and paid damage for reinsured foreign risks rose by 26.2% in comparison with 2010, although not having any significant impact on reported positive business results.

Table 4.5.2 Profit and loss account for 2010 and 2011 (in HRK thousand)

No.	Item	2010	2011	Index 2011/2010
I	Income	15,973	18,597	116.43
1	Insurance premium	6,123	6,157	100.55
2	Insurance premium - prevention (1%)	62	62	100.55
3	Reinsurance premium	6,857	9,745	142.13
4	Unearned premium of ins. and reins.	480	2,235	465.71
5	Shares in claims	0	0	0.00
6	Premiums ceded to reinsurance (-)	-5,555	-5,530	99.53
7	Interest income	1,438	2,515	174.91
8	Exchange rate differences	5,508	3,366	61.12
9	Other income	1,061	45	4.28
II	Expenses	15,931	18,559	116.50
1	Fire-service contribution	1	3	280.36
2	Co-insurance premium	53	54	100.88
3	Co-reinsurance premium	3,858	4,450	115.36
4	Claims-paid	623	787	126.22
5	Provisions for claims	1,907	4,454	233.54
6	Provisions for bonuses and discounts	0	0	0.00
7	Unearned premiums	2,235	2,763	123.61
8	Other technical provisions	978	1,096	112.05
9	Commissions and expenses	575	1,065	185.36
10	Exchange rate differences	3,078	1,402	45.55
11	Operational expenses of the POOL	2,261	2,353	104.06
12	Other expenses	360	131	36.48
III	Profit	42	38	90.20

Source: HANFA

Operating expenses of the CN POOL are financed by insurance and active reinsurance premiums, as well as by generated interest income, which in 2011 amounted to HRK 18.4m, increasing by 27.7% compared to the previous year, partly due

to the change in the method of recording interest calculation in 2011. Tangible and intangible expenses, in the total amount of HRK 2.4m, increased by 4.1% compared to 2010.



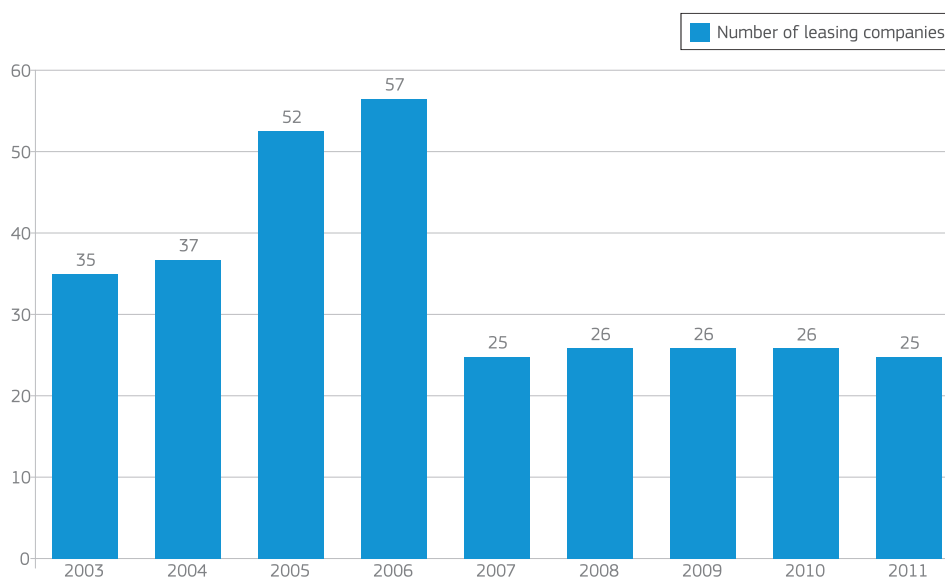
[5 LEASING

5 LEASING

As at 31 December 2011, there were 25 leasing companies conducting leasing operations in the Republic of Croatia, while in the period from 2008 to 2010 leasing operations were performed by 26 leasing companies. The number of leasing

companies declined due to the fact that in June 2011 the Agency adopted a decision revoking the operating licence of Immoconsult d.o.o. (legal successor of Immoconsult Leasing d.o.o.).

Chart 5.1 Number of leasing companies in the Republic of Croatia in the 2003-2011 period



Source: Croatian National Bank (2003-2005), HANFA (2006-2011)

5.1 Market Description

The slowdown in economic activities seen in 2011 continued to adversely affect the leasing industry in the Republic of Croatia, which was in 2011 marked by a further slowdown in business activities due to a decreased level of investment spending (investments), and problems in the collection of receivables. Consequently, the leasing industry in the Republic of Croatia has been recording a decrease in the volume of business operations (values of newly concluded contracts) for three consecutive years. However, during 2011, the decrease was significantly smaller than in 2010 and 2009.

The ownership structure (with respect to direct resident ownership) of the 25 leasing companies operating in 2011 did not change compared to the previous year: five leasing companies were in direct resident ownership, whereas 20 leasing

companies were owned by non-residents. Viewed by indirect ownership of subscribed (initial) capital, only three leasing companies, as in the previous year, were owned by residents (Alfa Leasing d.o.o., Croatia Leasing d.o.o. and Euroleasing d.o.o.), whereas all the remaining leasing companies were in the ownership of non-residents, in the majority ownership of foreign banks and financial institutions or their affiliated companies.

As at 31 December 2011, the total assets of the 25 leasing companies¹⁴ amounted to HRK 25.6bn, declining by HRK 2.5bn or 8.8% compared to 2011.

The value of newly concluded contracts amounted to HRK 5.6bn, falling by HRK 136.4m or 2.4% relative to 2010.

¹⁴ Data for the leasing industry presented in the Annual Reports for 2010 and 2011 are based on annual financial and additional reports for the period from 1 January to 31 December 2011 for 25 leasing companies having delivered their reports to the Agency pursuant to the Ordinance on the structure and content of financial statements and additional reports of leasing companies and on the manner of and time limits for their submission (Official Gazette 124/10). For the purpose of comparison, data as at 31 December 2010 relate to data delivered to the Agency as at 31 December 2011 (for the previous year) by the 25 leasing companies. Data presented in the 2011 Annual Report can vary from data in the Annual Reports of the Agency for 2006-2010 due to the application of the provisions of the Accounting Act (Official Gazette 109/07), Leasing Act, International Financial Reporting Standards (Official Gazette 136/09, 08/10, 18/10, 27/10, 65/10, 120/10, 58/11 and 140/11), as well as due to actions taken by leasing companies in accordance with instructions contained in reports of the Agency following examinations carried out.

Table 5.1.1 Assets, value of newly concluded contracts, value of active contracts and number of persons employed in the leasing industry for the period 31 December 2006 – 31 December 2011

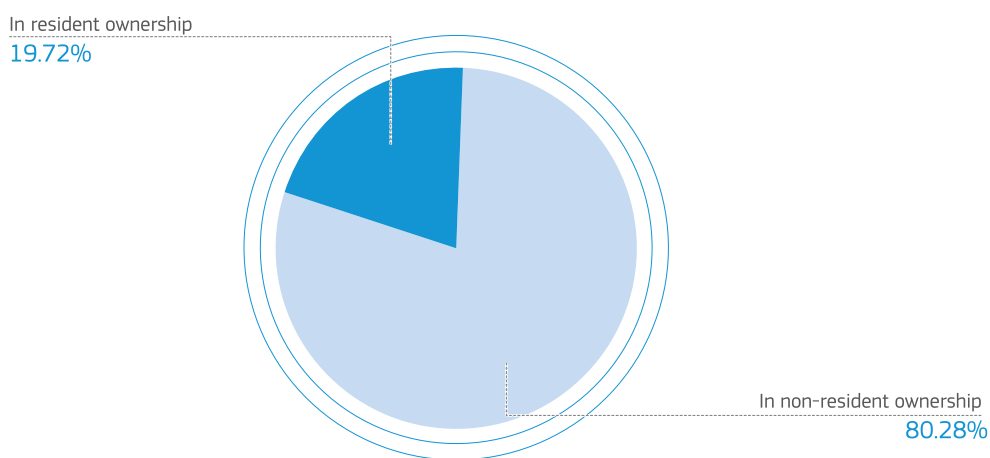
Date	Total assets (in HRK thousand)	Value of newly concluded contracts (in HRK thousand)	Value of active contracts (in HRK thousand)	Number of employees
31 Dec 2006	26,968,591	13,344,149	22,053,947	868
31 Dec 2007	30,303,865	13,816,970	26,510,657	997
31 Dec 2008	35,067,935	15,464,017	30,881,104	1,007
31 Dec 2009	33,665,809	8,212,235	27,125,757	992
31 Dec 2010	28,069,563	5,701,295	21,739,979	989
31 Dec 2011	25,599,674	5,564,905	19,337,766	958

Source: HANFA

According to the aggregate statement of financial position of the leasing industry, the total reported subscribed (initial) capital of the 25 leasing companies at end-2011 amounted to HRK

725.7m, with the share of non-resident capital accounting for 80.3% or HRK 582.6m and 19.7% or HRK 143.1m being accounted for by initial capital in direct resident ownership.

Chart 5.1.1 Structure of the initial capital of leasing companies by capital origin as at 31 December 2011



Source: HANFA

5.2 Asset Structure

According to the data from the aggregate statement of financial position of the leasing industry, the total assets of the 25 leasing companies amounted to HRK 2.5bn or 8.8% compared to the aggregate assets of the 25 leasing companies on the same day in the previous year. This was due, among other things, to the decrease in the value of newly concluded contracts, as well as to value adjustment costs (costs for value adjustment for impairment losses).

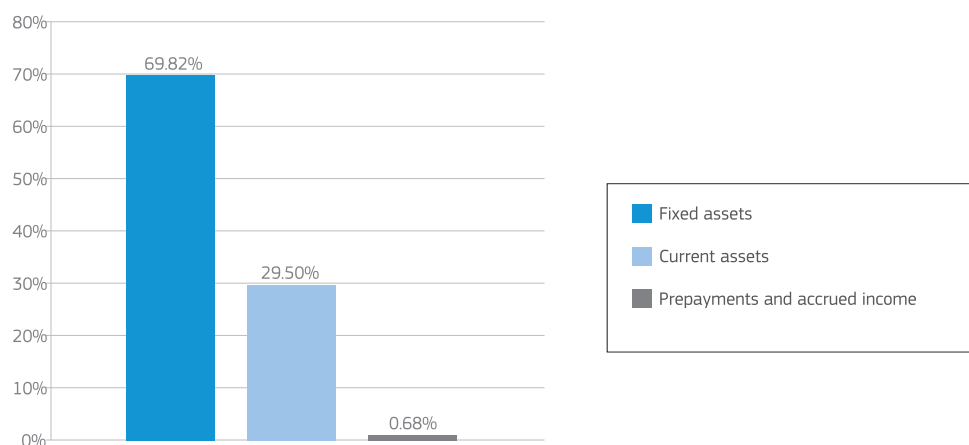
In the total asset structure, the largest share (69.8%), like in the previous year, was accounted for by fixed assets, while current assets comprised 29.5% of total assets. It is important to point out that current assets declined by HRK 136.2m (1.8%) compared to the previous year, while fixed assets went down by as much as HRK 2.3bn (11.4%).

Table 5.2.1 Comparative aggregate overview of leasing industry assets as at 31 December 2010 and 31 December 2011 (in HRK thousand)

ASSETS	31 Dec 2010	31 Dec 2011	Index 31 Dec 2011/31 Dec 2010
FIXED ASSETS	20,164,349	17,873,417	88.64
Intangible assets	36,319	29,841	82.16
Tangible assets	8,617,675	7,344,760	85.23
Fixed financial assets	1,090,306	856,374	78.54
Long-term receivables	10,329,219	9,509,758	92.07
Deferred tax assets	90,830	132,683	146.08
CURRENT ASSETS	7,689,345	7,553,143	98.23
Inventories	460,211	611,437	132.86
Short-term receivables	5,026,184	4,729,156	94.09
Current financial assets	1,520,118	1,583,160	104.15
Cash at bank and in hand	682,833	629,389	92.17
Prepayments and accrued income	215,869	173,114	80.19
TOTAL ASSETS	28,069,563	25,599,674	91.20
Active off-balance sheet items	2,127,613	2,983,689	140.24

Source: HANFA

Chart 5.2.1 Leasing industry asset structure as at 31 December 2011



Source: HANFA

As at 31 December 2011, finance lease receivables amounted to HRK 13.8bn, accounting for 53.9% of the total assets of the 25 leasing companies, and decreasing by HRK 1.1bn or 7.2% compared to the previous year. Short-term receivables made up HRK 4.3bn, whereas long-term receivables accounted for HRK 9.5bn of total receivables.

Tangible assets under operating leases and operating lease receivables amounted to HRK 7.4bn, making up 29.0% of total assets, and recording a decrease of HRK 1.1bn or 13.1% compared to the previous year. Loans amounted to HRK 1.6bn or 6.4% of assets, declining by HRK 248.2m or 13.1% compared to 2010. Deposits

given totalled HRK 452.7m or 1.8% of assets, falling by HRK 149.8m or 49.5%. It is worth mentioning that in the structure of total loans a 63.5% share was accounted for by short-term loans, while in the structure of deposits given a 96.7% share was made up of short-term deposits given. Other asset items amounted to a total of HRK 2.3bn or 8.9% of assets.

The share of the top five leasing companies by asset level in total assets declined in 2011 compared to the previous year (from 60.9% as at 31 December 2010 to 58.7% as at 31 December 2011), pointing to a lower concentration rate in the leasing industry.

Table 5.2.2 Comparative overview of assets by leasing company as at 31 December 2010 and 31 December 2011 (in HRK thousand)¹⁵

No.	Company	31 Dec 2010	Share	31 Dec 2011	Share
1	ALD Automotive d.o.o.	285,132	1.02%	317,627	1.24%
2	Alfa Leasing d.o.o.	10,302	0.04%	21,400	0.08%
3	Austrofin Leasing d.o.o.	35,787	0.13%	12,872	0.05%
4	BKS - Leasing Croatia d.o.o.	440,138	1.57%	433,341	1.69%
5	Croatia Leasing d.o.o.	182,041	0.65%	119,386	0.47%
6	Erste & Steiermärkische S-Leasing d.o.o.	2,863,136	10.20%	2,569,436	10.04%
7	Erste Group Immorent Leasing d.o.o.	1,506,168	5.37%	1,366,522	5.34%
8	Euroleasing d.o.o.	683,244	2.43%	612,509	2.39%
9	Hypo - Leasing Steiermark d.o.o.	262,502	0.93%	310,598	1.21%
10	Hypo Alpe-Adria-Leasing d.o.o.	486,938	1.73%	528,133	2.06%
11	Hypo Leasing Kroatien d.o.o.	6,060,261	21.59%	4,720,296	18.44%
12	i4next Leasing Croatia d.o.o.	42,271	0.15%	35,876	0.14%
13	Impuls-Leasing d.o.o.	719,190	2.56%	693,563	2.71%
14	KBM Leasing Hrvatska d.o.o.	320,111	1.14%	357,888	1.40%
15	Mercedes-Benz Leasing Hrvatska d.o.o.	1,241,887	4.42%	1,130,945	4.42%
16	Optima Leasing d.o.o.	772,561	2.75%	610,271	2.38%
17	OTP Leasing d.d.	738,404	2.63%	668,566	2.61%
18	PBZ-Leasing d.o.o.	1,362,721	4.85%	1,383,401	5.40%
19	Porsche Leasing d.o.o.	1,205,425	4.29%	1,146,092	4.48%
20	PROleasing d.o.o.	109,150	0.39%	116,931	0.46%
21	Raiffeisen Leasing d.o.o.	2,435,834	8.68%	2,224,250	8.69%
22	Scania Credit Hrvatska d.o.o.	88,421	0.32%	67,940	0.27%
23	SG Leasing d.o.o.	490,526	1.75%	667,708	2.61%
24	UniCredit Leasing Croatia d.o.o.	4,240,286	15.11%	4,117,165	16.08%
25	VB Leasing d.o.o.	1,487,125	5.30%	1,366,958	5.34%
	TOTAL	28,069,563	100.00%	25,599,674	100.00%

Source: HANFA

¹⁵ The former name of Hypo Alpe-Adria-Leasing d.o.o. is Jadran Jahte d.o.o.

5.3 Liability Structure

The largest share (60.9%) in total reported liabilities of the 25 leasing companies was accounted for by long-term liabilities. Short-term liabilities made up 33.6%, recording a slight decrease in the share in total liabilities compared

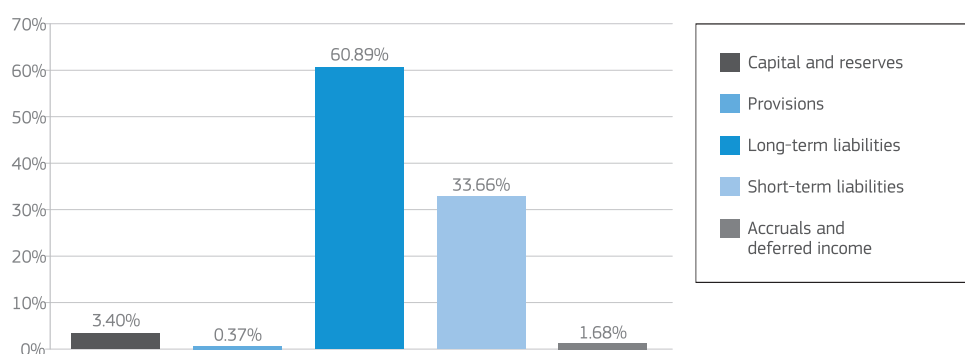
to the previous year, when they accounted for a 36.0% share. Accruals and deferred income made up 1.7%, capital and reserves made up 3.4%, and provisions accounted for 0.4% of all liabilities.

Table 5.3.1 Comparative aggregate overview of leasing industry liabilities as at 31 December 2010 and 31 December 2011 (in HRK thousand)

LIABILITIES	31 Dec 2010	31 Dec 2011	Index 31 Dec 2011/31 Dec 2010
CAPITAL AND RESERVES	92,174	871,327	945.31
Subscribed capital	624,384	725,749	116.23
Provisions	70,917	95,492	134.65
LONG-TERM LIABILITIES	17,337,276	15,587,393	89.91
SHORT-TERM LIABILITIES	10,086,272	8,616,843	85.43
Accruals and deferred income	482,925	428,619	88.75
TOTAL LIABILITIES	28,069,563	25,599,674	91.20
Off-balance sheet liability items	2,127,613	2,983,689	140.24

Source: HANFA

Chart 5.3.1 Leasing industry liability structure as at 31 December 2011



Source: HANFA

The largest share (88.3%) in the total reported liabilities of the 25 leasing companies at end-2011 was accounted for by liabilities for loans of foreign and domestic banks and financial

institutions, which amounted to HRK 22.6bn, recording a decrease of HRK 2.8bn (10.9%) compared to the same day of the previous year, when they totalled HRK 25.4bn.

5.3.1 Capital and Reserves

As at 31 December 2011, capital and reserves of the 25 leasing companies totalled HRK 871.3m, increasing by HRK 779.1m (845.3%) compared to 31 December 2010, when they stood at HRK 92.2m. Subscribed capital grew by HRK 101.4m (16.2%) relative to 2010, while other reserves went up by HRK 851.0m (60.3%). At the same time, the loss carried forward rose by HRK 1.1bn

(117.6%) in comparison with 2010. The reported loss of the current year totalled HRK 132.2m, while in 2010 it amounted to HRK 1.0bn. A positive amount of capital and reserves, totalling HRK 1.0bn, was reported by 24 companies, while one company reported a negative amount (loss above the equity value) reaching HRK 136.2m.

5.3.2 Liabilities

As at 31 December 2011, long-term and short-term liabilities, together with provisions and accruals and deferred income, stood at HRK 24.7bn, declining by HRK 3.2bn or 11.6% compared to the previous year. It should be noted that the leasing industry was mainly financed by loans from foreign banks and financial institutions (in the total value of HRK 21.4bn or 83.8%). Furthermore, liabilities for loans from domestic banks and financial institutions amounted to HRK 1.2bn (4.6% of total liabilities), while liabilities for deposits and guarantees reached HRK 1.3bn (5.1% of total liabilities).

5.4 Financial Operating Results

In the period from 1 January to 31 December 2011, the leasing industry recorded a loss after tax totalling HRK 132.2m, while in 2010 the loss after tax amounted to HRK 1.0bn. In 2011, after-tax profit reaching HRK 253.9m was recorded by 15 companies, whereas after-tax loss in the amount of HRK 386.1m was reported by 10 leasing companies.

Broken down by items, business results in 2011 were mainly affected by expenses on value adjustment for impairment losses, which amounted to HRK 636.3m, and expenses on depreciation of assets in operating lease, totalling HRK 1.8bn. Net negative exchange rate differences in 2011 amounted to HRK 187.1m.

The 2011 structure of revenues and expenditures differed from that in 2010. The interest income recorded in 2011 stood at HRK 382.9m, whereas in 2010 it amounted to HRK 602.8m, decreasing by HRK 219.9m (36.5%). Income from fees and commissions was lower by HRK 20.9m (28.4%) compared to the previous year. Income from other revenues and expenditures reached HRK 86.3m in 2011, while in 2010 it stood at HRK 228.3m. As a result, in 2011, the leasing industry recorded a profit before expenses on value adjustment for impairment losses in the amount of HRK 522.0m, whereas after-tax loss stood at HRK 114.3m.

Table 5.4.1 Comparative aggregate overview of the profit and loss account of the leasing industry in 2010 and 2011 (in HRK thousand)

Item	1 Jan-31 Dec 2010	1 Jan-31 Dec 2011	Index 2011/2010
Interest income	1,261,701	1,103,445	87.46
Interest expenses	658,911	720,533	109.35
Interest profit/loss	602,790	382,911	63.52
Income from fees and commissions	104,418	86,596	82.93
Expenses on fees and commissions	30,769	33,835	109.96
Profit/loss from fees and commissions	73,649	52,761	71.64
Other operating revenues	3,154,525	2,907,686	92.18
Other operating expenditures	3,382,801	2,821,385	83.40
Profit/loss from other revenues and expenditures	-228,276	86,301	-
Profit/loss before expenses on value adjustment for impairment losses	448,163	521,974	116.47
Expenses on value adjustment for impairment losses	1,481,067	636,308	42.96
Profit/loss before income tax	-1,032,904	-114,335	11.07
Income tax	6,051	17,861	295.15
Profit/loss after income tax	-1,038,955	-132,195	12.72

Source: HANFA

The top five leasing companies accounted for 80.1% of the reported after-tax profit (recorded by 15 companies),

whereas the top five leasing companies made up 96.5% of the reported after-tax loss.

5.5 Leasing Industry Portfolio Structure by Periods

In the period from 1 January to 31 December 2011, a total of 30,656 new lease contracts were concluded, their number rising by 2,210 or 7.8% than in the same period in 2010. The total value

of newly concluded contracts amounted to HRK 5.6bn, recording a decrease of HRK 136.4m or 2.4% compared to the value of newly concluded contracts in 2010.

Table 5.5.1 Leasing industry portfolio structure as at 31 December 2010 and 31 December 2011

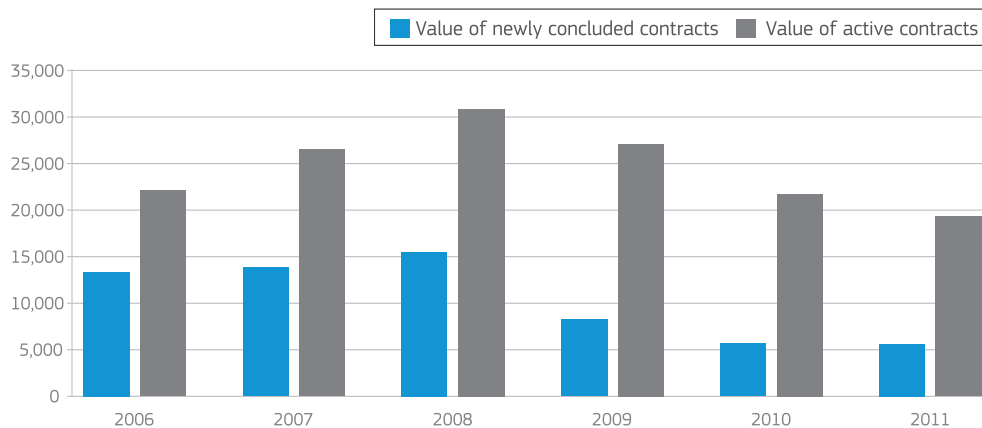
Date/ period from 1 Jan to	Newly concluded contracts in the period			Active contracts as at		
	Number of newly concluded contracts	Value of newly concluded contracts (in HRK thousand)	Average value of newly concluded contracts (in HRK thousand)	Number of active contracts	Value of active contracts (in HRK thousand)	Average value of active contracts (in HRK thousand)
31 Dec 2010	28,446	5,701,295	200	154,612	21,739,979	141
31 Dec 2011	30,656	5,564,905	182	138,893	19,337,766	139

Source: HANFA

As at 31 December 2011, there were a total of 138,893 active contracts, their number decreasing by 15,719 or 10.2% compared to the same day of the previous year. The value of active contracts

of the leasing industry as at 31 December 2011 amounted to HRK 19.4bn, recording a decrease of HRK 2.4bn or 11.0% compared to end-2010.

Chart 5.5.1 Value of newly concluded and active contracts in the 2006-2011 period (in HRK million)



Source: HANFA

The share of finance lease in the structure of the number of newly concluded contracts in 2011 stood at 48.7%, whereas the share of operating lease reached 51.3%. This structure was different compared to the one in 2010, when the share of finance lease accounted for 55.0%, and the share of operating lease made up 45.0% of the total

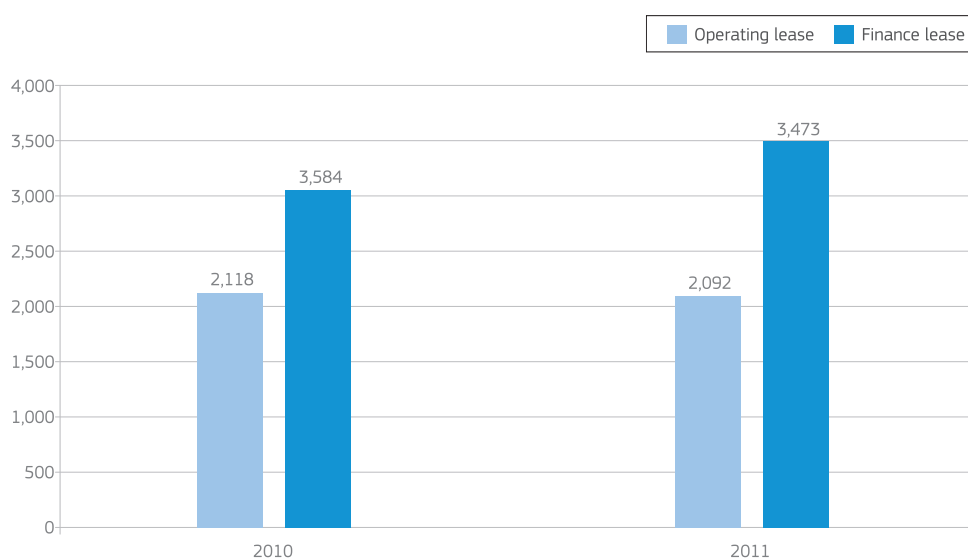
value of newly concluded contracts. The structure of the value of newly concluded contracts changed as well. The share of finance lease in the total value of newly concluded contracts declined slightly, from 62.9% in 2010 to 62.4% during 2011, whereas the share of operating lease rose from 37.1% to 37.6%.

Table 5.5.2 Comparative overview of the number and value of newly concluded contracts in the leasing industry in 2010 and 2011

Lease type/ period	Number of newly concluded contracts in the period			Value of newly concluded contracts in the period (in HRK thousand)		
	1 Jan-31 Dec 2010	1 Jan-31 Dec 2011	Index 2011/2010	1 Jan-31 Dec 2010	1 Jan-31 Dec 2011	Index 2011/2010
Operating lease	12,803	15,716	122.75	2,117,755	2,091,842	98.78
Finance lease	15,643	14,940	95.51	3,583,540	3,473,063	96.92
TOTAL	28,446	30,656	107.77	5,701,295	5,564,905	97.61

Source: HANFA

Chart 5.5.2 Leasing industry portfolio structure – comparison of the values of newly concluded contracts by periods (in HRK million)



Source: HANFA

In the structure of the number of active contracts, the share of finance lease grew from 47.3% as at 31 December 2010 to 49.3% as at 31 December 2011. At the same time, the share of operating lease in the total number of active contracts fell slightly, from 47.8% as at 31 December 2010 to 47.6% as at 31 December 2011. The share of loans in the total number of active contracts declined from 4.9% as at 31 December 2010 to 3.1% as at 31 December 2011.

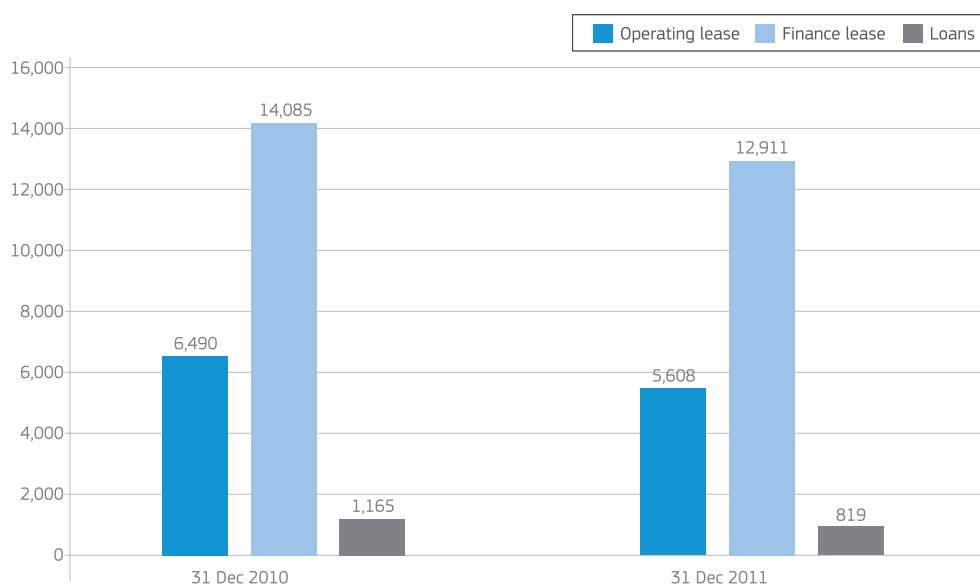
In the structure of the value of active contracts, the share of finance lease recorded an increase from 64.8% as at 31 December 2010 to 66.8% as at 31 December 2011. The share of operating lease in the total value of active contracts amounted to 29.0% as at 31 December 2011, declining compared to end-2010, when it stood at 29.8%. At the same time, the share of loans in the total value of active contracts fell from 5.4% in 2010 to 4.2% in 2011.

Table 5.5.3 Comparative overview of the number and value of active contracts in the leasing industry in 2010 and 2011

Investment type/ as at	Number of active contracts as at			Value of active contracts as at (in HRK thousand)		
	31 Dec 2010	31 Dec 2011	Index 2011/2010	31 Dec 2010	31 Dec 2011	Index 2011/2010
Operating lease	73,909	66,058	89.38	6,490,073	5,607,773	86.41
Finance lease	73,120	68,535	93.73	14,085,258	12,910,956	91.66
Loans	7,583	4,300	56.71	1,164,649	819,037	70.32
TOTAL	154,612	138,893	89.83	21,739,979	19,337,766	88.95

Source: HANFA

Chart 5.5.3 Leasing industry portfolio structure – comparison of the values of active contracts as at 31 December 2010 and 31 December 2011 (in HRK million)



Source: HANFA

5.6 Leasing Industry Portfolio Structure by Leased Assets

The largest number and the highest value of newly concluded contracts by leased assets in 2011 were related to passenger cars, followed by commercial vehicles. In 2011, the portfolio structure of newly concluded contracts by leased assets saw an increase in the total number of newly concluded contracts, at the same time recording a decrease in the total value of newly concluded contracts compared with the same period of the previous year.

The largest increase in the number of newly concluded contracts (a rise of 2,916 contracts or 13.9%) compared to 2010 related to passenger cars, whereas commercial vehicles recorded a decline in the number of newly concluded contracts (a fall of 712 contracts or 15.2%) relative to 2010.

Table 5.6.1 Comparison of the number of newly concluded contracts in the leasing industry by leased assets in 2010 and 2011

Leased asset	Number of newly concluded contracts in the period				
	1 Jan-31 Dec 2010	Share	1 Jan-31 Dec 2011	Share	Index 2011/2010
Property	173	0.61%	134	0.44%	77.46
Passenger cars	20,989	73.79%	23,905	77.98%	113.89
Commercial vehicles	4,671	16.42%	3,959	12.91%	84.76
Vessels	228	0.80%	238	0.78%	104.39
Aircraft	0	0.00%	0	0.00%	0.00
Plant, machinery, transport machines and equipment	1,893	6.65%	1,936	6.31%	102.27
Other	492	1.73%	484	1.58%	98.37
TOTAL	28,446	100.00%	30,656	100.00%	107.77

Source: HANFA

The largest decrease in the value of newly concluded contracts was recorded by property (a decrease of HRK 208.1m or 20.0%), whereas the

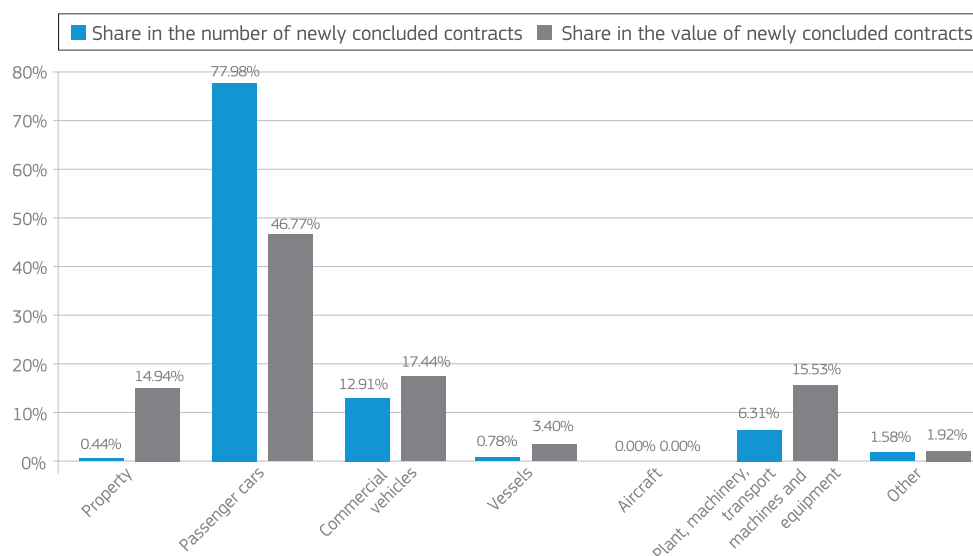
largest increase was recorded by passenger cars (an increase of HRK 253.0m or 10.8%).

Table 5.6.2 Comparison of the value of newly concluded contracts in the leasing industry by leased assets in 2010 and 2011 (in HRK thousand)

Lased asset	Value of newly concluded contracts in the period				
	1 Jan-31 Dec 2010	Share	1 Jan-31 Dec 2011	Share	Index 2011/2010
Property	1,039,325	18.23%	831,243	14.94%	79.98
Passenger cars	2,349,905	41.22%	2,602,931	46.77%	110.77
Commercial vehicles	947,853	16.63%	970,400	17.44%	102.38
Vessels	263,068	4.61%	189,419	3.40%	72.00
Aircraft	0	0.00%	0	0.00%	0.00
Plant, machinery, transport machines and equipment	984,266	17.26%	864,397	15.53%	87.82
Other	116,878	2.05%	106,515	1.92%	91.13
TOTAL	5,701,295	100.00%	5,564,905	100.00%	97.61

Source: HANFA

Chart 5.6.1 Comparison of the structures of the number and value of newly concluded contracts by leased assets in 2011



Source: HANFA

The largest number of active contracts by leased assets/loans related to passenger cars, and amounted to 98,301 as at 31 December 2011, making up 70.8% of the total number of active

contracts. A total of 23,338 contracts (16.8% of the total number of active contracts) related to commercial vehicles.

Table 5.6.3 Number of active contracts in the leasing industry by leased assets/loans as at 31 December 2010 and 31 December 2011

Leased assets/loans	Number of active contracts as at				
	1 Jan-31 Dec 2010	Share	1 Jan-31 Dec 2011	Share	Index 2011/2010
Property	1,647	1.07%	1,606	1.16%	97.51
Passenger cars	106,851	69.11%	98,301	70.78%	92.00
Commercial vehicles	27,873	18.03%	23,338	16.80%	83.73
Vessels	2,046	1.32%	1,737	1.25%	84.90
Aircraft	5	0.00%	6	0.00%	120.00
Plant, machinery, transport machines and equipment	14,467	9.36%	12,741	9.17%	88.07
Other	1,723	1.11%	1,164	0.84%	67.56
TOTAL	154,612	100.00%	138,893	100.00%	89.83

Source: HANFA

As at 31 December 2011, the highest value of active contracts by leased assets/loans was accounted for by property, amounting to HRK 6.2bn or 32.3% of the value of active contracts,

while the value of active contracts for passenger cars amounted to HRK 5.4bn, making up 28.1% of the value of active contracts.

Table 5.6.4 Value of active contracts by leased assets/loans as at 31 December 2010 and 31 December 2011 (in HRK thousand)

Leased assets/loans	Value of active contracts as at				
	1 Jan-31 Dec 2010	Share	1 Jan-31 Dec 2011	Share	Index 2011/2010
Property	6,196,351	28.50%	6,245,461	32.30%	100.79
Passenger cars	6,184,396	28.45%	5,436,144	28.11%	87.90
Commercial vehicles	3,779,893	17.39%	3,174,027	16.41%	83.97
Vessels	1,204,244	5.54%	796,849	4.12%	66.17
Aircraft	30,728	0.14%	37,319	0.19%	121.45
Plant, machinery, transport machines and equipment	3,942,959	18.14%	3,325,452	17.20%	84.34
Other	401,408	1.84%	322,514	1.67%	80.35
TOTAL	21,739,979	100.00%	19,337,766	100.00%	88.95

Source: HANFA

5.7 Leasing Industry Indicators

5.7.1 Liquidity Ratios

The Current Ratio measures liquidity and solvency of a company, and shows the availability of current assets relative to current liabilities. As at 31 December 2011, the current ratio of the industry totalled 0.88, showing that the current asset value was by 12.0% lower than the current liabilities. This ratio amounted to 0.76 as at 31 December 2010, which testifies to an increase in liquidity in 2011.

The Quick Ratio shows the ability of a company to meet its current liabilities by using liquid current assets, i.e. cash. As at 31 December 2011, it amounted to 0.07, which was equal to the ratio reported at end-2010.

5.7.2 Financial Stability Ratios

Level of Coverage I shows the level of self-financing of fixed assets, i.e. financing of fixed assets by own funds. In terms of operational stability, it is deemed desirable that the highest possible share of fixed assets be financed by own sources. As at 31 December 2011, this ratio totalled 0.05, meaning that 5.0% of fixed assets of the leasing industry were financed by own sources. The same ratio as at 31 December 2010 amounted to 0.005, meaning that as much as 99.5% of fixed assets of the leasing industry in 2010 were financed by external sources.

Level of Coverage II measures the level of financing of fixed assets by long-term sources. It is deemed desirable that fixed assets be entirely financed by long-term sources (ratio=1). As at 31 December 2011, this ratio totalled 0.92 for the leasing industry, indicating that the value of own funds and long-term liabilities were lower than

fixed assets by 8.0%. As at 31 December 2010, the ratio amounted to 0.86, showing that the year 2011 saw an improvement in the financing of fixed assets of the leasing industry by long-term sources.

5.7.3 Debt Indicators

The Self-Financing Ratio shows the share of assets financed from own funds, i.e. the share of own assets in total assets. In terms of indebtedness, the highest possible ratio is deemed desirable. The 0.03 ratio for the leasing industry as at 31 December 2011 showed that 3.0% of assets were financed by own funds. The same ratio reached 0.003 as at 31 December 2010, meaning that assets of the leasing industry were financed by only 0.3% of own funds.

The Debt Ratio measures the share of assets financed by external funds, i.e. the share of external assets in total assets. As at 31 December 2011, it amounted to 0.966, meaning that 96.6% of all the assets of the leasing industry were financed by external funds. As at 31 December 2010, the ratio totalled 0.997 (leasing industry payables made up 99.7% of all liabilities).

5.7.4 Activity Ratios

The Total Asset Turnover Ratio shows a company's efficiency at using its total assets in generating revenue, i.e. it shows how many times a year total assets are turned into revenue. A high ratio is considered desirable. The 0.16 ratio as at 31 December 2011 meant that the amount of the annual revenue in the leasing industry was by 84.0% lower than the total assets. The same ratio in the previous year reached 0.16.

5.8 Regulatory Activities and Licensing

Regulatory powers of the Agency, statutory issues and business operations of leasing companies are regulated primarily by the Leasing Act (Official Gazette 135/06). Subsidiary legislation applying to leasing companies and their business operations comprises the Act on the Croatian Financial Services Supervisory Agency (Official Gazette 140/05), the Companies Act (Official Gazette 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08 and 137/09), the Civil Obligations Act (Official Gazette 35/05 and 41/08), the Accounting Act (Official Gazette 109/07), the Audit Act (Official Gazette 146/05 and 139/08), the Act on the Prevention of Money Laundering and Terrorist Financing (Official Gazette 87/08), the Bankruptcy Act (Official Gazette 44/96, 29/99, 129/00, 123/03, 197/03, 187/04, 82/06 and 116/10), and other relevant regulations relating to leasing companies.

In accordance with the legally prescribed task of the Agency of keeping the register of leased assets, and taking into account the established practice and experience with the existing register of leased assets, in 2011 a new Ordinance on the manner of keeping the register of leased assets (Official Gazette 131/11) was adopted by the Agency, repealing the Ordinance on the manner of keeping the register of leased assets from 2007 and its amendments. Pursuant to the new Ordinance, a Technical instruction for the preparation and submission of data to the register of leased assets was issued in 2011.

In 2011, the Agency also issued a Technical instruction for the submission of financial and additional reports of leasing companies for the application of the Ordinance on the structure and contents and on the manner of and time limits for the submission of financial and additional reports of leasing companies (Official Gazette 124/10).

In accordance with its legal powers and at the request of parties to proceedings or persons who have proved their legal interest, the Agency issued ten opinions on the application of the provisions of the Leasing Act.

There were no major changes in the number of leasing companies in 2011, which was due to the completion of the relevant legislation and expiration of the compliance period, as well as to the general situation in the financial market. One leasing company had its operating licence revoked, and one company changed its name. The operating licence was revoked of Immoconsult

Leasing d.o.o., Zagreb, due to the fact that the company itself, pursuant to the will of the establisher, changed its articles of incorporation, which resulted in the company's non-compliance with the requirements based on which the licence had been issued. Jadran Jahte d.o.o., Zagreb, changed its name in 2011, now operating under the name Hypo Alpe-Adria-Leasing d.o.o., Zagreb.

As a result, the number of leasing companies declined in comparison with 2010 by one, totalling 25 at the end of 2011, out of which 24 companies now have operating licences to conduct operating and finance lease activities, and one company has the operating licence to conduct operating lease activities only.

In the course of 2011, in special procedures resulting in the approval of members of management boards of leasing companies, the Agency issued a total of six decisions upon individual requests. Five of them were decisions granting approval for proposed candidates in case of the change of a management board member, while one decision was issued terminating the procedure due to the applicant's withdrawal of the application.

Prior to any direct or indirect acquisition of a holding, shares or other rights on the basis of which they acquire 10% or more in voting rights or the capital of a legal person, or less than 10% in cases where influence is exerted on the management of that legal person (which the Leasing Act defines as a qualifying holding), as well as prior to any further acquisition of a holding or shares on the basis of which they acquire or exceed a 20%, a 33% or a 50% share in voting rights or capital of the company, leasing companies are obliged to obtain approval of the Agency to acquire a qualifying holding. Furthermore, a natural or legal person proposing to acquire a qualifying holding, or a holding on the basis of which it would acquire or exceed a 20%, a 33% or a 50% share in voting rights or capital of a leasing company, is obliged to obtain prior approval of the Agency.

In the course of 2011, the Agency issued decisions in proceedings relating to the acquisition of qualifying holdings upon requests of six proposed acquirers. Four decisions were issued in proceedings referring to the acquisition of a qualifying holding in a leasing company. Two decisions were adopted rejecting the application for the acquisition of a qualifying holding in a leasing company due to the lack of existence of legal assumptions for the proceedings to be conducted.

5.9 On-Site Supervision of Leasing Companies

Within the framework of its competence, and pursuant to the Act on the Croatian Financial Services Supervisory Agency and the Leasing Act, in 2011 the Agency carried out on-site examinations of leasing companies. The examinations were initiated for the purpose of verifying and establishing the compliance of leasing companies' business operations with the rules defined in the Leasing Act and regulations adopted pursuant to that or other laws regulating leasing companies' business operations and regulations adopted pursuant to those laws.

In the course of the previous year, a total of 12 on-site examinations were initiated. The focus of nine examinations was risk management and the implementation of the Act on the Prevention of Money Laundering and Terrorist Financing, while three examinations focused on business operations related to specific arrangements.

During the examinations of leasing companies, irregularities were established relating to the following: risk management, approval of financing under lease agreements, contents and form of

lease agreements, asset valuation, formation of value adjustment for impairment losses, failure to apply the chart of accounts for leasing companies, classification of lease agreements, calculation of amortisation, calculation of exchange differences under lease agreements with the currency clause, entry of data on leased assets into the register of leased assets and failure to establish the risk management system relating to money laundering and terrorist financing.

The violations and irregularities established resulted from the failure to comply with the provisions of the Leasing Act and regulations adopted pursuant to it, the Accounting Act and the International Financial Reporting Standards, the Act on the Prevention of Money Laundering and Terrorist Financing and the Companies Act.

Following the findings of the on-site examinations of leasing companies and due to established actions taken contrary to the relevant regulations, in 2011 the Agency adopted eight decisions ordering measures for the purpose of eliminating violations and irregularities in business operations of supervised entities.



[6 FACTORING

6 FACTORING

Factoring services in the Republic of Croatia are provided by credit institutions and companies registered to carry out factoring operations. Companies registered to provide factoring services are supervised by the Agency, whereas the supervision of credit institutions conducting factoring operations as part of their registered activities falls within the competence of the Croatian National Bank. The data contained in this chapter are provided in accordance with available data on companies registered to provide factoring services. The establishment, licensing and business operations of factoring companies in the Republic of Croatia are not regulated by any specific legislation, but the legal framework covering the supervision of factoring companies is defined by the Act on the Croatian Financial Services Supervisory Agency (Official Gazette 140/05), the manner of carrying on factoring business is laid down in the Accounting Act (Official Gazette 109/07) and the Act on the Prevention of Money Laundering and Terrorist Financing (Official Gazette 87/08), as well as in other laws and by-laws regulating business operations of business entities in the Republic of Croatia. According to the data available to the Agency, factoring business carried on by companies registered to provide factoring services started developing in the Republic of Croatia in 2003.

Factoring operations carried out in the Republic of Croatia may be divided into domestic, export and import factoring operations. In terms of recourse, there are two types of factoring business:

recourse ("non-standard") factoring and non-recourse ("standard") factoring. According to the reports submitted by factoring companies, as at 31 December 2011, the Croatian factoring market was dominated by domestic factoring (96.3% of total accounts receivable), with accounts receivable purchased being invoices of buyers from the Republic of Croatia, i.e. by recourse factoring (77.1% of total accounts receivable), with factors being entitled to the collection of payment from invoice sellers in the event that debtors become insolvent.

According to the data from factoring companies' statistical reports, obtained from factoring companies known to the Agency, as at 31 December 2011 there were 18 companies active in carrying on factoring business, while as at 31 December 2010 factoring operations were conducted by 19 companies (Finea Holding d.o.o. ceased to carry out factoring operations in 2011). Out of the said 18 companies, three were in direct non-resident ownership, and 15 in resident ownership. The fact that the total ownership structure of factoring companies is dominated by resident ownership, as opposed to the developments in the banking and the remaining financial sector, majority-owned by non-residents, makes factoring business unique in the Croatian financial market.

As at 31 December 2011, there were 17 factoring companies operating as limited liability companies and one factoring company operating as a joint-stock company, together employing a total of 199 people.

Table 6.1 Number of factoring companies and their total assets as at 31 December 2009, 31 December 2010 and 31 December 2011 (in HRK thousand)

No.	Description	31 Dec 2009	31 Dec 2010	31 Dec 2011
1	Number of companies	15	19	18
2	Assets as at	7,006,830	5,748,128	6,053,395
3	Absolute change	0	-1,258,702	305,267
4	Relative change		-17.96%	5.31%

Source: HANFA

Table 6.2 Factoring companies' asset changes and shares in 2010 and 2011 (in HRK thousand)

No.	Factoring company	Assets as at 31 Dec 2010	Share	Assets as at 31 Dec 2011	Share	Change
1	Adriatic Zagreb d.o.o.	324,699	5.65%	429,176	7.09%	32.18%
2	Afaktor-faktoring d.o.o.	17,950	0.31%	51,981	0.86%	189.59%
3	Alfa faktor d.o.o.	4,691	0.08%	7,567	0.12%	61.31%
4	Alfa net d.o.o.	25,377	0.44%	19,339	0.32%	-23.79%
5	CEI Zagreb d.o.o.	2,141	0.04%	2,133	0.03%	-0.37%
6	Croatia Factoring d.o.o.	160,020	2.78%	149,824	2.47%	-6.37%
7	Erste Factoring d.o.o.	2,854,768	49.66%	2,662,251	43.98%	-6.74%
8	Eurofakt d.o.o.	2,325	0.04%	2,495	0.04%	7.32%
9	Factor Max d.o.o.	18,184	0.32%	18,415	0.30%	1.27%
10	Finea Holding d.o.o.	630	0.01%			
11	Finesa Credos d.d.	54,910	0.96%	76,647	1.27%	39.59%
12	Fortis Factoring d.o.o.	105,861	1.84%	258,970	4.28%	144.63%
13	FTC usluge d.o.o.	23,242	0.41%	28,839	0.48%	24.08%
14	Jasminka d.o.o.	6,603	0.12%	6,276	0.10%	-4.95%
15	Maksimum d.o.o.	18	0.00%	40	0.00%	116.67%
16	Par Lux d.o.o.	15,730	0.27%	21,465	0.36%	36.46%
17	Prvi faktor d.o.o.	1,166,884	20.30%	1,184,019	19.56%	1.47%
18	Raiffeisen Factoring d.o.o.	935,102	16.27%	1,119,025	18.49%	19.67%
19	Weip Perfectus d.o.o.	28,993	0.50%	14,934	0.25%	-48.49%
	Total	5,748,128	100.00%	6,053,395	100.00%	5.31%

Source: HANFA

6.1 Asset Structure

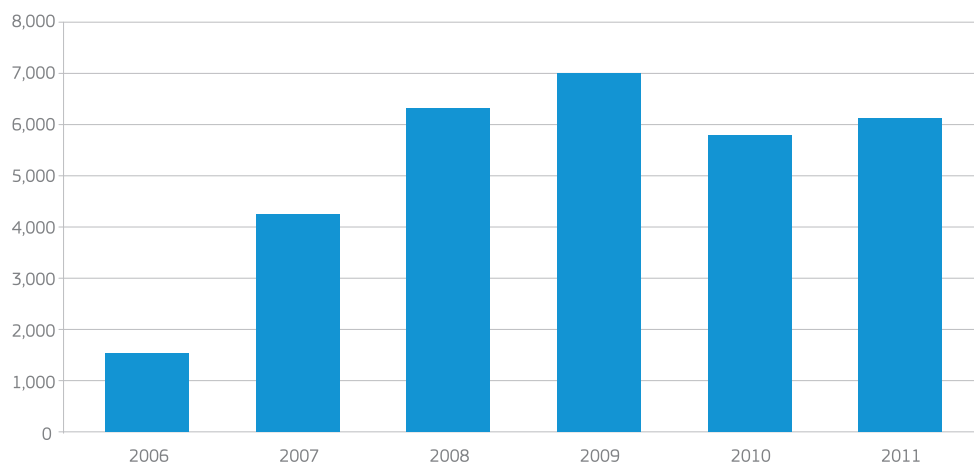
As at 31 December 2011, factoring companies' aggregate assets stood at HRK 6.1bn, recording a 5.3% increase compared to 31 December 2010, when they totalled HRK 5.8bn.

Table 6.1.1 Factoring companies' aggregate assets as at 31 December 2010 and 31 December 2011 (in HRK thousand)

ASSETS	As at 31 Dec 2010	As at 31 Dec 2011	Index 2011/2010
RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID	0	0	0.00
FIXED ASSETS	62,972	57,399	91.15
CURRENT ASSETS	5,661,662	5,963,602	105.33
Accounts receivable	2,266,625	2,892,300	127.60
Domestic factoring	2,158,030	2,786,071	129.10
Export factoring	64,092	18,282	28.53
Import factoring	44,504	87,947	197.62
Bills of exchange discount	1,379,540	1,711,683	124.08
Loans granted	72,253	77,280	106.96
Deposits placed	1,496,225	866,411	57.91
Cash at bank and in hand	143,007	144,383	100.96
Other current assets	304,011	271,545	89.32
PREPAYMENTS AND ACCRUED INCOME	23,494	32,394	137.88
TOTAL ASSETS	5,748,128	6,053,395	105.31

Source: HANFA

Chart 6.1.1 Factoring companies' aggregate assets in the 2006 – 2011 period (in HRK million)

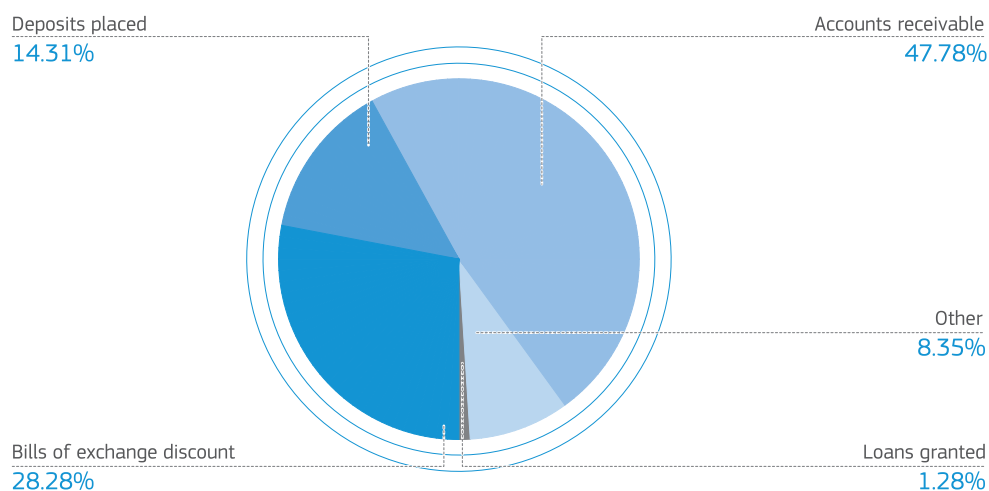


Source: HANFA

As at 31 December 2011, the largest share, reaching 47.8%, in the total assets of the factoring industry was accounted for by accounts receivable, a significant change compared to the previous year, when accounts receivable made up 39.4% of assets. Deposits placed accounted for 26.0% of assets in the previous year, while as at

31 December 2011 they made up 14.3% of total assets. Loans granted grew by 7.0%, and bills of exchange discount went up by 24.1%. Fixed assets declined by 8.9%, whereas total assets rose by 5.3% compared to the previous reporting period.

Chart 6.1.2 Factoring companies' asset structure as at 31 December 2011



Source: HANFA

Croatian factoring market is highly concentrated with the share of the largest company by total asset accounting for 44.0% of factoring companies' assets as at 31 December 2011. However, market concentration indicated a downward trend compared to 2010 as the assets

of said company made up as much as 49.7% of the total assets of factoring companies as at 31 December 2010. The share of the top three companies accounted for 82.0% of total assets as at 31 December 2011.

6.2 Liability Structure

Factoring companies' assets are mostly financed with loans from foreign banks and financial institutions. Total liabilities arising from foreign loans decreased as at 31 December 2011 by HRK 206.7m or 4.4% compared to the same day of the previous year. Long-term liabilities arising

from loans from foreign banks and financial institutions recorded a HRK 27.4m decrease relative to 2010 (from HRK 299.0m to 271.6m), whereas short-term liabilities arising from loans from foreign banks and financial institutions fell by HRK 179.3m (from HRK 4.4bn to HRK 4.3bn).

Table 6.2.1 Factoring companies' aggregate liabilities as at 31 December 2010 and 31 December 2011 (in HRK thousand)

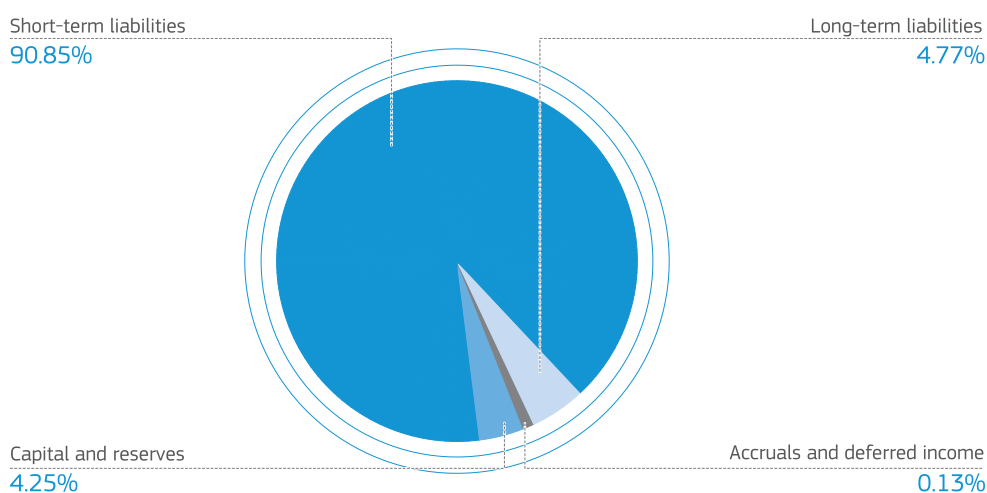
LIABILITIES	As at 31 Dec 2010	As at 31 Dec 2011	Index 2011/2010
CAPITAL AND RESERVES	243,664	257,267	105.58
LONG-TERM LIABILITIES	316,201	288,532	91.25
Loans from domestic banks and financial institutions	2,219	1,906	85.90
Loans from foreign banks and financial institutions	298,982	271,565	90.83
Other long-term liabilities	15,000	15,061	100.40
SHORT-TERM LIABILITIES	5,176,514	5,499,536	106.24
Loans from domestic banks and financial institutions	508,480	1,022,570	201.10
Loans from foreign banks and financial institutions	4,434,902	4,255,574	95.96
Other short-term liabilities	233,133	221,393	94.96
ACCRUALS AND DEFERRED INCOME	11,748	8,059	68.60
TOTAL ASSETS	5,748,128	6,053,395	105.31

Source: HANFA

Borrowings from domestic banks and financial institutions rose by a total of HRK 513.8m. Long-term liabilities arising from loans from domestic banks and financial institutions declined by HRK

312.8 thousand or 14.1% in the observed period, while short-term liabilities rose by as much as HRK 514.1m or 101.1%.

Chart 6.2.1 Factoring companies' liability structure as at 31 December 2011



Source: HANFA

Capital and reserves accounted for 4.2% of liabilities, growing by HRK 13.6m or 5.6% relative

to the previous year and totalling HRK 257.3m as at 31 December 2011.

6.3 Financial Operating Results

Factoring companies' net profit for 2011 stood at HRK 68.5m, declining by 28.9% compared to 2010.

The 2011 total income of factoring companies was HRK 740.8m, remaining almost the same as in the previous reporting period, while expenditures rose from HRK 618.1m in the previous year to HRK 650.2m in 2011, which led to a 28.9% decrease in after-tax profit of the entire factoring industry. Out of 18 factoring companies, 14 ended the 2011 business year with a positive result and reported an after-tax profit totalling HRK 87.2m. The remaining four companies recorded a loss to the amount of HRK 18.7m.

The largest share in total income was accounted for by interest income, reaching 50.3%. Interest income relating to factoring operations grew by HRK 32.5m or 21.2% relative to 2010, with export factoring recording the largest increase (of 393.3%).

The major share in total expenditures was made up of operating expenditures totalling 59.6% (with 36.3% of total expenditures being accounted for by other operating expenses). Interest expense accounted for 35.4% of total expenditures in the factoring industry.

Table 6.3.1 Aggregate profit and loss account for the factoring industry in the 1 Jan – 31 Dec 2010 and 1 Jan – 31 Dec 2011 periods (in HRK thousand)

PROFIT AND LOSS ACCOUNT	1 Jan-31 Dec 2010	1 Jan-31 Dec 2011	Index 2011/2010
INTEREST INCOME	360,447	372,598	103.37
Interest income - factoring	153,146	185,651	121.22
Domestic factoring	148,875	178,224	119.71
Export factoring	587	2,897	493.26
Import factoring	3,684	4,530	122.96
Interest income - bills of exchange discount	113,104	121,415	107.35
Interest income - loans granted	4,595	3,617	78.72
Interest income - deposits placed	62,086	32,708	52.68
Other interest income	27,516	29,207	106.14
INTEREST EXPENSE	207,043	230,332	111.25
Interest expense - domestic banks and financial institutions	28,850	47,291	163.92
Interest expense - foreign banks and financial institutions	174,898	177,787	101.65
Other interest expense	3,295	5,254	159.44
INTEREST PROFIT/LOSS	153,404	142,267	92.74
INCOME FROM FEES AND COMMISSIONS	89,265	84,656	94.84
EXPENSES ON FEES AND COMMISSIONS	32,819	32,345	98.55
PROFIT/LOSS ON FEES AND COMMISSIONS	56,446	52,311	92.67
OTHER OPERATING REVENUES	289,706	283,518	97.86
OTHER OPERATING EXPENDITURES	378,231	387,524	102.46
Service expenses	34,002	38,327	112.72
Employee expenses	36,783	39,578	107.60
Expenses on value adjustment for impairment losses	84,388	73,549	87.16
Other operating expenses	223,058	236,070	105.83
PROFIT/LOSS ON OTHER REVENUES AND EXPENDITURES	-88,525	-104,006	117.49
PROFIT/LOSS BEFORE PROFIT TAX	121,326	90,572	74.65
Profit tax	24,952	22,046	88.35
PROFIT/LOSS AFTER PROFIT TAX	96,374	68,527	71.11

Source: HANFA

Compared to 2010, net interest income decreased by 7.3% (from HRK 153.4m to HRK 142.3m),

whereas loss on other revenues and expenditures rose by 17.5% (from HRK 88.5m to HRK 104.0m).

Table 6.3.2 Profit and shares in profit of factoring companies reporting profit in 2010 and 2011 (in HRK thousand)

Factoring company	2010	Share	2011	Share
Adriatic Zagreb d.o.o.	8,335	8.21%	11,086	12.71%
Alfa faktor d.o.o.	341	0.34%	281	0.32%
Alfa net d.o.o.	8,926	8.79%	6,124	7.02%
CEI Zagreb d.o.o.	138	0.14%	1,077	1.24%
Croatia Factoring d.o.o.	1,060	1.04%	585	0.67%
Erste Factoring d.o.o.	36,308	35.77%	22,442	25.73%
Eurofakt d.o.o.	13	0.01%	6	0.01%
Factor Max d.o.o.	927	0.91%	1,300	1.49%
Finesa Credos d.d.	49	0.05%		
Fortis Factoring d.o.o.	690	0.68%	2,629	3.02%
FTC usluge d.o.o.	1,120	1.10%	7	0.01%
Jasminka d.o.o.	8	0.01%	3	0.00%
Par Lux d.o.o.	958	0.94%	3,640	4.17%
Prvi faktor d.o.o.	10,304	10.15%	10,004	11.47%
Raiffeisen Factoring d.o.o.	32,343	31.86%	28,032	32.14%
TOTAL PROFIT	101,519	100.00%	87,218	100.00%

Source: HANFA

The list presenting factoring companies ranked according to their profit and shares in total profit

underwent a change in comparison with the year 2010.

6.4 Transaction Volume

Transaction volume presents the cumulative amount of purchased invoices under factoring arrangements, and the cumulative amount of discounted bills of exchange under arrangements involving discounting bills of exchange, in the period from 1 January to 31 December 2011.

In the said period, factoring companies purchased invoices under factoring arrangements in the amount of HRK 7.2bn, at the same time purchasing bills of exchange under arrangements involving discounting bills of exchange in the amount of HRK 4.1bn. Within the same period of time, factoring companies granted loans in the amount of HRK 137.2m.

6.5 Factoring Industry Performance Indicators

6.5.1 Liquidity Ratios

The Current Ratio is the ratio of current assets to current liabilities. As at 31 December 2011, the current ratio amounted to 1.08, indicating that the current asset value was by a slight 8.0% higher than current liability value. This ratio totalled 1.09 as at 31 December 2010, suggesting a modest fall in liquidity in 2011.

The Quick Ratio is the ratio of cash to current liabilities. As at 31 December 2011, the quick ratio totalled 0.03, indicating that short-term liquidity held steady at the level reached in 2010.

6.5.2 Debt Indicators

The Self-Financing Ratio shows the share of own assets in total assets. As at 31 December, it stood at 0.04, indicating that factoring companies' assets were financed with 4.0% of own funds. This ratio remained unchanged compared to end-2010.

The Debt Ratio shows the share of borrowed funds in total assets. As at 31 December 2011, it amounted to 0.96, indicating that factoring companies' assets were financed with 96% of borrowed funds. This ratio held steady at its 2010 level.

6.5.3 Profitability Ratios

Return on Total Assets (or return on assets – ROA) is a ratio that measures a company's gross profit against its total assets. As at 31 December 2011, it totalled 1.50%, falling compared with 2010, when it stood at 2.11%, which testifies to a decrease in factoring companies' asset profitability in the year 2011.

Return on Equity (ROE) is a ratio that measures a company's net profit against the shareholders' equity, i.e. it is a calculated rate of return on equity. As at 31 December 2011, it stood at 26.64%. The same ratio amounted to 39.55% as at 31 December 2010, which testifies to a decrease in factoring companies' return on equity in 2011.



COOPERATION AND CONSUMER PROTECTION

7 COOPERATION AND CONSUMER PROTECTION

7.1 Cooperation with Croatian and Foreign Supervisory and Regulatory Bodies and International Organisations

Pursuant to Articles 16 to 18 of the Act on the Croatian Financial Services Supervisory Agency (Official Gazette 140/05), the Agency cooperates with domestic and foreign regulatory institutions whose scope of activities and competence are linked to the supervision of financial services and financial markets, as well as with international organisations representing such institutions.

The Agency cooperates with the Croatian National Bank on an on-going basis, pursuant to the Agreement on Cooperation signed in September 2006, defining the content and form of mutual cooperation in exercising legal powers of the two institutions. Based on this agreement, the Working Committee for Financial System Supervision was established with the purpose of coordinating procedures and activities of the Croatian National Bank and the Agency, including the coordination of supervisory procedures and exchange of information.

In 2011, the Agency also cooperated with the Ministry of Finance, Ministry of Foreign Affairs and European Integration, Ministry of the Interior, Ministry of Economy, Labour and Entrepreneurship and the Croatian Competition Agency.

The Agency is a signatory to 29 bilateral and multilateral cooperation agreements in the area of supervision of the capital market, insurance market and pension fund market. Pursuant to those agreements the Agency cooperates with foreign regulatory authorities in the course of supervisory procedures, investigative actions, exchange of experience related to the regulatory framework and practice in certain issues.

As a member of the International Organisation of Securities Commissions (IOSCO), the Agency was involved in the preparation of a series of documents and uses IOSCO's Multilateral Memorandum of Understanding continuously in the conduct of its supervisory activities. The Agency is also a member of the International Association of Insurance Supervisors (IAIS), of the European Regional Committee and of the Emerging Markets Committee of IOSCO.

In June 2011, representatives of the International Monetary Fund visited the Agency within the framework of their regular mission.

7.2 Activities of the Agency Related to the EU Accession Negotiations

In 2011, the Agency participated in working meetings and the preparation of materials for two meetings of the Subcommittee on the Implementation of the Stabilisation and Association Agreement between the European Communities and their Member States and the Republic of Croatia, namely for the meeting of the Subcommittee on Economic and Financial Matters and Statistics, which was held on 19 April 2011 and of the Subcommittee on the Internal Market, Market Competition, Trade, Industry, Duties and Taxes, held on 12 September 2011.

The Agency also took part in the drafting of the report for the European Commission regarding the fulfilment of the obligations relating to Negotiation Chapter 9 – Financial Services, and in the preparation of the self-assessment report on Croatia's progress towards the EU accession (Self-Assessment Report) in the area of non-banking financial services.

The Agency was also involved in the preparation of the Programme of the Government of the Republic of Croatia for the Transposition and Implementation of the *acquis communautaire* for 2012, and in the drafting of the Pre-Accession Economic Programme for the period from 2012 to 2014.

Following the recommendations provided by the European Commission, in 2011 the Agency expressed its interest to obtain the observer status in new European supervisory authorities in charge of the non-banking financial sector. The new European supervisory authorities responsible for the supervision of the financial system all over the European Union started their work on 1 January 2011, and comprise the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Securities Market Authority (ESMA). On 9 December 2011, the date of signing the EU Accession Treaty, the Agency met the criteria for obtaining the observer status in the ESMA and the EIOPA, lasting until the date the Republic of Croatia acquires full membership of the EU.

During 2011, the Agency also started its preparatory activities for the participation in the work of the European Systemic Risk Board (ESRB). The ESRB is in charge of macro-prudential supervision of the EU financial system, with the European Central Bank, EBA, EIOPA, ESMA, and national central banks and member states regulators participating in its work.

7.3 Consumer Protection

In achieving its objectives, the Agency is governed by the principles of transparency, building confidence among participants of the financial market and reporting to consumers. Therefore, the Agency carries out a series of activities in order to ensure a fast and economic approach to all types of information which may be useful for users of financial services, investors, experts and the general public.

In 2011, on its RIPE website (Regulatory Information and Publication Service), the Agency published various useful information related to the Agency's competence and scope of work, as well as to consumer protection, in a timely manner and on an on-going basis. The website provided, among other things, news related to the financial sector at a national and international level, regulatory framework and various educational texts. The Agency's publications, analyses and statistical data were also made available.

The Agency monitors, analyses and takes measures for the purpose of consumer protection. In 2011, apart from receiving complaints from natural and legal persons by regular mail, it also received inquiries and complaints from consumers at its email address potrosaci@hanfa.hr and info@hanfa.hr.

In the course of the previous year, the Agency initiated 185 non-administrative procedures following written consumer complaints submitted to the Agency's official address (hereinafter referred to as: official complaints). Out of the total number of official complaints, 22 were submitted by legal persons.

Following consumer complaints, the Agency brought a total of six indictments related to the violation of Article 12 of the Act on Compulsory Insurance within the Transport Sector (Official Gazette 151/05, 36/09 and 75/09).

A total of 185 official complaints submitted to the Agency in 2011 included those submitted following certain activities of entities supervised by the Agency, those reporting a possible occurrence of the obligation to publish the

takeover bid for the takeover of joint-stock companies, those which do not fall within the framework of the competence of the Agency and other types of general inquiries and complaints.

By providing answers to complaints and inquiries, the Agency educates the public and provides users of financial services with information on their rights and obligations. In addition to clarifying terms related to financial services, the Agency provides information on its activities in handling certain issues and informs the public of its competence with respect to such matters. In cases where the Agency is not authorised to provide an answer to a certain inquiry or complaint, it refers the submitter to relevant competent bodies.

Where appropriate, following submitted complaints and in accordance with the relevant regulations, the Agency may initiate on-site or off-site examinations. The examinations may be followed by warnings to the supervised entity about irregularities established and by elimination of such irregularities, relating to either the provision of financial services or consumer protection.

As to the consumer protection, it must be noted that the financial crisis had a significant impact on the ability of financial services users to meet their contractual obligations. Due to an insufficient understanding of contract terms and conditions, which can sometimes be very complex, and of characteristics of particular financial products, disputes between the provider and user of financial services may arise. A significant number of complaints submitted to the Agency in 2011 were primarily due to the lack of knowledge concerning contractual relationships, general functioning of financial services and consumers' failure to meet contractual obligations, which resulted in contract termination, warnings, occurrence of additional costs, etc.

This all leads to the conclusion that all participants in the financial market, namely providers and users of financial services and the Agency as the supervisory authority, play an important role in the area of consumer protection.



[8

PREVENTION OF MONEY LAUNDERING AND TERRORIST FINANCING

8 PREVENTION OF MONEY LAUNDERING AND TERRORIST FINANCING

The Agency's Committee for the Prevention of Money Laundering and Terrorist Financing was established on 29 March 2007. The main objectives of the Committee include handling of various issues relating to the prevention and detection of money laundering and terrorist financing, as well as to the cooperation with other competent government bodies.

In 2011, the Agency continued its cooperation with the Office for the Prevention of Money Laundering and, within the framework of the Action Plan for the Prevention of Money Laundering and Terrorist Financing, it prepared reports on its activities in this area for each half of 2011. In addition, the Agency submitted data to the Office for the Prevention of Money Laundering related to the reporting to the Government of the Republic of Croatia and the European Commission.

Representatives of the Agency actively participate on an on-going basis in meetings and activities of the Inter-Institutional Working Group on the Prevention of Money Laundering and Terrorist Financing, and keep cooperating with all the institutions within the working group.

In cooperation with the Financial Inspectorate of the Ministry of Finance, in 2011 the Agency prepared a matrix of criteria related to the prevention of money laundering and terrorist financing. The matrix was developed by the Financial Inspectorate in cooperation with experts from the International Monetary Fund and is used by the Financial Inspectorate to assess the risks pertaining to all the sectors falling within its competence.

The Agency developed a sector matrix and criteria for the submission of data by its supervised entities, namely investment fund management companies, investment funds, mandatory and

voluntary pension funds, investment firms, insurance companies, reinsurance companies, leasing companies, factoring companies, insurance agencies and insurance and reinsurance brokerage companies.

In 2011, a representative of the Agency, along with permanent representatives of the Croatian delegation, presented the Progress Report to the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL).

For the purpose of ensuring full implementation of supervisory measures in the area of the prevention of money laundering and terrorist financing, in 2011 the Agency continued to educate its employees, organising a special education programme in the area of insurance supervision. Furthermore, at the forum of supervisory bodies for the implementation of measures aimed at preventing money laundering and terrorist financing, which took place in October 2011, the Agency presented the organisation of the system and manner of supervising the area of the prevention of money laundering and terrorist financing, used in the course of its work.

On-site examinations carried out by the Agency covered, among other things, issues related to the prevention of money laundering and terrorist financing. The on-site examinations with respect to this area were carried out in 12 investment firms, 14 investment fund management companies, six pension fund management companies, six insurance companies and nine leasing companies. On the basis of the examination findings and in accordance with its powers, the Agency brought two indictments to the Financial Inspectorate in accordance with the Act on the Prevention of Money Laundering and Terrorist Financing.



[9] JUDICIAL PROCEEDINGS

9 JUDICIAL PROCEEDINGS

The Agency is authorised to prosecute misdemeanour offences falling within its area of competence and takes action, legally defined as part of its area of competence, in the course of misdemeanour proceedings through a person delegated as its representative. Acts issued by the Agency are final and administrative disputes may be initiated against them, therefore making the Agency a party to such administrative disputes, where it regularly participates by filing a response to the lawsuit and by delivering documents of the Agency to the Administrative Court of the Republic of Croatia at its request.

In accordance with the provisions regulating criminal proceedings, the Agency is authorised to bring criminal charges to the State Attorney's Office in cases where it has knowledge that a criminal offence to be prosecuted by official duty has occurred.

With the aim of encouraging measures for efficient functioning of the financial market and informing the public, the Agency publishes on its website final court decisions regarding misdemeanour and administrative court proceedings which the Agency is a party to. Court decisions are published in their entirety, with certain data on parties and their representatives crossed out and made illegible for the purpose of protecting personal data and personality rights. In the course of this procedure, the Agency follows the principles of anonymisation, contained in the Instruction on the method of anonymisation of court decisions and in the Rules on the anonymisation of court decisions by the Supreme Court of the Republic of Croatia. In this respect, Article 15, point 5 of the Act on the

Croatian Financial Services Supervisory Agency (Official Gazette 140/05) authorises the Agency to encourage, organise and monitor, within the framework of its powers, measures aimed at efficient functioning of the financial market, whereas point 7 of the same Article stipulates that the Agency has responsibility to inform the public of the functioning principles of the financial market.

Furthermore, the publication of court decisions in proceedings which the Agency is a party to ensures the right of access to information to all natural and legal persons, at all times and under equal conditions.

9.1 Misdemeanour Proceedings

Within the framework of supervision of the capital, insurance and leasing markets, the Agency established violations referred to in the Investment Funds Act (Official Gazette 150/05), Capital Market Act (Official Gazette 88/08, 146/08 and 74/09), Act on the Prevention of Money Laundering and Terrorist Financing (Official Gazette 87/08), Insurance Act (Official Gazette 151/05, 87/08 and 82/09), Act on Compulsory Insurance within the Transport Sector (Official Gazette 151/05, 36/09 and 75/09), Leasing Act (Official Gazette 135/06), Accounting Act (Official Gazette 109/07), and in accordance with its powers it brought 33 indictments before the competent misdemeanour courts and the Financial Inspectorate in 2011 (with regard to misdemeanours referred to in the Act on the Prevention of Money Laundering and Terrorist Financing).

Table 9.1.1 Indictments brought in 2011

Area	Act	Number of indictments
CAPITAL MARKET	Investment Funds Act	3
	Capital Market Act	2
	Act on the Prevention of Money Laundering and Terrorist Financing	1
	Total	6
INSURANCE MARKET	Act on Compulsory Insurance within the Transport Sector	11
	Insurance Act	8
	Insurance Act and Accounting Act	4
	Act on the Prevention of Money Laundering and Terrorist Financing	1
Total	24	
LEASING MARKET	Leasing Act	2
	Leasing Act and Accounting Act	1
	Total	3
Total number of indictments brought in 2011		33

Source: HANFA

Since its establishment on 1 January 2006 until 31 December 2011, the Agency brought a total of 453 prosecution files for the initiation of misdemeanour proceedings. In the course of 2011, the Agency participated actively as an authorised plaintiff in misdemeanour proceedings initiated before 2011.

9.1.1 Capital Market

Within the framework of supervision of the capital market, following the established misdemeanours committed in this area, the Agency brought six indictments against misdemeanour perpetrators in 2011, namely three indictments relating to violations referred to in the Investment Funds Act and two indictments relating to violations referred to in the Capital Market Act. Furthermore, misdemeanours were established relating to the Act on the Prevention of Money Laundering and Terrorist Financing, resulting in one indictment being brought before the Financial Inspectorate, which is the state administration authority competent for conducting first-instance misdemeanour proceedings. Indictments relating to violations referred to in the Investment Funds Act were brought against three legal persons and six responsible persons in investment funds, due to their failure to submit to the Agency semi-annual reports within two months after the end of the six-month accounting period and audited annual reports within four months after the end of the accounting year, and due to their failure to obey legally prescribed investment limitations and duty procedures relating to business operations. Indictments with respect to violations referred to in the Capital Market Act were brought due to failures to inform the public of inside information in a legally prescribed manner and under legally prescribed conditions and to submit to the Agency annual financial statements, annual reports and audit reports on the audit of annual financial statements. The Financial Inspectorate received one indictment against one legal and two responsible persons due to their failure to ensure regular internal audit of activities relating to detection of money laundering and terrorist financing and to submit to the Office for the Prevention of Money Laundering and Terrorist Financing data on the appointment of the authorised person and their deputy for performing tasks related to detection of money laundering and terrorist financing.

9.1.2 Insurance Market

Out of 33 indictments brought in the course of 2011, 11 were related to violations referred to in the Act on Compulsory Insurance within the Transport Sector, namely the failure to obey legal provisions on delivery of a reasoned offer of compensation, or a reasoned reply, to the injured party within legally prescribed time frames and on the payment of the indisputable part of compensation within legally prescribed time

frames. Due to violations of the provisions of the Act on Compulsory Insurance within the Transport Sector indictments were brought against a total of five insurance companies and their responsible persons.

Furthermore, eight indictments were brought due to violations of the provisions of the Insurance Act and four indictments were brought due to violations of the provisions of the Insurance Act and Accounting Act. Out of eight indictments relating to the Insurance Act, five referred to misdemeanour proceedings against insurance agencies and their responsible persons, due to their failure to hold a professional indemnity insurance policy and to submit to the Agency annual reports, semi-annual financial statements and statistical reports. The remaining indictments were related to misdemeanour proceedings against three insurance companies and their responsible persons. Specifically, insurance companies failed to invest their assets covering mathematical provisions and assets covering technical provisions in accordance with the provisions of the Insurance Act, failed to keep business books, value bookkeeping items, draw up bookkeeping documents and accounting reports, and failed to establish internal audit pursuant to the said Act. Indictments also covered violations of insurance companies due to the fact that those companies allowed insurance representation business to be carried on by persons not having the required authorisation from the Agency, failed to ensure that supervision is carried out and business operations are examined by authorised persons of the Agency in accordance with the Insurance Act, failed to ensure that obligations of management board members are met and that the insurance company operates in accordance with the said Act, and failed to submit to the Agency annual reports, semi-annual financial statements and statistical reports within legally prescribed time frames. Violations of the Accounting Act related to the failure to apply the International Financial Reporting Standards in accordance with the provisions of that Act. One indictment was brought before the Financial Inspectorate against one legal and two responsible persons due to their failure to ensure regular internal audit of activities relating to detection of money laundering and terrorist financing and to submit to the Office for the Prevention of Money Laundering and Terrorist Financing data on the appointment of the authorised person and their deputy for performing tasks related to detection of money laundering and terrorist financing.

9.1.3 Leasing

Within the framework of supervision of leasing companies, the Agency established misdemeanours committed with respect to the Leasing Act and Accounting Act, resulting in a total of three indictments brought by the Agency. Misdemeanour proceedings were initiated against a total of three legal persons and six

responsible persons due to their failure to ensure business operations of companies in accordance with the Leasing Act. Specifically, they failed to comply with obligations of leasing companies' management board members relating to risk monitoring and risk management, they failed to organise systems of internal controls in all areas of business operations of leasing companies and internal audits, they failed to ensure keeping of business books and other documents and business records, preparation of bookkeeping documents, valuation of bookkeeping items, preparation of financial statements and failed to inform the Agency thereof. While appointing supervisory board members, leasing companies failed to obey requirements regarding the number of supervisory board members, related persons and terms and conditions for the position of a supervisory board member, and failed to apply the International Financial Reporting Standards in accordance with the Accounting Act.

9.2 Administrative Disputes

In the course of 2011, a total of 30 administrative disputes were initiated against administrative acts (decisions and resolutions) of the Agency based on complaints filed with the Administrative Court of the Republic of Croatia. Pursuant to the Administrative Disputes Act (Official Gazette 53/91, 9/92 and 77/92), the Agency provided responses and submitted files requested to the Administrative Court of the Republic of Croatia, based on which complaints had been filed. Out of 30 administrative disputes initiated, 25 were related to administrative acts covering capital market issues, namely with respect to the takeover of a company – renewal of the procedure, publication of the takeover bid, disclosure of inside information, suspension of trading in shares, amendments to the statute and prospectus of the investment fund, supervision of business operations, elimination of irregularities established, supervision of trading in shares – market manipulation, trading in shares by mandatory pension funds, transactions in securities, takeover of a company. In the course of 2011, one administrative dispute was initiated against the Agency relating to the capital market, due to the failure of the Agency to adopt an appropriate administrative act upon the request

of the client within the legally prescribed time limit (the so called administrative silence). Two administrative disputes were initiated with respect to the leasing market: one of them for the purpose of supervising business operations and the other for the purpose of eliminating irregularities established. The remaining three administrative disputes related to the insurance market: one of them to the revocation of the decision ordering the insurance company to align its investments of assets covering technical provisions with relevant legislation, and two to the issuance of the approval for the position of a management board member.

9.3 Criminal Charges

Within the framework of its regular business activities, the Agency established that there were grounds for suspicion that a number criminal offences had been committed (a total of ten), and filed five criminal charges against 27 persons (25 natural and two legal persons). One criminal charge was filed against an unknown perpetrator. The said criminal offences are defined by the Criminal Code (Official Gazette 110/97, 27/98, 50/00, 51/01, 105/04, 84/05, 71/06, 110/07, 152/08 and 57/11), namely: criminal offences against official duty – embezzlement, negligent performance of duty, disclosure of an official secret, criminal offence against the judiciary – making a false statement, criminal offence against authenticity of documents – forgery, criminal offence against the safety of payment and business operations – fraud in commercial transactions; the Companies Act (Official Gazette – 111/93, 34/99, 52/00 – Decision and Resolution of the Constitutional Court of the Republic of Croatia, No. U-I-646/1999, U-I-945/1999 of 10 May 2000, 118/03, 107/07 and 146/08) – criminal offence against violation of duty to provide a report; and the Act on Criminal Offences against the Capital Market (Official Gazette 152/08) – criminal offences against the capital market – market manipulation, usage, disclosure and recommendation of inside information, with respect to the Act on the Criminal Liability of Legal Persons (Official Gazette 151/03 and 110/07). Since its establishment on 1 January 2006, until 31 December 2011, the Agency filed a total of 42 criminal charges to the competent State Attorney.



[10

FINANCIAL STATEMENT OF THE AGENCY

10 FINANCIAL STATEMENT OF THE AGENCY

In 2011, the Agency recorded an income totalling HRK 22,536,396, with income based on special regulations from other sources accounting for 96.7% of total income. Income based on special regulations was generated from fees from assets and revenue of supervised entities and fees charged for the provision of services falling within the competence of the Agency, since, pursuant to Article 20 of the Act on the Croatian Financial Services Supervisory Agency (Official Gazette 140/05), the Agency may be financed by funds from the State Budget, fees from assets and revenue of supervised entities and fees charged for the provision of services falling within the competence of the Agency. In 2011, the Agency

was not financed by funds from the State Budget and, in accordance with Article 18 of the Statute of the Croatian Financial Services Supervisory Agency (Official Gazette 31/06), it kept business books according to the provisions regulating accounting of non-governmental organisations.

In the course of 2011, the Agency recorded an expenditure amounting to HRK 43,645,088, with staff costs making up 74.4% of total expenditure and material costs accounting for 20.8% of total expenditure of the Agency.

At end-2011, the Agency recorded an income deficit totalling HRK 21,108,692, which was covered by the surplus from the previous years.

Table 10.1 Profit and loss account for 2011 (in HRK)

INCOME	22,536,396
Income based on special regulations	21,779,456
Income from assets	743,709
Other income	13,231
EXPENDITURE	43,645,088
Staff costs	32,451,271
Material costs	9,099,242
Depreciation costs	657,235
Financial expenditure	52,675
Donations	142,000
Other expenditure	1,242,665

Source: HANFA

Table 10.2 shows total assets and total liabilities of the Agency as at 31 December 2011.

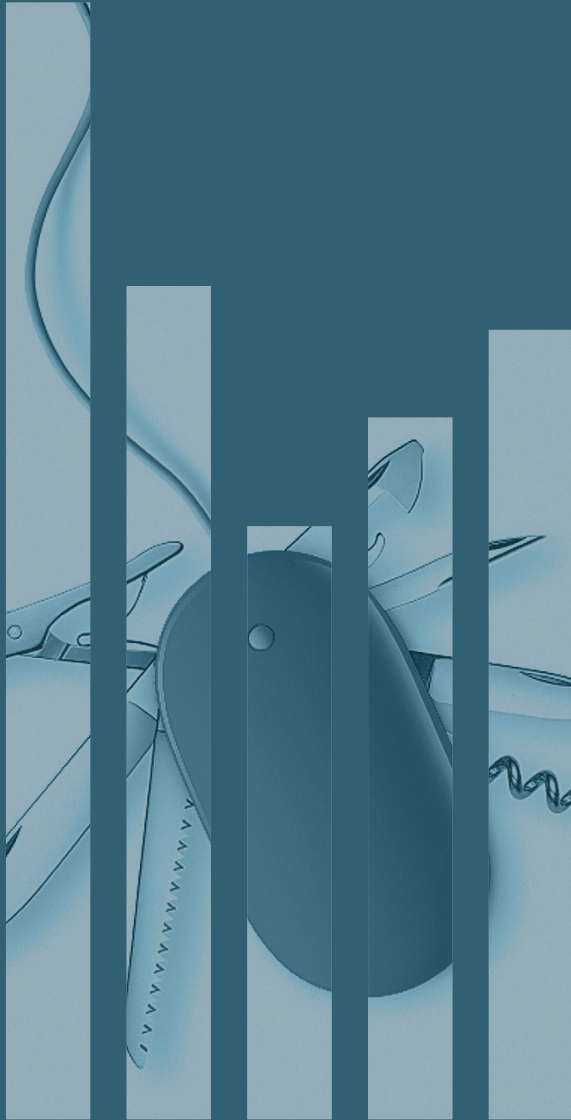
Table 10.2 Balance sheet of the Agency as at 31 December 2011 (in HRK)

ASSETS	25,704,753
Non-financial assets	4,744,071
Financial assets	20,960,682
LIABILITIES	25,704,753
Payables	5,446,169
Own sources	20,258,584

Source: HANFA

As at 31 December 2011, total assets of the Agency amounted to HRK 25,704,753, with 81.6% being accounted for by financial assets, and 18.4% being made up by non-financial assets. As at 31 December 2011, total payables of the

Agency reached HRK 5,446,169, accounting for 21.2% of total liabilities, while own sources of the Agency made up 78.8% of total liabilities of the Agency.



[11

APPENDIX

11.1 Statistical Overview

Table A1 Number of investment funds (end of period)

	2007	2008	2009	2010	2011
Open-end investment funds	100	126	130	131	128
- with public offering	83	98	103	101	103
Cash	15	17	20	19	23
Bond	14	14	10	9	8
Balanced	18	19	20	20	18
Equity	36	48	53	53	54
- with private offering	16	26	25	23	18
Cash		1	3	3	
Bond	1	1	1	1	1
Balanced	6	9	10	9	8
Equity	9	15	11	10	9
- Venture capital open-end investment funds	1	2	2	7	7
Closed-end investment funds	9	11	10	8	7
- with public offering	4	4	4	4	4
- with public offering for real-estate investments	5	7	6	4	3

Source: HANFA

Table A2 Net assets of investment funds (in HRK thousand, end of period)

	2007	2008	2009	2010	2011
Open-end investment funds	30,056,247	9,890,231	12,034,941	13,674,365	11,928,895
- with public offering	29,017,625	9,322,244	11,406,884	13,007,723	11,490,705
Cash	4,140,206	3,907,382	6,044,826	6,859,559	7,240,022
Bond	674,073	510,977	554,761	1,180,904	723,421
Balanced	10,022,402	2,150,291	1,929,278	1,945,398	1,361,556
Equity	14,180,944	2,753,595	2,878,020	3,021,862	2,165,706
- with private offering	1,038,621	567,986	628,057	666,642	438,190
Cash		8,398	84,803	96,587	
Bond	103,466	78,269	82,192	89,105	90,969
Balanced	276,994	150,697	149,317	150,901	79,218
Equity	658,162	330,623	311,745	330,049	268,003
- Venture capital open-end investment funds					
Closed-end investment funds	3,682,360	1,895,576	1,840,765	1,917,555	1,670,814
- with public offering	3,299,808	1,298,848	1,309,651	1,402,567	1,217,383
- with public offering for real-estate investments	382,552	596,729	531,114	514,989	453,431

Source: HANFA

Table A3 Investment structure of open-end investment funds with public offering as at 31 December 2011 (in HRK thousand)

Type of assets	Cash	Bond	Balanced	Equity	Total
Cash	243,449	18,579	30,788	77,001	369,816
Receivables	294,040	10,841	16,076	45,161	366,118
Securities and deposits	6,906,121	704,668	1,329,984	2,083,258	11,024,031
Domestic	6,881,418	462,604	770,309	696,329	8,810,660
Shares and GDRs	0	0	305,582	508,635	814,217
Government bonds	283,501	133,258	84,115	5,870	506,744
Municipal bonds	0	4,275	1,915	0	6,190
Corporate bonds	305,028	198,208	215,919	58,258	777,413
Closed-end investment funds	0	0	1,101	815	1,916
Open-end investment funds	74,701	833	41,800	31,393	148,728
Short-term securities	2,368,690	56,645	24,636	4,992	2,454,963
Deposits	3,849,498	69,385	95,240	86,366	4,100,489
Foreign	24,703	242,064	559,675	1,386,929	2,213,371
Shares	0	0	286,941	1,122,453	1,409,393
Government bonds	0	156,214	143,731	84,587	384,532
Municipal bonds	0	0	0	0	0
Corporate bonds	0	13,702	31,577	43,474	88,753
Closed-end investment funds	0	0	421	22,232	22,654
Open-end investment funds	0	17,395	92,877	114,183	224,455
Short-term securities	24,703	54,753	4,128	0	83,584
Deposits	0	0	0	0	0
Other assets	0	0	898	767	1,665
TOTAL ASSETS	7,443,611	734,088	1,377,746	2,206,187	11,761,631
TOTAL LIABILITIES	203,589	10,667	16,190	40,481	270,926
Net Assets	7,240,022	723,421	1,361,556	2,165,706	11,490,705
DERIVATIVES	600	484	737	1,791	3,611
REPURCHASE AGREEMENTS	224,225	0	0	200	224,425

Source: HANFA

Table B1 Number of pension funds (end of period)

	2007	2008	2009	2010	2011
Mandatory pension funds	4	4	4	4	4
Open-end voluntary pension funds	6	6	6	6	6
Closed-end voluntary pension funds	12	15	15	15	15
Total	22	25	25	25	25

Source: HANFA

Table B2 Pension funds' membership (end of period)

	2007	2008	2009	2010	2011
Mandatory pension funds	1,395,693	1,475,729	1,522,149	1,561,454	1,604,336
Open-end voluntary pension funds	103,923	127,738	146,410	169,851	184,125
Closed-end voluntary pension funds	11,943	17,285	17,733	17,618	18,155
Total	1,511,559	1,620,752	1,686,292	1,748,923	1,806,616

Source: HANFA, REGOS

Table B3 Pension funds' net assets (in HRK thousand, end of period)

	2007	2008	2009	2010	2011
Mandatory pension funds	21,001,886	22,590,933	29,264,636	36,328,054	41,067,099
Open-end voluntary pension funds	692,810	799,665	1,144,809	1,472,212	1,642,130
Closed-end voluntary pension funds	119,082	148,378	218,343	287,794	326,598
Total	21,813,778	23,538,977	30,627,788	38,088,061	43,035,827

Source: HANFA

Table B4 Investment structure of mandatory pension funds' assets (end of period, in HRK thousand)

Type of assets	2007	2008	2009	2010	2011
DOMESTIC ASSETS	20,297,532	20,920,792	26,572,709	32,580,847	36,473,475
Securities and deposits	19,947,365	20,633,823	26,181,820	32,396,114	36,103,618
Shares and GDRs	3,127,776	2,529,825	3,909,073	5,740,135	5,748,319
Government bonds	13,484,885	15,937,982	16,716,518	23,776,543	27,179,292
Municipal bonds	76,277	81,448	79,044	73,539	41,348
Corporate bonds	451,259	732,269	1,108,541	1,219,992	1,282,334
Closed-end investment funds	0	56,909	69,272	67,927	21,869
Open-end investment funds	2,543,021	373,285	1,031,757	550,914	1,033,923
Short-term securities	21,792	290,562	2,025,358	349,407	113,073
Deposits	242,354	631,543	1,242,256	617,655	683,459
Cash	232,527	265,500	375,189	111,361	228,283
Receivables	117,641	21,470	15,700	73,372	141,574
FOREIGN ASSETS	904,867	1,696,084	2,790,856	4,348,910	4,739,356
Shares and GDRs	689,226	481,446	763,268	1,858,651	2,909,502
Government bonds	0	307,489	1,253,393	444,719	213,552
Municipal bonds	0	0	0	0	0
Corporate bonds	42,114	475,845	60,764	49,968	1,503
Closed-end investment funds	0	0	0	0	0
Open-end investment funds	173,527	431,303	713,432	1,995,571	1,614,799
Short-term securities	0	0	0	0	0
Deposits	0	0	0	0	0
TOTAL ASSETS	21,202,399	22,616,876	29,363,566	36,929,757	41,212,831
Net assets	21,001,886	22,590,933	29,264,636	36,328,054	41,067,099

Source: HANFA

Table B5 Investment structure of voluntary open-end pension funds' assets (end of period, in HRK thousand)

Type of assets	2007	2008	2009	2010	2011
DOMESTIC ASSETS	687,823	744,502	981,424	1,283,511	1,503,137
Securities and deposits	648,184	727,049	962,589	1,255,358	1,462,983
Shares and GDRs	161,645	108,508	175,224	194,391	236,603
Government bonds	313,900	362,484	332,125	743,175	1,000,033
Municipal bonds	553	4,213	6,702	4,616	3,343
Corporate bonds	9,978	82,256	126,170	158,974	136,051
Closed-end investment funds	0	3,061	3,283	5,403	2,053
Open-end investment funds	144,684	9,031	102,878	31,654	40,773
Short-term securities	0	66,323	143,136	38,575	11,732
Deposits	17,424	91,172	73,071	78,571	32,395
Cash	38,956	17,290	15,778	27,618	27,475
Receivables	683	164	3,057	534	12,679
FOREIGN ASSETS	28,501	60,173	167,962	194,660	156,151
Shares and GDRs	12,886	16,359	63,878	125,216	114,535
Government bonds	699	32,786	55,403	0	0
Municipal bonds	0	0	0	0	0
Corporate bonds	0	0	11,156	0	0
Closed-end investment funds	0	0	0	0	0
Open-end investment funds	14,916	11,027	37,526	69,444	41,616
Short-term securities	0	0	0	0	0
Deposits	0	0	0	0	0
TOTAL ASSETS	716,324	804,675	1,149,386	1,478,171	1,659,288
Net assets	692,810	799,665	1,144,809	1,472,212	1,642,130

Source: HANFA

Table B6 Investment structure of voluntary closed-end pension funds' assets (end of period, in HRK thousand)

Type of assets	2007	2008	2009	2010	2011
DOMESTIC ASSETS	118,447	140,654	199,109	264,478	295,299
Securities and deposits	111,222	128,886	196,308	256,718	285,552
Shares and GDRs	23,649	11,803	20,880	26,180	43,664
Government bonds	41,643	60,146	53,846	149,603	181,256
Municipal bonds	133	94	243	85	0
Corporate bonds	6,693	12,370	19,222	21,485	22,160
Closed-end investment funds	0	0	0	0	100
Open-end investment funds	30,999	8,427	27,531	26,855	23,350
Short-term securities	209	18,654	50,529	13,060	4,237
Deposits	7,896	17,391	24,056	19,450	10,785
Cash	6,359	8,971	2,363	7,741	7,610
Receivables	867	2,798	438	19	2,137
FOREIGN ASSETS	3,403	9,997	19,599	23,744	33,662
Shares and GDRs	2,262	1,863	11,926	22,112	20,364
Government bonds	0	7,035	5,459	0	0
Municipal bonds	0	0	0	0	0
Corporate bonds	0	0	1,159	0	0
Closed-end investment funds	0	0	0	0	0
Open-end investment funds	1,140	1,099	1,055	1,632	13,299
Short-term securities	0	0	0	0	0
Deposits	0	0	0	0	0
TOTAL ASSETS	121,850	150,651	218,707	288,222	328,961
Net assets	119,082	148,378	218,343	287,794	326,598

Source: HANFA

Table C1 Share of insurance and reinsurance companies' assets in total assets (in HRK thousand)

INSURANCE AND REINSURANCE COMPANIES	Life		Non-life		Total		Share in assets of all companies		Life		Non-life		Total		Share in assets of all companies		Total Index 2011/2010
	2		3		4 (2+3)		5		6		7		8 (6+7)		9		
	31 Dec 2010		31 Dec 2011		31 Dec 2011		31 Dec 2011		31 Dec 2011		31 Dec 2011		31 Dec 2011		31 Dec 2011		
Agram životno osiguranje d.d.	1,352,801		1,352,801		1,352,801		4.49%	1,412,066		1,412,066		4.42%	1,412,066		4.42%	104.38	
Allianz Zagreb d.d.	1,897,295	1,205,638	3,102,932	10.30%	2,040,841	1,277,861	10.40%	2,040,841	1,277,861	3,318,702	10.40%	10.40%	3,318,702	10.40%	10.40%	106.95	
Basler osiguranje Zagreb d.d.	1,624,354	488,918	2,113,272	7.02%	1,711,308	459,367	6.80%	1,711,308	459,367	2,170,675	6.80%	6.80%	2,170,675	6.80%	6.80%	102.72	
BNP Paribas Cardif osiguranje d.d.	103,707	103,707	103,707	0.34%	138,131	138,131	0.43%	138,131	138,131	138,131	0.43%	0.43%	138,131	0.43%	0.43%	133.19	
Croatia osiguranje d.d.	2,037,490	5,723,000	7,760,490	25.77%	1,991,612	5,808,142	24.43%	1,991,612	5,808,142	7,799,753	24.43%	24.43%	7,799,753	24.43%	24.43%	100.51	
Croatia zdravstveno osiguranje d.d.		117,043	117,043	0.39%	390,936	121,965	0.38%	390,936	121,965	390,936	0.38%	0.38%	390,936	0.38%	0.38%	104.20	
Eriste osiguranje VIG d.d.	329,918		329,918	1.10%	2,842,529	2,842,529	8.90%	2,842,529	2,842,529	2,842,529	8.90%	8.90%	2,842,529	8.90%	8.90%	118.49	
Euroherc osiguranje d.d.	509,830	2,717,353	2,717,353	9.02%	886,100	308,858	2.78%	577,242	308,858	886,100	2.78%	2.78%	886,100	2.78%	2.78%	111.42	
Generali osiguranje d.d.	2,101,093	373,474	2,474,567	8.22%	2,247,299	401,051	8.30%	2,247,299	401,051	2,648,351	8.30%	8.30%	2,648,351	8.30%	8.30%	107.02	
Grawe Hrvatska d.d.	832,846	197,681	1,030,527	3.42%	853,792	210,471	3.33%	853,792	210,471	1,064,263	3.33%	3.33%	1,064,263	3.33%	3.33%	103.27	
Helios VIG d.d.		254,553	254,553	0.85%	300,684	300,684	0.94%	300,684	300,684	300,684	0.94%	0.94%	300,684	0.94%	0.94%	118.12	
HOK osiguranje d.d.		39,779	39,779	0.13%	42,401	42,401	0.13%	42,401	42,401	42,401	0.13%	0.13%	42,401	0.13%	0.13%	106.59	
Hrvatsko kreditno osiguranje d.d.		41,129	41,129	0.14%	45,128	45,128	0.14%	45,128	45,128	45,128	0.14%	0.14%	45,128	0.14%	0.14%	109.72	
Izvor osiguranje d.d.		1,707,798	1,707,798	5.67%	1,766,551	1,766,551	5.53%	1,766,551	1,766,551	1,766,551	5.53%	5.53%	1,766,551	5.53%	5.53%	103.44	
Jadransko osiguranje d.d.	32,718		32,718	0.11%	35,103	35,103	0.11%	35,103	35,103	35,103	0.11%	0.11%	35,103	0.11%	0.11%	107.29	
KD životno osiguranje d.d.	1,147,172	593,637	1,740,809	5.78%	1,324,632	793,292	6.64%	1,324,632	793,292	2,117,925	6.64%	6.64%	2,117,925	6.64%	6.64%	121.66	
Kvarner VIG d.d.	1,788,377	91,722	1,880,099	6.24%	1,907,132	96,065	6.28%	1,907,132	96,065	2,003,197	6.28%	6.28%	2,003,197	6.28%	6.28%	106.55	
Meikur osiguranje d.d.	63,390		63,390	0.21%	82,027	82,027	0.26%	82,027	82,027	82,027	0.26%	0.26%	82,027	0.26%	0.26%	129.40	
Societe Generale osiguranje d.d.		379,561	379,561	1.26%	383,534	383,534	1.20%	383,534	383,534	383,534	1.20%	1.20%	383,534	1.20%	1.20%	101.05	
Sunce osiguranje d.d.	336,162	584,023	920,186	3.06%	364,949	675,997	3.26%	364,949	675,997	1,040,945	3.26%	3.26%	1,040,945	3.26%	3.26%	113.12	
Triglav osiguranje d.d.	572,619	253,827	826,446	2.74%	639,992	298,470	2.94%	639,992	298,470	938,462	2.94%	2.94%	938,462	2.94%	2.94%	113.55	
Uniqqa osiguranje d.d.		123,089	123,089	0.41%	136,285	136,285	0.43%	136,285	136,285	136,285	0.43%	0.43%	136,285	0.43%	0.43%	110.72	
Velebit osiguranje d.d.	56,177		56,177	0.19%	48,589	48,589	0.15%	48,589	48,589	48,589	0.15%	0.15%	48,589	0.15%	0.15%	86.49	
Velebit životno osiguranje d.d.		32,376	32,376	0.11%	32,500	32,500	0.10%	32,500	32,500	32,500	0.10%	0.10%	32,500	0.10%	0.10%	100.38	
Victoria osiguranje d.d.	118,668		118,668	0.39%	155,845	155,845	0.49%	155,845	155,845	155,845	0.49%	0.49%	155,845	0.49%	0.49%	131.33	
Victoria životno osiguranje d.d.		24,591	24,591	2.88%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00	
Allianz reosiguranje d.d.		830,727	830,727	97.12%	982,147	982,147	100.00%	982,147	982,147	982,147	100.00%	100.00%	982,147	100.00%	100.00%	118.23	
Croatia Lloyd d.d.	14,800,911	15,313,762	30,114,673	100.00%	15,783,364	16,139,283	100.00%	15,783,364	16,139,283	31,922,647	100.00%	100.00%	31,922,647	100.00%	100.00%	106.00	
TOTAL insurance companies	14,800,911	15,313,762	30,114,673	100.00%	15,783,364	16,139,283	100.00%	15,783,364	16,139,283	31,922,647	100.00%	100.00%	31,922,647	100.00%	100.00%	106.00	
TOTAL reinsurance companies	14,800,911	855,318	855,318	100.00%	982,147	982,147	100.00%	982,147	982,147	982,147	100.00%	100.00%	982,147	100.00%	100.00%	114.83	
TOTAL	14,800,911	16,169,080	30,969,991		15,783,364	17,121,431		15,783,364	17,121,431	32,904,794			32,904,794			106.25	

Source: HANFA

Table C2 Overview of gross written premium of life and non-life insurance (in HRK thousand)

INSURANCE AND REINSURANCE COMPANIES	LIFE ASSURANCE		Share in premium of all companies in %		NON-LIFE INSURANCE		Share in premium of all companies in %		TOTAL		Share in premium of all companies in %				
	1 Jan 2010 - 31 Dec 2010	1 Jan 2011 - 31 Dec 2011	Index 2011/2010	1 Jan 2010 - 31 Dec 2010	1 Jan 2011 - 31 Dec 2011	Index 2011/2010	1 Jan 2010 - 31 Dec 2010	1 Jan 2011 - 31 Dec 2011	1 Jan 2010 - 31 Dec 2010	1 Jan 2011 - 31 Dec 2011	Index 2011/2010	1 Jan 2010 - 31 Dec 2010	1 Jan 2011 - 31 Dec 2011		
	2	3	4 (3/2)	5	6	7	8	9 (8/7)	10	11	12 (2+7)	13 (3+8)	14 (13/12)	15	16
Agram životno osiguranje d.d.	206,703	200,740	97.12	8.41	8.25				0.00	0.00	206,703	200,740	97.12	2.24	2.20
Allianz Zagreb d.d.	345,717	373,394	108.01	14.07	15.36	638,251	652,158	102.18	9.42	9.73	983,968	1,025,552	104.23	10.65	11.23
Basler osiguranje Zagreb d.d.	196,253	200,788	102.31	7.99	8.26	212,759	210,754	99.06	3.14	3.14	409,013	411,543	100.62	4.43	4.50
BNP Paribas Cardif osiguranje d.d.				0.00	0.00	65,239	68,245	104.61	0.96	1.02	65,239	68,245	104.61	0.71	0.75
Croatia osiguranje d.d.	345,215	341,732	98.99	14.04	14.05	2,550,202	2,447,129	95.96	37.63	36.49	2,895,417	2,788,861	96.32	31.35	30.52
Croatia zdravstveno osiguranje d.d.				0.00	0.00	97,208	97,276	100.07	1.43	1.45	97,208	97,276	100.07	1.05	1.07
Erste osiguranje VIG d.d.	106,756	104,333	97.73	4.34	4.29				0.00	0.00	106,756	104,333	97.73	1.16	1.14
Euroherc osiguranje d.d.				0.00	0.00	1,002,519	1,000,198	99.77	14.79	14.92	1,002,519	1,000,198	99.77	10.86	10.95
Generali osiguranje d.d.	114,766	125,618	109.46	4.67	5.17	186,443	198,564	106.50	2.75	2.96	301,209	324,182	107.63	3.26	3.55
Grawe Hrvatska d.d.	246,510	245,928	99.76	10.03	10.12	151,874	146,752	96.63	2.24	2.19	398,384	392,680	98.57	4.31	4.30
Helios VIG d.d.	128,589	123,157	95.78	5.23	5.07	46,232	52,915	114.45	0.68	0.79	174,822	176,072	100.72	1.89	1.93
HOK osiguranje d.d.				0.00	0.00	165,468	176,673	106.77	2.44	2.63	165,468	176,673	106.77	1.79	1.93
Hrvatsko kreditno osiguranje d.d.				0.00	0.00	1,551	6,687	431.15	0.02	0.10	1,551	6,687	431.15	0.02	0.07
Izvor osiguranje d.d.				0.00	0.00		18,640		0.00	0.28		18,640		0.00	0.20
Jadransko osiguranje d.d.				0.00	0.00	641,345	640,079	99.80	9.46	9.55	641,345	640,079	99.80	6.94	7.01
KD životno osiguranje d.d.	8,248	12,268	148.74	0.34	0.50				0.00	0.00	8,248	12,268	148.74	0.09	0.13
Kvarner VIG d.d.	211,394	186,845	88.39	8.60	7.69	300,026	261,250	87.08	4.43	3.90	511,421	448,096	87.62	5.54	4.90
Merkur osiguranje d.d.	259,343	255,033	98.34	10.55	10.49	31,054	29,766	95.85	0.46	0.44	290,398	284,799	98.07	3.14	3.12
Societe Generale osiguranje d.d.	29,414	37,793	128.49	1.20	1.55				0.00	0.00	29,414	37,793	128.49	0.32	0.41
Sunce osiguranje d.d.				0.00	0.00	176,695	172,441	97.59	2.61	2.57	176,695	172,441	97.59	1.91	1.89
Triglav osiguranje d.d.	75,031	71,491	95.28	3.05	2.94	330,473	324,461	98.18	4.88	4.84	405,504	395,952	97.64	4.39	4.33
Uniga osiguranje d.d.	122,716	100,850	82.18	4.99	4.15	117,242	132,810	113.28	1.73	1.98	239,958	233,660	97.38	2.60	2.56
Velebit osiguranje d.d.				0.00	0.00	62,326	67,107	107.67	0.92	1.00	62,326	67,107	107.67	0.68	0.74
Velebit životno osiguranje d.d.	9,468	8,009	84.59	0.39	0.33				0.00	0.00	9,468	8,009	84.59	0.10	0.09
Victoria osiguranje d.d.				0.00	0.00	851	1,346	158.13	0.01	0.02	851	1,346	158.13	0.01	0.01
Victoria životno osiguranje d.d.	51,559	43,289	83.96	2.10	1.78				0.00	0.00	51,559	43,289	83.96	0.56	0.47
Allianz reosiguranje d.d.				0.00	0.00	471		0.00	0.09	0.00	471		0.00	0.09	0.00
Croatia Lloyd d.d.				0.00	0.00	522,775	473,844	90.64	99.91	100.00	522,775	473,844	90.64	99.91	100.00
TOTAL insurance companies	2,457,683	2,431,268	98.93	100.00	100.00	6,777,762	6,705,252	98.93	100.00	100.00	9,235,445	9,136,520	98.93	100.00	100.00
TOTAL reinsurance companies				100.00	100.00	523,247	473,844	90.56	100.00	100.00	523,247	473,844	90.56	100.00	100.00
TOTAL	2,457,683	2,431,268	98.93	100.00	100.00	7,301,008	7,179,096	98.33	100.00	100.00	9,758,692	9,610,364	98.48	100.00	100.00

Table C3 Insurance and reinsurance companies' profit or loss (in HRK thousand)

INSURANCE AND REINSURANCE COMPANIES	Life		Non-life		Total		Index 2011/2010
	1 Jan 2010-31 Dec 2010	1 Jan 2011-31 Dec 2011	1 Jan 2010-31 Dec 2010	1 Jan 2011-31 Dec 2011	1 Jan 2010-31 Dec 2010	1 Jan 2011-31 Dec 2011	
1	2	3	4	5	6 (2+4)	7 (3+5)	8
Agram životno osiguranje d.d.	34,507	53,009			34,507	53,009	153.62
Allianz Zagreb d.d.	15,600	20,292	56,656	72,761	72,256	93,053	128.78
Basler osiguranje Zagreb d.d.	-11,968	-52,308	-49,724	-57,839	-61,692	-110,147	178.54
BNP Paribas Cardif osiguranje d.d.			1,025	4,051	1,025	4,051	395.16
Croatia osiguranje d.d.	4,528	4,647	39,076	74,019	43,604	78,667	180.41
Croatia zdravstveno osiguranje d.d.			4,339	3,161	4,339	3,161	72.86
Erste osiguranje VIG d.d.	5,777	5,026			5,777	5,026	87.00
Euroherc osiguranje d.d.			90,238	183,751	90,238	183,751	203.63
Generali osiguranje d.d.	-1,870	796	3,252	1,833	1,382	2,629	190.21
Grawe Hrvatska d.d.	14,423	20,820	8,425	10,653	22,848	31,473	137.75
Helios VIG d.d.	6,994	23,480	3,004	9,280	9,998	32,759	327.66
HOK osiguranje d.d.			4,422	12,462	4,422	12,462	281.83
Hrvatsko kreditno osiguranje d.d.			-679	-989	-679	-989	145.59
Izvor osiguranje d.d.			-942	-11,988	-942	-11,988	1,272.90
Jadransko osiguranje d.d.			45,861	93,867	45,861	93,867	204.68
KD životno osiguranje d.d.	-7,227	-8,568			-7,227	-8,568	118.57
Kvarner VIG d.d.	9,700	-29,598	-14,698	-62,534	-4,998	-92,132	1,843.32
Merkur osiguranje d.d.	27,018	21,321	3,752	4,479	30,770	25,800	83.85
Societe Generale osiguranje d.d.	-349	3,144			-349	3,144	
Sunce osiguranje d.d.			14,381	9,431	14,381	9,431	65.58
Triglav osiguranje d.d.	14,807	13,575	-39,159	-12,888	-24,351	687	
Uniqa osiguranje d.d.	2,956	1,214	523	42	3,479	1,256	36.10
Velebit osiguranje d.d.			-14,618	-18,488	-14,618	-18,488	126.47
Velebit životno osiguranje d.d.	-8,578	-9,262			-8,578	-9,262	107.98
Victoria osiguranje d.d.			-819	-749	-819	-749	91.45
Victoria životno osiguranje d.d.	-2,663	-449			-2,663	-449	16.84
Allianz reosiguranje d.d.			457		457		0.00
Croatia Lloyd d.d.			32,150	28,851	32,150	28,851	89.74
TOTAL insurance companies	103,654	67,139	154,317	314,317	257,972	381,456	147.87
TOTAL reinsurance companies			32,607	28,851	32,607	28,851	88.48
TOTAL	103,654	67,139	186,924	343,168	290,578	410,307	141.20

Source: HANFA

Table C4 Net technical provisions of insurance and reinsurance companies (in HRK thousand)

INSURANCE AND REINSURANCE COMPANIES	TECHNICAL PROVISIONS, net amount		PROVISIONS FOR UNEARNED PREMIUMS, net amount		MATHEMATICAL PROVISIONS, net amount		CLAIM PROVISIONS, net amount		PROVISIONS FOR RETURN OF PREMIUMS REGARDLESS OF RESULT (BONUS AND DISCOUNTS), net amount			EQUALISATION PROVISIONS, net amount			OTHER TECHNICAL PROVISIONS, net amount		
	31 Dec 2010	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010	31 Dec 2011	
	2	3	4	5	6	7	8	9	10	11	12	13	14	15			
Agram životno osiguranje d.d.	1,003,718	1,052,177	6,760	4,919	976,004	1,028,381	20,954	18,877									
Allianz Zagreb d.d.	2,033,753	2,244,980	250,156	264,194	1,318,131	1,501,407	464,016	477,786	1,218	1,243			231			349	
Basler osiguranje Zagreb d.d.	1,770,315	1,903,065	109,622	104,502	1,409,894	1,538,396	250,574	259,041								1,126	
BNP Paribas Cardif osiguranje d.d.	68,575	99,544			58,895	86,381	9,680	13,164									
Croatia osiguranje d.d.	5,318,007	5,294,303	917,318	903,066	1,770,867	1,816,417	2,615,066	2,551,392					14,757			23,427	
Croatia zdravstveno osiguranje d.d.	55,504	56,195	41,678	44,846			8,945	6,468	4,880	4,880							
Erste osiguranje VIG d.d.	256,831	312,406	7	108	254,779	310,609	2,045	1,689									
Euroherc osiguranje d.d.	1,551,114	1,495,286	549,019	539,826			1,002,095	955,460									
Generali osiguranje d.d.	604,703	686,979	70,144	73,908	442,479	504,971	91,292	105,134	788	2,967							
Grawe Hrvatska d.d.	2,086,169	2,226,872	65,408	63,653	1,843,089	1,971,551	177,672	191,688									
Helios VIG d.d.	749,191	753,089	14,794	15,084	662,273	675,309	71,833	62,338			291	358				920	
HOK osiguranje d.d.	190,884	212,832	79,646	84,042			109,227	127,870					2,011				
Hrvatsko kreditno osiguranje d.d.	453	1,537	309	375			126	940			80	142					
Izvor osiguranje d.d.		12,315		9,451				2,864									
Jadransko osiguranje d.d.	851,129	841,068	327,559	328,272			523,570	512,796									
KD životno osiguranje d.d.	1,332	2,402	21	29	805	1,615	506	758									
Kvarner VIG d.d.	830,291	822,974	90,462	72,089	553,680	581,885	184,049	166,801					2,100			2,200	
Merkur osiguranje d.d.	1,615,954	1,748,311	13,563	13,294	1,523,568	1,652,416	78,792	82,574			31	27					
Societe Generale osiguranje d.d.	22,128	38,489		7	20,869	36,078	1,259	2,403									
Sunce osiguranje d.d.	190,138	187,290	76,100	81,014			113,983	106,236	56	40							
Triglav osiguranje d.d.	605,588	601,164	139,080	129,450	207,460	233,611	245,412	223,774			252					14,329	
Uniqa osiguranje d.d.	409,397	468,322	39,120	39,832	339,458	392,295	30,466	35,595	353	601							
Velebit osiguranje d.d.	59,767	76,854	25,785	28,256			33,982	48,367								231	
Velebit životno osiguranje d.d.	16,981	19,239	22	47	16,669	18,891	291	301									
Victoria osiguranje d.d.	629	1,136	402	518			226	617									
Victoria životno osiguranje d.d.	12,355	19,911			12,209	19,864	147	47									
Allianz reosiguranje d.d.																	
Croatia Lloyd d.d.	398,087	375,587	48,027	37,312			308,749	295,057	311	218			41,000			43,000	
TOTAL insurance companies	20,304,906	21,178,739	2,816,974	2,800,763	11,411,128	12,370,075	6,036,209	5,954,981	7,295	9,811	593	527	32,707	42,581			
TOTAL reinsurance companies	398,087	375,587	48,027	37,312			308,749	295,057	311	218	593	527	41,000	43,000			
TOTAL	20,702,994	21,554,326	2,865,001	2,838,075	11,411,128	12,370,075	6,344,958	6,250,038	7,607	10,029	593	527	73,707	85,581			

Source: HANFA

Table C5 Capital to solvency margin ratio of insurance and reinsurance companies as at 31 December 2011 (in HRK thousand)

INSURANCE AND REINSURANCE COMPANIES	CAPITAL (A. 94 of the Insurance Act)		SOLVENCY MARGIN (A. 98 and 99 of the Insurance Act)		SOLVENCY MARGIN DEVIATION (>=)	
	LIFE	NON-LIFE	LIFE	NON-LIFE	LIFE	NON-LIFE
1	2	3	4	5	6 (2-4)	7 (3-5)
Agram životno osiguranje d.d.	172,346		52,561		119,786	
Allianz Zagreb d.d.	138,952	235,234	82,653	103,883	56,299	131,352
Basler osiguranje Zagreb d.d.	116,653	65,304	76,843	40,676	39,810	24,628
BNP Paribas Cardif osiguranje d.d.		28,782		12,284		16,498
Croatia osiguranje d.d.	123,186	545,727	87,316	364,125	35,870	181,602
Croatia zdravstveno osiguranje d.d.		56,032		17,510		38,522
Erste osiguranje VIG d.d.	43,679		16,361		27,318	
Euroherc osiguranje d.d.		307,648		168,228		139,420
Generali osiguranje d.d.	36,672	44,737	25,933	31,151	10,739	13,586
Grawe Hrvatska d.d.	153,406	66,833	90,238	24,304	63,167	42,529
Helios VIG d.d.	97,964	25,757	37,525	5,925	60,439	19,832
HOK osiguranje d.d.		40,891		32,843		8,048
Hrvatsko kreditno osiguranje d.d.		33,567		602		32,965
Izvor osiguranje d.d.		25,779		2,888		22,891
Jadransko osiguranje d.d.		220,964		109,957		111,006
KD životno osiguranje d.d.	23,742		1,606		22,136	
Kvarner VIG d.d.	118,078	147,064	36,836	39,525	81,242	107,539
Merkur osiguranje d.d.	120,820	32,339	81,315	3,671	39,505	28,668
Societe Generale osiguranje d.d.	36,613		8,755		27,858	
Sunce osiguranje d.d.		84,956		31,892		53,064
Triglav osiguranje d.d.	30,205	82,043	13,622	52,539	16,583	29,504
Uniqa osiguranje d.d.	32,974	24,698	20,793	11,664	12,181	13,034
Velebit osiguranje d.d.		27,961		9,890		18,070
Velebit životno osiguranje d.d.	25,468		1,210		24,258	
Victoria osiguranje d.d.		28,429		199		28,230
Victoria životno osiguranje d.d.	34,552		1,656		32,896	
Croatia Lloyd d.d.		86,350		46,948		39,402

Source: HANFA

Table C6 Basic insurance-technical indicators – LIFE ASSURANCE

No.	INSURANCE AND REINSURANCE COMPANIES	CLAIMS RATIO (%)		EXPENSE RATIO (%)		COMBINED RATIO (%)		RETURN ON INVESTMENT (%)		DEBT RATIO		ROE (%)		ROA (%)	
		2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011
1		3	4	5	6	7	8	9	10	11	12	13	14	15	16
1	Agram životno osiguranje d.d.	89.89	80.41	20.70	20.61	110.59	101.02	5.00	4.92	0.80	0.78	14.72	20.65	2.55	3.75
2	Allianz Zagreb d.d.	93.88	89.84	33.79	33.64	127.67	123.48	7.31	6.51	0.91	0.92	9.73	14.60	0.82	0.99
3	Basler osiguranje Zagreb d.d.	109.51	127.22	41.00	35.14	150.51	162.36	6.00	4.83	0.95	0.93	-12.06	-30.49	-0.74	-3.06
4	BNP Paribas Cardif osiguranje d.d.														
5	Croatia osiguranje d.d.	96.14	101.76	29.59	27.56	125.73	129.32	4.73	5.45	0.93	0.94	3.38	4.19	0.22	0.23
6	Croatia zdravstveno osiguranje d.d.														
7	Erste osiguranje VIG d.d.	86.46	88.48	25.89	24.77	112.35	113.25	5.74	5.29	0.83	0.87	11.69	11.12	1.75	1.29
8	Euroherc osiguranje d.d.														
9	Generali osiguranje d.d.	75.26	83.44	54.23	44.75	129.49	128.19	6.18	6.40	0.92	0.93	-4.30	2.05	-0.37	0.14
10	Grawe Hrvatska d.d.	115.65	125.28	25.85	25.65	141.50	150.93	6.19	7.17	0.93	0.92	10.41	13.57	0.69	0.93
11	Helios VIG d.d.	82.12	79.88	58.90	55.07	141.02	134.95	5.41	8.07	0.84	0.85	5.49	21.70	0.84	2.75
12	HOK osiguranje d.d.														
13	Hrvatsko kreditno osiguranje d.d.														
14	Izvor osiguranje d.d.														
15	Jadransko osiguranje d.d.														
16	KD životno osiguranje d.d.	41.55	32.08	172.77	123.08	214.32	155.16	7.97	-7.25	0.21	0.31	-21.95	-26.08	-22.09	-24.41
17	Kvarner VIG d.d.	74.97	82.31	66.22	71.41	141.19	153.72	7.50	2.94	0.96	0.91	23.97	-19.07	0.85	-2.23
18	Merkur osiguranje d.d.	102.84	102.67	24.98	26.26	127.82	128.93	5.94	5.24	0.91	0.92	21.12	17.28	1.51	1.12
19	Societe Generale osiguranje d.d.	47.51	47.48	61.88	54.66	109.39	102.14	4.14	5.07	0.39	0.51	-0.90	8.46	-0.55	3.83
20	Sunce osiguranje d.d.														
21	Triglav osiguranje d.d.	81.99	85.91	23.91	21.65	105.90	107.56	7.65	6.55	0.89	0.88	70.34	44.94	4.40	3.72
22	Uniq osiguranje d.d.	98.10	92.65	30.94	47.48	129.04	140.13	6.83	6.96	0.93	0.95	8.50	3.63	0.52	0.19
23	Velebit osiguranje d.d.														
24	Velebit životno osiguranje d.d.	53.97	38.71	156.83	150.61	210.80	189.32	4.04	-6.29	0.36	0.46	-19.37	-26.22	-15.27	-19.06
25	Victoria osiguranje d.d.														
26	Victoria životno osiguranje d.d.	95.72	93.86	19.66	18.85	115.38	112.71	8.70	8.70	0.70	0.78	-6.95	-1.28	-2.24	-0.29
27	Allianz osiguranje d.d.														
28	Croatia Lloyd d.d.														
	TOTAL	94.44	96.58	35.12	34.59	129.56	131.17	6.00	5.73	0.90	0.90	7.59	4.46	0.70	0.43

Source: HANFA

Table C7 Basic insurance-technical indicators – NON-LIFE INSURANCE

No.	INSURANCE AND REINSURANCE COMPANIES	CLAIMS RATIO (%)		EXPENSE RATIO (%)		COMBINED RATIO (%)		RETURN ON INVESTMENT (%)		DEBT RATIO		ROE (%)		ROA (%)	
		2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011
1		3	4	5	6	7	8	9	10	11	12	13	14	15	16
1	Agram životno osiguranje d.d.														
2	Allianz Zagreb d.d.	50.75	46.98	46.38	47.31	97.13	94.29	4.39	5.44	0.75	0.74	23.42	27.95	4.70	5.69
3	Basler osiguranje Zagreb d.d.	56.82	56.91	58.42	58.34	115.24	115.25	-9.76	-10.87	0.89	0.85	-48.36	-45.04	-10.17	-12.59
4	BNP Paribas Cardif osiguranje d.d.	55.83	50.16	49.95	52.96	105.78	103.12	5.09	5.54	0.70	0.76	3.38	13.79	0.99	2.93
5	Croatia osiguranje d.d.	60.57	57.78	44.46	45.55	105.03	103.33	1.33	3.56	0.74	0.74	2.65	5.10	0.68	1.27
6	Croatia zdravstveno osiguranje d.d.	61.48	60.41	39.36	34.97	100.84	95.38	3.05	2.05	0.52	0.51	8.33	5.60	3.71	2.59
7	Erste osiguranje VIG d.d.														
8	Euroherc osiguranje d.d.	51.09	34.94	45.11	51.08	96.20	86.02	3.69	4.05	0.71	0.68	12.71	25.17	3.32	6.46
9	Generali osiguranje d.d.	51.25	49.10	55.29	58.10	106.54	107.20	4.88	6.03	0.83	0.84	7.03	3.86	1.14	0.59
10	Grawe Hrvatska d.d.	61.61	56.81	59.30	55.46	120.91	112.27	5.46	6.33	0.81	0.81	13.52	15.81	2.26	2.66
11	Helios VIG d.d.	49.17	30.94	96.17	84.32	145.34	115.26	6.55	4.41	0.85	0.83	11.20	35.60	1.52	4.41
12	HOK osiguranje d.d.	59.35	51.41	40.66	41.24	100.01	92.65	4.71	3.07	0.86	0.84	14.09	34.69	1.74	4.14
13	Hrvatsko kreditno osiguranje d.d.	207.43	99.95	508.38	202.15	715.81	302.10	1.61	4.46	0.07	0.16	-1.81	-2.69	-1.71	-2.33
14	Izvor osiguranje d.d.		109.33		101.02		210.35	1.01	7.07	0.05	0.40	-2.35	-30.69	-2.29	-26.56
15	Jadransko osiguranje d.d.	44.09	37.06	51.86	51.69	95.95	88.75	2.36	3.15	0.65	0.61	8.21	15.93	2.69	5.31
16	KD životno osiguranje d.d.														
17	Kvarner VIG d.d.	61.13	66.23	70.53	101.54	131.66	167.77	2.45	-2.04	0.92	0.82	-24.38	-30.43	-2.48	-7.88
18	Merkur osiguranje d.d.	45.81	45.40	71.41	61.60	117.22	107.00	6.85	6.96	0.64	0.62	12.63	13.85	4.09	4.66
19	Societe Generale osiguranje d.d.														
20	Sunce osiguranje d.d.	68.36	70.90	33.13	33.95	101.49	104.85	5.48	6.18	0.66	0.65	12.60	7.54	3.79	2.46
21	Triglav osiguranje d.d.	73.06	62.15	46.20	47.28	119.26	109.43	2.84	2.24	0.86	0.87	-32.80	-13.15	-6.70	-1.91
22	Unika osiguranje d.d.	60.15	60.40	107.78	102.95	167.93	163.35	6.84	5.46	0.88	0.90	1.74	0.15	0.21	0.01
23	Velebit osiguranje d.d.	69.66	70.58	67.24	62.86	136.90	133.44	4.84	-1.57	0.81	0.86	-38.78	-49.48	-11.88	-13.57
24	Velebit životno osiguranje d.d.														
25	Victoria osiguranje d.d.	52.75	44.87	396.67	263.96	449.42	308.83	6.07	5.61	0.09	0.13	-2.69	-2.57	-2.53	-2.30
26	Victoria životno osiguranje d.d.														
27	Allianz reosiguranje d.d.	-165.05		14,646.51		14,481.46		4.33		0.01		1.92		1.86	
28	Croatia Lloyd d.d.	72.41	68.32	33.28	37.03	105.69	105.35	5.88	4.87	0.67	0.71	13.14	11.36	3.87	2.94
	TOTAL	57.12	51.31	47.82	50.05	104.94	101.36	2.70	3.41	0.73	0.73	4.55	7.97	1.16	2.00

Source: HANFA

Table D1 Total assets of leasing companies (in HRK thousand)

Item / Date	31 Dec 2010 ¹	31 Dec 2011 ¹
FIXED ASSETS	20,164,349	17,873,417
INTANGIBLE ASSETS	36,319	29,841
TANGIBLE ASSETS	8,617,675	7,344,760
Tangible assets in preparation (investments in progress)	118,981	47,438
Tangible assets given under operating lease	8,297,810	7,189,487
Property	1,081,004	1,102,221
Passenger cars	4,381,889	3,978,743
Commercial vehicles	968,016	733,068
Vessels	1,071,039	749,579
Aircraft	10,018	7,685
Plant, machinery, transport machines and equipment	727,364	611,961
Other	58,480	6,229
Other tangible assets	144,184	104,335
Foreclosed assets	56,700	3,500
LONG-TERM FINANCIAL ASSETS	1,090,306	856,374
Investments in subsidiaries, associates and joint ventures	34,503	41,852
Investment in long-term securities	131,579	150,177
Long term loans	845,891	600,183
Long term deposits	2,394	14,735
Other long-term financial assets	75,940	49,427
LONG-TERM RECEIVABLES	10,329,219	9,509,758
Receivables under finance lease	10,328,884	9,509,468
Other long-term receivables	334	290
DEFERRED TAX ASSETS	90,830	132,683
SHORT-TERM ASSETS	7,689,345	7,553,143
INVENTORY	460,211	611,437
SHORT-TERM RECEIVABLES	5,026,184	4,729,156
Receivables under operating lease	239,942	226,463
Receivables under finance lease	4,539,139	4,291,408
State and other institutions receivables	91,855	82,098
Other short-term receivables	155,248	129,187
SHORT-TERM FINANCIAL ASSETS	1,520,118	1,583,160
Investments in subsidiaries, associates and joint ventures	0	0
Investments in securities	123,174	78,037
Given loans	1,044,735	1,042,232
Given deposits	300,501	437,993
Other short-term financial assets	51,708	24,898
CASH AT BANK AND IN HAND	682,833	629,389
PREPAYMENTS AND ACCRUED INCOME	215,869	173,114
TOTAL ASSETS	28,069,563	25,599,674
Off-balance sheet asset items	2,127,613	2,983,689

1) Data as at 31 December 2010 were submitted to the Agency on reports as at 31 December 2011.

Source: HANFA

Table D2 Total liabilities of leasing companies (in HRK thousand)

Item / Date	31 Dec 2010 ¹	31 Dec 2011 ¹
CAPITAL AND RESERVES	92,174	871,327
Subscribed capital	624,384	725,749
of which owned by non-residents	492,465	582,642
Revaluation reserves	12,453	12,453
Other reserves	1,412,423	2,263,468
Retained profit/loss brought forward	-918,130	-1,998,147
Profit/loss for the year	-1,038,955	-132,195
PROVISIONS	70,917	95,492
LONG-TERM LIABILITIES	17,337,276	15,587,393
Foreign banks and financial institutions loans	15,023,313	13,798,735
Domestic banks and financial institutions loans	1,024,936	838,833
Liabilities for advances in respect of lease	6,643	5,326
Liabilities for deposits and guarantees in respect of lease	1,266,389	923,624
Liabilities for issued securities	0	0
Other long-term liabilities	3,673	11,215
Deferred tax liability	12,322	9,659
SHORT-TERM LIABILITIES	10,086,272	8,616,843
Foreign banks and financial institutions loans	9,078,729	7,651,226
Domestic banks and financial institutions loans	255,515	326,592
Liabilities for short-term securities	0	0
Liabilities for advances in respect of lease	49,924	50,330
Liabilities for deposits and guarantees in respect of lease	333,481	391,925
Other short-term liabilities	368,622	196,770
ACCRUALS AND DEFERRED INCOME	482,925	428,619
TOTAL LIABILITIES	28,069,563	25,599,674
Off-balance sheet liability items	2,127,613	2,983,689

1) Data as at 31 December 2010 were submitted to the Agency on reports as at 31 December 2011.

Source: HANFA

Table D3 Leasing companies' statement of comprehensive income (profit and loss account) (in HRK thousand)

Item/ Period	1 Jan 2010-31Dec 2010 ¹	1 Jan 2011-31 Dec 2011 ¹
INTEREST INCOME	1,261,701	1,103,445
Interest income - finance lease	949,398	921,231
Interest income - loans given	183,254	98,097
Other interest income	129,049	84,117
INTEREST EXPENSES	658,911	720,533
Interest expenses on credits from domestic banks and financial institutions	34,337	50,404
Interest expenses on credits from foreign banks and financial institutions	594,183	650,414
Other interest expenses	30,391	19,715
PROFIT/LOSS ON INTEREST	602,790	382,911
PROFIT FROM COMMISSIONS AND FEES	104,418	86,596
EXPENSES ON COMMISSIONS AND FEES	30,769	33,835
PROFIT/LOSS ON COMMISSIONS AND FEES	73,649	52,761
OTHER OPERATING INCOME	3,154,525	2,907,686
Income from operating lease	2,864,669	2,560,581
Profit from sale of assets - operating lease	64,024	115,327
Profit from sale of assets - finance lease	13,816	25,526
Profit from reimbursable lease expenses	25,234	20,696
Profit from exchange rate differences	4,000	7,092
Other income	182,783	178,465
OTHER OPERATING EXPENSES	3,382,801	2,821,385
Loss on sale of assets - operating lease	50,009	26,153
Loss on sale of assets - finance lease	7,891	1,761
Loss on reimbursable lease expenses	17,149	12,367
Loss on exchange rate differences	371,758	194,219
Loss on depreciation of assets in operating lease	2,126,679	1,833,663
Expenses on depreciation of other assets	23,163	22,141
Staff costs	235,122	241,325
Overheads and administrative operating expenses	282,220	289,951
Other expenses	268,811	199,804
PROFIT/LOSS ON OTHER INCOME AND EXPENSES	-228,276	86,301
PROFIT/LOSS BEFORE EXPENSES ON VALUE ADJUSTMENT FOR IMPAIRMENT LOSSES	448,163	521,974
Expenses on value adjustment for impairment losses	1,481,067	636,308
PROFIT/LOSS BEFORE PROFIT TAX	-1,032,904	-114,335
Profit tax	6,051	17,861
PROFIT/LOSS AFTER PROFIT TAX	-1,038,955	-132,195
Attributable to owners of the parent	0	0
Attributable to non-controlling interests	0	0
OTHER COMPREHENSIVE INCOME	-2,575	1,667
Change in revaluation reserves (property, plant, equipment and intangible assets)	0	0
Unrealised gains/losses on financial assets available for sale	-5,811	-1,053
Gains/losses on hedging instruments in cash flow hedge	2,044	2,426
Actuarial gains/losses on defined benefit pension plans	0	0
Gains/losses arising from translation of foreign financial statements	0	0
Profit tax on other comprehensive income	-1,192	-294
Total comprehensive income	-1,041,530	-130,528

1) Data for the period from 1 January to 31 December 2010 were submitted to the Agency on the statements for the period from 1 January to 31 December 2011.

Source: HANFA

Table D4 Structure of the portfolio of active lease contracts by type and by leased asset/loan

	As at	31 December 2010 ¹		31 December 2011 ¹	
	Item	Number of active contracts	Value of active contracts (undue contract value / undue receivables) ² (in HRK thousand)	Number of active contracts	Value of active contracts (undue contract value / undue receivables) ² (in HRK thousand)
Operating lease	TOTAL	73,909	6,490,073	66,058	5,607,773
	Property	80	1,005,239	84	1,159,976
	Passenger cars	61,167	3,451,735	55,396	3,014,043
	Commercial vehicles	8,388	678,100	6,850	511,704
	Vessels	1,016	680,272	841	426,062
	Aircraft	1	3,342	1	682
	Plant, machinery, transport machines and equipment	2,929	614,330	2,663	489,649
	Other	328	57,055	223	5,657
Finance lease	TOTAL	73,120	14,085,258	68,535	12,910,956
	Property	1,081	4,360,102	1,098	4,454,536
	Passenger cars	41,396	2,640,106	40,671	2,385,394
	Commercial vehicles	17,998	3,078,927	15,662	2,656,642
	Vessels	835	483,229	786	341,716
	Aircraft	1	27,386	2	36,637
	Plant, machinery, transport machines and equipment	10,438	3,233,091	9,392	2,772,065
	Other	1,371	262,415	924	263,966
Loans	TOTAL	7,583	1,164,649	4,300	819,037
	Property	486	831,010	424	630,949
	Passenger cars	4,288	92,555	2,234	36,707
	Commercial vehicles	1,487	22,866	826	5,681
	Vessels	195	40,743	110	29,071
	Aircraft	3	0	3	0
	Plant, machinery, transport machines and equipment	1,100	95,537	686	63,738
	Other	24	81,937	17	52,891
TOTAL	TOTAL	154,612	21,739,979	138,893	19,337,766
	Property	1,647	6,196,351	1,606	6,245,461
	Passenger cars	106,851	6,184,396	98,301	5,436,144
	Commercial vehicles	27,873	3,779,893	23,338	3,174,027
	Vessels	2,046	1,204,244	1,737	796,849
	Aircraft	5	30,728	6	37,319
	Plant, machinery, transport machines and equipment	14,467	3,942,959	12,741	3,325,452
	Other	1,723	401,408	1,164	322,514

1) Data as at 31 December 2010 were submitted to the Agency on reports as at 31 December 2011.

2) Accrued notional amount of the operating lease portfolio structure refers to the amount of outstanding rent (excluding VAT) on operating lease contracts; this amount does not include the residual value.

Accrued receivables refer to the outstanding amount of financing (outstanding principal) on finance lease contracts and loans, net of accumulated depreciation claim.

Source: HANFA

Table D5 Structure of newly concluded lease contracts by type and by leased asset/loan

	From 1 Jan to	31 Dec 2010 ¹		31 Dec 2011 ¹	
	Item	Number of newly concluded lease contracts	Value of newly concluded lease contracts (contract / financed value) ² (in HRK thousand)	Number of newly concluded lease contracts	Value of newly concluded lease contracts (contract / financed value) ² (in HRK thousand)
Operating lease	TOTAL	12,803	2,117,755	15,716	2,091,842
	Property	10	389,995	18	181,127
	Passenger cars	11,193	1,278,806	14,009	1,482,313
	Commercial vehicles	1,214	170,611	1,062	175,122
	Vessels	96	150,906	104	110,660
	Aircraft	0	0	0	0
	Plant, machinery, transport machines and equipment	274	126,585	434	141,321
	Other	16	852	89	1,298
Finance lease	TOTAL	15,643	3,583,540	14,940	3,473,063
	Property	163	649,330	116	650,116
	Passenger cars	9,796	1,071,099	9,896	1,120,618
	Commercial vehicles	3,457	777,242	2,897	795,277
	Vessels	132	112,161	134	78,759
	Aircraft	0	0	0	0
	Plant, machinery, transport machines and equipment	1,619	857,681	1,502	723,075
	Other	476	116,026	395	105,217
TOTAL	TOTAL	28,446	5,701,295	30,656	5,564,905
	Property	173	1,039,325	134	831,243
	Passenger cars	20,989	2,349,905	23,905	2,602,931
	Commercial vehicles	4,671	947,853	3,959	970,400
	Vessels	228	263,068	238	189,419
	Aircraft	0	0	0	0
	Plant, machinery, transport machines and equipment	1,893	984,266	1,936	864,397
	Other	492	116,878	484	106,515

- 1) Data for the period from 1 Jan to 31 Dec 2010 were submitted to the Agency on the statements for the period from 1 Jan to 31 Dec 2011.
2) The contractual value of the operating lease portfolio structure refers to the total contractual amount equal to the total sum of the rent (excluding VAT) on contracts under operating lease; this amount does not include the residual value.
Value of contracts financed by the finance lease portfolio structure refers to the amount of funding for financing lessee (principal amount) on contracts under finance lease concluded during the reporting period.

Source: HANFA

11.2. List of Tables

Table No.	Title	Page
1 CAPITAL MARKET		
1.1	Trends in values of stock exchange indices in 2011	14
1.3.1	Number of active investment firms	17
1.3.2	Investment firms' balance sheet as at 31 December 2010 and 31 December 2011 (in HRK thousand)	18
1.3.3	Investment firms' profit and loss account for 2010 and 2011 (in HRK thousand)	20
1.3.4	Investment firms' capital adequacy as at 31 December 2011 (in HRK thousand)	22
1.3.5	Total income from provision of investment services and performance of investment activities in 2011 (in HRK thousand)	23
1.4.1	Comparison of licences issued and revoked in 2010 and 2011	24
1.4.2	Issue and listing prospectuses in 2010 and 2011	25
1.4.3	Takeovers and amounts paid in 2010 and 2011	25
2 INVESTMENT FUNDS		
2.1	Comparison of the number of investment funds as at 31 December 2010 and 31 December 2011	33
2.1.1	Net assets of open-end investment funds as at 31 December 2010 and 31 December 2011 (in HRK thousand)	34
2.1.2	Net assets managed by companies managing open-end investment funds as at 31 December 2010 and 31 December 2011 (in HRK thousand)	36
2.3.1	Balance sheet of management companies as at 31 December 2010 and 31 December 2011 (in HRK thousand)	38
2.3.2	Profit and loss account of management companies in 2010 and 2011 (in HRK thousand)	39
2.4.1	Investment funds established pursuant to special regulations as at 31 December 2011 (net assets in HRK thousand)	40
2.4.2	Investment structure of the Fund for Croatian Homeland War Veterans and Members of their Families as at 31 December 2010 and 31 December 2011 (in HRK thousand)	40
2.4.3	Investment structure of the Retired Persons' Fund as at 31 December 2010 and 31 December 2011 (in HRK thousand)	41
2.5.1	Cases processed in 2010 and 2011	41
2.6.1	On-site examinations carried out in investment fund management companies in 2011	42
3 PENSION FUNDS		
3.1.1	Mandatory pension fund membership	47
3.1.2	Net contributions of mandatory pension funds in 2011 (in HRK thousand)	48
3.1.3	Investment structure of mandatory pension funds as at 31 December 2010 and 31 December 2011 (in HRK thousand)	50
3.1.4	Annualised rates of return of mandatory pension funds' accounting units and the MIREX index	52
3.2.1	Balance sheet of mandatory pension companies as at 31 December 2010 and 31 December 2011 (in HRK thousand)	53
3.2.2	Profit and loss account of mandatory pension companies in 2010 and 2011 (in HRK thousand)	54
3.3.1	Open-end voluntary pension funds' membership	55
3.3.2	Gross contributions of ODMF members (in HRK thousand)	55
3.3.3	Investment structure of open-end voluntary pension funds as at 31 December 2010 and 31 December 2011 (in HRK thousand)	56
3.3.4	ODMF annualised rates of return	58
3.3.5	Closed-end voluntary pension funds	59
3.3.6	Main indicators for closed-end voluntary pension funds	59
3.3.7	Values of accounting units and ZDMF rates of return	60

Table No.	Title	Page
3.4.1	Balance sheet of voluntary pension companies as at 31 December 2010 and 31 December 2011 (in HRK thousand)	61
3.4.2	Profit and loss account of voluntary pension companies in 2010 and 2011 (in HRK thousand)	62
3.5.1	Balance sheet as at 31 December 2010 and 31 December 2011 (in HRK thousand)	64
3.5.2	Profit and loss account for 2010 and 2011 (in HRK thousand)	65
3.6.1	Number of cases related to pension companies and pension funds	66
4 INSURANCE MARKET		
4.1.1	Gross written premium by insurance classes as at 31 December 2010 and 31 December 2011(in HRK thousand)	76
4.1.2	Motor vehicle liability insurance as at 31 December 2010 and 31 December 2011 (in HRK thousand)	77
4.1.3	Asset structure of insurance and reinsurance companies as at 31 December 2010 and 31 December 2011 (in HRK thousand)	78
4.1.4	Liability structure of insurance and reinsurance companies as at 31 December 2010 and 31 December 2011 (in HRK thousand)	80
4.4.1	Abbreviated balance sheet of regular business operations of the Bureau as at 31 December 2010 and 31 December 2011 (in HRK thousand)	91
4.4.2	Income and expenses from regular business operations of the Bureau for 2010 and 2011 (in HRK thousand)	91
4.4.3	Abbreviated balance sheet of the Guarantee fund as at 31 December 2010 and 31 December 2011 (in HRK thousand)	92
4.5.1	Abbreviated balance sheet as at 31 December 2010 and 31 December 2011 (in HRK thousand)	93
4.5.2	Profit and loss account for 2010 and 2011 (in HRK thousand)	94
5 LEASING		
5.1.1	Assets, value of newly concluded contracts, value of active contracts and number of persons employed in the leasing industry for the period 31 December 2006 – 31 December 2011	100
5.2.1	Comparative aggregate overview of leasing industry assets as at 31 December 2010 and 31 December 2011 (in HRK thousand)	101
5.2.2	Comparative overview of assets by leasing company as at 31 December 2010 and 31 December 2011 (in HRK thousand)	102
5.3.1	Comparative aggregate overview of leasing industry liabilities as at 31 December 2010 and 31 December 2011 (in HRK thousand)	103
5.4.1	Comparative aggregate overview of the profit and loss account of the leasing industry in 2010 and 2011 (in HRK thousand)	104
5.5.1	Leasing industry portfolio structure as at 31 December 2010 and 31 December 2011	105
5.5.2	Comparative overview of the number and value of newly concluded contracts in the leasing industry in 2010 and 2011	106
5.5.3	Comparative overview of the number and value of active contracts in the leasing industry in 2010 and 2011	107
5.6.1	Comparison of the number of newly concluded contracts in the leasing industry by leased assets in 2010 and 2011	108
5.6.2	Comparison of the value of newly concluded contracts in the leasing industry by leased assets in 2010 and 2011(in HRK thousand)	108
5.6.3	Number of active contracts in the leasing industry by leased assets/loans as at 31 December 2010 and 31 December 2011	109
5.6.4	Value of active contracts by leased assets/loans as at 31 December 2010 and 31 December 2011 (in HRK thousand)	110
6 FACTORING		
6.1	Number of factoring companies and their total assets as at 31 December 2009, 31 December 2010 and 31 December 2011 (in HRK thousand)	117

Table No.	Title	Page
6.2	Factoring companies' asset changes and shares in 2010 and 2011 (in HRK thousand)	118
6.1.1	Factoring companies' aggregate assets as at 31 December 2010 and 31 December 2011 (in HRK thousand)	118
6.2.1	Factoring companies' aggregate liabilities as at 31 December 2010 and 31 December 2011 (in HRK thousand)	120
6.3.1	Aggregate profit and loss account for the factoring industry in the 1 Jan – 31 Dec 2010 and 1 Jan – 31 Dec periods (in HRK thousand)	121
6.3.2	Profit and shares in profit of factoring companies reporting profit in 2010 and 2011 (in HRK thousand)	122
9 JUDICIAL PROCEEDINGS		
9.1.1	Indictments brought in 2011	137
10 FINANCIAL STATEMENT OF THE AGENCY		
10.1	Profit and loss account for 2011 (in HRK)	143
10.2	Balance sheet of the Agency as at 31 December 2011 (in HRK)	143

11.3. List of Charts

Chart No.	Title	Page
1 CAPITAL MARKET		
1.1	Changes in the CROBEX index and in the ZSE turnover in 2011	13
1.2	Annual rate of return of the CROBEX index in the period from 1998 to 2011	14
1.3	Realised rates of return of indices worldwide in 2011	15
1.4	Changes in the CROBIS index and in the ZSE turnover in 2011	15
1.5	Annual rates of return of the CROBIS index for the 2003-2011 period	16
1.6	Changes in the CROBEX 10 index and in the ZSE turnover in 2011	16
1.3.1	Assets shares of investment firms in total assets of investment firms as at 31 December 2011	19
1.3.2	Profit/loss of investment firms in 2011 (in HRK thousand)	21
1.3.3	Recorded income from provision of investment services and performance of investment activities in 2011 by legal persons	23
2 INVESTMENT FUNDS		
2.1.1	Shares in net assets of open-end investment funds with public offering (in HRK thousand)	34
2.1.2	Shares in net assets of open-end investment funds with private offering (in HRK thousand)	35
2.1.3	Investment structure of open-end investment funds with public offering as at 31 December 2011 (in HRK thousand)	35
2.1.4	Domestic and foreign asset share in net assets of open-end investment funds with public offering as at 31 December 2011	35
2.1.5	Shares in net assets of open-end investment funds by ownership structure of management companies as at 31 December 2012	36
2.2.1	Net assets of closed-end investment funds in the 2007-2011 period (in HRK thousand)	37
2.2.2	Shares of closed-end investment funds with public offering and closed-end investment funds with public offering for real-estate investments in total assets of closed-end investment funds as at 31 December 2011	37
2.3.1	Management companies' after-tax profit in 2011	39

Chart No.	Title	Page
3 PENSION FUNDS		
3.1.1	Net contributions of mandatory pension funds in the 2002 - 2011 period (in HRK thousand)	48
3.1.2	Net assets of mandatory pension funds as at 31 December 2010 and 31 December 2011	49
3.1.3	Net asset to net contribution ratio of mandatory pension funds in the period from 30 April 2002 to 31 December 2011	49
3.1.4	Investment structure of mandatory pension funds as at 31 December 2011 (in HRK thousand)	51
3.1.5	Values of accounting units and the MIREX index during 2011	51
3.2.1	Shares in assets under management by ownership structure	54
3.3.1	Gross contributions of ODMF members over the last five years (in HRK thousand)	56
3.3.2	Investment structure of voluntary open-end pension funds over the last five years (in HRK thousand)	57
3.4.1	Shares in assets under management by ownership structure	62
4 INSURANCE MARKET		
4.1.1	Insurance density in the 2002-2011 period (in HRK)	71
4.1.2	Share of gross written premium in GDP in the 2002-2011 period	72
4.1.3	Number of licensed insurance and reinsurance companies in the 2002-2011 period	72
4.1.4	Insurance activities conducted by insurance and reinsurance companies in 2011	73
4.1.5	Ownership structure of licensed insurance and reinsurance companies (direct ownership) for the 2002-2011 period	74
4.1.6	Gross written premium of insurance companies in the 2002-2011 period (in HRK thousand)	74
4.1.7	Gross written premium indices in the insurance industry in the 2002-2011 period	75
4.1.8	Shares of life and non-life insurance in the total gross written premium in the 2002-2011 period	75
4.1.9	Premium structure by insurance classes as at 31 December 2011	77
4.1.10	Asset structure of insurance and reinsurance companies as at 31 December 2010 and 31 December 2011	79
4.1.11	Liability structure of insurance and reinsurance companies as at 31 December 2010 and 31 December 2011	81
4.1.12	Operating results of insurance and reinsurance companies from 2007 to 2011 (in HRK million)	81
4.1.13	Net technical provisions in the 2002-2011 period (in HRK thousand)	82
4.1.14	Structure of net technical provisions in the 2002-2011 period	82
4.1.15	Structure of investments of technical provisions in the 2002-2011 period	83
4.1.16	Structure of investments of assets covering mathematical provisions in the 2002-2011 period	84
4.1.17	Structure of investments of assets covering mathematical provisions, technical provisions except for mathematical provisions and investments of assets from capital in the 2008-2011 period (in HRK billion)	85
4.1.18	Ratio of available capital to solvency margin by life assurance companies as at 31 December 2011 (in HRK million)	86
4.1.19	Ratio of available capital to solvency margin by non-life insurance companies as at 31 December 2011 (in HRK million)	86
4.4.1	Assets of the Guarantee Fund from 1 January 2011 to 31 December 2011 (in HRK million)	92

Chart No.	Title	Page
5 LEASING		
5.1	Number of leasing companies in the Republic of Croatia in the 2003-2011 period	99
5.1.1	Structure of the initial capital of leasing companies by capital origin as at 31 December 2011	100
5.2.1	Leasing industry asset structure as at 31 December 2011	101
5.3.1	Leasing industry liability structure as at 31 December 2011	103
5.5.1	Value of newly concluded and active contracts in the 2006-2011 period (in HRK million)	105
5.5.2	Leasing industry portfolio structure – comparison of the values of newly concluded contracts by periods (in HRK million)	106
5.5.3	Leasing industry portfolio structure – comparison of the values of active contracts as at 31 December 2010 and 31 December 2011 (in HRK million)	107
5.6.1	Comparison of the structures of the number and value of newly concluded contracts by leased assets in 2011	109
6 FACTORING		
6.1.1	Factoring companies' aggregate assets in the 2006 – 2011 period (in HRK million)	119
6.1.2	Factoring companies' asset structure as at 31 December 2011	119
6.2.1	Factoring companies' liability structure as at 31 December 2011	120

