

ANNUAL REPORT

CROATIAN
FINANCIAL
SERVICES
SUPERVISORY
AGENCY



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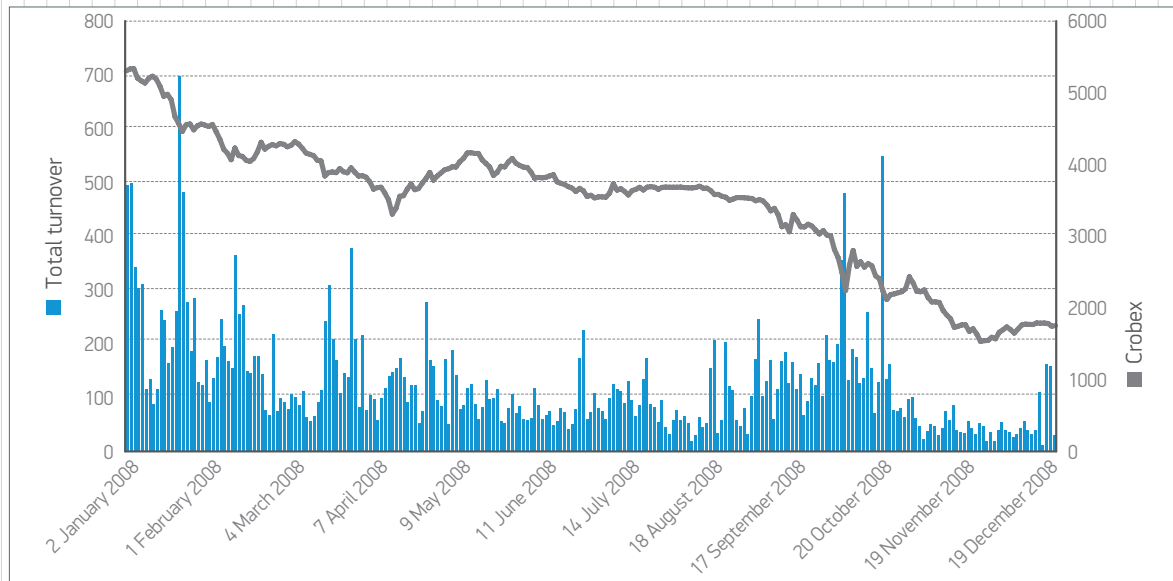
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01 CAPITAL MARKET

In 2008, the Zagreb Stock Exchange recorded a turnover of HRK 31,064 million, which was a 53.3% decrease compared to the total turnover in 2007. 372 issues of securities were actively traded, which was a 1.07% decrease in comparison to the previous year. Regular share turnover amounted to HRK 16,842.3 million, dropping by 23.4% over the previous year. At the end of the year, the share index CROBEX was 67.1% lower than its value at the beginning of the year. Market capitalization was by 55.1% lower compared to 2007.

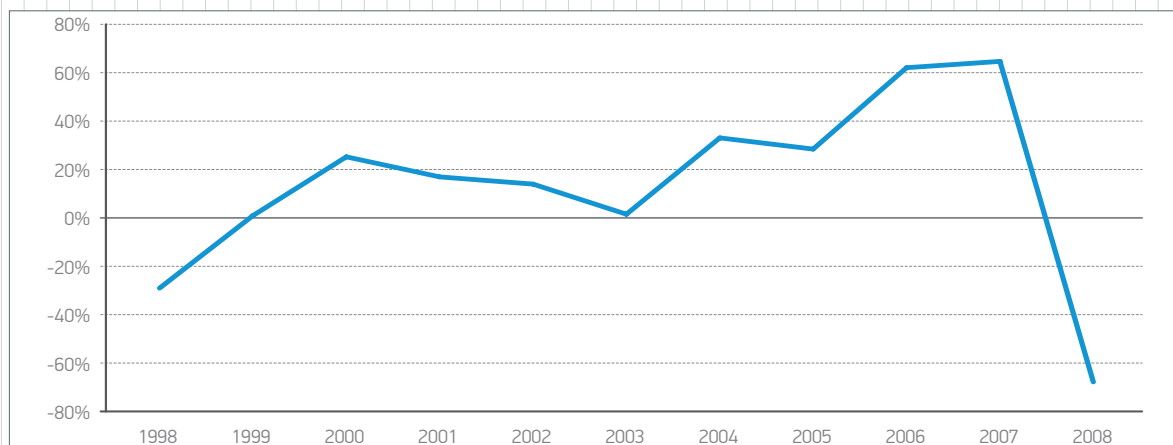
Chart 1.1. Changes in the Value of CROBEX and in the Turnover on the Zagreb Stock Exchange in 2008



Source: ZSE

In 2008, trade in bonds among institutional investors totalled HRK 11,686.6 million, decreasing by 70.1% compared to 2007. Regular turnover in bonds on the Zagreb stock exchange amounted to HRK 398.1 million, dropping by 47.5% in comparison to 2007. Under the influence of financial crisis which also partly affected the Republic of Croatia, the significant decrease in trading with securities was recorded. Withdrawal of capital from investment funds and its diverting into less risky types of assets of small and less liquid markets, had inverted exceptionally high share yields in 2007 into distinctively negative changes in CROBEX value in 2008.

Chart 1.2. Annual Rate of Return of CROBEX from 1998 to 2008



Source: ZSE

CAPITAL MARKET

If we compare the results which would have been achieved by investing the amount of HRK 10,000 in shares comprising CROBEX, we can notice that the recorded profits significantly differ depending on the year of investment, as a result of great differences in rates of return.

Table 1.1. Comparison of Values of a HRK 10,000 Investment in CROBEX from 1997 to 2008

to/from	2 Sep 1997	31 Dec 1997	31 Dec 1998	31 Dec 1999	31 Dec 2000	31 Dec 2001	31 Dec 2002	31 Dec 2003	31 Dec 2004	31 Dec 2005	31 Dec 2006	31 Dec 2007
31 Dec 1997	10,020.90											
31 Dec 1998	7,157.70	7,142.77										
31 Dec 1999	7,153.10	7,138.18	9,993.57									
31 Dec 2000	8,900.10	8,881.54	12,434.30	12,442.30								
31 Dec 2001	10,347.20	10,325.62	14,456.04	14,465.34	11,625.94							
31 Dec 2002	11,725.80	11,701.34	16,382.08	16,392.61	13,174.91	11,332.34						
31 Dec 2003	11,851.30	11,826.58	16,557.41	16,568.06	13,315.92	11,453.63	10,107.03					
31 Dec 2004	15,658.10	15,625.44	21,875.88	21,889.95	17,593.17	15,132.69	13,353.55	13,212.14				
31 Dec 2005	19,975.30	19,933.64	27,907.43	27,925.38	22,443.91	19,305.03	17,035.34	16,854.94	12,757.17			
31 Dec 2006	32,094.80	32,027.86	44,839.54	44,868.38	36,061.17	31,017.86	27,371.10	27,081.25	20,497.25	16,067.24		
31 Dec 2007	52,390.30	52,281.03	73,194.32	73,241.39	58,864.84	50,632.34	44,679.51	44,206.37	33,458.91	26,227.54	16,323.61	
31 Dec 2008	17,222.50	17,186.58	24,061.50	24,076.97	19,350.91	16,644.60	14,687.70	14,532.16	10,999.10	8,621.90	5,366.13	3,287.35

Source: ZSE

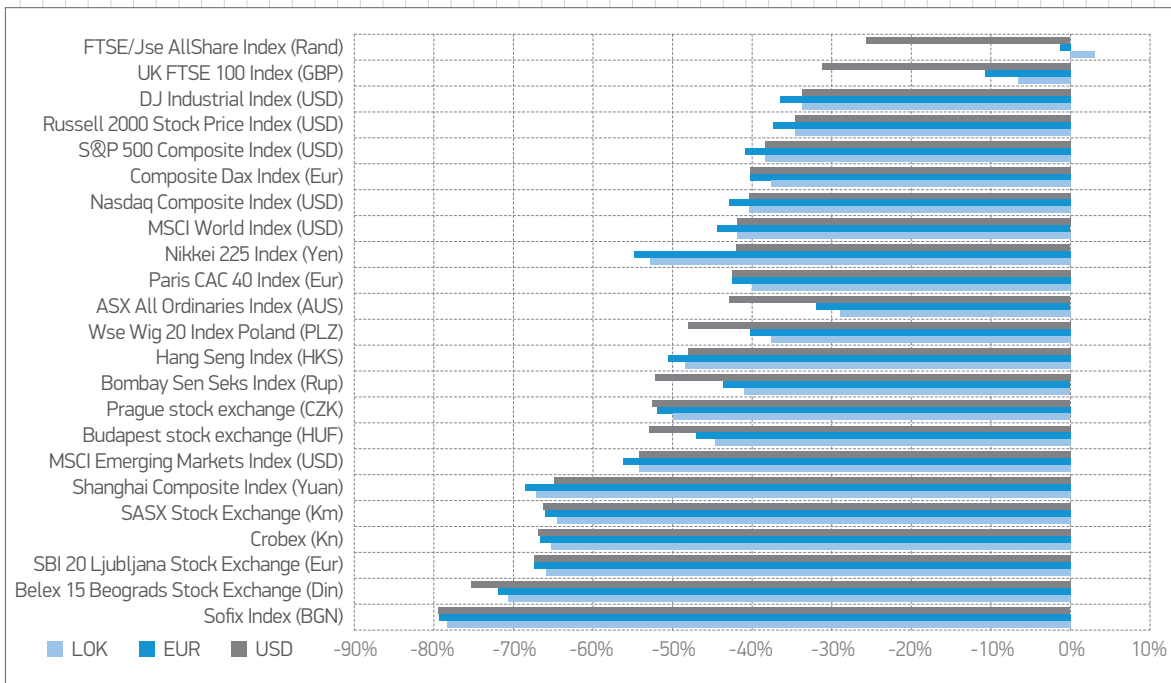
Table 1.2. Changes in World Stock Exchange Indices in 2008

Index (the Currency)	Index value in 2007				Change in % of index value in 2007		
	Initial	The highest	The lowest	Final	Domestic currency	EURO	USD
Crobex	5,239.0	5,279.1	1,515.2	1,722.3	-67.13%	-66.94%	-65.47%
DJ Industrial Index	13,264.8	13,264.8	7,552.3	8,776.4	-33.84%	-36.64%	-33.84%
S&P 500 Composite Index	1,468.4	1,468.4	752.4	903.3	-38.49%	-41.10%	-38.49%
Nasdaq Composite Index	2,652.3	2,652.3	1,316.1	1,577.0	-40.54%	-43.06%	-40.54%
Russell 2000 Stock Price Index	766.0	766.0	385.3	499.5	-34.80%	-37.57%	-34.80%
Dax Index	8,067.3	8,067.3	4,127.4	4,810.2	-40.37%	-40.37%	-37.75%
CAC 40	5,614.1	5,614.1	2,881.3	3,218.0	-42.68%	-42.68%	-40.15%
FTSE 100	6,454.9	6,456.9	3,781.0	4,434.2	-31.33%	-10.78%	-6.64%
ASX All Ordinaries Index	6,423.7	6,434.1	3,332.6	3,659.3	-43.01%	-32.03%	-29.03%
Nikkei 225	15,307.8	15,307.8	7,162.9	8,859.6	-42.12%	-55.01%	-53.04%
Hang Seng Index	27,812.7	27,812.7	11,015.8	14,387.5	-48.27%	-50.78%	-48.60%
Shanghai Composite Index	5,272.8	5,272.8	1,706.7	1,820.8	-65.16%	-68.80%	-67.41%
BombaySenSex	20,287.0	20,287.0	8,451.0	9,647.3	-52.45%	-43.76%	-41.12%
FTSE/Jse AllShare Index (Rand)	28,958.0	33,232.9	17,814.4	21,509.2	-25.72%	-1.30%	3.09%
Slovenian Total Market	11,388.2	11,388.2	3,460.3	3,659.7	-67.61%	-67.61%	-66.19%
Belex 15	2,318.4	2,346.2	474.6	565.2	-75.62%	-72.22%	-70.99%
SOFIX	1,767.9	1,767.9	332.6	360.8	-79.71%	-79.71%	-78.67%
PX Index	1,808.6	1,808.6	699.8	870.1	-52.72%	-52.14%	-50.08%
BUX - Budapest Stock Exchange Index	25,889.9	26,111.4	10,751.2	12,241.7	-53.17%	-47.21%	-44.88%
WIG 20	3,431.7	3,431.7	1,789.7	1,547.2	-48.21%	-40.39%	-37.76%
SAX	3,685.2	3,685.2	1,164.4	1,233.7	-19.40%	-18.70%	-15.22%
MSCI Emerging Markets Index (USD)	1,245.6	1,245.6	527.0	567.0	-54.48%	-56.41%	-54.48%
MSCI World Index (USD)	1,588.2	1,588.2	771.5	920.2	-42.06%	-44.52%	-42.06%

Source: Bloomberg

For the majority of stock markets, 2008 was the worst year since the Great Depression in 1929. In 2008, under the weight of global recession and with a number of shocks in the financial system, yields ended deeply in negative area, as presented in the Chart 1.3. Continuous negative yields were at the lowest point at the beginning of the year and in October 2008.

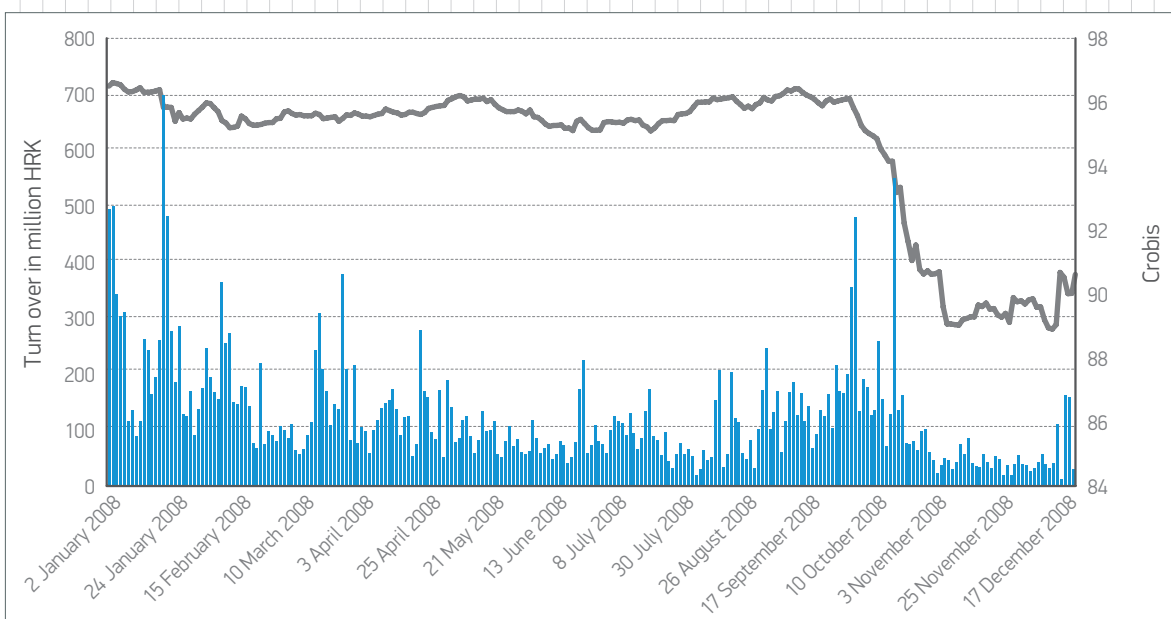
Chart 1.3. Rate of Return of World Indices in 2008



Source: Bloomberg

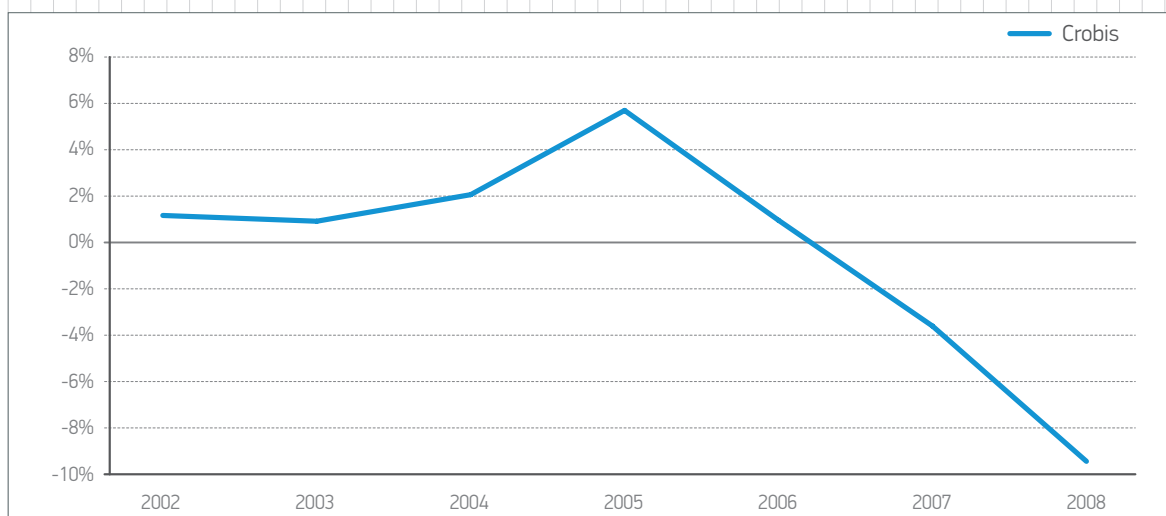
CROBIS, the official bond index of Zagreb Stock Exchange, was first published on 1 October 2002. 30 September 2002 was determined and set as the base date, with 100 points as the base value. Initial composition of CROBIS consists of 8 bonds with the following features: government bonds and state agency bonds listed in the Zagreb Stock Exchange, with nominal value of issue in amount of EUR 75 million or higher, and with at least 18 months as the maturity period. Bonds have fixed interest rate with the payment of principal once after the end of maturity period. As presented in Chart 1.4., in 2008 CROBIS lost almost 7% of its value with significant decrease in trading with bonds.

Chart 1.4. Changes in the Value of CROBIS and in the Turnover on the Zagreb Stock Exchange in 2008



Source: ZSE

Chart 1.5. Annual Rate of Return of CROBIS in 2002-2008



Source: ZSE

AUTHORISED COMPANIES

Income from Fees and Commissions in 2008

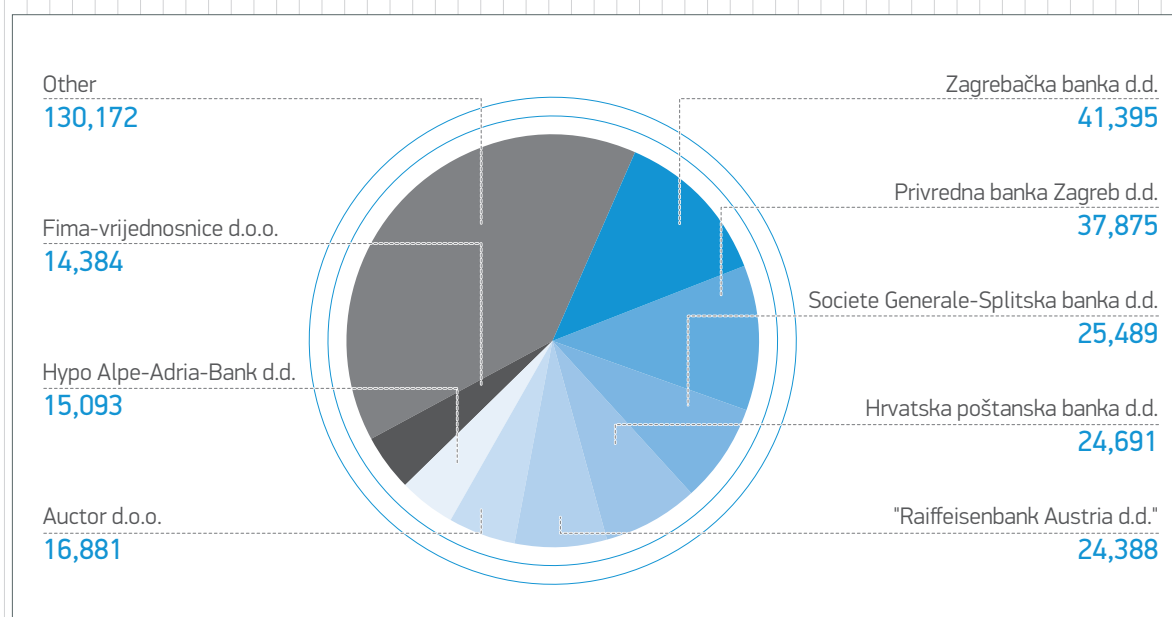
In 2008, authorised companies reported an income from fees and commissions to the amount of HRK 330.4 million, with brokerage companies recording HRK 131.8 million (39.9%), and banks recording HRK 198.6 million (60.1%) of the income. The largest share (52.8%) in the structure of income from fees and commissions was accounted for by income from purchase and sale of securities by order of the customer, with brokerage companies accounting for HRK 111.2 million (63.7%), and banks for HRK 63.4 million (36.3%). Income from purchase and sale of securities by order of the customer at the same time comprised the largest share of income for brokerage companies (84.4%). The largest share of income from fees and commissions for the banks was made up by income from operations related to custody of securities (50.6%). The largest income from fees and commissions was reported by Zagrebačka banka d.d. and Privredna banka Zagreb d.d., and by Auctor d.o.o. and Fima-vrijednosnice d.o.o. among brokerage companies. In relation to the previous year, the authorised companies' income from fees and commissions decreased by HRK 235.9 million (43.5%). The most significant drop was accounted for the income from the business of issuing agent (HRK 67.5 million or 74.2%) and income from the management of a securities portfolio on behalf of the customer (HRK 53.9 million or 69.6%) The only increasing income was income from operations related to custody of securities (increase in amount of HRK 17.0 million or 20.4%).

Table 1.3. Total Income from Fees and Commissions in 2007 and 2008 (in HRK thousand)

INCOME FROM FEES AND COMMISSIONS	2007			2008		
	Brokerage company	Bank	Total	Brokerage company	Bank	Total
Income from the purchase and sale of securities by order of the customer	185,084	99,482	284,566	111,189	63,362	174,551
Income from the purchase and sale of securities on one's own behalf and for one own's account	4,036	0	4,036	575	0	575
Income from the management of a securities portfolio on behalf of the customer	30,812	46,699	77,511	12,735	10,851	23,586
Income from transactions in special stock exchange trade	0	0	0	0	0	0
Income from the business of issuing agent	2,999	88,211	91,210	230	23,331	23,561
Income from underwriting business	4,461	14,804	19,265	366	493	859
Income from provision of investment advice	23,425	787	24,212	6,712	0	6,712
Income from operations related to custody of securities	0	83,508	83,508	0	100,525	100,525
TOTAL	250,817	333,491	584,308	131,807	198,562	330,369

Source: HANFA

Chart 1.6. Recorded Income from Fees and Commissions in 2008 by Authorised Companies (in HRK thousand)



Source: HANFA

Balance Sheet of Brokerage Companies

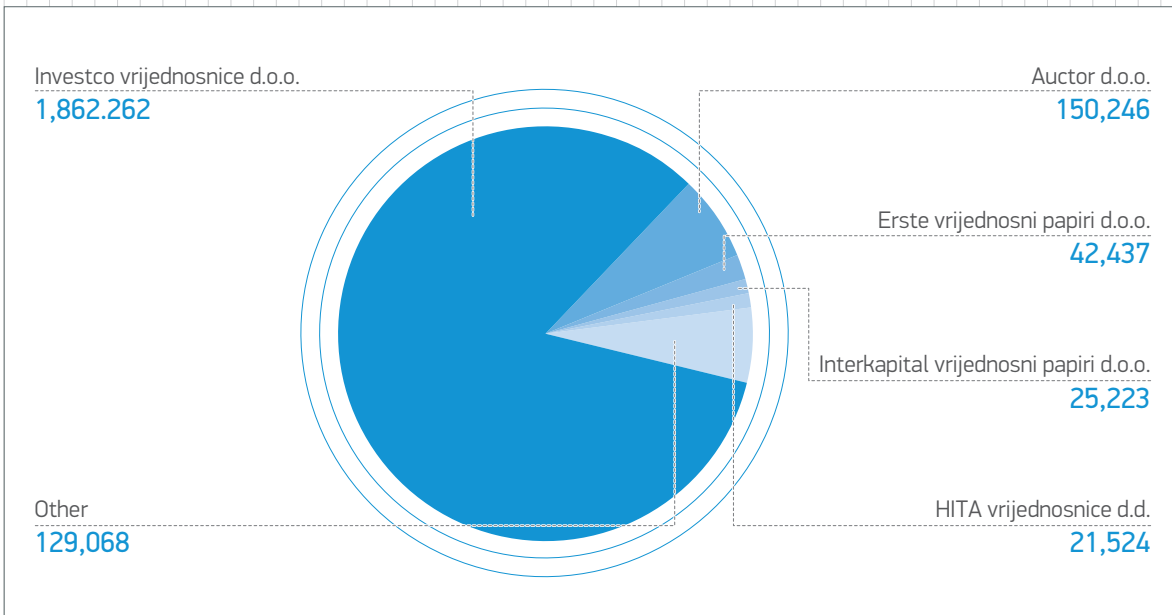
As at 31 December 2008, the total asset value of brokerage companies amounted to HRK 2,230.8 million. The largest asset share in the amount of HRK 2,051.2 million was accounted for by financial assets (92.0%) and receivables (HRK 94.9 million or 4.3%). Brokerage companies' assets were mostly financed out of own funds, i.e. capital and reserves amounted to HRK 1,538.8 million or 69.0% of liabilities. The largest share was made up by revaluation reserves in the amount of HRK 1,300.0 million or 58.3% (change in the value of financial assets available for sale). The assets of the Investco vrijednosnice d.o.o. brokerage company totalled HRK 1,862.3 million, and accounted for 83.5% of total brokerage companies' assets. Total asset value of brokerage companies decreased by HRK 421.0 million or 15.9%, as compared to 2007. At the same time, share of own funding decreased to 69.0%, i.e. capital and reserves decreased in amount of HRK 598.9 million (28%), where liabilities increased in amount of HRK 179.7 million or 35.4%.

Table 1.4. Balance Sheet of Brokerage Companies as at 31 December 2007 and 31 December 2008 (in HRK thousand)

ASSETS	2007	2008
A. Assets	2,651,445	2,227,744
I. Property, plant and equipment	20,846	36,380
II. Investment in property	3,008	2,050
III. Intangible assets	7,680	7,459
IV. Investments calculated under the equity method	4,983	14,862
V. Financial assets	2,398,524	2,051,196
VI. Receivables	131,459	94,858
VII. Prepayments and accrued income	904	1,060
VIII. Other assets	49,316	5,302
IX. Cash and cash equivalents	34,725	14,577
B. Loss above the amount of capital	0	3,016
TOTAL ASSETS	2,651,445	2,230,760

Source: HANFA

Chart 1.7. Asset Share of Brokerage Companies in Total Assets of Brokerage Companies as at 31 December 2008 (in HRK thousand)



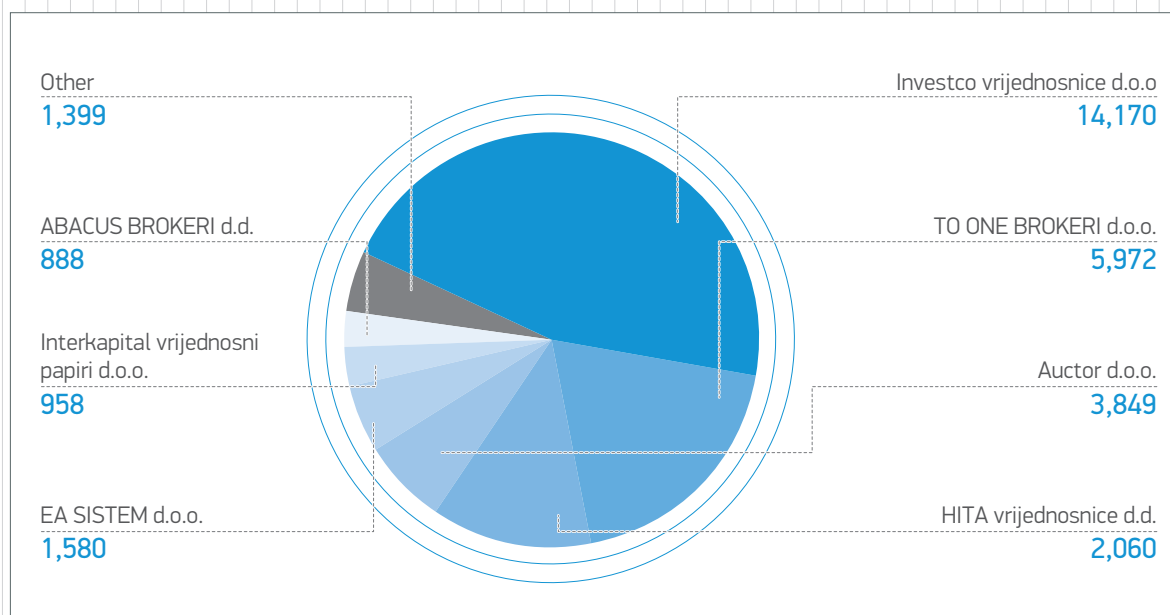
Source: HANFA

In 2008, brokerage companies recorded a total loss to the amount of HRK 9,6 million, which was a result of the profit totaling HRK 30,9 million generated by 14 companies, and loss totaling HRK 40,5 million recorded by 16 companies¹. The largest profit was recorded by companies Investco vrijednosnice d.o.o., TO ONE BROKERI d.o.o., Auctor d.o.o. and HITA vrijednosnice d.d.

Core business results amounted to HRK 88.0 million, and were comprised of the net result from commissions and fees to the amount of HRK 104.6 million, negative net result from interest to the amount of HRK 8.5 million and net result from investments and trading in securities to the amount of HRK 8.1 million. Total business expenses of brokerage companies in 2008 amounted to HRK 119.7 million.

¹ Authorised company APEX VRIJEDNOSNICE d.o.o. did not submit financial reports for 2008 and is not included in the Annual report.

Chart 1.8. Profit of Brokerage Companies Recorded in 2008 (in HRK thousand)



Source: HANFA

REGULATORY ACTIVITIES

In 2008, the Agency conducted a number of activities aimed at drawing up key legislative regulating rights and obligations of the participants at the domestic capital market. The Capital Market Act and numerous by-laws were brought so alignment of this area with EU acquis was made, and Capital Market Act was published in Official Gazette no. 88 (dated 28 July 2008), and entered into force on 1 January 2009. By its entering into force, The Securities Market Act (Official Gazette 84/02 and 138/06) ceased to be valid.

Many by-laws and abundant Capital Market Act result from many EU Directives which were needed to be implemented in the Croatian legislation.

MiFID Directive (Markets in Financial Instruments Directive), i.e. legal provisions used for implementing this Directive, present the basis of the Capital Market Act and related by-laws. These provisions refer to regulating market activities (regulated market, multilateral trading facility, systematic internaliser), investment firms' activities (licensing, services and activities, work organisation, conflicts of interest), investment protection (good practice, the best order execution), authorities and international cooperation of the Agency. Provisions regulating the investment firms' capital adequacy were specially elaborated in great detail.

Capital Market Act introduced new investor protection system and establishment of the Investors Protection Fund, where the members of the Fund pay cash funds for insuring clients' claims of Fund members, and which the member of the Fund may not pay back and/or return to the client in some particular cases. Members of the Fund are investment firms authorised to keep clients' funds and/or financial instruments, credit institutions providing investment services and/or performing investment activities, as well as open-end investment fund management companies in case they provide certain investment services. Insured amount for clients' claims is limited to HRK 150,000.

Capital Markets Act ensures higher transparency of the companies listed at the regulated market. The Act regulates in great detail annual, semi-annual and quarterly reporting of securities' issuers,

CAPITAL MARKET

timeframes and methods of reporting, as well as additional issuers' obligations regarding publishing all changes in rights arising from issued securities and each new issue of securities. Additional thresholds for reporting on changes in ownership structure (5%, 15%) are also introduced, persons obliged to report on these changes are regulated in great detail, and reporting process and content on report on changes in ownership structure is regulated. All information which must be published shall be published through media for which is reasonably assumed that the information shall be available to the general public at the same time, as much as possible. All the information shall be stored and available at one place-central registry of information, as central place of all information related to the issuer whose securities are listed at the regulated market.

Obligation to draw up prospectus for public offering of securities and listing securities at the regulated market is also enacted and regulated in great detail. Respecting the fact that information is the key factor of the investors' protection, at the same time Capital Market Act makes it easier for firms, i.e. issuers, to collect sources at the capital market by more liberal regime of conducting public offering of securities.

Capital Market Act also introduced European standard concerning market abuse. Provisions of this part of the Capital Market Act relate mainly to the financial instruments at the regulated market. New definitions of inside information (previously referred to as material facts) and market abuse (previously referred to as market manipulation). For issuers to whom provisions of this part of the Act apply, the obligation for maintaining the list of persons having access to inside information is established. A special care is given in regulating recommendations- research, analysis or similar reports explicitly or implicitly recommending or suggesting investment strategy related to one or more financial instruments or issuers of financial instruments, general and additional rules for disclosure of recommendations, additional rules of disclosing interest and conflict of interest related to recommendations, dissemination of recommendations drawn up by the third party and additional requirements for investment firms and credit institutions related to the dissemination of recommendation.

LICENSING

In 2008, the Agency issued 80 licences to conduct activities of a broker, 43 licences to conduct activities of an investment advisor and 9 licences to authorised companies to conduct transactions in securities. In the same period, the Agency revoked 25 licences to conduct activities of a broker, 14 licences to conduct activities of an investment advisor and 6 licences of authorised companies to conduct transactions in securities. Brokers and investment advisors had their licences revoked due to the so-called administrative reasons, i.e. because they stopped being employees of authorised companies. In all 6 cases licences to conduct certain transactions in securities were permanently revoked.

Table 1.5. Comparison of the Issue and Revocation of Licences in 2007 and 2008

CASE	2007	2008
LICENCE ISSUE		
Brokers	91	80
Investment advisots	52	43
Authorised Companies	9	9
LICENCE REVOCATION		
Brokers	21	25
Investment advisots	8	14
Authorised Companies	7 (3 conditionally)	6

Source: HANFA

In 2008, the Agency adopted 6 decisions approving companies the publication of data when listing securities in the first quotation of the Zagreb Stock Exchange with 5 decisions relating to bonds and 1 decision approving company the publication of data when listing securities in the first quotation of the Zagreb Stock Exchange. The Agency also issued 6 decisions approving companies the publication of data when listing securities in the quotation of public joint-stock companies and 2 decisions approving companies the publication of data when listing securities in the quotation of closed-end investment funds (hereinafter referred to as: ZIF quotation).

Table 1.6. Prospectuses and Listings in 2007 and 2008

PROSPECTUSES AND LISTINGS	2007	2008
I quotation	11*	6*
JDD quotation	15	6
ZIF quotation	5	2

Source: HANFA

In 2008, the Agency adopted 2 decisions approving, pursuant to Article 82 of the Securities Market Act, internal acts of the Zagreb Stock Exchange and 2 decisions approving, pursuant to the Article 137 of the Securities Market Act, changes in internal acts of the Central Depository Agency.

Table 1.7. Approval of Internal Acts in 2007 and 2008

APPROVAL OF INTERNAL ACTS	2007	2008
Stock Exchange	6	2
Central Depository Agency	1	2

Source: HANFA

The Amendments to the Securities Market Act of December 2006 introduced the obligation to license management board members and managers of brokerage companies, i.e. managers in banks as authorised companies. In its decisions, the Agency approved 41 management board members and managers of brokerage companies. 1 request for the appointment of management board members, i.e. managers was denied. Furthermore, the Amendments stipulate the obligation of the acquirer or holder of a qualifying holding in a brokerage company, stock exchange or the Central Depository Agency to request the prior approval of the Agency to acquire shares or a qualifying holding in case when the proportion of voting rights or of the capital they hold exceeds 20.0%, 33.0%, 50.0% or 75.0%. The Agency approved 6 such acquisitions. If a person, after having obtained approval to acquire a qualifying holding, intends to dispose of their shares or qualifying holding, causing in this way the proportion to fall below the threshold for which the approval was obtained, this person must notify the Agency thereof before the transaction.

REMARK: * of which 5 bonds

Due to the violation of the provisions of the Securities Market Act and Act on the Takeover of Joint Stock Companies, 6 misdemeanour charges were filed to authorised misdemeanour courts. Furthermore, 5 administrative disputes were initiated with regard to decisions of the Agency, in all of which cases the Agency responded to the appeal.

In 2008, the Agency issued 29 opinions with regard to the application of the provisions of the Securities Market Act and Act on the Takeover of Joint Stock Companies.

Issue of Shares

In 2008, the Agency received 21 requests for approval of the prospectus when issuing shares through a private offering, all of which were granted the Agency's approval. In 2008, the Agency also received 2 requests for approval of the prospectus when issuing shares through a public offering, all of which were granted the Agency's approval. In a public offering procedure, shares of the following companies were offered: VELEBIT OSIGURANJE, Zagreb, Savska 144/a and VELEBIT ŽIVOTNO OSIGURANJE d.d., Zagreb, Savska 144/a.

In 2008, the Agency received 42 notifications of conducted issuance of shares through a private offering, for which issuers were exempt from obligation to produce a prospectus in accordance with the provisions of the Securities Market Act.

Issue of Bonds

In 2008, the Agency issued 4 decisions approving the issue of bonds through a public offering in the total value of EUR 25,991,505.00 and HRK 100,000,000.00. Apart from companies Plodine d.d. and ŠC Višnjik d.o.o., issuers of bonds were also the cities of Rijeka and Split with issues of municipal bonds needed to finance capital city projects.

There were no bonds issued by domestic issuers outside the Republic of Croatia.

Issue of Commercial Papers

Commercial papers in the Republic of Croatia were issued by 18 companies in 2008. The total value of commercial papers was HRK 1,568,672,000.00. The largest amount of commercial papers was subscribed by Privredna banka Zagreb d.d., Zagreb.

Takeover of Joint Stock Companies

In 2008, the Agency approved 15 requests to publish takeover bids, at the same time rejecting 3 request as the persons submitting requests did not act in accordance with the Agency's order and did not submit the missing documents, while 2 requests were denied due to non-compliance with the conditions stipulated by law.

Based on the published takeover bids, in 2008, total amount of HRK 6,549,982,241.84 was paid to shareholders who deposited their shares in takeover bids. The highest amount paid to the shareholders was paid during the takeover of INA d.d., Zagreb, and it totalled HRK 6,203,503,600.00.

Within the scope of its authority to order supervisory measures, in 2008, the Agency adopted 3 decisions ordering the publication of the takeover bid, as persons obliged to publish takeover bids failed to publish them within the timeframe stipulated by law. One decision ordered Boris Vidić from Zagreb and Sandi Šola from Zagreb to publish the takeover bid for the takeover of the Lola Ribar d.d. company, Zagreb, the second decision ordered the companies Negotiator d.o.o., Zagreb i Aglaia B.V., Amsterdam to publish the takeover bid for the takeover of the Industrogradnja d.d., Zagreb, and third decision ordered the companies Planidal ulaganja d.o.o., Dugo Selo, Oportunitas ulaganje d.o.o., Zagreb and Industrogradnja nekretnine d.o.o., Zagreb, to publish the takeover bid for the takeover of the company TOZ Penkala d.d..

Takeover bid of the company INA d.d.

On 1 September 2008, the Agency issued Decision approving MOL Hungarian Oil and Gas Public Limited Company, Október huszonharmadika u. 18. 1117 Budapest, Hungary (hereinafter referred to as: MOL) publishing takeover bid of joint-stock company INA-INDUSTRIJA NAFTE d.d. Zagreb, Većeslava Holjevca 10 (hereinafter referred to as: INA).

According to the provisions of the Act of Takeover of Joint-stock Companies, MOL was not obliged to publish the takeover bid, but did so voluntarily, whereas at the time the bid was published it held 2,500,001 regular shares of INA d.d., i.e. 25.00001% of total initial capital of the company. With this takeover bid MOL acted jointly with the Republic of Croatia represented by the Government of the Republic of Croatia, on the basis of Agreement on Shares concluded by MOL and Republic of Croatia on 17 July 2003. At the time the bid was published, MOL and Republic of Croatia held 6,983,553 regular shares by name, i.e. 69.83553% of total initial capital of the company INA.

The price of HRK 2,800.00 per each deposited share was offered to the INA shareholders by publishing the takeover bid. The price was higher in an amount of HRK 266.66 than weighted average of all prices from the stock exchange in the last 3 months prior the day MOL had published the voluntary takeover bid.

After the takeover bid was conducted and deposited shares were paid for, MOL took over 2,215,537 regular shares by name, comprising 22.15537% of total initial capital of INA, so it held independently 47.15538% of total initial capital, or jointly with the Republic of Croatia 91.99090% of total initial capital of INA. Although some other interested parties announced publishing of their counter bids for takeover of INA, no such bid was published.

Within the scope of its authority, the Agency had overviewed whether the provisions of the Act on Takeover of Joint-Stock Companies were being applied before the takeover bid was published. In respect to this, and regarding public actions and communicating with the shareholders, the Agency request the statement from company OMV Aktiengesellschaft, Otto Wagner Platz 5, 1090 Vienna, Austria, on its intent to acquire the shares of INA and conduct the takeover procedure, and demanded that company should abstain from further communication with the public concerning intent to publish the takeover bid, especially regarding specifying possible price per share.

SUPERVISION OF THE CAPITAL MARKET

Within the scope of its authorities, in 2008 the Agency conducted on-site and off-site supervision of authorised companies and issuers of securities.

Off-site supervision

The Agency conducts off-site supervision based on the analysis of reports which the supervised subjects are obliged to submit to the Agency within the prescribed timeframe, as well as on the basis of monitoring, collecting and checking data and information from other sources. In the course of off-site supervision, the Agency collects, analyses and processes monthly reports of brokerage companies with respect to the net liquid funds indicator. Brokerage companies are also obliged to submit quarterly financial reports (Balance Sheet, Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity), whereas banks conducting transactions in securities are obliged to submit to the Agency business reports, i.e. Income and Expenditure Account related to transactions in securities.

The Agency also keeps record of notifications received from public joint stock companies of the acquisition of own shares and of notifications which members of the management and supervisory board are required to submit when acquiring and disposing of shares of an issuer.

The Agency supervises trading on the Zagreb Stock Exchange on a daily basis through its monitoring stations, and monitors alignment of trading with securities with provisions of the following by-laws:

- Ordinance on suspension of trade in shares on the Stock Exchanges in the Republic of Croatia (Official Gazette 146/06, 55/07),
- Ordinance on additional measures aimed at preventing market manipulation (Official Gazette 46/07),
- Ordinance on special conditions for executing block transactions in shares (Official Gazette 38/2007, 123/07),
- Ordinance on the content and manner of keeping the order book and the book of transactions (Official Gazette 81/2007).

Within the daily supervision of trading on the Zagreb Stock Exchange d.d., for the purpose of protecting investors, establishing confidence among capital market participants, setting up the trade transparency system and preventing market disturbances in general, the Agency monitors orders to buy and sell securities, executed transactions, order book and accounts of persons giving order, as well as issuers of securities.

After conducting daily supervision of trading in securities, in case of suspicion regarding market manipulation or using inside information, the Agency opens the case and conducts further procedure regarding establishing the actual situation.

Supervision-related case is also being opened after notification regarding suspected market manipulation is received by authorised company or stock exchange.

On-site Supervision

Apart from described off-site supervision, the Agency also conducts on-site supervision of supervised entities. On-site supervision comprises examination and analysis of financial and business reports, business documentation and other data kept by supervised entities. In cases where the Agency's employees are not able to determine the facts relevant for the supervisory procedure from the documents available, responsible persons and other employees of supervised entities, as well as natural persons in possession of data important for the supervisory procedure are invited to make statements and provide clarifications.

On-site supervision proceedings concerning activities of authorised companies were initiated on the basis of the Act on Croatian Financial Services Supervisory Agency (Official Gazette 140/05) and the Securities Market Act (Official Gazette 84/02, 138/06).

In 2008, on-site supervision proceedings concerning activities of the authorised companies related to the following:

- supervision conducting activities with securities in accordance with the provisions of the Securities Market Act (Official Gazette 84/02, 138/06) ,
- coherence of business activities of authorised companies with the following by-laws:
 - Ordinance on operating conditions for authorised companies (Official Gazette 14/2007),
 - Ordinance on the content and manner of keeping the order book and the book of transactions (Official Gazette 81/2007),
 - Ordinance on client classification (Official Gazette 84/2007),
 - Ordinance on the manner of preventing conflicts of interest (Official Gazette 81/2007),
 - Ordinance on minimum liquidity of brokerage companies (Official Gazette 11/2007).

In 2008 the Agency initiated 103 procedures, 21 being administrative and 82 non-administrative cases.

In 2008, total of 16 on-site supervisory procedures were initiated for the following authorised companies:

- EA Sistem d.o.o.
- Investco vrijednosnice d.o.o.
- Prva generacija d.o.o.
- Raiffeisenbank Austria d.d.
- Krentschker vrijednosnice d.o.o.
- Hita vrijednosnice d.d.
- Abacus d.d.
- KD Upravljanje imovinom d.o.o.
- Utilis d.o.o.
- Credos d.o.o.
- Argus vrijednosnice d.o.o.
- Era kapital d.o.o.
- Erste vrijednosni papiri d.o.o.
- Momentum brokeri d.o.o.
- Fima vrijednosnice d.o.o.
- Dionica brod d.o.o.

Supervisory procedures for 12 authorised companies ended in 2008, whereas supervision for activities of 4 authorised companies (Erste vrijednosni papiri d.o.o., Momentum brokeri d.o.o., Fima vrijednosnice d.o.o., Dionica brod d.o.o.) ended in 2009.

2 supervisory procedures (for authorised companies Centar banka d.d. and Hypo Alpe-Adria-Bank d.d.) which were initiated in 2007, ended in 2008.

Minutes on on-site supervisory procedures for authorised companies were compiled, and on the basis of findings regarding supervisory procedures, the appropriate measures were taken by the Agency due to confirmed actions taken contrary to the provisions of the Securities Market Act.

In 2008, the Agency filed 4 criminal charges to the State Attorney's Office, which related to: unauthorised use and provision of inside information, market manipulation and dissemination of false information, and acting in concert for the purpose of obtaining illegal material and financial gain,

Furthermore, in 2008 the Agency filed 14 misdemeanour charges, most important being those related to the following irregularities or illegalities: market manipulation, failure to keep the order book in accordance with the Securities Market Act and the Ordinance on the content and manner of keeping the order book and the book of transactions², failure to publish bids for the takeover of public joint stock companies, disclosure and use of inside information, acquiring own shares above permitted threshold.

In 2008, the Agency adopted 14 decisions ordering measures in order to establish legality and to align business operations with acts and other regulations. Some of the most important decisions were to do with: determining the obligation to publish takeover bids, prohibiting disposal of shares, suspension of all activities relating to the transfer of ownership from the account of the transferor to the account of the acquirer, cancelling transactions on the stock exchange, revoking brokers' licences to conduct transactions in securities, revoking authorised companies' licences to conduct transactions in securities.

² Official Gazette 81/07



**INVESTMENT
FUNDS**

02 INVESTMENT FUNDS

As at 31 December 2008, there were 126 open-end investment funds registered in the Republic of Croatia, as well as 11 closed-end investment funds and 2 funds which were established pursuant to separate acts, namely the Fund for Croatian Homeland War Veterans and Members of their Families and the Retired Persons' Fund. By the end of 2008, a total of 39 companies were registered as investment funds management companies (7 more than the previous year).

Table 2.1. Comparison of Investment Funds in 2007 and 2008

YEAR	2007	2008	CHANGE
OPEN-END INVESTMENT FUNDS	100	126	26.0%
- with a public offering	83	98	18.1%
Cash	15	17	13.3%
Bond	14	14	-
Balanced	18	19	5.6%
Equity	36	48	33.3%
- with a private offering	16	26	62.5%
Cash		1	
Bond	1	1	-
Balanced	6	9	50.0%
Equity	9	15	66.7%
venture capital open-end investment fund	1	2	100.0%
CLOSED-END INVESTMENT FUNDS	9	11	22.2%
with a public offering	4	4	-
with a private offering	5	7	40.0%

Source: HANFA

OPEN-END INVESTMENT FUNDS

In 2008, 26 new open-end investment funds (OIF) were approved, out of these 15 with public offering (2 cash, 1 balanced and 12 equity) and 11 with private offering (1 cash, 3 balanced, 6 equity and 1 venture capital). As in 2007, the number of equity funds grew at the fastest rate (33% for public offering and 67% for private offering), whereas the number of bond funds remained unchanged.

Contrary to the previous year, increase in number of investment funds did not result in increase in total assets of open-end investment funds. A significant decrease in total net assets of open-end investment funds from HRK 30.1 billion in 2007 to HRK 9.9 billion at the end of 2008 was reported. There is no doubt that this was a result of disturbance at all major financial markets, especially American, where the wave of negative changes initially happened.

Table 2.2. Net Asset Value of Open-End Investment Funds (in HRK thousand)

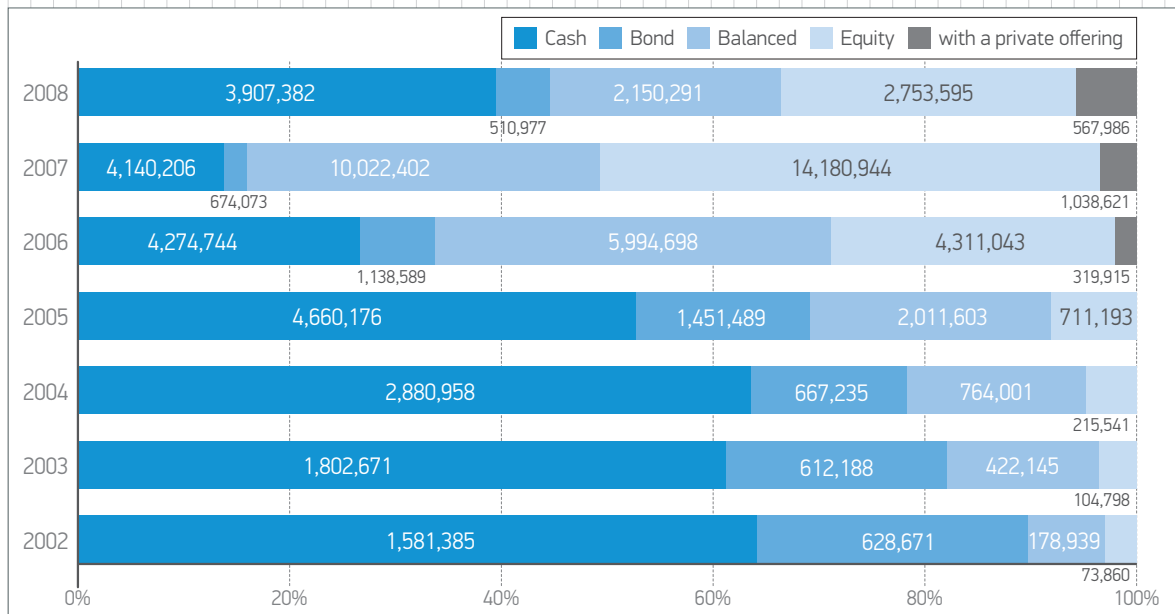
	2007	2008
OPEN END INVESTMENT FUNDS	30,056,247	9,890,231
- with a public offering	29,017,625	9,322,244
Cash	4,140,206	3,907,382
Bond	674,073	510,977
Balanced	10,022,402	2,150,291
Equity	14,180,944	2,753,595
- with a private offering	1,038,621	567,986
Cash		8,398
Bond	103,466	78,269
Balanced	276,994	150,697
Equity	658,162	330,623

Source: HANFA

INVESTMENT FUNDS

Equity funds reported the most significant decrease in net assets (80.6%), followed by balanced funds (78.5%), bond funds (24.2%), whereas cash funds reported the least significant decrease (5.6%). Situation is similar for a private offering, too, where equity funds reported decrease in 49.8%, balanced funds 45.6% and bond funds 24.4%. This resulted in the „drain“ of assets from the riskiest funds: equity and balanced into cash funds which held their positive rates of return for the longest period. This reaction by investors may be viewed as avoidance of even more significant losses and searching for safe space for investments, even with lower rates of return.

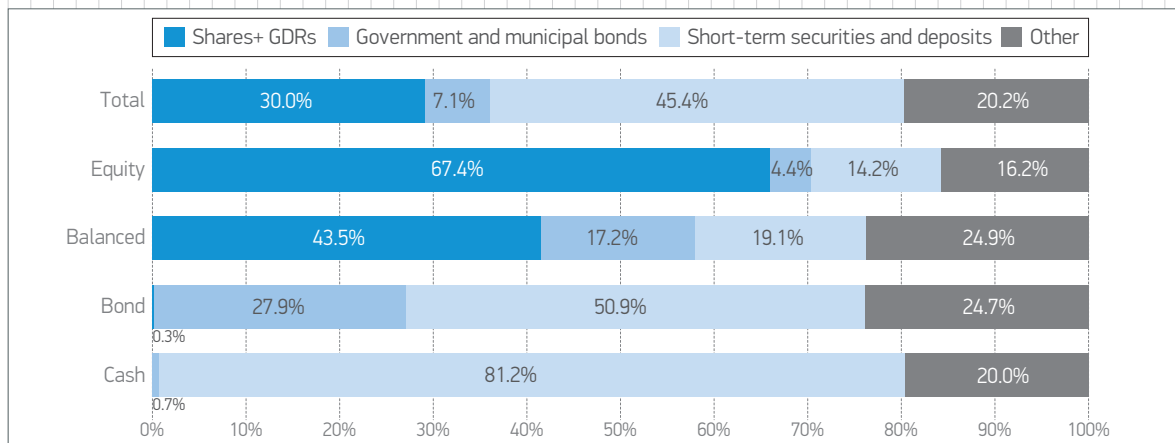
Chart 2.1. Shares in Total Net Assets of Open-End Investment Funds (in HRK thousand)



Source: HANFA

As compared to 2007, the investment structure had significantly changed. For example, assets in shares for equity funds increased from 55% in 2007 to 67% in 2008, whereas at the same time assets in short-term securities decreased from 30% in 2007 to 14% in 2008. Balanced funds reported decrease of investments in shares from 53% to 44% and short-term securities from 27% to 19% of assets in 2008. Investment in short-term securities is still dominant for bond and cash funds: these comprise 51% of assets for bond funds and 81% of assets for cash funds.

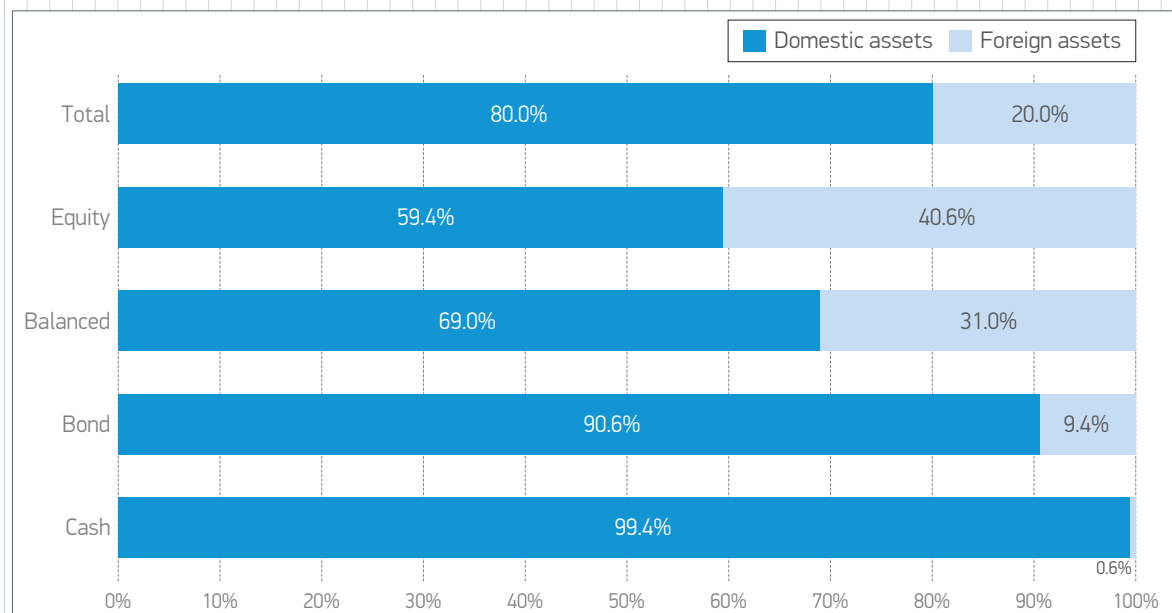
Chart 2.2. Investment Structure of Open-End Investment Funds with a Public Offering



Source: HANFA

In 2008, open-end investment funds with a public offering continued to invest most of their assets into the domestic market (80%), the only exception being balanced funds where a slight increase in 31% of assets invested at foreign markets (27.5% in 2007) was reported.

Chart 2.3. Shares of Domestic and Foreign Assets in open-End Investment Funds with a Public Offering



Source: HANFA

In 2008, there were no significant changes regarding total share of the 5 largest investment fund management companies in the total assets of open-end investment funds. Their amount is still high (78.5%), although slightly lower than in 2007 (81.4%). The remaining assets totalling HRK 2.1 billion were managed by other companies.

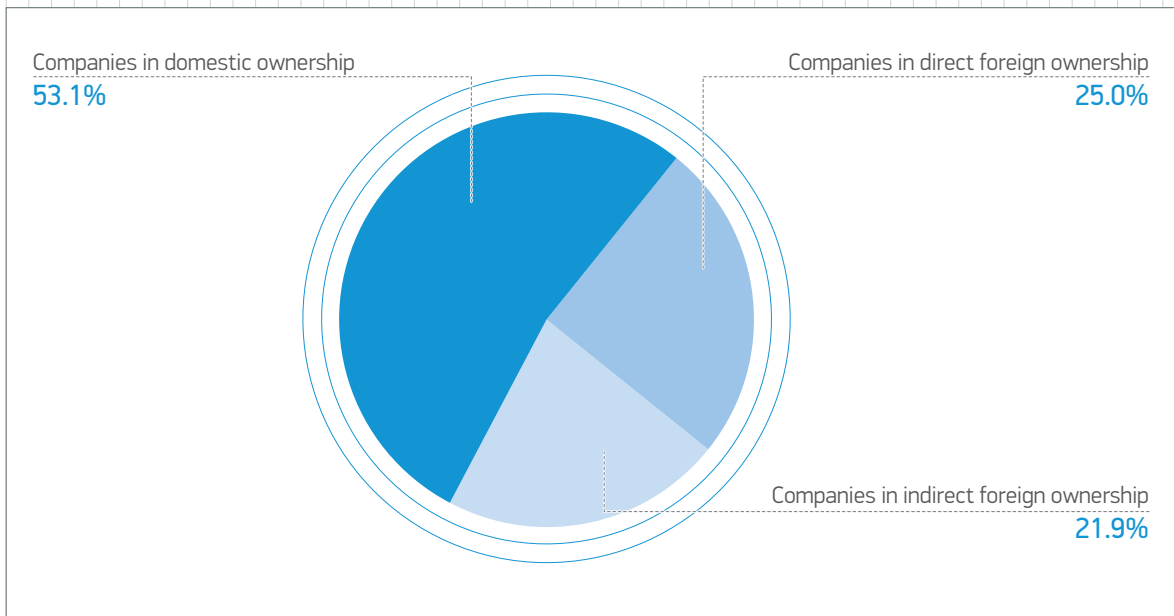
Table 2.3. Net Assets Managed by Companies Managing Open-End Investment Funds

MANAGEMENT COMPANY	2007		2008	
	Net assets	Share in total assets of OIFs	Net assets	Share in total assets of OIFs
ZB INVEST d.o.o.	9,530,883,363	31.7%	3,525,148,265	35.6%
PBZ INVEST d.o.o.	6,336,800,007	21.1%	1,549,883,972	15.7%
ERSTE-INVEST d.o.o.	3,241,503,133	10.8%	1,157,638,773	11.7%
RAIFFEISEN INVEST d.o.o.	4,064,637,803	13.5%	904,543,523	9.1%
HPB-INVEST d.o.o.	1,288,520,264	4.3%	630,214,535	6.4%
Other	5,593,902,033	18.6%	2,122,801,467	21.5%
TOTAL	30,056,246,603	100.0%	9,890,230,534	100.0%

Source: HANFA

In 2008, out of 32 investment fund management companies, 17 were in domestic ownership, 8 were in direct foreign ownership, and 7 in indirect foreign ownership. One company changed its ownership structure.

Chart 2.4. Shares in Assets of Open-End Investment Funds by Ownership Structure of Management Companies

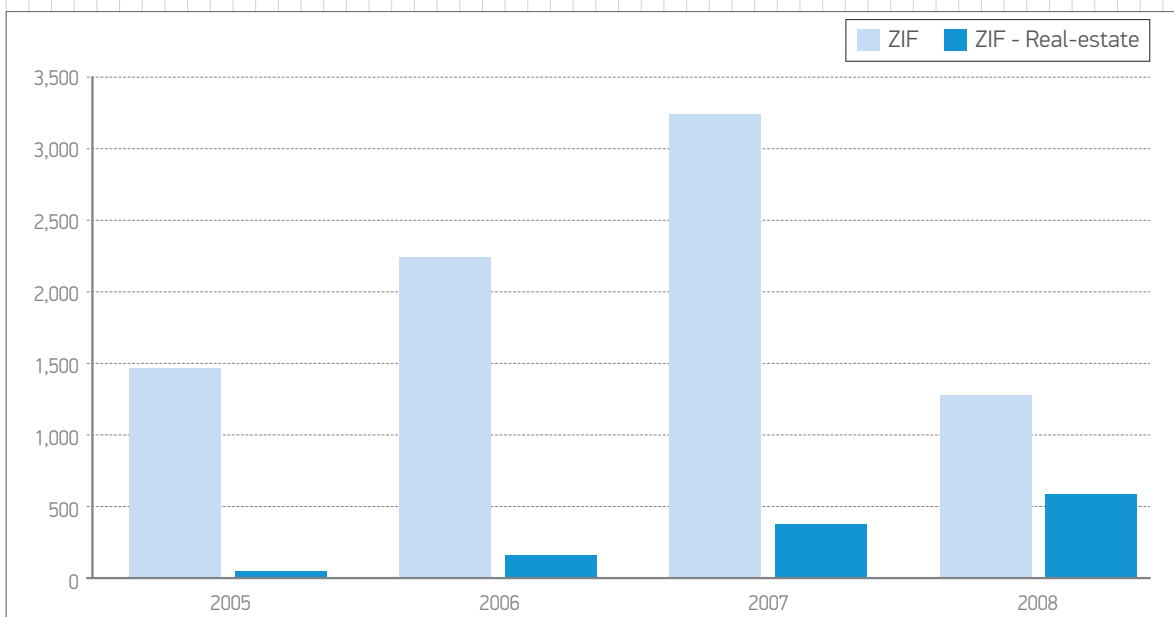


Source: HANFA

CLOSED-END INVESTMENT FUNDS

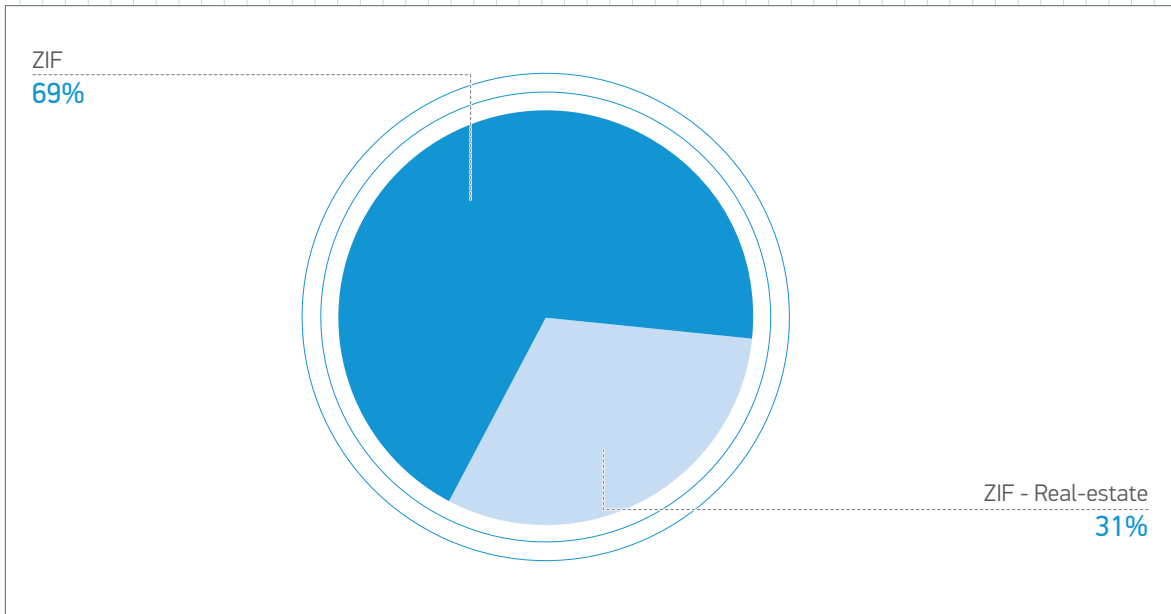
In 2008, a total of 11 closed-end investment funds (ZIF) operated in the Republic of Croatia, 7 of which were registered for investments in real estate. The total assets of all closed-end investment funds amounted to HRK 1.9 billion, with real estate funds accounting for a 31% share. In 2008, 2 closed-end investment funds for investments in real estate were established.

Chart 2.5. Net Asset Value of Closed-End Investment Funds in 2005, 2006, 2007 and 2008 (in HRK million)



Source: HANFA

Chart 2.6. Share of Real-Estate Funds in the Total Assets of Closed-End Investment Funds

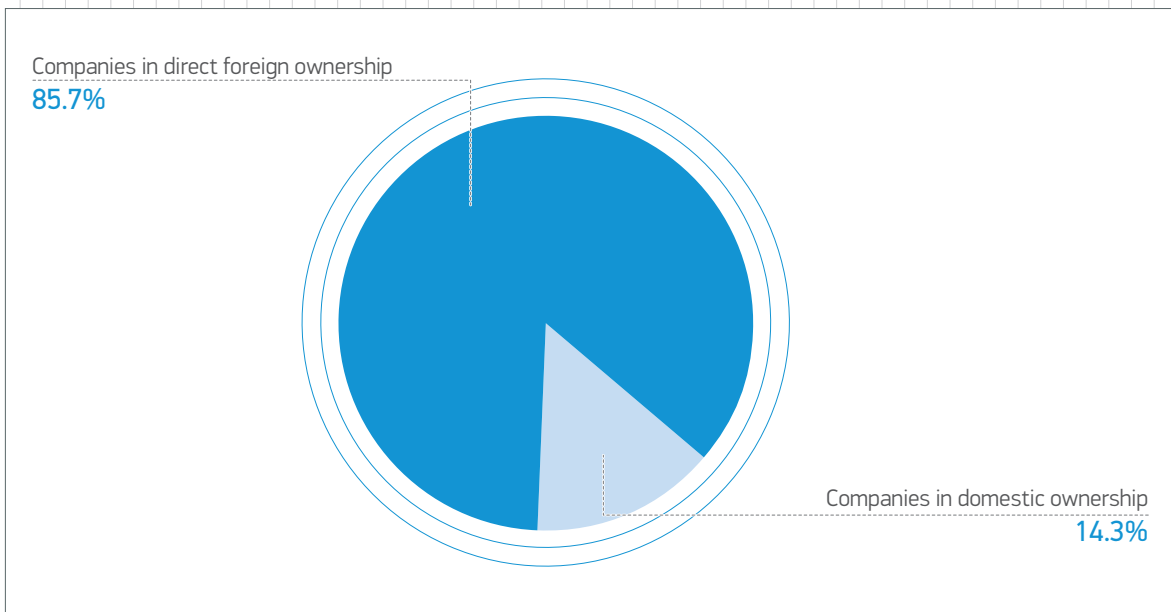


Source: HANFA

Note: One closed-end investment fund (real-estate) stopped being active in December 2008, though it remained entered in the register until the final opinion by the auditor.

In 2008, closed-end investment funds were managed by 7 companies. Out of 7 closed-end investment fund management companies, 6 were in domestic ownership and 1 was in direct foreign ownership.

Chart 2.7. Shares in Assets of Closed-End Investment Funds by Ownership Structure of Management Companies



Source: HANFA

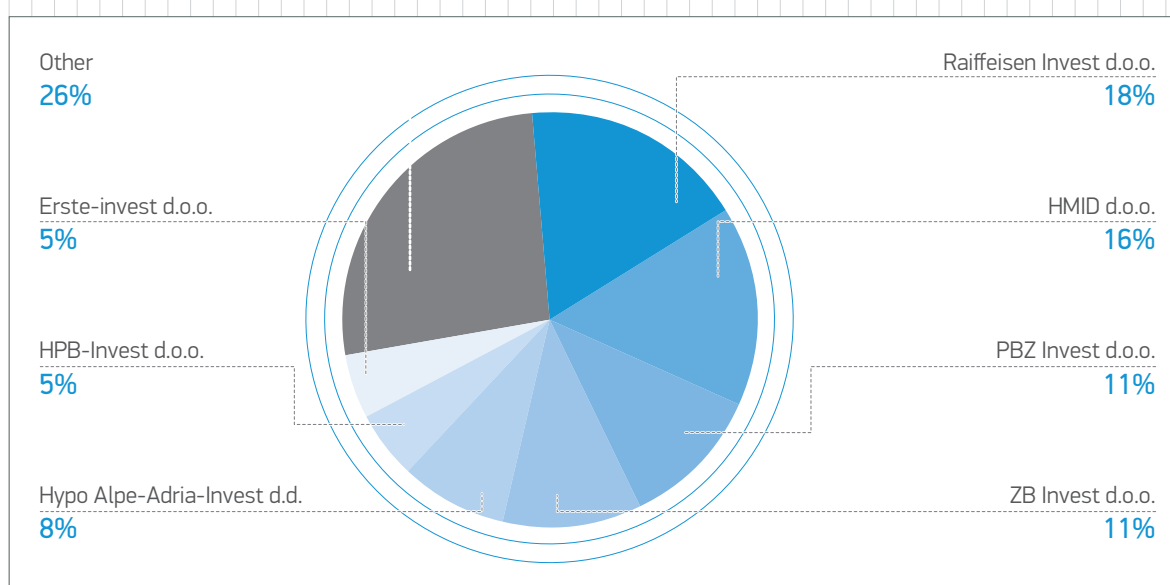
INVESTMENT FUND MANAGEMENT COMPANIES

Table 2.4. Balance Sheet of Management Companies as at 31 December 2007 and 31 December 2008 (in HRK thousand)

ASSETS		2007	2008
A	Fixed assets	68,203	34,295
I	Intangible assets	6,506	8,427
II	Tangible assets	17,143	20,264
III	Financial assets	43,360	5,604
IV	Receivables	1,194	0
B	Short-term assets	559,653	425,402
I	Stock, inventory and other	106	0
II	Receivables	208,307	140,208
III	Financial assets	126,292	145,494
IV	Cash at bank and in hand	224,948	139,700
C	Prepayments and accrued income	1,171	2,004
TOTAL ASSETS		629,027	461,701
LIABILITIES		2007.	2008.
A	Capital and reserves	448,132	333,684
I	Subscribed capital	96,709	113,969
II	Revaluation reserves	2,975	320
III	Reserves	3,196	3,384
IV	Retained profit (transferred loss)	56,188	82,407
V	Profit (loss) for current year	289,064	133,604
B	Liabilities	174,838	122,201
C	Accruals and deferred income	6,057	5,816
TOTAL LIABILITIES		629,027	461,701

Source: HANFA

Chart 2.8. Shares in Total Assets of Management Companies as at 31 December 2008



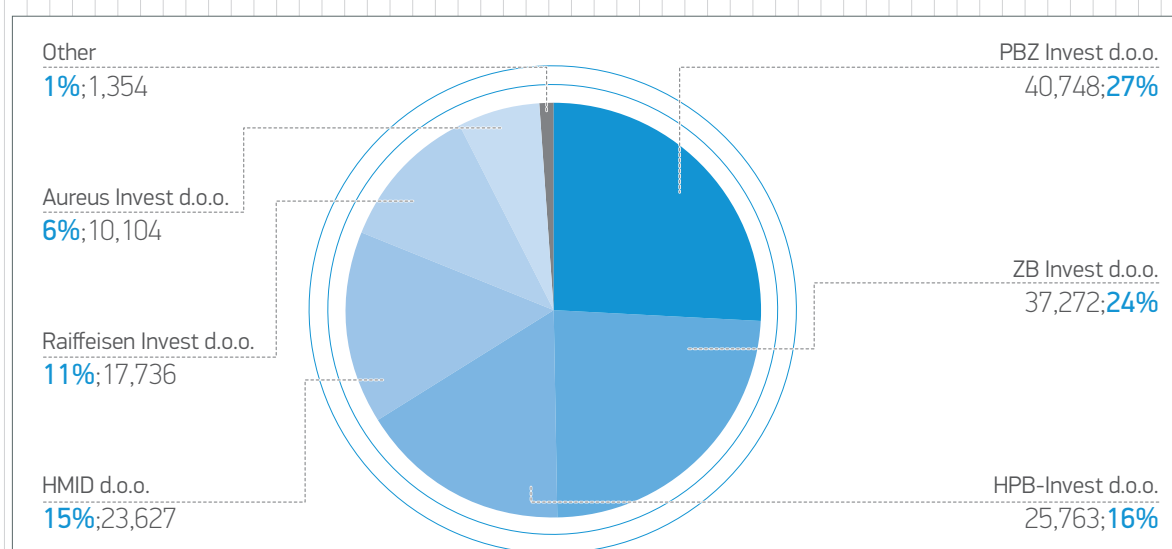
Source: HANFA

Table 2.5. Profit and Loss Account of Management Companies in 2008 (in HRK thousand)

ITEM		2007	2008
A	Business income	749,584	510,283
B	Business expenses	337,920	352,433
C	Financial income	13,122	21,976
D	Financial expenses	3,347	4,980
E	Other income	4,534	26,286
F	Other expenses	61,890	0
G	Total income	767,240	558,545
H	Total expenses	403,157	357,413
I	Profit (loss) before taxes	364,083	201,132
J	Tax on profit	75,019	44,528
K	Profit (loss) after taxes	289,064	156,604

Source: HANFA

Chart 2.9. Profit of Management Companies after Taxes in 2008 (in HRK thousand)



Source: HANFA

INVESTMENT FUNDS ESTABLISHED PURSUANT TO SEPARATE ACTS

As in previous year, two funds, established pursuant to separate acts, operated in the Republic of Croatia in 2008: the Fund for Croatian Homeland War Veterans and Members of their Families and the Retired Persons' Fund. As at 31 December 2008, the net asset value of the Fund for Croatian Homeland War Veterans and Members of their Families amounted to HRK 2.4 billion, decreasing by 43.3% compared to the previous year. The net asset value of the Retired Persons' Fund totalled HRK 3.5 billion.

Table 2.6. Investment Funds Established Pursuant to Separate Acts as at 31 December 2008 (net asset value in HRK thousand)

INVESTMENT FUND	Management company	Net asset value
Fund for Croatian Homeland War Veterans and Members of Their Families	ERSTE INVEST d.o.o.	2,400,416
Retired Persons' Fund	HPB INVEST d.o.o.	3,474,013

Source: HANFA

INVESTMENT FUNDS

Table 2.7. Investment Structure of the Fund for Croatian Homeland War Veterans and Members of Their Families as at 31 December 2008 (in HRK thousand)

TYPE OF ASSETS	31 Dec 2007		31 Dec 2008	
	Amount	Share	Amount	Share
DOMESTIC ASSETS	4,299,154	100.0%	2,427,904	100.0%
Securities and deposits	4,295,835	99.9%	2,391,967	98.5%
Shares + GDRs	3,991,437	92.8%	1,145,298	47.2%
Government bonds	108,059	2.5%	0	0.0%
Deposits	196,339	4.6%	845,640	34.8%
Cash	3,319	0.1%	35,800	1.5%
FOREIGN ASSETS	0	0.0%	0	0.0%
TOTAL ASSETS	4,299,154	100.0%	2,427,904	100.0%
Net Assets	4,236,282		2,400,416	

Source: HANFA

Table 2.8. Investment Structure of the Retired Persons' Fund as at 31 December 2008 (in HRK thousand)

TYPE OF ASSETS	31 Dec 2007		31 Dec 2008	
	Amount	Share	Amount	Share
DOMESTIC ASSETS				
Securities and deposits	4,506,670	100.0%	3,525,204	100.0%
Shares + GDRs	1,734,757	38.5%	725,670	20.6%
Government bonds	9,260	0.2%	5,942	0.2%
Short-term securities	1,227,754	27.2%	719,728	20.4%
Deposits	497,744	11.0%	0	0.0%
Cash	67,421	1.5%	89,112	2.5%
Receivables	2,704,692	60.0%	2,704,178	76.7%
FOREIGN ASSETS	0	0.0%	0	0.0%
TOTAL ASSETS	4,506,670	100.0%	3,525,204	100.0%
Net assets	4,491,421		3,474,013	

Source: HANFA

REGULATORY ACTIVITIES

The legal framework regulating business activities of investment funds is presented in the Investment Funds Act (Official Gazette 150/05), which entered into force on 1 January 2006. In 2008, the following ordinances thoroughly regulating business activities of investment funds were adopted pursuant to the Investment Funds Act.

Table 2.9. By-laws based on The Investment Funds Act in 2008

1	Ordinance on persons authorised to sell and promote the sale of units of investment funds with a private offering (Official Gazette 22/2008)
2	Ordinance on types and sub-types of investment funds with a public and private offering. (Official Gazette 22/2008)
3	Ordinance on business operations of depositary banks (Official Gazette 26/2008)
4	Ordinance amending the Ordinance on the content of documentation to be submitted along with the application for the issuance of an operating licence to investment fund management companies (Official Gazette 26/2008)
5	Ordinance amending the Ordinance on permitted investments and investment limitations for open-end investment funds with a public offering (Official Gazette 32/2008)
6	Ordinance on the requirements and procedure for issuing a licence to conduct activities of asset management and investment advice (Official Gazette 44/2008)

7	Ordinance on the addendum to the Ordinance on determining the value of investment funds' assets and the calculation of the net asset value per unit or per share of investment funds (Official Gazette 59/2008)
8	Ordinance amending the Ordinance regulating changes in prospectuses of open-end investment funds with a public offering (Official Gazette 71/2008)
9	Ordinance amending the Ordinance on permitted investments and investment limitations for open-end investment funds with a public offering (Official Gazette 78/2008)
10	Ordinance amending the Ordinance on determining the value of investment funds' assets and the calculation of the net asset value per unit or per share of investment funds (Official Gazette 112/2008)
11	Ordinance amending the Ordinance on permitted investments and investment limitations for open-end investment funds with a public offering. (Official Gazette 112/2008)
12	Ordinance on the addendum to the Ordinance on the conditions for performing the function of a member of the management board of an investment fund management company (Official Gazette 130/2008)
13	Ordinance amending the Ordinance on determining the value of investment funds' assets and the calculation of the net asset value per unit or per share of investment funds (Official Gazette 134/2008)

Source: HANFA

LICENSING

Investment fund management companies

In 2008, an increase in number of management companies was reported, and 7 new investment fund management companies were established: ALTERNATIVE INVEST d.o.o., NEXUS PRIVATE EQUITY PARTNERI d.o.o., AGRAM INVEST d.o.o., LOCUSTA INVEST d.o.o., ZAGREBAČKO INVESTICIJSKO DRUŠTVO d.o.o., CERTUS INVEST d.o.o., ALLIANZ INVEST d.o.o. All of these new companies are in domestic ownership, whereas 1 company (Allianz Invest d.o.o.) is in indirect foreign ownership as it was established by the insurance company. Furthermore, in 2008, one company changed its firm (Apex Kapital d.o.o. into NFD Kapital d.o.o.), as well as ownership, so 60% of business holdings was acquired by Nacionalna financa družba za upravljanje investicijskih skladov from Slovenia, whereas 40% of business holdings was owned by Croatian citizens. As at 31 December 2008, a total of 39 investment fund management companies were registered, with 2 companies managing joint-venture capital investment funds.

Investment funds

As at 31 December 2008, a total of 126 open-end investment funds were registered, out of which 98 open-end investment funds with a public offering (7 being inactive), 26 open-end investment funds with a private offering, 2 open-end venture-capital funds with a private offering, 11 closed-end investment funds, 1 Fund for Croatian Homeland War Veterans and Members of Their Families and 1 Retired Persons' Fund.

In 2008, establishment of 15 open-end investment funds with a public offering, 10 open-end investment funds with a private offering and 1 venture-capital fund with a private offering was approved. 7 open-end investment funds with a public offering did not start operating. As at 31 December 2008, total asset value being managed by investment funds (including both private and public offering) totalled HRK 9,890,230,534.34. Furthermore, in 2008 the open-end investment fund with a private offering Stability Fund was established. It was managed by ICAM d.o.o. investment fund management company, with qualified investors from the capital market, and the purpose of the fund is paying out for illiquid or low liquid assets of open-end investment funds.

As at 30 November 2008³, 11 closed-end investment funds were registered in Republic of Croatia. At this day, total asset value of all closed-end investment funds in the Republic of Croatia amounted to HRK 598,674,221.58. In 2008, 2 closed-end investment funds with a public offering for investments in real estate were established.

By Decision of the Commercial Court in Bjelovar, dated 08 December 2008, and based on the Decisions of the special General Meeting of the company Učka-Marijan d.d. from Bjelovar, closed-end investment fund with a public offering for investments in real-estate, had changed its activities and firm in accordance with the provisions of the Companies Act, and did not conduct its activities as the

³ Balance as at 30 November 2008 is registered due to the fact that closed-end investment funds have an obligation to submit quarterly reports.

INVESTMENT FUNDS

closed-end investment fund with a public offering for investments in real-estate, and consequently was not under the Agency's authority since that day. Fund shall be deleted from the register of funds maintained by the Agency after the revised reports would be submitted.

Table 2.10. Cases Processed in 2007 and 2008

TYPE	2007	2008
Approval of business activities of the management company	6	7
Approval and registration in the fund register, approval to choose a depository bank	33	40
Approval of new, amended prospectuses and statutes	60	120
Promotion of investment funds	69	37
Approval of Ordinances on conflicts of interest	13	5
Approval of members of the management board	51	78
Approval to management companies for asset management and providing investment advice	0	5

Source: HANFA

SUPERVISION OF INVESTMENT FUNDS

In accordance with the provisions of the Investment Funds Act and accompanying by-laws, the methodology for valuing funds' assets, methods and time limits for reporting on net asset value per unit or per share of the fund by means of prescribed forms used by the depository bank to inform the Agency on each valuation day for investment funds, are defined. Apart from those forms, investment fund management companies are obliged to submit to the Agency their own annual reports and annual reports for funds they manage, informing of their business activities, as well as audited financial reports within 4 months after the end of the business year, and semi-annual reports within 2 months after the end of the six-month accounting period. Investment fund management companies prepare and submit to the Agency quarterly reports for funds they manage, for statistical purposes.

Within off-site supervision of investment funds, the Agency analyses and processes daily and periodical reports on a daily basis, which includes verification of the compliance with methods of valuing assets, investment limitations, accounting policies, provisions laid down in the statute and prospectus of certain investment funds and assessment of qualitative and quantitative business risks of supervised entities. On-site supervision covers business operations of investment fund management companies and investment funds they manage. The supervision involves direct examination of documents and interviews with authorized staff of the company regarding all important issues related to business operations and results of investment funds.

Relevant documents and data from the sources available to the Agency are analysed in the course of supervision with the aim of determining the actual situation and verifying the alignment of business operations with legislation and subordinate legislation, as well as with the provisions of 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 supervision includes the examination of institutional documents of management companies and investment funds, agreements on delegating activities related to asset management to third parties, agreements with partners on activities significant for business operations of investment funds, internal procedures and policies and organisation of activities related to investment fund management, organisational structure of management companies and related persons of investment companies and funds. On-site supervision also examines the procedure of investment decision-making, trading activities and settlement procedures, asset valuation and calculation of fund's unit values, observance of permitted investments and investment limitations, as well as methods of organising, recording and publishing information from the register of unit holders in open-end investment funds.

In addition, the supervision checks the organisation and method of running the accounting system, as well as the process of preparing financial reports of investment fund management companies and investment funds with a special emphasis on costs permitted to be directly charged to investors or investment funds.

In 2008, on-site supervision on a regular basis was conducted over the following subjects:

TERRA INVEST d.o.o. (Terra Firma d.d. and Terra Mediterranea d.d. closed-end investment funds with a public offering for investments in real-estate), INTERINVEST d.o.o. (open-end investment funds with a public offering Interinvest Balanced and Interinvest Cash), JADRAN INVEST d.o.o. (Jadran Kapital d.d. closed-end investment fund with a public offering for investments in real-estate), ALFA INVEST d.o.o. (Alfa Emerging open-end investment fund with a public offering), ADRIATICA CAPITAL d.o.o. (open-end investment funds with a public offering AC Balkan, AC Rusija, AD Excel and AC Sigma), FIMA GLOBAL INVEST d.o.o. (Fima Proprius d.d. closed-end investment fund with a public offering for investments in real-estate), INTERINVEST d.o.o. (Velebit d.d. closed-end investment fund with a public offering), CEBA Invest d.o.o. (C-Premium and C-Zenit open-end investment funds with a public offering), PBZ INVEST d.o.o. (open-end investment funds with a public offering PBZ Equity, PBZ Global, PBZ Bond, PBZ Dollar, PBZ Novčani, PBZ Euro novčani and PBZ I-Stock), ZB INVEST d.o.o. (open-end investment funds with a public offering ZB plus, ZB europlus, ZB global, ZB bond, ZB trend, ZB euroaktiv and ZB aktiv), SL-INVEST d.o.o. (Slavonski zatvoreni investicijski fond d.d.- closed-end investment fund), HRVATSKO MIROVINSKO INVESTICIJSKO DRUŠTVO d.o.o. (Kapitalni zatvoreni investicijski fond d.d. s javnom ponudom- closed-end investment fund with a public offering).

At the same time, the on-site supervision was conducted on the regular basis on the following subjects:

ICF INVEST d.o.o. (open-end investment funds with a public offering ICF Balanced, ICF Fixed Income and ICF Money Market), ERSTE INVEST d.o.o. (open-end investment funds with a public offering Erste Adriatic Equity, Erste Agressive, Erste Balanced, Erste Bond, Erste Conservative, Erste Moderate, Erste Money and Erste Total East), PLATINUM INVEST d.o.o. (open-end investment funds with a public offering Platinum Blue Chip, Platinum cash and Platinum jugoistočna Europa).

At the same time, the on-site supervision was conducted on the special basis on the following subjects:

PROSPECTUS INVEST d.o.o. (open-end investment funds with a public offering Prospectus Global Equity and Prospectus Jugoistočna Europa).

Table 2.11. On-site Supervision of Investment Fund Management Companies in 2008

SUPERVISION	Management companies	Investment Funds			
		Public offering		Private offering	
		Open-end	Closed-end	Open-end	Venture capital open-end
Regular	12	29	7	-	-
Special	1	2	-	-	-
TOTAL	13	31	7	-	-

Source: HANFA

On the basis of findings of the on-site supervision conducted at investment fund management companies and investment funds they manage, after having identified activities that were contrary to the provisions of the Investment Funds Act, the Agency filed 2 misdemeanour charges against management company and authorised persons in the company, and ordered 1 company to harmonise the portfolio of the closed-end investment fund for investments in real-estate.



**PENSION
FUNDS**

03 PENSION FUNDS

Pension funds, as special type of investment funds, had been established during the Pension Reform in 2002, and started operating on 30 April 2002. The Mandatory and Voluntary Pension Funds Act⁴ defines 2 types of pension funds:

- mandatory pension funds, i.e. funds with mandatory membership for all employed persons who were, at the time of the establishment of the funds, i.e. at the time of their first employment, younger than 40, with persons between 40 and 50 years of age being permitted to choose whether or not they wanted to become members of mandatory pension funds, and
- voluntary pension funds with voluntary membership, which can be open-end funds, i.e. funds for all citizens of the Republic of Croatia, or closed-end funds, with the employer, a trade union or an association of self-employed persons being sponsors of the fund.

MANDATORY PENSION FUNDS

4 mandatory pension funds operated in 2008:

- AZ mandatory pension fund (managed by Allianz ZB Obvezno mirovinsko društvo),
- Erste Plavi mandatory pension fund (managed by Erste Obvezno mirovinsko društvo),
- PBZ Croatia osiguranje mandatory pension fund (managed by PBZ Croatia osiguranje Obvezno mirovinsko društvo) and
- Raiffeisen mandatory pension fund (managed by Raiffeisen obvezno mirovinsko društvo).

In 2008, a total of 81,384 persons joined one of the mandatory pension funds, whereas a total of 1,304 persons exited the funds in the same period. As at 31 December 2008, 4 mandatory pension funds had 1,475,729 members. Lack of interest of insured persons for personal selection of pension fund reflects in the fact that 75.51% of the insured persons did not select their fund personally, but were allocated to one of the existing funds by REGOS upon the expiry of the selection period. Furthermore, a number of transfers of insured persons among funds. In 2008, 95,950 persons have changed the pension fund, i.e. 48.47% more than in previous year.

Table 3.1. Mandatory Pension Funds (OMF)Membership

MANDATORY PENSION FUND	AZ OMF	Erste Plavi OMF	PBZ/CO OMF	Raiffeisen OMF	Total
Balance as at 31 Dec 2007	510,098	211,886	231,070	442,639	1,395,693
First registrations	3,174	2,044	3,785	2,550	11,553
Subsequently completed registrations	2,495	1,858	1,734	2,291	8,378
Allocation by Regos	22,214	9,355	10,691	19,193	61,453
Total new members	27,883	13,257	16,210	24,034	81,384
Transfers to another fund	30,710	21,667	15,469	27,744	95,590
Transfers from another fund	24,442	23,538	30,695	16,915	95,590
Net transfer	-6,268	1,871	15,226	-10,829	0
Total termination of membership	507	199	229	413	1,348
Balance as at 31 Dec 2008	531,206	226,815	262,277	455,431	1,475,729

Source: HANFA

In 2008, a total amount of HRK 4.51 billion of pension contributions was paid into mandatory pension funds, while disbursements from funds due to the closure of personal accounts amounted to HRK 22,20 million. Disbursements will gradually increase over the following years, but an increase in payments into mandatory pension funds is also expected to continue.

⁴ Official Gazette 49/99, 63/03, 103/03, 177/04 and 71/07

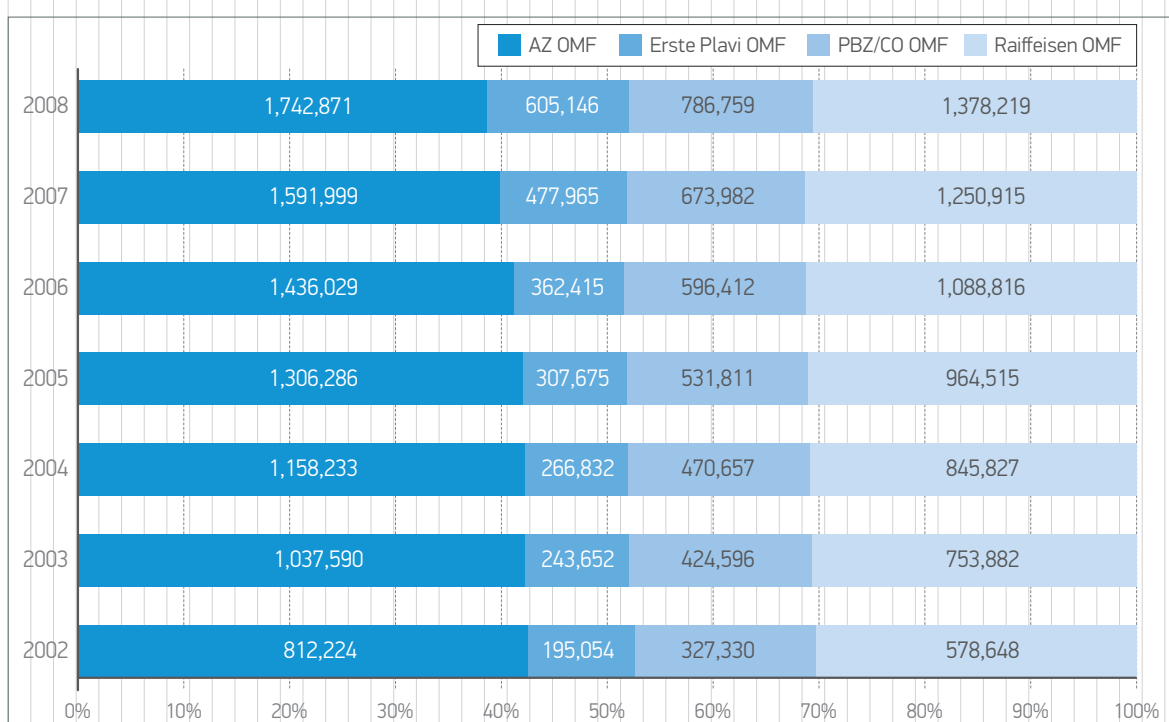
PENSION FUNDS

Table 3.2. Net Contributions of Mandatory Pension Funds in 2008 (in HRK thousand)

MANDATORY PENSION FUND	AZ OMF	Erste Plavi OMF	PBZ/CO OMF	Raiffeisen OMF	Total
Net contributions	1,742,871	605,146	786,759	1,378,219	4,512,996
Payments from other OMFs	226,925	230,110	270,558	175,792	903,385
Disbursements to other OMFs	315,825	186,030	133,135	265,085	900,075
Disbursements upon adjustments	962	329	364	830	2,485
Disbursements upon the closure of personal accounts	8,874	3,313	3,792	6,216	22,195

Source: HANFA

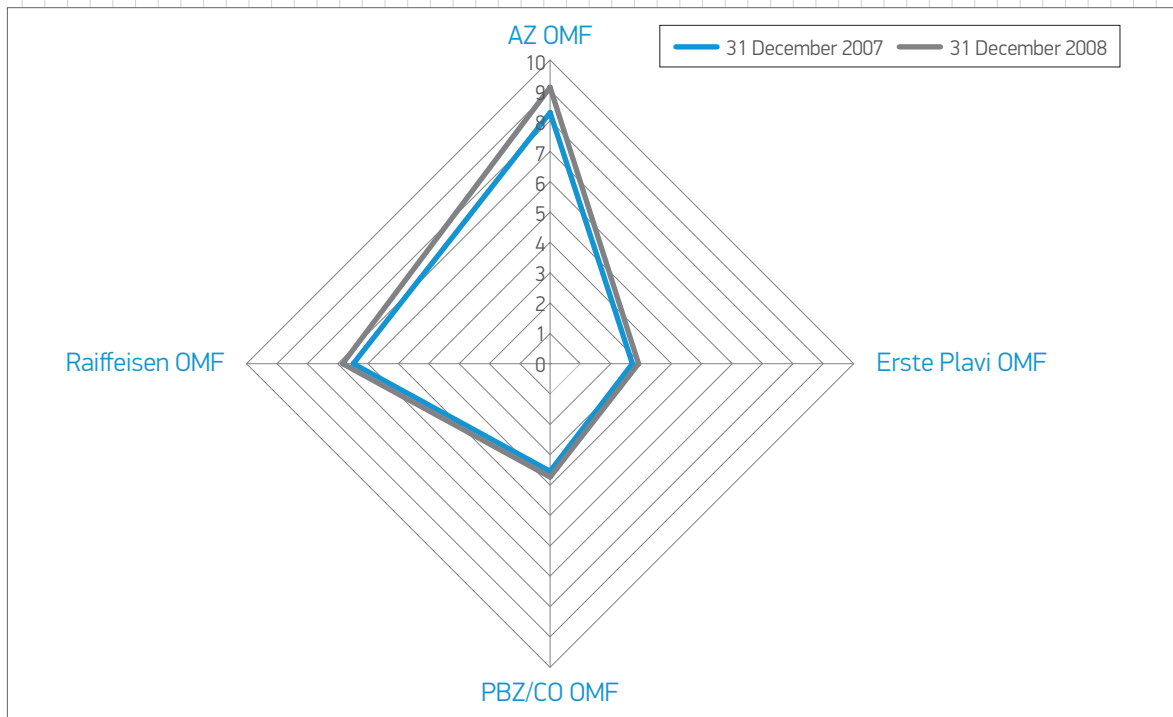
Chart 3.1. Net Contributions of Mandatory Pension Funds in the 2002-2008 period (in HRK thousand)



Source: HANFA

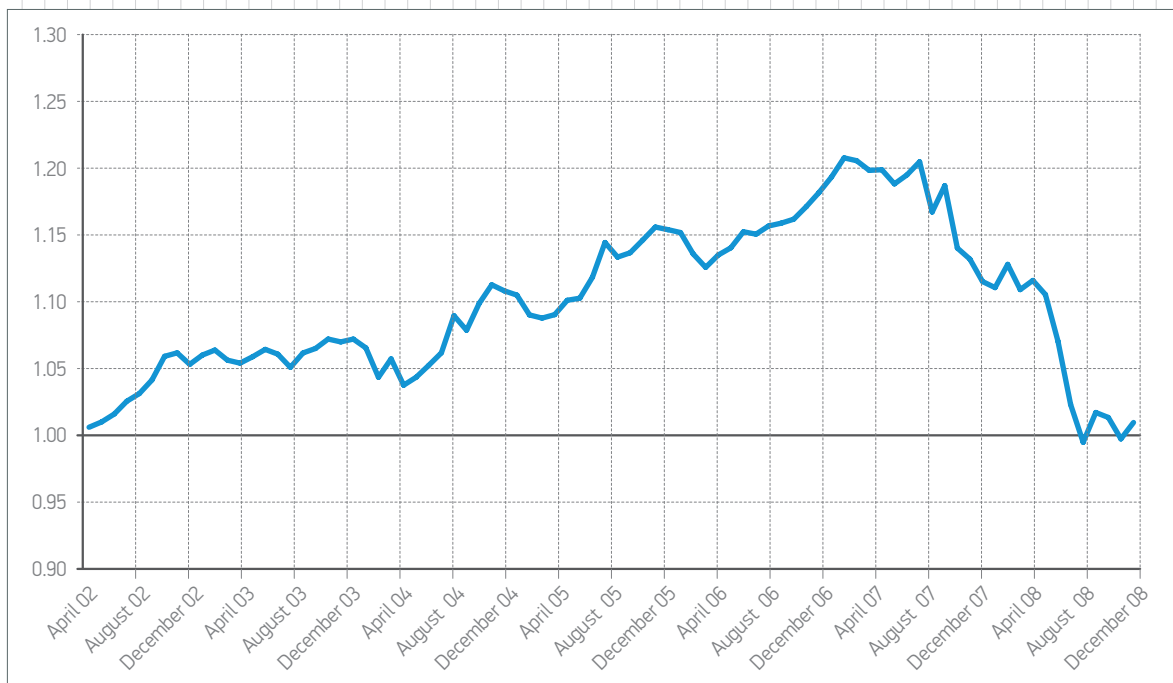
At the end of 2008, the total assets of OMFs amounted to HRK 22.59 billion or increasing by 7.57% in comparison with the previous year. However, regarding the members of the fund, HRK 15,308.32 referred to one member, showing an increase by 1.73% in comparison with the previous year. An average annual net contribution by fund member in 2008 totalled HRK 3,058.15, which was a 6.84% increase comparing to 2007.

Chart 3.2. Net Assets of Mandatory Pension Funds in 2008



Source: HANFA

Chart 3.3. Net Assets and Net Contribution Ratio of Mandatory Pension Funds for 30 April 2002- 31 December 2008



Source: HANFA

PENSION FUNDS

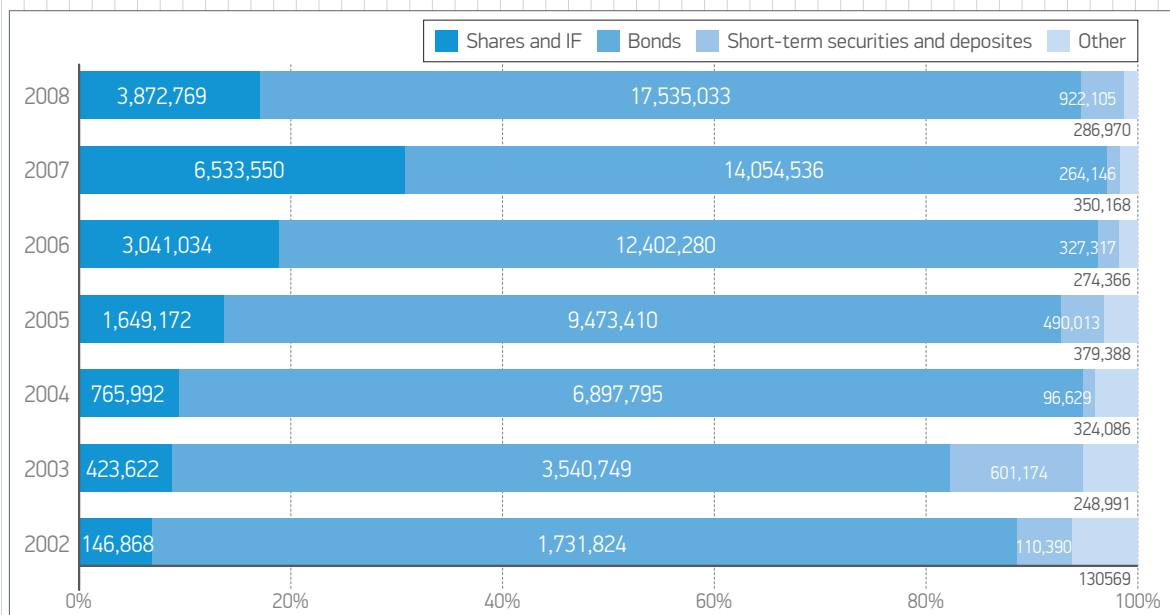
Mandatory pension funds kept investing most of their assets in domestic and foreign government bonds (71.83 % of total asset value). 2008 saw decrease in mandatory pension funds' investments in domestic and foreign shares and open-end investment funds, while funds started with investments in domestic closed-end investment funds and increased investments in domestic and foreign corporate bonds.

Table 3.3. Investment Structure of Mandatory Pension Funds (in HRK thousand)

TYPE OF ASSETS	31 Dec 2007		31 Dec 2008	
	Amount	Share	Amount	Share
DOMESTIC ASSETS	20,297,532	95.73%	20,920,792	92.50%
Securities and deposits	19,947,365	94.08%	20,633,823	91.23%
Shares + GDRs	3,127,776	14.75%	2,529,825	11.19%
Government bonds	13,484,885	63.60%	15,937,982	70.47%
Municipal bonds	76,277	0.36%	81,448	0.36%
Corporate bonds	451,259	2.13%	732,269	3.24%
Closed-end investment funds	0	0.00%	56,909	0.25%
Open-end investment funds	2,543,021	11.99%	373,285	1.65%
Short-term securities	21,792	0.10%	290,562	1.28%
Deposits	242,354	1.14%	631,543	2.79%
Cash	232,527	1.10%	265,500	1.17%
Receivables	117,641	0.55%	21,470	0.09%
FOREIGN ASSETS	904,867	4.27%	1,696,084	7.50%
Shares	689,226	3.25%	481,446	2.13%
Government bonds	0	0.00%	307,489	1.36%
Municipal bonds	0	0.00%	0	0.00%
Corporate bonds	42,114	0.20%	475,845	2.10%
Closed-end investment funds	0	0.00%	0	0.00%
Open-end investment funds	173,527	0.82%	431,303	1.91%
Short-term securities	0	0.00%	0	0.00%
Deposits	0	0.00%	0	0.00%
TOTAL ASSETS	21,202,399	100.00%	22,616,876	100.00%
Total net assets	21,001,886		22,590,933	

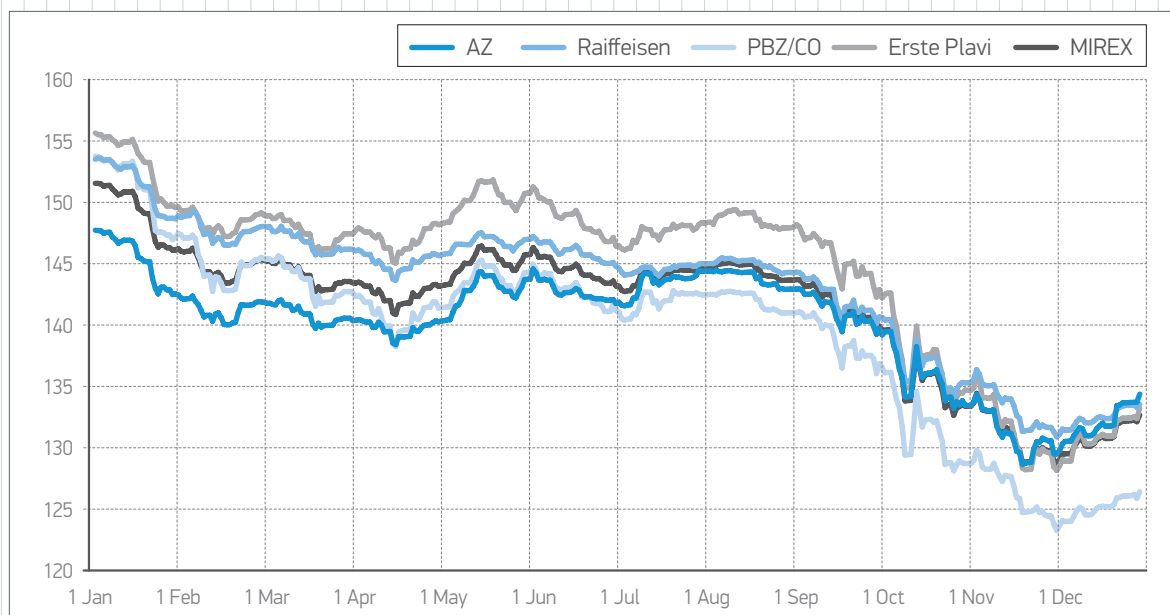
Source: HANFA

Chart 3.4. Investment Structure of Mandatory Pension Funds (in HRK thousand)



Source: HANFA

Chart 3.5. Changes in the Value of Accounting Units and the Mirex Index during 2008



Source: HANFA

PENSION FUNDS

In 2008, in contrast to the previous years, the rate of return of funds, including that of the Mirex index, was negative. The decrease rate was especially significant in the first quarter, whereas at the end of the year it moved within the range of -17.85% to -9.06%.

Table 3.4. Annualised Rate of Return of Accounting Units of Mandatory Pension Funds and Mirex

AZ OMF								
from		30 Apr 2002	31 Dec 2002	31 Dec 2003	31 Dec 2004	31 Dec 2005	31 Dec 2006	31 Dec 2007
to	Value	100	108.6759	116.8000	124.0084	131.2816	138.8635	147.7171
31 Dec 2002	108.6759		13.20%					
31 Dec 2003	116.8000		9.74%	7.48%				
31 Dec 2004	124.0084		8.39%	6.82%	6.17%			
31 Dec 2005	131.2816		7.70%	6.50%	6.02%	5.87%		
31 Dec 2006	138.8635		7.28%	6.32%	5.94%	5.82%	5.78%	
31 Dec 2007	147.7171		7.12%	6.33%	6.05%	6.01%	6.08%	6.38%
31 Dec 2008	134.3385		4.52%	3.60%	2.84%	2.02%	0.77%	-1.64%
								-9.06%
ERSTE PLAVI OMF								
from		30 Apr 2002	31 Dec 2002	31 Dec 2003	31 Dec 2004	31 Dec 2005	31 Dec 2006	31 Dec 2007
to	Value	100	108.4353	116.1018	125.4063	135.4920	146.8004	155.6751
31 Dec 2002	108.4353		12.82%					
31 Dec 2003	116.1018		9.34%	7.07%				
31 Dec 2004	125.4063		8.84%	7.54%	8.01%			
31 Dec 2005	135.4920		8.63%	7.71%	8.03%	8.04%		
31 Dec 2006	146.8004		8.57%	7.87%	8.13%	8.19%	8.35%	
31 Dec 2007	155.6751		8.12%	7.50%	7.61%	7.47%	7.19%	6.05%
31 Dec 2008	133.2136		4.39%	3.49%	2.79%	1.52%	-0.56%	-4.74%
								-14.43%
PBZ / CO OMF								
from		30 Apr 2002	31 Dec 2002	31 Dec 2003	31 Dec 2004	31 Dec 2005	31 Dec 2006	31 Dec 2007
to	Value	100	109.4154	117.9214	127.1730	133.2243	142.8526	153.7997
31 Dec 2002	109.4154		14.35%					
31 Dec 2003	117.9214		10.37%	7.77%				
31 Dec 2004	127.1730		9.42%	7.81%	7.85%			
31 Dec 2005	133.2243		8.13%	6.78%	6.29%	4.76%		
31 Dec 2006	142.8526		7.93%	6.89%	6.60%	5.99%	7.23%	
31 Dec 2007	153.7997		7.89%	7.05%	6.87%	6.54%	7.44%	7.66%
31 Dec 2008	126.3414		3.57%	2.43%	1.39%	-0.16%	-1.75%	-5.96%
								-17.85%
RAIFFEISEN OMF								
from		30 Apr 2002	31 Dec 2002	31 Dec 2003	31 Dec 2004	31 Dec 2005	31 Dec 2006	31 Dec 2007
to	Value	100	108.5443	116.1595	126.1430	138.1216	143.6204	153.5363
31 Dec 2002	108.5443		12.99%					
31 Dec 2003	116.1595		9.38%	7.02%				
31 Dec 2004	126.1430		9.08%	7.80%	8.59%			
31 Dec 2005	138.1216		9.20%	8.36%	9.04%	9.50%		
31 Dec 2006	143.6204		8.06%	7.25%	7.33%	6.70%	3.98%	
31 Dec 2007	153.5363		7.85%	7.18%	7.22%	6.77%	5.43%	6.90%
31 Dec 2008	133.5218		4.43%	3.51%	2.83%	1.43%	-1.12%	-3.58%
								-13.04%
MIREX OMF								
from		30 Apr 2002	31 Dec 2002	31 Dec 2003	31 Dec 2004	31 Dec 2005	31 Dec 2006	31 Dec 2007
to	Value	100	108.7306	116.7457	125.3544	134.1982	141.9054	151.5643
31 Dec 2002	108.7306		13.28%					
31 Dec 2003	116.7457		9.71%	7.37%				
31 Dec 2004	125.3544		8.83%	7.37%	7.37%			
31 Dec 2005	134.1982		8.34%	7.27%	7.21%	7.06%		
31 Dec 2006	141.9054		7.78%	6.88%	6.72%	6.40%	5.74%	
31 Dec 2007	151.5643		7.61%	6.87%	6.74%	6.53%	6.27%	6.81%
31 Dec 2008	132.6237		4.32%	3.37%	2.58%	1.42%	-0.39%	-3.33%
								-12.50%

Source: HANFA

MANDATORY PENSION FUND MANAGEMENT COMPANIES

In 2008, the total assets of mandatory pension fund management companies decreased by 4.4% and amounted to HRK 489.2 million as compared to the previous year. In the same period, total management companies' capital dropped by 2.6% and amounted to HRK 467.9 million at the end of 2008. Capital by fund member decreased by 7.9%, totalling HRK 317.1 at the end of the period. In the same period, the ratio between total capital of companies and total net assets under management fell by 9.5%.

Table 3.5. Balance Sheet of Mandatory Pension Fund Management Companies as at 31 December 2007 and 31 December 2008 (in HRK thousand)

ITEMS	2007	2008
ASSETS		
A. Fixed assets	172,619	250,691
I. Intangible assets	20,600	19,472
II. Tangible assets	4,138	4,709
III. Financial assets	147,881	226,510
B. Short-term assets	326,496	209,793
I. Stock, inventory and other	0	0
II. Receivables	18,017	20,263
III. Financial assets	303,944	178,051
IV. Cash in hand and at bank	4,535	11,479
C. Prepayments	7,976	24,310
D. Accrued income	3,389	2,949
E. Tax assets	1,039	1,504
F. TOTAL ASSETS	511,518	489,247
LIABILITIES		
A. Capital	480,525	467,923
I. Subscribed capital	327,844	327,844
II. Premiums for issued shares	0	0
III. Revaluation reserves	0	0
IV. Reserves	3,290	6,012
V. Retained profit or accumulated loss	40,380	26,617
VI. Profit or loss of the current year	109,011	107,450
B. Long-term liabilities	490	257
C. Short-term liabilities	27,856	14,698
D. Accruals	2,647	6,369
E. Deferred income	0	0
F. TOTAL LIABILITIES	511,518	489,247

Source: HANFA

In 2008, total expenses rose by 17.5% as compared to the previous year and amounted to HRK 108.4 million. Fund managing costs grew at the fastest rate, caused mostly by sales agents' costs which amounted to HRK 28.5 million and increased by 19.8%. In 2008, marketing costs decreased by 31.7% and amounted to HRK 8.7 million.

PENSION FUNDS

In 2008, companies' total expenses by mandatory fund member amounted to HRK 73.4, which was 11.1% more than in the previous year. The companies set aside an average amount by fund member totalling HRK 18.0 for staff costs (an increase of 0.5%), HRK 19.3 for sales agents' costs (an increase of 12.9%) and HRK 5.89 for marketing costs (a 35.4% decrease).

In 2008, total companies' income stood at HRK 242.8 million, increasing by 6.9% over 2007. Income from fund management (income from fund members' fees) totalled HRK 215.8 million (a 5.3% increase), with the most important source of income being management fee, based on which funds earned the amount of HRK 185.5 million in 2007. Income from total fees by mandatory fund member dropped slightly by 0.4% and amounted to HRK 146.3.

In 2008, total net profit of mandatory pension fund management companies amounted to HRK 107.5 million, decreasing by 1.4% over 2007. Return on asset (ROA) increased by 3.3% in comparison with 2007 and totalled 22.0%. Return on equity (ROE) increased by 1.3%, amounting to 23.0% in 2008.

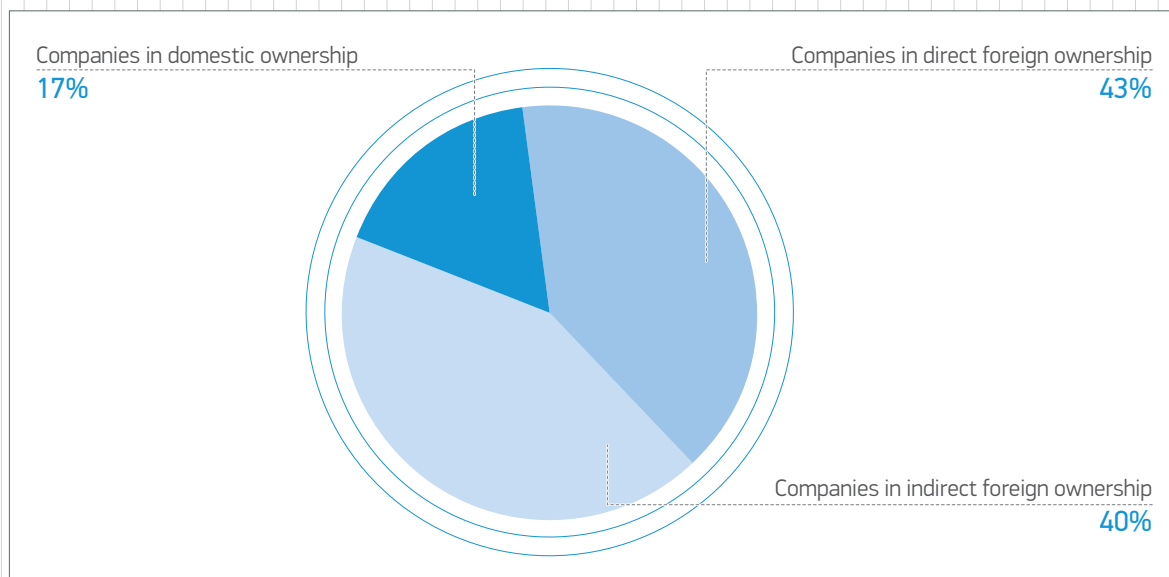
Table 3.6: Profit and Loss Account of Mandatory Pension Fund Management Companies in 2007 and 2008 (in HRK thousand)

ITEMS	2007	2008
Management fee	205,002	215,847
Fee from paid contributions	25,258	29,449
Fee from total assets of the pension fund	179,479	185,454
Exit fee	265	944
Performance bonus	0	0
Expenses on fund management	39,261	48,686
Transaction costs	8	11
Marketing costs	12,740	8,699
Sales agents' costs	23,809	28,516
Other pension fund management costs	2,704	11,460
Fund management profit and loss	165,741	167,161
Other income of the company	858	3,293
Operational expenses	48,591	54,004
Material costs	1,430	1,485
Staff costs	24,948	26,517
Depreciation and adjustment of value of long-term assets	2,350	3,874
Adjustment of value of short-term assets	0	0
Reservations for costs and risks	0	0
Other operational costs	19,863	22,128
Financial income	21,220	23,698
Financial expenses	4,374	5,666
Income or loss from regular business operations	134,854	134,482
Extraordinary income	0	0
Extraordinary expenses	0	0
Profit or loss of the accounting period before taxes	134,854	134,482
Profit tax	25,843	27,032
NET PROFIT OR LOSS	109,011	107,450

Source: HANFA

Out of 4 mandatory pension funds management companies operating in 2008, 2 were in direct ownership of foreign financial institutions, one was in indirect foreign ownership, whereas in 1 of them equal ownership shares were held by foreign and domestic founders.

Chart 3.6 Shares in Managed Assets by Ownership Structure



Source: HANFA

VOLUNTARY PENSION FUNDS

In 2008 there were 6 open-end voluntary pension funds (ODMFs) operating in the Republic of Croatia, managed by 4 voluntary pension fund management companies (DMDs).

- AZ benefit ODMF (AZ DMD)
- AZ profit ODMF (AZ DMD)
- Croatia osiguranje ODMF (CO DMD)
- Erste Plavi Expert ODMF (Erste DMD)
- Erste Plavi Protect ODMF (Erste DMD)
- Raiffeisen ODMF (Raiffeisen DMD).

Even though voluntary pension funds still have a significantly smaller membership than mandatory pension funds, their total membership has been increasing continuously. The number of members grew by more than 22.92% in comparison to 2007, amounting to 127,738 members as at 31 December 2008.

Table 3.7. Open-End Voluntary Pension Funds' Membership

FUND	31 Dec 2007	31 Dec 2008	Change
AZ benefit ODMF	6,429	7,790	1,361
AZ profit ODMF	39,532	51,604	12,072
Croatia osiguranje ODMF	13,207	14,626	1,419
Erste Plavi Expert ODMF	9,594	12,442	2,848
Erste Plavi Protect ODMF	2,414	3,403	989
Raiffeisen ODMF	32,747	37,873	5,126
TOTAL	103,923	127,738	23,815

Source: HANFA

PENSION FUNDS

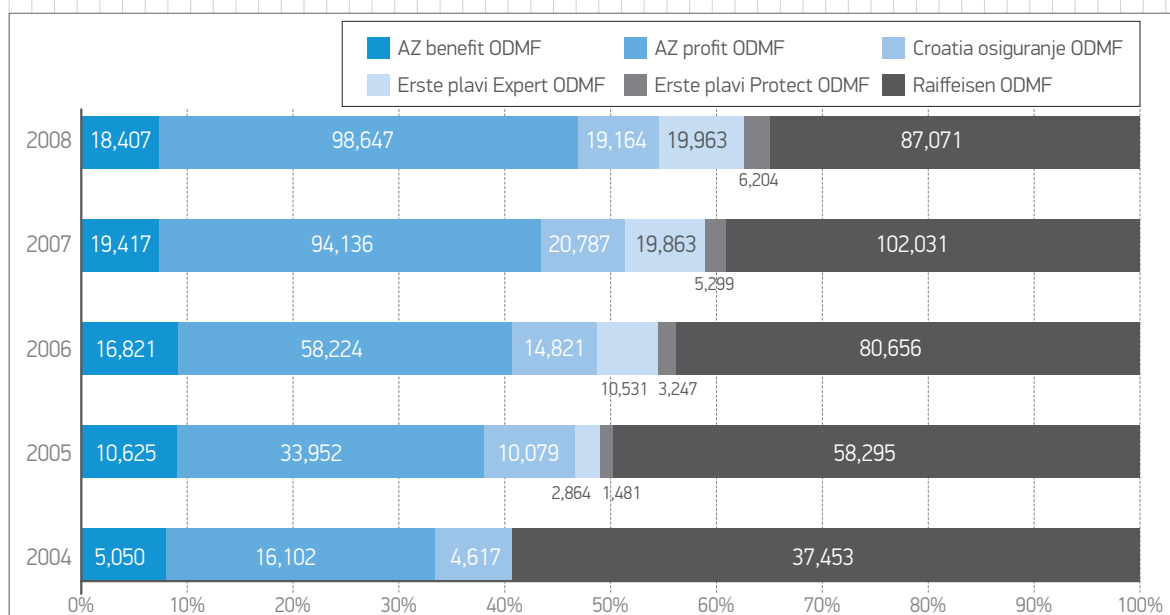
However, the membership growth in 2008 was not accompanied by the increase in gross contributions, which amounted to HRK 249.46 million, dropping by 4.6% over the previous year.

Table 3.8. Gross Contributions of ODMF's Members (in HRK thousand)

FUND	Gross contribution in 2007	Gross contribution in 2008	Change in %
AZ benefit ODMF	19,417	18,407	-5.2%
AZ profit ODMF	94,136	98,647	4.8%
Croatia osiguranje ODMF	20,787	19,164	-7.8%
Erste Plavi Expert ODMF	19,863	19,963	0.5%
Erste Plavi Protect ODMF	5,299	6,204	17.1%
Raiffeisen ODMF	102,031	87,071	-14.7%
TOTAL	261,533	249,457	-4.6%

Source: HANFA

Chart 3.7. Gross Contributions of ODMF's Members in the Last 5 Years (in HRK thousand)



Source: HANFA

At the end of 2008, the total assets of ODMFs amounted to HRK 799.67 million or HRK 6,260.20 by fund member, which was a 6.09% decrease in comparison to 2007. An average annual gross contribution by fund member totalled HRK 1,952.88, decreasing by 22.40% compared with 2007.

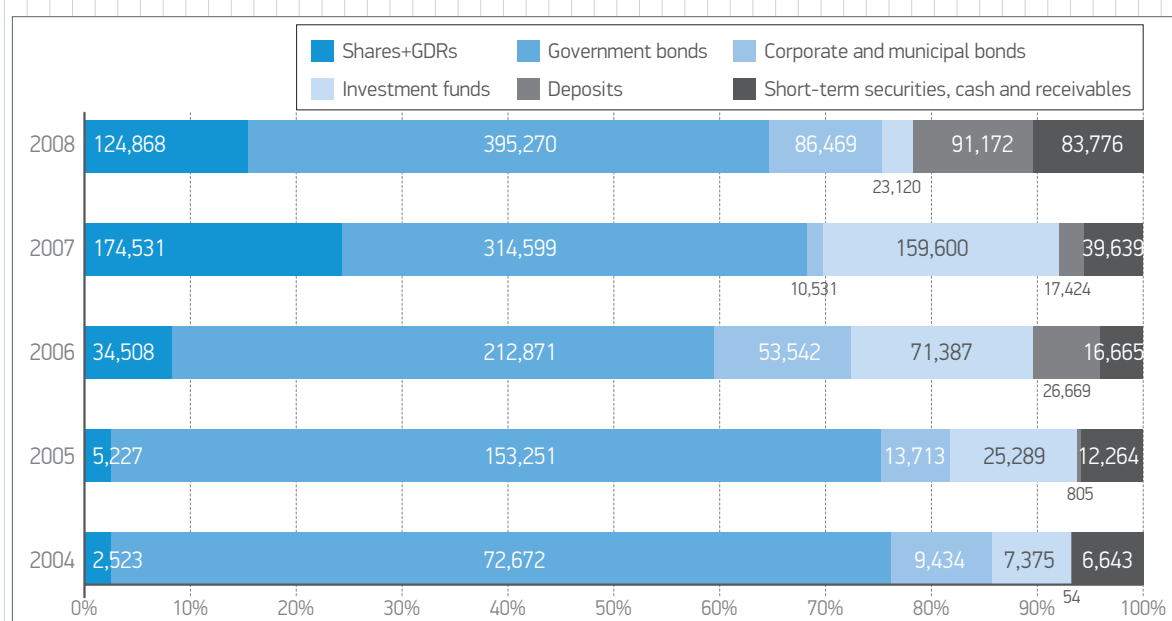
The assets of ODMFs increased by 12.33% over the previous year, with the investment structure changing significantly, where investments in domestic assets decreased, and investments in foreign assets increased. Investments in government bonds in domestic assets increased from 43.8% to 45.0%, and rose from 0.1% to 4.1% in foreign assets. A significant decrease was recorded for investments in domestic shares (from 22.6% to 13.5%), and share of domestic open-end investment funds decreased from 20.2% to 1.1%.

Table 3.9. Investment Structure of Open-End Voluntary Pension Funds (in HRK thousand)

ASSETS	31 Dec 2007		31 Dec 2008	
	Amount	Share	Amount	Share
DOMESTIC ASSETS	687,823	96.0%	744,502	92.5%
Securities and deposits	648,184	90.5%	727,049	90.4%
Shares + GDRs	161,645	22.6%	108,508	13.5%
Government bonds	313,900	43.8%	362,484	45.0%
Municipal bonds	553	0.1%	4,213	0.5%
Corporate bonds	9,978	1.4%	82,256	10.2%
Closed-end investment funds	0	0.0%	3,061	0.4%
Open-end investment funds	144,684	20.2%	9,031	1.1%
Short-term securities	0	0.0%	66,323	8.2%
Deposits	17,424	2.4%	91,172	11.3%
Cash	38,956	5.4%	17,290	2.1%
Receivables	683	0.1%	164	0.0%
FOREIGN ASSETS	28,501	4.0%	60,173	7.5%
Shares	12,886	1.8%	16,359	2.0%
Government bonds	699	0.1%	32,786	4.1%
Municipal bonds	0	0.0%	0	0.0%
Corporate bonds	0	0.0%	0	0.0%
Closed-end investment funds	0	0.0%	0	0.0%
Open-end investment funds	14,916	2.1%	11,027	1.4%
Short-term securities	0	0.0%	0	0.0%
Deposits	0	0.0%	0	0.0%
TOTAL ASSETS	716,324	100.0%	804,675	100.0%
Net assets	692,810		799,665	

Source: HANFA

Chart 3.8. Investment Structure of ODMFs in the Last 5 Years (in HRK thousand)



Source: HANFA

PENSION FUNDS

In 2008, ODMFs reported individual rates of return ranging from 5.30% to -23.21%, and annualised rates of return recorded by funds since the beginning of their operations ranging from 0.94% to 8.17%. Decreased, i.e. negative rates of return resulted from trends in shares at the capital market due to significant investment of pension funds in domestic shares and domestic open-end investment funds.

Table 3.10. Annualised Rates of Return of ODMFs

Annualised Rate of Return for Accounting Unit of AZ Benefit ODMF							
	from	3 Dec 2003	31 Dec 2003	31 Dec 2004	31 Dec 2005	31 Dec 2006	31 Dec 2007
to	Value	100	100.5228	110.6070	117.5851	124.9274	130.1425
31 Dec 2003	100.5228	7.03%					
31 Dec 2004	110.6070	9.82%	10.03%				
31 Dec 2005	117.5851	8.11%	8.15%	6.31%			
31 Dec 2006	124.9274	7.50%	7.51%	6.28%	6.24%		
31 Dec 2007	130.1425	6.68%	6.67%	5.57%	5.20%	4.17%	
31 Dec 2008	137.0393	6.40%	6.39%	5.50%	5.24%	4.74%	5.30%
Annualised Rate of Return for Accounting Unit of AZ Profit ODMF							
	from	30 Sep 2003	31 Dec 2003	31 Dec 2004	31 Dec 2005	31 Dec 2006	31 Dec 2007
to	Value	100	102.2404	112.3833	124.8151	140.7790	162.5783
31 Dec 2003	102.2404	9.19%					
31 Dec 2004	112.3833	9.77%	9.92%				
31 Dec 2005	124.8151	10.34%	10.49%	11.06%			
31 Dec 2006	140.7790	11.09%	11.25%	11.92%	12.79%		
31 Dec 2007	162.5783	12.11%	12.29%	13.10%	14.13%	15.48%	
31 Dec 2008	151.0721	8.17%	8.12%	7.68%	6.57%	3.59%	-7.08%
Annualised Rate of Return for Accounting Unit of CO ODMF							
	from	29 Oct 2003	31 Dec 2003	31 Dec 2004	31 Dec 2005	31 Dec 2006	31 Dec 2007
to	Value	100	100.4406	106.8197	112.8280	121.2594	136.7056
31 Dec 2003	100.4406	2.58%					
31 Dec 2004	106.8197	5.79%	6.35%				
31 Dec 2005	112.8280	5.71%	5.99%	5.62%			
31 Dec 2006	121.2594	6.26%	6.48%	6.54%	7.47%		
31 Dec 2007	136.7056	7.78%	8.01%	8.57%	10.07%	12.74%	
31 Dec 2008	104.9786	0.94%	0.89%	-0.43%	-2.37%	-6.96%	-23.21%
Annualised Rate of Return for Accounting Unit of Raiffeisen ODMF							
	from	6 Aug 2002	31 Dec 2003	31 Dec 2004	31 Dec 2005	31 Dec 2006	31 Dec 2007
to	Value	100	112.3541	121.9055	130.7163	140.4768	159.7848
31 Dec 2003	112.3541	8.66%					
31 Dec 2004	121.9055	8.59%	8.50%				
31 Dec 2005	130.7163	8.19%	7.86%	7.23%			
31 Dec 2006	140.4768	8.03%	7.73%	7.35%	7.47%		
31 Dec 2007	159.7848	9.06%	9.20%	9.44%	10.56%	13.74%	
31 Dec 2008	127.9079	3.92%	2.63%	1.21%	-0.72%	-4.58%	-19.95%
Annualised Rate of Return for Accounting Unit of EP Expert ODMF							
	from			15 Mar 2005	31 Dec 2005	31 Dec 2006	31 Dec 2007
to	Value			100	109.9721	128.0476	141.4317
31 Dec 2005	109.9721			12.66%			
31 Dec 2006	128.0476			14.75%	16.44%		
31 Dec 2007	141.4317			13.19%	13.40%	10.45%	
31 Dec 2008	108.8732			2.26%	-0.33%	-7.79%	-23.02%
Annualised Rate of Return for Accounting Unit of EP Protect ODMF							
	from			15 Mar 2005	31 Dec 2005	31 Dec 2006	31 Dec 2007
to	Value			100	105.1318	110.7152	112.4339
31 Dec 2005	105.1318			6.48%			
31 Dec 2006	110.7152			5.83%	5.31%		
31 Dec 2007	112.4339			4.28%	3.41%	1.55%	
31 Dec 2008	115.4303			3.85%	3.16%	2.11%	2.67%

Source: HANFA

Apart from open-end voluntary pension funds, voluntary pension funds management companies also manage closed-end voluntary pension funds (ZDMFs) whose members may become employees of a particular employer, members of trade unions and members of associations of self-employed persons. In 2008, three new ZDMFs were established, causing the total number of funds to grow to 15.

Table 3.11. Closed-End Voluntary Pension Funds

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

Source: HANFA

In 2008, total ZDMFs' membership increased by 44.73% as compared to the previous year and amounted to 17,285 members, whereas the total net assets of all ZDMFs stood at HRK 148.138 million, which was an increase in 24.60% in comparison with 2007. Average assets by fund member amounted to HRK 8,584.21 at the end of 2008, dropping by 13.91% compared to the previous year. The average annual contribution to ZDMFs in 2007 was significantly higher compared with mandatory and open-end voluntary pension funds and totalled HRK 9,052.41.

Dynamics of increase in a number of ZDMF present further growth, as more large employers become interested in establishing this type of pension fund.

Table 3.12. Main Indicators for ZDMFs

INFORMATION	31 Dec 2007	31 Dec 2008
Total membership of ZDMFs	11,943	17,285
Total contributions of ZDMFs (in HRK thousand)	106,664	156,471
Total assets of ZDMFs (in HRK thousand)	119,082	148,378

Source: HANFA

Closed-end voluntary pension funds' rates of return ranged between 1.04% and -23.49% in 2008. Annualised rates of return since the beginning of business operations ranged between 8.45% and -2.68%.

Table 3.13. Values of Accounting Units and ZDMF's Rates of Return

CLOSED-END VOLUNTARY PENSION FUND	Value of accounting units		Rates of return of ZDMFs	
	31 Dec 2007	31 Dec 2008	2008	Annualised rates of return since beginning of operations
AZ VIP ZDMF	155.3429	145.2103	-6.52%	8.05%
AZ Dalekovod ZDMF	150.5689	138.8948	-7.75%	8.45%
AZ Hrvatska kontrola zračne plovidbe	146.6015	135.9320	-7.28%	8.41%
CROATIA OSIGURANJE ZDMF	118.3692	91.4800	-22.72%	-2.68%
Ericsson Nikola Tesla ZDMF	142.0713	128.2214	-9.75%	6.65%
Hrvatski liječnički sindikat ZDMF	151.2302	135.2738	-10.55%	6.94%
Sindikat pomoraca Hrvatske ZDMF	119.6327	91.5325	-23.49%	-2.09%
Novinar ZDMF	133.6145	118.6217	-11.22%	5.45%
ZDMF HEP grupe	113.5238	95.1662	-16.17%	-1.85%
T-HT ZDMF	108.2571	105.4520	-2.59%	2.65%
T-Mobile ZDMF	100.8183	97.4237	-3.37%	-2.20%
ZDMF Sindikat hrvatskih željezničara	100.2200	101.2643	1.04%	1.12%
ZDMF HAC	-	103.7325	-	-
AZ Zagreb	-	104.2369	-	-
Cestarski ZDMF	-	100.0204	-	-

Source: HANFA

VOLUNTARY PENSION FUND MANAGEMENT COMPANIES

In 2008, the total assets of voluntary pension fund management companies increased by 0.1% and amounted to HRK 56.4 million. In the same period, total management companies' capital dropped by 1.2%, amounting to HRK 46.5 million. Due to an increase in the membership of voluntary pension funds of 25%, in 2008, total capital by fund member decreased by 21.1%, totalling HRK 320.8 at the end of the period. In the same period, the ratio between total capital of companies and total net assets under management fell by 15.4%.

Table 3.14. Balance Sheet of Voluntary Pension Fund Management Companies as at 31 December 2007 and 31 December 2008 (in HRK thousand)

ITEM	2007	2008
ASSETS		
A. Fixed assets	6,350	5,705
I. Intangible assets	692	451
II. Tangible assets	835	794
III. Financial assets	4,823	4,460
B. Short-term assets	45,601	49,466
I. Stock, inventory and other	66	67
II. Receivables	4,812	5,951
III. Financial assets	38,164	32,666
IV. Cash in hand and at bank	2,559	10,782
C. Prepayments	91	46
D. Accrued income	208	144
E. Tax assets	4,055	1,001
F. TOTAL ASSETS	56,305	56,362
LIABILITIES		
A. Capital	47,081	46,519
I. Subscribed capital	93,445	93,445
II. Premiums for issued shares	0	0
III. Revaluation reserves	-42	-344
IV. Reserves	0	0
V. Retained profit or accumulated loss	-48,041	-46,323
VI. Profit or loss of the current year	1,719	-259
B. Long-term liabilities	66	0
C. Short-term liabilities	4,633	4,525
D. Accruals	388	834
E. Deferred income	4,137	4,484
F. TOTAL LIABILITIES	56,305	56,362

Source: HANFA

In 2008, total expenses increased by 2.6%, amounting to HRK 31.7 million. The highest share in 60.0% in total expenses of voluntary pension fund management companies referred to expenses of fund management which decreased by 3.6% and totalled HRK 19.0 million, caused primarily by decrease in sales agents' costs in 11.0% compared to 2007. Expenses of business activities of the company increased by 13.7% and totalled HRK 12.3 million.

In 2008, companies' total expenses by fund member amounted to HRK 218.7, which was a decrease of 18.0% over 2007. The companies set aside an average amount by fund member totalling HRK 33.0 for staff costs (a decrease of 16.3%), HRK 101.2 for sales agents' costs (a decrease of 28.9%) and HRK 16.3 for marketing costs (a 4.1% decrease).

In 2008, total companies income amounted to HRK 32.9 million, increasing by 8.8% over 2007. Income from fund management (income from fund members' fees) totalled HRK 29.3 million (an increase of 6.4%), with the most important sources of income being entry fee, based on a funds earned the amount of HRK 14.9 million, as well as management fee in the amount of HRK 14.4 million in 2008.

Voluntary pension fund management companies reported total loss to the amount of HRK 0.3 million, whereas in the preceding year they recorded total profit amounting to HRK 1.7 million.

PENSION FUNDS

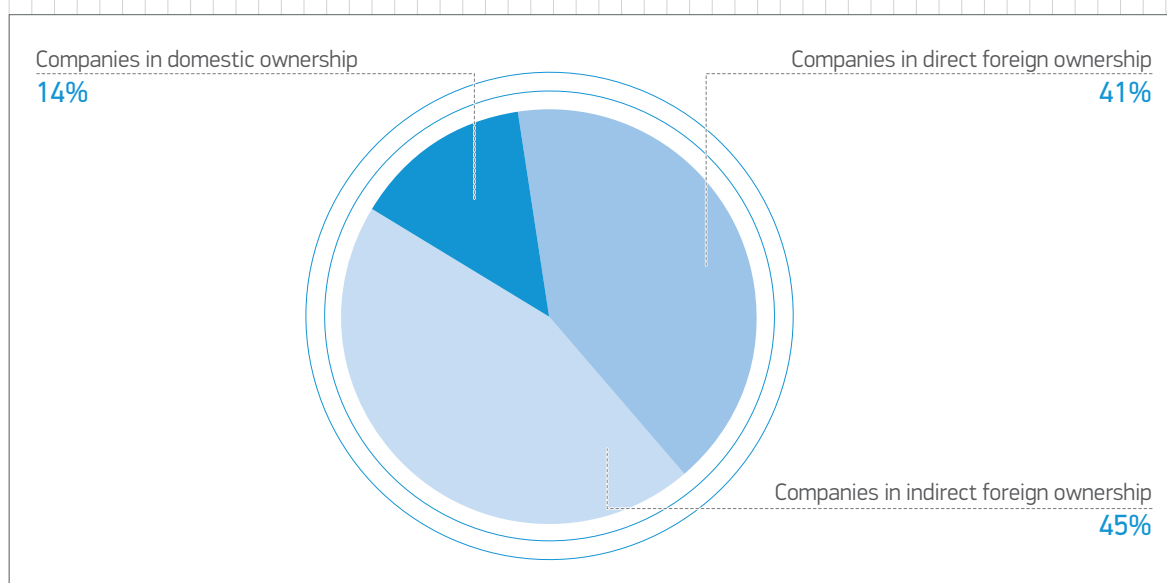
Table 3.15. Profit and Loss Account of Voluntary Pension Fund Management Companies in 2007 and 2008 (in HRK thousand)

ITEMS	2007	2008
Management fee	27,529	29,288
Fee from paid contributions	17,577	14,897
Fee from total asset of the pension fund	9,950	14,388
Exit fee	2	3
Performance bonus	0	0
Expenses on fund management	19,745	19,038
Transaction costs	196	183
Marketing costs	1,972	2,363
Sales agents' costs	16,480	14,671
Other pension fund management costs	1,097	1,821
Fund management profit or loss	7,784	10,250
Other income of the company	333	661
Operational expenses	10,814	12,298
Material costs	275	299
Staff costs	4,568	4,787
Depreciation and adjustment of value of long-term assets	1,125	791
Adjustment of value of short-term assets	0	0
Reservations for costs and risks	0	0
Other operational costs	4,846	6,421
Financial income	2,321	2,905
Financial expenses	346	375
Income or loss from regular business operations	-722	1,143
Extraordinary income	0	0
Extraordinary expenses	0	0
Profit or loss of the accounting period before taxes	-722	1,143
Profit tax/Incomes from recognition of tax assets	2,441	1,402
Net profit or loss	1,719	-259

Source: HANFA

Out of 4 voluntary pension fund management companies which operated in 2008, 1 was in direct ownership of foreign financial institutions, 2 were in indirect foreign ownership through companies established in the Republic of Croatia, whereas 1 company was in domestic ownership.

Chart 3.9. Shares in Managed Assets by Ownership Structure



Source: HANFA

SUPERVISION OF PENSION FUNDS

In 2008, the Agency continuously supervised business operations of pension fund management companies and pension funds, as well as their alignment with legislation and subordinate legislation for the purpose of protecting the interests of mandatory and voluntary funds' members. The Amendments to the Mandatory and Voluntary Pension Funds Act of July 2007 provided for liberalisation of investments of pension fund assets. In the course of pension fund supervision, the Agency focused on the off-site supervision of properly submitted daily and periodical reports, which included verification of asset valuation, permitted investments and investment limitations and other provisions of acts and by-laws which regulate financial and investment operations of pension funds. On the basis of data delivered, rates of return of pension funds and the value of the Mirex index were calculated on a daily basis, whereas the analysis of performance of pension fund management companies and pension funds and the assessment of quantitative and qualitative risks of their business operations were carried on periodically. The analysis covered changes in capital, monitoring of funds' membership, adequacy of the guarantee deposit, monitoring of potential liability for the payment of guaranteed return, calculation of liquidity and profitability and monitoring of the structure and relationship between costs and income, as well as the accuracy of fee calculations.

In 2008, the Agency conducted on-site supervision of the following subjects:

- ALLIANZ ZB društvo za upravljanje obveznim mirovinskim fondom d.o.o. (AZ obvezni mirovinski fond),
- PBZ CROATIA OSIGURANJE d.d. društvo za upravljanje obveznim mirovinskim fondom (PBZ CROATIA osiguranje obvezni mirovinski fond),
- Erste d.o.o. društvo za upravljanje obveznim mirovinskim fondom d.o.o. (Erste Plavi obvezni mirovinski fond),
- CROATIA OSIGURANJE društvo za upravljanje dobrovoljnim mirovinskim fondom d.o.o. (Croatia osiguranje otvoreni dobrovoljni mirovinski fond, CROATIA osiguranje zatvoreni dobrovoljni mirovinski fond, HEP zatvoreni dobrovoljni mirovinski fond and zatvoreni dobrovoljni mirovinski fond Sindikata pomoraca),
- ALLIANZ ZB d.o.o. društvo za upravljanje dobrovoljnim mirovinskim fondovima (AZ Benefit, AZ Profit, AZ VIP, AZ Dalekovod and AZ HKZP),
- RAIFFEISEN mirovinsko društvo za upravljanje obveznim mirovinskim fondom (Raiffeisen obvezni mirovinski fond),
- Central Register of Insured Persons (REGOS).

On-site supervision covered business operations of pension fund management 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 performance of pension funds.

On-site supervision comprised the examination of institutional documents of pension fund management companies and pension funds, process of realising investment decisions, monitoring the ban on purchase and sale of assets, and on granting loans and offering guarantee to persons connected with pension fund management companies, inspection of the amount of the money borrowed by pension fund management companies, supervision of the accounting system and of the process of drawing up financial reports of pension fund management 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 law and by-laws, as well as with provisions of relevant prospectuses of pension funds with a view to identify 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.

Except from certain irregularities in business operations identified in the course of on-site and off-site supervision, regarding e.g. exceeding investment limitations and maintaining guarantee fund at an appropriate level, for which specific correction periods were defined and observed by the companies, 2008 saw no major violations of legal provisions.

In 2008, the Agency supervised business operations of the Central Register of Insured Persons (REGOS), i.e. the transfer of contributions for mandatory pension insurance on the basis of individual capitalised savings and the process of keeping records of insured persons, members of mandatory pension funds. Continuous supervision of REGOS's operations was conducted by the Agency through the analysis of its standardised reports. In 2008, no data and trends pointing out to REGOS's failures were noticed.



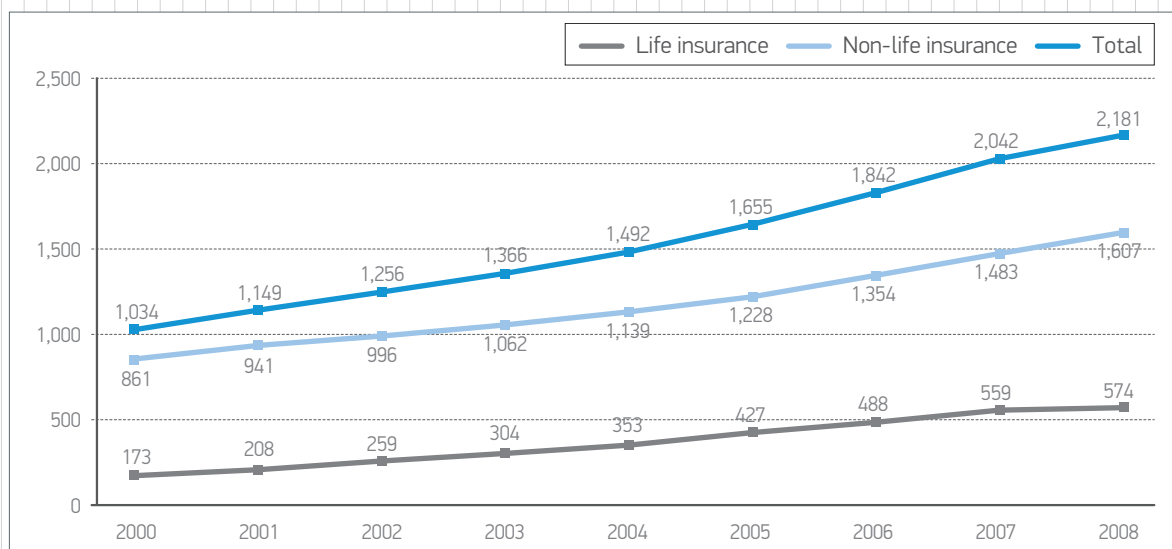
**INSURANCE
MARKET**

04 INSURANCE MARKET

The overview of the insurance market in 2008 was produced on the basis of financial reports analysis and statistical data submitted to the Agency⁵ and conducted supervision of business operations of insurance and reinsurance companies, insurance agencies, insurance representation trades, and insurance brokerage companies, insurance agents and insurance brokers, as well as of the Croatian Nuclear POOL GIU and the Croatian Insurance Bureau.

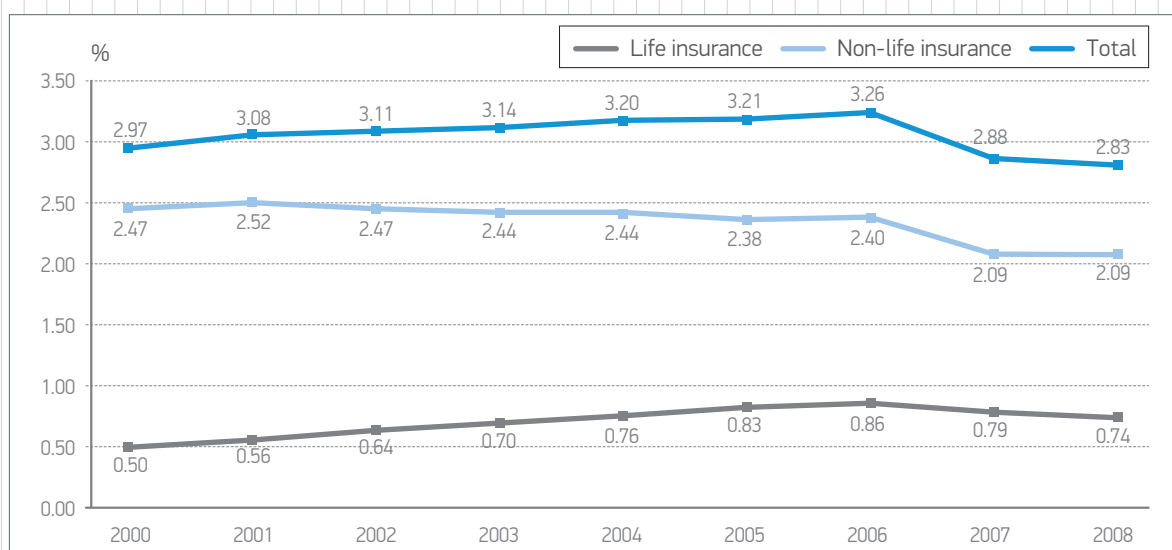
Basic indicators used to evaluate the situation in the insurance market are insurance density⁶ and the share of gross written premium in gross domestic product⁷. Changes in their value in the 2000-2008 period are shown in following charts.

Chart 4.1. Insurance Density in the 2000–2008 Period (in HRK)



Source: HANFA

Chart 4.2. Share of Gross Written Premium in GDP in the 2000–2008 Period (in %)



Source: HANFA

⁵ All financial and statistical data used in this report are based on unaudited financial reports submitted by insurance and reinsurance companies within the legally-prescribed time limit.

⁶ Insurance density is calculated as gross written premium per capita.

⁷ Gross domestic product-data from the Internet site of the Croatian National Bank (www.hnb.hr/statistika).

According to data for 2008, the share of gross written premium in GDP in terms of life insurance continued to decrease from 0.79% in 2007 to 0.74% in 2008. Thus the share in 2008 was below the level in 2004, while in terms of non-life insurance it stays at the same level as in 2007 when it amounted to 2.09%, what is similar to the level of share recorded in periods before 2000.

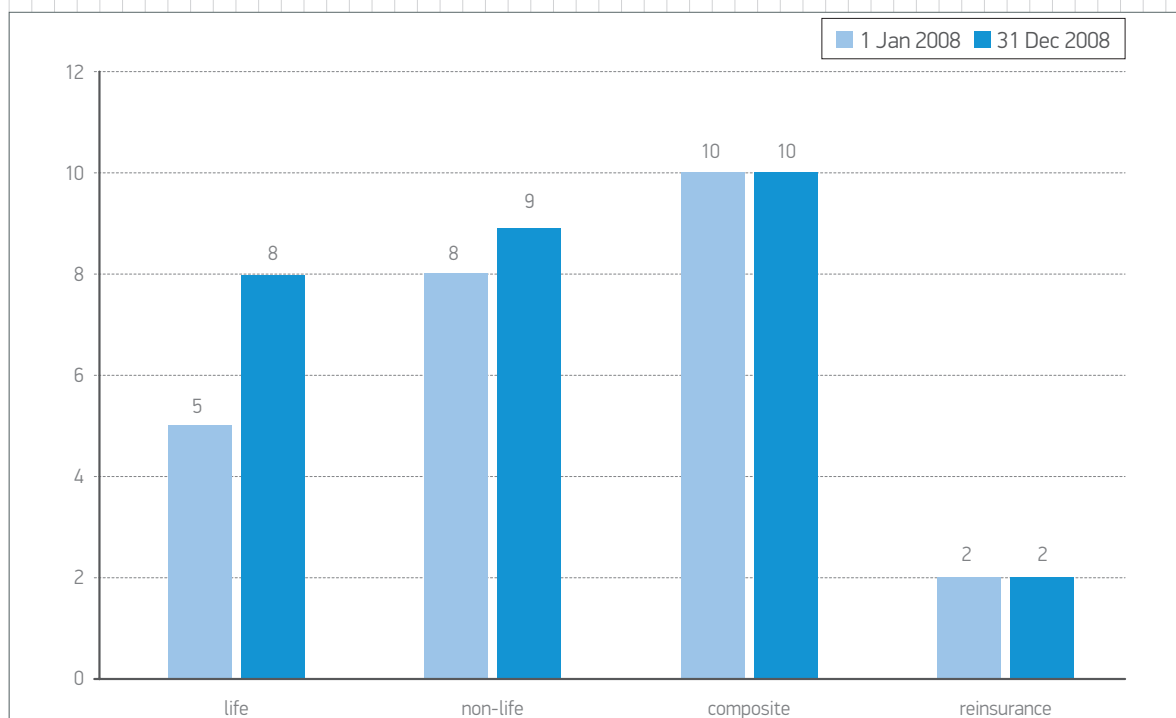
Despite a decrease of share of gross written premium in GDP, premium per capita records steadily growth, but is still lower compared to 2007. The share totalled HRK 2,181 in 2008, i.e. €298⁸, which is still far below the European average.

MARKET DESCRIPTION

At the beginning of 2008, 2 reinsurance companies and 23 insurance companies conducted business at the insurance market, of which 5 companies conducted exclusively life insurance business, 8 companies conducted exclusively non-life insurance business, while the 10 remaining insurance companies carried out both life and non-life insurance business.

During 2008, 4 new insurance companies were granted an operating licence by the Agency: KD životno osiguranje d.d., Victoria životno osiguranje d.d. and Societe Generale osiguranje d.d. for conducting life insurance activities and Victoria osiguranje d.d. for conducting non-life insurance activities.

Chart 4.3. Number of Insurance and Reinsurance Companies as at 1 January 2008 and 31 December 2008



Source: HANFA

Although 27 insurance companies and 2 reinsurance companies had an operating licence in 2008, as shown in Chart 4.3, we note that Victoria osiguranje d.d. company and Societe Generale osiguranje d.d. company did not start to conduct insurance activities in 2008, as the mentioned companies were granted an operating licences at the end of 2008. Following the mentioned changes in the insurance market, 25 insurance companies and 2 reinsurance companies actively conducted insurance business on 31 December 2008. List of insurance companies according to type of conducted insurance business is shown in the following table.

⁸ Calculated on the basis of middle rate of CNB at 31 December 2008

Table 4.1. Insurance Activities Conducted by Insurance and Reinsurance Companies during 2008

	Insurance Company	Insurance activities
1	Agram životno osiguranje d.d.	Life
2	Allianz Zagreb d.d.	Composite (life and non-life)
3	Allianz reosiguranje d.d.	Reinsurance
4	Basler osiguranje d.d.	Non-life
5	Basler životno osiguranje d.d.	Life
6	Cardif osiguranje d.d.	Non-life
7	Cosmopolitan Life Vienna Insurance Group d.d.	Life
8	Croatia Lloyd d.d.	Reinsurance
9	Croatia osiguranje d.d.	Composite (life and non-life)
10	Croatia zdravstveno osiguranje d.d.	Non-life
11	Erste Sparkassen osiguranje d.d.	Life
12	Euroherc osiguranje d.d.	Non-life
13	Generali osiguranje d.d.	Composite (life and non-life)
14	Grawe Hrvatska d.d.	Composite (life and non-life)
15	Helios Vienna Insurance Group osiguranje d.d.	Composite (life and non-life)
16	HOK osiguranje d.d.	Non-life
17	Jadransko osiguranje d.d.	Non-life
18	KD životno osiguranje d.d.	Life
19	Kvarner Vienna Insurance Group d.d.	Composite (life and non-life)
20	Merkur osiguranje d.d.	Composite (life and non-life)
21	Sunce osiguranje d.d.	Non-life
22	Triglav osiguranje d.d.	Composite (life and non-life)
23	Uniqa osiguranje d.d.	Composite (life and non-life)
24	Velebit osiguranje d.d.	Non-life
25	Velebit životno osiguranje d.d.	Life
26	Victoria životno osiguranje d.d.	Life
27	Osiguranje Zagreb d.d.	Composite (life and non-life)

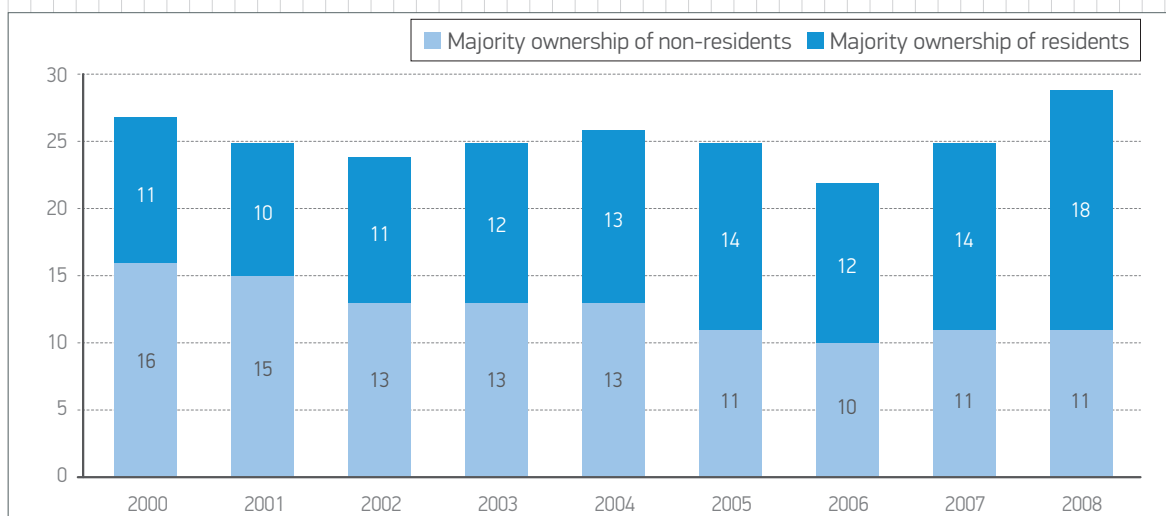
Source: HANFA

Out of 27 companies which conducted insurance and reinsurance activities at the Croatian Insurance Market on 31 December 2008, 18 companies were in direct or indirect majority ownership of non-residents. As regards insurance classes constituting insurance companies' business, the characteristic of the Croatian Insurance Market is still domination of composite insurance companies⁹, but their number cannot increase due to a legal provision according to which insurance company may carry out insurance operation exclusively in life insurance classes or exclusively in non-life insurance classes (Article 16, paragraph 2 of the Insurance Act¹⁰).

⁹ "Composite" insurance companies are companies conducting both life and non-life insurance business.

¹⁰ Official Gazette 151/05 and 87/08.

Chart 4.4. Ownership Structure of Insurance and Reinsurance Companies (direct ownership)



Source: HANFA

Out of a total of HRK 1.8 billion of initial capital of insurance and reinsurance companies registered as at 31 December 2008, the amount of HRK 968.6 million (52,9%) was in the ownership of domestic natural and legal persons (residents) while the amount of HRK 863.2 million (47,1%) was in the ownership of foreign legal persons (non-residents).

Table 4.2. Share of Majority Ownership of Residents and Non-residents by Insurance Classes in Total Initial Capital of Insurance and Reinsurance Companies as at 31 December 2008 (in %)

INSURANCE CLASSES	Share of Majority Resident Ownership	Share of Majority Non-resident Ownership	Total
life	5.0%	6.7%	11.8%
non-life	14.8%	3.5%	18.2%
composite	25.6%	36.9%	62.4%
reinsurance	7.5%	0.1%	7.6%
TOTAL	52.9%	47.1%	100.0%

Source: HANFA

During 2008, 11 insurance companies increased the capital in the total amount of HRK 498.1 million, out of which the amount of HRK 190.9 million was paid for initial capital and HRK 307.2 million for reserves.

Gross Written Premium

Insurance companies recorded gross written premium in amount of HRK 9.7 billion during 2008, which is HRK 615.2 million, or 6.8% more in comparison to 2007. In the mentioned increased amount of gross written premium, HRK 552.2 million related to non-life insurance segment, while only HRK 63.0 million related to life insurance segment.

Gross written premium of insurance and reinsurance companies in non-life insurance business includes all premiums written (contracted) in the current accounting period for the period of up to one year, irrespective of whether those amounts fully or partly relate to the following accounting period, while in life insurance business gross written premium includes all premiums paid by the end of the accounting period.

Table 4.3. Gross Written Premium of Insurance Companies in 2007 and 2008 (in HRK)

No.	Insurance Company	Gross Written Premium (GWP)		Dynamics 2008/2007	Share in total GWP	
		2007	2008		2007	2008
1	Agram životno osiguranje d.d.	214,579,108	235,856,335	109.9	2.4%	2.4%
2	Allianz Zagreb d.d.	1,063,499,445	1,121,069,823	105.4	11.7%	11.6%
3	Basler osiguranje d.d.	24,014,719	27,326,399	113.8	0.3%	0.3%
4	Basler životno osiguranje d.d.	61,117,305	64,702,361	105.9	0.7%	0.7%
5	Cardif osiguranje d.d.	843,587	25,204,675	2,987.8	0.0%	0.3%
6	Cosmopolitan Life VIG d.d.	72,111,942	82,190,086	114.0	0.8%	0.8%
7	Croatia osiguranje d.d.	3,095,917,322	3,243,961,360	104.8	34.2%	33.5%
8	Croatia zdravstveno osiguranje d.d.	78,213,427	88,600,149	113.3	0.9%	0.9%
9	Erste Sparkassen osiguranje d.d.	65,549,730	75,267,425	114.8	0.7%	0.8%
10	Euroherc osiguranje d.d.	1,001,295,727	1,086,568,152	108.5	11.0%	11.2%
11	Generali osiguranje d.d.	276,822,641	266,443,411	96.3	3.1%	2.8%
12	Grawe Hrvatska d.d.	422,972,379	432,857,269	102.3	4.7%	4.5%
13	Helios VIG osiguranje d.d.	135,649,061	114,823,328	84.6	1.5%	1.2%
14	HOK osiguranje d.d.	30,032,766	105,057,571	349.8	0.3%	1.1%
15	Jadransko osiguranje d.d.	637,539,068	680,209,240	106.7	7.0%	7.0%
16	KD životno osiguranje d.d.		812,435			0.0%
17	Kvamer VIG d.d.	478,390,861	540,479,304	113.0	5.3%	5.6%
18	Merkur osiguranje d.d.	297,606,531	296,705,953	99.7	3.3%	3.1%
19	Sunce osiguranje d.d.	155,232,541	186,307,489	120.0	1.7%	1.9%
20	Triglav osiguranje d.d.	376,579,236	377,860,251	100.3	4.2%	3.9%
21	Uniqa osiguranje d.d.	138,625,170	183,566,696	132.4	1.5%	1.9%
22	Velebit osiguranje d.d.		38,468,335			0.4%
23	Velebit životno osiguranje d.d.	2,850,950	7,948,046	278.8	0.0%	0.1%
24	Victoria životno osiguranje d.d.		979,319			0.0%
25	Osiguranje Zagreb d.d.	435,488,714	396,875,284	91.1	4.8%	4.1%
	TOTAL	9,064,932,231	9,680,140,694	106.8	100.0%	100.0%

Source: HANFA

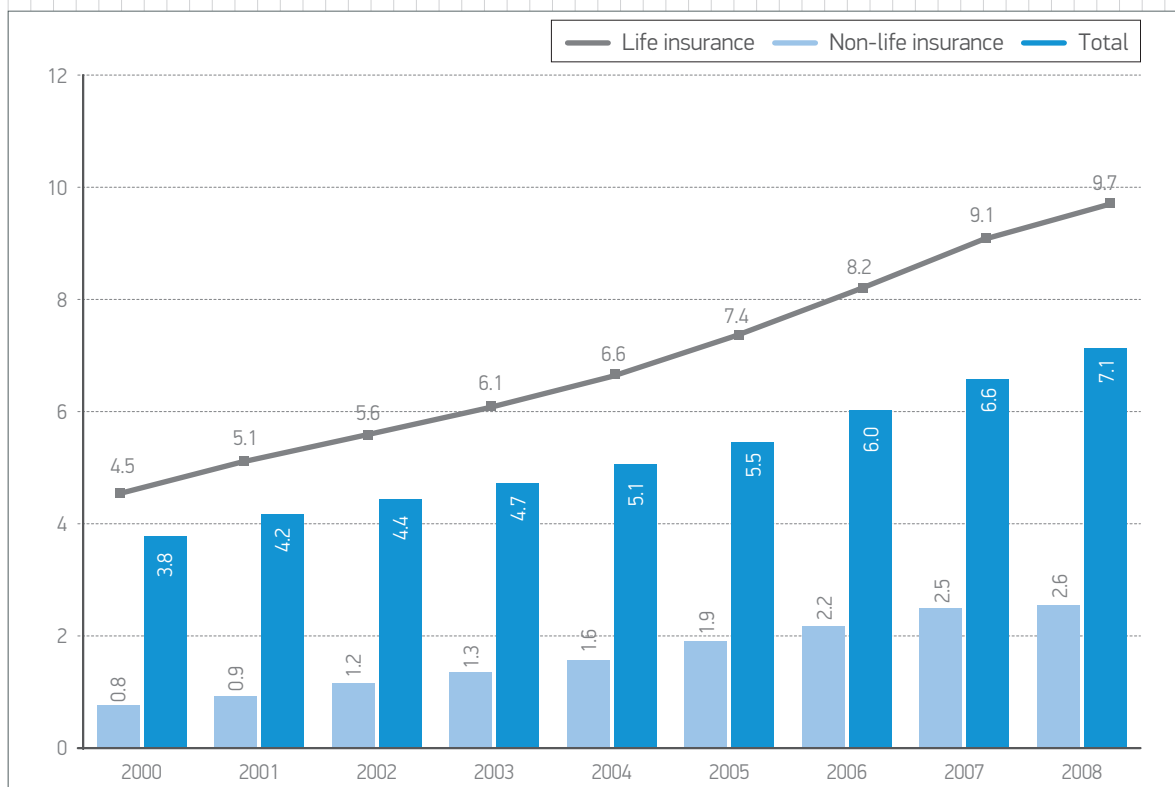
Total gross written premium in 2008 increased by 6.8% in comparison to 2007, which represents the lowest annual premium growth since 2001. In comparison to 2007, an increase in premium in 2008 was recorded by 18 out of 23 insurance companies that were operating in 2007. 4 insurance companies recorded premium rate lower than in 2007 (Generali osiguranje d.d., Helios VIG d.d., Merkur osiguranje d.d. and Osiguranje Zagreb d.d.).

Croatia osiguranje d.d., as the leading insurance company at the insurance market in the Republic of Croatia, recorded the highest premium growth in amount of HRK 148.0 million. Nevertheless, it was not sufficient for the insurer to keep the level of share in the total gross written premium at the insurance industry level recorded in 2007 (34.2%), yet the share decreased to 33.5%.

In respect of insurance segments, Croatia osiguranje d.d. was still the leading insurer in non-life insurance business, with a market share of 40.4% (41.8% in 2007), followed by the company Euroherc osiguranje d.d. with a market share of 15.2%, while other insurance companies individually did not pass the level of 10.0% of share in non-life insurance premium. The leading position in life insurance segment was held for the third consecutive year by Allianz Zagreb d.d. with a 16.7% market share (17.2% in 2007), followed by Croatia osiguranje d.d. with 14.3% and Merkur osiguranje d.d. and Grawe Hrvatska d.d., each with 10.5% a market share in life insurance premium.

According to gross written premium as at 31 December 2008, the concentration of insurance portfolio of the 5 leading insurance companies¹¹, decreased from 69.2% to 68.9% in comparison to the same period of the previous year, while the concentration of insurance portfolio of the 10 leading companies¹² decreased from 89.2% to 87.2%. In the non-life insurance segment there is higher concentration so 5 insurance companies recorded 79.6% of total premium, while in life insurance segment 61.2% of total premium was concentrated in 5 insurance companies. Gradual decrease of insurance portfolio concentration is a result of increased production of insurance companies and the establishment of new insurance companies which started to operate in 2008.

Chart 4.5. Gross Written Premium of Insurance Companies in the 2000–2008 period (in HRK billion)



Source: HANFA

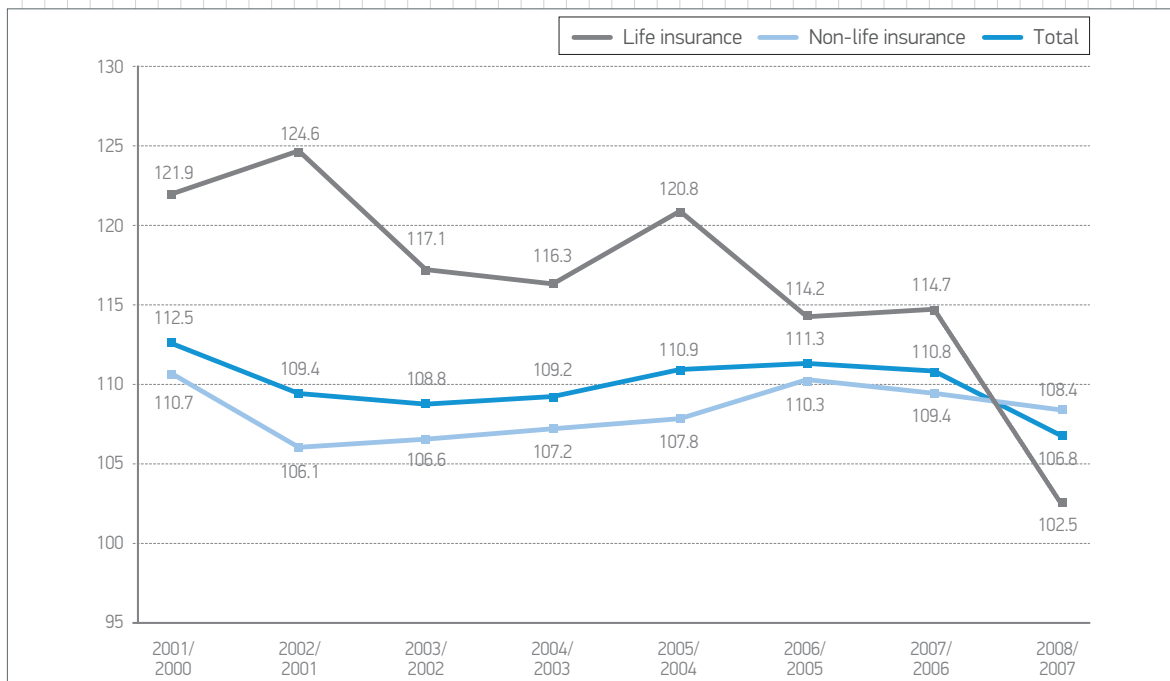
Continuous double-digit trend of increase of life insurance premium in total insurance portfolio stopped in 2008. An average annual growth of life insurance premium amounted 16.5% since 2001, while in 2008 it amounted 2.5% in comparison to 2007.

Non-life insurance premium recorded growth of 8.4% in comparison to 2007, which is 0.1% more than average annual growth rate in this insurance class in the last 8 years.

¹¹ Croatia osiguranje d.d., Allianz Zagreb d.d., Euroherc osiguranje d.d., Jadransko osiguranje d.d. and Kvarner VIG d.d.

¹² Croatia osiguranje d.d., Allianz Zagreb d.d., Euroherc osiguranje d.d., Jadransko osiguranje d.d., Kvarner VIG d.d., Grawe Hrvatska d.d., Osiguranje Zagreb d.d., Triglav osiguranje d.d., Merkur osiguranje d.d. and Generali osiguranje d.d.

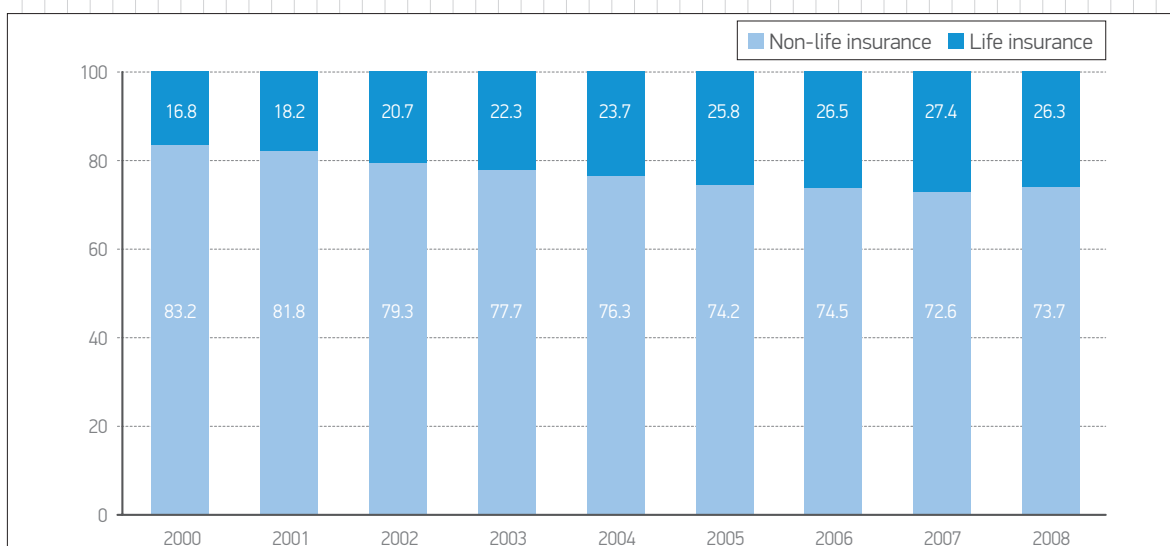
Chart 4.6. Gross Written Premium Indices in the 2000–2008 period



Source: HANFA

The share of life insurance in total gross written premium amounted 26.3% in 2008. Though the share of life insurance in gross written premium registered a continuous growth since 2001, it recorded a slight decrease in 2008 in comparison to 2007 when it amounted to 27.4%. Gross written premium growth rate amounted to 2.5% and for the first time since 2001 it was lower than the gross written premium growth rate in the non-life insurance portfolio.

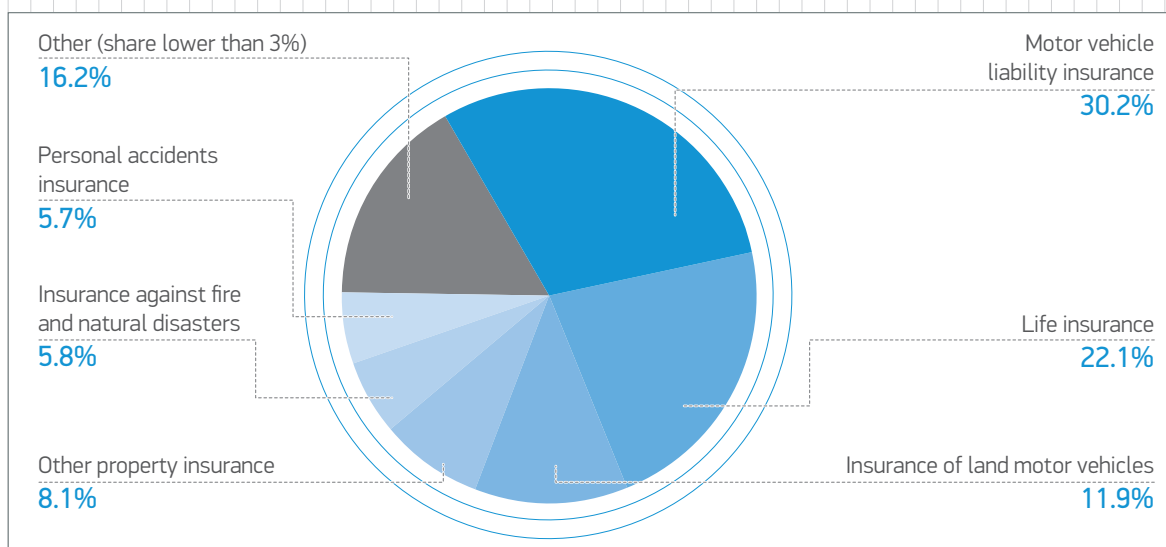
Chart 4.7. Share of Life and Non-life Insurance in Total Gross Written Premium in the 2000–2008 Period (in %)



Source: HANFA

In the total 2008 insurance portfolio structure, the trend of uneven share of insurance types continued due to the fact that 2 insurance types (out of 25) accounted for more than 50.0% of total insurance portfolio, whereas 6 insurance types accounted for almost 85.0% of total insurance portfolio.

Chart 4.8. Structure of Gross Written Premium by Types of Insurance in 2008 (u %)



Source: HANFA

In the structure of the total gross written premium, the largest share (40.1%) was still made up by motor vehicle insurance (motor vehicle liability insurance and insurance of land motor vehicles). Liability insurance for the use of motor vehicles (known as motor vehicle liability insurance), increased by 7.4% compared to 2007, and with the gross written premium of HRK 2,9 billion in 2008, maintained the same market share as in 2007 (30.2%). The gross written premium of insurance of land motor vehicles (Casco) increased by 7.4%, i.e. from HRK 1.1 billion to HRK 1.2 billion, but the market share of this insurance class maintained the level from 2007 and amounted to 11.9%. The 2008 growth in gross written premium of insurance against fire and natural disasters and of other property insurance lines amounted to HRK 122.3 million in comparison to 2007, i.e. 10.0%. Gross written premium of personal accident insurance rose by 4.2% in comparison to the previous year, but the relative position of this insurance class, accounting for 5.7% of the market, decreased in comparison to 2007, when it registered 5.8%, in this way continuing the decreasing trend of this insurance class in total gross written premium.

Table 4.4. Motor Vehicle Liability Insurance in 2008 (in HRK)

	Insurance company	Gross Written Premium	Share	Tehcnical result
1	Allianz Zagreb d.d.	240,110,132	8.32%	374,735
2	Croatia osiguranje d.d.	873,620,304	30.29%	87,008,243
3	Euroherc osiguranje d.d.	691,962,319	23.99%	1,989,928
4	Generali osiguranje d.d.	51,066,223	1.77%	-2,569,923
5	Grawe Hrvatska d.d.	53,827,622	1.87%	1,577,298
6	Helios VIG d.d.	28,480,029	0.99%	1,539,198
7	HOK osiguranje d.d.	60,973,900	2.11%	577,339
8	Jadransko osiguranje d.d.	461,910,811	16.01%	1,722,269
9	Kvarner VIG d.d.	142,386,430	4.94%	-621,250
10	Sunce osiguranje d.d.	24,329,404	0.84%	325,595
11	Triglav osiguranje d.d.	114,564,686	3.97%	-8,160,973
12	Uniqa osiguranje d.d.	29,282,702	1.02%	1,728,504
13	Velebit osiguranje d.d.	20,616,098	0.71%	-8,275,718
14	Osiguranje Zagreb d.d.	91,327,665	3.17%	10,465,290
TOTAL		2,884,458,325	100.00%	87,680,534

Source: HANFA

14 companies in the Republic of Croatia conduct activities of motor vehicle liability insurance and Casco. Regarding motor vehicle liability insurance, in 2008 as well as in 2007, 3 insurance companies achieved 70.3% of the total gross written premium. The major part, in amount of HRK 873.6 million was achieved by Croatia osiguranje d.d., which in total motor vehicle liability insurance premium participates with 30.29%, followed by Euroherc osiguranje d.d. with a HRK 692.0 million premium and a 24.0% share, and Jadransko osiguranje d.d. with a HRK 461.9 million premium and a 16.0% share. Total technical result in this insurance class amounted to HRK 87.7 million, what is almost a double in comparison to 2007 when it amounted to 47.2 million. Out of all insurance companies conducting motor vehicle liability insurance, 5 companies achieved a decrease in technical result in 2008 in comparison to 2007, 6 companies increased technical result, 2 companies had a negative technical result in both 2007 and 2008, and 1 company which had positive technical result in 2008 did not conduct insurance activities in the previous period. Croatia osiguranje d.d. achieved the highest positive result in this insurance class which amounted to HRK 87.0 million (HRK 50.8 million in 2007), followed by the company Velebit osiguranje d.d. with the technical result in amount of HRK 10.5 million (didn't conduct insurance activities in 2007). 4 insurance companies achieved negative technical result of motor vehicle liability insurance.

Asset structure

The asset value of insurance and reinsurance companies amounted to HRK 26.6 billion as at 31 December 2008 and was by HRK 2.3 billion or 9.3% higher than the total asset value registered in 2007¹³. Out of total assets registered, 72.7% was made by investments, receivables accounted for 9.5%, tangible assets for 8.1% and reinsurance share in technical reserves accounted for 4.1%. Other assets items (intangible assets, investments for the account of life insurance policyholders who bear the investment risk, deferred and current tax assets, other assets and prepayments and accrued income) accounted for 5.6% of the total assets.

Table 4.5. Asset Structure of Insurance and Reinsurance companies in 2007 and 2008 (in HRK)

	31 Dec 2007	Share	31 Dec 2008	Share	Dynamics 2008/2007
Subscribed capital unpaid					
Intangible assets	98,947,843	0.4%	105,336,978	0.4%	106.5
Tangible assets	2,006,935,829	8.2%	2,144,388,089	8.1%	106.8
Investments	17,897,489,308	73.5%	19,344,665,540	72.7%	108.1
Investments for the account of life insurance policyholders who bear the investment risk	345,641,056	1.4%	426,656,549	1.6%	123.4
Reinsurance share in technical reserves	1,079,864,894	4.4%	1,094,829,067	4.1%	101.4
Deferred and current tax assets	45,881,297	0.2%	132,398,119	0.5%	288.6
Receivables	2,111,546,233	8.7%	2,525,689,552	9.5%	119.6
Other assets	471,144,589	1.9%	457,005,138	1.7%	97.0
Prepayments and accrued income	276,674,585	1.1%	359,792,052	1.4%	130.0
TOTAL ASSETS	24,334,125,635	100.0%	26,590,761,084	100.0%	109.3

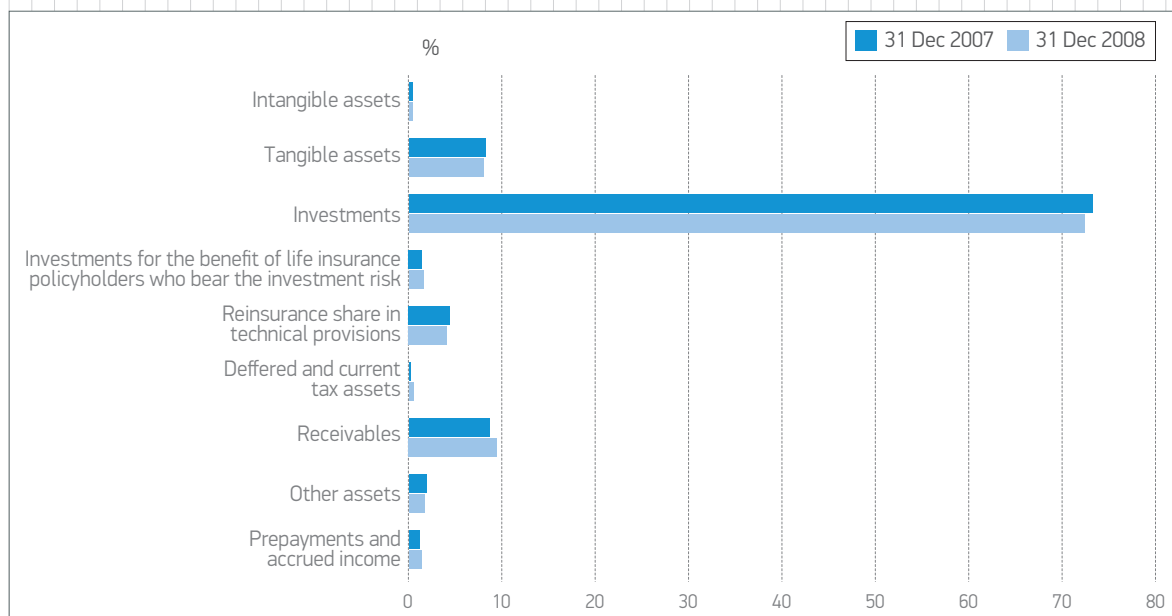
Source: HANFA

¹³ Data on total and particular items of assets and liabilities as at 31 December 2007 differs from data shown in the Annual Report of the Agency for 2007 due to change in forms of financial reports according to the Ordinance on structure and contents of financial reports of insurance companies (Official Gazette 31/08).

The value of investments as at 31 December 2008 totalled in amount of HRK 19.3 billion which is higher by 8.1% in comparison to 2007. Despite a relative annual growth of investments, the share of this asset item in total assets of insurance and reinsurance companies decreased from 73.5% in 2007 to 72.7% in 2008. Although financial investments classified in one of the following portfolios: until maturity, available for sale, under fair value through profit and loss account and deposits, loans and receivables, nominally increased by HRK 1.2 billion (7.7%) compared to 2007 and made up for 88.0% of total investments, their share is lower than in the previous year when mentioned investments had a share of 88.3%.

Total value of receivables as at 31 December 2008, amounting to of HRK 2.5 billion, registered a growth of HRK 414.1 million or 19.6% compared to 2007. Its share in assets increased from 8.7% in 2007 to 9.5% in 2008, with the largest share (57.8%) being accounted for by receivables from policyholders. Deferred and current tax assets, which increased by 188.6% in comparison to 2007, registered the most significant relative annual growth, but as the mentioned assets made up only 0.5% of total assets, its growth did not influence the total registered asset value.

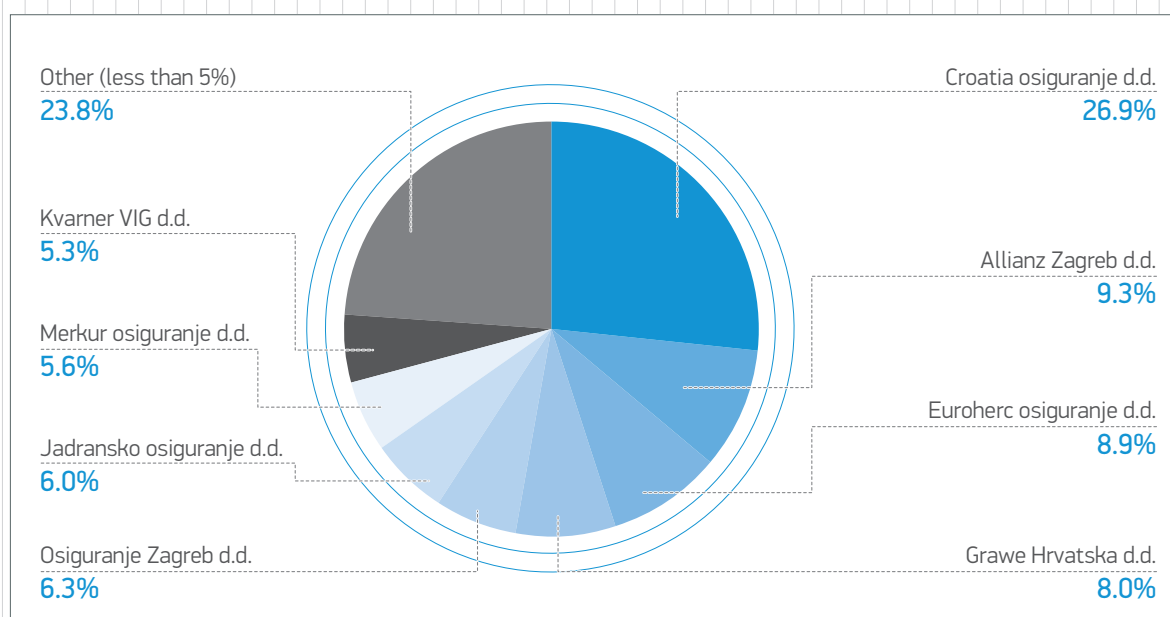
Chart 4.9. Asset Structure of Insurance and Reinsurance Companies in 2007 and 2008 (in %)



Source: HANFA

The share of the largest insurance company according to the total assets value, Croatia osiguranje d.d., amounted to 26.9% of the total assets of insurance industry, which is lower than as at 31 December 2007, when the mentioned share amounted to 30.9%. At the same time the company Allianz Zagreb d.d. increased its share from 8.5% in 2007 to 9.3% in 2008, as well as the company Euroherc osiguranje d.d. from 8.1% to 8.9%, followed by Grawe Hrvatska d.d. with the share of 8.0% in the total assets of insurance industry, then Osiguranje Zagreb d.d. with 6.3%, Jadransko osiguranje d.d. with 6.0%, Merkur osiguranje d.d. with 5.6% and Kvarner VIG d.d. with 5.3%. Other 19 insurance and reinsurance companies with a share lower than 5.0% made up to the total of 23.8% of the insurance sector assets.

Chart 4.10. Asset Shares of Insurance and Reinsurance Companies in Total Assets of the Insurance Sector in 2008 (in %)



Source: HANFA

Liability Structure

In 2008, technical provisions accounted for 72.4% of the total value of insurance and reinsurance companies' liabilities, capital and reserves made up 17.6%, other liabilities 4.4%, whereas other items (financial liabilities, technical provisions for life insurance policies where the investment risk is borne by policyholder, deposits held from business ceded to reinsurance, other liabilities, deferred and current tax liability and accruals and deferred income) made up 5.7% of total liability value in the insurance sector.

Table 4.6. Liability Structure of Insurance and Reinsurance Companies in 2007 and 2008 (in HRK)

	31 Dec 2007	Share	31 Dec 2008	Share	Dynamics 2008/2007
Capital and reserves	4,849,818,880	19.9%	4,668,194,985	17.6%	96.3
Subordinated liabilities					
Technical provisions	17,284,781,530	71.0%	19,251,037,810	72.4%	111.4
Technical provisions for life insurance policies where the investment risk is borne by the policyholder, gross	344,426,006	1.4%	407,306,342	1.5%	118.3
Other provisions	107,271,673	0.4%	43,356,458	0.2%	40.4
Deferred and current tax liability	49,546,525	0.2%	53,258,163	0.2%	107.5
Deposits received from reinsurance	306,424,083	1.3%	233,061,818	0.9%	76.1
Financial liabilities	97,025,250	0.4%	531,049,167	2.0%	547.3
Other liabilities	1,121,709,066	4.6%	1,166,015,014	4.4%	103.9
Accruals and deferred income	173,122,623	0.7%	237,481,329	0.9%	137.2
TOTAL LIABILITIES	24,334,125,635	100.0%	26,590,761,084	100.0%	109.3

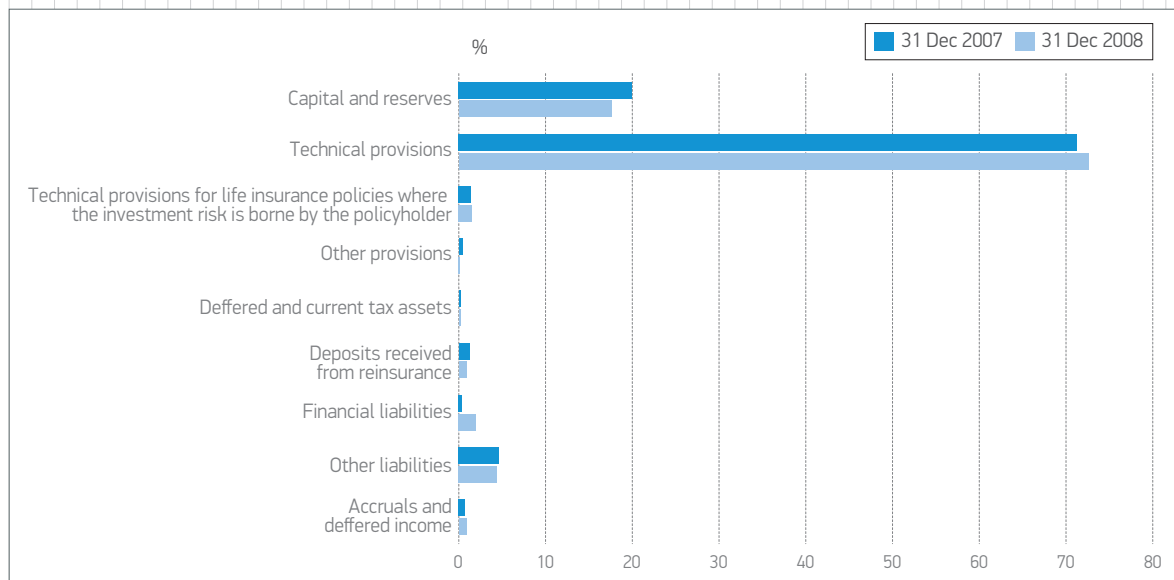
Source: HANFA

The largest share in the liability structure (72.4%) was made up by technical provisions, in gross amount of HRK 19.3 billion, which increased by HRK 2.0 billion or 11.4% in comparison to 2007. Thus their share in total liabilities increased from 71.0% in 2007 to 72.4% in 2008. The growth in technical provisions was mostly a result of the creation of insurance mathematical provisions which amounted to HRK 9.4 billion with a 14.4% growth rate in comparison to 2007.

Capital and reserves decreased by HRK 181.6 million or 3.7% compared to 2007, which was mostly a result of decrease in revaluation reserves in part of financial investments by HRK 906.2 million (amounted HRK 678.1 million in 2007, and HRK (-)228.1 million in 2008) as a result of capital market trends. Simultaneously, revaluation reserves of land and building recorded a 26.6% increase in amount of HRK 258.9 million.

Technical provisions of life insurance when a policyholder bears an investment risk (18.3%) recorded relative growth higher than 10%, followed by financial liabilities (447.3%), accruals and deferred income (37.2%). However, as their share in total liabilities was lower than 5.0%, their increase did not significantly influence total liabilities value in 2008.

Chart 4.11. Liability structure of Insurance and Reinsurance Companies in 2007 and 2008 (in %)



Source: HANFA

Financial Result

In the 01 January-31 December 2008 period, net profit in amount of HRK 10.2 million was registered, as a result of insurance business, showing a decrease in net profit by HRK 334.3 million in comparison to 2007 when net profit in amount of HRK 344.5 million was registered.

8 insurance companies reported net profit in amount of HRK 82.0 million in life insurance class, whereas 9 insurance companies reported loss in amount of HRK 192.7 million. Within this insurance class, loss was reported by the following insurance companies: Cosmopolitan Life VIG d.d., Generali osiguranje d.d., Helios VIG d.d., KD životno d.d., Kvarner VIG d.d., Triglav osiguranje d.d., Velebit životno osiguranje d.d., Victoria životno osiguranje d.d. and Osiguranje Zagreb d.d., while profit was reported by Agram životno osiguranje d.d., Allianz Zagreb d.d., Basler životno osiguranje d.d., Croatia osiguranje d.d., Erste Sparkassen osiguranje d.d., Grawe Hrvatska d.d., Merkur osiguranje d.d., Uniqa osiguranje d.d.

11 insurance and reinsurance companies registered net profit in amount of HRK 243.5 million in non-life insurance class, whereas 9 insurance companies registered loss in amount of HRK 122.6 million. Following insurance companies reported loss in non-life insurance class: Basler osiguranje d.d., Cardif

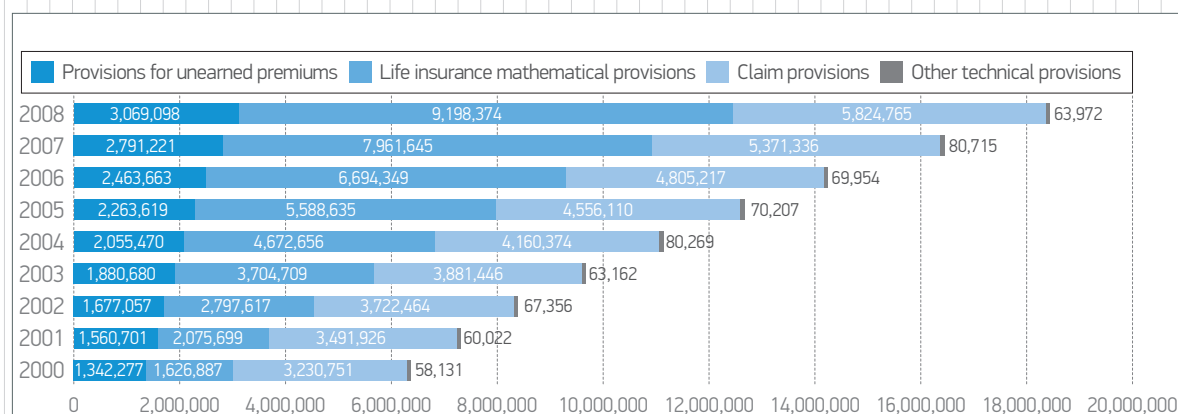
osiguranje d.d., Generali osiguranje d.d., Helios VIG d.d., Kvarner VIG d.d., Merkur osiguranje d.d., Triglav osiguranje d.d., Velebit osiguranje d.d. and Osiguranje Zagreb d.d., while the profit was reported by Allianz Zagreb d.d., Croatia osiguranje d.d., Croatia zdravstveno osiguranje d.d., Euroherc osiguranje d.d., Grawe Hrvatska d.d., HOK osiguranje d.d., Jadransko osiguranje d.d., Sunce osiguranje d.d., Uniqa osiguranje d.d., Allianz reosiguranje d.d. and Croatia Lloyd d.d.

Out of 25 insurance companies and 2 reinsurance companies conducted insurance activities at 31 December 2008, 13 insurance companies and 2 reinsurance companies registered net profit in amount of HRK 324.8 million, whereas 12 insurance companies reported loss in amount of HRK 314.5 million. Croatia osiguranje d.d. participated with 20.0% in reported profit of HRK 324.8 million, Euroherc osiguranje d.d. with 16.7%, while the share of the company Agram životno osiguranje d.d. amounted to 16.0%. Simultaneously, the company Osiguranje Zagreb d.d. participated with a 25.7% share in registered loss of HRK 314.5 million, followed by Generali osiguranje d.d. with a 18.0% share and Triglav osiguranje with 16.4%.

Technical provisions

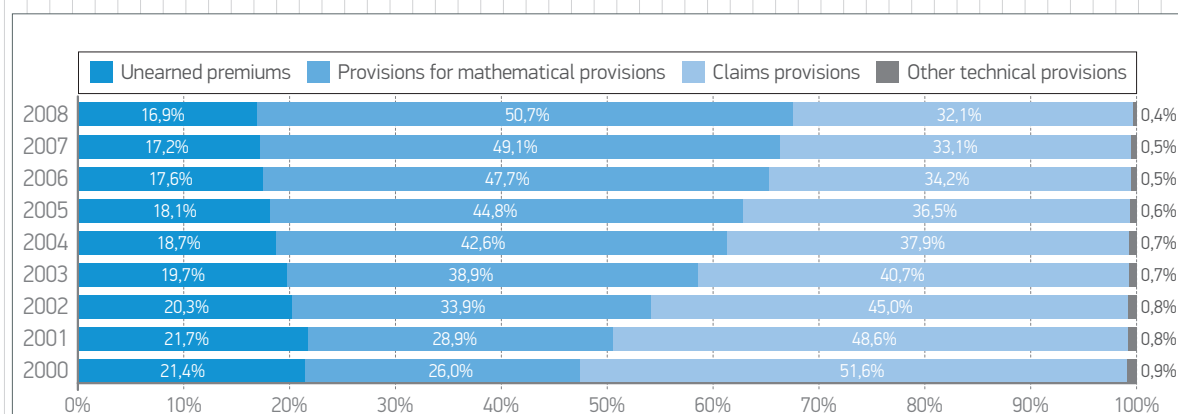
The value of net technical provisions reported in amount of HRK 18.2 billion in 2008 was by 12.0% higher compared to 2007, what is almost double than the growth rate of gross written premium which in the same period increased by 6.8%. Like in the previous year, life insurance mathematical provision made up the largest share (50.7%) in the total value of technical provisions, increasing by 15.5% in comparison to 2007.

Chart 4.12. Technical Provisions in the 2000–2008 period (in HRK thousand)



Source: HANFA

Chart 4.13. Structure of Technical Provision in the 2000–2008 period (in %)

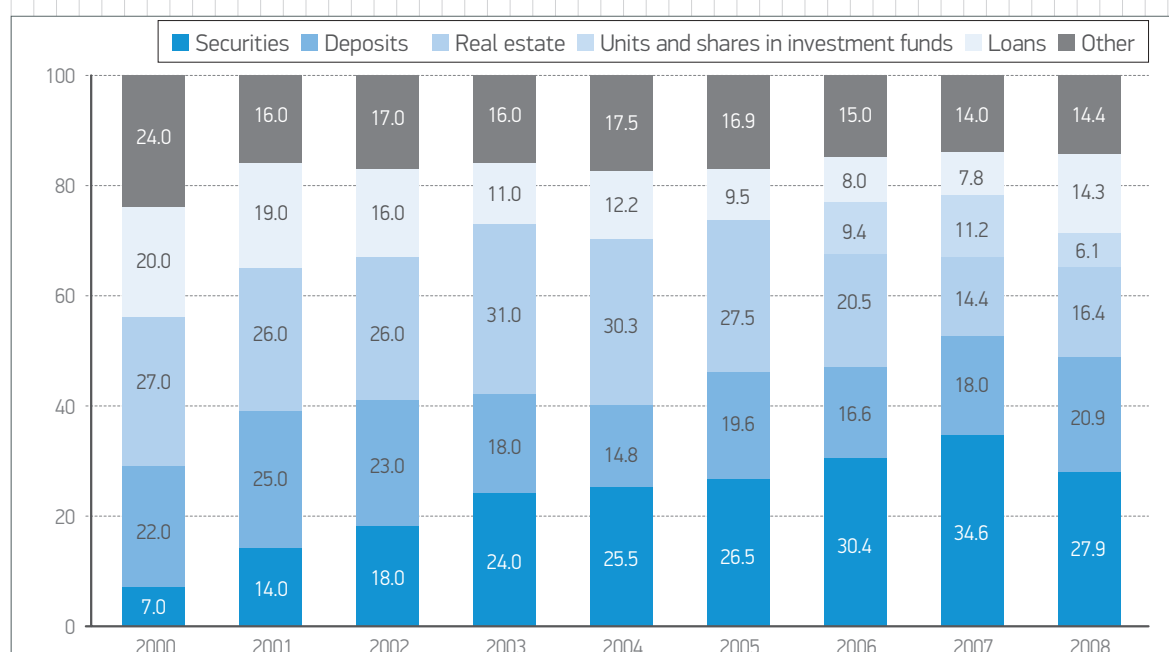


Source: HANFA

Investments of Assets Covering Technical Provisions

According to provisions of Articles 115 and 116 of the Insurance Act, insurance and reinsurance companies are obliged to set up assets covering technical provisions¹⁴. As at 31 December 2008, insurance and reinsurance companies reported technical provisions to the amount of HRK 8.9 billion. Out of the total value of technical provisions, the companies made investment to the amount of HRK 7.7 billion, which is a decrease of HRK 1.2 billion or 13.5%, pointing to the lack of assets covering technical provisions. Increase in the difference between assets covering technical provisions and total technical provisions in comparison to 2007, when only 0.7% less assets were invested, was influenced by increase of total technical provisions and decrease of total invested assets covering mentioned technical provisions (one of the reasons for decrease in value on investments is a decrease of financial instruments' prices, e.g. shares, investment fund units the companies held in their portfolios etc.). The largest share of 27.9% in the investment structure of the insurance industry was made up by investments in securities. Share of investments in securities in total investments is lower in comparison to 2007 when it amounted to 34.5%, as opposite to the 2000-2007 period, when share in such investments continuously rose in total investments from technical provisions. Decrease in share in total investments was also recorded by share of investments in investments funds which decreased from 11.2% in 2007 to 6.1% in 2008, while the share of investments in deposits increased from 18.0% in 2007 to 20.9%, and share of loans from 7.8% in 2007 to 14.3% in 2008. Share of investments in real estates amounted to 16.4%, while in 2007 it amounted to 14.4%.

Chart 4.14. Structure of Investments of Technical Provisions in the 2000–2008 period (in %)



Source: HANFA

Investments of Assets Covering Mathematical Provisions

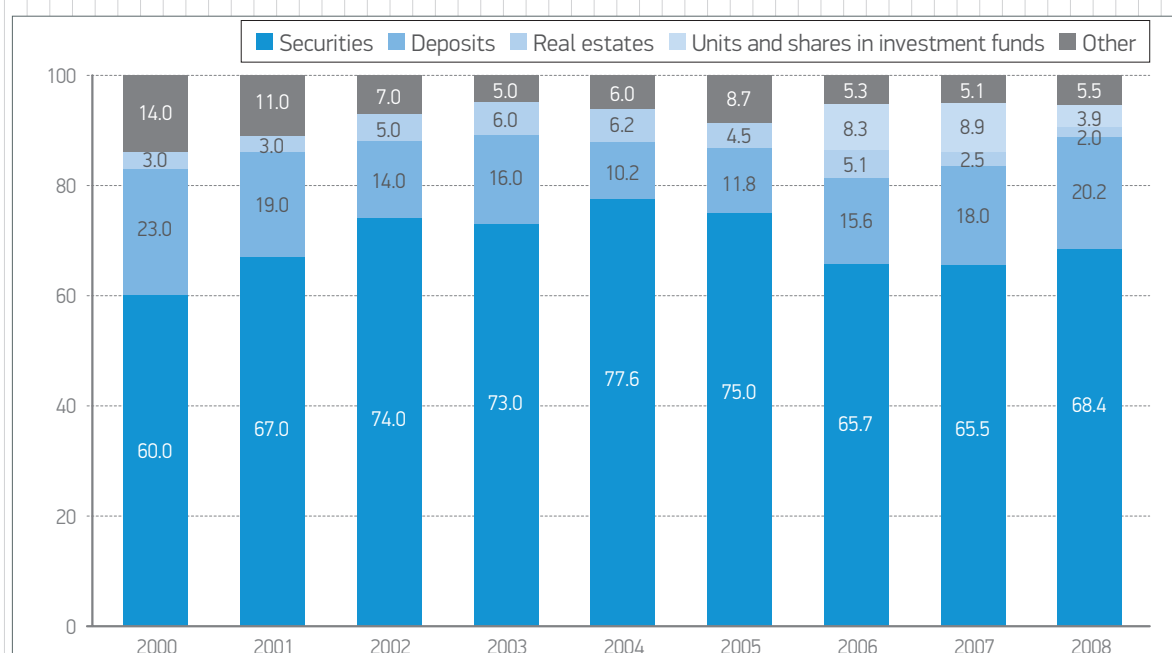
Insurance companies are obliged to form life insurance mathematical provisions in the amount of the present value of all future liabilities under insurance contracts concluded, reduced by the present estimated value of future premiums payable under such insurance contracts. Furthermore, insurance company conducting insurance business in the lines of insurance in respect of which mathematical provisions must be formed, must set aside assets covering mathematical provisions and must manage such 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. Insurance companies are obliged to invest assets covering mathematical provisions in accordance with Articles 122 and 123 of

¹⁴ Official Gazette 151/05 and 87/08

¹⁵ Official Gazette 151/05 and 87/08

the Insurance Act¹⁵, taking account of the type of business carried out and guaranteeing the safety, profitability and 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 investment goals. This relates especially to investments of life insurance assets, since those assets match the definition of long-term savings. Life insurance mathematical provisions registered as at 31 December 2008 amounted to HRK 9.2 billion and were by 15.5% higher in comparison to the previous year, making up 50.7% of the total value of technical provisions. As at 31 December 2008, insurance companies reported the required coverage of mathematical provisions in amount of HRK 9.3 billion, while the assets covering mathematical provisions amounted to HRK 9.4 billion, which shows that insurance companies invested HRK 56.2 million what is by 0.6% higher than the required coverage. With respect to assets types, the largest share (68.5%), was invested in securities of the Republic of Croatia and Croatian Bank for Reconstruction and Development, which is a legal requirement of insurance companies. In other words, insurance companies are obliged, pursuant to the Insurance Act¹⁶, to invest at least 50% of assets covering mathematical provisions in securities issued by the Republic of Croatia, Croatian National Bank, Croatian Bank for Reconstruction and Development and in bonds and other debt securities guaranteed by the Republic of Croatia, which significantly contributes to investment safety.

Chart 4.15. Structure of Investments of Life Insurance Mathematical Provisions in the 2000–2008 period (in %)



Source: HANFA

Indicators in the Insurance Sector

Indicators in insurance sector are used when monitoring business operations of insurance companies. Lower difference in calculation of value of indicators for 2008 was a result of changes in financial reports` structure in 2008 compared to previous years. Mentioned differences did not significantly influence the value of indicators in 2008, in respect of which, indicators in 2008 are comparable to indicators from previous years.

Claims ratio in 2008 amounted to 68.42% and is calculated as ratio of sum of claims paid, changes in provisions for claims and changes in other technical provisions (including changes in life insurance technical provisions when policyholder bears a risk of investment) and earned insurance premium (multiplied by 100), with net value of reinsurance included into calculation.

¹⁶ Official Gazette 151/05 and 87/08

Expense ratio in 2008 amounted to 39.38% and is calculated as ratio of sum of operating expenses (acquisition cost and administrative costs), other technical charges, income from commissions and fees and gross written premium, so that such amounts included into calculation are reduced by premiums ceded to reinsurance (multiplied by 100).

Combined ratio in 2008 amounted to 107.80% and is calculated as the sum of claims ratios and expense ratios, and it shows business result before including income from investments.

Return on investment is calculated as the ratio of income from investments reduced by investment expenses and amount of investments (multiplied by 100). Result of investments in 2008 amounted to 1.88%, whereas it amounted 5.65% in 2007. A decrease of 3.8% in 2008 was a result of decrease in value of investments on the financial market.

Solvency indicator is calculated as the ratio of total liabilities and total assets. This coefficient shows the amount of assets financed out of liabilities which do not include capital and reserves. Solvency margin amounted to 82% in 2008, whereas it amounted 79% in 2007.

Return on equity (ROE) represents relationship between profit or loss of the accounting period after taxation 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 can be generated by HRK 100 of own funds. Total return on equity in 2008 amounted to 0.22%, decreasing by 7.4% compared to 2007.

Return on assets (ROA) is calculated as relationship between profit or loss of the accounting period after taxation and total assets. This indicator in the insurance sector amounted to 0.04% in 2008, which is a decrease in comparison to 2007 when it amounted to 1.48%. This was a result of decrease in values at the capital market in 2008.

LICENSING

In 2008, the Agency issued 4 licences for conducting insurance activities, whereas 3 of them were issued to new insurance companies, and 1 licence was issued to an insurance company, in accordance with Article 295, Paragraph 6 of the Insurance act, after complying activities of the company with provisions of the Insurance Act. On the basis of submitted requests for issuing a licence for insurance representation activities and insurance brokerage activities, licences for conducting insurance representation business were issued to 22 insurance agencies and 16 insurance representation trades. Agency issued 2 licences for conducting insurance brokerage activities. On the basis of received requests for issuing a licence for conducting insurance representation activities at the vehicle roadworthiness test garages, the Agency issued 7 licences to insurance agencies and 5 licences to insurance representation trades. 3 banks were granted consent by the Agency for conducting insurance representation business, pursuant to Article 250, Paragraph 4 of the Insurance Act.

On the basis of conducted supervision, the Agency withdrew the operating licence to conduct insurance representation business from 3 insurance agencies. On the basis of received statements on business termination of the insurance agencies and insurance representation trades, the Agency issued decisions determining that licences of 7 insurance agencies and 7 insurance representation trades have ceased to have effect.

In 2008, 10 examination terms were held for acquiring the licence for insurance representation and brokerage business, 1888 authorisations for conducting insurance representation business and 24 authorisations for conducting insurance brokerage business.

In 2008, 16 approvals for acquiring a qualifying holding in insurance companies were granted, 15 approvals for performing duties of a member of the management board of insurance company and 2 approvals for performing duties of a member of the management board of a reinsurance company.

On request of insurance companies, the Agency granted consent to 3 insurance companies for engaging

of an internal auditor without employing of the same.

During 2008 the Agency filed 31 misdemeanour charges, 1 criminal charge and adopted 9 decisions ordering measures for eliminating irregularities in business operations of supervised entities.

In 2008, the Agency granted 1 approval for performing duties of a member of the supervisory board of a pension insurance company and issued 3 decisions for renewing the licence to a certified pension insurance company manager.

SUPERVISION OF THE INSURANCE MARKET

In 2008, the Agency, in accordance with its scope of competence, carried out on-site and off-site supervision of insurance companies, reinsurance companies, insurance agents and brokers, pension insurance company and Croatian Insurance Bureau. According to the provisions of the Act on the Croatian Financial Services Supervisory Agency¹⁷, Insurance Act¹⁸ and Act on Pension Insurance Companies and Payment of Pension Annuities based on Individual Capitalised Savings¹⁹, and on the basis of submitted financial and statistical reports, actuarial opinions and audit reports, systematic analyses and control of supervised entities were conducted.

On-site supervision of insurance business

During 2008, the Agency initiated 20 on-site supervision procedures in insurance companies including supervision of the Croatian Insurance Bureau, 2 supervision procedures in insurance brokerage companies, 12 procedures in insurance agencies and 1 supervision procedure in pension insurance company. Partial on-site supervision of insurance companies covered:

- investments of assets covering mathematical and technical provisions (Helios Vienna Insurance Group d.d., Erste osiguranje d.d., Grawe Hrvatska d.d., Croatia osiguranje d.d., Cosmopolitan Life Vienna Insurance Group d.d., Jadransko osiguranje d.d., Sunce osiguranje d.d., Kvarner Vienna Insurance Group d.d. and Generali osiguranje d.d.),
- presentation of receivables from policyholders and the correction of the value of those receivables (Kvarner Vienna Insurance Group d.d.),
- risk management (Grawe Hrvatska d.d.),
- verification of the basis and the calculation of technical provisions and life insurance mathematical provisions, as well as the calculation of solvency margins and capital adequacy (Helios Vienna Insurance Group d.d., Grawe Hrvatska d.d.),
- application of the Basic Premium system and common conditions for Motor Vehicle Liability Insurance (Allianz Zagreb d.d., Jadransko osiguranje d.d., Helios Vienna Insurance Group d.d., Kvarner Vienna Insurance Group d.d., Triglav Osiguranje d.d., Osiguranje Zagreb d.d., Generali osiguranje d.d. and Euroherc osiguranje d.d.).

On the basis of conducted supervision, the Agency drew up Records, and adopted 5 Decisions and issued 2 Orders requesting elimination of irregularities established, and 1 Conclusion on rejecting of application. The supervision conducted at insurance companies established irregularities in assets covering mathematical and technical provisions, non-compliance with the provisions of Accounting Act²⁰, i.e. with the International Financial Reporting Standards, irregularities in the calculation of technical provisions and calculation of life and non-life mathematical provisions as well as non-compliance with the provisions of the Act on Compulsory Insurance within the Transport sector²¹ relating to the application of the Basic Premium System and common Conditions for Motor Vehicle Liability Insurance.

¹⁷ Official Gazette 140/05

¹⁸ Official Gazette 151/05, 87/08

¹⁹ Official Gazette 106/99, 63/00, 107/07

²⁰ Official Gazette 109/07

²¹ Official Gazette 151/05

On-site supervision of business operations of insurance agencies and insurance brokerage companies

During 2008, supervision was carried out in 2 insurance brokerage companies (UCL Partner d.o.o., Marsh d.o.o.) and 11 insurance agencies (SAM OS d.o.o., PLIMA d.o.o., Zastupanje u osiguranju SIGET d.o.o., AWD zastupanje d.o.o., VB Victoria zastupanje d.o.o., STP Auto moto klub, Capa d.o.o., Capa commerce d.o.o., Auto-Agram zastupstvo d.o.o., NIR d.o.o. i A.A.R. d.o.o.). Supervision in PLIMA d.o.o. was carried out twice.

The on-site supervision established several irregularities (unauthorised persons conducting business, representation of more insurance companies in one insurance class, non-possession of adequate professional indemnity insurance for representation business if the company carries out representation activities for more insurance companies).

CROATIAN INSURANCE BUREAU

The Croatian Insurance Bureau (hereinafter referred to as: the Bureau) is an association of insurance companies having its seat in the Republic of Croatia. Membership in the Bureau is mandatory for insurance companies engaged in compulsory insurance within the transport sector, whereas the membership is voluntary for insurance companies engaged in other lines of insurance business. Bureau's business operations are financed by insurance companies, members of the Bureau. Out of 29 insurance and reinsurance companies²², 19 companies are members of the Bureau, 5 of which were not engaged in compulsory insurance within the transport sector.

The Insurance Act²³ and the Act on Compulsory Insurance within the Transport Sector²⁴ stipulate the activities of the Bureau, its duties towards the Agency, as well as duties of insurance companies carrying out compulsory insurance within the transport sector towards the Bureau. The activity of the Bureau is financed by insurance companies which are obliged to make contribution payments in the Guarantee Fund in proportion to the premium recorded for a particular type of compulsory insurance in the preceding year, in the manner and deadlines stipulated by the Agency. In accordance with the provisions of the Act on Compulsory Insurance within the Transport Sector, the Bureau is obliged to keep statistical records on policyholders, adverse events and claim valuation and to submit them to the Agency at its request. The Bureau is also obliged to keep the assets intended for meeting liabilities of the Guarantee Fund separate from other assets of the Bureau, as stipulated in Ordinance on the method of calculating and time limits for paying contributions and on the manner of keeping and using assets intended for obligations of the guarantee fund²⁵.

The Bureau runs the accounting system in accordance with the Regulation on accounting systems of non-profit organisations²⁶, while the supervision of the Bureau's business operations inheres in the competence of the Agency.

Supervision of the Croatian Insurance Bureau

According to the balance sheet as at 31 December 2008, the total assets amounted to HRK 31.4 million, decreasing by 31.0% over 2007, with the largest share being made up by financial assets in amount of HRK 23.9 million, and non-financial assets in amount of HRK 7.5 million. Decrease in total assets value was a result of decrease of financial assets by 37%, i.e. HRK 14.1 million, primarily as a result of a 80% decrease in receivables for business income (HRK 6.8 million), as well as in stocks and shares in equity which recorded in 2008 an amount lower by HRK 6.8 million, i.e. by 40.5% lower compared to 2007. Total liabilities of the Bureau, as at 31 December 2008, amounted to HRK 3.7 million, what is a 74.4% decrease over previous year. Own sources of financing amounted to HRK 27.7 million, and were comprised of funds of establisher in amount of HRK 68,000 and reported income over expenditures in amount of HRK 276 million.

²² Number of companies as at 31 December 2008

²³ Official Gazette 151/05 and 87/08

²⁴ Official Gazette 151/05 and 36/09

²⁵ Official Gazette 139/06

²⁶ Official Gazette 10/08 and 7/09

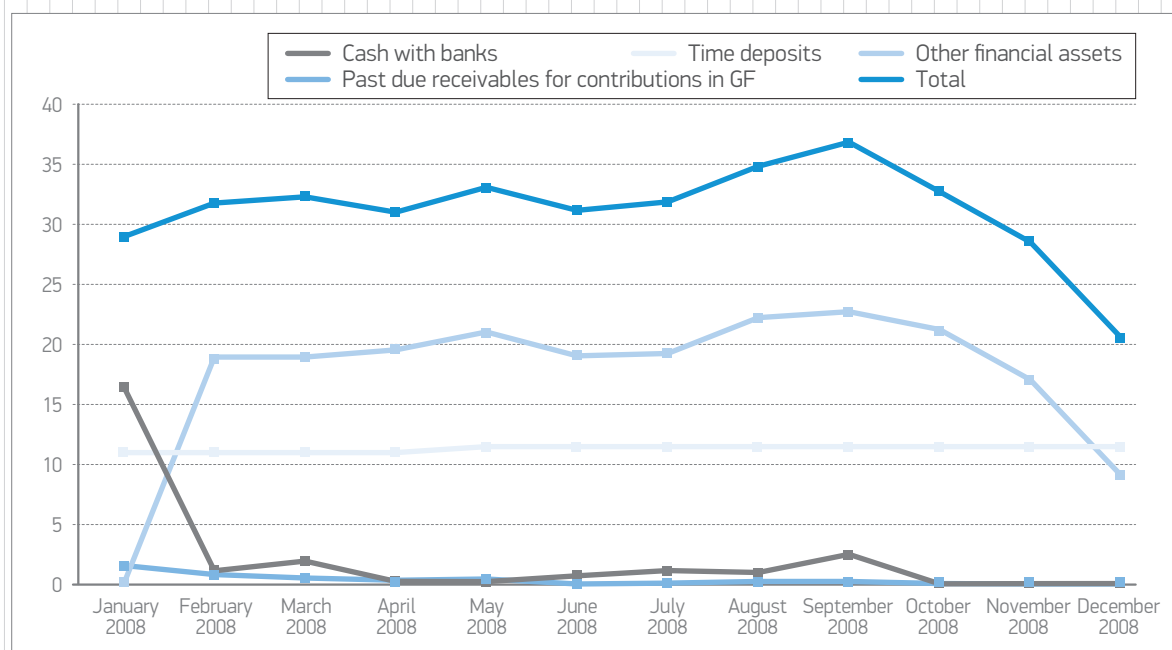
Table 4.7. Summary Balance Sheet for 2007 and 2008 (in HRK)

No.	Item	2007	2008	Share (%)		Dynamics 2008/2007
				2007	2008	
ASSETS						
	Assets	45,561,144	31,443,471	100.0	100.0	69.0
1	Non-financial assets	7,608,656	7,546,655	16.7	24.0	99.2
2	Financial assets	37,952,488	23,896,816	83.3	76.0	63.0
LIABILITIES						
	Liabilities and own funds	45,561,144	31,441,471	100.0	100.0	69.0
3	Liabilities	14,538,010	3,722,550	31.9	11.8	25.6
4	Own funds	31,023,134	27,718,921	68.1	88.2	89.3

Source: HANFA

Total income of the Bureau for the January-December 2008 period is reported in amount of HRK 64.1 million, with the largest share being accounted for by income in accordance with separate acts (HRK 41.3 million) and income from damage indemnity was HRK 6.3 million, and charged written-off receivables (HRK 5.8 million). Total expenditures reported in amount of HRK 67.0 million are in the largest share generated by expenditures on the basis of damage indemnity to legal and natural persons (HRK 52.3 million). The lack of income over expenditures amounted to HRK 2.9 million, which was covered by transferred income from the previous periods in amount of HRK 30.5 million, so that income available in subsequent period amounted to HRK 27.6 million at the end of the accounting period.

Chart 4.16. Assets of the Guarantee Fund in the Period 1 January-31 December 2008 (in HRK million)



Source: HANFA

CROATIAN NUCLEAR POOL GIU²⁷

Croatian nuclear POOL for insurance and reinsurance against nuclear risks (hereinafter: CN POOL) represents an association²⁸ of 6 insurance and reinsurance companies (Allianz Zagreb d.d., Croatia Lloyd d.d., Croatia osiguranje d.d., Generali osiguranje d.d., Helios Vienna Insurance Group d.d. and Triglav osiguranje d.d.). Members of CN POOL jointly assume extraordinary risks with respect to the insurance, co-insurance and reinsurance of nuclear plants with regard to the exploitation of nuclear power for peacetime purposes. In addition to its main line of business, other activities of the CN POOL are nuclear prevention, depositing and investing financial resources earned from its business operations, as well as from some sidelines in connection with its primary business. The business operations of CN POOL include insurance against risks "in Croatia" and reinsurance against foreign risks. Insurance against risks in Croatia relates to insurance of assets and general third-party liability of Krško Nuclear Power Plant, whereas reinsurance against foreign risks relates to reinsurance of risks from 23 countries.

Balance Sheet as at 31 December 2008

As at 31 December 2008, the total assets of the CN POOL amounted to HRK 59.4 million, increasing by 11.4% over the end-2007. Total assets structure was dominated by cash at bank amounting to HRK 57.6 million, accounting for 97.0% of total assets, with almost all the amount relating to funds in the foreign exchange account totalling HRK 33.3 million and assets on domestic business account totalling HRK 24.3 million. This amount is made up of funds generated by the POOL through its business operations along with reserves. The largest liability share was accounted for by reserves which amounted to HRK 54.7 million, i.e. 92.1% of total liabilities, showing an increase of HRK 5.1 million or 10.2% over the previous year.

Table 4.8. Summary Balance Sheet for 2007 and 2008 (in HRK)

No.	Item	2007	Shares 2007	2008	Shares 2008	Dynamics 2008/2007
1.	Long-term assets	105,584	0.2	0	0.0	0.0
2.	Finance assets	3,500,590	6.6	306,189	0.5	8.7
3.	Receivables arising from insurance business					
4.	Receivables arising from reinsurance business	13,451	0.0	15,724	0.0	116.9
5.	Other receivables	737,882	1.4	1,450,530	2.4	196.6
6.	Cash with banks	48,980,044	91.8	57,621,702	97.0	117.6
7.	Prepayments	5,994	0.0	7,349	0.0	122.6
TOTAL ASSETS		53,343,545	100.0	59,401,493	100.0	111.4
1.	Capital					
2.	Revaluation reserves and POOL`s reserves	19,471	0.0	19,471	0.0	100.0
3.	Accumulated profit	37,137	0.1	48,018	0.1	129.3
4.	Profit or loss of the accounting period	10,881	0.0	16,117	0.0	148.1
5.	Reserves	49,647,541	93.1	54,721,612	92.1	110.2
6.	Short-term liabilities	3,192,926	6.0	4,160,687	7.0	130.3
7.	Accruals					
8.	Deferred income	379,630	0.7	379,630	0.6	100.0
9.	Passive accounts - liabilities	55,958	0.1	55,958	0.1	100.0
TOTAL LIABILITIES		53,343,545	100.0	59,401,493	100.0	111.4

Source: HANFA

²⁷ According to Article 583 of the Companies Act (Official Gazette 111/93, 107/07, 146/08), an economic interest grouping (GIU) is a legal person established by 2 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 their effect, provided that the legal person does not acquire profits for itself.

²⁸ In accordance with Article 270, Paragraph 1 of the Insurance Act (Official Gazette 151/05, 87/08), 2 or more insurance or reinsurance companies may establish pool for the purpose of carrying insurance or reinsurance business that covers large risks of liability claims for losses and/or damages arising from nuclear energy or other large claims.

Profit and Loss Account for the Period 1 January-31 December 2008

CN POOL reported a profit for the period from 1 January to 31 December 2008 amounting to HRK 32,900, increasing by 18.6% over profit in 2007. In 2008, CN POOL recorded total income amounting to HRK 17.3 million, increasing by 15.4% compared to the same period of the previous year. The largest share in total income structure was made up by reinsurance premiums amounting to HRK 11.2 million, i.e. 64.7% of total income. Total expenses amounted to HRK 17.3 million, increasing by 15.4% compared to the same period of the previous year when they amounted to HRK 15.0 million.

The largest part of business operations was comprised of active reinsurance against foreign risks, and out of total income amounting to HRK 17.3 million in 2008, HRK 11.2 million or 64.7% related to active reinsurance against foreign risks. Income generated abroad was by 15.7% higher than the previous year. During 2008, the trend of losses in business abroad was continued as a result of losing reinsurance business of all material damages policies of the German and of about one third of policies of the Swedish pool, and of an increase in capacity and retention of certain pools, which led to a decrease in the share of reinsurance pools. However, CN POOL recorded stable income from abroad on the basis of calculation of interest on accumulated reserves at foreign pools for earlier contracted periods. Domestic risk insurance premium amounted to HRK 6.1 million in 2008, decreasing by HRK 128,600, or 2.1% compared to the same period in 2007 and was almost completely ceded to reinsurance (HRK 5.5 million).

Table 4.9. Summary Profit and Loss Account for 2007 and 2008 (in HRK)

No.	Item	2007	Shares 2007	2008	Shares 2008	Dynamics 2008/2007
I	Income	15,015,639	100.0	17,321,836	100.0	115.4
1	Insurance premium	6,183,470	41.2	6,054,871	35.0	97.9
2	Insurance premium - prevention (1%)	62,459	0.4	61,160	0.4	97.9
3	Reinsurance premium	9,900,284	65.9	11,215,568	64.7	113.3
4	Unearned premium of ins. and reinsurance	500,000	3.3	330,000	1.9	66.0
5	Shares in claims					
6	Premiums ceded to reinsurance (-)	-5,610,587	-37.4	-5,489,560	-31.7	97.8
7	Interest income	2,885,535	19.2	3,657,861	21.1	126.8
8	Exchange rate differences	49,556	0.3	199,187	1.1	401.9
9	Other income	1,044,923	7.0	1,292,750	7.5	123.7
II	Expenses	14,987,911	100.0	17,288,942	100.0	115.4
1	Fire-service contribution	2,037	0.0	2,108	0.0	103.5
2	Co-insurance premium	53,327	0.4	52,464	0.3	98.4
3	Co-reinsurance premium	2,742,001	18.3	3,662,213	21.2	133.6
4	Claims-paid	479,228	3.2	171,343	1.0	35.8
5	Prov. for claims outst. and equalisation prov.	3,117,723	20.8	4,029,650	23.3	129.2
6	Provisions for return premiums	100,000	0.7	200,000	1.2	200.0
7	Unearned premiums	330,000	2.2	500,000	2.9	151.5
8	Other ins.-tech. and reins.-tech. provisions	100,000	0.7	700,000	4.0	700.0
9	Commissions and expenses	1,022,026	6.8	1,145,620	6.6	112.1
10	Allocated for preventive measures	62,459	0.4	61,160	0.4	97.9
11	Exchange rate differences	3,610,373	24.1	3,415,880	19.8	94.6
12	Operational expenses of the POOL	2,930,210	19.6	3,092,974	17.9	105.6
13	Other expenses	438,526	2.9	255,531	1.5	58.3
III	Profit	27,728		32,894		118.6

Source: HANFA



**PENSION
INSURANCE
COMPANIES**

05 PENSION INSURANCE COMPANIES

The Act on Pension Insurance Companies and Payment of Pension Annuities based on Individual Capitalised Savings²⁹ (hereinafter: the Act) sets forth the establishment and pursuit of the business of pension insurance companies, which entered into force on 1 January 2000. The Act regulates payments of pension annuities under the mandatory pension insurance system based on individual capitalised savings (Pension Pillar 2) and pension annuities under the voluntary pension insurance system based on individual capitalised savings (Pension Pillar 3), as well as it sets forth pension annuities and their payment under the mandatory and voluntary pension insurance system.

By realisation of rights arising from pension insurance, pension fund members conclude contract with chosen pension insurance company, after what capitalised paid-in contributions of the fund member to pension fund (mandatory or voluntary), are being transferred to the pension company which pays out the annuities.

Since the Act entered into force, only one pension insurance company was established and operating in the Republic of Croatia - Raiffeisen mirovinsko osiguravajuće društvo d.o.o. which was established in 2002 and started paying out first pension annuities 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 and is used in the event that a pension insurance company lacks the ability to pay contracted pensions.

MARKET DESCRIPTION

According to the balance sheet as at 31 December 2008, the total asset value of a single pension insurance company - Raiffeisen mirovinsko osiguravajuće društvo d.o.o. (hereinafter: the Company) amounted to HRK 69.3 million, increasing by 33.8% in comparison to 31 December 2007. Mentioned increase in assets value was a result of a 400% increase in value of total investments which were by HRK 19.3 million higher than the value registered as at 31 December 2007. The Company has reclassified debt securities with fixed income from portfolio „available for sale“ to investments held to maturity, with total fair value at the date of reclassification amounted to HRK 19.4 million (government bonds HRK 10.8 million, corporate bonds HRK 4.2 million and municipal bonds HRK 4.4 million). Reclassification was made under fair value at the day of reclassification.

In total liabilities as at 31 December 2008, total technical provisions amounted to HRK 59,191,191 or 85.4% of total liabilities. Technical provisions of voluntary pension insurance amounted to HRK 56.0 million, whereas the share of HRK 3.2 million related to technical provisions of mandatory pension insurance.

²⁹ Official Gazette 106/99, 63/00 and 107/07

Table 5.1. Balance Sheet as at 31 December 2007 and 31 December 2008 (in HRK)

No.	Item	2007	2008	Share (%)		Dynamics 2007/2008
				2007	2008	
ASSETS						
1	Intangible assets	228,394	3,792	0.4	0.0	1.7
2	Tangible assets	38,502	21,339	0.1	0.0	55.4
3	Investments	48,228,403	67,506,874	93.1	97.4	140.0
4	Deferred and current tax assets	899,108	814,557	1.7	1.2	90.6
5	Other assets	2,055,091	106,043	4.0	0.2	5.2
6	Prepayments and accrued income	376,097	869,181	0.7	1.3	231.1
Total assets		51,825,596	69,321,786	100.0	100.0	133.8
LIABILITIES						
7	Capital and reserves	6,465,129	6,607,203	12.5	9.5	102.2
8	Technical provisions	43,769,469	59,191,191	84.5	85.4	135.2
9	Other liabilities	170,914	156,832	0.3	0.2	91.8
10	Accruals and deferred income	1,420,084	3,366,560	2.7	4.9	237.1
Total liabilities		51,825,596	69,321,786	100.0	100.0	133.8

Source: HANFA

During the period from January to December 2008, the Company recorded total income in amount of HRK 30.3 million, increasing by 28.6% than the same period in 2007. The largest share in income structure in amount of HRK 22.9 million or 75.6%, was made up by income from payments of pension companies and direct lump sum payments from voluntary pension insurance.

Total expenses amounted to HRK 30.2 million, increasing by 26.6% in comparison 2007. The largest share of expenses in amount of HRK 24.0 million related to expenses on the basis of voluntary pension insurance, out of which the amount of HRK 11.0 million related to payments from voluntary pension insurance and HRK 13.0 million to change of technical provisions. Total expenses increased by 226.7% (from HRK 782,100 to HRK 2.6 million) due to increase of expenses on the basis of contracts on mandatory pension and expenses on the basis of contracts on voluntary pension insurance which increased by 15.9% (from 20.7 million to 24.0 million).

The Company reported income of the accounting period, before taxation, in amount of HRK 139,200, and after taxation, HRK 54,700.

Table 5.2. Profit and Loss Account for the period 1 January-31 December 2008 (in HRK)

No.	Item	2007	2008	Share (%)		Dynamics 2007/2008
				2007	2008	
1	Income from payments of pension companies and lump sum payments - Mandatory pension insurance	767,437	2,442,058	3.3	8.1	318.2
2	Income from payments of pension companies and lump sum payments - Voluntary pension insurance	18,720,233	22,924,961	79.4	75.6	122.5
3	Income from investments - Mandatory pension insurance	23,403	145,064	0.1	0.5	619.9
4	Income from investments - Voluntary pension insurance	2,885,679	3,144,225	12.2	10.4	109.0
5	Income from investments - Company's operations	728,943	341,557	3.1	1.1	46.9
6	Income from fees and commissions	448,143	1,307,026	1.9	4.3	291.7
Total expenses		23,573,838	30,304,891	100.0	100.0	128.6
7	Expenses on the basis of pension contracts - Mandatory pension insurance	782,067	2,554,886	3.3	8.5	326.7
8	Expenses on the basis of pension contracts - Voluntary pension insurance	20,688,457	23,986,299	86.8	79.5	115.9
9	Operating expenses	1,898,667	2,742,893	8.0	9.1	144.5
10	Investments expenses - Voluntary pension insurance	458,234	623,801	1.9	2.1	136.1
11	Investments expenses - Company's operations	-	257,796	-	0.9	100.0
Total expenses		23,827,425	30,165,675	100.0	100.0	126.6
12	Profit or loss of the accounting period, before taxation	-253,588	139,216	-	-	-54.9
13	Profit Tax	899,108	84,551	-	-	9.4
14	Profit or loss of the accounting period, after taxation	645,520	54,665	-	-	8.5

Source: HANFA

Total number of pension contracts concluded as at 31 December 2008 amounted to 1,414, out of which 1,281 contract related to voluntary pension insurance (III Pension Pillar), and 133 contracts related to mandatory pension insurance (II Pension Pillar).

Technical provisions of mandatory pension insurance, as at 31 December 2008, amounted to HRK 3.2 million and HRK 249,800 was additionally invested, i.e. assets covering technical provisions of mandatory pension insurance amounted to HRK 3.4 million. Assets covering technical provisions of voluntary pension insurance amounted to HRK 57.9 million, increasing by 3.0%, or HRK 1.9 million above technical provisions amounted to HRK 56.0 million.



06 LEASING

The Leasing Act³⁰ which entered into force on 21 December 2006 regulates establishment, business activities, supervision and leasing activities in the Republic of Croatia.

Although the statistical data on leasing market were systematically collected and published since 2003 by Croatian National Bank, the proper insight into number of leasing companies at the market in the Republic of Croatia was enabled through adoption of the Leasing Act and its entering into effect. A number of companies registered to conduct leasing activities continuously grew in period 2003-2006 and reached 57 in 2006, while this number was reduced for more than a half in 2007, as a result of the obligation to align with the provisions of the Leasing Act.

Table 6.1. Number of Leasing Companies in the 2003-2008 period

Year	2003	2004	2005	2006	2007	2008
Number of covered leasing companies	35	37	52	57	25	26

Source: CNB (2003, 2004 and 2005), HANFA (2006, 2007 and 2008)

MARKET DESCRIPTION

As at 31 December 2007, the leasing activities were conducted by 25 leasing companies. Out of 25 leasing companies, 13 companies finished the procedure of alignment with the provisions of the Leasing Act, while 3 companies, as established joint-stock companies, were granted licence to conduct the leasing activities. Companies Locat leasing d.o.o. and RL Eta d.o.o. gave up from submitted request for issuing the licence to conduct the leasing activities, and by this, from continuing to perform the leasing activities. Accordingly, as at 31 December 2008, 26 companies conducted leasing activities and these companies submitted the report on the form TMSI-LD (Quarterly Report of Leasing Companies) which consists of: Report on general data, Balance sheet of assets and liabilities, Profit and loss account and Report on portfolio structure of operating lease, finance lease and loans.

Although the number of leasing companies in 2007 had decreased, their assets, i.e. number and value³¹ of newly concluded³² and active³³ contracts were still continuously growing. As at 31 December 2008, the total assets of leasing activities amounted to 35.1 HRK billion, the value of newly concluded contracts HRK 15.5 billion and the value of active contracts amounted to HRK 46.8 billion. As at 31 December 2008, a total of 26 leasing companies employed 1,007 staff, which almost equals data as at 31 December 2007 where 25 leasing companies employed 997 staff.

Table 6.2. Leasing Industry Overview for the Period 31 December 2006-31 December 2008³⁴

Date	Total assets	Value of agreed contracts	Value of active contracts	Number of employees
31 Dec 2006	27.0	13.3	32.4	868
31 Dec 2007	30.3	13.8	39.2	997
31 Dec 2008	35.1	15.5	46.8	1,007

Source: HANFA

³⁰ Official Gazette 135/06

³¹ Term „value“ refers to agreed value of contracts (sum of all instalments during lease period) in operative leasing, while it refers to the financed value of the contract (contracted amount financed by leasing company) in financial leasing and loans.

³² Newly concluded contracts refer to those contracts agreed by leasing company in a defined time period, and in report this period is business year.

³³ Active contracts refer to those contracts on leasing/loans which the leasing companies use as basis for claiming receivables in their business documents.

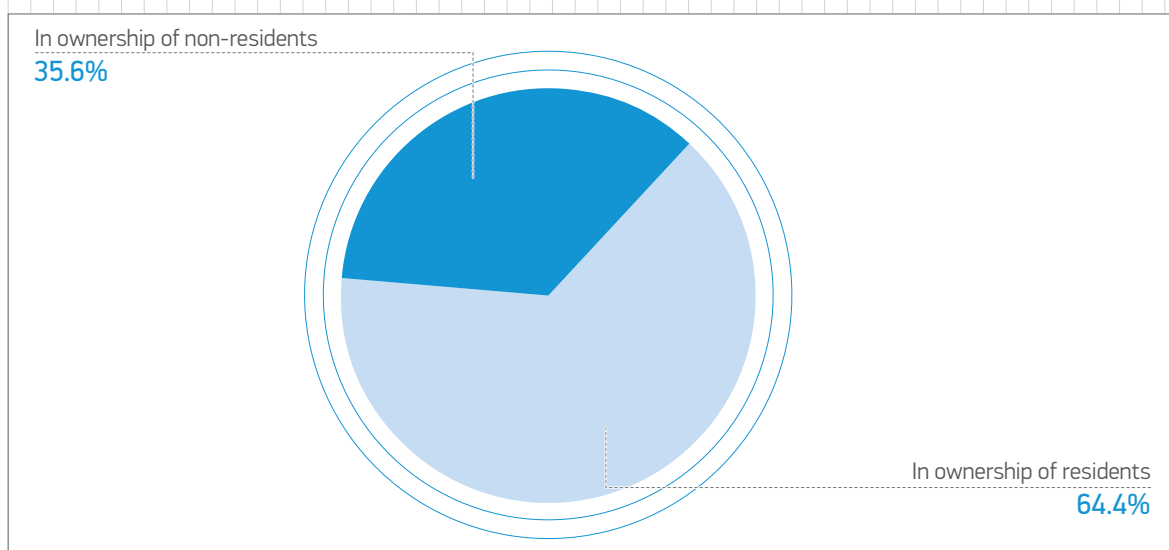
³⁴ Leasing companies which submitted the report „Quarterly Report of Leasing Companies“ (TMSI-LD) to the Agency.

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Out of a total of 26 leasing companies, only 5 leasing companies were in the direct ownership of residents³⁵, whereas 21 companies were in direct ownership of non-residents³⁶. In terms of indirect ownership structure³⁷ of the initial capital, only 2 leasing companies were in the ownership of residents (Croatia leasing d.o.o. and Euroleasing d.o.o.), whereas all the remaining leasing companies were in the ownership of non-residents, namely in majority ownership of foreign banks, i.e. their related companies.

According to the data from the aggregated balance sheet of the leasing industry, as at 31 December 2008 total initial capital amounted to HRK 401.7 million, with the share of non-resident capital accounting for 64.4%, or HRK 258.8 million, and the share of resident capital making up 35.6% or HRK 142.8 million.

Chart 6.1. Initial Capital in the Leasing Industry according to the Capital Origin as at 31 December 2008 (in %)



Source: HANFA

PORTFOLIO STRUCTURE OF THE LEASING INDUSTRY BY PERIODS

In the period 1 January-31 December 2008, a total of 59,410 contracts were newly concluded, i.e. 3,575 or 6.4% more newly concluded contracts than in the same period in 2007. Total value of newly concluded contracts amounted to HRK 15,5 billion, showing increase in amount of HRK 1,6 billion or 1.6% compared to value of newly concluded contracts in 2007.

As at 31 December 2008, the total number of active contracts was 177,572, showing an increase in a number by 19,165 or 12.1% compared to the same day at previous year. As at 31 December 2008, financed value of active contracts in leasing industry amounted to HRK 46.8 billion, increasing in HRK 7,5 billion or 19,2% compared to 31 December 2007.

³⁵ According to the provisions of the Article 3, paragraph 1 of the Income Tax Act (Official Gazette 177/04, 90/05 and 57/06), a resident is a natural and a legal person with residence entered into court or other register or other files in the Republic of Croatia, or whose actual head office and supervision authority is in Republic of Croatia; residents are also natural persons- entrepreneurs with domicile or habitual residence in the Republic of Croatia, and whose business activities are entered into register.

³⁶ According to the provisions of the Income Tax Act (Official Gazette 177/04, 90/05 and 57/06), a non-resident is a natural person who does not meet one of the conditions set out in the Article 3, paragraph 1 of the Income Tax Act.

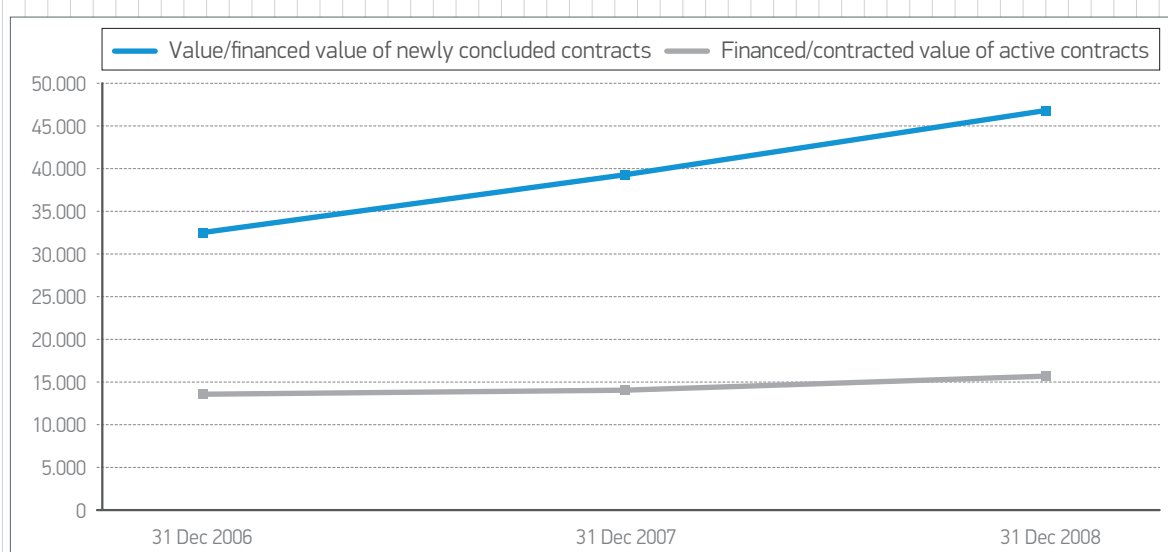
³⁷ Indirect ownership of leasing companies involves the parent company's initial capital origin.

Table 6.3. Portfolio Structure of the Leasing Industry in the Period 31 December 2006- 31 December 2008³⁸

DATE/PERIOD FROM 1 JAN TO	New contracts concluded in the period			Portfolio as at		
	Number of concluded contracts in the reporting period	Value/financed value of concluded contracts (in HRK)	Average value/ financed value of concluded contracts (in HRK)	Number of active contracts as at	Financed/ contracted value of active contracts (in HRK)	Average financed/ contracted value of active contracts (in HRK)
31 Dec 2006	54,344	13,344,148,966	245,550	134,102	32,455,918,910	242,024
31 Dec 2007	55,835	13,816,969,667	247,461	158,407	39,221,948,873	247,602
31 Dec 2008	59,410	15,464,016,902	260,293	177,572	46,770,570,648	263,389

Source: HANFA

Chart 6.2. Value of Newly Concluded and Active Contracts in the Period 31 December 2006- 31 December 2008 (in HRK million)



Source: HANFA

The total financed value of active loan contracts of all leasing companies as at 31 December 2008 amounted to HRK 7.2 billion, decreasing by HRK 566.7 million, or 7.3% compared with the balance as at 31 December 2007. Irrespective of the fact that pursuant to the provisions of the Leasing Act leasing companies are no longer permitted to grant loans, they account for a significant share in the total financed/contracted value of all active contracts. The loan portfolio structure is shown in the table below.

Table 6.4. Loan Portfolio Structure in the Period 31 December 2006- 31 December 2008

DATE/PERIOD FROM 1 JAN TO	Number of concluded contracts in the period			Portfolio as at		
	Number of concluded contracts in the reporting period	Financed value of contracts (in HRK)	Average financed value (in HRK)	Number of active contracts as at	Financed value of contracts (in HRK)	Average financed value of contracts (in HRK)
31 Dec 2006	5,791	3,279,550,518	566,319	22,514	8,126,518,472	360,954
31 Dec 2007	0	0	0	19,997	7,793,351,706	389,726
31 Dec 2008	0	0	0	17,213	7,226,682,687	419,839

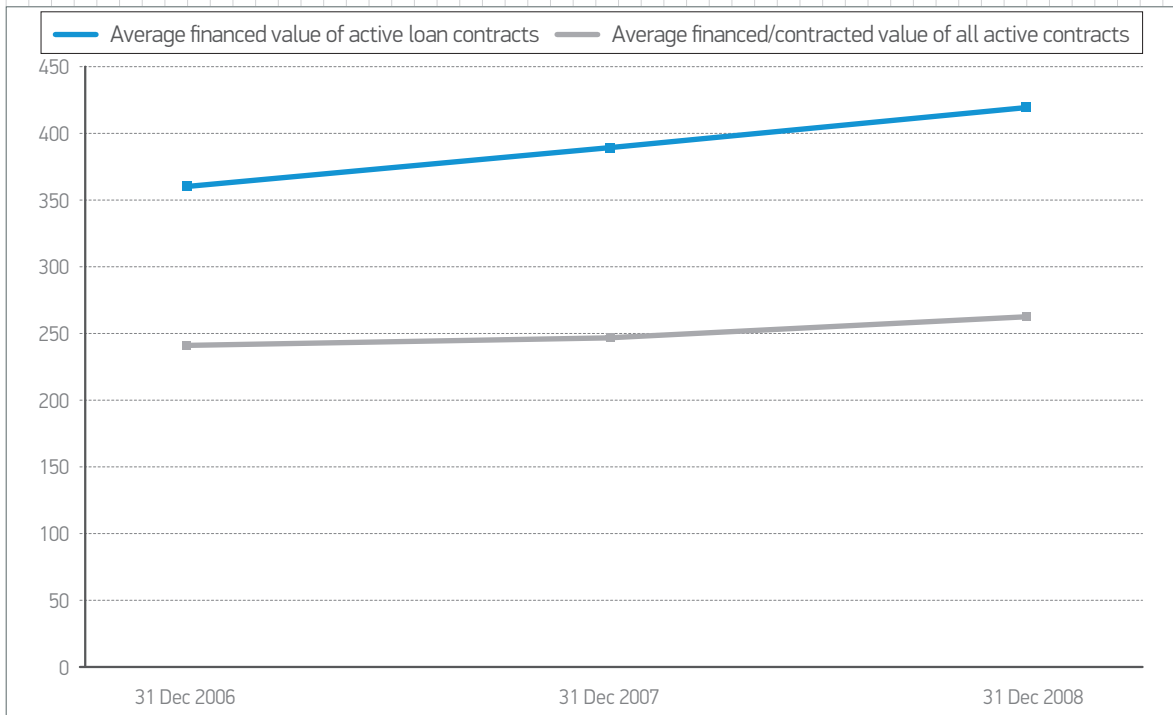
Source: HANFA

³⁸ Data by periods refer to the number of companies presented in the table in the introduction to this part of the Report. The number and value of contracts as at 31 December 2007 in Annual Reports of the Agency for 2007 and 2008 differ as a result of the application of the provisions of the Accounting Act (Official Gazette 109/07), Leasing Act (Official Gazette 135/06) and International Financial Reporting Standards by leasing companies, and as a result of the actions undertaken by the companies in accordance with records on supervision conducted

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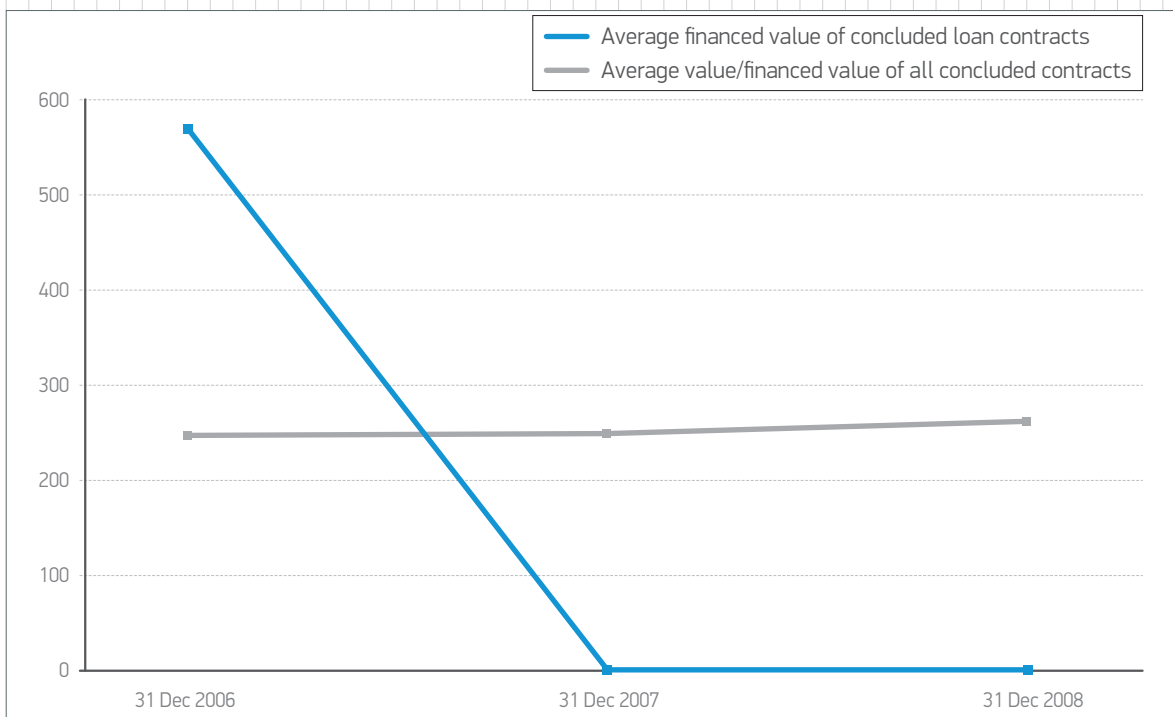
The average financed and contracted value of active and newly concluded contracts in the period 31 December 2006-31 December 2008 is shown in the following charts.

Chart 6.3. Average Financed/Contracted Value of Active Contracts in the Period 31 December 2006- 31 December 2008 (in HRK thousand)



Source: HANFA

Chart 6.4. Average Value/Financed Value of Concluded Contracts in the Period 31 December 2006- 31 December 2008



Source: HANFA

PORTFOLIO STRUCTURE OF THE LEASING INDUSTRY IN 2008

According to data collected from 26 leasing companies, as at 31 December 2008 there were 177,572 active contracts, which is an increase of 12.1%, or 19,165 contracts compared to the same day in 2007. Finance lease contracts recorded an increase of 18.3% and amounted to 73,080, while operating lease contracts increased by 13.9% and amounted to 87,279. The financed/contracted value of active contracts totalled HRK 46.8 billion, increasing by HRK 7.6 billion or 19.2% compared to the same day in 2007, largely as a result of the increase in the finance lease contract in amount of HRK 4.8 billion, or increase by 28.5%.

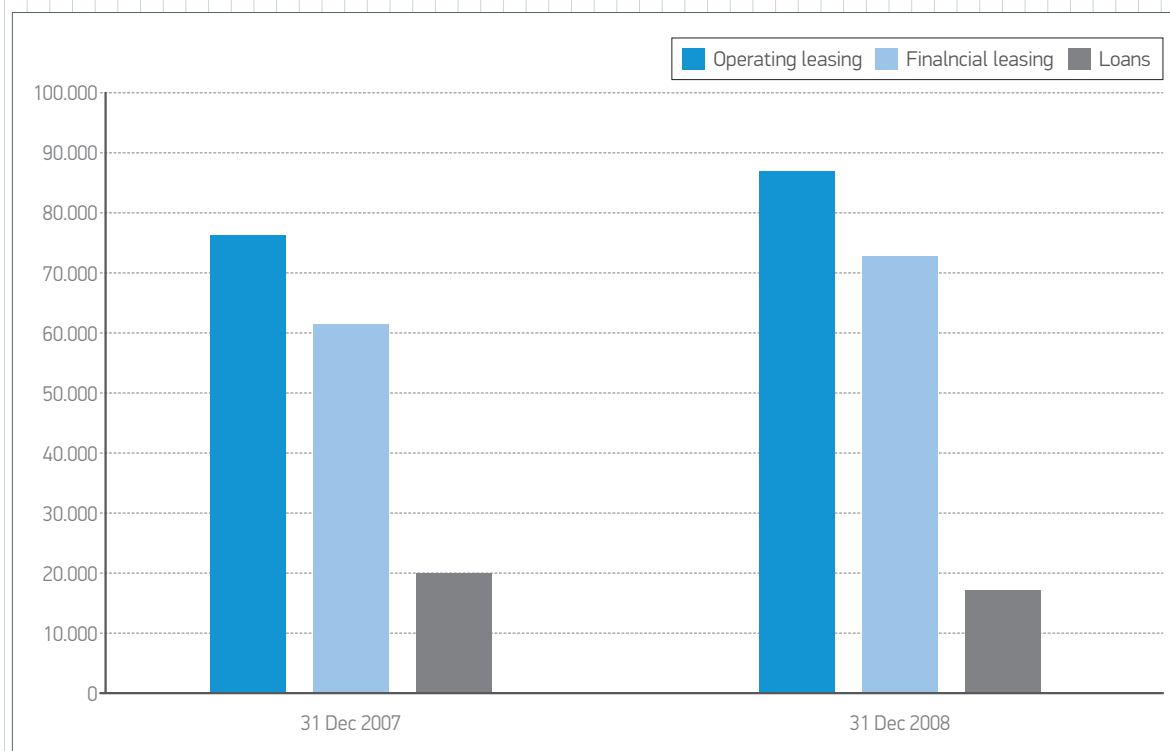
Table 6.5. Comparative Overview of the Number, Structure and Financed/Contracted Value of Active Contracts in the Leasing Industry

	Number of active contracts			Financed/contracted value of active contracts (in HRK)		
	31 Dec 2007	31 Dec 2008	Dynamics 2008/2007	31 Dec 2007	31 Dec 2008	Dynamics 2008/2007
Operating lease	76,615	87,279	113.9	14,763,765,963	18,123,752,761	122.8
Finance lease	61,795	73,080	118.3	16,664,831,204	21,420,135,201	128.5
Loans	19,997	17,213	86.1	7,793,351,706	7,226,682,687	92.7
TOTAL	158,407	177,572	112.1	39,221,948,873	46,770,570,648	119.2

Source: HANFA

Regarding the share of leasing types in total number of active contracts, the highest share (49,2%) referred to operating lease, while share of active contracts on financial lease is lower (41,2%). At the same time, 9.7% of total number of active contracts refers to loans.

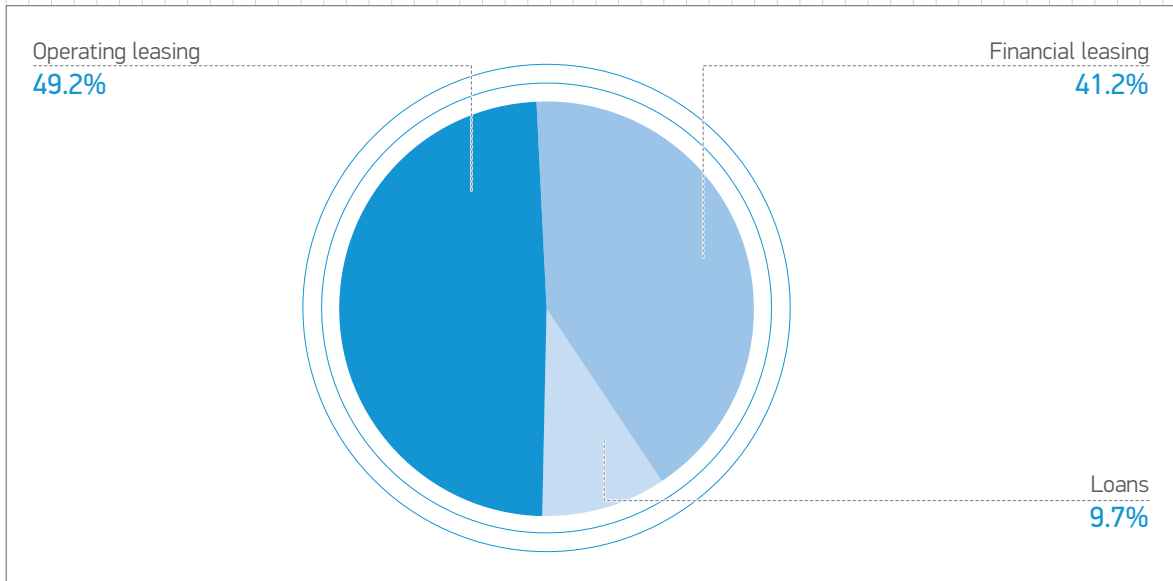
Chart 6.5. Comparison of the Number of Active Contracts in 2007 and 2008



Source: HANFA

LEASING

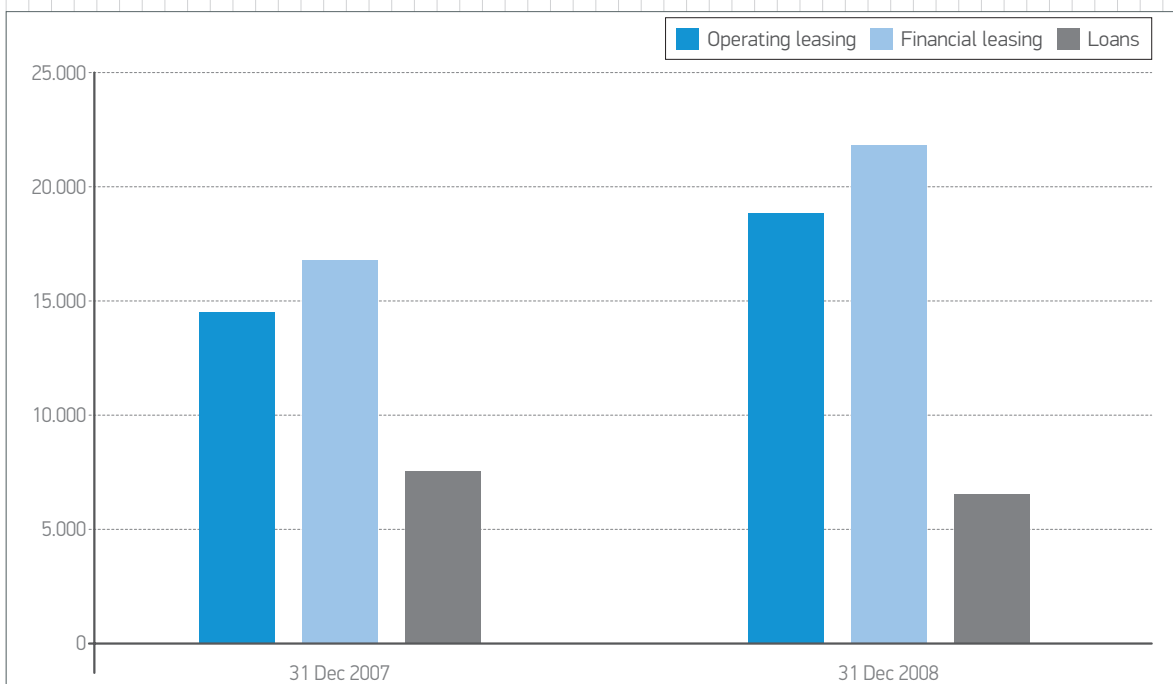
Chart 6.6. Structure of the Number of Active Contracts as at 31 December 2008 (in %)



Source: HANFA

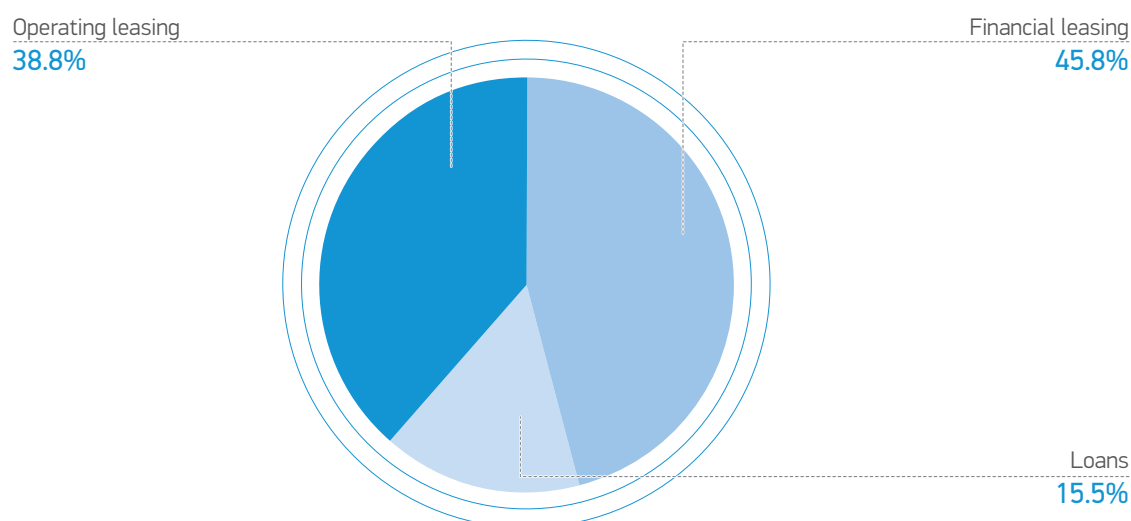
The highest share in the value of active contracts (45.8%) referred to finance lease, the share of operating lease is 38.8%, while as many as 15.5% of all active contracts in the overall leasing industry were accounted for by loan contracts, which, pursuant to the Leasing Act, may not be concluded by leasing companies any more, but which are recorded in their business books until the expiry of obligations. Loan contracts, whose value at 31 December 2008 amounted to HRK billion 7.2, were in the portfolios of 10 leasing companies. The highest share (86.5%) in that amount refers to the company Hypo-Leasing Kroatien d.o.o.. Comparison of the share of Finance and Operating Lease and Loans in total financed/contracted value of Active Contracts as at 31 December 2007 and 31 December 2008 is shown in the following chart.

Chart 6.7. Comparison of the Financed/Contracted Value of Active Contracts in 2007 and 2008 (in HRK million)



Source: HANFA

Chart 6.8. Structure of the Financed/Contracted Value of Active Contracts as at 31 December 2008 (in %)



Source: HANFA

In 2008 total of 59,410 new leasing contracts were concluded, which is an increase of 6.4% or 3,575 contracts compared to the same period in the previous year. Value of newly concluded contracts amounted to HRK 15.5 billion, which is an increase of 11.9% or HRK 1.6 billion compared to the value of concluded contracts in the same period in the previous year.

Table 6.6. Comparative Overview of the Number, Structure and Value/Financed Value of Concluded Contracts in the Leasing Industry (in HRK)

	Number of concluded contracts in the period			Value/financed value of concluded contracts in the period		
	1 Jan 2007-31 Dec 2007	1 Jan 2008-31 Dec 2008	Dynamics 2008/2007	1 Jan 2007-31 Dec 2007	1 Jan 2008-31 Dec 2008	Dynamics 2008/2007
Operating lease	31,010	31,451	101.4	6,286,393,211	6,661,610,884	106.0
Finance lease	24,825	27,959	112.6	7,530,576,455	8,802,406,018	116.9
Loans	0	0	0.0	0	0	0.0
TOTAL	55,835	59,410	106.4	13,816,969,667	15,464,016,902	111.9

Source: HANFA

PORTFOLIO STRUCTURE OF THE LEASING INDUSTRY BY LEASED/LOANED ASSETS IN 2008

Active contracts increased in amount and value in relation to all other leased/loaned asset. As at 31 December 2008, the largest amount of contracts related to passenger cars. A number of active contracts related to leasing of passenger cars was 125,048, which is an increase of 14.1% compared to 2007. A number of active contracts related to leasing of commercial vehicles was 30,856 or 4.7% more than in 2007, and number of active contracts related to leasing of machinery and equipment is 16,540, or 11.7% more than in previous year.

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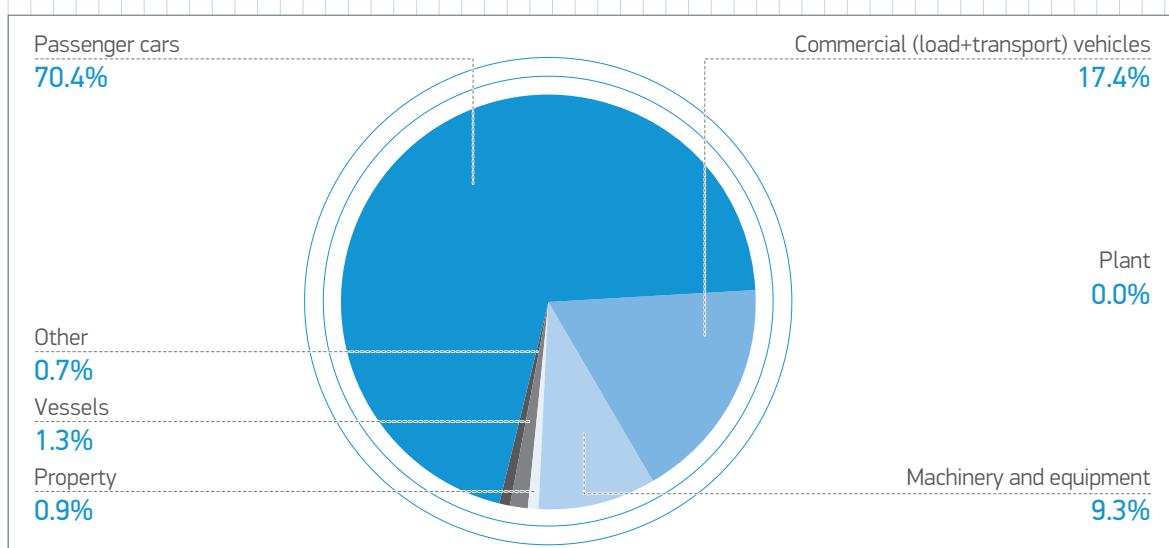
Table 6.7. Number of Active Contracts of the Leasing Industry by Leased/Loaned Assets

LEASED/LOANED ASSET	Number of active contracts as at				
	31 Dec 2007	Share	31 Dec 2008	Share	Dynamics 2008/2007
Passenger cars	109,586	69.2%	125,048	70.4%	114.1
Commercial (load + transporting) vehicles	29,462	18.6%	30,856	17.4%	104.7
Machinery and equipment	14,805	9.3%	16,540	9.3%	111.7
Plant	64	0.0%	69	0.0%	107.8
Property	1,533	1.0%	1,622	0.9%	105.8
Vessels	2,029	1.3%	2,238	1.3%	110.3
Other	928	0.6%	1,199	0.7%	129.2
TOTAL	158,407	100.0%	177,572	100.0%	112.1

Source: HANFA

Overview of active contracts by leased/loaned assets shows that the largest share of total number (70.4%) was accounted for passenger car leases/loans, followed by commercial vehicles leases/loans (17.4%) and machinery and equipment leases/loans comprising 9.3% of total number of active contracts.

Chart 6.9. Structure of Financed/Contracted Value of Active Contracts by Leased/Loaned Assets as at 31 December 2008 (in %)



Source: HANFA

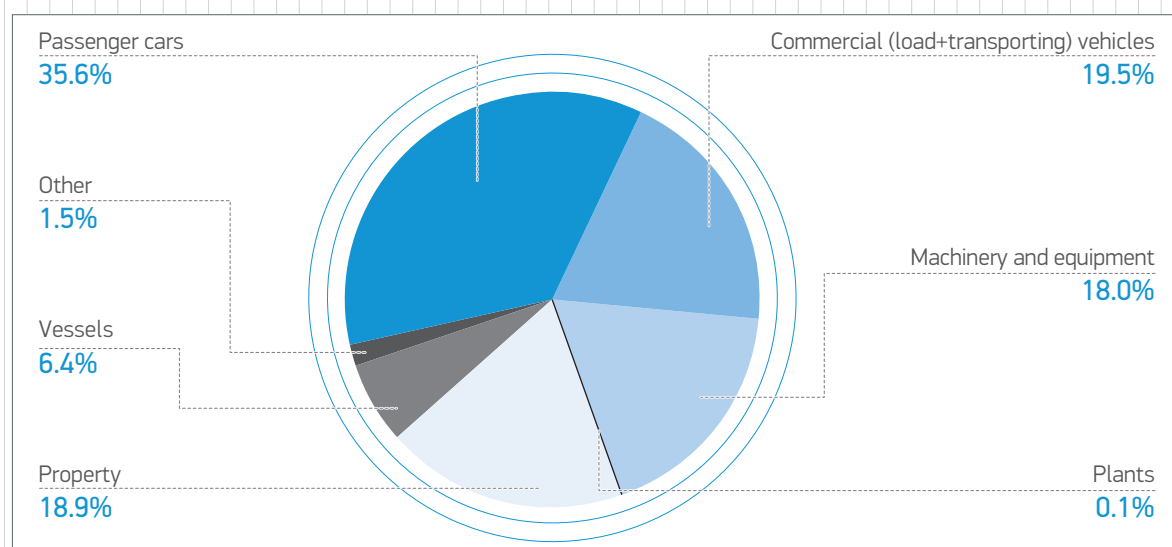
Total financed/contracted value of active contracts relating to passenger cars is HRK 16.6 billion, and shows an increase in 20.2% compared to 2007. The highest percentage increase of active contracts, compared to 2007, accounted for contracts on vessels whose value increased by 37.1% and amounted to HRK billion 3.0. Increase in value of contracts related to commercial vehicles in 21.5% to HRK 9.1 billion is also significant, as well as increase in value of contracts related to property in 17.7% to HRK 8.9 billion.

Table 6.8. Financed/Contracted Value of all Active Contracts (in HRK)

LEASED/LOANED ASSET	Financed/contracted value of active contracts as at				
	31 Dec 2007	Share	31 Dec 2008	Share	Dynamics 2008/2007
Passenger cars	13,847,741,857	35.3%	16,644,565,746	35.6%	120.2
Commercial (load + transporting) vehicles	7,496,005,973	19.1%	9,105,599,984	19.5%	121.5
Machinery and equipment	7,476,886,980	19.1%	8,416,210,410	18.0%	112.6
Plant	61,463,713	0.2%	67,231,315	0.1%	109.4
Property	7,519,942,930	19.2%	8,851,159,650	18.9%	117.7
Vessels	2,182,725,199	5.6%	2,993,429,707	6.4%	137.1
Other	637,182,220	1.6%	692,373,837	1.5%	108.7
TOTAL	39,221,948,873	100.0%	46,770,570,648	100.0%	119.2

Source: HANFA

Chart 6.10. Structure of Financed/Contracted Value of Active Contracts by Leased/Loaned Assets as at 31 December 2008 (in %)

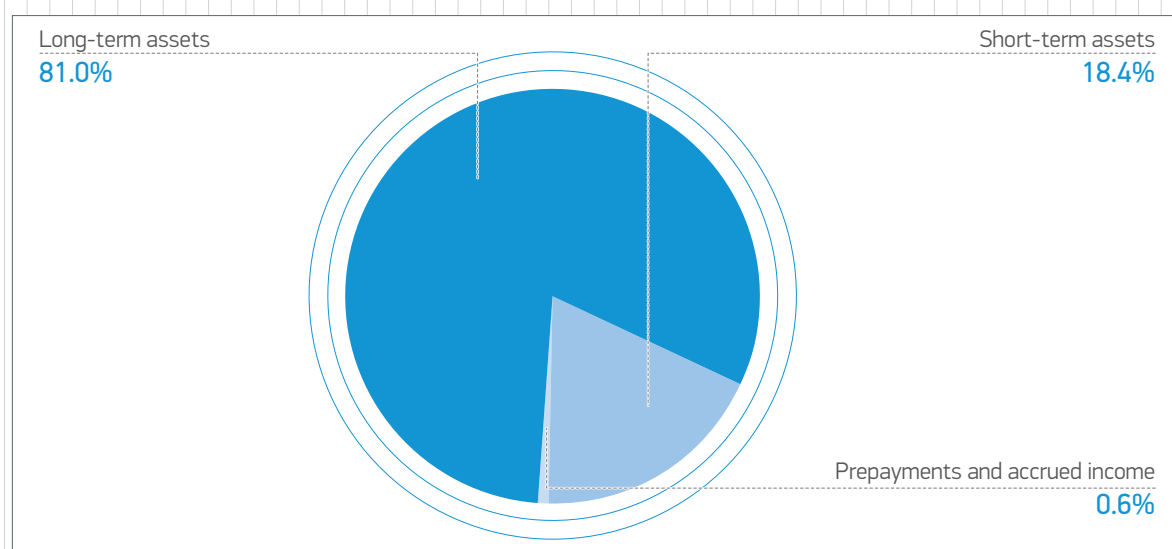


Source: HANFA

ASSET STRUCTURE

According to the data from the leasing industry aggregate balance sheet, total assets of 26 leasing companies as at 31 December 2008 amounted HRK 35.1 billion, which is an increase in HRK 4.8 billion or 15.7% compared to total assets of leasing industry at the same day previous year. In the structure of total assets, long-term assets accounted for the largest share (81.0%), short-term assets made up 18.4% of total assets, whereas prepayments and accrued income participated in total assets with a modest 0.6% share.

Chart 6.11. Structure of Leasing Companies' Assets as at 31 December 2008 (in %)



Source: HANFA

Total receivables, as at 31 December 2008, amounted to HRK 16.3 billion, presenting 46.5% of leasing industry's assets. As compared to 2007, receivables increased by 26.4%, which also led to an increase in its share in the total assets from 42.6% in 2007 to 46.5% in 2008. The strongest impact on the increase in total receivables had the increase in receivables based on financial lease, which amounted to HRK 15.4 billion, or having an increase

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in 30.1% as compared to 2007. Tangible assets also have significant share in assets, presented in amount of HRK 13.1 billion, or 37.3% of total assets. As compared to 2007, material assets increased by 15.7%, however its share in total assets remained unchanged. The highest share in tangible assets is tangible assets given in operating lease which increased by 16.4% to HRK 12.4 billion, as compared to 2007.

Value of financial assets amounted to HRK 5.1 billion or 7.2% lower as compared to 2007. This also led to decrease of its share in assets from 18.0% in 2007 to 14.4% in 2008. This is mostly result of increase in given loans which, as at 31 December 2008, amounted to HRK 3.9 billion, or 18.3% less as compared to the same day previous year, which is in line with the legal provisions. As at 31 December 2008, share of 5 top leasing companies by assets in total industry was almost the same as in 2007, showing halt in trend of increasing concentration in the leasing industry. So, as at 31 December 2006, share of top 5 leasing companies in total reported assets amounted to 58.4%, as at 31 December 2007 their share amounted to 67.5%, while as at 31 December 2008 it amounted to 68.2%. As at 31 December 2008, shares larger than 5.0% in total leasing industry's assets had the following companies: Hypo-Leasing Kroatien d.o.o., UniCredit Leasing Croatia d.o.o., Erste & Steiermärkische S-Leasing d.o.o., Raiffeisen Leasing d.o.o. and VB Leasing d.o.o.

Table 6.9. Comparative Overview of Assets of 5 Leasing Companies with the Largest Asset Shares (in HRK)

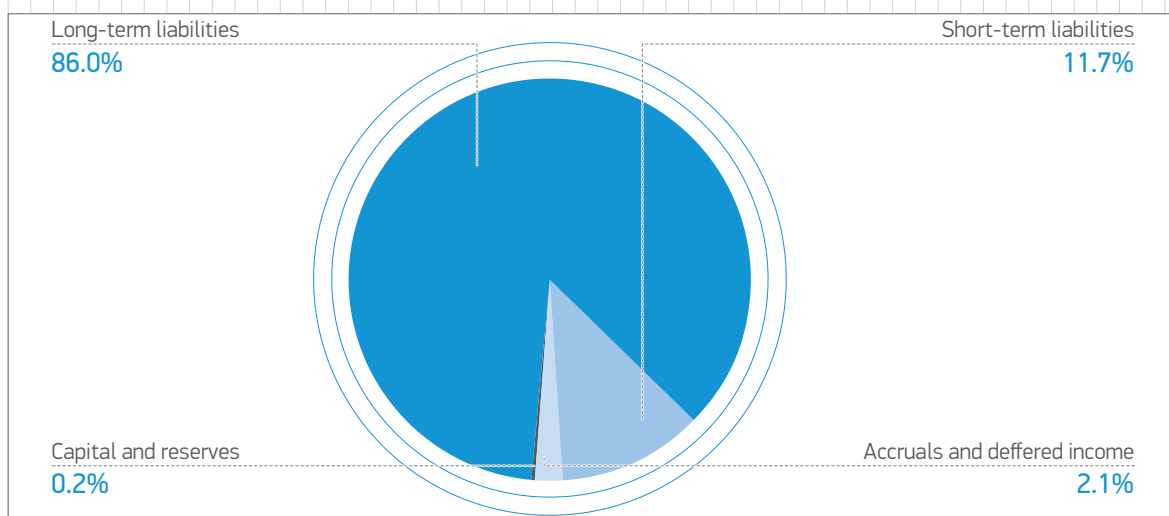
No.	Company	31 Dec 2007	Share	No	Company	31 Dec 2008	Share
1	HYPO-LEASING KROATIEN d.o.o.	10,328,949,892	34.1%	1	Hypo-Leasing Kroatien d.o.o.	10,712,793,418	30.5%
2	Erste & Steiermärkische S-Leasing d.o.o.	3,023,112,387	10.0%	2	UniCredit Leasing Croatia d.o.o.	4,749,722,482	13.5%
3	UniCredit Leasing Croatia d.o.o.	2,757,671,367	9.1%	3	Erste & Steiermärkische S-Leasing d.o.o.	3,600,684,529	10.3%
4	Raiffeisen Leasing d.o.o.	2,377,376,870	7.8%	4	Raiffeisen Leasing d.o.o.	2,680,206,945	7.6%
5	VB LEASING d.o.o.	1,977,943,391	6.5%	5	VB Leasing d.o.o.	2,189,521,402	6.2%
6	Others	9,838,811,450	32.5%	6	Others	11,135,005,981	31.8%
TOTAL		30,303,865,356	100.0%	TOTAL		35,067,934,757	100.0%

Source: HANFA

LIABILITY STRUCTURE

The largest share (86.0%) of total reported 26 leasing companies' liabilities, as at 31 December 2008, was accounted for by long-term liabilities, whereas short-term liabilities made up 11.7%, capital and reserves 0.2%, and accruals and deferred income 2.1% of total liabilities.

Chart 6.12. Structure of Leasing Companies' Liabilities as at 31 December 2008 (in %)



Source: HANFA

Capital and reserves

The total reported amount of capital and reserves of the leasing industry, as at 31 December 2008, was HRK 72.1 million showing decrease by 90.6% as compared to 2007. Decrease in capital and reserves resulted from transferred loss in amount of HRK 61.1 million, and loss of current years in amount of HRK 455.2 million. Inscribed capital amounted to HRK 401.7 million showing decrease in 6.3% as compared to 2007. The largest amount of capital and reserves totalling HRK 164.5 million was reported by Raiffeisen Leasing d.o.o.

Table 6.10. Comparative Overview of 5 Leasing Companies' Capital and Reserves (in HRK)

No.	Company	31 Dec 2007	Share	No	Company	31 Dec 2008	Share
1	Raiffeisen Leasing d.o.o.	145,939,287	19.0%	1	Raiffeisen Leasing d.o.o.	164,519,214	228.3%
2	Erste & Steiermärkische S-Leasing d.o.o.	137,317,048	17.9%	2	Mercedes-Benz Leasing Hrvatska d.o.o.	98,785,907	137.1%
3	LOCAT LEASING CROATIA d.o.o.	113,978,224	14.9%	3	PBZ-Leasing d.o.o.	57,992,249	80.5%
4	VB LEASING d.o.o.	105,671,617	13.8%	4	Porsche Leasing d.o.o.	50,891,023	70.6%
5	Porsche Leasing d.o.o.	100,955,470	13.2%	5	VB Leasing d.o.o.	48,256,532	67.0%
6	Other	162,910,056	21.2%	6	Other	-348,383,591	-483.5%
TOTAL		766,771,702	100.0%	TOTAL		72,061,333	100.0%

Source: HANFA

Liabilities

Total liabilities were reported in amount of HRK 34.3 billion which is an 18.5% increase as compared to 2007. The leasing industry's assets were mostly financed by loans by foreign banks and credit institutions, in total value of HRK 15.7 billion which is a 35.1% increase as compared to 2007. Significant source of financing are also related parties as the leasing companies have liabilities towards these parties in value over HRK 15.0 billion which is an 11.9% increase as compared to 2007.

Share of 5 top leasing companies' liabilities by amount of total liabilities in total liabilities at the end of 2008 amounted to HRK 24.0 billion or 68.7%. Hypo-Leasing Kroatien d.o.o. reported total liabilities in amount of HRK 10.9 billion, or 31.0% of total liabilities of all active leasing companies.

Table 6.11. Comparative Overview of 5 Leasing Companies with the Largest Shares in Leasing Companies' Total Liabilities (in HRK)

No.	Company	31 Dec 2007	Share	No	Company	31 Dec 2008	Share
1	HYPO-LEASING KROATIEN d.o.o.	10,288,800,604	34.8%	1	Hypo-Leasing Kroatien d.o.o.	10,852,543,036	31.0%
2	Erste & Steiermärkische S-Leasing d.o.o.	2,885,795,339	9.8%	2	UniCredit Leasing Croatia d.o.o.	4,859,191,268	13.9%
3	UniCredit Leasing Croatia d.o.o.	2,836,850,324	9.6%	3	Erste & Steiermärkische S-Leasing d.o.o.	3,671,498,418	10.5%
4	Raiffeisen Leasing d.o.o.	2,231,437,583	7.6%	4	Raiffeisen Leasing d.o.o.	2,515,687,731	7.2%
5	VB LEASING d.o.o.	1,872,271,774	6.3%	5	VB Leasing d.o.o.	2,141,264,870	6.1%
6	Other	9,421,938,031	31.9%	6	Other	10,955,688,100	31.3%
TOTAL		29,537,093,654	100.0%	TOTAL		34,995,873,423	100.0%

Source: HANFA

FINANCIAL RESULTS OF BUSINESS OPERATIONS

According to data submitted to the Agency, in 2008 the leasing industry recorded total loss as the result of business operations in amount of HRK 455.2 million, which is an increase in loss by HRK 369.5 million, as compared to 2007 when it amounted to HRK 85,6 million.

Structure of income and loss in 2008 differ from structure in the previous year. In 2008, interest-related loss was reported in amount of HRK 112.6 million, whereas in 2007 the income made on the same basis was reported in amount of HRK 11.5 million. Income resulting from fees and commissions in

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amount of HRK 28.1 million which is an increase in HRK 12.0 million, as compared to 2007. However, profit from other income and losses in amount of HRK 15.1 million decreased by HRK 279.4 million.

For the most part, negative result of the leasing industry is a consequence of reservations for questionable and disputable receivables in amount of HRK 352.1 million, which is an increase by HRK 33.7 million, as compared to 2007, as well as net loss from exchange rate differences which amounted to HRK 255.6 million, whereas net profit from exchange rate differences in the previous year amounted to HRK 51.9 million.

Out of 26 leasing companies, profit amounting to HRK 61.7 million was reported by 8 companies, whereas loss amounting to HRK 516.9 million was reported by 18 companies. The highest profit after taxes, in amount of HRK 27.4 million was reported by Raiffeisen Leasing d.o.o, whereas loss reported by Hypo-Leasing Kroatien d.o.o. amounted to HRK 176.0 million.

The highest profit after taxes was reported by Raiffeisen Leasing d.o.o (HRK 27.4 million or 44.3% of the reported profit after taxes of complete leasing industry), whereas the biggest loss was reported by Hypo-Leasing Kroatien d.o.o. (HRK 176.0 million or 34% of loss of complete leasing industry).

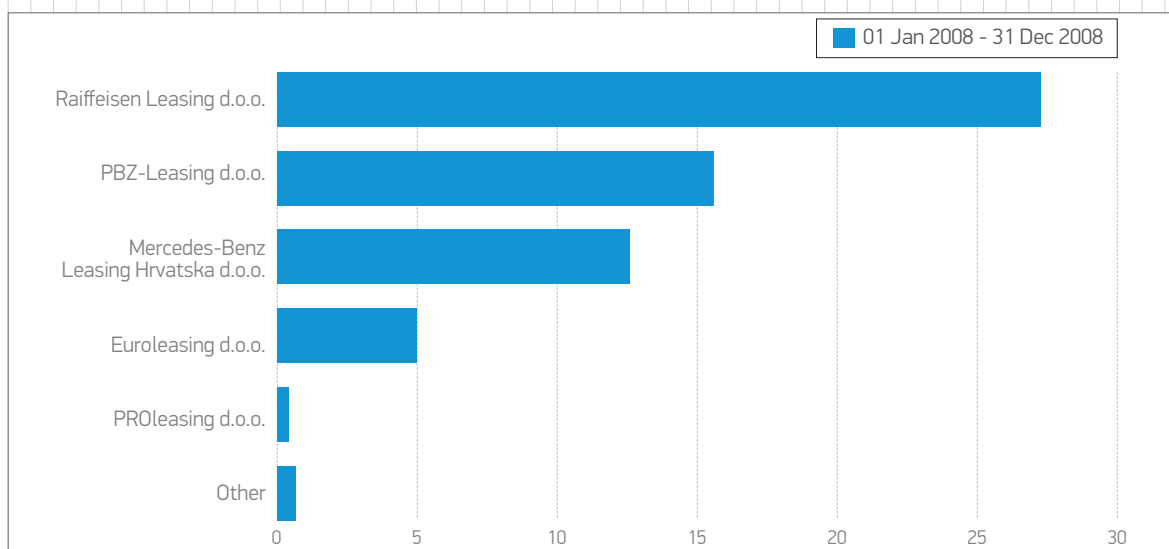
The share of the top 5 leasing companies in total reported profit after taxes was 98.9%, while the share of the top 5 leasing companies in total reported loss after taxes was 76.0% of the total reported loss of the whole leasing industry.

Table 6.12. Comparative Overview of the Top 5 Leasing Companies by the Level of Reported Profit after Taxes in 2007 and 2008 (in HRK)

No	Company	1 Jan-31 Dec 2007	Share	No	Company	1 Jan-31 Dec 2008	Share
1	LOCAT LEASING CROATIA d.o.o.	35,888,445	30.3%	1	Raiffeisen Leasing d.o.o.	27,365,736	44.3%
2	Raiffeisen Leasing d.o.o.	33,637,291	28.4%	2	PBZ-Leasing d.o.o.	15,650,511	25.3%
3	DaimlerChrysler Leasing Hrvatska d.o.o.	15,902,313	13.4%	3	Mercedes-Benz Leasing Hrvatska d.o.o.	12,643,318	20.5%
4	Erste & Steiermärkische S-Leasing d.o.o.	12,059,511	10.2%	4	Euroleasing d.o.o.	5,009,156	8.1%
5	PBZ-Leasing d.o.o.	10,839,410	9.2%	5	PROleasing d.o.o.	411,398	0.7%
6	Other	9,923,880	8.4%	6	Other	666,198	1.1%
TOTAL		118,250,851	100.0%	TOTAL		61,746,318	100.0%

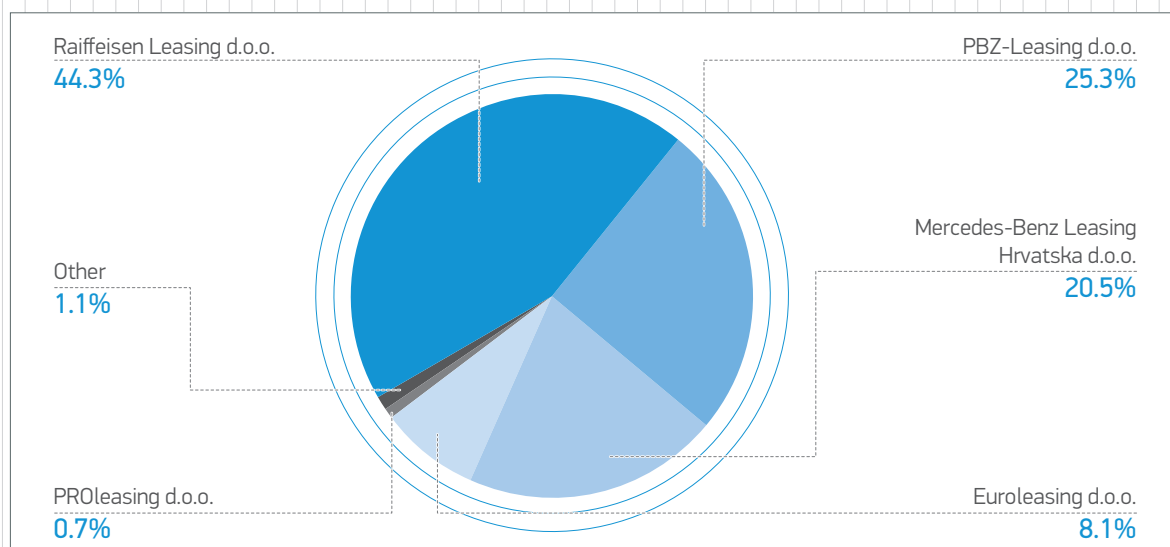
Source: HANFA

Chart 6.13. Comparative Overview of the Top 5 Leasing Companies by the Level of Reported Profit After Taxes in 2007 and 2008 (in HRK)



Source: HANFA

Chart 6.14. Structure of the Reported Profit after Taxes of Leasing Companies in 2008 (in %)



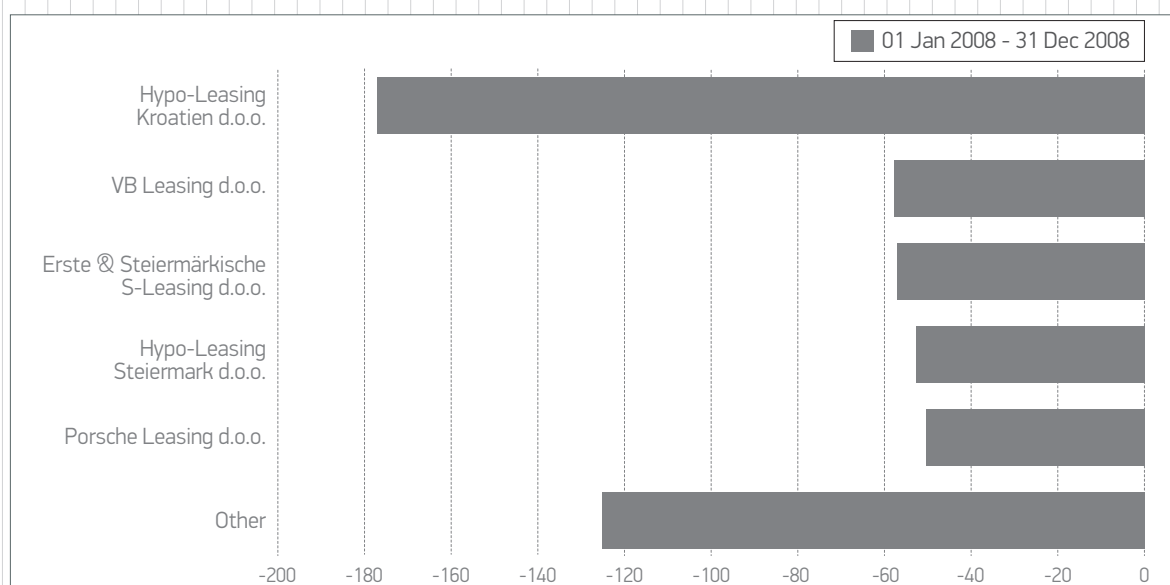
Source: HANFA

Table 6.13. Comparative Overview of the Top 5 Leasing Companies by the Level of Reported Loss after Taxes in 2007 and 2008 (in HRK)

No	Company	1 Jan-31 Dec 2007	Share	No	Company	1 Jan-31 Dec 2008	Share
1	VB LEASING d.o.o.	-58,391,496	28.6%	1	Hypo-Leasing Kroatien d.o.o.	-175,994,100	34.0%
2	UniCredit Leasing Croatia d.o.o.	-53,158,590	26.1%	2	VB Leasing d.o.o.	-57,415,085	11.1%
3	HYPO - LEASING STEIERMARK d.o.o.	-30,297,928	14.9%	3	Erste & Steiermärkische S-Leasing d.o.o.	-56,813,388	11.0%
4	CROATIA LEASING d.o.o.	-18,166,103	8.9%	4	Hypo-Leasing Steiermark d.o.o.	-52,319,286	10.1%
5	IMPULS-LEASING d.o.o.	-8,824,216	4.3%	5	Porsche Leasing d.o.o.	-50,064,447	9.7%
6	Other	-35,044,488	17.2%	6	Other	-124,293,004	24.0%
TOTAL		-203,882,821	100.0%	TOTAL		-516,899,310	100.0%

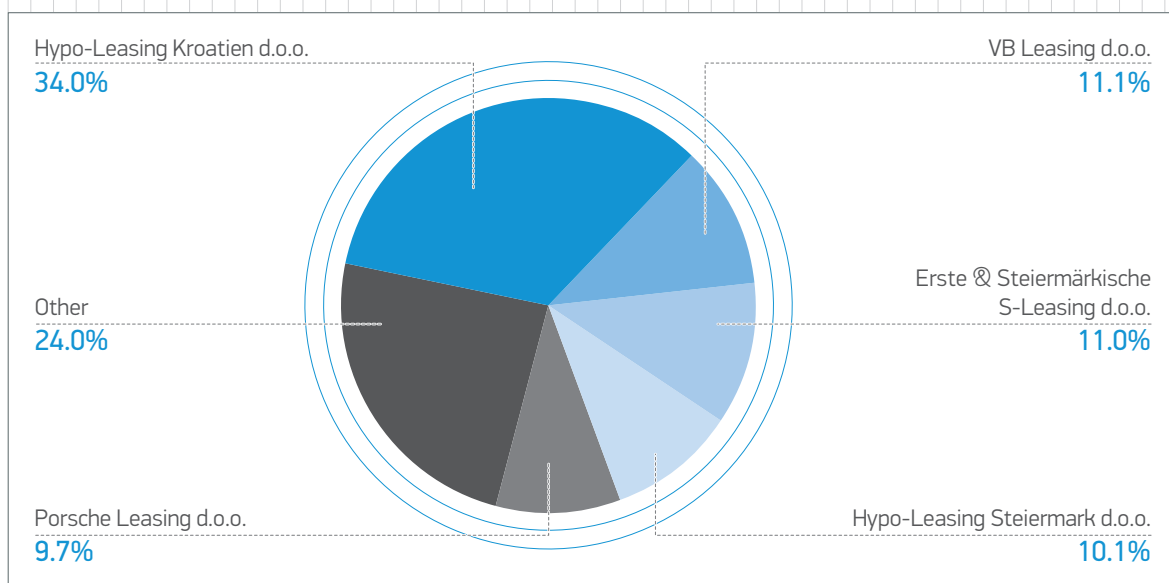
Source: HANFA

Chart 6.15. Overview of the Reported Loss after Taxes of top 5 Leasing Companies in 2008 (in HRK million)



Source: HANFA

Chart 6.16. Structure of the Reported Loss after Taxes of Leasing Companies in 2008 (in %)



Source: HANFA

CONCENTRATION INDICES OF THE LEASING INDUSTRY IN THE REPUBLIC OF CROATIA

For the purpose of measuring market concentration of an industry, the following 2 indicators are most commonly used:

- concentration ratio (CR),
- Herfindahl-Hirschman index (HHI).

HH index is the sum of squares of the individual leasing companies' market shares. It is more complex, but also more accurate indicator of the market ability than concentration ratio. The highest HHI value is 10,000 in case of natural monopoly.

6.14. Estimate of Market Concentration by applying of HHI :

Source: A. Griffiths & S. Wall, "Intermediate Microeconomics", Longman, London and New York, 1996, p. 325.

HHI value	Market concentration
from 0 to 1,000	low
from 1,000 to 1,800	considerable
from 1,800 do 10,000	high

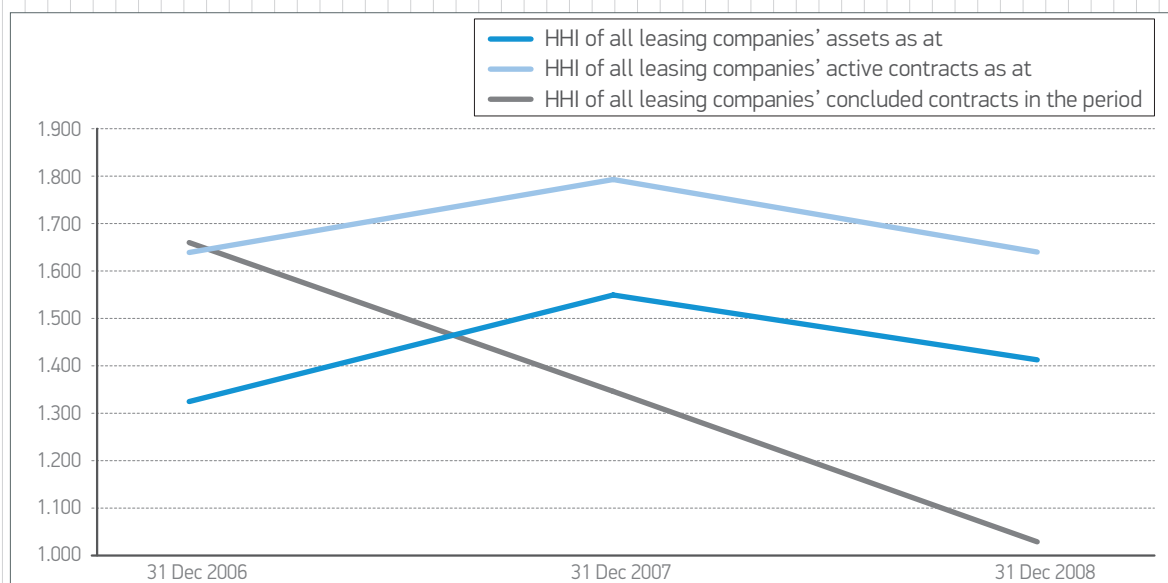
HHI values of the leasing industry in the Republic of Croatia are presented in the following table and chart, and they show the ratio of assets, value/financed value of active and concluded contracts by period.

Table 6.15. HH Values of The Leasing Industry by Periods

HHI type/ Date (period)	31 Dec 2006	31 Dec 2007	31 Dec 2008
HHI of all leasing companies' assets as at	1,325.6	1,551.2	1,414.0
HHI of all leasing companies' active contracts as at	1,641.2	1,795.7	1,642.2
HHI of all leasing companies' concluded contracts in the period from 1 Jan to	1,662,2	1,347,2	1,028,7

Source: HANFA

Chart 6.17. HHI of the Leasing Industry by Periods



Source: HANFA

Market concentration of the leasing industry measured by HHI shows a slight decrease in 2008. One of the reasons for this decrease is increase in share of Unicredit leasing Croatia d.o.o. and Erste & Steiermärkische S-Leasing d.o.o. in the total volume of financing concluded and active contracts, and accordingly to the increase of share of these companies in total assets of the leasing industry in 2008. This caused decrease of the relative share of the largest company Hypo-Leasing Kroatien d.o.o. in total volume of financing of concluded and active contracts, that is, total assets of the leasing industry.

STATIC INDICATORS FOR THE LEASING INDUSTRY

Liquidity Ratios

Current ratio measures liquidity and solvency and indicates the availability of current assets (short-term assets) in relation to current (short-term) liabilities. As at 31 December 2008, the current ratio of the leasing industry was 1.58, showing that the value of short-term assets was by 58% higher than the level of short-term liabilities. The same ratio totalled 1.49 as at 31 December 2007, which points to an improvement in liquidity in 2008. Quick ratio measures the ability of a company to meet its short-term liabilities by using its liquid short-term assets, i.e. cash assets. As at 31 December 2008, the quick ratio of the leasing industry amounted to 0.07, while as at 31 December 2007, it totalled 0.11, which also points to an improvement in short-term liquidity in 2008.

Financial Stability Ratios

Level of coverage I shows the level of self-financing of long-term assets, i.e. financing of long-term assets from own sources. In terms of operational stability it is deemed desirable that the highest possible share of long-term assets be financed from own sources. As at 31 December 2008, this indicator amounted to 0.00, meaning that long-term assets in the leasing industry were completely financed from sources other than own, which testifies to a very low level of self-financing in the leasing activity. The same indicator totalled 0.02 in 2007.

Level of coverage II shows the level of financing of long-term assets from long-term sources³⁹. As at 31 December 2008, this indicator for the leasing industry amounted to 1.07, showing that in the leasing industry the value of equity and long-term liabilities was higher than long-term assets by 7.0%. As at 31 December 2007, this indicator stood at 1.05, implying an increased ability of leasing companies to finance long-term assets from long-term sources in 2008.

Debt Indicators

Self-financing ratio shows the share of own assets in total assets. In terms of indebtedness, the highest possible ratio is deemed desirable. The 0.00 ratio, as at 31 December 2008, at the industry level, shows that the share of own funds in financing of the assets is insignificant, and shows additional impairment in comparison with the same day of the previous year, where this ratio totalled 0.02 (showing that own capital amounts to only 2.0% of total assets).

Debt ratio shows the share of liabilities in total assets, or share of funds other than own in total assets. This ratio totalled 1.00 as at 31 December 2008, showing that leasing companies' assets were almost completely financed by sources other than own (liabilities at the industry level accounted for almost total assets), showing additional impairment in comparison with the same day of the previous year, where this ratio totalled 0.98.

Activity Ratios

Total asset turnover ratio indicates a company's efficiency at using its assets in generating revenue, i.e. how many times a year total assets turn into revenue. The highest possible ratio is deemed desirable. The amount of the ratio totalling 0.43, as at 31 December 2008, means that the amount of the yearly revenue in the leasing industry was lower than total assets by 57.0%, which is approximate value of this ratio as at 31 December 2007 where it amounted to 0.42.

Profitability Ratios

Return on total assets (ROA) is a ratio that measures a company's gross profit against its total assets. It is deemed desirable that this ratio be as higher. As at 31 December 2008, ratio totalling -1.2% is caused by reported loss at the industry level in 2008. This ratio totalled -0.6%, as at 31 December 2007. Negative value testifies to the negative return on total assets, or lack of profitability at the industry level. Additional decrease in profitability of assets in 2008 compared to previous year resulted from increasing reported loss where the assets were simultaneously increased.

Return on Equity (ROE) is a ratio that measures a company's net profit against the shareholder's equity, i.e. it is a calculated rate of return on equity. The highest possible rate is deemed desirable. As at 31 December 2008, this ratio was extremely negative (-631.6%), showing negative return on equity, which was a result of the loss after taxes reported in the whole leasing industry. In other words, reported loss at the leasing industry level in 2008 was 6.3 times higher than value of capital and reserves. The same ratio amounted to -54.6% as at 31 December 2007, which testifies to a significant decrease of the return on equity in 2008.

REGULATORY ACTIVITIES

Legislation and subordinate legislation

Apart from the Leasing Act⁴⁰, which is a basic legal act regulating the establishment and business operations of leasing companies, as well as the supervisory powers of the Agency, there are two subsidiary legal acts applied for the same purposes, namely the Companies Act⁴¹, which regulates additional status issues of leasing companies and the Civil Obligations Act⁴², which regulates contractual obligations of parties not regulated by the Leasing Act. In 2008, additional strengthening of the legal framework for the leasing industry was continued, and in addition to 7 adopted 7 by-laws, the following by-laws were issued: Ordinance amending the Ordinance on the manner of notifying the Croatian Financial Services Supervisory Agency of the disposal of shares or holdings in a leasing company⁴³, Decision on structure and contents of annual financial reports of leasing companies⁴⁴ and Ordinance on contents of the report on statutory changes, changes in the initial capital and investments of leasing companies, and on the manner and time limits for reporting to the Croatian Financial Services Supervisory Agency⁴⁵.

³⁹ It is deemed desirable that fixed assets be fully financed from long-term sources (indicator = 1).

⁴⁰ Official Gazette 135/06

⁴¹ Official Gazette 111/93, 34/99, 118/03, 107/07 and 146/08

⁴² Official Gazette 35/05, 41/08

⁴³ Official Gazette 26/08

⁴⁴ Official Gazette 29/08

⁴⁵ Official Gazette 71/08

All the by-laws based on the Leasing Act are available at the website of the Agency (www.hanfa.hr). Ordinance amending the Ordinance on the manner of notifying the Croatian Financial Services Supervisory Agency of the disposal of shares or holdings in a leasing company simplified the manner of fulfilling obligations of the entities obliged to inform the Agency according to the provisions of the Ordinance. Decision on structure and contents of annual financial reports of leasing companies was issued in accordance with the Leasing Act and the Accounting Act and regulates the structure and contents of the annual financial reports of the leasing companies. Pursuant to the Ordinance on the manner of keeping the Register of leased assets⁴⁶ and Ordinance amending the Ordinance on the manner of keeping the Register of leased assets⁴⁷, in 2008, companies providing leasing services entered information regulated by Article 52, paragraph 2 of the Leasing Act into Register maintained electronically at the Agency's website. Register is maintained as the service for users and Agency is not responsible for accuracy and completeness of entered information. According to the provisions of the Leasing Act, the Agency provides free insight into information on detailed description of leased objects and duration of the leasing contract. This enables transparency and additional security at the leasing industry, and also strengthens trust among the participants at the financial market.

Pursuant to the Ordinance on contents of the report on statutory changes, changes in the initial capital and investments of leasing companies, and on the manner and time limits for reporting to the Croatian Financial Services Supervisory Agency, in 2008, leasing companies submitted reports on facts and circumstances regulated by the Leasing Act and the same Ordinance, in a manner and timeframe regulated by the Ordinance. These reports, among other things, serve to provide the insight into process of forming organisational structure of leasing companies and its subsidiary network, and forming positions at the leasing market.

This enabled Agency to have better overview over leasing market, higher control over business activities and more efficient supervision on leasing companies. Regarding other by-laws, in 2008, the Agency issued 7 opinions regarding applying provisions of the Leasing Act, on the basis of its authorities, either on the request of persons during legal proceedings or request of persons proving their legal interest in the matter. As the Leasing Act entered into effect, the leasing companies were not allowed to give loans or credits, as well as other activities besides finance and operating lease and brokerage while selling, that is, selling assets belonging to leasing company on the basis of leasing activities. In 2007 and 2008, this influenced the financial market, especially leasing where changes in ownership structure of leasing companies and in number of active leasing companies occurred, influencing in the end the whole financial market.

Licensing

According to the information from the Annual Report for 2007, the Agency received 24 reports on alignment from the leasing companies, which on the day of the entry into force of the Leasing Act, were conducting leasing operations and had had leasing activity entered in the court register, and the Agency issued the decisions on approval to conduct leasing activities to 5 companies which aligned their activities with the relevant provisions and provided the Agency with the reports on alignment.

In 2008, the procedure of alignment of leasing companies which on the day of the entry into force of the Leasing Act were conducting leasing operations and had had leasing activity entered in the court register was continued, so the Agency issued the decisions on approval to conduct leasing activities to 13 companies which aligned their activities with the relevant provisions and submitted reports on alignment within the prescribed time-limit (BKS - leasing Croatia d.o.o., Zagreb; Mercedes-Benz Leasing Hrvatska d.o.o., Zagreb; OPTIMA LEASING d.o.o., Zagreb; PRO-Leasing d.o.o., Rijeka; JADRAN JAHTE d.o.o., Zagreb; MULTICONSULT LEASING d.o.o., Zagreb; HYPO-LEASING KROATIEN d.o.o., Zagreb; AUSTROFIN leasing d.o.o., Zagreb; ALD Automotive d.o.o., Zagreb; HYPO - LEASING STEIERMARK d.o.o., Zagreb; Erste & Steiermärkische S-Leasing d.o.o., Zagreb; EUROLEASING d.o.o., Zagreb; S IMMORENT LEASING d.o.o. Zagreb). One application concerning approval for providing leasing services to the company which ended the alignment procedure and submitted the report on alignment within timeframe is being processed. In 2008, 2 companies which submitted their reports on the alignment

⁴⁶ Official Gazette 24/07

⁴⁷ Official Gazette 72/07

with the Act, at the same time submitting their applications to the Agency for the issue of approval to conduct leasing operations, dropped their applications for the issue of approval to conduct leasing operations. (RL-ETA d.o.o. and LOCAT LEASING CROATIA d.o.o.). According to the data from Annual Report for 2007, until 31 December 2007, the Agency received 2 applications for issuing approval to conduct leasing operations by companies who had brought a decision on changing business activities, i.e. decided they would conduct leasing activities, and the Agency issued such approvals.

In 2008, 3 companies, already established as joint-stock companies, submitted their applications for approval to conduct leasing activities (i4next leasing Croatia d.o.o. Zagreb, SG Leasing d.o.o. Zagreb and Immoconsult d.o.o. Zagreb), and at the end of these proceedings the Agency issued approvals for conducting leasing activities. In 2008, the Agency issued 5 decisions approving appointment of the member of the management board of leasing companies. By appointing members of the management board, leasing companies aimed to either change the structure of existing management board, or increase number of the members of the management board. In addition, the Agency issued 3 conclusions on suspension of the procedure due to applicant's withdrawal and 1 decision rejecting the submitted application. Prior to obtaining direct or indirect ownership of business share, stocks or other rights as the basis of obtaining 10% or more in voting rights or capital of a legal person, or less than 10% where influence on ownership over legal person occurs, which is defined as qualified holding by the Leasing Act, as well as for each subsequent obtaining of business shares or stocks acquiring or exceeding 20%, 33% or 50% shares in voting rights or capital of the company, leasing companies must obtain the approval for acquiring qualified holding by the Agency. Natural or legal person intending to obtain the qualified holding acquiring or exceeding 20%, 33% or 50% in voting rights or capital of the leasing company must also receive the approval by the Agency. Until 31 December 2008, the Agency issued the decision approving acquiring qualified holding for 2 companies, conclusion rejecting request by 2 companies, while 1 request for acquiring qualified holding was rejected. In 2008, the Agency also filed 4 indictment prepositions against leasing companies and responsible persons, and one of these served as the basis for Minor Offence Court in Zagreb to issue the offence order.

ON-SITE SUPERVISION OF LEASING COMPANIES' BUSINESS OPERATIONS

Within its scope of authority, in 2008, the Agency performed off-site and on-site supervision of leasing companies' business operations, by analysing and verifying financial reports of leasing company, in order to determine the financial stability of leasing companies and leasing industry as whole, as well as to verify and establish whether leasing companies perform their activities in accordance with the provisions of relevant legislation. On-site supervision of leasing companies' business operations was carried out in accordance with the Act on the Croatian Financial Services Supervisory Agency⁴⁸ and the Leasing Act⁴⁹, and was conducted in order to determine whether leasing companies conduct their operations in accordance with the provisions of the Leasing Act and regulations adopted pursuant to it, i.e. in accordance with other acts regulating leasing companies' business operations and regulations adopted pursuant to them. In 2008, a total of 5 on-site supervisory proceedings in leasing companies initiated in 2007 were ended (Hypo Leasing Steiermark d.o.o., VB leasing d.o.o., Porsche leasing d.o.o., ALD Automotive d.o.o. and RL-ETA d.o.o.), where as a total of 13 on-site supervisory proceedings in leasing companies were initiated. Complete supervisory proceedings in 3 leasing companies (i4next Croatia d.o.o., Central European Credit d.d., Central European Leasing d.d.) ended before the end 2008, supervisory proceedings in one leasing company (Austrofin leasing d.o.o.) ended in beginning of 2009, while others are still in progress (Hypo-Leasing Kroatien d.o.o., Hypo Leasing Steiermark d.o.o., Erste&Steiermarkische S-leasing d.o.o., Probanka Leasing Rijeka d.o.o., S Immorent Leasing d.o.o., S Immorent Leasing Zeta d.o.o., S Immorent Leasing Jota d.o.o., Central European Leasing d.d. and Multiconsult Leasing d.o.o.).

The scope of supervision in 6 leasing companies was risk management in 2007 and in the period from 1 January to 30 March 2008, 30 June 2008, 30 September 2008, i.e. to 30 November 2008. In 5 leasing companies the scope of supervision was complete business activity in 2007, and in the period from

⁴⁸ Official Gazette 140/05

⁴⁹ Official Gazette 135/06

1 January to 30 September 2008, i.e. from 25 October 2007 to the day supervision was performed, whereas in 2 leasing companies the scope of supervision was complete business activity related to the contracts on financial lease of real estate, i.e. complete business activity related to the contracts on financial lease and contracts on operating lease of vehicles. 10 Records on the supervisory proceedings (including leasing companies where on-site supervision proceedings were initiated in 2007) and 1 Record on new business activity review were drawn up by the Agency. Pursuant to the Act on the Croatian Financial Services Supervisory Agency and the Leasing Act, adopted 3 Decisions (including decisions for leasing companies in which on-site supervision proceedings were initiated in 2007), ordering elimination of irregularities and illegalities, and 2 Decisions on amendments to decisions ordering elimination of irregularities and illegalities. The irregularities related to the non-compliance with the provisions of the Leasing Act and related regulation (organisation of business operations and keeping business books, business documentation and other records in a manner which did not enable the verification of whether the companies operated in accordance with the regulations and professional standards; they related to the non-existence of detailed policies and procedures for identifying, measuring and monitoring credit and operational risks; and they also related to the provision of leasing activities contrary to the Leasing Act; content and form of the operating and financial lease contracts; non-implementation of chart of accounts for leasing companies), and for non-compliance with the provisions of the Accounting Act and International Financial Reporting Standards (incorrect valuation of balance sheet items, i.e. depreciation of assets leased under operating lease, impairment of the value of financial assets; investment in shares and investment funds; division of income and outcome and one-time-basis fee, exchange rate differences as well as preparation and publication of financial reports). On the basis of findings from on-site supervisory proceedings in the course of which the Agency identified activities that were contrary to the provisions of the Accounting Act and the Leasing Act, the Agency filed 6 misdemeanour charges against those leasing companies and against responsible persons in the legal entity. In 2008, the Agency issued 7 Decisions related to performed off-site supervisory proceedings and filed 6 indictment prepositions related to the activities that were contrary to the provisions of the Leasing Act, concerning submitting of audited financial reports, compiling consolidated financial reports and acquiring qualified holdings in other legal person.

METHODOLOGICAL REMARKS AND ACCURACY OF THE DATA

In the period from 1 January 2003 to 31 December 2005, statistical data for leasing companies were collected by the Croatian National Bank, whereas the data on financial operations of leasing companies and the portfolio structure have been systematically collected by the Agency through TMSI-LD forms since 2006. The analysis of data by periods was made on the basis of unaudited financial reports and statistical data collected from leasing companies through TMSI-LD form (for 26 companies in 2008 and 25 companies in 2007). However, for the chapter Static Indicators for the Leasing Industry, in 2008, for the purpose of comparison data collected from the same 26 companies were used for the analysis of the year 2007, on the basis of submitted data in 2008 for the previous year.

Data reported for 2007 differ in Annual Reports of the Agency for 2007 and 2008, as a result of the application of the provisions of the Accounting Act⁵⁰, Leasing Act⁵¹, International Financial Reporting Standards by leasing companies, and as a result of the actions undertaken by the companies in accordance with records on supervision conducted. A part of leasing companies included in the analysis as of 31 December 2007 and 31 December 2008 failed to submit all data requested in TMSI-LD forms, first of all data on portfolio structure according to the original maturity, sectors, activities and the size of transactor. The reasons for incomplete and inaccurate data vary: from programme limitations which could not be resolved and adjusted for reporting purposes to differences in methods of publishing separate balance sheet items, since a uniform chart of account for leasing companies has been applicable only since 1 January 2008.

⁵⁰ Official Gazette 146/05

⁵¹ Official Gazette 135/06



FACTORING

07 FACTORING

Competence of the Agency for supervising the activities of the factoring companies is laid out in the Act on Croatian Financial Services Supervisory Agency⁵², while the means of business activities is defined by the Accounting Act⁵³, Anti Money-Laudry and Terrorism Financing Law⁵⁴, as well as other laws and by-laws regulating business activities of business entities in Republic of Croatia. Factoring services started growing more rapidly in 2003 through specialised factoring companies.

Factoring operations in the Republic of Croatia may be divided into domestic, export and import factoring. In terms of recourse, factoring is divided into recourse factoring (“non-standard” factoring) and non-recourse factoring (“standard” factoring). According to the data submitted by factoring companies, the market in the Republic of Croatia is dominated by domestic factoring (93.4% of total factored receivables), with accounts receivable purchased being invoices of buyers in the Republic of Croatia, and with the factor being entitled to the collection of payments from invoice sellers in the event that debtors become insolvent (recourse factoring, with 74.4% of total factored receivables).

According to the Statistical Report for Factoring Companies submitted to the Agency, as at 31 December 2008, 13 companies were actively providing the factoring services, while at 31 December 2007 these activities were provided by 10 companies⁵⁵, showing the continuation of trend of increase in number of factoring companies. Out of 13 active companies, 4 companies were in direct ownership of non-residents⁵⁶, whereas 9 companies were in the ownership of residents⁵⁷. 12 companies were organised as limited liabilities companies, whereas 1 company was organised as a joint-stock company. As at 31 December 2007, factoring companies had a total of 141 employees. The factoring market is highly concentrated in the Republic of Croatia due to the fact that the company with the highest assets (Erste factoring d.o.o.) accounted for 61.8% of the total assets of factoring companies, whereas the top two companies owning the highest assets (Erste factoring d.o.o. and Prvi faktor d.o.o.) made up 81.3% of total assets. The top 5 companies with the highest assets accounted for 98.3% of total assets.

Table 7.1. Comparative Overview of Assets of 5 Factoring Companies with the Highest Share in Assets (in HRK)

No.	Company	31 Dec 2007	Share	31 Dec 2008	Share	Index 2008/2007
1	Erste factoring d.o.o.	2,564,297,616	61.0%	3,917,854,342	61.8%	152.8
2	Prvi faktor d.o.o.	1,165,534,671	27.7%	1,240,938,911	19.6%	106.5
3	Raiffeisen factoring d.o.o.	132,694,086	3.2%	612,440,721	9.7%	461.5
4	Adriatic Zagreb d.o.o.	175,243,341	4.2%	246,696,393	3.9%	140.8
5	Croatia factoring d.o.o.	90,083,711	2.1%	214,200,833	3.4%	237.8
6	Other companies	77,310,180	1.8%	110,157,198	1.7%	143.3
TOTAL		4,205,163,605	100.0%	6,342,888,399	100.0%	150.8

Source: HANFA

⁵² Official Gazette. 140/05

⁵³ Official Gazette 109/07

⁵⁴ Official Gazette 87/08

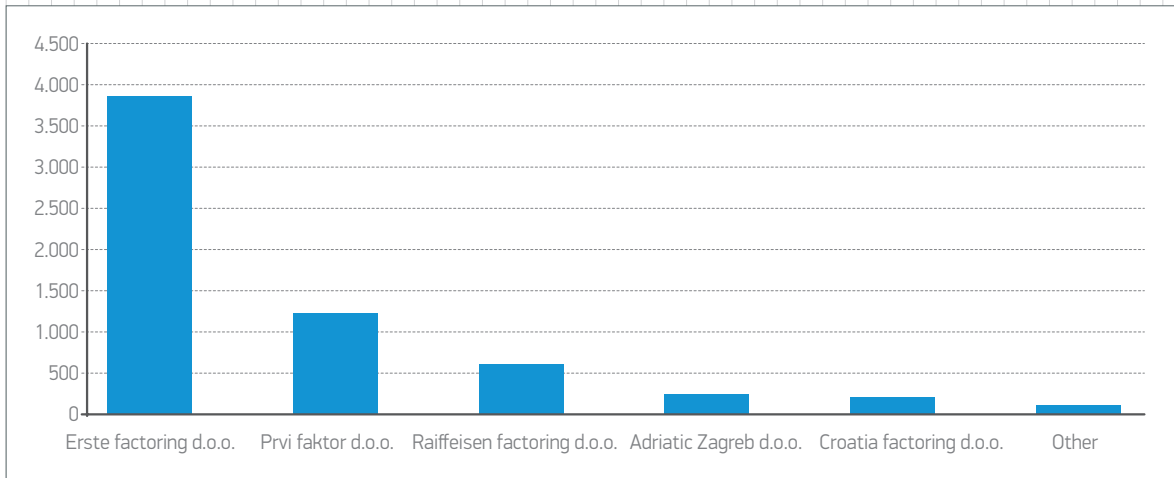
⁵⁵ In the Annual Report of the Agency for 2007 the information on 12 active factoring companies was provided. However, two companies submitted their reports afterwards, and according to these reports, these companies did not provide factoring services, so comparative data for 2007 in the continuation of the analysis differ from those in the Annual Report of the Agency for 2007.

⁵⁶ According to the provisions of the Income Tax Act (Official Gazette 177/04, 90/05 and 57/06), a non-resident is a natural person who does not meet one of the conditions set out in the Article 3, paragraph 1 of the Income Tax Act.

⁵⁷ According to the provisions of the Article 3, paragraph 1 of the Income Tax Act (Official Gazette 177/04, 90/05 and 57/06), a resident is a natural and a legal person with residence entered into court or other register or other files in the Republic of Croatia, or whose actual head office and supervision authority is in Republic of Croatia; residents are also natural persons with domicile or habitual residence in the Republic of Croatia, and whose business activities are entered into register.

FACTORING

Chart 7.1. Assets by Companies as at 31 December 2008 (in HRK million)

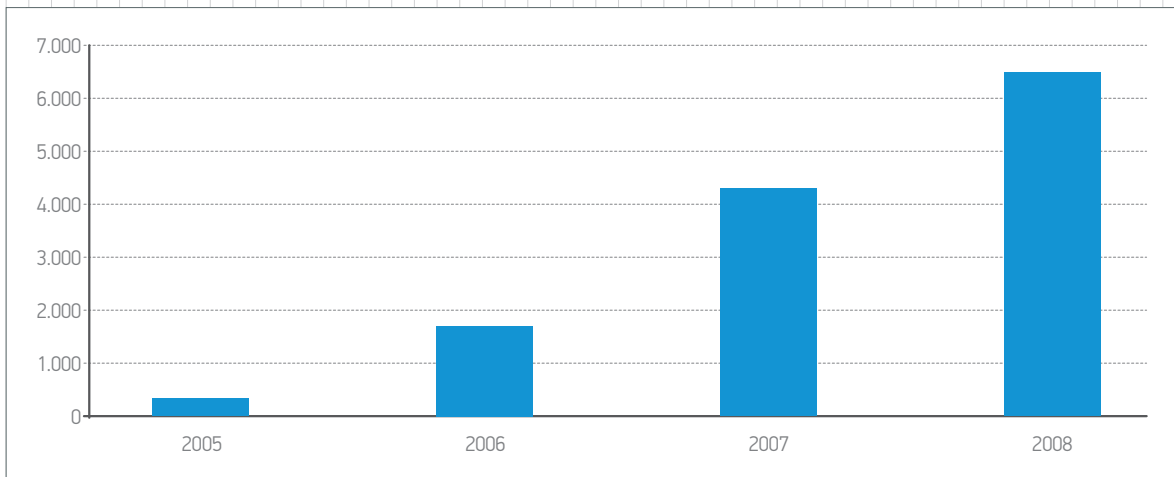


Source: HANFA

ASSET STRUCTURE

The total assets of all factoring companies were HRK 6.3 billion at 31 December 2008, which is an increase of 50.8% when compared with their balance as at 31 December 2007 when they amounted to HRK 4.2 billion. Increase in assets in 2008 compared to 2005 (when the Agency collected the first data on assets of factoring companies) is 1,810.50%.

Chart 7.2. Total assets of Factoring Companies 2005-2008 (in HRK billion)



Source: HANFA

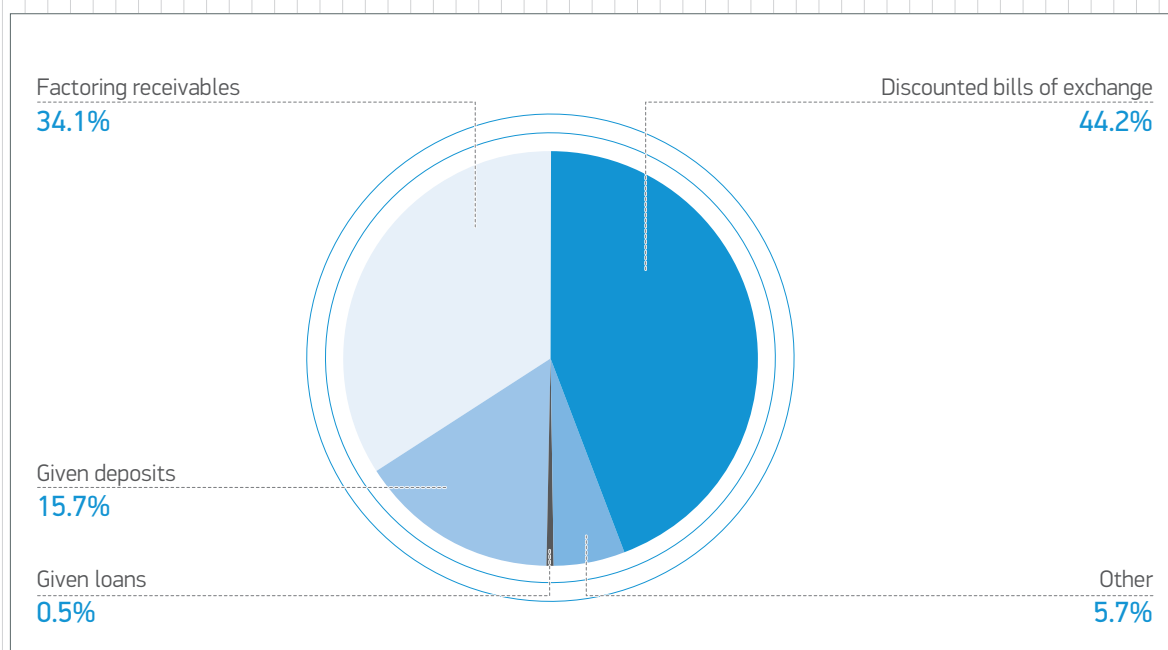
Table 7.2. Comparative Overview of Factoring at 31 December 2007 and 31 December 2008 (in HRK)

Description	31 Dec 2007	Share	31 Dec 2008	Share	Dynamics 2008/2007
RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID	255,000	0.0%	0	0.0%	0
LONG-TERM ASSETS	5,214,128	0.1%	5,200,032	0.1%	99.7
SHORT-TERM ASSETS	4,193,965,621	99.7%	6,328,025,335	99.8%	150.9
Factoring receivables	1,430,414,189	34.0%	2,162,889,861	34.1%	151.2
Domestic factoring	1,308,937,550	31.1%	2,019,527,247	31.8%	154.3
Export factoring	41,101,709	1.0%	44,329,438	0.7%	105.3
Import factoring	79,374,930	1.9%	99,033,176	1.6%	124.8
Discounted bills of exchange	1,698,416,287	40.4%	2,801,022,358	44.2%	164.9
Given loans	61,216,237	1.5%	30,153,396	0.5%	49.3
Given deposits	897,033,940	21.3%	998,095,515	15.7%	111.3
Cash with bank and in hand	70,258,697	1.7%	57,782,846	0.9%	82.2
Other short-term assets	36,626,271	0.9%	278,081,358	4.4%	759.2
PREPAYMENTS AND ACCRUED INCOME	5,728,856	0.1%	9,662,762	0.2%	168.7
TOTAL ASSETS	4,205,163,605	100.0%	6,342,888,399	100.0%	150.8

Source: HANFA

In total assets, as at 31 December 2008, the highest share (44.2%) accounts for receivables for discount bills in amount of HRK 2.8 billion, presenting increase in 64.9%. Receivables for factoring activities present 34.1% of total assets and increased for 51.2% to HRK 2.2 billion compared to 2007. Receivables related to factoring mostly refer to domestic factoring which is 54.3% higher and equals HRK 2.0 billion compared to 2007. Factoring companies have significant share of assets as deposits in banks, as these account for 15.7% of assets and are increased by 11.3% to HRK 1.0 billion compared to previous years. Given loans accounted for 0.5% of total assets and decreased by 50.7% to HRK 30.2 million.

Chart 7.3: Structure of Factoring Companies' Assets as at 31 December 2008 (in %)



Source: HANFA

LIABILITIES STRUCTURE

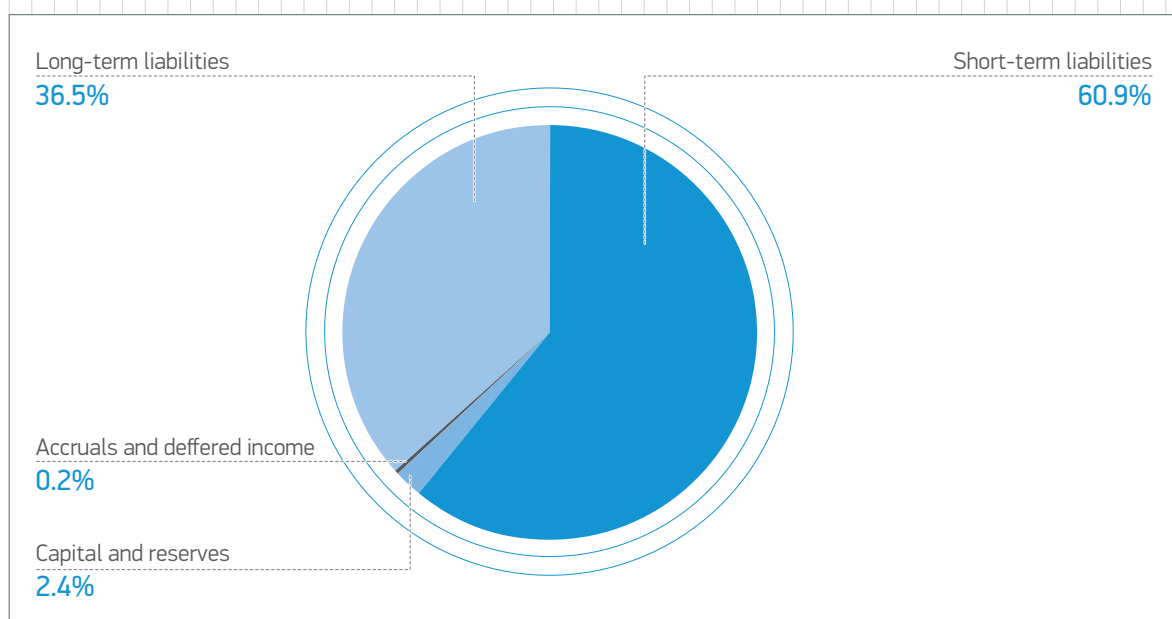
Table 7.3. Comparative Overview of Liabilities for Factoring Activities at 31 December 2007 and 31 December 2008 (in HRK)

Description	31 Dec 2007	Share	31 Dec 2008	Share	Dynamics 2008/2007
CAPITAL AND RESERVES	91,453,568	2.2%	150,461,956	2.4%	164.5
LONG-TERM LIABILITIES	1,101,983,265	26.2%	2,316,867,771	36.5%	210.2
Domestic banks and financial institutions loans	799,741	0.0%	21,998	0.0%	2.8
Foreign banks and financial institutions loans	1,101,116,679	26.2%	2,303,044,350	36.3%	209.2
Other long-term liabilities	66,845	0.0%	13,801,423	0.2%	20,646.9
SHORT-TERM LIABILITIES	3,006,177,860	71.5%	3,860,997,947	60.9%	128.4
Domestic banks and financial institutions loans	306,345,413	7.3%	251,120,627	4.0%	82.0
Foreign banks and financial institutions loans	2,566,275,548	61.0%	3,473,819,506	54.8%	135.4
Other short-term liabilities	133,556,899	3.2%	136,057,814	2.1%	101.9
ACCRUALS AND DEFERRED INCOME	5,548,912	0.1%	14,560,725	0.2%	262.4
TOTAL LIABILITIES	4,205,163,605	100.0%	6,342,888,399	100.0%	150.8

Source: HANFA

The assets of factoring companies are mostly financed by loans from foreign banks and financial institutions (91.1% of total liabilities). Within the liabilities' structure, as at 31 December 2008, the largest share (60.9 %) referred to short-term liabilities which increased by 28.4% to HRK 3.9 billion, as compared to 2007. Short-term liabilities for the most part consist of liabilities related to foreign banks and financial institutions loans, and these increased by 35.4% and amounted to HRK 3.5 billion, as compared to 2007. The next are long-term liabilities with the share in liabilities of 36.5%, and these increased by 110.2% to HRK 2.3 billion, as compared to 2007. Long-term liabilities almost completely consist of liabilities related to foreign banks and financial institutions loans, and these increased by 109.2% and amount to HRK 2.3 billion, as compared to 2007. Capital and reserves comprise 2.4% of liabilities and increased by 64.5% to HRK 150.5 million, as compared to previous year.

Chart 7.4. Structure of Liabilities of Factoring Companies at 31 December 2008 (in %)



Source: HANFA

FINANCIAL RESULTS OF THE BUSINESS ACTIVITIES

In the period from 1 January to 31 December 2008, total income of factoring companies amounted to HRK 881.1 million, while total expenses amounted to HRK 791.7 million. All of the factoring companies have ended the business year 2008 with the positive result and reported profit after taxation in total amount of HRK 67.9 million. In 2007, realised income was HRK 37.5 million, so income resulting from the factoring activities increased by 81.2%. In this period, the largest share in total income was made up from other business income with 49.5% of total income, and this income mostly relates to positive exchange rate differences. Interest income based in discounted bills of exchange made up 19.4% of total income, and interest income based on factoring operations made up 16.5% of total income. At the same time, the largest share in total expenses was made up from other business expenses with 51.4% of total income, and these expenses mostly relate to negative exchange rate differences. Interest expenses based on loans from foreign banks and financial institutions made up 30.0%, and value adjustment costs for impairment losses made up 4.9% of total business expenses.

Table 7.4. Comparative Overview of Profit and Loss Account of Factoring Activities in 2007 and 2008 (in HRK)

Description	1 Jan - 31 Dec 2007	1 Jan - 31 Dec 2008	Dynamics 2008/2007
INCOME FROM INTEREST	177,491,533	381,740,706	215.1
Income from interest- factoring	98,544,471	145,361,442	147.5
Domestic factoring	91,867,463	134,029,243	145.9
Export factoring	2,555,709	3,067,207	120.0
Import factoring	4,121,300	8,264,992	200.5
Income from interest- discounted bills of exchange	44,053,860	171,393,590	389.1
Income from interest- given loans	2,804,730	1,237,639	44.1
Income from interest- given deposits	29,770,768	44,171,016	148.4
Other income from interest	2,317,704	19,576,020	844.6
EXPENSES FROM INTEREST	125,049,071	266,937,995	213.5
Expenses from interest- domestic banks and financial institutions	13,365,139	27,549,628	206.1
Expenses from interest- foreign banks and financial institutions	107,026,616	237,429,695	221.8
Other expenses from interest	4,657,315	1,958,672	42.1
INTEREST BASED PROFIT/LOSS	52,442,462	114,802,711	218.9
INCOME FROM FEES AND COMMISSIONS	33,155,573	63,315,143	191.0
EXPENSES RELATED TO FEES AND COMMISSIONS	9,641,861	28,140,496	291.9
PROFIT/LOSS RELATED TO FEES AND COMMISSIONS	24,513,711	35,174,648	149.6
OTHER BUSINESS INCOME	85,735,154	436,095,958	508.7
OTHER BUSINESS OUTCOME	115,635,973	496,577,709	429.4
Services costs	15,995,769	23,898,073	149.4
Staff costs	17,699,494	27,439,172	155.0
Value adjustment costs for impairment losses	19,546,862	38,409,710	196.5
Other business costs	62,393,848	406,908,234	652.2
PROFIT/LOSS FROM OTHER OUTCOME/INCOME	-29,900,819	-60,481,751	202.3
PROFIT/LOSS BEFORE INCOME TAX	46,055,354	89,495,608	194.3
Income tax	8,550,819	21,605,978	252.7
PROFIT/LOSS AFTER INCOME TAX	37,504,535	67,889,630	181.0

Source: HANFA

Compared to 2007, net profit from interest increased by 118.9% to HRK 114.8 million, while income from fees and commissions increased by 49.6% and amounted to HRK 35.2 million. At the same time, the loss from other income and outcome was realised in amount of HRK 60.5 million, which is 102.3% more than in 2007. This increase in loss mostly results from increase in other business costs by 552.2% to amount of HRK 406.9 million.

Table 7.5. Overview of Factoring Companies with Highest Share in Profit in 2008 (in HRK)

No.	Factoring Company	Profit after tax	Share
1	Erste factoring d.o.o.	43,021,146	63.4%
2	Prvi faktor d.o.o	16,808,524	24.8%
3	Adriatic Zagreb d.o.o.	3,551,975	5.2%
4	Croatia factoring d.o.o.	1,117,958	1.6%
5	FTC usluge d.o.o.	1,087,656	1.6%
6	Other (8 factoring companies)	2,303,372	3.4%
TOTAL		67,889,630	100.0%

Source: HANFA

In the total factoring activities' income, Erste factoring d.o.o. had 63.4% of total share, the share of Prvi faktor d.o.o. amounted to 24.8%, while the share of Adriatic Zagreb d.o.o. was 5.2%. These 3 companies comprise 93.4% of total income of factoring activities. Other 10 factoring companies comprise total 6.6%, while individual shares of these companies in the factoring activities' income is lower than 2.0%.

THE VOLUME OF TRANSACTIONS

The volume of transactions presents the cumulative amount of repurchased invoices at factoring activities, and cumulative amount of discounted bills of exchange in the period 1 January- 31 December 2008.

In the period 1 January – 31 December 2008, factoring companies repurchased the invoices on the basis of factoring in the amount of HRK 6.4 billion, while at the same time the amount repurchased on the basis of discounted bills of exchange was HRK 6.1 billion.

BUSINESS INDICATORS FOR THE FACTORING INDUSTRY

Liquidity Ratios

Current ratio measures liquidity and solvency and indicates the availability of current assets (short-term assets) in relation to current (short-term) liabilities. As at 31 December 2008, the current ratio 1.64, showing that the value of short-term assets was by 64% higher than the level of short-term liabilities. The same ratio totalled 1.40 as at 31 December 2007, which points to an improvement in liquidity in 2008.

Quick ratio measures the ability of a company to meet its short-term liabilities by using its liquid short-term assets. As at 31 December 2008, the quick ratio amounted to 0.01, while at 31 December 2007 it totalled 0.02, which points to a deterioration in short-term liquidity in 2008.

Debt Indicators

Self-financing ratio shows the share of own assets in total assets, and as at 31 December 2008 it amounted to 0.024, showing that the assets of factoring companies was financed with 2.4% of own capital. This ratio was 0.022 at 31 December 2007, and it shows that self-financing was increased in 2008.

Debt ratio shows the share of liabilities in total assets, and it 0.976 as at 31 December 2008, showing that factoring companies' assets were financed with 97.6% of total liabilities. The ratio totalled 0.978 as at 31 December 2007, showing decrease in financing with funds other than own in 2008.

Profitability Ratios

Return on total assets (ROA) is a ratio that measures a company's gross profit against its total assets, and it totalled 1.41%, as at 31 December 2008. This ratio totalled 1.10% as at 31 December 2007, showing increase in return on total assets in 2008.

Return on Equity (ROE) is a ratio that measures a company's net profit against the shareholder's equity, i.e. it is a calculated rate of return on equity, and it totalled 45.12% as at 31 December 2008. The same ratio amounted to 41.01%, as at 31 December 2007, which testifies to an increase in the return on equity in 2008.



**COOPERATION
AND CUSTOMER
PROTECTION**

08 COOPERATION AND CUSTOMER PROTECTION

COOPERATION WITH CROATIAN AND FOREIGN SUPERVISORY AND REGULATORY BODIES AND INTERNATIONAL ORGANISATIONS

According to the Agreement on Cooperation from 2006, the Agency is continuously cooperating with the Croatian National Bank. Cooperation relates to the exchange of information, cooperation while performing supervisory activities and coordination in the field of preparing new legislation. The Agency also cooperated in 2008 with other Croatian institutions, especially with the Ministry of Finance, Ministry of Foreign Affairs and European Integration, Ministry of Interior, Ministry of Economy, Labour and Entrepreneurship, Ministry of Health and Social Welfare, State Attorney's Office and Croatian Competition Agency.

Having recognised an increased international activity on capital and insurance markets as well as the need for mutual cooperation between the relevant supervisory bodies with the purpose of enhancing the effectiveness in enforcement of laws falling within their competence, the Agency signed a number of Memorandums of Understanding:

- in the field of supervision of insurance: with Austrian Ministry of Finance and FMA (Austrian Financial Market Authority),
- in the field of supervision of insurance and pension funds: with Central Banking Authority of Kosovo,
- in the field of supervision of financial services: with BaFin (German Federal Financial Supervisory Authority),
- in the field of supervision of capital markets: with Securities Commission of Brčko District of Bosnia and Herzegovina.

During 2008, the Agency maintained steady contacts and cooperation regarding numerous issues both with supervisory authorities with which the Agency has signed a Memorandum of Understanding as well as with other similar foreign institutions. The initiative to sign the Memorandum of Understanding with CONSOB (Italian Supervisory Authority) was also launched.

The Agency is a member of IOSCO (International Organization of Securities Commissions). The Agency is at the same time an active member of the Emerging Markets Committee and the European Regional Committee within IOSCO. In 2008, the Agency submitted an application with intent to become a signatory of Multilateral Memorandum of Understanding. Signing this Memorandum would improve the exchange of information concerning supervision of capital markets with other signatories. The Agency is also a member of The Capital Market Regulatory and Supervisory Consultative Group, which was established on 30 May 2001 in Warsaw, and has a current membership of twenty supervisory bodies of the countries in the region. During 2008, the Deputy President of the Agency's Management Board took over the presidency of the Group and the Agency took over the duty of maintaining its website. The Agency is also member of IAIS (International Association of Insurance Supervisors).

PREVENTION OF MONEY-LAUNDRY AND TERRORISM FINANCING

The Agency was actively involved in preparation of the Action Plan Against Money-Laudry and Terrorism Financing, foreseeing 150 activities (development and alignment of existing anti-money laundry and terrorism financing system with those of relevant international standards) for 11 institutions, including the Agency. Twice a year, the report on current state in the field of anti-money laundry and terrorism financing shall be submitted to the Government of the Republic of Croatia. On its session held on 31 January 2008, the Government of Republic of Croatia adopted the Action Plan. The representative of the Agency was a member of the Croatian delegation during discussions on prevention of money laundry and financing of terrorism in the Republic of Croatia at the 26th Plenary Meeting of Moneyval (Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism), which was held on 10 April 2008. In accordance with the provisions of new Anti-money Laundry and Terrorism Financing Law which entered into force on 1 January 2009, in December 2008 the Agency organised education for its supervised entities in order to introduce new obligations arising from the provisions of this law.

ACTIVITIES OF THE AGENCY RELATED TO THE NEGOTIATIONS ON THE ACCESSION TO THE EUROPEAN UNION

The Agency continued to participate in the negotiating process for the accession to the European Union, and was largely involved in three chapters, namely:

- Chapter 4 – Free Movement of Capital,
- Chapter 6 – Company Law and
- Chapter 9 – Financial Services.

With respect to Chapter 9 – Financial Services, during 2008 the Agency prepared new Capital Market Act and accompanying by-laws, in order to align the Croatian legislation with EU directives concerning capital market participants. The Agency also participated in the preparation of Act on Amendments to the Insurance Act and National Programme for the Integration of the Republic of Croatia into the European Union for 2009. In accordance with the Programme, the Agency took the responsibility to adopt by-laws related to the Capital Market Act, as its entry into force is also subject to alignment with the EU regulations.

After participating in the drafting of the document named Self-Assessment Report for Drafting the Regular Report of the European Commission on Croatia's Progress towards Accession to the European Union (Self Assessment Report), the Agency's employees also participated in the drafting of Follow-up Self-Assessment Report for 2008. The Agency also took part in activities and in the preparation of materials for the meetings of the Sub-Committee on Economic and Financial Affairs and Statistics, held on 3 July 2008 in Zagreb, and the Sub-Committee on Internal Market and Competition held in Zagreb on 14 May 2008, in accordance with Stabilisation and Association Agreement between European Communities and their Member States and the Republic of Croatia.

EDUCATIONAL PROGRAMME

In the first half of 2008, the Agency launched the educational campaign titled “Imate pravo znati” (You Have A Right To Know). The aim of the campaign was to educate small investors on their rights and obligations, as well as to inform financial experts on changes related to the new Capital Market Act.

The campaign was realised through few different means:

TV ads - two TV ads with the topic Funds and Capital Markets were produced and aired all year round on both national television (HTV) channels.

Educational reports in TV shows “Dobro jutro Hrvatska” and “Hrvatska uživo”- in the period from June to September 2008, the Agency’s employees were guests in TV shows “Dobro jutro Hrvatska” and “Hrvatska uživo” once a week, providing answers and explaining certain issues. The following topics were covered: Capital Market, Client Classification, Stock Exchange, Investment Funds, Market Abuse, IPO, Authorised Companies, Insurance.

Radio shows - the campaign was conducted by same principles by radio, during show “Poslovni tjedan”, aired at Hrvatski radio, Channel 1.

In the second half of the year, the Agency’s website was refreshed and redesigned, so the campaign was also continued on the front page. Users had the opportunity to simply and efficiently obtain basic information. Web campaign information was linked to TV and radio shows and were upgraded and amended as needed. In addition, with the aim to inform the public and improve transparency, the Agency started to publish journalists’ inquiries and the Agency’s answers.

With the purpose to increase the level of financial education, the Agency published an educational brochure “Novo tržište kapitala” (New Capital Market) and also made it available for download at its website. The Agency also started to publish the quarterly bulletin. The bulletin is available at the Agency’s website, and provides insight into financial sector, analysis and additional information concerning scope of work and authorities of the Agency.

In addition to the educational campaign aimed primarily at small investors, the Agency initiated the additional education of the participants at the financial market and expert public. With this aim, the representatives of the Agency held a number of lectures where the provisions of new legislation were presented to lawyers, public notaries, judges, police officers, journalists etc.

CONSUMER PROTECTION

The Agency receives complaints submitted by consumers related to the provisions of the acts falling within the scope of activity and competence of the Agency as well as the Consumer Protection Act. The Agency also actively educates the users of financial services in order to raise the level of information needed to bring decisions on certain financial services. The Agency is also actively involved in the activities of the National Consumer Protection Council.

During 2008, the Agency cooperated with the representatives of the World Bank while drafting a document on Consumer Protection and Financial Literacy in the Republic of Croatia.

In 2008, the Agency received a total of 19 consumer's complaints about business operations of entities supervised by the Agency, and 1 inquiry addressed to the Agency relating to the provision of information from the scope of activity of the Agency, for the purpose of consumer protection.

Table 8.1. Structure of Consumers' Complaints

SUPERVISED ENTITY	NUMBER OF COMPLAINTS
Jadransko osiguranje d.d.	4
Croatia osiguranje d.d.	3
Addenda usluge d.o.o. u likvidaciji	2
Agram životno osiguranje d.d.	2
Triglav osiguranje d.d.	2
Euroherc osiguranje d.d.	1
Kvarner Vienna Insurance Group d.d.	1
Generali osiguranje d.d.	1
Grawe Hrvatska d.d.	1
Comspolitan life d.d.	1
Hrvatski ured za osiguranje	1

Source: HANFA

EMPLOYEE EDUCATION

The Agency continuously performs activities concerning education of its employees, so they participate in various seminars, workshops and conferences related to the financial sector. In 2008, the Agency's employees participated in the following seminars:

- Capital Markets, Regulation and Compliance: Systems and Controls, London, UK
- Programme in Compliance and Regulation, Stockholm, Sweden
- 33rd Annual OICV-IOSCO Conference, Paris, France
- Hrvatsko novčano tržište, Opatija
- An Enterprise Odyssey – Governance and Entrepreneurship, Cavtat
- Enforcement Aspects of Takeover Regulations, Istanbul, Turkey
- Capital Market Regulatory and Supervisory Consultative Group, Beograd, Serbia
- IOSCO Emerging Market Committee Meeting, Marrakech, Morocco
- 10th International Conference of Zagreb Stock Exchange, Novigrad
- European Pension Funds Congress, Frankfurt, Germany
- FSA Annual International Seminar – Supporting Financial Stability, London, UK
- Amendments to Directive on Consumer Credits, Zagreb
- Internal Audit- Expert Education, Zagreb
- VI3, Installation and configuration, Vienna, Austria
- Study tour – Focus on Current STG Storage, Boston, USA
- Study tour IBM, Las Vegas, USA
- Working meeting on draft of Capital Market Act, Frankfurt, Germany
- Global Corporate Governance Forum, Bruxelles, Belgium
- Interest, General Proceedings and Damage Repayments, Statute of Limitations according to the new legislation , Zagreb
- Lawyers' Workshop Opatija
- Croatian Insurance Days 2008, Opatija
- Lessors in Central, Eastern and South-Eastern Europe, Sofia, Bulgaria
- Workshop on Anti-money Laundry and Terrorism Financing, Zagreb
- Solvency II, Zagreb
- Seminar on Cooperation and Exchange of Information between Securities Regulators, International Institute for Securities Market Development, Washington D.C. USA
- Regional Securities Program, Sofia, Bulgaria
- Financial Reports of Investment Funds, Zagreb
- Transition and After-transition in the Former Yugoslavia Region, Miločer, Montenegro
- Financial Risk in Changing World, Rome, Italy
- Capital Market Development Enforcement and Oversight Training Program, Istanbul, Turkey
- 2nd International Conference: "Portfolio Management and Capital Market", Dubrovnik
- Reviewing Market Abuse Regime, Bruxelles, Belgium
- Actuarial Modelling of Unit Linked Insurance Policies, Zagreb
- Exchange Rate Differences, Zagreb
- Technical and Fundamental Analysis of Capital Markets, Zagreb
- Risk Management for Actuaries, Ljubljana, Slovenia
- ARROW – Risk Based Regulation Foundation Level, London, United Kingdom
- Finance and Accounting Within the Croatian Economy, Pula
- EU Membership Impact on Capital Markets in South-eastern Europe, Sofia, Bulgaria
- GLMs and their extensions, with application in actuarial science, Zurich, Switzerland
- Moneyval, Strasbourg, France
- EU Alphabet, Zagreb



**FINANCIAL
REPORT OF THE
AGENCY**

09 FINANCIAL REPORT OF THE AGENCY

According to the provision of Article 20 of the Act on Croatian Financial Services Supervisory Agency⁵⁸, the Agency can be financed: by the State Budget, by fees from assets and revenue of supervised entities, and by fees charged for services provided from the Agency's scope of activity. In 2008, the Agency was financed by fees charged for services provided and by fees from assets and revenue of supervised entities. The Agency did not make use of the State budget funds to finance its operations. In 2008, the Agency recorded an income to the amount of HRK 32.1 million, most of which (HRK 31.0 million) was generated through fees from assets and revenue of supervised entities and fees for services provided from the Agency's scope of activity. Total expenses amounted to HRK 34.6 million, out of which gross salaries for the employees accounted for 72.3 %, and the remaining expenses for 27.7%. The type and amount of fees constituting the Agency's income and supervised entities' obligation are regulated by the Ordinance on the calculation, amount and charging of fees paid to the Croatian Financial Services Supervisory Agency for 2008⁵⁹ and Ordinance on the type and amount of fees and administrative charges of the Croatian Financial Services Supervisory Agency⁶⁰. These ordinances were adopted based on Article 20 of the Act on Croatian Financial Services Supervisory Agency. As at 31 December 2008, the total assets of the Agency amounted to HRK 28.9 million, with long-term assets totalling HRK 6.1 million, and short-term assets totalling HRK 22.8 million. In 2008 the Agency' operations were financed exclusively by fees from assets and revenue of supervised entities. As at 31 December 2008, the liabilities were presented in amount of 2.1 million HRK, and they refer mostly to calculated salaries and contributions for staff, and to obligations towards creditors to small extent.

Table 9.1: Balance Sheet of the Agency for 2008 (in HRK)

ASSETS	
Fixed assets	6,134,605
Short-term assets	22,800,337
TOTAL ASSETS	28,934,942
LIABILITIES	
Sources of financing	26,828,604
Liabilities	2,106,338
TOTAL LIABILITIES	28,934,942

Source: HANFA

Table 9.2: Income and Expenditure Account of the Agency for 2008 (in HRK)

INCOME	32,123,440
Income form memeberhips and fees	31,061,530
Other income	1,061,910
EXPENDITURE	34,634,095
Material costs and depreciation	9,471,833
Staff costs	25,025,919
Other expenses	136,343
EXPENDITURE OVER INCOME	2,510,655

Source: HANFA

In accordance with the presented figures, the Management Board of the Agency brought the decision stating that the deficiency of income in amount of 2.5 million HRK, in relation to the expenditures in the current year, shall be made up from the balance of the funds of the former time period when the surplus of income over expenditures was realised.

⁵⁸ Official Gazette 140/05

⁵⁹ Official Gazette 14/07

⁶⁰ Official Gazette 45/06 and 11/07



10 APPENDIX

STATISTICAL OVERVIEW

Table A1: Number of Investment Funds (end of period)

	2004.	2005.	2006.	2007.	2008.
Open-end investment funds	41	56	72	100	126
- with public offering	41	56	62	83	98
Cash	12	13	15	15	17
Bond	10	15	14	14	14
Balanced	11	15	18	18	19
Equity	8	13	15	36	48
- with private offering			9	16	26
Cash					1
Bond			1	1	1
Balanced			6	6	9
Equity			2	9	15
- Open-end venture capital funds			1	1	2
Closed-end investment funds	5	6	7	9	11
- with a public offering	4	4	4	4	4
- with a public offering with investments into real estate	1	2	3	5	7

Source: HANFA

Table A2: Net Assets of Investment Funds (in HRK thousand, end of period)

	2004	2005	2006	2007	2008
Open-end investment funds	4,527,735	8,834,460	16,038,989	30,056,247	9,890,231
- with a public offering	4,527,735	8,834,460	15,719,074	29,017,625	9,322,244
Cash	2,880,958	4,660,176	4,274,744	4,140,206	3,907,382
Bond	667,235	1,451,489	1,138,589	674,073	510,977
Balanced	764,001	2,011,603	5,994,698	10,022,402	2,150,291
Equity	215,541	711,193	4,311,043	14,180,944	2,753,595
- with a private offering			319,915	1,038,621	567,986
Cash					8,398
Bond			78,927	103,466	78,269
Balanced			163,908	276,994	150,697
Equity			77,079	658,162	330,623
- Open-end venture capital funds					
Closed-end investment funds	1,120,273	1,537,356	2,443,431	3,682,360	1,895,576
- with a public offering	1,120,273	1,493,316	2,280,197	3,299,808	1,298,848
- with a public offering with investment into real estate		44,040	163,235	382,552	596,729

Source: HANFA

REMARK: One closed-end investment fund (for real estate) stopped its activities on 8 December 2008, but was not deleted from the register until the final opinion of the auditor.

Table A3: Investment Structure of Open-end Investment Funds with a Public Offering as at 31 December 2008 (in HRK thousand)

TYPE OF ASSETS	Cash	Bond	Balanced	Equity	Total
Cash	101,704	5,600	50,727	99,140	257,171
Receivables	636,088	19,324	65,505	116,709	837,626
Securities and deposits	3,247,049	505,173	2,133,719	2,598,588	8,484,529
DOMESTIC	3,223,027	455,197	1,435,239	1,455,929	6,569,392
Shares and GDRs	0	1,319	552,652	879,314	1,433,286
Government bonds	2,001	94,847	95,939	10,242	203,029
Municipal bonds	3,278	523	3,596	0	7,397
Corporate bonds	43,839	91,843	319,906	126,738	582,326
Closed-end investment funds	0	316	8,344	11,349	20,009
Open-end investment funds	0	6,484	44,001	38,007	88,492
Short-term securities	689,058	101,516	97,021	29,118	916,713
Deposits	2,484,851	158,349	313,781	361,159	3,318,140
FOREIGN	24,022	49,976	698,480	1,142,660	1,915,137
Shares	0	0	382,484	977,638	1,360,121
Government bonds	2,651	43,494	266,520	111,979	424,643
Municipal bonds	21,371	3,616	3,616	0	28,603
Corporate bonds	0	2,866	8,424	0	11,289
Closed-end investment funds	0	0	3,161	14,867	18,028
Open-end investment funds	0	0	34,276	38,176	72,452
Short-term securities	0	0	0	0	0
Deposits	0	0	0	0	0
Other assets	0	0	95	0	96
TOTAL ASSETS	3,984,841	530,097	2,250,047	2,814,437	9,579,422
TOTAL LIABILITIES	77,460	19,120	99,756	60,842	257,178
Net Assets	3,907,382	510,977	2,150,291	2,754,595	9,322,244
DERIVATIVES	-237	0	137	947	847
REPURCHASE AGREEMENTS	634,881	19,879	83,727	73,449	811,935

Source: HANFA

Table B1: Number of Pension Funds (end of period)

	2004	2005	2006	2007	2008
Mandatory pension funds	4	4	4	4	4
Open-end voluntary pension funds	4	6	6	6	6
Closed-end voluntary pension funds	4	8	10	12	15
TOTAL	12	18	20	22	25

Source: HANFA

Table B2: Pension Funds' Membership (end of period)

	2004	2005	2006	2007	2008
Mandatory pension funds	1,070,092	1,248,931	1,322,010	1,395,693	1,475,729
Open-end voluntary pension funds	30,022	51,121	75,161	103,923	127,738
Closed-end voluntary pension funds	1112	5,336	10,633	11,943	17,285
TOTAL	1,201,226	1,305,388	1,407,804	1,511,559	1,620,752

Source: HANFA

Table B3: Pension Funds' Net Assets (in HRK thousand, end of period)

	2004	2005	2006	2007	2008
Mandatory pension funds	7,913,238	11,714,215	15,919,423	21,001,886	22,590,933
Open-end voluntary pension funds	95,682	206,269	397,335	692,810	799,665
Closed-end voluntary pension funds	1,235	7,682	60,303	119,081	148,378
TOTAL	8,010,155	11,928,166	16,377,061	21,813,778	23,538,977

Source: HANFA

Table B4: Investment Structure of Mandatory Pension Funds' Total Assets (end of period, in HRK thousand)

TYPE OF ASSETS	2004	2005	2006	2007	2008
DOMESTIC ASSETS	7,498,547	10,673,953	14,588,033	20,297,532	20,920,792
Securities and deposits	7,174,461	10,294,567	14,313,666	19,947,365	20,633,823
Shares and GDRs	279,148	333,484	851,845	3,127,776	2,529,825
Government bonds	6,210,223	8,709,190	11,447,577	13,484,885	15,937,982
Municipal bonds	66,697	60,016	62,810	76,277	81,448
Corporate bonds	521,763	442,878	476,121	451,259	732,269
Closed-end investment funds	0	0	0	0	56,909
Open-end investment funds	0	258,985	1,147,996	2,543,021	373,285
Short-term securities	59,953	163,563	11,682	21,792	290,562
Deposits	36,676	326,450	315,635	242,354	631,543
Cash	221,129	148,781	138,521	232,527	265,500
Receivables	102,957	230,604	135,845	117,641	21,470
FOREIGN ASSETS	585,955	1,318,030	1,456,965	904,867	1,696,084
Shares and GDRs	62,982	134,902	218,338	689,226	481,446
Government bonds	41,257	208,561	232,649	0	307,489
Municipal bonds	0	0	0	0	0
Corporate bonds	57,855	52,765	183,122	42,114	475,845
Closed-end investment funds	0	0	0	0	0
Open-end investment funds	423,862	921,801	822,855	173,527	431,303
Short-term securities	0	0	0	0	0
Deposits	0	0	0	0	0
TOTAL ASSETS	8,084,502	11,991,983	16,044,997	21,202,399	22,616,876
Net assets	7,913,238	11,714,215	15,919,423	21,001,886	22,590,933

Source: HANFA

Table B5: Investment Structure of Voluntary Open-End Pension Funds' Total Assets (end of period, in HRK thousand)

TYPE OF ASSETS	2004	2005	2006	2007	2008
DOMESTIC ASSETS	91,876	198,645	392,823	687,823	744,502
Securities and deposits	87,013	186,430	376,158	648,184	727,049
Shares and GDRs	2,523	5,227	32,619	161,645	108,508
Government bonds	72,672	153,251	212,871	313,900	362,484
Municipal bonds	2,742	3,113	1,788	553	4,213
Corporate bonds	6,692	10,600	51,753	9,978	82,256
Closed-end investment funds	0	0	0	0	3,061
Open-end investment funds	550	13,384	50,457	144,684	9,031
Short-term securities	1,780	49	0	0	66,323
Deposits	54	805	26,669	17,424	91,172
Cash	4,863	12,212	14,623	38,956	17,290
Receivables	0	4	2,042	683	164
FOREIGN ASSETS	6,825	11,905	22,818	28,501	60,173
Shares and GDRs	0	0	1,889	12,886	16,359
Government bonds	0	0	0	699	32,786
Municipal bonds	0	0	0	0	0
Corporate bonds	0	0	0	0	0
Closed-end investment funds	0	0	0	0	0
Open-end investment funds	6,825	11,905	20,930	14,916	11,027
Short-term securities	0	0	0	0	0
Deposits	0	0	0	0	0
TOTAL ASSETS	98,701	210,550	415,641	716,324	804,675
Net assets	95,682	206,269	397,335	692,810	799,665

Source: HANFA

Table B6: Investment Structure of Voluntary Closed-End Pension Funds' Total Assets (end of period, in HRK thousand)

TYPE OF ASSETS	2004	2005	2006	2007	2008
DOMESTIC ASSETS	739	20,545	59,099	118,447	140,654
Securities and deposits	649	27,744	55,322	111,222	128,886
Shares and GDRs	10	302	3,852	23,649	11,803
Government bonds	486	14,385	30,115	41,643	60,146
Municipal bonds	110	346	252	133	94
Corporate bonds	9	558	5,725	6,693	12,370
Closed-end investment funds	0	0	0	0	0
Open-end investment funds	0	1,953	13,490	30,999	8,427
Short-term securities	0	0	0	209	18,654
Deposits	35	200	1,887	7,896	17,391
Cash	90	2,102	3,438	6,359	8,971
Receivables	0	700	339	867	2,798
FOREIGN ASSETS	53	1,039	2,506	3,403	9,997
Shares	0	0	0	2,262	1,863
Government bonds	0	0	0	0	7,035
Municipal bonds	0	0	0	0	0
Corporate bonds	0	0	0	0	0
Closed-end investment funds	0	0	0	0	0
Open-end investment funds	53	1,039	2,506	1,140	1,099
Short-term securities	0	0	0	0	0
Deposits	0	0	0	0	0
TOTAL ASSETS	792	21,584	61,604	121,850	150,651
Net assets	748	21,511	60,303	119,082	148,378

Source: HANFA

Table C1: Capital Adequacy of Insurance and Reinsurance Companies as at 31 December 2008

INSURANCE AND REINSURANCE COMPANY	CAPITAL ADEQUACY							
	life				non-life			
	GF >= 1/3 SM	GF >= min IC	C >= SM	TRUE	GF >= 1/3 SM	GF >= min IC	C >= SM	TRUE
1	2	3	4	5	6	7	8	9
Agram životno osiguranje d.d.	YES	YES	YES	YES				
Allianz Zagreb d.d.	YES	YES	YES	YES	YES	YES	YES	YES
Basler osiguranje d.d.					YES	YES	YES	YES
Basler životno osiguranje d.d.	YES	YES	YES	YES				
Cardif osiguranje d.d.					YES	YES	YES	YES
Cosmopolitan Life VIG d.d.	YES	YES	YES	YES				
Croatia osiguranje d.d.	YES	YES	YES	YES	YES	YES	YES	YES
Croatia zdravstveno osiguranje d.d.					YES	YES	YES	YES
Erste Sparkassen osiguranje d.d.	YES	YES	YES	YES				
Euroherc osiguranje d.d.					YES	YES	YES	YES
Generali osiguranje d.d.	YES	YES	YES	YES	YES	YES	YES	YES
Grawe Hrvatska d.d.	YES	YES	YES	YES	YES	YES	YES	YES
Helios VIG d.d.	YES	NO	YES	NO	YES	YES	YES	YES
HOK osiguranje d.d.					YES	YES	YES	YES
Jadransko osiguranje d.d.					YES	YES	YES	YES
KD životno osiguranje d.d.	YES	YES	YES	YES				
Kvarner Vienna Insurance Group d.d.	YES	YES	YES	YES	YES	YES	YES	YES
Merkur osiguranje d.d.	YES	YES	YES	YES	YES	YES	YES	YES
Sunce osiguranje d.d.					YES	YES	YES	YES
Triglav osiguranje d.d.	YES	YES	YES	YES	YES	YES	YES	YES
Uniqa osiguranje d.d.	YES	YES	YES	YES	YES	YES	YES	YES
Velebit osiguranje d.d.					YES	YES	YES	YES
Velebit životno osiguranje d.d.	YES	YES	YES	YES				
Victoria životno osiguranje d.d.	YES	YES	YES	YES				
Osiguranje Zagreb d.d.	YES	YES	YES	YES	YES	YES	YES	YES
Allianz reosiguranje d.d.					YES	YES	YES	YES
Croatia Lloyd d.d.					YES	YES	YES	YES

Source: HANFA

REMARKS: 1) data in columns 3 to 5 and 7 to 9 taken from Capital Adequacy form (CA) pursuant to the Ordinance on the manner of calculating the required solvency margin (capital adequacy) of insurance companies (Official Gazette 112/2006) 2) data in columns 6 and 10 depend on fulfillment of criteria referred to in previous 3 columns 3) IC=initial capital (Article 19 of the Insurance Act);GF=guarantee fund (Article 100 of the Insurance Act);C=capital (Article 94 of the Insurance Act); SM=solvency margin (Article 98 and 99 of the Insurance Act)

Table C2: Guarantee Fund and Solvency Margin Ratio of Insurance and Reinsurance Companies as at 31 December 2008

INSURANCE AND REINSURANCE COMPANY	GUARANTEE FUND (according to Article 100 of Insurance Act)		SOLVENCY MARGIN (according to Articles 98 and 99 of Insurance Act)		1/3 SOLVENCY MARGIN		SOLVENCY MARGIN DEVIATION(≤=1/3)	
	life	non-life	life	non-life	life	non-life	life	non-life
1	2	3	4	5	6	7	8 (2-6)	9 (3-7)
Agram životno osiguranje d.d.	132,528		40,752		13,584		118,944	
Allianz Zagreb d.d.	115,386	160,264	53,146	98,295	17,715	32,765	97,670	127,499
Basler osiguranje d.d.		24,596		4,176		1,392		23,204
Basler životno osiguranje d.d.	31,480		11,064		3,688		27,792	
Cardif osiguranje d.d.		31,345		4,537		1,512		29,833
Cosmopolitan Life VIG d.d.	24,558		14,057		4,686		19,873	
Croatia osiguranje d.d.	96,419	1,011,462	69,450	372,524	23,150	124,175	73,270	887,288
Croatia zdravstveno osiguranje d.d.		30,764		14,176		4,725		26,039
Erste Sparkassen osiguranje d.d.	25,904		7,614		2,538		23,366	
Euroherc osiguranje d.d.		775,459		159,837		53,279		722,179
Generali osiguranje d.d.	27,723	34,372	18,857	16,034	6,286	5,345	21,437	29,028
Grawe Hrvatska d.d.	77,090	39,009	71,693	22,899	23,898	7,633	53,192	31,376
Helios VIG d.d.	17,936	28,815	14,574	9,843	4,858	3,281	13,078	25,534
HOK osiguranje d.d.		22,782		18,550		6,183		16,599
Jadransko osiguranje d.d.		605,805		103,864		34,621		571,184
KD životno osiguranje d.d.	26,939		273		91		26,848	
Kvarner Vienna Insurance Group d.d.	38,655	53,457	26,976	39,000	8,992	13,000	29,663	40,457
Merkur osiguranje d.d.	71,300	25,448	58,351	3,023	19,450	1,008	51,850	24,440
Sunce osiguranje d.d.		111,710		30,724		10,241		101,468
Triglav osiguranje d.d.	27,205	49,838	10,101	46,463	3,367	15,488	23,838	34,351
Uniqa osiguranje d.d.	28,106	24,836	10,984	7,485	3,661	2,495	24,445	22,341
Velebit osiguranje d.d.		45,130		5,473		1,824		43,305
Velebit životno osiguranje d.d.	53,619		602		201		53,418	
Victoria životno osiguranje d.d.	38,478		79		26		38,452	
Osiguranje Zagreb d.d.	53,854	41,300	53,378	37,673	17,793	12,558	36,061	28,743
Allianz reosiguranje d.d.		23,069		301		100		22,969
Croatia Lloyd d.d.		226,964		40,707		13,569		213,395

Source: HANFA

Table C3: Capital and Solvency Margin Ratio of Insurance and Reinsurance Companies as at 31 December 2008

INSURANCE AND REINSURANCE COMPANY	CAPITAL (according to Article 94 of Insurance Act)		SOLVENCY MARGIN (according to Articles 98 and 99 of 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.	107,510		40,752		66,758	
Allianz Zagreb d.d.	115,386	132,764	53,146	98,295	62,239	34,469
Basler osiguranje d.d.		24,596		4,176		20,420
Basler životno osiguranje d.d.	31,480		11,064		20,416	
Cardif osiguranje d.d.		31,345		4,537		26,808
Cosmopolitan Life VIG d.d.	24,558		14,057		10,502	
Croatia osiguranje d.d.	96,419	670,122	69,450	372,524	26,970	297,598
Croatia zdravstveno osiguranje d.d.		30,764		14,176		16,588
Erste Sparkassen osiguranje d.d.	25,904		7,614		18,290	
Euroherc osiguranje d.d.		754,210		159,837		594,372
Generali osiguranje d.d.	27,723	34,372	18,857	16,034	8,866	18,338
Grawe Hrvatska d.d.	77,090	39,009	71,693	22,899	5,396	16,110
Helios VIG d.d.	17,936	28,815	14,574	9,843	3,361	18,973
HOK osiguranje d.d.		22,782		18,550		4,232
Jadransko osiguranje d.d.		599,557		103,864		495,694
KD životno osiguranje d.d.	26,939		273		26,666	
Kvamer Vienna Insurance Group d.d.	38,605	53,265	26,976	39,000	11,629	14,265
Merkur osiguranje d.d.	71,300	23,211	58,351	3,023	12,949	20,189
Sunce osiguranje d.d.		104,402		30,724		73,677
Triglav osiguranje d.d.	27,205	49,838	10,101	46,463	17,105	3,375
Uniqa osiguranje d.d.	28,106	24,836	10,984	7,485	17,122	17,351
Velebit osiguranje d.d.		45,130		5,473		39,657
Velebit životno osiguranje d.d.	53,619		602		53,017	
Victoria životno osiguranje d.d.	38,478		79		38,399	
Osiguranje Zagreb d.d.	53,854	37,981	53,378	37,673	475	308
Allianz reosiguranje d.d.		23,069		301		22,768
Croatia Lloyd d.d.		217,995		40,707		177,289

Source: HANFA

Table C4: Basic Insurance-Technical Indicators

No.	COMPANY	CLAIMS RATIO (%)		EXPENSE RATIO (%)		COMBINED RATIO (%)		RETURN ON INVESTMENT (%)		DEBT RATIO		ROE (%)		ROA (%)	
		2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
1	Agram životno osiguranje d.d.	75.92	78.43	24.38	17.81	100.30	96.24	4.56	5.04	0.85	0.83	26.09	39.09	3.18	4.90
2	Allianz Zagreb d.d.	69.65	64.57	35.06	36.39	104.72	100.97	6.43	0.52	0.89	0.87	19.05	5.61	1.76	0.67
3	Basler osiguranje d.d.	50.29	41.80	53.91	65.16	104.20	106.96	5.14	-3.19	0.57	0.66	8.02	-11.92	3.19	-4.56
4	Basler životno osiguranje d.d.	66.09	38.81	44.75	56.08	110.85	94.89	3.89	-0.66	0.82	0.77	-7.35	9.63	-1.45	1.99
5	Cardif osiguranje d.d.	67.65	59.64	652.30	59.87	719.94	119.51	2.63	-7.23	0.08	0.35	-16.34	-16.89	-17.98	-13.20
6	Cosmopolitan Life ViG d.d.	61.20	59.59	48.82	51.96	110.03	111.55	5.80	-3.66	0.79	0.88	5.40	-30.46	1.05	-5.39
7	Croatia osiguranje d.d.	78.87	68.67	43.81	38.19	122.68	106.86	5.89	2.25	0.75	0.84	6.33	5.91	1.51	0.91
8	Croatia zdravstveno osiguranje d.d.	48.80	51.54	39.64	38.43	88.44	89.97	2.06	3.21	0.66	0.67	4.78	9.93	1.53	2.99
9	Erste Sparkassen osiguranje d.d.	77.97	72.87	36.22	37.84	114.19	110.71	4.69	4.75	0.81	0.85	-11.53	1.97	-2.47	0.30
10	Euroherc osiguranje d.d.	62.22	64.11	35.34	35.72	97.56	99.82	3.04	3.47	0.65	0.65	6.85	7.01	2.24	2.31
11	Generali osiguranje d.d.	62.70	47.55	99.79	64.52	162.49	112.07	6.14	-5.43	0.87	0.89	-6.53	-46.18	-0.94	-9.38
12	Grawe Hrvatska d.d.	91.93	81.41	31.77	37.28	123.71	118.69	6.29	5.07	0.93	0.93	16.46	27.89	0.93	1.54
13	Osiguranje Helios d.d.	87.52	96.66	41.27	64.82	128.79	161.47	4.92	3.11	0.90	0.92	0.36	-39.69	0.03	-5.51
14	HOK osiguranje d.d.	57.25	50.34	38.51	27.98	95.76	78.32	14.16	-6.34	0.60	0.81	0.46	1.85	0.18	0.34
15	Jadransko osiguranje d.d.	70.13	65.59	34.78	33.75	104.91	99.35	7.85	3.16	0.60	0.57	6.52	5.69	2.45	2.31
16	KD životno osiguranje d.d.		15.73		1009.32		1025.05		-7.85		0.09		-26.19		-32.36
17	Kvamer Vienna Insurance Group d.d.	71.10	63.84	45.04	53.39	116.13	117.22	7.65	3.62	0.86	0.92	9.60	-21.52	1.26	-2.19
18	MerKur osiguranje d.d.	88.75	74.32	27.00	28.02	115.76	102.34	7.78	-0.03	0.90	0.93	58.30	0.83	3.58	0.06
19	Sunce osiguranje d.d.	77.17	80.79	26.80	23.39	103.97	104.19	10.35	2.15	0.69	0.65	8.73	11.43	2.51	3.57
20	Triglav osiguranje d.d.	72.57	69.77	44.14	40.89	116.71	110.66	8.83	-6.41	0.90	0.90	8.12	-39.29	0.73	-6.53
21	Uniqqa osiguranje d.d.	65.00	74.57	43.79	67.81	108.79	142.38	4.39	1.95	0.82	0.94	5.61	5.64	0.98	0.33
22	Velebit osiguranje d.d.		77.54		80.96	0.00	158.50	1.63	4.70	0.06	0.44	-9.56	-27.96	-9.97	-21.90
23	Velebit životno osiguranje d.d.	99.76	85.29	119.70	172.60	219.46	257.90	1.48	4.53	0.12	0.17	-7.93	-15.49	-7.58	-15.12
24	Osiguranje Zagreb d.d.	71.16	79.76	52.17	46.87	123.32	126.62	0.61	0.70	0.93	0.94	-26.59	-44.75	-2.62	-4.82
25	Allianz reosiguranje d.d.	7.85	-45.94	345.46	1144.61	353.30	1098.67	6.24	3.91	0.22	0.18	1.88	1.03	1.44	0.83
26	Croatia Lloyd d.d.	70.41	80.55	8.33	34.65	78.74	115.21	5.82	0.75	0.61	0.69	25.22	19.20	7.86	5.00
27	Victoria životno osiguranje d.d.		79.74		702.58		782.32		3.13		0.04		-12.30		-13.40
TOTAL		73.93	68.42	40.21	39.38	114.14	107.80	5.65	1.88	0.79	0.82	7.63	0.22	1.48	0.04

Source: HANFA

Table C5: Operating Expenses (business expenditures) and Earned Premium Ratio in Non-life Insurance for Period 1 January- 31 December

INSURANCE AND REINSURANCE COMPANY	EARNED PREMIUM		OPERATING EXPENSES		OPERATING EXPENSES AND EARNED PREMIUM RATIO	
	2	3	4	5	6 (4/2)	7 (5/3)
	2007	2008	2007	2008	2007	2008
Agram životno osiguranje d.d.	0	0	0	0		
Allianz Zagreb d.d.	462,373	565,541	199,639	232,793	43.2%	41.2%
Basler osiguranje d.d.	19,155	18,896	11,514	14,389	60.1%	76.1%
Basler životno osiguranje d.d.	0	0	0	0		
Cardif osiguranje d.d.	844	25,205	5,503	15,090	652.3%	59.9%
Cosmopolitan Life VIG d.d.	0	0	0	0		
Croatia osiguranje d.d.	2,267,917	2,409,221	799,759	895,227	35.3%	37.2%
Croatia zdravstveno osiguranje d.d.	68,474	80,574	30,373	34,045	44.4%	42.3%
Erste Sparkassen osiguranje d.d.	0	0	0	0		
Euroherc osiguranje d.d.	923,038	1,011,881	279,655	325,252	30.3%	32.1%
Generali osiguranje d.d.	43,283	120,568	62,056	63,666	143.4%	52.8%
Grawe Hrvatska d.d.	105,519	115,104	58,185	56,131	55.1%	48.8%
Helios VIG d.d.	52,610	54,410	29,113	33,298	55.3%	61.2%
HOK osiguranje d.d.	11,644	66,657	10,592	27,921	91.0%	41.9%
Jadransko osiguranje d.d.	589,683	644,327	195,396	206,692	33.1%	32.1%
KD životno osiguranje d.d.	0	0	0	0		
Kvarner Vienna Insurance Group d.d.	183,123	221,664	94,432	103,411	51.6%	46.7%
Merkur osiguranje d.d.	15,683	16,717	15,399	12,251	98.2%	73.3%
Sunce osiguranje d.d.	130,499	161,119	38,418	38,917	29.4%	24.2%
Triglav osiguranje d.d.	239,456	244,510	93,739	100,726	39.1%	41.2%
Unica osiguranje d.d.	23,618	36,047	41,807	51,825	177.0%	143.8%
Velebit osiguranje d.d.	0	13,565	4,009	23,478		173.1%
Velebit životno osiguranje d.d.	0	0	0	0		
Victoria životno osiguranje d.d.	0	0	0	0		
Osiguranje Zagreb d.d.	216,907	202,107	102,759	90,018	47.4%	44.5%
Allianz reosiguranje d.d.	332	138	2,391	1,885	719.7%	1370.1%
Croatia Lloyd d.d.	165,147	155,448	60,744	62,908	36.8%	40.5%
TOTAL insurance companies	5,353,825	6,008,112	2,072,350	2,325,130	38.7%	38.7%
TOTAL reinsurance companies	165,480	155,585	63,135	64,794	38.2%	41.6%
TOTAL	5,519,305	6,163,697	2,135,485	2,389,924	38.7%	38.8%

Source: HANFA

Table C6: Claims Incurred in Non-Life Insurance in Gross Amounts in period 1 January–31 December 2008 (in HRK thousand)

INSURANCE AND REINSURANCE COMPANY	CLAIMS PAID, GROSS AMOUNT		CHANGES IN CLAIMS PROVISIONS, GROSS AMOUNTS		TOTAL EXPENDITURES FOR CLAIMS INCURRED, GROSS AMOUNTS		
	2007	2008	2007	2008	2007	2008	
	1	2	3	4	5	6 (2+4)	7 (3+5)
Agram životno osiguranje d.d.							
Allianz Zagreb d.d.	231,148	294,347	68,073	67,297	299,221	361,644	
Basler osiguranje d.d.	4,568	4,982	5,857	3,816	10,425	8,797	
Basler životno osiguranje d.d.							
Cardif osiguranje d.d.		95	20	1,372	20	1,467	
Cosmopolitan Life VIG d.d.							
Croatia osiguranje d.d.	1,792,403	1,807,677	132,705	88,827	1,925,108	1,896,504	
Croatia zdravstveno osiguranje d.d.	31,394	42,496	2,021	-967	33,415	41,529	
Erste Sparkassen osiguranje d.d.							
Euroherc osiguranje d.d.	502,917	525,282	85,269	125,934	588,186	651,216	
Generali osiguranje d.d.	32,686	54,104	24,048	23,367	56,734	77,471	
Grawe Hrvatska d.d.	65,824	68,782	20,535	13,484	86,359	82,266	
Helios VIG d.d.	45,316	58,803	9,712	-7,279	55,028	51,524	
HOK osiguranje d.d.	1,305	15,200	5,583	19,674	6,888	34,874	
Jadransko osiguranje d.d.	341,529	354,910	89,035	67,497	430,564	422,407	
KD životno osiguranje d.d.							
Kvarner Vienna Insurance Group d.d.	157,603	172,290	16,195	20,481	173,797	192,771	
Merkur osiguranje d.d.	10,578	12,247	5,571	3,641	16,149	15,888	
Sunce osiguranje d.d.	106,054	120,436	3,050	-751	109,104	119,685	
Triglav osiguranje d.d.	156,144	184,226	24,379	10,099	180,523	194,326	
Unija osiguranje d.d.	18,197	53,840	5,658	29,484	23,854	83,324	
Velebit osiguranje d.d.		5,363		8,073		13,436	
Velebit životno osiguranje d.d.							
Victoria životno osiguranje d.d.							
Osiguranje Zagreb d.d.	129,368	134,191	30,074	-6,917	159,442	127,274	
Allianz reosiguranje d.d.	322	1,088	98	-195	421	893	
Croatia Lloyd d.d.	235,867	287,070	21,427	21,477	257,295	308,547	
TOTAL insurance companies	3,627,034	3,909,271	527,784	467,133	4,154,818	4,376,404	
TOTAL reinsurance companies	236,190	288,159	21,526	21,282	257,715	309,440	
TOTAL	3,863,224	4,197,430	549,309	488,415	4,412,533	4,685,845	

Source: HANFA

Table C7: Operating Expenses (business expenditures) and Earned Premium Ratio of Life Insurance for period 1 January-31 December 2008

INSURANCE AND REINSURANCE COMPANY	EARNED PREMIUM		OPERATING EXPENSES			OPERATING EXPENSES AND EARNED PREMIUM RATIO	
	2007	2008	4	5	2008	6	7
1	2	3	4	5	2008	6	7
Agram životno osiguranje d.d.	215,367	234,230	32,908	32,908	41,219	15.3%	17.6%
Allianz Zagreb d.d.	423,470	420,567	124,274	124,274	123,138	29.3%	29.3%
Basler osiguranje d.d.							
Basler životno osiguranje d.d.	60,319	62,941	26,610	26,610	33,888	44.1%	53.8%
Cardif osiguranje d.d.							
Cosmopolitan Life VIG d.d.	69,819	80,297	36,104	36,104	41,713	51.7%	51.9%
Croatia osiguranje d.d.	343,533	363,607	110,499	110,499	118,353	32.2%	32.6%
Croatia zdravstveno osiguranje d.d.							
Erste Sparkassen osiguranje d.d.	64,554	74,084	23,614	23,614	27,958	36.6%	37.7%
Euroherc osiguranje d.d.							
Generali osiguranje d.d.	90,669	125,840	87,996	87,996	100,117	97.1%	79.6%
Grawe Hrvatska d.d.	261,709	265,137	79,375	79,375	83,794	30.3%	31.6%
Helios VIG d.d.	53,791	49,555	20,289	20,289	22,807	37.7%	46.0%
HOK osiguranje d.d.							
Jadransko osiguranje d.d.							
KD životno osiguranje d.d.		804			8,065		1003.5%
Kvarner Vienna Insurance Group d.d.	144,701	147,631	77,826	77,826	89,126	53.8%	60.4%
Merkur osiguranje d.d.	257,471	257,906	65,298	65,298	64,240	25.4%	24.9%
Sunce osiguranje d.d.							
Triglav osiguranje d.d.	78,732	80,729	27,323	27,323	25,748	34.7%	31.9%
Unica osiguranje d.d.	63,094	80,687	23,948	23,948	28,807	38.0%	35.7%
Velebit osiguranje d.d.							
Velebit životno osiguranje d.d.	2,834	7,834	3,413	3,413	13,492	120.4%	172.2%
Victoria životno osiguranje d.d.	201,987	197,779	87,702	87,702	6,877	0.0%	702.5%
Osiguranje Zagreb d.d.					78,794	43.4%	39.8%
Allianz reosiguranje d.d.							
Croatia Lloyd d.d.							
TOTAL insurance companies	2,332,052	2,450,607	827,179	827,179	908,134	35.5%	37.1%
TOTAL reinsurance companies							
TOTAL	2,332,052	2,450,607	827,179	827,179	908,134	35.5%	37.1%

Source: HANFA

Table C8: Claims Incurred in Life Insurance in Gross Amounts (without life insurance mathematical provisions) for period 1 January- 31 December 2008 (in HRK thousand)

INSURANCE AND REINSURANCE COMPANIES	CLAIMS PAID, GROSS AMOUNT		CHANGES IN CLAIMS PROVISIONS, GROSS AMOUNT					TOTAL CLAIMS, GROSS AMOUNT	
	2007	2008	2007	2008	2007	2008	2007	2008	
	1	2	3	4	5	6 (2+4)	7 (3+5)	8	
Agram životno osiguranje d.d.	40,545	42,341	2,483	1,190		43,029	43,532	43,532	
Allianz Zagreb d.d.	54,502	58,876	3,632	936		58,135	59,812	59,812	
Basler osiguranje d.d.									
Basler životno osiguranje d.d.	2,258	4,442	522	967		2,779	5,409	5,409	
Cardif osiguranje d.d.									
Cosmopolitan Life VIG d.d.	3,392	4,001	635	470		4,027	4,471	4,471	
Croatia osiguranje d.d.	150,060	182,870	1,186	-2,033		151,246	180,837	180,837	
Croatia zdravstveno osiguranje d.d.									
Erste Sparkassen osiguranje d.d.	3,588	5,709	323	162		3,911	5,872	5,872	
Euroherc osiguranje d.d.									
Generali osiguranje d.d.	11,553	18,184	4,514	-312		16,067	17,873	17,873	
Grawe Hrvatska d.d.	93,052	109,554	1,577	1,981		94,629	111,535	111,535	
Helios VIG d.d.	107,897	39,008	-1,606	-670		106,291	38,338	38,338	
HOK osiguranje d.d.									
Jadransko osiguranje d.d.									
KD životno osiguranje d.d.		6		34			40	40	
Kvarner Vienna Insurance Group d.d.	20,813	31,909	-1,173	1,343		19,640	33,252	33,252	
Merkur osiguranje d.d.	48,326	69,688	7,273	3,403		55,599	73,091	73,091	
Sunce osiguranje d.d.									
Triglav osiguranje d.d.	25,289	23,673	590	-664		25,879	23,009	23,009	
Uniqa osiguranje d.d.	7,970	9,448	-575	-194		7,395	9,254	9,254	
Velebit osiguranje d.d.									
Velebit životno osiguranje d.d.		1	1	538		1	538	538	
Victoria životno osiguranje d.d.									
Osiguranje Zagreb d.d.	66,829	82,884	5,258	-667		72,087	82,216	82,216	
Allianz reosiguranje d.d.									
Croatia Lloyd d.d.									
TOTAL insurance companies	636,072	682,594	24,640	6,483		660,712	689,077	689,077	
TOTAL reinsurance companies									
TOTAL	636,072	682,594	24,640	6,483		660,712	689,077	689,077	

Source: HANFA

Table C9: Overview of Life and Non-life Gross Written Premium as at 31 December 2008 (in HRK thousand)

INSURANCE COMPANY	LIFE INSURANCE				NON-LIFE INSURANCE				TOTAL						
	2007	2008	Index	Share in premium of all companies in %	2007	2008	Index	Share in premium of all companies in %	2007	2008	Index	Share in premium of all companies in %			
													2007.	2008.	2007
1	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.	214,579	235,856	109.9	8.6%	9.3%				0.0%	0.0%	214,579	235,856	109.9	2.4%	2.4%
Allianz Zagreb d.d.	427,144	423,964	99.3	17.2%	16.7%	636,355	697,106	109.5	9.7%	9.8%	1,063,499	1,121,070	105.4	11.7%	11.6%
Basler osiguranje d.d.				0.0%	0.0%	24,015	27,326	113.8	0.4%	0.4%	24,015	27,326	113.8	0.3%	0.3%
Basler životno osiguranje d.d.	61,117	64,702	105.9	2.5%	2.5%				0.0%	0.0%	61,117	64,702	105.9	0.7%	0.7%
Cardif osiguranje d.d.				0.0%	0.0%	844	25,205	2,988	0.0%	0.4%	844	25,205	2,988	0.0%	0.3%
Cosmopolitan Life VIG d.d.	72,112	82,190	114.0	2.9%	3.2%				0.0%	0.0%	72,112	82,190	114.0	0.8%	0.8%
Croatia osiguranje d.d.	343,964	363,697	105.7	13.9%	14.3%	2,751,953	2,880,265	104.7	41.8%	40.4%	3,095,917	3,243,961	104.8	34.2%	33.5%
Croatia zdravstveno osiguranje d.d.				0.0%	0.0%	78,213	88,600	113.3	1.2%	1.2%	78,213	88,600	113.3	0.9%	0.9%
Erste Sparkassen osiguranje d.d.	65,550	75,267	114.8	2.6%	3.0%				0.0%	0.0%	65,550	75,267	114.8	0.7%	0.8%
Euroherc osiguranje d.d.				0.0%	0.0%	1,001,296	1,086,568	108.5	15.2%	15.2%	1,001,296	1,086,568	108.5	11.0%	11.2%
Generali osiguranje d.d.	155,843	127,461	81.8	6.3%	5.0%	120,980	138,983	114.9	1.8%	1.9%	276,823	266,443	96.3	3.1%	2.8%
Grawe Hrvatska d.d.	263,738	267,070	101.3	10.6%	10.5%	159,234	165,787	104.1	2.4%	2.3%	422,972	432,857	102.3	4.7%	4.5%
Helios VIG d.d.	55,207	51,353	93.0	2.2%	2.0%	80,442	63,471	78.9	1.2%	0.9%	135,649	114,823	84.6	1.5%	1.2%
HOK osiguranje d.d.				0.0%	0.0%	30,033	105,058	349.8	0.5%	1.5%	30,033	105,058	349.8	0.3%	1.1%
Jadransko osiguranje d.d.				0.0%	0.0%	637,539	680,209	106.7	9.7%	9.5%	637,539	680,209	106.7	7.0%	7.0%
KD životno d.d.		812		0.0%	0.0%				0.0%	0.0%		812		0	0.0%
Kvamer VIG d.d.	197,325	206,030	104.4	7.9%	8.1%	281,066	334,449	119.0	4.3%	4.7%	478,391	540,479	113.0	5.3%	5.6%
Merkur osiguranje d.d.	266,768	267,484	100.3	10.7%	10.5%	30,838	29,222	94.8	0.5%	0.4%	297,607	296,706	99.7	3.3%	3.1%
Sunce osiguranje d.d.				0.0%	0.0%	155,233	186,307	120.0	2.4%	2.6%	155,233	186,307	120.0	1.7%	1.9%
Triglav osiguranje d.d.	78,723	80,776	102.6	3.2%	3.2%	297,857	297,084	99.7	4.5%	4.2%	376,579	377,860	100.3	4.2%	3.9%
Uniqa osiguranje d.d.	75,606	92,295	122.1	3.0%	3.6%	63,020	91,272	144.8	1.0%	1.3%	138,625	183,567	132.4	1.5%	1.9%
Velebit osiguranje d.d.				0.0%	0.0%		38,468		0.0%	0.5%		38,468		0	0.0%
Velebit životno osiguranje d.d.	2,851	7,948	278.8	0.1%	0.3%				0.0%	0.0%	2,851	7,948	278.8	0.0%	0.1%
Victoria životno osiguranje d.d.		979		0.0%	0.0%				0.0%	0.0%		979		0	0.0%
Osiguranje Zagreb d.d.	202,217	197,892	97.9	8.1%	7.8%	233,272	198,984	85.3	3.5%	2.8%	435,489	396,875	91.1	4.8%	4.1%
TOTAL	2,482,743	2,545,775	102.5	100.0%	100.0%	6,582,189	7,134,366	108.4	100.0%	100.0%	9,064,932	9,680,141	106.8	100.0%	100.0%

Source: HANFA

Table C10: Result of Technical Account and Total Account by Insurance and Reinsurance Companies as at 31 December 2008 (in HRK thousand)

INSURANCE AND REINSURANCE COMPANY	LIFE		NON-LIFE		TOTAL		
	2007	2008	2007	2008	2007	2008	
	1	2	3	4	5	6 (2+4)	7 (3+5)
Agram životno osiguranje d.d.	28,116	51,823				28,116	51,823
Allianz Zagreb d.d.	4,573	3,408		30,472	13,115	35,045	16,523
Basler osiguranje d.d.				2,237	-3,374	2,237	-3,374
Basler životno osiguranje d.d.	-1,754	3,043				-1,754	3,043
Cardif osiguranje d.d.				-3,726	-6,388	-3,726	-6,388
Cosmopolitan Life VIG d.d.	1,897	-11,415				1,897	-11,415
Croatia osiguranje d.d.	3,741	945		105,819	63,966	109,560	64,911
Croatia zdravstveno osiguranje d.d.				1,432	3,115	1,432	3,115
Erste Sparkassen osiguranje d.d.	-2,846	515				-2,846	515
Euroherc osiguranje d.d.				43,633	54,390	43,633	54,390
Generali osiguranje d.d.	1,046	-40,008		-6,091	-16,462	-5,045	-56,470
Grawe Hrvatska d.d.	5,433	20,358		12,320	12,405	17,752	32,763
Helios VIG d.d.	-812	-22,341		988	-8,962	176	-31,303
HOK osiguranje d.d.				569	428	569	428
Jadransko osiguranje d.d.				31,983	36,755	31,983	36,755
KD životno osiguranje d.d.				-9,618			-9,618
Kvarner Vienna Insurance Group d.d.	8,903	-15,875		4,526	-14,881	13,429	-30,756
Merkur osiguranje d.d.	49,461	1,585		-408	-760	49,053	824
Sunce osiguranje d.d.				7,110	12,774	7,110	12,774
Triglav osiguranje d.d.	7,833	-4,282		-2,271	-47,268	5,561	-51,550
Uniqa osiguranje d.d.	6,101	344		-2,944	2,707	3,157	3,051
Velebit osiguranje d.d.				-3,589	-17,564	-3,589	-17,564
Velebit životno osiguranje d.d.	-2,976	-9,829				-2,976	-9,829
Victoria životno osiguranje d.d.							-5,463
Osiguranje Zagreb d.d.	-30,192	-73,829		-13,166	-6,973	-43,358	-80,802
Allianz reosiguranje d.d.				453	237	453	237
Croatia Lloyd d.d.				56,674	43,607	56,674	43,607
TOTAL insurance companies	78,524	-110,640		208,894	77,023	287,418	-33,617
TOTAL reinsurance companies				57,127	43,844	57,127	43,844
TOTAL	78,524	-110,640		266,021	120,866	344,545	10,227

Source: HANFA

Table C11: Technical Provisions by Insurance and Reinsurance Companies in 2007 and 2008 (in HRK thousand)

INSURANCE AND REINSURANCE COMPANY	TECHNICAL PROVISIONS, net amount		TRANSFERABLE PREMIUMS, net amount		MATHEMATICAL PROVISIONS, net amount		CLAIMS PROVISIONS, net amount		PROVISIONS FOR PREMIUM REFUNDS REGARDLESS OF RESULT (BONUSES AND DISCOUNTS), net amount		EQUALISATION RESERVES, net amount		OTHER TECHNICAL PROVISIONS, net amount	
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Agram Životno osiguranje d.d.	665,188	808,469	3,536	4,787	645,630	786,469	16,022	17,212						
Allianz Zagreb d.d.	1,362,488	1,646,126	255,879	278,854	785,462	969,143	319,601	396,897	1,481	1,104			64	128
Basler osiguranje d.d.	36,568	39,325	12,649	12,390			23,919	26,935						
Basler životno osiguranje d.d.	87,985	108,007	92	96	87,003	106,169	890	1,742						
Cardif osiguranje d.d.	571	15,509			551	14,117	20	1,392						
Cosmopolitan Life VIG d.d.	129,595	173,400	231	211	128,683	172,038	682	1,152						
Croatia osiguranje d.d.	5,084,601	5,308,279	1,025,912	1,093,320	1,379,069	1,497,392	2,665,621	2,703,367					14,000	14,200
Croatia zdravstveno osiguranje d.d.	57,353	66,000	39,620	46,790			11,314	10,347	6,419	8,862				
Erste Sparkassen osiguranje d.d.	89,317	137,638	-43	-49	88,663	136,827	698	861						
Euroherc osiguranje d.d.	1,128,506	1,307,050	506,806	558,341			621,700	748,710						
Generali osiguranje d.d.	295,145	464,603	54,507	63,127	190,296	335,751	26,050	59,700					24,292	6,026
Grawe Hrvatska d.d.	1,708,602	1,859,835	67,431	69,383	1,508,656	1,633,661	126,770	151,349					5,744	5,442
Helios VIG d.d.	440,324	448,610	34,007	25,171	319,559	343,494	86,646	79,812			111	133		
HOK osiguranje d.d.	33,531	84,949	18,207	51,200			15,323	33,748			1	1		
Jadransko osiguranje d.d.	685,557	780,348	312,241	337,077			373,316	443,272						
KD životno d.d.		51		4										
Kvamer VIG d.d.	644,625	738,774	105,497	117,454	392,814	454,248	143,644	164,612					2,671	2,460
Merkur osiguranje d.d.	1,197,771	1,326,505	10,397	10,122	1,114,086	1,237,079	73,242	79,261			47	43		
Sunce osiguranje d.d.	163,549	187,754	67,926	80,308			95,476	107,333	147	112				
Triglav osiguranje d.d.	477,819	509,270	126,828	131,480	130,343	148,894	220,109	226,921			380	334	159	1,642
Unica osiguranje d.d.	147,276	218,713	12,397	24,514	119,122	174,166	15,757	20,033						
Velebit osiguranje d.d.		22,053		15,784				6,269						
Velebit životno osiguranje d.d.	2,844	9,528	17	18	2,827	9,195	1	314						
Victoria životno osiguranje d.d.		781				781								
Osiguranje Zagreb d.d.	1,405,564	1,495,157	104,749	88,894	1,068,883	1,178,937	231,932	227,326						
Allianz reosiguranje d.d.	534	288	23	51			511	237						
Croatia Lloyd d.d.	359,604	399,186	32,313	59,771			302,093	315,930	219	168			24,978	23,316
TOTAL insurance companies	15,844,779	17,756,735	2,758,885	3,009,276	7,961,645	9,198,374	5,068,732	5,508,598	8,048	10,078	539	512	46,931	29,897
TOTAL reinsurance companies	360,138	399,473	32,337	59,822			302,604	316,167	219	168			24,978	23,316
TOTAL	16,204,917	18,156,209	2,791,221	3,069,098	7,961,645	9,198,374	5,371,336	5,824,765	8,267	10,247	539	512	71,909	53,214

Source: HANFA

Table C12: Profit and Loss Account of Insurance and Reinsurance Companies for period 1 January-31 December 2008 (in HRK thousand)

No.	Position mark	Description of position	2007		2008		TOTAL	
			LIFE	NON-LIFE	LIFE	NON-LIFE		
1	2	3	4	5	6 (4+5)	7	8	9 (7+8)
001	I	Earned premiums (income)	2,332,052	5,519,305	7,851,357	2,450,607	6,163,697	8,614,305
010	II	Income from investments	698,699	732,563	1,431,262	645,530	490,144	1,135,675
024	III	Income from fees and commissions	23,469	187,308	210,776	32,120	240,711	272,831
025	IV	Other insurance-technical income, net of reinsurance	62,171	222,043	284,215	34,580	156,977	191,556
026	V	Other income	4,331	73,961	78,292	8,720	85,951	94,671
027	VI	Expenses for insured events, net	-644,079	-3,840,411	-4,484,489	-673,217	-4,023,867	-4,697,084
036	VII	Changes in other technical provisions, net of reinsurance (+/-)	-1,162,422	-13,947	-1,176,370	-1,109,219	-13,220	-1,122,439
044	VIII	Changes in technical provisions of life insurance when insurer bears the insurance risk, net of reinsurance (+/-)	-186,547		-186,547	-74,203		-74,203
048	IX	Expenses for premium returns (bonuses and discounts), net of reinsurance		-4,207	-4,207		-1,980	-1,980
051	X	Business expenditures (costs for operating activities), net	-827,179	-2,135,485	-2,962,664	-908,134	-2,389,924	-3,298,059
060	XI	Investment costs	-155,336	-136,604	-291,940	-470,187	-302,196	-772,383
067	XII	Other technical expenses, net of reinsurance	-49,686	-240,679	-290,365	-11,530	-200,452	-211,982
070	XIII	Other expenses, including time adjustments	-5,733	-38,631	-44,364	-21,781	-24,145	-45,926
071	XIV	Profit or loss for the calculating period before tax (+/-)	89,739	325,214	414,954	-96,714	181,697	84,983
072	XV	Profit/loss tax	-11,215	-59,193	-70,409	-13,926	-60,830	-74,756
075	XVI	Profit or loss for the calculating period after tax (+/-)	78,524	266,021	344,545	-110,640	120,866	10,227
085	1	TOTAL INCOME	3,133,651	6,765,454	9,899,104	3,182,652	7,141,341	10,323,993
086	2	TOTAL EXPENDITURES	-3,055,126	-6,499,433	-9,554,559	-3,293,292	-7,020,475	-10,313,767
		Income from investing capital	52,008	73,582	125,590	34,223	87,740	121,963
		Income from investing mathematical provisions	633,217	8	633,225	601,006	819	601,825
		Income from investing other technical provisions	9,973	658,973	668,946	9,138	401,586	410,723
		Total income from investments	695,198	732,563	1,427,761	644,366	490,144	1,134,511
		Expenditures from investing capital	-3,839	-32,399	-36,238	-72,086	-53,527	-125,614
		Expenditures from investing mathematical provisions	-146,628	-15	-146,642	-315,097	-51	-315,148
		Expenditures from investing other technical provisions	-4,162	-104,191	-108,353	-19,463	-248,618	-268,081
		Total expenditures from investments	-154,629	-136,604	-291,233	-406,646	-302,196	-708,842

Source: HANFA

Table C13: Share of Individual Insurance and Reinsurance Companies' Assets in Total Assets in 2007 and 2008

INSURANCE AND REINSURANCE COMPANY	2007			2008			SHARE IN ASSETS OF ALL COMPANIES IN %	TOTAL	SHARE IN ASSETS OF ALL COMPANIES IN %
	LIFE	NON-LIFE	TOTAL	LIFE	NON-LIFE	TOTAL			
	2	3	4 (2+3)	5	6	7			
Agram životno osiguranje d.d.	874,244		874,244	3.6%	1,057,637		1,057,637	4.0%	
Allianz Zagreb d.d.	1,172,828	897,389	2,070,216	8.5%	1,458,748	1,023,878	2,482,626	9.3%	
Basler osiguranje d.d.		74,364	74,364	0.3%		73,956	73,956	0.3%	
Basler životno osiguranje d.d.	121,012		121,012	0.5%	152,832		152,832	0.6%	
Cardif osiguranje d.d.		26,593	26,593	0.1%		48,379	48,379	0.2%	
Cosmopolitan Life ViG d.d.	180,623		180,623	0.7%	211,658		211,658	0.8%	
Croatia osiguranje d.d.	1,551,488	5,968,834	7,520,322	30.9%	1,688,137	5,456,129	7,144,267	26.9%	
Croatia zdravstveno osiguranje d.d.		93,476	93,476	0.4%		104,167	104,167	0.4%	
Erste Sparkassen osiguranje d.d.	116,117		116,117	0.5%	172,381		172,381	0.6%	
Euroherc osiguranje d.d.		1,962,868	1,962,868	8.1%		2,354,079	2,354,079	8.9%	
Generali osiguranje d.d.	487,494	179,571	667,065	2.7%	401,717	200,433	602,150	2.3%	
Grave Hrvatska d.d.	1,578,664	373,999	1,952,663	8.0%	1,789,928	343,014	2,132,942	8.0%	
Helios ViG d.d.	357,178	203,245	560,424	2.3%	374,191	193,630	567,821	2.1%	
HOK osiguranje d.d.		64,512	64,512	0.3%		127,545	127,545	0.5%	
Jadransko osiguranje d.d.		1,319,983	1,319,983	5.4%		1,591,514	1,591,514	6.0%	
KD životno osiguranje d.d.				0.0%	29,720		29,720	0.1%	
Kvarner ViG d.d.	754,223	484,067	1,238,290	5.1%	873,248	530,047	1,403,295	5.3%	
Merkur osiguranje d.d.	1,319,727	80,184	1,399,911	5.8%	1,406,663	80,548	1,487,212	5.6%	
Sunce osiguranje d.d.		301,406	301,406	1.2%		358,260	358,260	1.3%	
Triglav osiguranje d.d.	225,318	543,308	768,626	3.2%	238,961	550,583	789,544	3.0%	
Uniga osiguranje d.d.	284,748	125,104	409,852	1.7%	469,840	464,909	934,749	3.5%	
Velebit osiguranje d.d.		35,997	35,997	0.1%		80,206	80,206	0.3%	
Velebit životno osiguranje d.d.	39,287		39,287	0.2%	64,984		64,984	0.2%	
Victoria životno osiguranje d.d.				0.0%	40,767		40,767	0.2%	
Osiguranje Zagreb d.d.	1,189,164	493,113	1,682,277	6.9%	1,280,725	396,680	1,677,405	6.3%	
Allianz reosiguranje d.d.		35,196	35,196	0.1%		28,474	28,474	0.1%	
Croatia Lloyd d.d.		818,803	818,803	3.4%		872,193	872,193	3.3%	
TOTAL insurance companies	10,252,115	13,228,012	23,480,127	96.5%	11,712,137	13,977,958	25,690,094	96.5%	
TOTAL reinsurance companies		853,998	853,998	3.5%		900,667	900,667	3.4%	
UKUPNO	10,252,115	14,082,010	24,334,126	100.0%	11,712,137	14,878,624	26,590,761	100.0%	

Source: HANFA

Table D1: Aggregated Balance Sheet of Leasing Companies- ASSETS (at the end of period, in HRK thousand)

DESCRIPTION		31 Dec 2005 ¹	31 DEC 2006 ¹	31 Dec 2007 ²	31 Dec 2008 ³
ASSETS					
A.	LONG TERM ASSETS (fixed assets)	18,409,748	24,699,527	26,919,867	29,953,355
I.	INTANGIBLE ASSETS	44,611	75,073	23,924	42,123
II.	tangible assets	7,708,095	10,402,958	11,294,451	13,056,951
2.1	Tangible assets in preparation (investments in progress)	768,634	1,602,920	416,586	431,502
2.2	Tangible assets given under operating lease	6,786,582	8,585,080	10,657,341	12,398,326
	in that assets given under operating lease to non-residents	26,015	32,249	3,528	3,903
2.2.1	Passenger cars	3,604,841	4,711,876	6,101,477	6,467,490
2.2.2	Commercial (load and transport) vehicles	813,913	956,534	958,493	1,534,464
2.2.3	Machines and equipment	936,450	1,039,250	1,940,583	1,929,590
2.2.4	Plants	31,063	27,877	15,031	4,955
2.2.5	Real estates	966,788	1,179,058	682,381	919,584
2.2.6	Vessels	348,705	579,767	899,830	1,428,130
2.2.7	Other	84,822	90,719	59,545	114,113
2.3	Other tangible assets	152,880	214,958	220,525	227,123
III.	LONG TERM FINANCIAL ASSETS	4,398,594	5,663,369	4,500,081	3,116,748
3.1	Investments in subsidiaries, associates and joint ventures	1,261	18,828	79,659	43,087
3.2	Long term loans given to related persons	1,413	189,459	64,161	35,071
3.3	Investment in long-term securities	64,310	96,888	113,547	117,470
3.4	Long term loans	4,326,719	5,351,956	4,228,665	2,910,191
3.5	Long term deposits	0	650	509	2,270
3.6	Other financial assets	4,891	5,587	13,541	8,659
IV.	LONG TERM RECEIVABLES	6,258,448	8,558,127	11,101,410	13,737,532
4.1	Receivables under finance lease	6,258,187	8,547,397	11,096,492	13,737,211
4.2	Receivables from related persons	0	0	0	0
4.3	Other receivables	261	10,730	4,919	321
B.	SHORT TERM ASSETS	1,933,714	2,172,971	3,230,570	4,921,286
I.	INVENTORY	51,894	198,040	96,778	94,355
II.	SHORT TERM RECEIVABLES	1,242,884	1,313,182	1,799,019	2,607,605
2.1	Receivables under operating lease	252,749	217,333	230,809	293,260
2.2	Receivables under financial lease	585,649	501,364	778,345	1,727,593
2.3	Receivables from related persons	6,459	18,811	19,901	41,873
2.4	State and other institutions receivables	125,927	122,864	90,254	149,632
2.5	Other receivables	272,099	452,811	679,710	395,247
III.	SHORT TERM FINANCIAL ASSETS	417,874	309,862	959,289	1,938,249
	Investments in subsidiaries, associates and joint ventures	0	0	0	0
3.1	Investments in securities	2,504	16,710	102,244	99,774
3.2	Given loans	278,122	187,571	466,127	941,855
3.3	Given deposits	121,585	88,566	382,160	886,544
3.4	Other assets	15,663	17,015	8,758	10,076
IV.	CASH WITH BANK AND IN HAND	221,063	351,887	375,485	281,077
C.	PREPAYMENTS AND ACCRUED INCOME	60,140	96,093	153,428	242,331
D.	TOTAL ASSETS	20,403,602	26,968,591	30,303,865	35,116,972
E.	Off-balance sheet items	107,490	111,739	760,153	777,544

Source: HANFA

¹ Temporary data for 57 leasing companies as at 31 December 2005 and 31 December 2006² Temporary data for 25 leasing companies as at 31 December 2007³ Temporary data for 26 leasing companies as at 31 December 2008

Table D2: Aggregated Balance Sheet of Leasing Companies- LIABILITIES (at the end of period, in HRK thousand)

DESCRIPTION		31 Dec 2005 ¹	31 DEC 2006 ¹	31 Dec 2007 ²	31 Dec 2008 ³
LIABILITIES					
A.	CAPITAL AND RESERVES	742,138	860,497	766,772	79,783
I.	Subscribed capital	342,040	380,419	428,756	401,653
	in that owned by non-residents	180,619	197,350	285,055	258,846
II.	Revaluation reserves	733	5,692	7	-3,353
III.	Other reserves	368,479	442,903	280,760	190,001
IV.	Retained profit/transferred loss	-196,210	-58,419	142,880	-43,695
V.	Profit/loss for the year	227,096	89,902	-85,632	-464,824
B.	LONG-TERM LIABILITIES	17,749,955	23,367,423	25,551,999	30,238,138
I.	Liabilities towards related companies	10,330,070	12,463,863	11,792,640	14,434,677
II.	Foreign bank and financial institutions loans	5,818,973	8,837,153	11,250,672	13,251,766
III.	Domestic bank and financial institutions loans	388,555	558,976	932,971	751,336
IV.	Liabilities for advances, deposits and guarantees in respect of lease	1,112,955	1,384,174	1,571,480	1,705,544
	Liabilities for issued securities	0	0	0	1,806
V.	Other long-term liabilities	99,401	123,258	4,236	93,010
C.	SHORT-TERM LIABILITIES	1,574,636	2,274,685	3,369,447	4,047,201
I.	Liabilities towards related companies	545,226	601,178	1,597,011	534,900
II.	Foreign bank and financial institutions loans	358,047	572,944	372,398	2,472,028
III.	Domestic bank and financial institutions loans	150,312	331,988	605,699	434,757
	Liabilities for advances, deposits and guarantees in respect of lease	0	0	0	0
IV.	Liabilities for issued securities	158,372	179,278	356,263	314,798
V.	Other short-term liabilities	362,679	589,297	438,077	290,717
D.	ACCRUALS AND DEFERRED INCOME	336,874	465,986	615,648	751,849
E.	TOTAL LIABILITIES	20,403,602	26,968,591	30,303,865	35,116,972
F.	Off-balance sheet items	107,490	111,739	760,153	777,544

Source: HANFA

Table D3: Structure of Active Operating Lease Contracts by Object of Lease (at the end of period, contracted value in HRK thousand)

NUMBER OF ACTIVE CONTRACTS	31 Dec 2005 ¹	31 Dec 2006 ¹	31 Dec 2007 ²	31 Dec 2008 ³
Passenger cars	40,371	50,801	63,334	73,808
Commercial (load and transport vehicles)	7,879	9,042	9,275	8,690
Machines and equipment	2,004	2,336	2,986	3,601
Plants	14	13	14	21
Real estate	91	118	107	115
Vessels	335	514	721	937
Other	338	789	178	204
TOTAL	51,032	63,613	76,615	87,376
CONTRACTED VALUE	31 Dec 2005 ¹	31 Dec 2006 ¹	31 Dec 2007 ²	31 Dec 2008 ³
Passenger cars	5,023,123	6,391,657	8,151,690	9,961,956
Commercial (load and transport vehicles)	1,688,519	1,976,496	2,103,244	2,426,411
Machines and equipment	1,103,303	1,252,528	2,367,200	2,648,653
Plants	32,540	32,084	22,119	35,379
Real estate	888,680	1,360,724	797,820	1,084,618
Vessels	490,707	781,817	1,209,500	1,851,857
Other	110,965	173,540	112,192	121,703
TOTAL	9,337,836	11,968,846	14,763,766	18,130,578

Source: HANFA

¹ Temporary data for 57 leasing companies as at 31 December 2005 and 31 December 2006² Temporary data for 25 leasing companies as at 31 December 2007³ Temporary data for 26 leasing companies as at 31 December 2008

Table D4: Structure of Active Finance Lease Contracts by Object of Lease (at the end of period, contracted value in HRK thousand)

NUMBER OF ACTIVE CONTRACTS	31 Dec 2005 ¹	31 Dec 2006 ¹	31 Dec 2007 ²	31 Dec 2008 ³
Passenger cars	23,428	28,929	34,615	41,536
Commercial (load and transport vehicles)	9,731	11,494	15,692	18,224
Machines and equipment	4,937	5,703	9,254	10,618
Plants	22	25	38	38
Real estate	205	413	701	860
Vessels	389	521	836	891
Other	624	890	659	913
TOTAL	39,336	47,975	61,795	73,080
CONTRACTED VALUE	31.12.2005. ¹	31.12.2006. ¹	31.12.2007. ²	31.12.2008. ³
Passenger cars	2,754,947	3,760,242	4,543,497	5,671,138
Commercial (load and transport vehicles)	2,327,840	2,920,447	4,427,536	5,832,597
Machines and equipment	1,794,568	2,321,544	3,977,177	4,734,272
Plants	16,210	21,027	32,280	25,293
Real estate	2,068,659	2,694,705	2,844,969	4,010,242
Vessels	290,233	416,852	611,974	822,538
Other	143,867	225,738	227,399	312,517
TOTAL	9,396,325	12,360,555	16,664,831	21,408,598

Source: HANFA

Table D5: Structure of Active Loan Contracts by Object of Lease (end of period, contracted value in HRK thousand)

NUMBER OF ACTIVE CONTRACTS	31 Dec 2005 ¹	31 Dec 2006 ¹	31 Dec 2007 ²	31 Dec 2008 ³
Passenger cars	13,170	13,282	11,637	9,801
Commercial (load and transport vehicles)	5,119	5,029	4,495	3,942
Machines and equipment	2,510	2,628	2,565	2,321
Plants	18	21	12	10
Real estate	601	743	725	647
Vessels	423	504	472	410
Other	360	307	91	82
TOTAL	22,201	22,514	19,997	17,213
CONTRACTED VALUE	31 Dec 2005 ¹	31 Dec 2006 ¹	31 Dec 2007 ²	31 Dec 2008 ³
Passenger cars	1,268,266	1,302,187	1,152,555	1,011,500
Commercial (load and transport vehicles)	1,073,444	1,092,869	965,227	846,591
Machines and equipment	1,095,900	1,110,066	1,132,509	1,033,286
Plants	5,593	8,639	7,064	6,558
Real estate	2,268,097	4,026,892	3,877,154	3,751,256
Vessels	325,170	394,886	361,251	319,338
Other	197,654	190,978	297,591	258,154
TOTAL	6,234,124	8,126,518	7,793,352	7,226,683

Source: HANFA

¹ Temporary data for 57 leasing companies as at 31 December 2005 and 31 December 2006² Temporary data for 25 leasing companies as at 31 December 2007³ Temporary data for 26 leasing companies as at 31 December 2008

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Abbreviations

GDP	Gross Domestic Product	MOD	Pension Insurance Company
CROBEX	the share index of the Zagreb Stock Exchange	MSFI	International Financial Reporting Standards
EU	European Union	ODMF	Open-End Voluntary Pension Fund
HANFA	Croatian Financial Services Supervisory Agency	OIF	Open-End Investment Fund
HRK	Croatian Kuna	OMF	Mandatory Pension Fund
mil.	million	REGOS	Central Registry of Insured Persons
bill.	billion	RH	Republic of Croatia
IMF	International Monetary Fund	ZDMF	Closed-End Voluntary Pension Fund
		ZIF	Closed-End Investment Fund

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