

2010 annual report

CROATIAN FINANCIAL SERVICES SUPERVISORY AGENCY



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Introduction

The Croatian Financial Services Supervisory Agency (hereinafter: Agency) is in charge of supervision of the non-banking financial sector in the Republic of Croatia since 1 January 2006. The fundamental objectives of the Agency are promotion and preservation of the stability of the financial system and supervision of legality of

the supervised entities' operations. For the purpose of achieving its objectives the Agency is governed by principles of transparency, building confidence among participants at the financial market and reporting to consumers. At the end of 2010 the Agency had 133 employees in 5 sectors and 6 departments.

Sessions of the Management Board of the Agency in 2010

In accordance with Article 8 of the Act on Croatian Financial Services Supervisory Agency (Official Gazette 140/05), all decisions from the scope of activities and competence of the Agency are made by the Management Board at its sessions.

In 2010 the Management Board held 65 sessions, 51 sessions being regular and 14 being extraordinary sessions, where total 1,446 decisions were brought.

Council of the Croatian Financial Services Supervisory Agency

In accordance with Article 11 of the Act of Croatian Financial Services Supervisory Agency (Official Gazette 140/05), the Agency has a Council.

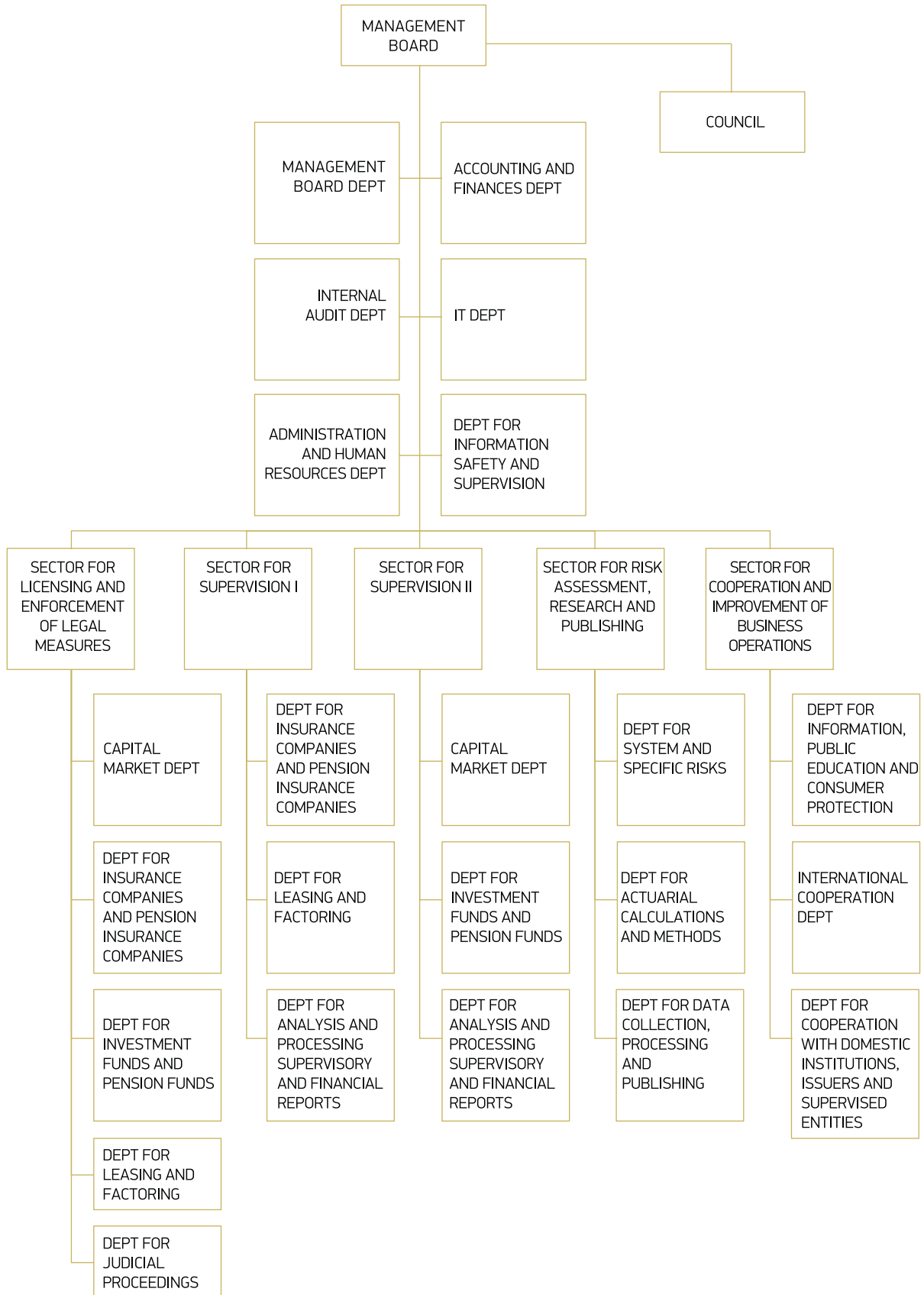
The Council is an advisory body of the Agency.

The Council consists of 9 members with 3 members delegated by the Government of the Republic of Croatia, and 5 being nominated by associations of supervised entities established at the Croatian Chamber of Commerce. The President of the Management Board of The Agency is a member of the Council by official duty.

In 2010 the Council had 4 sessions held on 29 March, 9 July, 22 September and 22 December with the following agendas:

- Consultation on investment and pension funds
- Consultation on capital market
- Consultation on insurance market
- Consultation on leasing
- Annual report of the Agency
- Report on investment firms' capital adequacy
- Working plan of the Council for 2011.

Organisational chart of the Agency as at 31 December 2010



Capital market 1

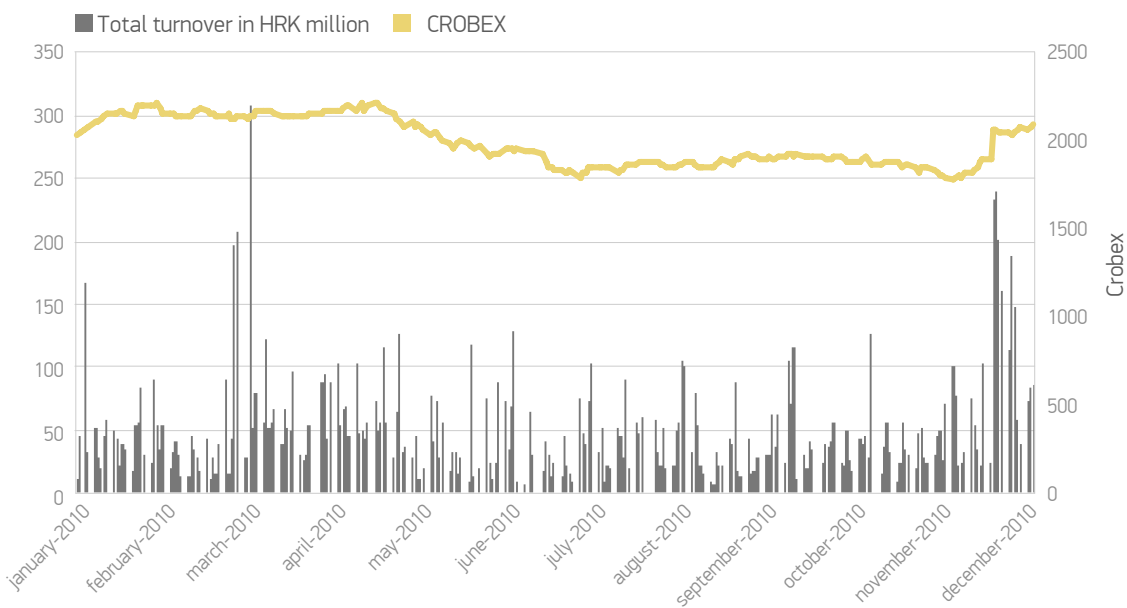
Total realised turnover at Zagreb Stock Exchange in 2010 reached HRK 12,899 million, presenting an increase of 18.2% compared to the total turnover in 2009. 250 securities were actively traded with, which is 19.4% less than in the previous year. Regular turnover in shares amounted to HRK 5,777.1 million, or 22.3% less

than in the previous year. Market capitalization was higher by 12.8% compared to 2009.

The end value of CROBEX, share index of Zagreb Stock Exchange, amounted to 2,110.93 points at the end of the year, showing an increase of 5.3% compared to 2009.

Value of CROBEX Index and Turnover at Zagreb Stock Exchange in 2010

Chart 1.1



Source: ZSE

The regular turnover related to bonds at Zagreb Stock Exchange amounted to HRK 274.3 million, which is an increase of 35.3% compared to 2009.

Chart 1.2

Annual Rate of Return of CROBEX in the Period from 1998 to 2010

Source: ZSE

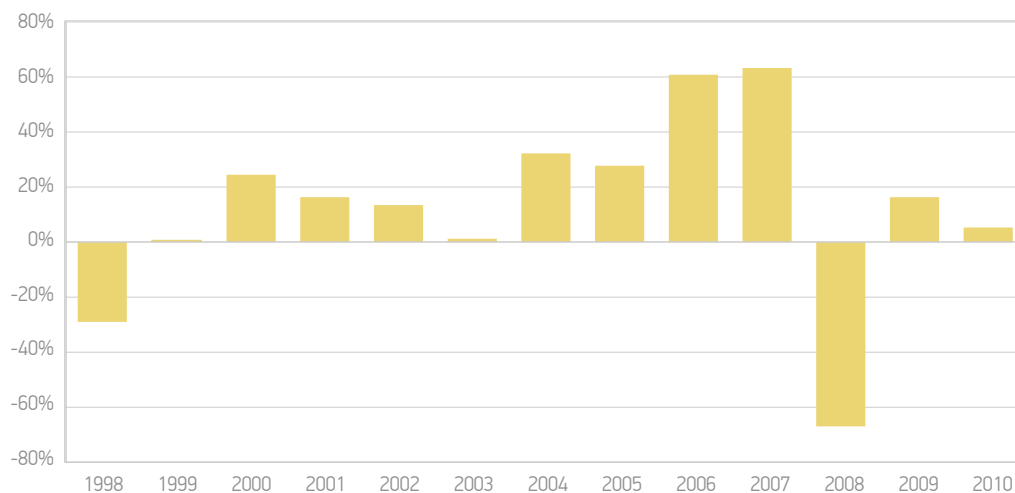


Table 1.1

Trends in Value of Stock Exchange Indices in 2010

Source: Bloomberg

Index (currency)	Index value in 2010				% of share in index value in 2010		
	Initial	Highest	Lowest	Final	DOMESTIC CURRENCY	EUR	USD
CROBEX (HRK)	2,001	2,226	1,773	2,111	5.33%	4.06%	-3.01%
DJ Industrial Index (USD)	10,431	11,625	9,614	11,578	11.02%	18.80%	11.02%
S&P 500 Composite Index (USD)	1,117	1,263	1,011	1,258	12.78%	20.68%	12.78%
Nasdaq Composite Index (USD)	2,294	2,675	2,061	2,653	16.91%	25.10%	16.91%
Russell 2000 Stock Price Index (USD)	625	793	580	784	25.31%	34.08%	25.31%
Composite DAX Index (EUR)	5,976	7,088	5,433	6,914	16.06%	16.06%	8.40%
Paris CAC 40 Index (EUR)	3,952	4,088	3,288	3,805	-3.34%	-3.34%	-9.72%
UK FTSE 100 Index (GBP)	5,413	6,021	4,790	5,900	9.00%	12.75%	5.24%
Aus ASX All Ordinaries Index (AUS)	4,877	5,049	4,194	4,847	-0.73%	21.32%	13.01%
Nikkei 225 Index (YEN)	10,609	11,408	8,796	10,229	-3.01%	19.10%	11.22%
Hang Seng Index (HK\$)	21,860	24,989	18,972	23,035	5.32%	12.41%	5.06%
Shanghai Composite Index (YUAN)	3,290	3,307	2,320	2,808	-14.31%	-5.05%	-11.48%
Bombay Sen Sex Index (RUP)	17,473	21,109	15,652	20,509	17.43%	30.81%	22.21%
FTSE/JSE All Share Index (RAND)	27,666	32,227	25,733	32,119	16.09%	38.43%	29.56%
SBI 20 Ljubljana stock Exchange (EUR)	4,079	4,230	3,207	3,281	-19.55%	-19.55%	-24.86%
Belex 15 Belgrade Stock Exchange (DIN)	668	766	600	652	-1.81%	-10.97%	-16.87%
Bulgaria Sofix index (BGN)	427	446	337	362	-15.19%	-15.35%	-20.95%
Prague stock exchange (CZK)	1,121	1,317	1,087	1,225	9.62%	15.85%	8.28%
Budapest stock exchange (HUF)	21,196	25,690	20,095	21,327	0.47%	-2.51%	-8.77%
Sasx-10 Sarajevo Stock Exchange (KM)	1,053	1,086	858	944	-10.35%	-10.47%	-16.44%
Wse Wig 20 Index Poland (PLZ)	2,403	2,787	2,165	2,744	14.88%	18.84%	11.03%
Slovak share Index (SKK)	267	267	201	230	-13.71%	-13.71%	-19.40%
Bucharest BET Index (RON)	4,691	6,155	4,314	5,269	12.32%	11.01%	3.73%
Greece ASE General Index (EUR)	2,196	2,367	1,383	1,414	-35.62%	-35.62%	-39.87%
MSCI Emerging Markets Index (USD)	989	1,160	850	1,151	16.36%	24.51%	16.36%
MSCI World (USD)	1,168	1,284	1,026	1,280	9.55%	17.22%	9.55%

Realised Rates of Return of Indices Worldwide in 2010

Chart 1.3

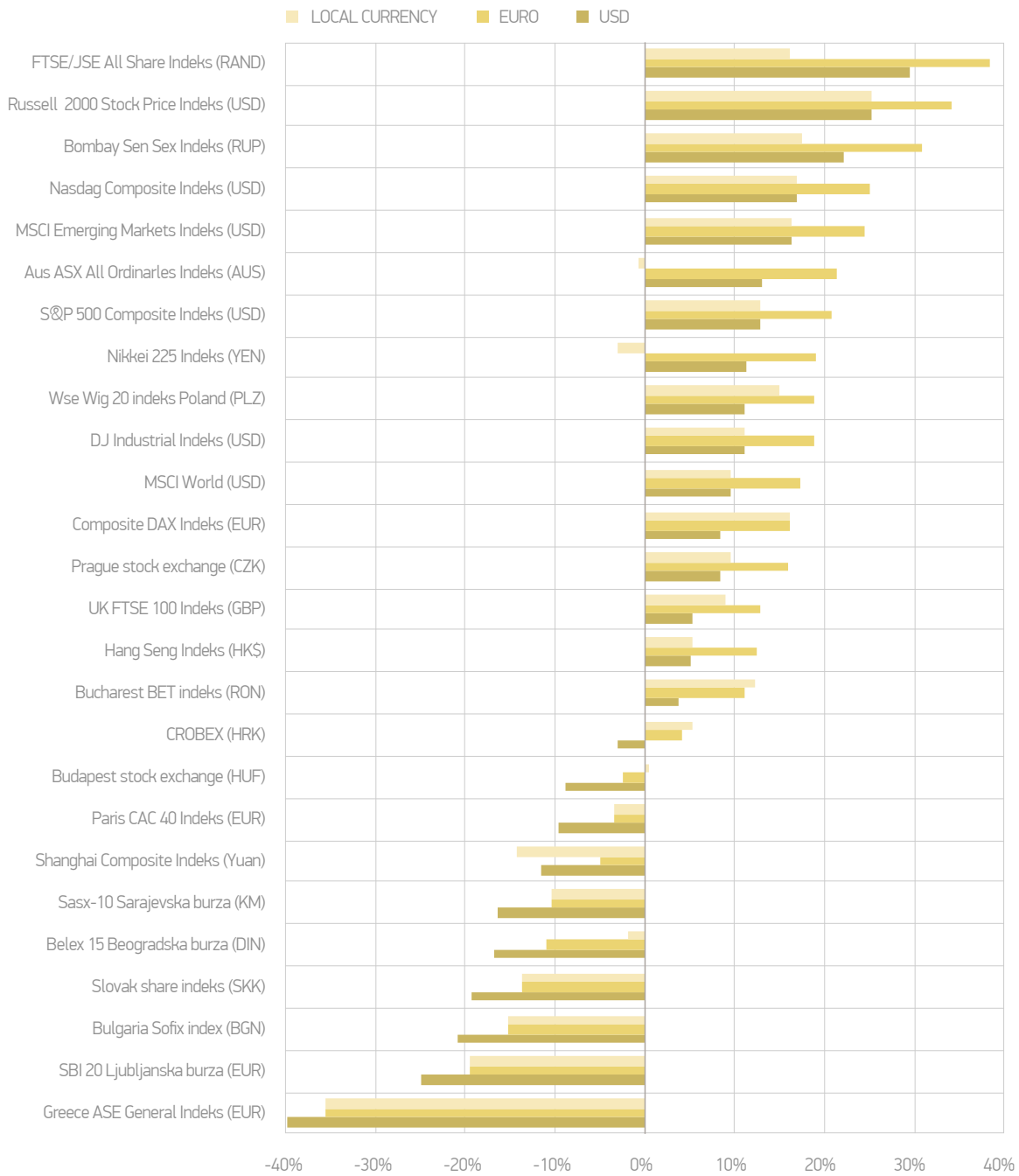


Chart 1.4

Aggregated Currency Rates of Return in Relation to EUR and USD for Period 2000 - 2010

Source: Bloomberg

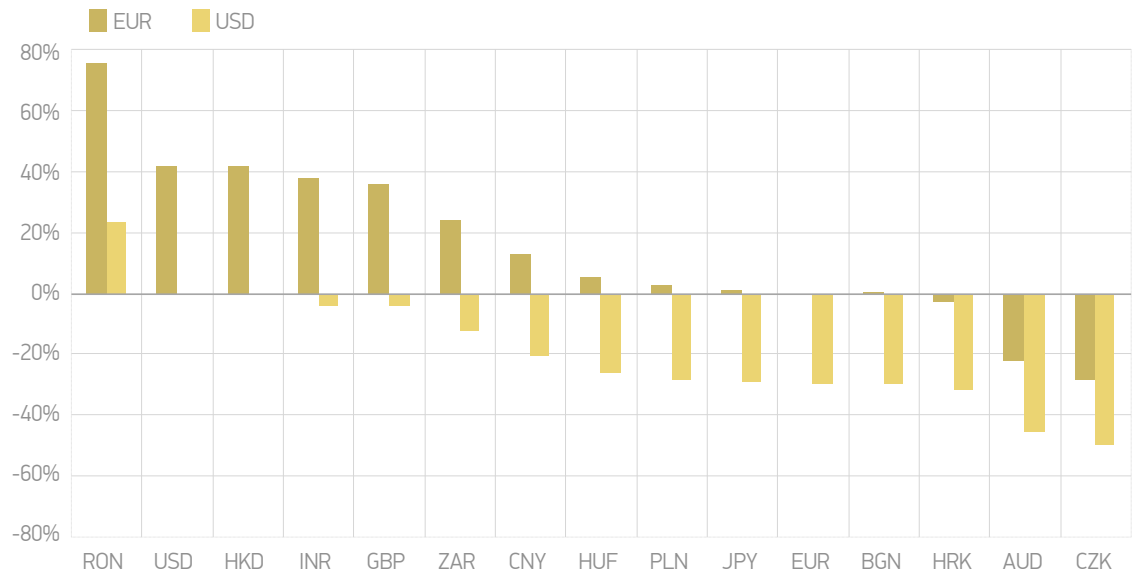
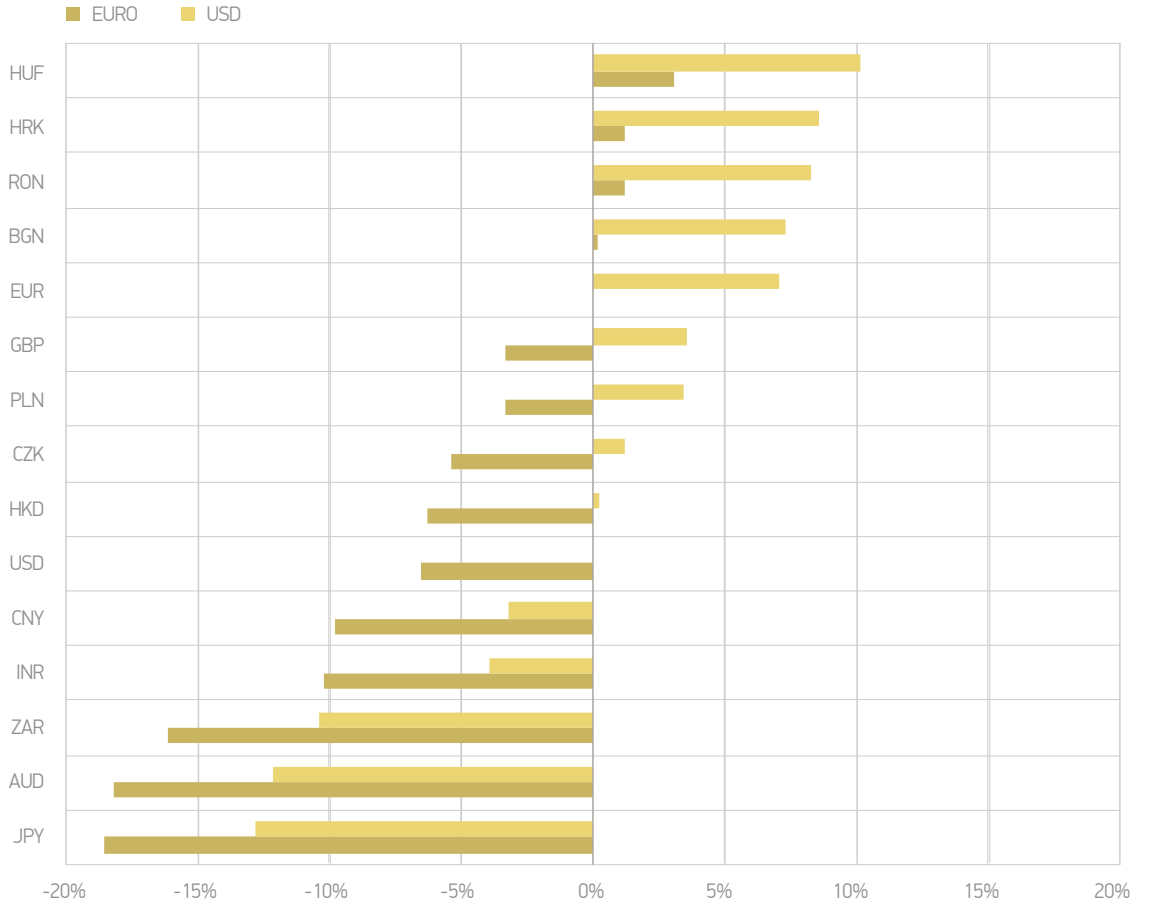


Chart 1.5

Realised Currency Rates of Return in Relation to EUR and USD in 2010

Source: Bloomberg



The official bond index of the Zagreb Stock Exchange, the CROBIS, was first published on 1 October 2002. 30 September 2002 was determined as the base date, with 100 points set as the base value.

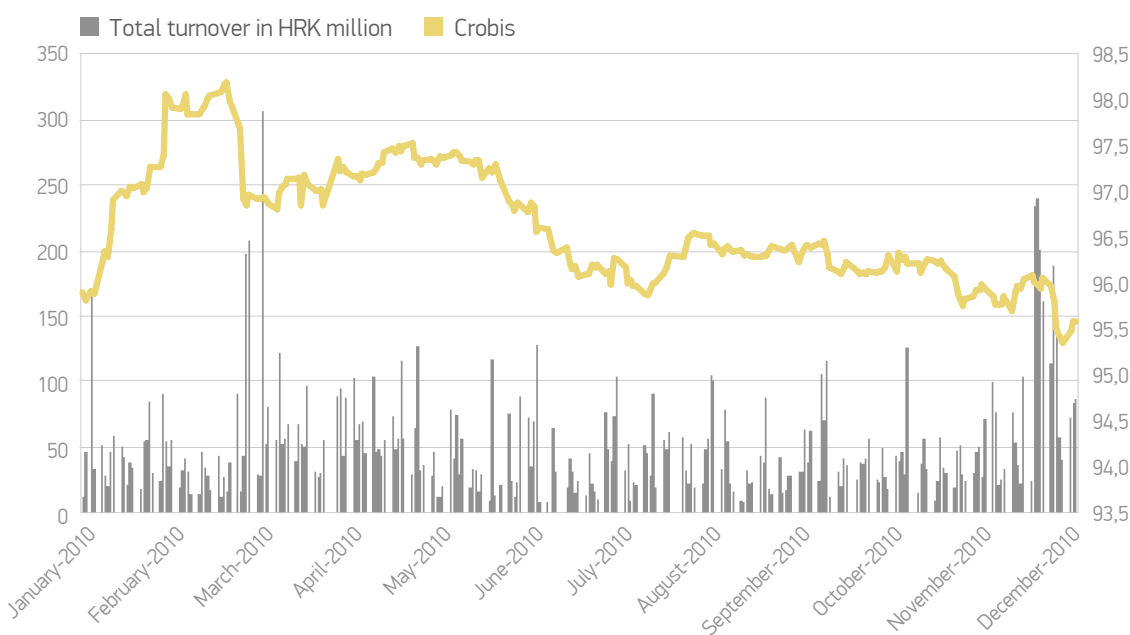
The CROBIS includes 8 bonds which must be government bonds and state agency bonds listed on the Zagreb Stock Exchange, with the nominal value of issue higher

than or equalling EUR 75 million and maturity period of at least 18 months. The bonds have a fixed interest rate with the one-off principal payment at the end of the maturity period.

As shown in Chart 1.7, in 2010 the CROBIS decreased by 0.2% relative to 2009.

Trends in Value of CROBIS Index and Turnover at Zagreb Stock Exchange in 2010

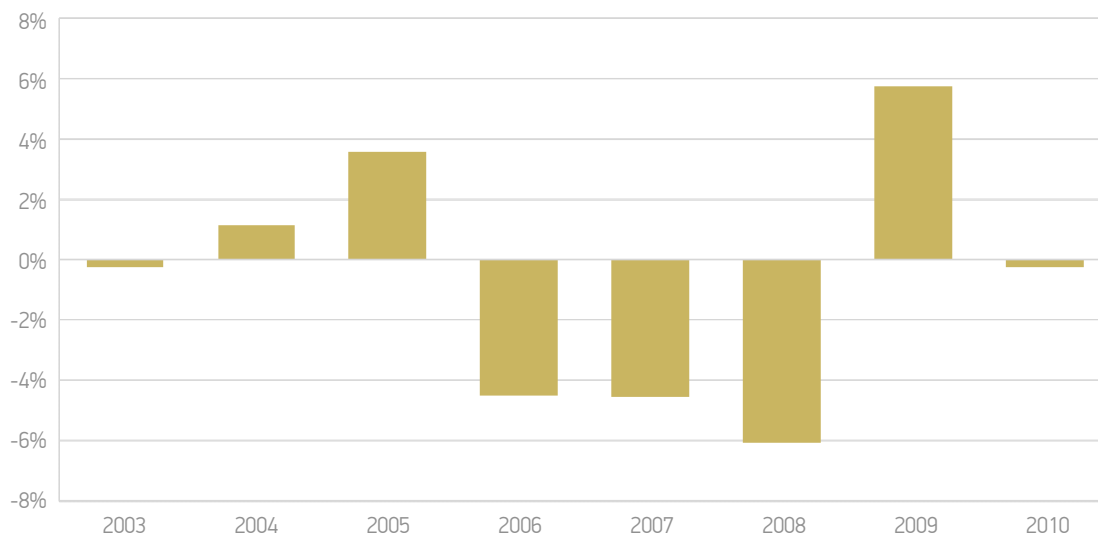
Chart 1.6



Source: ZSE

Annual Rates of Return of the CROBIS for the Period from 2003 to 2010

Chart 1.7



Source: ZSE

CROBEX10 index was published on 7 September 2009 for the first time. 31 July 2009 was determined as the basis date with 1,000 as the basis value.

CROBEX10 consists of 10 shares with the highest free-float market capitalisation and turnover from composition of CROBEX.

The rank of each share within CROBEX composition is determined by 2 criteria: share in free-float market capitalisation and share in turnover realised within book of offers in the six-month period prior auditing. The weight of 50% is assigned to each of the criteria, and

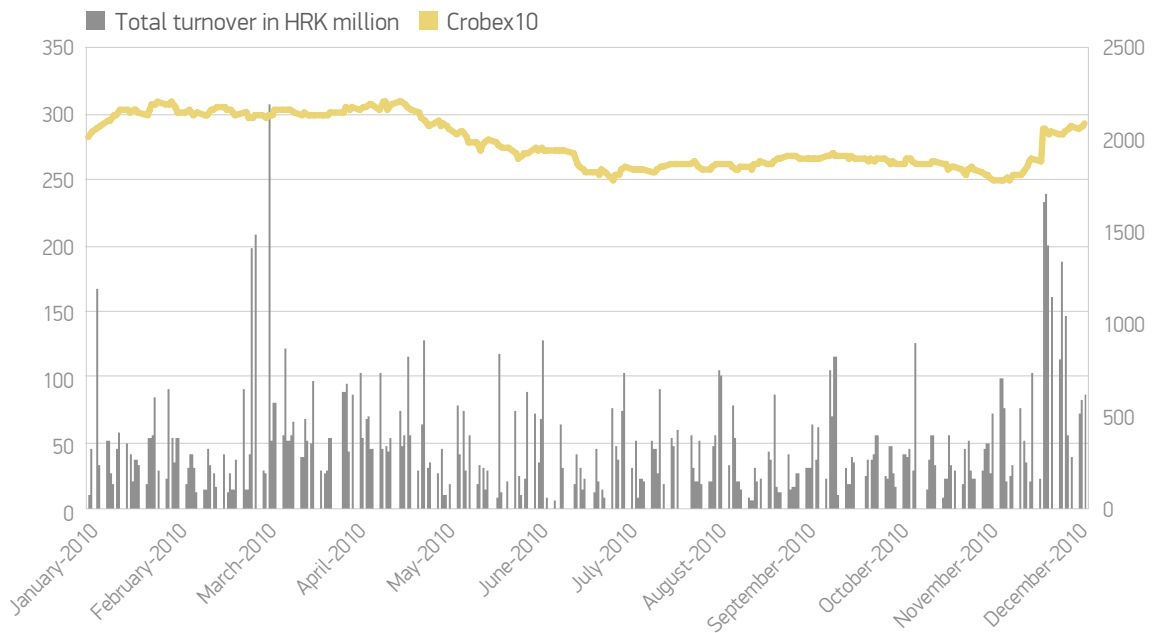
the weighted market share (median) is being calculated accordingly.

The first set-up of CROBEX10 index comprises of 10 shares with the highest weighted market share. CROBEX 10 index does not include shares of companies where 75% of the initial capital of the company is owned by one owner.

Value of CROBEX10 index at the end of 2010 amounted to 1,154.3 points.

Chart 1.8 | Trends in Value of CROBEX10 Index and Turnover at Zagreb Stock Exchange in 2010

Source: ZSE



Investment Firms 1.1

1.1.1 Balance Sheet of the Investment Firms

As at 31 December 2009, 23 investment firms were active, while as at 31 December 2010 18 investment firms were active. The total value of investment firms' assets as at 31 December 2010 amounted to HRK 431.3 million, which is an increase of 18.9% compared to 31 December 2009. The largest share in total assets as at 31 December 2010 related to financial assets (HRK 290.9 million or 67.5% of total assets) which increased by 42.6% compared to 31 December 2009. The item „securities and other financial instruments by fair value

through profit or loss" significantly increased within the structure of financial assets, by 87.7% compared to 31 December 2009.

Within the structure of liabilities, obligations were dominant and comprised of 65.2% of total liabilities, while the remainder (34.8%) referred to capital and reserves. Compared to 31 December 2009, capital and reserves decreased by 13.5%, while total obligations increased by 48.4%.

Investment Firms' Balance Sheet as at 31 December 2009 and 31 December 2010 (in HRK thousand)

Table 1.1.1

ASSETS		31 Dec 2009	31 Dec 2010	Change %
1	Intangible, tangible assets and long-term investments	63,302	61,963	-2.12%
2	Cash funds and receivables	95,508	78,371	-17.94%
3	Financial assets	204,035	290,916	42.58%
a	Securities and other financial instruments at fair value through profit or loss	92,333	173,306	87.70%
b	Securities and other financial instruments available for sale	111,702	117,610	5.29%
c	Securities and other financial instruments held till maturity	0	0	
4	TOTAL ASSETS	362,845	431,250	18.85%
LIABILITIES				
1	Capital and reserves	173,324	149,978	-13.47%
a	Initial (subscribed) capital	118,745	97,775	-17.66%
b	Reserves from profit	518	522	0.77%
c	Capital reserves	7,833	1,659	-78.82%
d	Retained profit	93,096	85,591	-8.06%
e	Transferred loss	26,909	20,452	-24.00%
f	Profit or loss for current year	-19,379	-14,104	-27.22%
g	Readjustment reserves	-580	-1,013	74.66%
2	Liabilities	189,521	281,272	48.41%
3	TOTAL LIABILITIES	362,845	431,250	18.85%

Source: HANFA

The largest share in total assets as at 31 December 2010 referred to firms Interkapital vrijednosni papiri

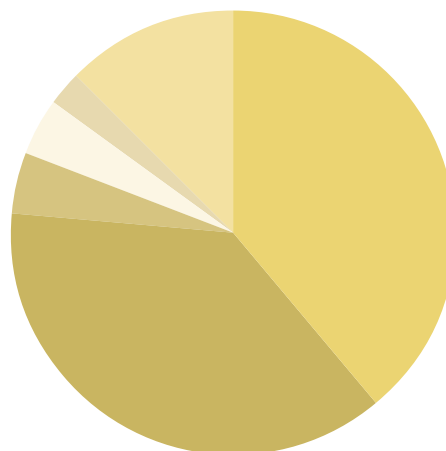
d.o.o. (38.2% of total assets) and Auctor d.o.o. (36.8% of total assets) as shown in the following chart.

Chart I.1.1

Share of Investment Firm's Assets in Total Assets of Investment Firms as at 31 December 2010

Source: HANFA

Interkapital vrijednosni papiri d.o.o.	38.18%
Auctor d.o.o.	36.80%
Hita vrijednosnice d.d.	4.31%
Erste vrijednosni papiri d.o.o.	4.27%
Agram brokeri d.d.	4.19%
Others	12.25%



1.1.2 Profit and Loss Account of Investment Firms

In 2010, 5 investment firms realised profit in the total amount of HRK 2 million, whereas 13 investment firms realised loss in the total amount of HRK 16.1 million.

In the structure of profit in 2010, the most significant income was from fees and charges for performed

investment services which comprised of 53.1% of total realised income. In the structure of costs in 2010, the most significant were staff costs (30.0% of total costs) and costs related to fees and charges for performed investment services (17.5% of total costs).

Table I.1.2

Investment Firms' Profit and Loss Account as at 31 December 2009 and 31 December 2010 (in HRK thousand)

Source: HANFA

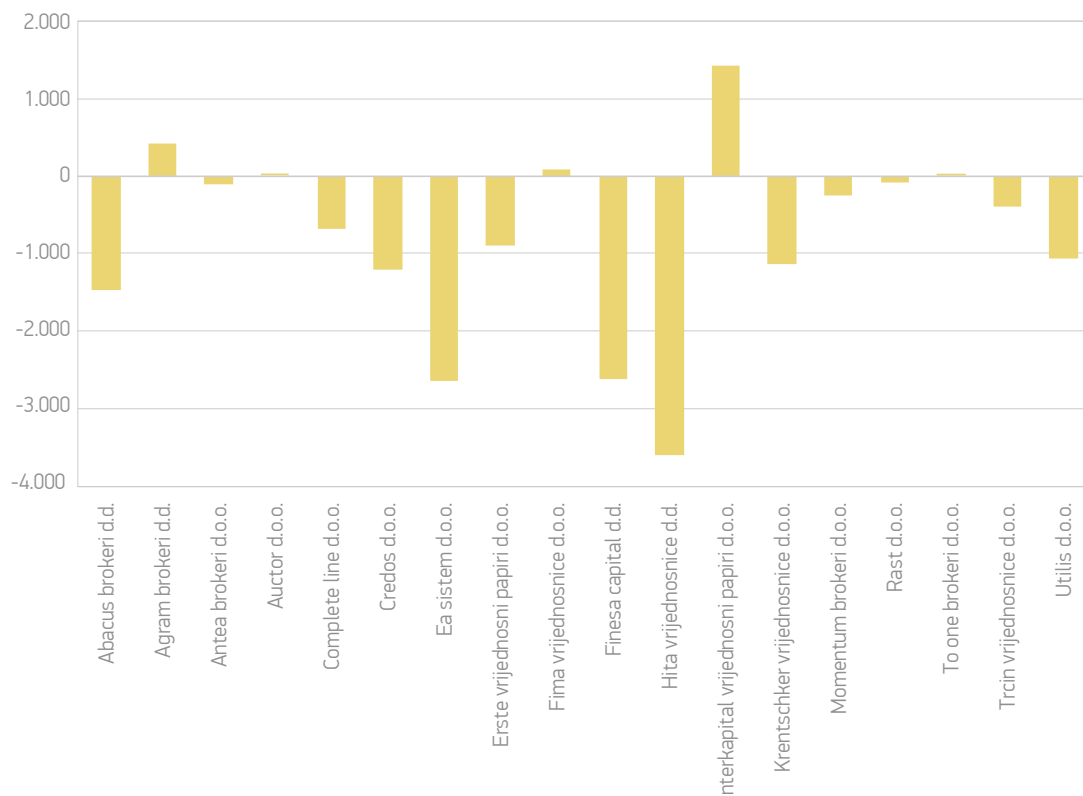
	2009	2010	change in %
1 Net income/costs from fees and charges	39,777	28,471	-28.42%
2 Net realised income/costs of financial assets by fair value through profit or loss	4,404	11,357	157.88%
3 Net unrealised income/costs of financial assets by fair value through profit or loss	3,906	-350	-108.96%
4 Net realised income/costs of financial assets available for sale	-7,031	-2,100	-70.13%
5 Net value adjustment of loans, credits and assets kept until maturity	0	0	
6 Other net reservations and value adjustments	498	1,403	181.73%
7 Net income/costs from interest rate	784	2,119	170.28%
8 Net exchange rate discrepancies	-184	-2,031	1003.80%
9 Total other income	23,935	6,466	-72.99%
Depreciation	5,731	3,011	-47.46%
Staff costs	43,594	30,603	-29.80%
Other costs	35,641	23,598	-33.79%
10 Total other costs	84,966	57,212	-32.66%
11 Total income	125,135	87,381	-30.17%
12 Total costs	145,008	102,065	-29.61%
Pre-tax profit or loss	-19,873	-14,683	-26.12%
Profit tax	-494	-579	17.21%
13 Profit or loss	-19,379	-14,104	-27.22%

In 2010, the highest profit was realised by Interkapital vrijednosni papiri d.o.o. and Agram brokeri d.o.o., whereas the biggest loss was realised by Hita vrijednosnice d.d.,

Ea sistem d.o.o. and Finesa capital d.d., as shown in chart 1.1.2.

Profit/Loss of Investment Firms in 2010 (in HRK thousand)

Chart 1.1.2



Source: HANFA

Income Arising from Providing Investment Services and Performing Investment Activities in 2010

1.2

In 2010, investment firms, credit institutions and other legal persons which are authorised to provide investment services and perform investment activities in accordance with the provisions of the Capital Market Act (Official Gazette 88/08, 146/08 and 74/09) realised related income in the amount of HRK 3.4 billion.

Income based on performing basic investment services and activities in 2010 amounted to HRK 3.2 billion, while income based on performing ancillary activities amounted to HRK 183.7 million.

Credit institutions realised 97.6% of total income related to investment services and activities. In 2010, investment firms realised income based on providing investment services and performing investment activities in the amount of HRK 77.1 million (approximately 2.2% of the total income).

The largest share (89.1%) in the structure of total income refers to the activities of trading for own account out of which 99.0% consists of income from activities of trading for own account of credit institutions.

Table I.2.1

Total Income Arising from Provision of Investment Services and Pursuit of Investment Activities in 2010 (in HRK thousand)

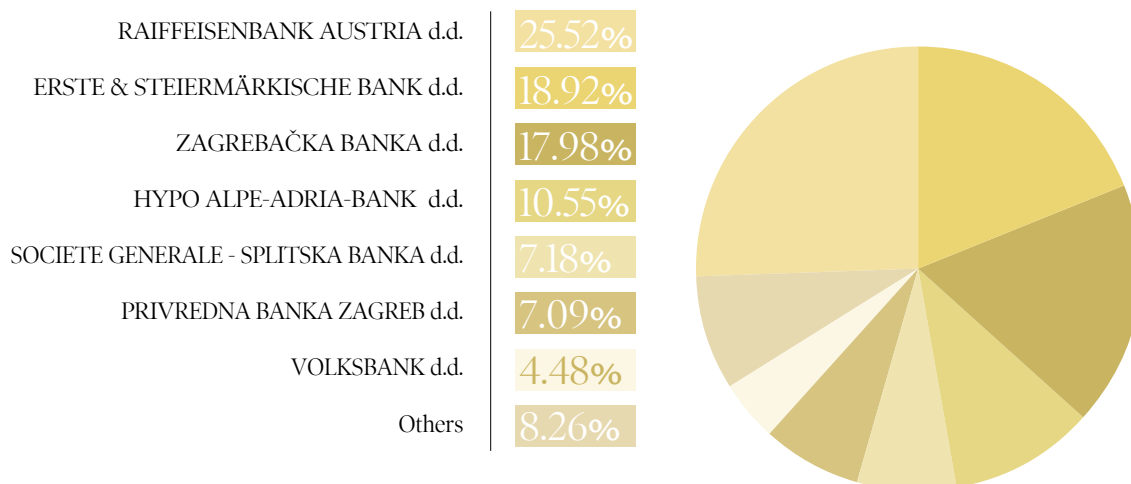
Source: HANFA

	Investment firms	Credit institutions	Investment fund management companies	Total
I. Income from provision of investment services and performing investment activities	73,921	3,168,236	4,132	3,246,289
Income from reception and transmission of order in relation to one or more financial instruments	6,515	1,087	0	7,602
Income from execution of orders on behalf of clients	29,189	26,435	0	55,624
Income from dealing on own account	30,442	3,024,949	0	3,055,391
Income from portfolio management	3,511	1,500	3,266	8,277
Income from provision of investment advice	494	0	865	1,359
Income from underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis	0	30,548	0	30,548
Placing of financial instruments without a firm commitment basis	3,772	83,717	0	87,489
II. Income from provision of ancillary services	3,173	180,493	25	183,691
Total income from provision of investment services and performing investment activities	77,095	3,348,729	4,157	3,429,980

Chart I.2.1

Realised Income from Providing Investment Services and Performing Investment Activities in 2010 by Legal Persons

Source: HANFA



In accordance with the provisions of the Capital Market Act which entered into force on 1 January 2009, the Agency grants and revokes authorisations for work to investment firms and prior approvals to credit institutions. The Agency also issues and revokes approvals for performing duties of members of management boards of investment firms, brokers, investment advisors, tied agents of investment firms, as well as approvals to obtain a qualified holding in investment firms.

The Act laid down the obligation for investment firms and credit institutions to align their business activities with the provisions of the Act and related by-laws until 30 June 2009, and that they shall submit the Report on alignment of their business activities to the Agency within the regulated timeframe.

If determined by reviewing and checking the reports and relevant documents that the investment firm or credit institution had aligned its business activities with the provisions of the Capital Market Act, the Agency issued an operating licence to the investment firm, and prior approval to the credit institution.

The procedure of determining the alignment of business activities of the investment firms with the provisions of the Capital Market Act which had started in 2009 was continued during 2010.

While determining the alignment of business activities of investment firms and credit institutions with the provisions of the Capital Market Act in 2010, the Agency issued 18 operating licences to investment firms and 13 prior approvals to credit institutions.

Within this procedure, 4 decisions were issued granting investment firms exclusion from applying provisions of Article 5, paragraph 3, points 3 and 4 of the Ordinance on organisational requirements for providing investment services and performing investment activities and ancillary services (Official Gazette 5/09) when establishing the monitoring of compliance function with relevant regulations, i.e. investment firms were granted that the role of monitoring of compliance with relevant regulations may be performed by a person who also performs another function within the same investment firm.

The procedure of determining the alignment of business activities of investment firms and credit institutions with the provisions of Capital Market Act had ended at the end of June 2010.

Provisions of Article 588, paragraph 5 of the Capital Market Act regulate that if the credit institution fails to enter in the Court Register, within 6 months as of the date of issue of the prior approval, the activities in respect of which it has obtained the prior approval, the latter shall cease to be valid.

At the request of those credit institutions which failed to enter investment services and activities in the Court Register of the authorised Court within the legal timeframe of 6 months as of the date of issue of the prior approval, the Agency issued 6 prior approvals.

After the alignment procedure had ended, the Agency issued 2 decisions on expanding the operating licences to investment firms.

The financial position of the capital market has had a significant impact on the business activities of investment firms in a manner that some firms transferred part or whole of their business activities and clients to another investment firm or credit institution and stopped providing all or only some investment services and activities for which they were authorised.

During 2010, at the request of investment firms, 4 operating licences had ceased to be valid, that is, 4 investment firms had stopped providing investment services and activities, whereas the operating licence in relation to particular investment services and activities ceased to be valid for 1 investment firm.

In 2010, the Agency also granted 9 approvals for the appointment of a member of the management board of an investment firm. At the same time, 3 procedures for granting approvals for performing duties of a member of the management board of the investment firm were suspended.

Furthermore, 11 licences for brokers and 15 licences for investment advisors were granted in the previous year. At the same time, 52 licences for brokers and 23 licences for investment advisors were revoked. Licences for brokers and investment advisors were revoked due to administrative reasons, or specifically due to the fact that they ceased to be employees of investment firms or due to the fact that the operating licences granted to the investment firms where they were employed ceased to be valid.

Table 1.3.1

Comparison of the Issue and Revocation of Licences in 2009 and 2010

Source: HANFA

CASES	2009	2010
LICENCES GRANTED		
investment firms	11	31
brokers	17	11
investment advisors	11	15
LICENCES REVOKED		
investment firms	6	4
brokers	39	52
investment advisors	19	23

In 2010, the Agency had issued 1 approval for acquiring qualified holding in an investment firm.

Within the scope of its authorities to grant licences to tied agents of an investment firm, during 2010 the Agency granted 3 licences to tied agents while 2 requests for licences for tied agents were turned down. These licences were issued to legal persons. In addition, in the previous year the Agency declared that the licence issued to a tied agent ceased to be valid, this had been determined during a procedure initiated by official duty.

In 2010 the Agency issued a decision accepting the request for recognizing the certificate for securities

and derivatives issued by a foreign authority, equalling the Agency's certificate for obtaining the broker's and investment advisor's licence.

At the request made by the Central Clearing and Depository Agency as the manager of the Investor Protection Fund, the Agency issued a decision approving the Decision on the level of the regular fee of the Investor Protection Fund's Operator for 2010.

In 2010 the Agency issued an authorisation accepting Ivana Gažić and Tomislav Gračan to perform duties of members of the Management Board of the Zagreb Stock Exchange.

1.3.1 Issue and Listing Prospectuses

During the previous year the Agency issued 3 decisions on the approval of share issue prospectuses by the following issuers: VELEBIT OSIGURANJE d.d., Zagreb, Savska cesta 144/a, PRIMORSKA BANKA d.d., Rijeka, Scarpina 7 and CROMARIS d.d., Zadar, Trg tri bunara 5. In addition, in 2010 the Agency issued 2 decisions on the approval of prospectuses for listing securities at the

regulated market of the Zagreb Stock Exchange. One decision related to the approval of the prospectus for listing bonds of issuer HP-Hrvatska pošta d.d., Zagreb, Jurišićeva 13, and the other decision related to the approval of the prospectus for listing shares of issuer ATLANTIC GRUPA d.d., Zagreb, Miramarska 23.

Table 1.3.2

Issue and Listing Prospectuses in 2009 and 2010

Source: HANFA

CASES	2009	2010
Issue prospectus	3	3
Listing prospectus	3	2

In addition, the Agency in the previous year issued a decision rejecting 1 request for approving the unique prospectus for listing shares at the regulated market, and issued 8 decisions stating that administrative proceedings concerning issuing the approval of unique

prospectuses for listing shares at the regulated market were suspended, due to the fact the requests for issuing approvals for unique prospectuses for listing shares at regulated market had been withdrawn.

1.3.2 Opinions

Within its scope of authority related to the interpretation of the applying of the laws, the Agency in 2010 issued 25 opinions, with 14 opinions related to the applying of the provisions of the Capital Market Act and 11 opinions related to the applying of the provisions of the Act on Takeover of Joint Stock Companies (Official Gazette 109/07 and 36/09).

In addition, the Agency, at the request of the Constitutional Court of the Republic of Croatia, provided its statement on proposal for assessing the alignment of provisions of Article 64, paragraph 4 of the Securities Market Act (Official Gazette 84/02 and 138/06), i.e. the act which was

effective until the Capital Market Act entered into force on 1 January 2009, with the Constitution of the Republic of Croatia, and the Agency also provided its statement on initiating the procedure for assessing the alignment of provisions of Article 13, paragraph 3, points 1, 2 and 3 and Article 45 of the Act on Takeover of Joint Stock Companies (Official Gazette 109/07), and Article 4, paragraphs 1 and 2 of the Act on Amendments to the Act on Takeover of Joint Stock Companies (Official Gazette 36/09).

In 2010 the Agency issued a conclusion rejecting proposal for renewing the procedure, and 1 suggestion for postponement of legal effects was rejected by the decision issued by the Agency.

1.3.3 Takeover of Joint Stock Companies

In the previous year the Agency approved a total of 10 applications for the approval to publish a takeover bid, while 4 requests for approval for publishing a takeover bid were rejected due to formal deficiencies.

Based on the published takeover bids in 2010, shareholders who had properly deposited their shares during the takeover procedures were paid in the total amount of HRK 287,235,891.18.

1.3.4 Supervisory Measures

While performing its supervisory measures related to applying provisions of the Act on Takeover of Joint Stock Companies in the previous year, the Agency issued 2 decisions declaring supervisory measures aimed at eliminating determined illegalities and irregularities.

By virtue of one decision, the management board of company BILOKALNIK-IPA d.d., Koprivnica, Dravska bb, ordered to amend, without delay, point 2 of its opinion on the takeover bid published by company Duropack AG, Brunner Straße 75, 1230 Vienna, in the daily newspaper Jutarnji List on 19 April 2010, and in the Official Gazette on 21 April 2010, in a manner that it must include the opinion on the type and amount of offered remuneration, in accordance with the provisions of Article 41, paragraph 1, point 1 of the Act on Takeover of Joint Stock Companies. By virtue of another decision, it was determined that the obligation to publish the takeover bid for joint stock company BADEL 1862 d.d., Zagreb, Vlaška 116 occurred on 7 October 2009 for Ante Perković from Zagreb, Stjepana Gradića 19, Marijan Ruždjak from Zagreb, Nečujamska 16, Boženko Loza from Zagreb, Gorenci 45 and Ivan Perković from Zagreb, Palinovečka 19N, who acted in concert, were ordered to submit to the Agency, within 30 days after the day the decision would become final, the request for approval of publishing the takeover bid, the takeover bid and documents referred to in Article 22, paragraph 3 of the Act on Takeover of Joint Stock

Companies, in accordance with the provisions of the Act on Takeover of Joint Stock Companies.

Within the supervision of compliance with the provisions of the Capital Market Act, the Agency issued 3 decisions during the supervision of trading with shares in 2010.

In that manner, the Agency issued a decision ordering temporary suspension of trading with shares issued by LIBURNIA RIVIERA HOTELI d.d., Opatija, Ulica Maršala Tita 198, share code LRH-R-A, and ordered Zagreb Stock Exchange to temporarily and without delay suspend trading with these shares with additional notice that suspension was to last until 7 May 2010 (including 7 May 2010).

Furthermore, the Agency issued a decision ordering temporary suspension of trading with shares issued by SN HOLDING d.d., Zagreb, Miramarska 24, share code SNHO-R-A, and ordered Zagreb Stock Exchange to temporarily and without delay suspend trading with these shares with additional notice that suspension should last until the submission of proof enabling the Agency to determine the end of conditions due to which the suspension was ordered. The Agency issued a special decision on the end of conditions due to which the suspension of trading with SN HOLDING d.d. shares was ordered. By virtue of this decision, the Zagreb Stock Exchange was also ordered to enable the continuation of trading with these shares without delay.

1.4 Capital Market Supervision

Within its field of competence, in 2010 the Agency carried out on-site and off-site supervision of investment firms and/or credit institutions, as well as of issuers of financial instruments.

During the previous year, a total of 601 procedures were initiated at the Agency, out of which 54 administrative and 547 non-administrative procedures.

1.4.1 Continuous/Off-Site Supervision

The Agency carries out off-site supervision based on the analysis of reports submitted to the Agency by supervised entities within prescribed time limits, as well as through collecting and verifying documentation, notifications and data obtained upon a special request of the Agency or through collecting and verifying data and information from other sources. In the course of off-site supervision, the Agency collects, analyses and processes monthly reports of investment firms on net liquid funds indicator and quarterly reports of investment firms, credit institutions and investment fund management companies on income and costs based on providing investment services and performing investment activities, and on managing clients' assets. Investment firms are obliged to submit financial reports on a quarterly basis (Report on Financial Position, Report on Complete Income, Cash Flow, Statement of Changes in Equity and Notes). In addition, investment firms referred to in Article 35 of the Capital Market Act are obliged to submit monthly reports on capital adequacy to the Agency, whereas investment firms referred to in Article 32 of the Capital Market Act submit these reports on a quarterly basis.

The Agency supervises trading on the Zagreb Stock Exchange at its monitoring stations on a daily basis, and monitors the compliance of trading in financial instruments with the provisions of the Act and relating by-laws.

The Agency conducts supervision on trading on the Zagreb Stock Exchange for the purpose of ensuring smooth and regular trading, determining actions of the capital market participants which may present abuse, in order to protect investors and establish confidence among capital market participants, setting up a trade transparency system and preventing market disturbances in general.

Supervision of trading on the Zagreb Stock Exchange includes:

1. Monitoring trading on the Zagreb Stock Exchange in real time,
2. Monitoring, collecting and verifying data and

notifications published,

3. Monitoring, collecting and verifying reports submitted by supervised entities to the Agency in accordance with the Act,

4. Monitoring, collecting and verifying documents, notifications and data obtained at the Agency's request, as well as data and information from other sources.

While supervising the Zagreb Stock Exchange, the Agency also receives a monthly report on acquiring/discharging financial instruments by members of the Management and Supervisory Board of the Zagreb Stock Exchange, as well as its staff, in accordance with the provisions of Article 293, paragraph 2 of the Capital Market Act.

Authorised employees of the Agency use all the collected notices, reports and other information in order to monitor the trading in a more efficient manner, and in order to ensure regular and orderly trading at the regulated market.

By conducting supervision in this manner, in 2010 the Agency used its authority referred to in Article 342 of the Capital Market Act and issued 5 decisions on temporary suspension of trading with shares issued by issuers listed at the official market of the Zagreb Stock Exchange, in order to protect the investors' interests and orderly functioning of the market.

During 2010, the Agency issued decisions ordering the Zagreb Stock Exchange to temporarily suspend the trading with the following shares:

- on 18 January 2010, PODRAVKA PREHRAMBENA INDUSTRIJA d.d., Koprivnica, Ante Starčevića 32, share code PODR-R-A, until the moment the public would be correctly and accurately informed on circumstances related to the selling of company Podravka prehrambena industrija d.d.,
- On 11 February 2010, INSTITUT IGH, d.d., Zagreb, Janka Rakuše 1, share code IGH-R-A and TEHNIKA d.d., Zagreb, Ulica grada Vukovara 274, share code THNK-R-A, until the moment the public would be

correctly and accurately informed on circumstances concerning information published by INSTITUT IGH, d.d., Zagreb, Janka Rakuše 1 and TEHNIKA d.d., Zagreb, Ulica grada Vukovara 274 on Zagreb Stock Exchange on 9 and 10 February 2010,

- On 3 May 2010, VALIDUS d.d., Varaždin, Anina ulica 2, share code VLDS-R-A, until the moment the public would be correctly and accurately informed on new circumstances concerning business activities, following information published by Validus d.d., Varaždin, on Zagreb Stock Exchange on 30 April 2010,
- On 22 July 2010, LIBURNIA RIVIERA HOTELI d.d., Opatija, Ulica Maršala Tita 198, share code LRH-R-A and SN HOLDING d.d., Zagreb, Miramarska 24, share code SNHO-R-A, until 26 July 2010, in order to protect the investors and ensure regular and orderly

trading at the regulated market and MTF,

- On 3 December 2010, INA-industrija nafte d.d., Zagreb, Avenija V. Holjevca 10, share code INA-R-A, until the moment the public would be correctly and accurately informed on circumstances concerning the offer of Hungarian oil company MOL.

In 2010, the Agency had established the Official Register of Prescribed Information as the system for collecting, storing, processing and publishing prescribed information. This information refers to all the information which is obliged to be publicly available by an issuer or person who listed the issuer's securities to the regulated market without the issuer's consent, in accordance with the provisions of Part III Head II of the Act. A total of 403 cases were opened at the Agency in relation to this matter.

1.4.2 On-site Supervision

Apart from off-site supervision, the Agency also carried out on-site supervision of supervised entities. On-site examinations of business operations of investment firms and credit institutions were performed on the basis of the Act on the Croatian Financial Services Supervisory Agency (Official Gazette 140/05) and the Capital Market Act. On-site supervision can be regular or extraordinary.

During 2010, a total of 36 on-site supervision procedures were initiated, with 34 related to investment firms and/or credit institutions, and 2 related to the Zagreb Stock Exchange. Out of 34 initiated on-site supervisions targeted at investment firms and/or credit institutions, 10 were extraordinary and 10 regular. In 2010, on-site examination of investment firms and credit institutions related to supervised entities' business operations referred to in Articles 247 and 254 of the Act, on the basis of a valid operating licence.

On-site supervision is carried out by the Agency's authorised employees at the supervised entity's premises or at the premises of legal persons connected with the supervised entity, directly or indirectly, by business, management or ownership. On-site supervision comprises examination of original documents, i.e. examination and analysis of financial and business reports, business documents and other data kept by supervised entities. In cases where the Agency's employees are not able to determine the facts relevant for the supervision 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 supervision procedure are invited to make statements and provide clarifications. After the end of each on-site

supervision procedure, the minutes on supervision with detailed description of determined facts were prepared and submitted to the supervised entity.

Regular on-site supervision procedures were initiated of the following supervised entities: Krentschker vrijednosnice d.o.o., Zagrebačka banka d.d., Vaba d.d. banka, Finesa Capital d.d., Complete line d.o.o., Rast d.o.o., Agram brokeri d.d., Auctor d.o.o., Interkapital vrijednosni papiri d.o.o., Momentum brokeri d.o.o., Karlovačka banka d.d., Hita vrijednosnice d.d., Erste vrijednosni papiri d.o.o., Antea brokeri d.o.o., Credos d.o.o., Abacus brokeri d.d., Trcin vrijednosnice d.o.o., Prva generacija d.o.o., Partner banka d.d., Fima vrijednosnice d.o.o., Centar banka d.d., Societe Generale – Splitska banka d.d. and To one brokeri d.o.o.

Extraordinary on-site supervision procedures were initiated of the following supervised entities: Hrvatska poštanska banka d.d., Krentschker vrijednosnice d.o.o., Prva generacija d.o.o., Hita vrijednosnice d.d., Abacus brokeri d.d., Finesa Capital d.d., Fima vrijednosnice d.o.o., Utilis d.o.o., EA sistem d.o.o. and Complete line d.o.o.

On the basis of on-site supervision procedures at investment firms and/or credit institutions, the Agency issued 23 decisions ordering, in accordance with Article 255 of the Capital Market Act, measures for eliminating determined violations and irregularities or ending actions due to violations of the provisions of the Act.

In addition to issuing decisions ordering measures to investment firms and/or credit institutions, after the end of the supervisory procedures the Agency also issued 4 decisions determining the occurrence of the

obligation to publish a takeover bid, in accordance with the provisions of the Act on Takeover of Joint Stock Companies, as well as 1 decisions' ending procedure initiated by official duty related to determining the obligation to publish a takeover bid.

Occurrence of the obligation to publish the takeover bid was determined by the Agency's decisions for the following natural and/or legal persons:

- for company ORBIS HOLDING d.o.o. Zagreb, I. Lučića 2a, on 21 October 2002, by obtaining 3,103 shares with voting rights of company JADRANKAMEN d.d. Pučišća, the obligation to publish the takeover bid for company JADRANKAMEN d.d. Pučišća had occurred,
- for Marijan Ključariček from Rijeka, Mihanovićeve 1, Miran Ključariček from Mihotići, 43. istarske divizije 75, Damir Račić from Zagreb, Nalješkovićeve 27, Vedran Petković from Zagreb, Sveti Duh 181, Dinko Kamenić from Samobor, Žumberačka 9a, Ivica Paršić from Zagreb, Zeleni trg 2, and Predrag Bulat from Šibenik, Put kroz Meterize 21b, on 15 July 2008 the obligation to publish the takeover bid for company TRANSADRIA d.d. Rijeka, Riva Boduli 1 had occurred,
- for company MODRO MORE d.o.o., Vodice, Grgura Ninskog 1 and company ALPE ADRIA HOTELI d.o.o., Vodice, Grgura Ninskog 1, on 21 December 2007

by indirect obtaining of 328,742 shares of HOTELI VODICE d.d., Vodice, Grgura Ninskog 1, the obligation to publish the takeover bid for company HOTELI VODICE d.d., Vodice, Grgura Ninskog 1 had occurred,

- for company JADRAN-PRODUKT d.o.o., Zagreb, Tomislavova 11, MBS: 080369828, Michael Ljubas, born on 16 October 1968, residing in Zagreb, Savska cesta 166, and company IMPULS d.o.o., Zadar, Ulica Šime Starčevića 5, MBS: 110004449, by acquiring 6,100 shares of company ELEKTROPROMET d.d., Zagreb, Avenija Dubrovnik 6, on 19 May 2008, the obligation to publish the takeover bid for company ELEKTROPROMET d.d., Zagreb, Avenija Dubrovnik 6 had occurred.

Investment Funds 2

Statistically, in 2010 there were no major changes in the number of investment funds and investment fund management companies. As at 31 December 2010, 131 open-end investment funds (1 more than in 2009) and 8 closed-end investment funds (2 less than in 2009) were registered. The specific feature of 2010 was the establishment of 5 venture capital open-end investment funds, which is a result of a Decision by the

Government of the Republic of Croatia on the purpose of participation in establishment of funds for economic cooperation (Official Gazette 8/10), where these funds were being established in accordance with the provisions of the Investment Funds Act (Official Gazette 150/05). At the end of 2010, 34 investment fund management companies were registered, 2 less than in 2009.

Comparison of the Number of Investment Funds in 2009 and 2010

Table 2.1

	2009	2010	Change
Open-end investment funds	130	131	0.77%
- with public offering	103	101	-1.94%
Cash	20	19	-5.00%
Bond	10	9	-10.00%
Balanced	20	20	0.00%
Equity	53	53	0.00%
- with private offering	25	23	-8.00%
Cash	3	3	0.00%
Bond	1	1	0.00%
Balanced	10	9	-10.00%
Equity	11	10	-9.09%
- venture capital open-end investment fund	2	7	250.00%
with public offering for real estate investments	2	2	0.00%
venture capital funds- funds for economic cooperation		5	
Closed-end investment funds	10	8	-20.00%
- with public offering	4	4	0.00%
- with public offering for real estate investments	6	4	-33.33%

Source: HANFA

As at 31 December 2010, out of 131 open-end investment funds, 101 open-end investment funds with public offering were registered (7 being inactive, out of which 5 with public offering and 2 with private offering), as well as 23 open-end investment funds with private offering and 7 venture capital open-end investment funds with private offering. In addition, 8 closed-end investment funds, the Fund for Croatian Homeland War Veterans and Members of their Families and the Retired Persons' Fund were also registered.

During 2010 the establishment of 5 open-end investment funds with public offering and 5 open-end

investment funds with private offering were approved. 5 of the established funds with private offering were the following venture capital open-end investment funds: Alternative Private Equity FGS, Honestas, Nexus FGS, Prosperus FGS and Quaestus Private Equity Kapital II. These funds were established in accordance with the provisions of the Investment Funds Act and the Decision by the Government of the Republic of Croatia on the purpose of participation in establishment of funds for economic cooperation and the Ordinance on the terms and procedure of participation of the Government of the Republic of Croatia while establishing funds for economic cooperation (Official Gazette 21/10), issued by the

Ministry of Economy, Labour and Entrepreneurship.
The specific feature of these funds relates to the fact that the Government of the Republic of Croatia, by a qualified investor into funds for economic cooperation¹ increases the size of each fund through economic cooperation in the amount equal to all payments of all other qualified/private investors² until the amount of HRK 1 billion is used.

The public invitation for participation in the establishment of Funds for economic cooperation lasted until 31 December 2010, and these funds³ had met all the conditions referred to in the Investment Funds Act and had therefore obtained a working licence by the Agency.

2.1 Open-end Investment Funds

Approval for the establishment of 10 new open-end investment funds, out of which 5 with public offering (1 cash, 2 balanced and 2 equity funds) and 5 with private offering (venture capital with private offering) was granted in 2010.
In addition, a continuation of financial market growth,

resulting in the increase of investment funds' assets was seen in 2010. As at 31 December 2010, total net assets of open-end investment funds, including public and private offering equalled HRK 13,674.4 million, showing an increase of 13.6% compared to 2009.

Table 2.1.1 | **Net Assets of Open-End Investment Funds with public and private offering (in HRK thousand)**

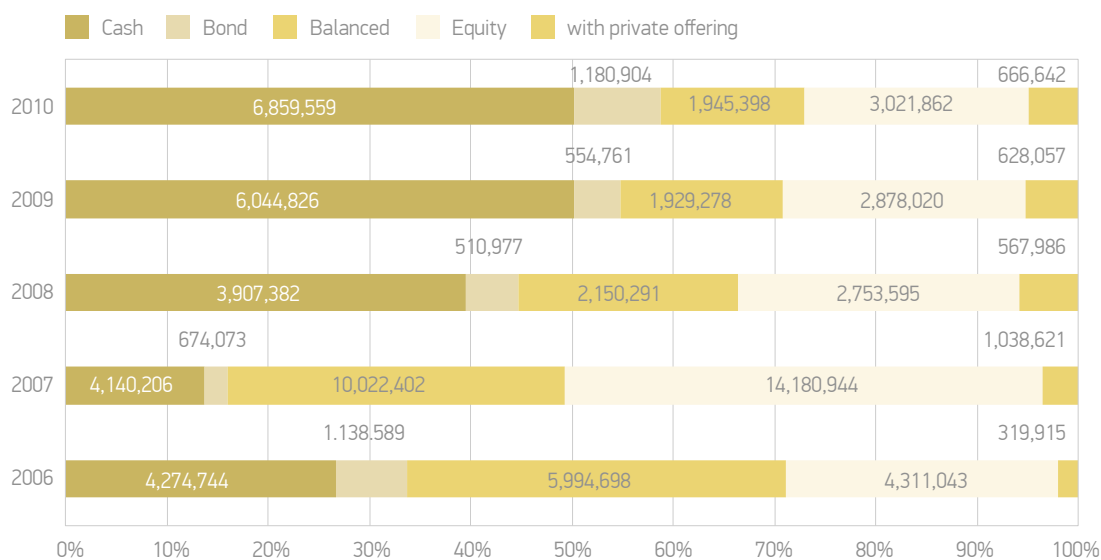
Source: HANFA

	2009	2010	Absolute change	Change in %
Open-end investment funds	12,034,941	13,674,365	1,639,424	13.62%
- with public offering	11,406,884	13,007,723	1,600,839	14.03%
Cash	6,044,826	6,859,559	814,733	13.48%
Bond	554,761	1,180,904	626,143	112.87%
Balanced	1,929,278	1,945,398	16,120	0.84%
Equity	2,878,020	3,021,862	143,843	5.00%
- with private offering	628,057	666,642	38,585	6.14%
Cash	84,803	96,587	11,784	13.90%
Bond	82,192	89,105	6,913	8.41%
Balanced	149,317	150,901	1,584	1.06%
Equity	311,745	330,049	18,304	5.87%

¹ The Croatian Bank for Reconstruction and Development was determined as the qualified investor by a special decision brought by the Government.
² These investors are referred to as Private investors in the Ordinance issued by the Ministry as these are investors on behalf of established funds with obligation to pay into the fund, and due to the distinction between them and the qualified investor on behalf of the Government - the Croatian Bank for Reconstruction and Development.
³ In the first quarter of 2011, funds for economic cooperation did not start with their business activities.

**Shares in Net Assets of Open-end Investment Funds with Public and Private Offering
(in HRK thousand)**

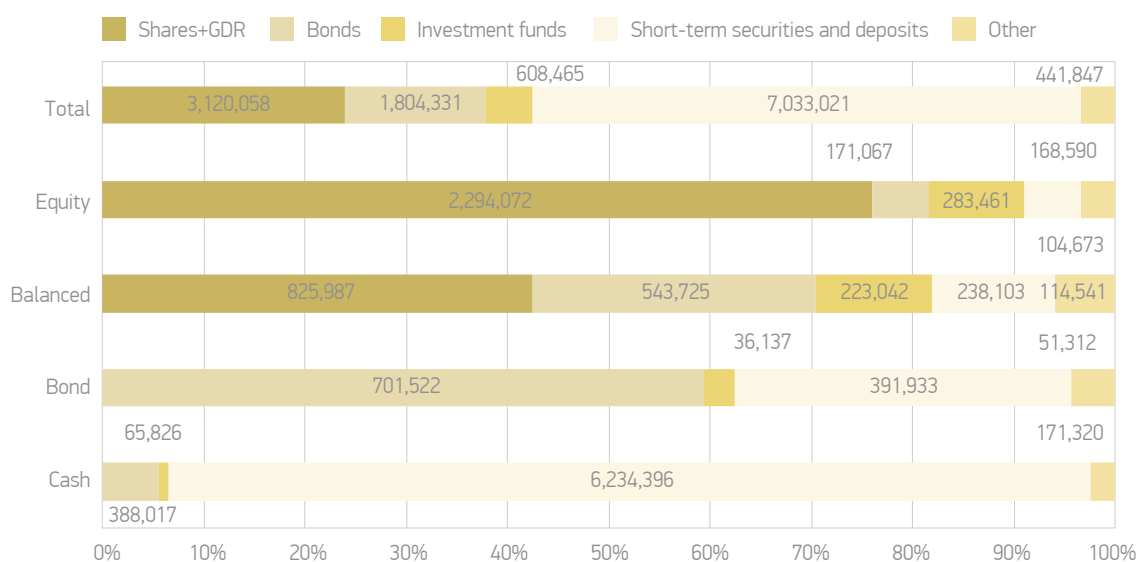
Chart 2.1.1



Source: HANFA

**Investment Structure of Open-end Investment Funds with Public Offering
(in HRK thousand)**

Chart 2.1.2



Source: HANFA

Chart 2.1.3

Shares of Domestic and Foreign Assets in Assets of Open-end Investment Funds with Public Offering

Source: HANFA

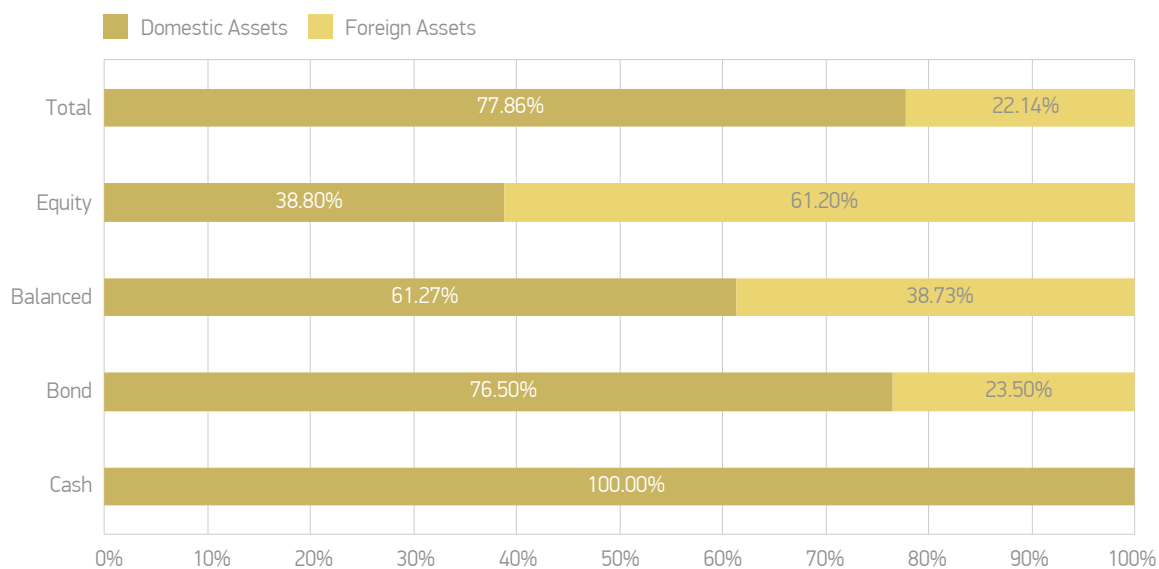


Table 2.1.2

Net Assets Managed by Companies Managing Open-end Investment Funds (in HRK thousand)

Source: HANFA

Company	2009		2010	
	Net assets	Share in total OIF assets	Net assets	Share in total OIF assets
ZB INVEST d.o.o.	4,370,441	36.31%	4,251,104	31.09%
PBZ INVEST d.o.o.	2,010,278	16.70%	2,567,013	18.77%
RAIFFEISEN INVEST d.o.o.	1,644,030	13.66%	2,105,745	15.40%
ERSTE - INVEST d.o.o.	1,285,018	10.68%	1,994,818	14.59%
HPB-INVEST d.o.o.	395,630	3.29%	394,475	2.88%
Other	2,329,545	19.36%	2,361,209	17.27%
Total	12,034,941	100.00%	13,674,365	100.00%

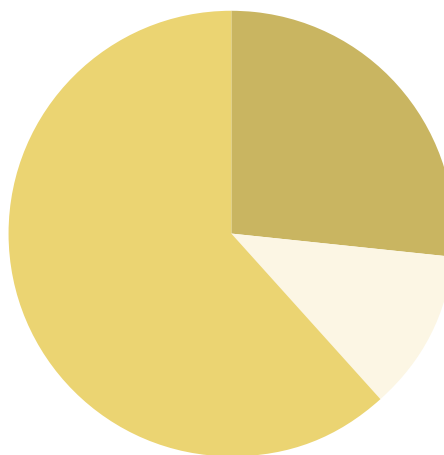
Out of 34 investment fund management companies registered in 2010, 21 were in domestic ownership, while 4 were in direct and 9 in indirect foreign ownership.

Shares in Assets of Open-end Investment Funds by Ownership Structure of Management Companies

Chart 2.1.4

- 61.77% Companies in domestic ownership
- 11.76% Companies in direct foreign ownership
- 26.47% Companies in indirect foreign ownership

Source: HANFA



Closed-end Investment Funds

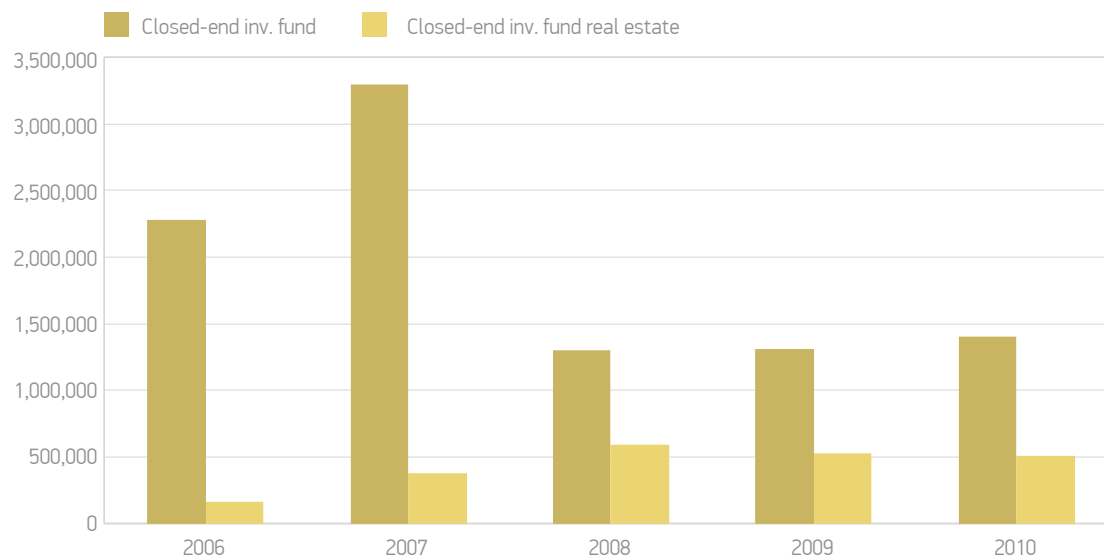
2.2

During 2010, 2 funds were deleted from the closed-end fund register: Terra Firma d.d. and Terra Mediterranea d.d. These funds already ceased their business activities in 2009, but were deleted from the register in January 2010 due to delivery of financial reports and review of these reports by the Agency.

Consequently, as at 31 December 2010, a total of 8 closed-end investment funds operated in the Republic of Croatia, 4 of which were registered for investments in real estate. Total assets of all closed-end investment funds as at 31 December 2010 amounted to HRK 1,917.6 billion, with funds investing in real estate comprising HRK 515.0 million, accounting for a 26.9% share in total assets of closed-end investment funds.

Net Assets of Closed-end Investment Funds in the Period from 2006 to 2010 (in HRK thousand)

Chart 2.2.1



Source: HANFA

Chart 2.2.2

Shares of Closed-end Investment Funds with Public Offering and Closed-end Real Estate Funds in Total Assets of Closed-end Investment Funds

Source: HANFA



In 2009, closed-end investment funds were managed by 7 companies, 6 of them being in domestic and 1 in direct foreign ownership.

Chart 2.2.3

Shares in Assets of Closed-end Investment Funds by Ownership Structure of Management Companies

Source: HANFA



Investment Fund Management Companies

2.3

As at 31 December 2010, total assets of investment fund management companies amounted to HRK 424.4 million, showing an increase of 20.7% relative to 31 December 2009. The largest share in assets, HRK 169.5 million or 39.9%, related to financial assets, while receivables accounted for HRK 132.6 million or 31.3%

of assets and cash and cash equivalents amounted to HRK 77.7 million or 18.3% of assets.

Capital and reserves of investment fund management companies amounted to HRK 258.7 million showing an increase of 4.1% with liabilities amounting to HRK 152.0 million showing an increase of 83.3%.

Balance Sheet of Management Companies as at 31 December 2010 (in HRK thousand)

Table 2.3.1

	31 Dec 2009	31 Dec 2010	Share %
Real estate, machinery and equipment	15,731	11,488	2.71%
Investments in real estate	145	0	0.00%
Intangible assets	6,265	30,261	7.13%
Financial assets	80,913	169,456	39.93%
Receivables	124,354	132,640	31.26%
Cash and cash equivalents	109,865	77,706	18.31%
Paid costs for future period and undue payment of income	6,287	2,653	0.63%
Deferred tax assets	6,033	77	0.02%
Other assets	1,963	72	0.02%
TOTAL ASSETS	351,554	424,353	100.00%
Capital and reserves	248,403	258,661	60.95%
Liabilities	82,918	152,014	35.82%
Reservations	3,984	2,637	0.62%
Deferred payment of costs and future income	15,520	10,492	2.47%
Deferred tax liabilities	729	549	0.13%
TOTAL LIABILITIES	351,554	424,353	100.00%

Source: HANFA

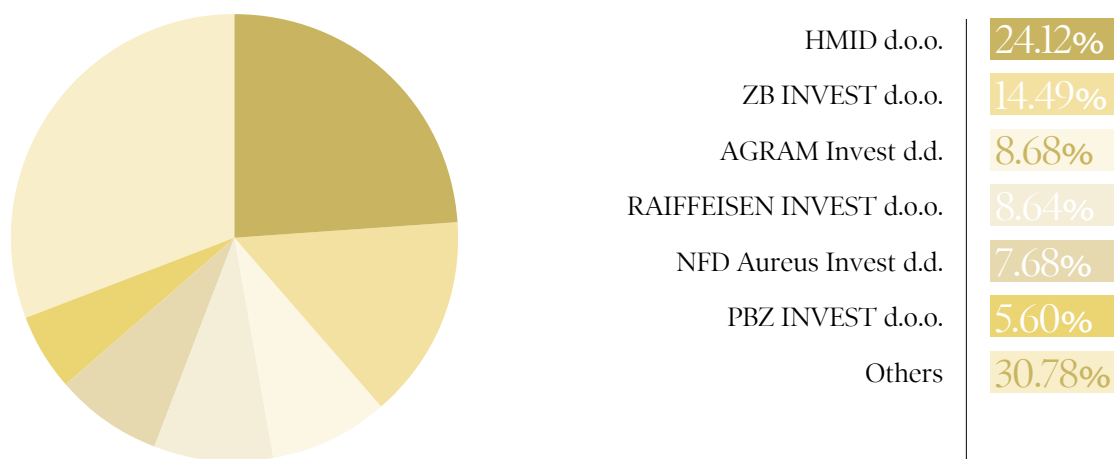
The largest share in assets (HRK 102.4 million) was accounted for by Hrvatsko mirovinsko investicijsko društvo d.o.o., followed by ZB Invest d.o.o. with HRK 61.5 million, Agram Invest d.d. with HRK 36.8

million, Raiffeisen Invest d.o.o. with HRK 36.7 million and NFD Aureus Invest d.d. with HRK 32.6 million. These companies' assets made up 63.6% of the total investment fund management companies' assets.

Chart 2.3.1

Shares in Total Management Companies' Assets as at 31 December 2010

Source: HANFA



In 2010, investment fund management companies reported an after-tax profit in the amount of HRK 51.6 million, showing an increase amounting to 208% compared to 2009. 18 investment fund management companies realized profit in the amount of HRK 66.4 million, while 16 investment fund management companies realized loss in

the amount of HRK 14.8 million.

The largest profit was realized by ZB Invest d.o.o. (HRK 18.8 million), Hrvatsko mirovinsko investicijsko društvo d.o.o. (HRK 16.0 million), PBZ Invest d.o.o. (HRK 8.0 million) and Raiffeisen Invest d.o.o. (HRK 6.3 million).

Table 2.3.2

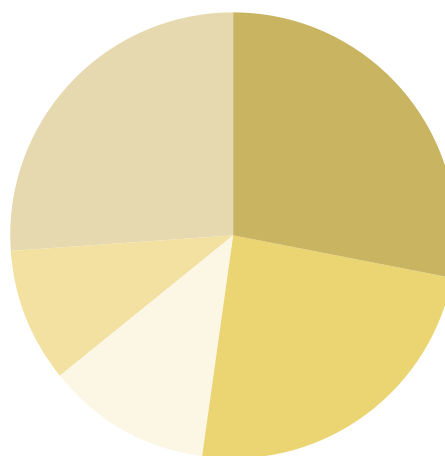
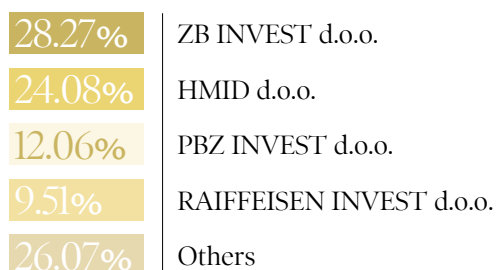
Profit and Loss Account of Management Companies in 2010 (in HRK thousand)

Source: HANFA

	31 Dec 2009	31 Dec 2010	Change
I. Income from investment fund management fees	233,789	258,918	10.75%
II. Fund management expenses	-62,324	-78,283	25.61%
Net result from investment fund management fees	171,465	180,635	5.35%
III. Income from portfolio management	2,870	2,976	3.69%
IV. Income from investment advising	912	813	-10.86%
V. Financial income and expenses	15,342	8,893	-42.03%
Net financial income	19,125	12,682	-33.69%
VI. General and administrative operational expenses	-141,276	-127,374	-9.84%
VII. Depreciation and value adjustment of other assets	-8,207	-5,298	-35.45%
VIII. Reservations	-3,739	-488	-86.95%
IX. Other income and operational expenses	-8,566	6,573	-176.73%
X. Pre-tax profit or loss	28,803	66,730	131.68%
XI. Profit tax	12,048	15,130	25.58%
XII. Profit or loss	16,755	51,600	207.97%

Management Companies' After-Tax Profit in 2010

Chart 2.3.2



Source: HANFA

Investment Funds Established Pursuant to Special Acts

2.4

The Fund for Croatian Homeland War Veterans and Members of their Families and the Retired Persons' Fund are funds established pursuant to special acts: the Act on The Fund for Croatian Homeland War Veterans and Members of their Families (Official Gazette 163/03, 82/04 and 41/08) and the Act on the Retired Persons' Fund (Official Gazette 93/05 and 41/07). As at 31 December

2010, net assets of the Fund for Croatian Homeland War Veterans and Members of their Families managed by Erste Invest d.o.o., amounted to HRK 2.0 billion, showing a decrease by 9.8% compared to the previous year, while net assets of the Retired Persons' Fund, managed by HPB-Invest d.o.o. amounted to HRK 1.86 billion showing a decrease of 30.6% compared to 2009.

**Investment Funds Established Pursuant to Special Acts as at 31 December 2010
(net assets in HRK thousand)**

Table 2.4.1

Investment fund	Management company	Net assets
Fund for Croatian Homeland War Veterans and Members of their Families	ERSTE INVEST d.o.o.	2,005,077
Retired Pensions' Fund	HPB INVEST d.o.o.	1,856,448

Source: HANFA

Table 2.4.2

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

Source: HANFA

	31 December 2009		31 December 2010	
DOMESTIC ASSETS	2,194,138	95.49%	1,941,496	94.77%
SECURITIES AND DEPOSITS	1,984,509	86.37%	1,931,173	94.27%
Shares+ GDRs	1,574,534	68.52%	1,728,718	84.38%
Government bonds	0	0.00%	0	0.00%
Municipal bonds	0	0.00%	0	0.00%
Corporate bonds	0	0.00%	0	0.00%
Closed-end investment funds	0	0.00%	0	0.00%
Open-end investment funds	0	0.00%	0	0.00%
Short-term securities	350,767	15.27%	0	0.00%
Deposits	59,209	2.58%	202,456	9.88%
CASH	132,972	5.79%	10,323	0.50%
RECEIVABLES	76,657	3.34%	0	0.00%
FOREIGN ASSETS	0	0.00%	0	0.00%
Shares	0	0.00%	0	0.00%
Government bonds	0	0.00%	0	0.00%
Corporate bonds	0	0.00%	0	0.00%
Open-end investment funds	0	0.00%	0	0.00%
Short-term securities	0	0.00%	0	0.00%
TOTAL ASSETS	2,297,788	100.00%	2,048,644	100.00%
NET ASSETS	2,223,348	96.76%	2,005,077	97.87%
LIABILITIES	74,441	3.24%	43,567	2.13%
REPURCHASE AGREEMENTS	103,650	4.51%	107,148	5.23%

Table 2.4.3

Investments Structure of the Retired Persons' Fund as at 31 December 2010 (in HRK thousand)

Source: HANFA

	31 December 2009		31 December 2010	
DOMESTIC ASSETS	2,693,418	100.00%	2,703,711	100.00%
SECURITIES AND DEPOSITS	0	0.00%	825,465	30.53%
Shares+ GDRs	0	0.00%	825,465	30.53%
Short-term securities	0	0.00%	0	0.00%
Deposits	0	0.00%	0	0.00%
CASH	18,839	0.70%	13,740	0.51%
RECEIVABLES	2,674,579	99.30%	1,864,506	68.96%
FOREIGN ASSETS	0	0.00%	0	0.00%
TOTAL ASSETS	2,693,418	100.00%	2,703,711	100.00%
NET ASSETS	2,675,920	99.35%	1,856,448	68.66%
LIABILITIES	17,498	0.65%	847,263	31.34%

As the Investment Funds Act entered into force on 1 January 2006, the adoption of many by-laws were required, and these were adopted during the 5 years the Act had been in force. As practice had led to new legal situations, regulatory activities had been mostly aimed at amendments and changes in existing acts, so in 2010 the Agency had adopted the Ordinance amending the

Ordinance on the minimum content, deadlines and form of mandatory reports on business operations of investment funds, management companies and depository banks (Official Gazette 65/10) and the Ordinance amending the Ordinance on the conditions for performing the function of a member of the management board of an investment fund management company (Official Gazette 115/10).

2.6.1. Investment fund management companies

As at 31 December 2010, the total number of investment management companies which had operating licences issued by the Agency was 34, 2 less than in 2009. During 2010, 4 companies merged with other companies, and 2 companies ceased their business activities.

Consequently, company Aureus Invest d.o.o. merged with NFD Aureus Invest d.d., company ICF Invest d.o.o. merged with Locusta Invest d.o.o., company Prospectus Invest d.o.o. merged with Adriatica Capital d.o.o., and company InterInvest d.o.o. merged with InterFinance d.o.o.

Company CAIB d.o.o. had transferred its investment fund management company activities to ZB Invest d.o.o. and

stopped existing as a management company. Due to changes in business operations, the operating licence was revoked from company CAIB Invest d.o.o., as well as from Terra Invest d.o.o. At the same time, as a direct result of the Decision by the Government of the Republic of Croatia on the purpose of participation in establishment of funds for economic cooperation, 4 new investment fund management companies for venture capital funds were established: Altrenative Private Equity d.o.o., GEM-Mediteran Adriatica d.o.o., Honestas Private Equity Partneri d.o.o. and Prosperus Invest d.o.o.

Cases Processed in 2009 and 2010

Table 2.6.1

TYPE	2009	2010
Approvals/revoked approvals of business operations of the management company	4	7
Approval and registration of the fund register entry, approval to choose a depository bank/ liquidation/ merging	19	24
Approval of new, amended prospectuses and statutes	112	105
Promotion of investment funds	8	16
Approval of ordinances on conflicts of interest	8	8
Approval of members of the management board	19	26
Approval to management companies for asset management and provision of investment advice, and alignment with the provisions of Capital Market Act	7	6

Source: HANFA

2.7 Investment Fund Supervision

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

The methodology for valuing funds' assets and methods of and time limits for reporting on net asset value per unit or per share of the fund are defined by prescribed forms used by depositary banks to inform the Agency on each valuation day for investment funds, in accordance with the provisions of the Investment Funds Act and the accompanying by-laws. Apart from the said forms, investment fund management companies are obliged to submit to the Agency their own annual reports and annual reports for the funds they manage, informing of their business operations, as well as the audited financial reports within 4 months after the end of the business year. Their semi-annual reports must be submitted 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.

On-site supervision covers business operations of investment fund management companies and investment funds they manage in accordance with the provisions of the Investment Funds Act and the Capital Market Act (Official Gazette 88/08, 146/08 and 74/09), as well as of those management companies providing services and performing activities of investment advising and portfolio management. The supervision involves direct examination of documents and interviews with authorised staff of the company regarding all important issues related to business operations and results of investment funds.

During the on-site supervision, relevant documents and data from the sources available to the Agency are analysed with the aim of determining the facts and examining the compliance 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 examinations include the examination of institutional documents of management companies and investment funds, agreements on delegating asset management tasks to third parties, agreements with partners on activities significant for business operations of investment funds, internal procedures and policies and organisation of investment fund management activities, organisational structure of management companies and related persons of investment companies and funds. On-site supervision also covers the procedure of investment decision-making, trading activities and settlement procedures, asset valuation and calculation of funds' 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, on-site examinations check 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. For those management companies providing services and performing activities of investment advising and portfolio management, fulfilment of general organisational requirements and business manners of the investment company during the procedure of providing these services to the clients, pursuant to the provisions of the Capital Market Act and related by-laws are checked.

During 2010, regular on-site examinations were carried out of the following entities:

ILIRIKA INVESTMENTS d.o.o (Ilirika Jugoistočna Europa, Ilirika Jugoistočna Europa Balanced, Ilirika Azijski Tigar and Ilirca BRIC, open-end investment funds with public offering), HYPO ALPE-ADRIA INVEST d.o.o. (HI-balanced, HI-conservative, HI-cash and HI-growth, open-end investment funds with public offering), PROSPECTUS INVEST d.o.o. (Prospectus JIE open-end investment fund with public offering), ALTERNATIVE INVEST d.o.o. (A1 open-end investment fund with public offering, AP1 and AP2, open-end investment funds with private offering), QUAESTUS PRIVATE EQUITY d.o.o. (QUAESTUS PRIVATE EQUITY CAPITAL venture capital open end investment fund with private offering), NEXUS PRIVATE EQUITY PARTNERI d.o.o. (NEXUS ALPHA venture capital open end investment fund with private offering), RAIFFEISEN INVEST d.o.o. (Raiffeisen Balanced, Raiffeisen Bonds, Raiffeisen Cash, Raiffeisen Central Europe, Raiffeisen Emerging Markets, Raiffeisen hrvatske dionice, Raiffeisen Prestige and Raiffeisen World, open-end investment funds with

public offering, RF 105, RF Advantage and RF Premium, open-end investment funds with private offering), LOCUSTA INVEST d.o.o. (Locusta Cash, Locusta Value I, Locusta Value II and Locusta Value III, open-end investment funds with private offering), ICAM d.o.o. (Capital One and Capital Two, open-end investment funds with public offering, Equinox 1, Equinox 2, Equinox 3, Fond za stabilnost, Hermes, KWSO Capital Flex and Oxygen, open-end investment funds with private offering), OTP INVEST d.o.o. (OTP euro bond, OTP Europa Plus, OTP indeksni fond, OTP meridian 20, OTP cash and OTP balanced open-end investment funds with public offering), ERSTE INVEST d.o.o. (Fund for Croatian Homeland War Veterans and Members of their Families), ICF INVEST d.o.o. (ICF Balanced, ICF Fixed Income, ICF Money Market, open-end investment funds with public offering), ZB INVEST d.o.o. (ZB aktiv, ZB bond, ZB BRIC+, ZB euroaktiv, ZB europlus, ZB global, ZB plus and ZB trend, open-end investment funds with public offering, ZB Private East open-end investment funds with private offering), NFD KAPITAL d.d. (NFD BRIC, NFD Nova Europa, Aureus Balanced, Aureus Equity and Aureus US Equity, open-end investment

funds with public offering, Aureus Private open-end investment funds with private offering), QUAESTUS INVEST d.o.o. (Quaestus nekretnine d.d. closed-end investment fund with public offering with investments in real estate), PLATINUM INVEST d.o.o. (Platinum Blue Chip, Platinum Jugoistočna Europa, i.e. Platinum Global Opportunity and Platinum Cash, open-end investment funds with public offering), CEBA INVEST d.o.o. (C-Zenit and C-Premium, open-end investment funds with public offering), JADRAN INVEST d.o.o. (Jadran kapital d.d. closed-end investment fund with public offering with investments in real estate) and FIMA GLOBAL INVEST d.o.o. (Fima Proprius d.d. closed-end investment fund with public offering with investments in real estate).

In this period, extraordinary on-site examinations were carried out of the following entities:

KD INVESTMENTS d.o.o. (KD Nova Europa and KD Balanced, open-end investment funds with public offering), and AGRAM INVEST d.d. (Agram Cash, Agram Euro Cash and Agram Trust, open-end investment funds with public offering, Agram Private open-end investment funds with private offering).

On-site Supervision of Investment Fund Management Companies in 2010

Table 2.7.1

Supervision	Management company	Investment funds			
		Public offering		Private offering	Special type
		Open-end	Closed-end	Open-end	
Regular	19	47	3	21	1
Extraordinary	2	5	-	-	-
Total	21	52	3	21	1

Source: HANFA

On the basis of the findings of on-site examinations conducted at investment fund management companies and the investment funds they manage, due to certain actions taken contrary to the provisions of the Investment Funds Act and Capital Market Act, the Agency issued 3 decisions ordering investment

fund management companies to align their business activities concerning providing investment services and portfolio management activities, and 1 decision ordering management company to align the amount and type of initial capital of the management company.

Pension Funds

3

Pension funds, as a special type of investment funds, were established during the pension reform in 2002, and started operating on 30 April 2002. The Mandatory and Voluntary Pension Funds Act (Official Gazette 49/99, 63/00, 103/03, 177/04, 71/07 and 124/10) defines 2 types of pension funds:

- mandatory pension funds, i.e. funds with mandatory membership for all employed persons who, at the time of the establishment of the funds, i.e. at the time of their first employment, were 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 may be open-end funds, i.e. funds for all the 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

3.1

There were 4 mandatory pension funds operating in 2010:

- AZ Mandatory Pension Fund (managed by Allianz ZB d.o.o. društvo za upravljanje obveznim mirovinskim fondom),
- Erste Plavi Mandatory Pension Fund (managed by ERSTE d.o.o. društvo za upravljanje obveznim mirovinskim fondom),
- PBZ Croatia osiguranje Mandatory Pension Fund (managed by PBZ CROATIA OSIGURANJE d.d. za upravljanje obveznim mirovinskim fondom), and
- Raiffeisen Mandatory Pension Fund (managed by Raiffeisen mirovinsko društvo za upravljanje obveznim mirovinskim fondom d.d.).

As at 31 December 2010, the 4 mandatory pension funds had 1,561,454 members. In 2010 a total of 47,688 members joined one of the mandatory pension funds, or an average of 3,974 members joined mandatory pension funds each month. In 2010 the Central registry of insured persons (REGOS), in line with its legal obligations, allocated 93.7% of members upon the expiry of the period for selection of a pension fund. In 2010 a total of 8,383 personal accounts of mandatory pension funds' members were closed. AZ OMF had the largest number of members on 31 December 2010 (561,646 members).

Mandatory Pension Funds (obvezni mirovinski fondovi – OMF) Membership

Table 3.1.1

MANDATORY PENSION FUND	AZ OMF	ERSTE PLAVI OMF	PBZ CO OMF	RAIFFEISEN OMF	TOTAL
Balance as at 31 Dec 2009	547,667	233,883	270,426	470,173	1,522,149
First registrations	306	222	363	325	1,216
Subsequently completed registrations	450	406	563	376	1,795
Allocation by REGOS	16,070	6,870	7,940	13,797	44,677
Total number of new members	16,826	7,498	8,866	14,498	47,688
Transfers to another fund	146	86	138	106	476
Transfers from other funds	105	158	74	139	476
Net transfer	41	-72	64	-33	0
Total termination of membership	2806	1299	1605	2673	8,383
Balance as at 31 Dec 2010	561,646	240,154	277,623	482,031	1,561,454
Annual change (in %)	2.55%	2.68%	2.66%	2.52%	2.58%

Source: REGOS

In 2010, a total amount of HRK 4,544 million of net pension contributions was paid into mandatory pension funds, which is 0.8% less than the previous year when

the total of HRK 4.581 billion was paid in. In 2010, an average of HRK 378.7 million in net contributions was paid in each month.

Table 3.1.2

Net Contributions to Mandatory Pension Funds in 2010 (in HRK thousand)

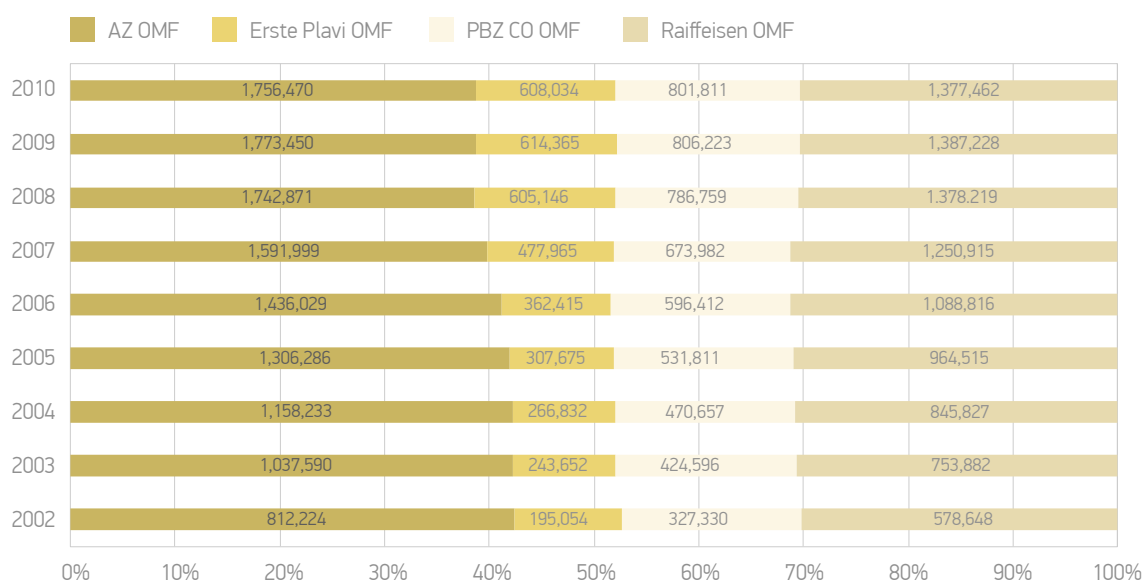
Source: REGOS

MANDATORY PENSION FUND	AZ OMF	ERSTE PLAVI OMF	PBZ CO OMF	RAIFFEISEN OMF	TOTAL
Net contributions	1,756,470	608,034	801,811	1,377,462	4,543,777
Payments from other ODMF-s	1,535	4,033	1,251	3,345	10,164
Disbursements to other OMF-s	2,617	1,324	3,875	2,157	9,973
Disbursements of funds upon adjustments	1,838	650	753	1,549	4,790
Disbursements of funds upon the closure of personal accounts	69,835	28,322	37,118	60,426	195,701

Chart 3.1.1

Net Contributions of Mandatory Pension Funds in the 2002 - 2010 Period (in HRK thousand)

Source: REGOS



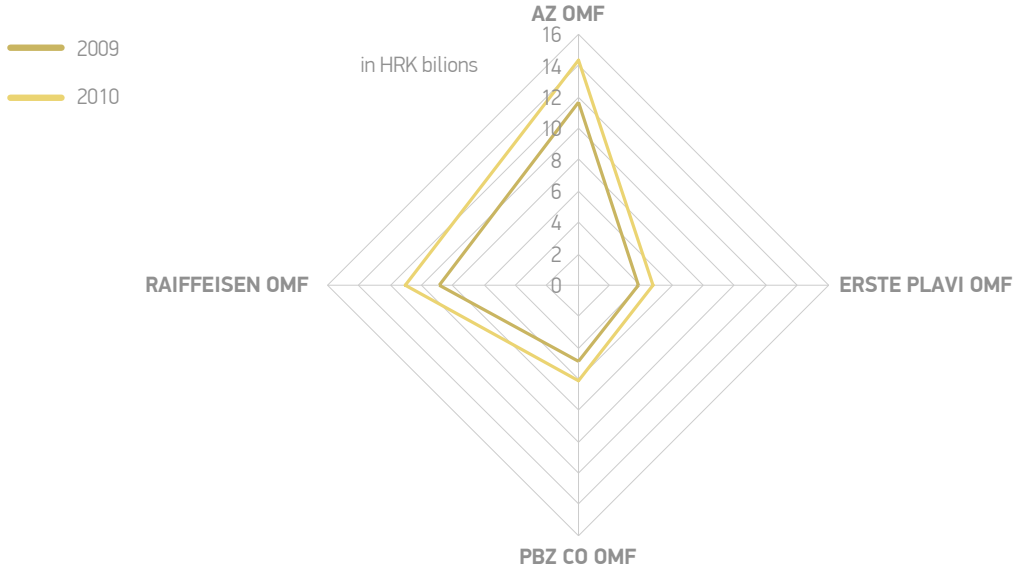
On 31 December 2010 net assets of mandatory pension funds amounted to HRK 36.3 billion, or HRK 23.3 thousand per mandatory pension fund member. In comparison with 31 December 2009, the net assets of

mandatory pension funds increased by HRK 7.1 billion, or for 24.1%, which is the result of payments by fund members and the realised rate of return.

Net Assets of Mandatory Pension Funds in 2010

Chart 3.1.2

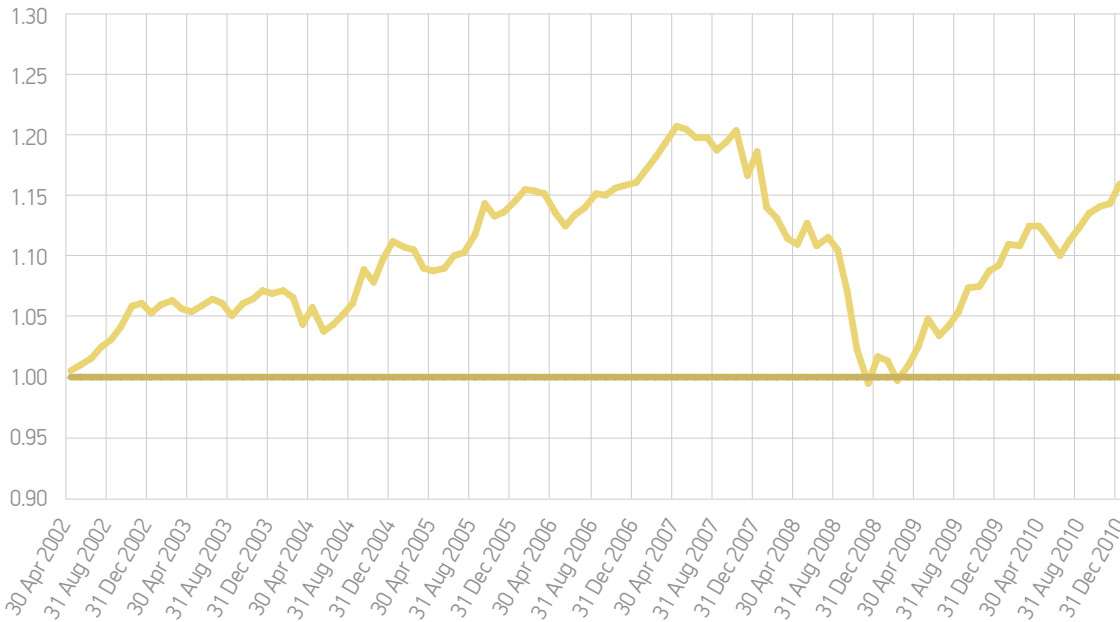
Source: HANFA



Net Assets to Net Contributions Ratio of Mandatory Pension Funds in the Period from 30 April 2002 to 31 December 2010

Chart 3.1.3

Source: HANFA



Assets of pension funds are invested in line with the investment limits which are prescribed by the Act on Mandatory and Voluntary Pension Funds and by

the Ordinance on additional investment criteria and investment limits for the pension funds (Official Gazette 129/07, 32/08, 112/08, 2/09, 9/09 and 141/09).

Table 3.1.3

Investment Structure of Mandatory Pension Funds (in HRK thousand)

Source: HANFA

TYPE OF ASSETS	31 December 2009		31 December 2010	
	Amount	Share	Amount	Share
DOMESTIC ASSETS	26,572,709	90.50%	32,580,847	88.22%
Securities and deposits	26,181,820	89.16%	32,396,114	87.72%
Shares + GDRs	3,909,073	13.31%	5,740,135	15.54%
Government bonds	16,716,518	56.93%	23,776,543	64.38%
Municipal bonds	79,044	0.27%	73,539	0.20%
Corporate bonds	1,108,541	3.78%	1,219,992	3.30%
Closed-end investment funds	69,272	0.24%	67,927	0.18%
Open-end investment funds	1,031,757	3.51%	550,914	1.49%
Short-term securities	2,025,358	6.90%	349,407	0.95%
Deposits	1,242,256	4.23%	617,655	1.67%
Cash	375,189	1.28%	111,361	0.30%
Receivables	15,700	0.05%	73,372	0.20%
FOREIGN ASSETS	2,790,856	9.50%	4,348,910	11.78%
Shares + GDRs	763,268	2.60%	1,858,651	5.03%
Government bonds	1,253,393	4.27%	444,719	1.20%
Municipal bonds	0	0.00%	0	0.00%
Corporate bonds	60,764	0.21%	49,968	0.14%
Closed-end investment funds	0	0.00%	0	0.00%
Open-end investment funds	713,432	2.43%	1,995,571	5.40%
Short-term securities	0	0.00%	0	0.00%
Deposits	0	0.00%	0	0.00%
TOTAL ASSETS	29,363,566	100.00%	36,929,757	100.00%
Total net assets	29,264,636		36,328,054	

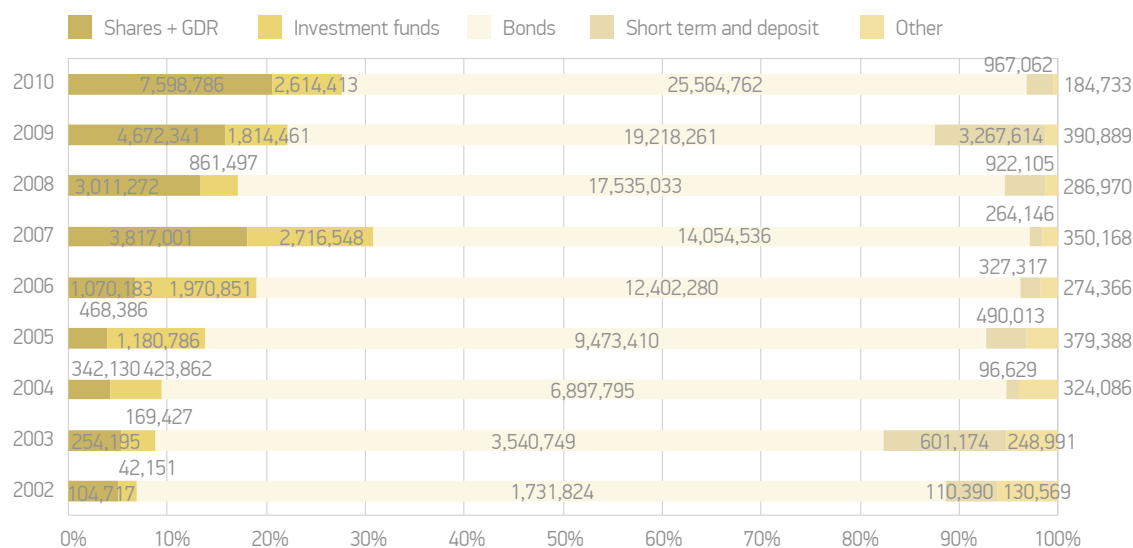
The assets of the mandatory pension funds as at 31 December 2010 were 25.8% higher than as at 31 December 2009. Most of the mandatory pension funds' assets were invested on the domestic market in domestic government bonds. Investment in Croatian

government bonds rose by 42.2% in 2010 compared to previous year. Besides domestic government bonds, in 2010 Mandatory Pension Funds also increased their investments in domestic and foreign shares as well as investments in Croatian companies' corporate bonds.

Investment Structure of Mandatory Pension Funds (in HRK thousand)

Chart 3.1.4

Source: HANFA



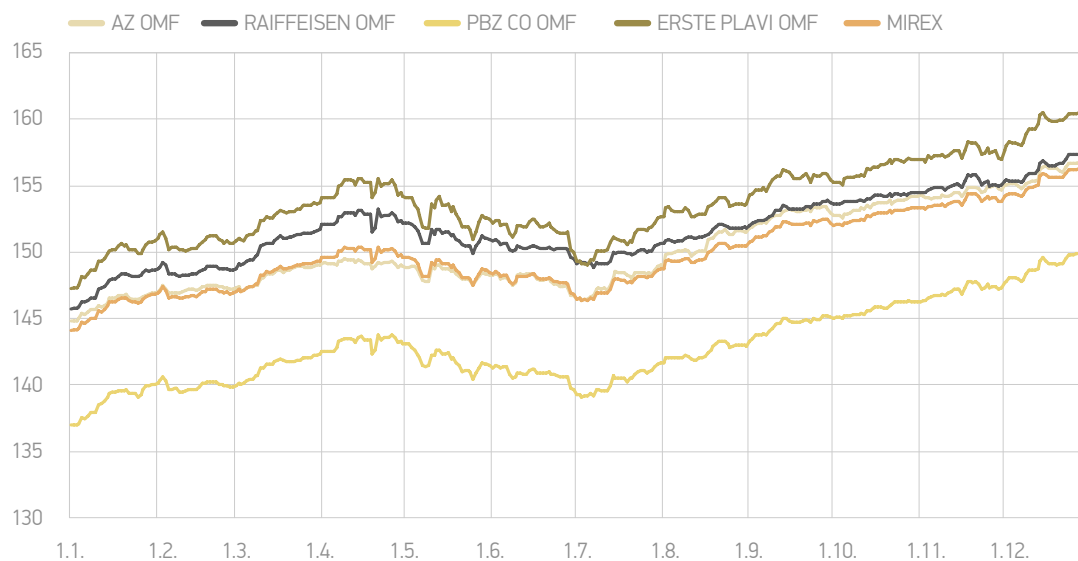
Contributions paid by members, reduced by the entry fee amount, are converted into units of account, and each unit of account represents the proportional share of the pension fund's net assets. The fund's unit of account is used for the valuation of the fund's assets and for the comparison of the investment performance of the pension fund's assets by the pension fund management company.

In 2010, the annual rates of return of mandatory pension funds, including that of the MIREX index, were positive. Mandatory pension funds had annual rates of return ranging from 8.09% to 9.75%. AZ OMF's rate of return amounted to 8.47%, ERSTE PLAVI OMF's rate of return reached 9.09%, while RAIFFEISEN OMF recorded rate of return was 8.09%. PBZ CO OMF had the highest rate of return (9.75%).

Values of Accounting Units and MIREX Index during 2010

Chart 3.1.5

Source: HANFA



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

Mandatory Pension Companies

3.2

In 2010, the total assets of mandatory pension companies increased by 8.0% relative to 2009, amounting to HRK 588.0 million. Financial assets made 81.2% of total assets of mandatory pension companies, which amounted to HRK 477.2 million. The total capital of the mandatory pension companies at the end of 2010 amounted to HRK 551.6 million, while the total capital per pension fund member amounted to HRK 353.3.

Mandatory Pension Company Balance Sheets as at 31 December 2009 and 31 December 2010 (in HRK thousand)

Table 3.2.1

ITEMS	31Dec 2009	31 Dec 2010
I. Financial assets	429,305	477,185
II. Receivables	25,089	27,555
III. Paid expenses of future periods and undue receivables	1,076	6,137
IV. Deferred tax assets	1,094	2,931
V. Real estate, plants and equipment	5,433	4,508
VI. Investments in real estate	0	0
VII. Intangible assets	17,481	16,162
VIII. Other assets	64,862	53,508
TOTAL ASSETS	544,340	587,986
	0	0
Capital nad reserves	508,219	551,586
I. Subscribed capital	327,844	327,844
II. Capital reserves	0	0
III. Reserves	7,654	8,300
IV. Revaluation reserves	51	-121
V. Retained profit or accumulated loss	29,079	39,699
VI. Profit or loss of the current year	143,591	175,864
Liabilites	24,071	16,509
Reservations	2,602	1,753
Deferred payment of costs and income from future periods	9,447	18,017
Deferred tax liabilities	0	121
TOTAL LIABILITIES	544,340	587,986

Source: HANFA

The total net profit of mandatory pension companies amounted to HRK 175.9 million, which represents an increase of 22.5% compared to the previous year. The total net profit of mandatory pension companies in 2009 amounted to HRK 143.6 million.

Income from fund management totalled HRK 276.6 million, with the most important source of income being the management fee which totalled HRK 244.9 million. Fund management expenses amounted to HRK 27.6

million, which represents a decrease of 8.6% compared with the previous year. Sales agents cost represent 44.5% of total fund management expenses. In 2010 mandatory pension companies' fund management profit reached HRK 249.0 million. Operational expenses for mandatory pension companies in 2010 amounted to HRK 58.2 million. Operational expenses increased by 5.6% in comparison with the previous year.

Table 3.2.2

Profit and Loss Accounts of Mandatory Pension Companies in 2009 and 2010 (in HRK thousand)

Source: HANFA

	2009	2010
Fund management income	237,058	276,593
Fee from paid contributions	31,939	31,656
Fee from total assets of the pension fund	205,054	244,934
Exit fee	65	4
Performance bonus	0	0
Fund management expenses	30,229	27,633
Transaction costs	2	3
Marketing costs	3,585	4,378
Sales agent costs	13,775	12,297
Other pension fund management costs	12,867	10,955
Fund management profit and loss	206,829	248,960
Operational expenses	55,138	58,236
Material costs	1,239	963
Employee costs	27,641	27,413
Depreciation and adjustment of value of fixed assets	3,797	4,191
Reservations	0	2,050
Other operational expenses	22,461	23,620
Net financial result	26,951	26,046
Other income and expenses	965	3,138
Pre-tax profit	179,606	219,908
Profit tax	36,015	44,044
Profit or loss	143,591	175,864

Out of 4 mandatory pension companies operating in 2010, 2 were in direct ownership of foreign financial institutions, 1 was in indirect foreign ownership,

whereas in 1 of them equal ownership shares were held by foreign and domestic founders.

Chart 3.2.1

Shares in Managed Assets by Ownership Structure

Source: HANFA



3.3.1 Open-end Voluntary Pension Funds

In 2010 there were 6 open-end voluntary pension funds (otvoreni dobrovoljni mirovinski fondovi ODMFs) managed by 4 voluntary pension companies (dobrovoljna mirovinska društva – DMDs):

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

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

By the end of 2010 open-end voluntary pension funds had a total of 169,851 members, which represents an increase of 16.0% or an increase of 23,441 new members compared to 2009. AZ profit ODMF had the most members.

Open-end Voluntary Pension Funds' Membership

Table 3.3.1

FUND	31 Dec 2009	31 Dec 2010	Change
AZ benefit ODMF	11,313	19,304	7,991
AZ profit ODMF	59,472	65,970	6,498
Croatia osiguranje ODMF	15,487	16,907	1,420
Erste Plavi Expert ODMF	14,007	15,507	1,500
Erste Plavi Protect ODMF	5,877	7,876	1,999
Raiffeisen ODMF	40,254	44,287	4,033
TOTAL	146,410	169,851	23,441

Source: HANFA

The gross contributions of ODMF members amounted to HRK 289.4 in 2010, which was 0.8% higher than in 2009. The gross contributions of ODMF members in 2009

amounted to HRK 287.0 million. The average monthly contribution of ODMF members was HRK 24.1 million.

Gross Contributions of ODMF members (in HRK thousand)

Table 3.3.2

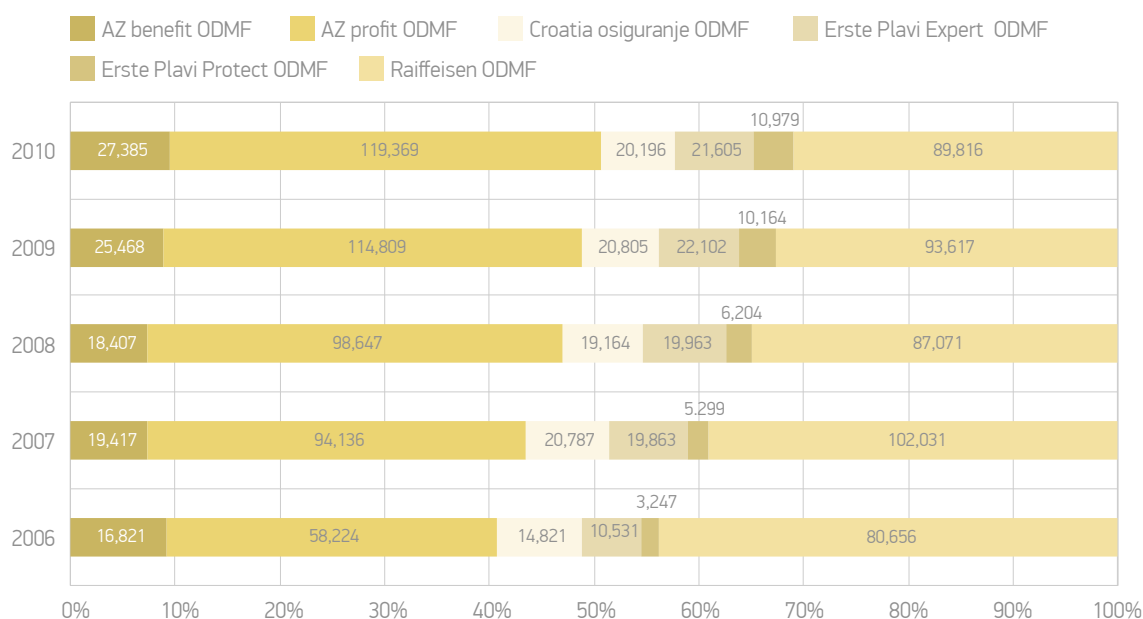
FUND	Gross contrib. in 2009	Gross contrib. in 2010	Change in %
AZ benefit ODMF	25,468	27,385	7.5%
AZ profit ODMF	114,809	119,369	4.0%
Croatia osiguranje ODMF	20,805	20,196	-2.9%
Erste Plavi Expert ODMF	22,102	21,605	-2.2%
Erste Plavi Protect ODMF	10,164	10,979	8.0%
Raiffeisen ODMF	93,617	89,816	-4.1%
TOTAL	286,965	289,350	0.8%

Source: HANFA

Chart 3.3.1

Gross Contributions of ODMF Members Over the Last Five Years (in HRK thousand)

Source: HANFA



At the end of 2010, net assets of all ODMFs amounted to HRK 1,472.2 million. In comparison with the end of 2009, the net assets rose by 28.6%. The average

annual gross contribution per ODMF member in 2010 amounted to HRK 1,703.6 which was 13.1% less than in the previous year.

Table 3.3.3

Investment Structures of Open-end Voluntary Pension Funds (in HRK thousand)

Source: HANFA

TYPE OF ASSETS	31 Dec 2009		31 Dec 2010	
	Amount	Share	Amount	Share
DOMESTIC ASSETS	981,424	85.4%	1,283,511	86.8%
Securities and deposits	962,589	83.7%	1,255,358	84.9%
Shares + GDRs	175,224	15.2%	194,391	13.2%
Government bonds	332,125	28.9%	743,175	50.3%
Municipal bonds	6,702	0.6%	4,616	0.3%
Corporate bonds	126,170	11.0%	158,974	10.8%
Closed-end investment funds	3,283	0.3%	5,403	0.4%
Open-end investment funds	102,878	9.0%	31,654	2.1%
Short-term securities	143,136	12.5%	38,575	2.6%
Deposits	73,071	6.4%	78,571	5.3%
Cash	15,778	1.4%	27,618	1.8%
Receivables	3,057	0.3%	534	0.1%
FOREIGN ASSETS	167,962	14.6%	194,660	13.2%
Shares	63,878	5.6%	125,216	8.5%
Government bonds	55,403	4.8%	0	0.0%
Municipal bonds	0	0.0%	0	0.0%
Corporate bonds	11,156	1.0%	0	0.0%
Closed-end investment funds	0	0.0%	0	0.0%
Open-end investment funds	37,526	3.3%	69,444	4.7%
Short-term securities	0	0.0%	0	0.0%
Deposits	0	0.0%	0	0.0%
TOTAL ASSETS	1,149,386	100.0%	1,478,171	100.0%
Net assets	1,144,809		1,472,212	

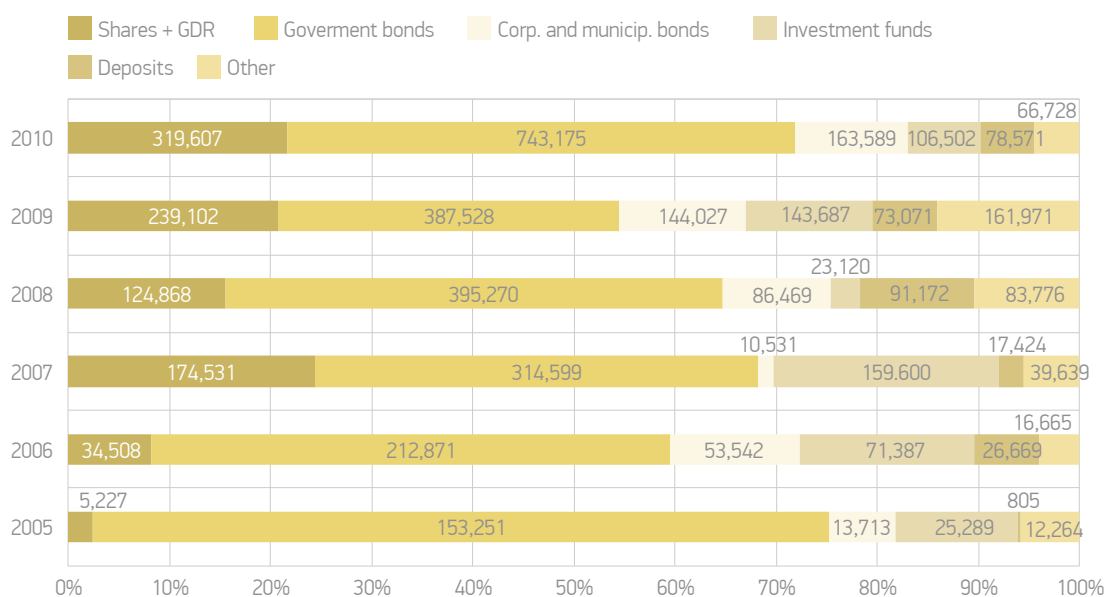
The total ODMF assets at 31 December 2010 amounted to HRK 1,478.2 million, which is 28.6% higher than the same date previous year. There were changes in the structure of the total ODMF assets at the end of 2010, where investments in domestic assets increased, and investments in foreign assets decreased: 86.8% of total ODMF assets were invested in financial instruments

in the domestic capital market, while the remaining 13.2% of the assets were invested on foreign markets. Investments in domestic government bonds rose from 28.9% in 2009 to 50.3% in 2010. In 2010 there was an increase in investments in domestic government bonds, foreign bonds and open-end investment funds.

Investment Structure over the Last Five Years (in HRK thousand)

Chart 3.3.2

Source: HANFA



In 2010 ODMFs reported positive individual rates of return, ranging from 6.2% to 12.4%. AZ Profit ODMF recorded the highest annual rate of return (12.4%).

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

3.3.2 Closed-end Voluntary Pension Funds

Apart from managing open-end voluntary pension funds, voluntary pension fund management companies also manage closed-end voluntary pension funds (ZDMFs), whose members may be employees of a particular

employer, members of trade unions and members of associations of self-employed persons. In 2010 there were 15 closed-end voluntary pension funds.

Closed-End Voluntary Pension Funds

Table 3.3.5

VOLUNTARY PENSION COMPANY	Closed-end voluntary pension fund	Beginning of business operation
Allianz ZB DMD	AZ VIP ZDMF	08 Mar 04
	AZ Dalekovod ZDMF	14 Dec 04
	AZ Hrvatska kontrola zračne plovidbe ZDMF	14 Mar 05
	AZ Zagreb ZDMF	09 Oct 08
Erste DMD	Cestarski ZDMF	30 Dec 08
Croatia osiguranje DMD	Sindikat pomoraca Hrvatske ZDMF	21 Oct 04
	CROATIA OSIGURANJE ZDMF	20 Nov 05
	ZDMF HEP grupe	09 May 06
	ZDMF HAC	03 Jun 08
Raiffeisen DMD	Hrvatski lječnički sindikat ZDMF	01 Jul 04
	Ericsson Nikola Tesla ZDMF	21 Feb 05
	Novinar ZDMF	14 Oct 05
	T-HT ZDMF	20 Dec 06
	T-Mobile ZDMF	29 Oct 07
	ZDMF Sindikat hrvatskih željezničara	15 Nov 07

Source: HANFA

In 2010, closed-end voluntary pension funds had 17,618 members, which is by 115 members or 0.6% less than in 2009. In 2009 closed-end voluntary pension funds had 17,733 members. The total net assets of all ZDMFs in 2010 stood at HRK 287.8 million which is 31.8% higher

than at the end of 2009. The average net assets per fund member totalled HRK 16.3 thousand. The average annual contribution per member in 2010 amounted to HRK 15,362.3 which is 28.0% higher than in 2009.

Main indicators for ZDMFs

Table 3.3.6

Data	31 Dec 2009	31 Dec 2010
Total ZDMF membership	17,733	17,618
Total ZDMF contributions (in HRK thousand)	212,818	270,653
Total ZDMF assets (in HRK thousand)	218,343	287,794

Source: HANFA

Closed-end voluntary pension funds' rates of return ranged between 6.4% and 13.8% in 2010, while the annualized rates of return since the beginning of business operations ranged from 1.0% to 15.3%. At

the end of the 2010, AZ Zagreb ZDMF recorded the highest annualized rate of return since the beginning of operations (15.3%).

Table 3.3.7

Values of Accounting Units and ZDMF Rates of Return

Source: HANFA

CLOSED-END VOLUNTARY PENSION FUND	Value of accounting units		Rates of return	
	31 Dec 2009	31 Dec 2010	2010	Annualised rate from the begining of operations
AZ VIP ZDMF	167.4408	189.6581	13.27%	9.84%
AZ Dalekovod ZDMF	159.6525	180.9951	13.37%	10.30%
AZ Hrvatska kontrola zračne plovidbe	156.3049	176.5970	12.98%	10.30%
CROATIA OSIGURANJE ZDMF	99.2234	105.5278	6.35%	1.02%
Ericsson Nikola Tesla ZDMF	140.2019	159.4845	13.75%	8.29%
Hrvatski liječnički sindikat ZDMF	147.3568	166.6221	13.07%	8.17%
Sindikata pomoraca Hrvatske ZDMF	100.1547	106.8950	6.73%	1.08%
Novinar ZDMF	130.9525	146.9408	12.21%	7.66%
ZDMF HEP grupe	102.5260	109.4027	6.71%	1.95%
T-HT ZDMF	115.3561	130.3704	13.02%	6.80%
T-Mobile ZDMF	105.6143	119.7319	13.37%	5.84%
ZDMF Sindikat hrvatskih željezničara	108.1508	118.4866	9.56%	5.57%
ZDMF HAC	111.4300	118.7516	6.57%	6.89%
AZ Zagreb	122.0173	137.2854	12.51%	15.29%
Cestarski ZDMF	107.4586	117.6111	9.45%	8.44%

Voluntary Pension Companies

3.4

The total assets of voluntary pension companies amounted to HRK 75.9 million as at 31 December 2010 which represents an increase of 18.0% in comparison to the end of the previous year. Financial assets represent 88.9% of the total voluntary pension companies' assets.

The value of financial assets rose by 17.8% compared to 2009. The total capital of voluntary pension companies rose by 16.7% in the same period and it amounted to HRK 59.9 million at the end of 2010.

Voluntary Pension Company Balance Sheets as at 31 December 2009 and 31 December 2010
(in HRK thousand)

Table 3.4.1

POSITION	31 Dec 2009	31 Dec 2010
I. Financial assets	57,285	67,488
II. Receivables	4,715	4,647
III. Paid expenses of future periods and undue receivables	406	309
IV. Deferred tax assets	513	488
V. Real estate, plants and equipment	545	356
VI. Investments in real estate	0	0
VII. Intangible assets	765	332
VIII. Other assets	56	2,253
TOTAL ASSETS	64,285	75,873
	0	0
Capital nad reserves	51,329	59,917
I. Subscribed capital	78,445	78,445
II. Capital reserves	0	0
III. Reserves	0	0
IV. Revaluation reserves	-286	-7
V. Retained profit or accumulated loss	-31,583	-26,831
VI. Profit or loss of the current year	4,752	8,309
Liabilites	6,632	5,768
Reservations	454	397
Deferred payment of costs and income from future periods	5,870	9,737
Deferred tax liabilities	0	54
TOTAL LIABILITIES	64,285	75,873

Source: HANFA

In 2010 voluntary pension companies reported a total profit in the amount of HRK 8.3 million, which was an increase of 74.9% compared to the previous year.

Voluntary pension companies realised income from fund management amounting to HRK 41.5 million in 2010 which represents an increase of 30.9% compared with 2009. Within the structure of income from fund management, the most significant was the management fee which amounted to HRK 26.9 million (64.9% of the income from fund management). Expenditure related to fund management was 6.4% higher than in 2009 and amounted to HRK 18.1 million. The sales agent costs made 70.5% of the total fund management costs and they amounted to HRK 12.8 million. Operational

expenses for voluntary pension companies in 2010 stood at HRK 16.7 million, and the most significant expenses were employee costs and other operational costs. Operational expenses in 2009 were HRK 12.5 million, which makes the operational expenses in 2010 34.0% higher than in the previous year.

In 2010 average employee costs per pension fund member amounted to HRK 31.2 which represented a decline of 11.9%.

Voluntary pension companies on the average had cost per fund member in the amount of HRK 14.5 for marketing expenses and HRK 68.1 for sales agents.

Table 3.4.2

Profit and Loss Account of Voluntary Pension Companies in 2009 and 2010 (in HRK thousand)

Source: HANFA

Item	2009	2010
Fund management income	31,703	41,500
Fee from paid contributions	12,409	14,578
Fee from total assets of the pension fund	19,276	26,915
Exit fee	17	6
Performance bonus	0	0
Fund management expenses	17,019	18,115
Transaction costs	180	153
marketing costs	3,018	2,716
Sales agent costs	11,182	12,770
Other pension fund management costs	2,639	2,476
Fund management profit and loss	14,683	23,385
Operational expenses	12,493	16,743
Material costs	302	463
Employee costs	5,817	5,854
Depreciation and adjustment of value of fixed assets	645	496
Reservations	0	105
Other operational expenses	5,728	9,826
Net financial result	3,752	2,739
Other income and expenses	199	124
Pre-tax profit	6,142	9,505
Profit tax	1,390	1,195
Profit or loss	4,752	8,309

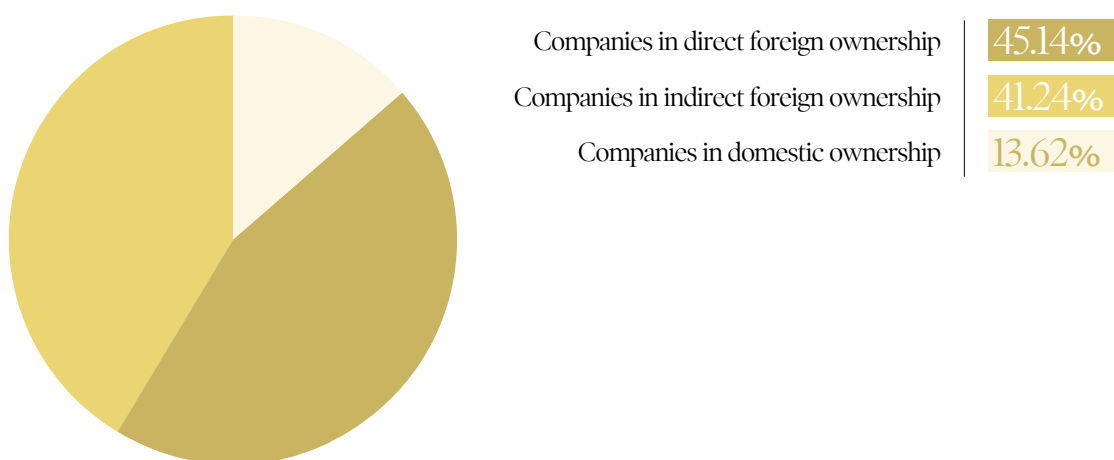
Out of 4 voluntary pension companies operating in 2010, 1 was directly owned by foreign financial institution, 2 were indirectly owned by foreign financial institutions,

by their companies established in the Republic of Croatia, while 1 company had a domestic owner.

Chart 3.4.1

Shares in Managed Assets by Ownership Structure

Source: HANFA



During 2010 the Agency participated in the drafting of the Amendments to the Mandatory and Voluntary Pension Funds Act which was adopted by the Croatian Parliament on 22 October 2010 and published on 08 November 2010 (Official Gazette 124/10).

Pursuant to the Mandatory and Voluntary Pension Funds Act (Official Gazette 49/99, 63/00, 103/03, 177/04 and 71/07), the following new ordinances were adopted:

- Ordinance on financial statements of pension companies (Official Gazette 13/10),
- Ordinance on financial statements of pension funds (Official Gazette 13/10),

- Ordinance on the licensing requirements and the validity for the certified pension fund manager (Official Gazette 80/10),
- Ordinance on the requirements for the acquisition and examination of professional knowledge needed to obtain or renew a certified pension company manager's licence (Official Gazette 80/10).

In 2010 there was a decline in Licensing requests compared to 2009, which can be seen in the following table:

Number of processed cases related to pension companies and pension funds

Table 3.5.1

Case type	2010	2009	Change
Approval for the appointment of a member of the management board fo a Mandatory pension company	1	6	-83.33%
Approval for the appointment of a member of the supervisory board of a Mandatory pension company	3	7	-57.14%
Approval for the appointment of a member of the supervisory board of a Voluntary pension company	5	5	0.00%
Approving the amendments to the statute of a mandatory pension fund	0	3	-100.00%
Approving the amendments to the statute of a voluntary pension fund	2	9	-77.78%
Approving the informative prospetus and amendments to the informative prospectus of a voluntary pension fund	2	9	-77.78%
Marketing of pension funds	32	33	-3.03%
Decisions granting licences to pension fund managers	16	0	
Decisions renewing the licence of pension fund managers	6	19	-68.42%
Prior approval for the decrease in subscribed capital of a voluntary pension company	0	1	-100.00%

Source: HANFA

In 2010, the Agency issued all the requested opinions regarding the application of the Mandatory and Voluntary Pension Fund Act.

The number of pension companies and pension funds remained the same in 2010. Also, the ownership structure of pension companies remained the same.

3.6 Pension Fund Supervision

In 2010, the Agency continuously supervised pension companies' and pension funds' business operations, as well as their compliance with the Mandatory and Voluntary Pension Fund Act in order to protect the interests of mandatory and voluntary pension funds' members.

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

Over the last year, the Agency conducted on-site examination of the following entities:

- Raiffeisen mirovinsko društvo za upravljanje obveznim mirovinskim fondom d.d. (Raiffeisen obvezni mirovinski fond),
- Erste DMD društvo s ograničenom odgovornošću za upravljanje dobrovoljnim mirovinskim fondom (Erste Plavi Expert dobrovoljni mirovinski fond, Erste Plavi Protect dobrovoljni mirovinski fond and Zatvoreni dobrovoljni cestarski mirovinski fond),
- Raiffeisen mirovinsko društvo za upravljanje dobrovoljnim mirovinskim fondovima d.o.o. (Raiffeisen

dobrovoljni mirovinski fond, Zatvoreni dobrovoljni mirovinski fond Hrvatskog liječničkog sindikata, Zatvoreni dobrovoljni mirovinski fond Ericsson Nikola Tesla, Zatvoreni dobrovoljni mirovinski fond Novinar, Zatvoreni dobrovoljni mirovinski fond T-HT, Zatvoreni dobrovoljni mirovinski fond Sindikat hrvatskih željezničara and Zatvoreni dobrovoljni mirovinski fond T-Mobile).

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

The on-site examinations also comprised of the examination of institutional documents of pension companies and pension funds, the process of enforcing investment decisions, monitoring the ban on purchase and sale of assets, and on granting loans and offering guarantees to persons connected with pension companies, the inspection of the amount of money borrowed by pension companies, supervision of the accounting system and of the process of drawing up financial reports of pension companies and funds, and supervision of the balance of the guaranteed deposit and all its changes.

Documents collected in the course of on-site supervision and data from sources available to the Agency were examined for the purpose of assessing the level of alignment of business operations with the legislation and subordinate legislation, as well as with the provisions of relevant prospectuses of pension funds with a view to identifying potential operational risks of the abovementioned supervised entities, and for the purpose of providing the best possible protection for mandatory and voluntary pension funds' members. During 2010, no major breaches of regulations were detected in business operations of mandatory and voluntary pension funds.

Insurance Market 4

The 2010 insurance market was analysed on the basis of financial, statistical and supervisory reports⁴ submitted to the Agency and on the basis of supervision

of business operations carried out by insurance and reinsurance companies, the Croatian Nuclear Pool GIU and the Croatian Insurance Bureau.

Insurance and reinsurance companies

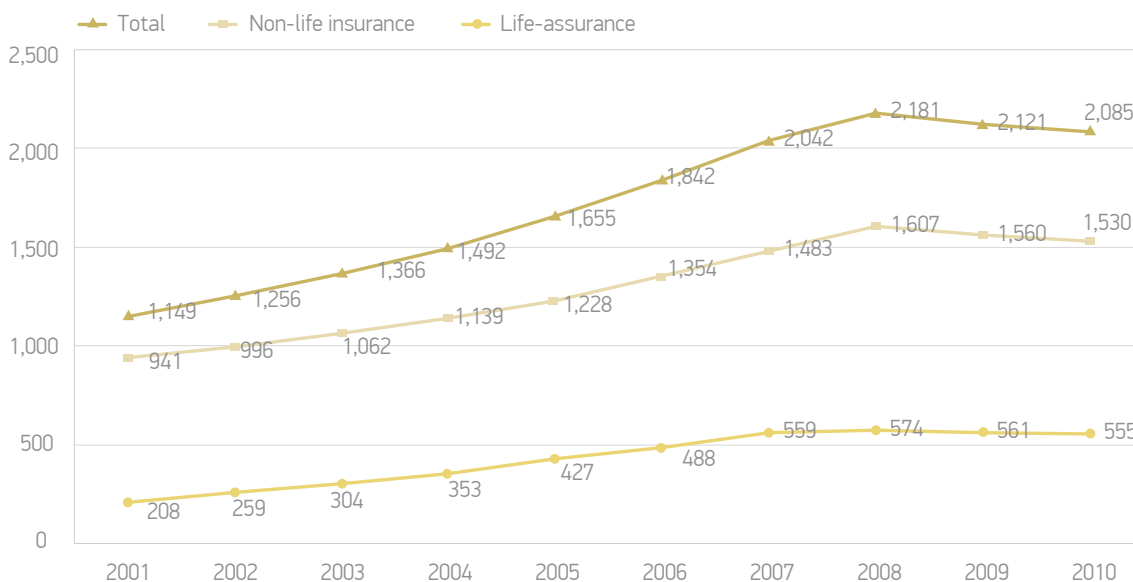
4.1

In the period from 1 January to 31 December 2010 insurance companies operating in the Republic of Croatia recorded gross written premium totalling HRK 9.2 billion, which is a decrease of 1.8% compared with 2009. Insurance density⁵ amounted to HRK 2,085 i.e. EUR 282⁶ and continued the downward trend started in 2009. Non-life assurance premium per capita amounted to HRK 1,530 (EUR 207), while the life insurance

premium per capita amounted to HRK 555 (EUR 75). The premium per capita for the 2001 - 2008 period recorded continuous growth which was interrupted in 2009 mostly due to the financial crisis. The following charts present the movements in insurance density and share of gross written premium in GDP⁷ (insurance market indicators) for the 2001 - 2010 period.

Insurance Density in the 2001 - 2010 Period (in HRK)

Chart 4.1.1



Source: HANFA

⁴ Financial and statistical data for 2008, 2009 and 2010 used in this report has been presented based on audited reports of insurance and reinsurance companies, with data used for the Croatian Nuclear Pool GIU and the Croatian Insurance Bureau in the same period being presented based on unaudited reports. Financial and statistical data for the 2001 - 2007 period had also been presented based on unaudited financial and statistical reports of all supervised entities. Furthermore, data for previous years reported in the Agency's Annual Report 2010 can differ from data in the Agency's Annual Reports 2006, 2007, 2008 and 2009 due to the application of the provisions of the Accounting Act (Official Gazette 109/07), Insurance Act (Official Gazette 151/05,87/08 and 82/09) IFRS (Official Gazette 136/09, 08/10, 18/10,27/10 and 65/10) as well as due to actions taken by the insurance and reinsurance companies pursuant to the Agency's instructions based on reports on supervision of business operations.

⁵ Insurance density is calculated as gross written premium per capita.

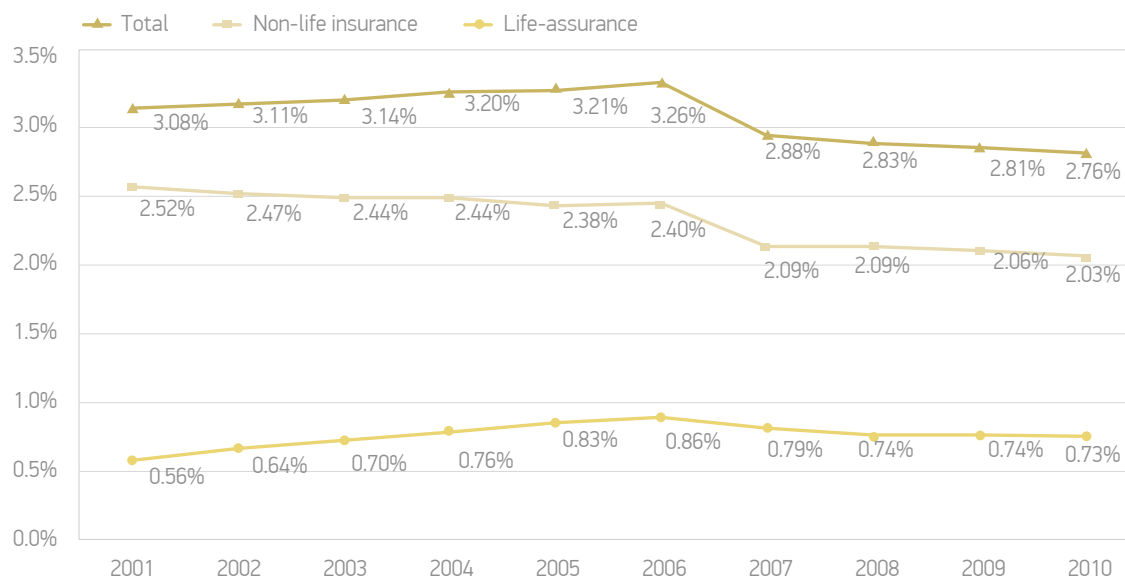
⁶ Calculated according to the midpoint exchange rate of the CNB as at 31 December 2010.

⁷ Gross domestic product - data taken from the website of the Croatian Central Bureau of Statistics (www.dzs.hr).

Chart 4.1.2

Share of Gross Written Premium in GDP in the 2001 - 2010 Period (in %)

Source: HANFA



The share of the gross written premium in GDP continued its downward trend started in 2007 and accounted for 2.76% in 2010. The mentioned share in life assurance

slightly reduced from 0.74% in 2009 to 0.73% in 2010, while in non-life insurance the same share reduced from 2.06% to 2.03%.

4.1.1 Market Description

There were 2 reinsurance companies and 27 insurance companies operating in 2010, out of which 8 companies carried on life assurance business only, 9 companies carried on non-life insurance business only, while the remaining 10 companies carried on both life assurance and non-life insurance business (composite companies).

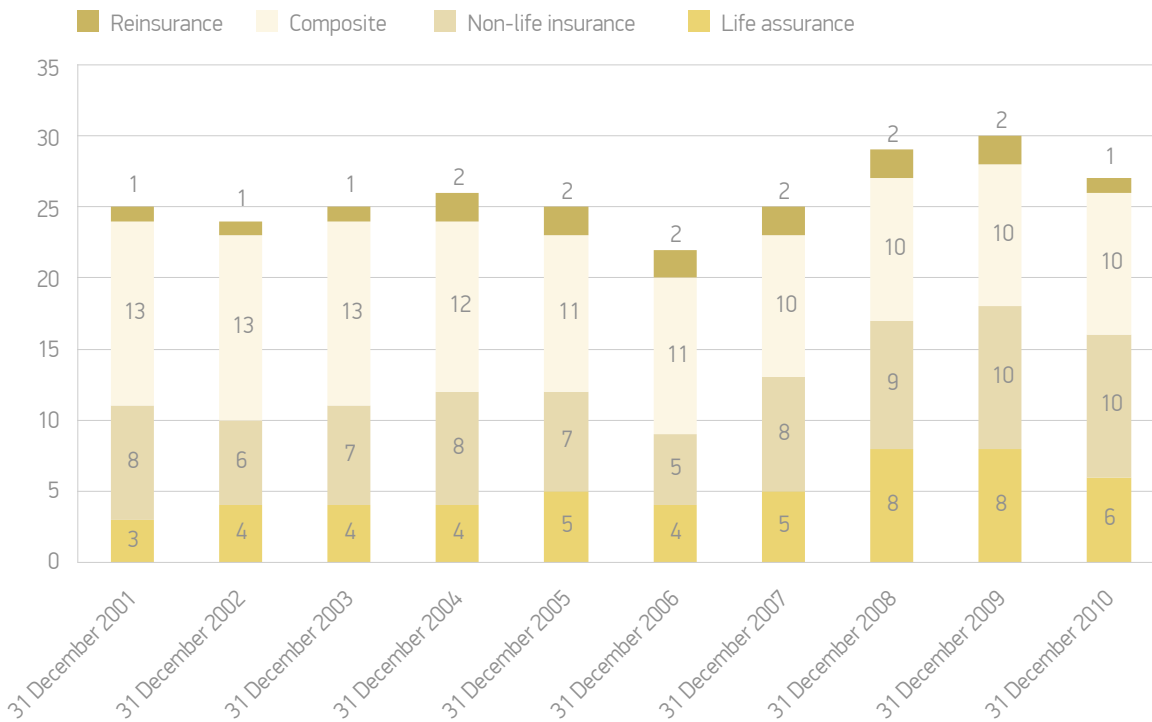
At the end of 2009, the operating licence was granted to Hrvatsko kreditno osiguranje d.d. but it started to carry on its activities in 2010. The acquisition of companies Basler osiguranje d.d. and Basler životno osiguranje d.d. by the company Basler osiguranje Zagreb d.d. was recorded in the Zagreb Commercial Court Register on 15 February 2010. By the mentioned record, companies Basler osiguranje d.d. and Basler životno osiguranje d.d. ceased to exist, while the company Basler osiguranje Zagreb d.d. took over all rights and obligations of the acquired companies. Furthermore, the company

Cosmopolitan Life Vienna Insurance Group d.d. was acquired by the company Helios Vienna Insurance Group d.d. on 11 June 2010, which took over all rights and obligations of the acquired company.

As a result of these changes, on the last day of the reporting period, insurance business was carried out by 25 insurance companies, out of which 6 insurance companies carried on life assurance business only, 9 insurance companies carried on non-life insurance business only, while 10 companies carried on both life assurance and non-life insurance business. In September 2010 the company Izvor osiguranje d.d. obtained a licence from the Agency to carry out insurance business, but the company did not actively commence insurance business in 2010. The following table presents the list of licenced insurance and reinsurance companies which also includes companies which did not commence insurance business activities.

Number of Licenced Insurance and Reinsurance Companies in the 2001 - 2010 Period

Chart 4.1.3



Source: HANFA

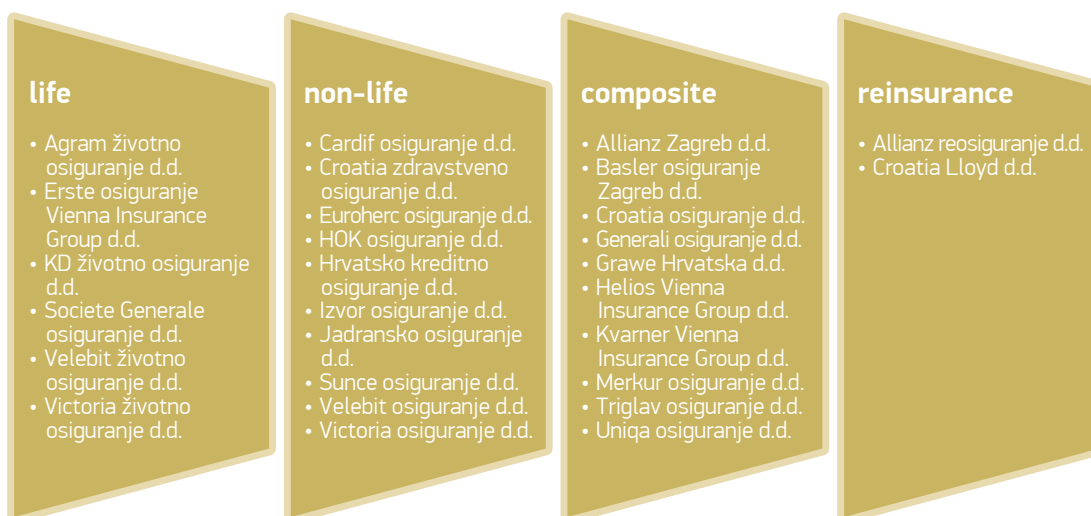
There were 2 reinsurance companies operating in the beginning of 2010 in the Republic of Croatia. The change of business activities of the company Allianz reosiguranje d.d. was recorded in the Zagreb Commercial Court register in December 2010 after the

Agency brought the Decision granting consent to change its business activity and to seize reinsurance business in October 2010. The following chart presents the list of insurance and reinsurance companies according to the type of their activities.

Insurance Activities Conducted by Insurance and Reinsurance Companies in 2010

Chart 4.1.4

Source: HANFA



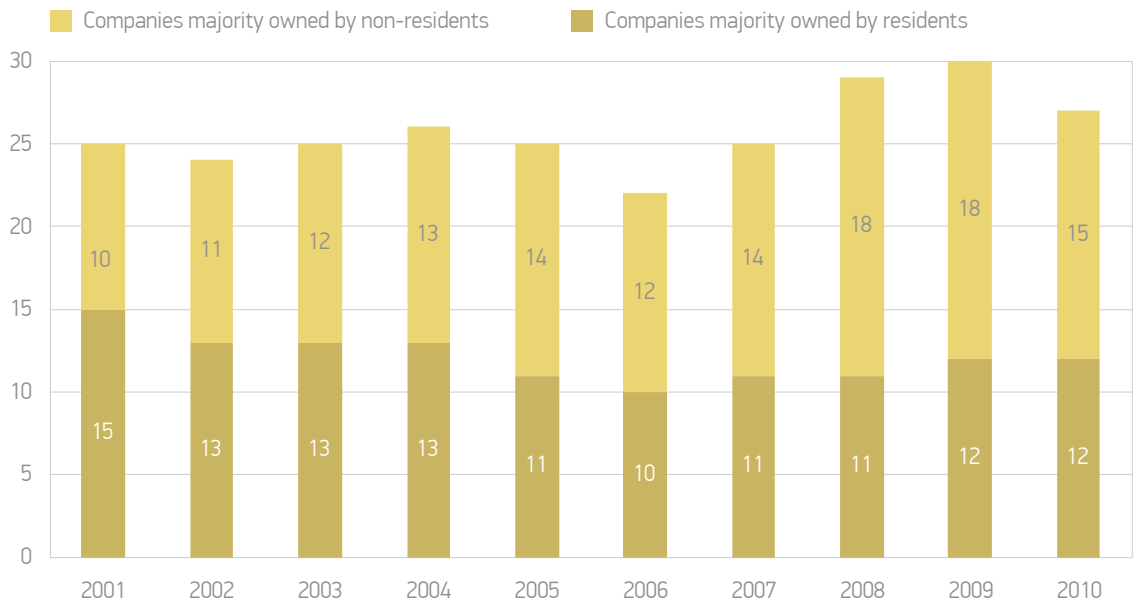
As at 31 December 2010, out of 27 licenced insurance and reinsurance companies, 15 companies were directly owned by non-residents⁸.

⁸ Pursuant to the Income Tax Act (Official Gazette 177/04, 90/05, 57/06, 146/08 and 80/10), a non-resident is a person who does not meet one of the requirements referred to in paragraph 1 Article 3 of the Income Tax Act.

Chart 4.1.5

Ownership Structure of Licenced Insurance and Reinsurance Companies (direct ownership) for the 2001 - 2010 Period

Source: HANFA



4.1.2 Gross Written Premium

During 2010, insurance companies recorded gross written premium totalling HRK 9.2 billion, which is a decrease of HRK 0.2 billion (1.8%) compared with 2009 when it recorded HRK 9.4 billion.

Out of a HRK 170.0 million decrease, HRK 139.0 million related to non-life insurance, while the HRK 31.0 million decrease related to life assurance. 14 companies out of 25 insurance companies operating in 2009 recorded an increase in gross written premium in 2010 compared to 2009.

The total gross written premium of the reinsurance industry amounted to HRK 523.3 million in 2010 which

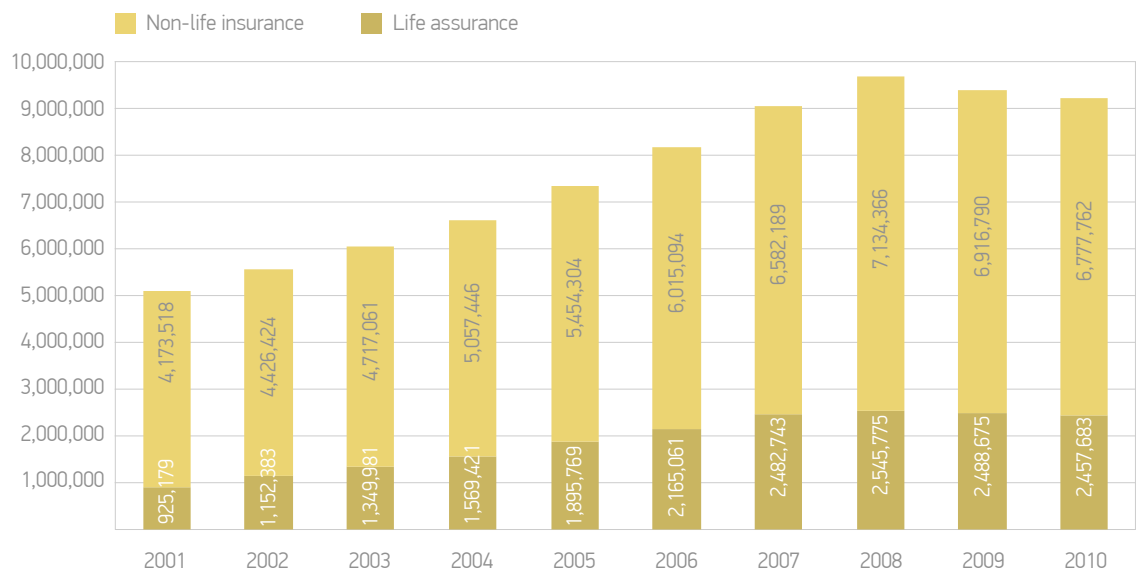
is an increase of HRK 39.1 million (8.1%) compared to 2009.

The insurance portfolio concentration by total gross written premium of the top 5 insurance companies decreased from 66.6% in 2009 to 65.3% in 2010, while insurance portfolio concentration of the top 10 insurance companies fell from 85.2% to 84.9%. Non-life insurance recorded higher concentration than life assurance: 5 insurance companies accounted for 76.2% of the total non-life insurance premium, whereas 57.3% of the total life assurance premium was made up by 5 insurance companies.

Chart 4.1.6

Gross Written Premium of Insurance Companies in the 2001 - 2010 Period (in HRK thousand)

Source: HANFA

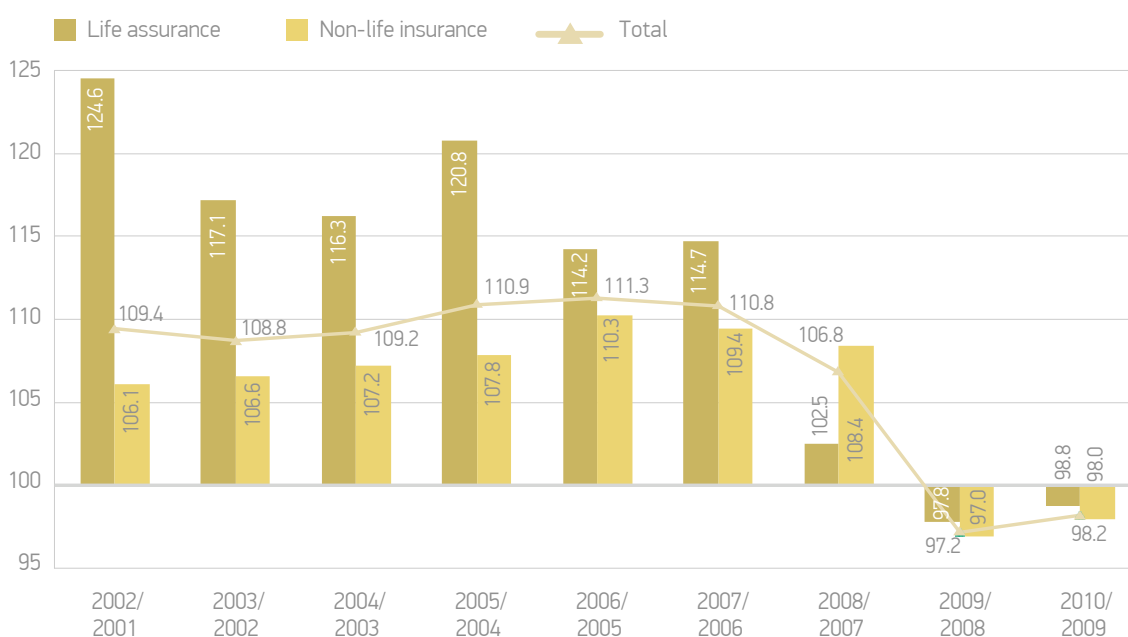


The gross written premium in non-life insurance continued its decline started in 2009 and recorded HRK 6.8 billion in 2010 which is a HRK 139.0 million (2.0%) decrease compared to 2009. At the same time, gross

written premium in life assurance recorded a decline amounting to HRK 31.0 million (1.2%), and thus reached the amount of HRK 2.5 billion in 2010.

Gross Written Premium Indices in the Insurance Industry in the 2001 - 2010 Period

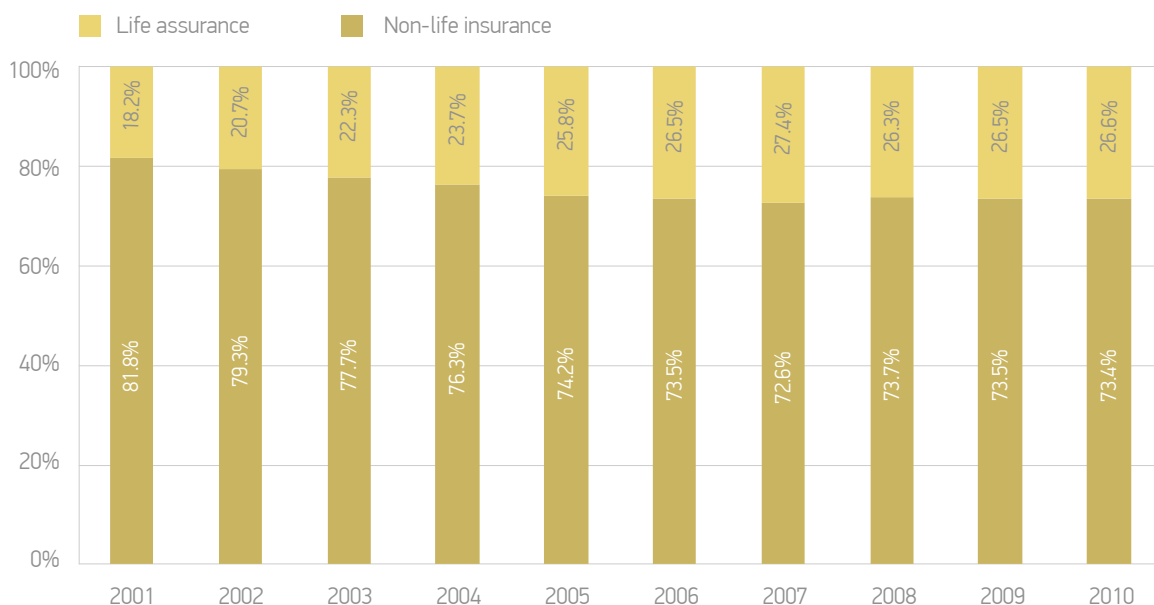
Chart 4.1.7



Source: HANFA

Share of Life and Non-life Insurance in Total Gross Written Premium in the 2001 – 2010 Period (in %)

Chart 4.1.8



Source: HANFA

The share of non-life insurance is still a major share in the total gross written premium in the insurance industry in the Republic of Croatia which amounted to 73.4% of the total gross written premium. The share of life assurance amounted to 26.6% which is slightly higher than in 2009 when it amounted to 26.5%.

Shares of individual insurance classes in the total insurance portfolio were unevenly distributed in 2010

so out of 25 insurance classes only 2 (motor vehicle liability insurance and life assurance) made up 54.2% of total insurance portfolio which is an increase compared to 2009 when it amounted to 53.9%. Simultaneously, 6 insurance classes with an individual share higher than 5.0% made up 84.0% of the total insurance portfolio, while they made up 84.8% of the total insurance portfolio in 2009.

Table 4.1.1

Gross Written Premium According to Insurance Classes in 2009 and 2010 (in HRK thousand)

Source: HANFA

Code	Insurance class	2009	Share	2010	Share	Index 2010/2009
01	Personal accident insurance	547,051	5.83%	531,370	5.74%	97.13
02	Health insurance	271,169	2.88%	258,703	2.81%	95.40
03	Insurance of land motor vehicles	1,004,155	10.68%	888,633	9.62%	88.49
04	Insurance of railway rolling stock	3,145	0.03%	6,094	0.08%	193.76
05	Insurance of aircrafts	19,878	0.21%	23,440	0.25%	117.91
06	Insurance of vessels	219,578	2.33%	228,363	2.47%	104.00
07	Insurance of goods in transit	64,964	0.69%	63,976	0.69%	98.47
08	Insurance against fire and natural disasters	584,997	6.22%	573,675	6.22%	98.06
09	Other property insurance lines	773,385	8.22%	758,470	8.22%	98.07
10	Motor vehicle liability insurance	2,922,348	31.07%	2,890,060	31.29%	98.89
11	Aircraft liability insurance	2,679	0.03%	2,287	0.02%	85.36
12	Insurance against liability arising out of the use of vessels	40,844	0.43%	42,810	0.46%	104.81
13	Other liability insurance lines	269,279	2.86%	266,280	2.88%	98.88
14	Credit insurance	81,342	0.86%	116,773	1.26%	143.55
15	Suretyship insurance	2,388	0.03%	4,580	0.05%	191.79
16	Insurance against miscellaneous financial losses	67,510	0.72%	74,625	0.81%	110.53
17	Legal expenses insurance	4,247	0.05%	2,533	0.03%	59.64
18	Travel insurance	37,831	0.40%	45,090	0.49%	119.18
19	Life assurance	2,143,135	22.79%	2,111,939	22.87%	98.54
20	Annuity insurance	7,910	0.08%	7,155	0.08%	90.45
21	Supplementary insurance linked with life assurance policy	164,023	1.74%	162,060	1.75%	98.80
22	Marriage and birth assurance	10,180	0.11%	9,244	0.10%	90.80
23	Life assurance in which the investment risk is held by the policyholder	163,427	1.74%	167,285	1.81%	102.36
24	Tontine	0	0.00%	0	0.00%	0.00
25	Assurance with paid-up sum assured	0	0.00%	0	0.00%	0.00
	TOTAL NON-LIFE INSURANCE (classes 01 - 18)	6,916,790	73.54%	6,777,762	73.39%	97.98
	TOTAL LIFE-ASSURANCE (classes 19 - 25)	2,488,675	26.46%	2,457,683	26.61%	98.75
	TOTAL (classes 01 - 25)	9,405,465	100.00%	9,235,445	100.00%	98.19

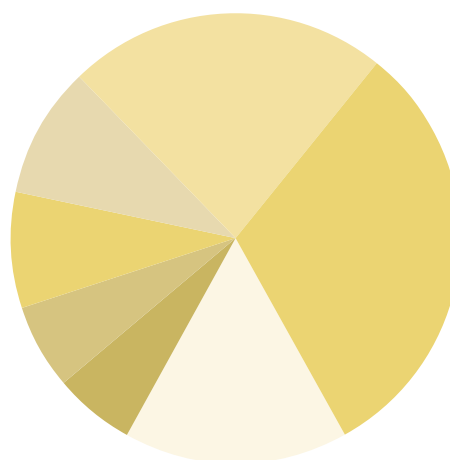
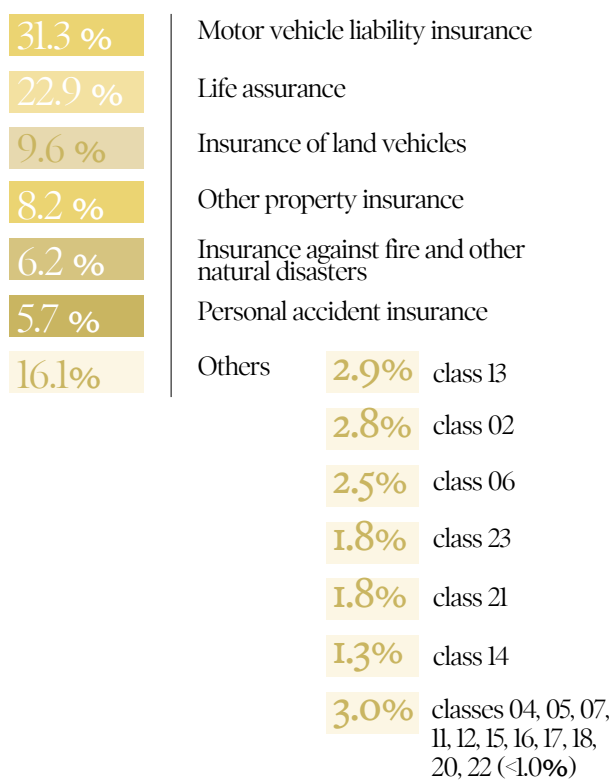
Motor vehicle insurance, comprised of motor vehicle liability insurance and land motor vehicle insurance, made up 40.9% of the total gross written premium in 2010. Gross written premium of motor vehicle liability insurance amounted to HRK 2.9 billion in 2010 which is a decrease of HRK 32.3 million (1.1%) compared to 2009. Land motor vehicle premium amounted to HRK

888.6 million decreasing by HRK 115.5 million (11.5%) compared with 2009 which is the largest decrease in premium by individual insurance classes in absolute amount. The most significant growth in gross written premium in the absolute amount of HRK 35.4 million (43.6%) was recorded by credit insurance with the premium totalling HRK 116.8 million.

Premium Structure by Insurance Classes in 2010 (in %)

Chart 4.1.9

Source: HANFA



Motor vehicle liability insurance was conducted by 14 insurance companies in the Republic of Croatia. The premium in this insurance segment (HRK 2.9 billion) made almost a third of the total gross written premium in 2010 and is slightly lower in comparison with 2009 (a 0.7% decrease). In 2010, 3 insurance companies

accounted for 66.4% of the total motor vehicle liability insurance premium which is slightly lower compared to 2009 when they made up 68.4% of the total premium. Technical result in this insurance class reached HRK 277.6 million which is by 39.6% more than in 2009, when it amounted to HRK 198.8 million.

Table 4.1.2

Motor Vehicle Liability Insurance in 2009 and 2010 (in HRK thousand)

Source: HANFA

No.	Insurance company	Gross written premium			Technical result		
		2009	2010	Index 2010/2009	2009	2010,	Index 2010/2009
1	Allianz Zagreb d.d.	227,291	235,210	103.48	22,957	42,461	184.96
2	Basler osiguranje Zagreb d.d.	92,527	102,482	110.76	-4,139	-11,416	275.82
3	Croatia osiguranje d.d.	836,558	788,686	94.28	223,958	149,337	66.68
4	Euroherc osiguranje d.d.	676,937	661,399	97.70	1,817	31,798	1750.03
5	Generali osiguranje d.d.	61,360	69,893	113.91	-5,768	1,767	-
6	Grawe Hrvatska d.d.	55,032	53,346	96.94	1,558	2,415	155.01
7	Helios VIG d.d.	23,802	26,207	110.10	-1,850	6,564	-
8	HOK osiguranje d.d.	89,711	110,828	123.54	-6,796	4,762	-
9	Jadransko osiguranje d.d.	461,273	452,724	98.15	14,877	12,555	84.39
10	Kvarner VIG d.d.	138,753	129,242	93.15	5,616	13,006	231.59
11	Sunce osiguranje d.d.	24,615	28,298	114.96	633	4,688	740.60
12	Triglav osiguranje d.d.	124,465	123,112	98.91	-48,163	16,008	-
13	Uniqa osiguranje d.d.	42,887	47,138	109.91	1,041	5,865	563.40
14	Velebit osiguranje d.d.	30,824	38,304	124.27	-6,954	-2,246	32.30
	TOTAL	2,886,035	2,866,869	99.34	198,787	277,564	139.63

4.1.3 Asset Structure

As at 31 December 2010, the total asset value of insurance and reinsurance companies amounted to HRK 31.0 billion and was HRK 2.1 billion or 7.5% higher than the total asset value recorded in 2009. Out of the mentioned total asset value as at 31 December 2010,

the life assurance segment accounted for HRK 14.8 billion (47.8%), non-life insurance accounted for HRK 15.3 billion (49.4%), while reinsurance accounted for HRK 855.3 million (2.8%).

Table 4.1.3

Asset Structure of Insurance and Reinsurance Companies in 2009 and 2010 (in HRK thousand)

Source: HANFA

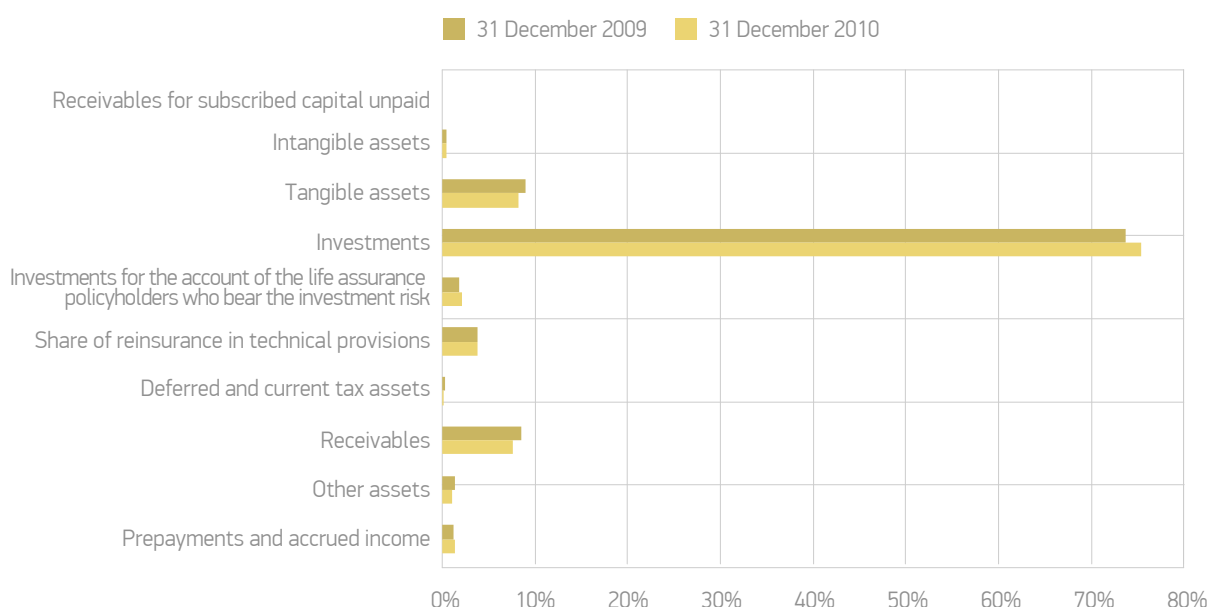
	31 December 2009			Share	31 December 2010			Share	Index 2010/2009
	Life	Non-life	Total		Life	Non-life	Total		
Receivables for subscribed capital unpaid	0	0	0	0.00%	0	0	0	0.00%	0.00
Intangible assets	8,837	111,544	120,381	0.42%	11,087	115,211	126,298	0.41%	104.92
Tangible assets	105,295	2,477,188	2,582,483	8.96%	139,579	2,415,732	2,555,311	8.25%	98.95
Investments	11,889,872	9,330,280	21,220,152	73.66%	13,189,405	10,140,696	23,330,101	75.33%	109.94
Investments for the account of life assurance policyholders who bear the investment risk	521,607	0	521,607	1.81%	630,662	0	630,662	2.04%	120.91
Share of reinsurance in technical provisions	281,414	788,526	1,069,940	3.71%	317,895	861,697	1,179,592	3.81%	110.25
Deferred and current tax assets	36,718	45,103	81,821	0.28%	23,114	34,909	58,023	0.19%	70.91
Receivables	215,424	2,229,768	2,445,192	8.49%	221,495	2,126,153	2,347,648	7.58%	96.01
Other assets	104,607	304,261	408,868	1.42%	88,308	238,636	326,944	1.06%	79.96
Prepayments and accrued income	150,004	206,274	356,278	1.24%	179,366	236,046	415,412	1.34%	116.60
TOTAL ASSETS	13,313,778	15,492,944	28,806,722	100.00%	14,800,911	16,169,080	30,969,991	100.00%	107.51

The largest share in life assurance assets (89.1%) related to investments. Out of the total life assurance assets, investments for the account of life assurance policyholders who bear investment risk accounted for 4.3%, while other asset items made up less than 3.0%. Within investments, the largest share related to debt securities and other securities with fixed income classified in the portfolio held to maturity (40.3% of life assurance assets) and investments in debt securities and other securities with fixed income classified in the portfolio of investments available for sale (23.8% of life assurance assets).

Investments were the most significant item in the structure of non-life insurance assets, with a 62.7% share which is less than in life assurance. Tangible assets made up 15.0% of non-life insurance assets, receivables made up 13.2%, while 5.3 % related to the reinsurers` share of technical provisions. The most significant investment items were deposits, loans and receivables (total of 23.8% of non-life insurance assets).

Asset Structure of Insurance and Reinsurance Companies in 2009 and 2010 (in %)

Chart 4.1.10



Source: HANFA

The share of the largest individual insurance company according to the total asset value, Croatia osiguranja d.d., amounted to 25.1% of the total insurance industry assets. Shares in total assets higher than 5% were also reported by the following companies: Allianz Zagreb d.d. (10.0%), Euroherc osiguranje d.d. (8.8%),

Grawe Hrvatska d.d. (8.0%), Basler osiguranje Zagreb d.d. (6.8%), Merkur osiguranje d.d. (6.1%), Kvarner VIG d.d. (5.6%) and Jadransko osiguranje d.d. (5.5%). Other insurance and reinsurance companies with shares lower than 5.0% made up a total of 24.1% of total insurance industry assets.

4.1.4 Liability Structure

In the liability structure of insurance industry as at 31 December 2010, the largest share of 70.7% related to technical provisions. Capital and reserves made up 18.6% of liabilities, while other liabilities made up 4.1%.

Table 4.1.4

Liability Structure of Insurance and Reinsurance Companies in 2009 and 2010 (in HRK thousand)

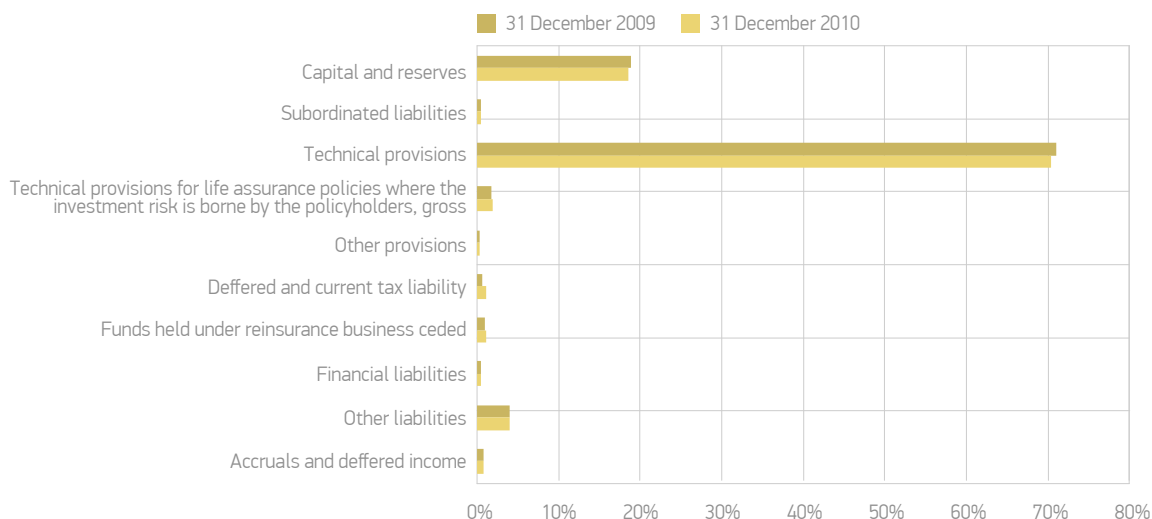
Source: HANFA

	31 December 2009			Share	31 December 2010			Share	Index 2010/2009
	Life	Non-life	Total		Life	Non-life	Total		
Capital and reserves	1,361,938	4,089,636	5,451,574	18.93%	1,469,481	4,295,221	5,764,702	18.61%	105.74
Subordinated liabilities	75,734	91,331	167,065	0.58%	76,548	65,081	141,629	0.46%	84.77
Technical provisions	10,775,855	9,755,256	20,531,111	71.27%	11,909,170	9,973,415	21,882,585	70.66%	106.58
Technical provisions for life assurance policies where the investment risk is borne by the policyholders, gross	518,864		518,864	1.80%	629,952		629,952	2.03%	121.41
Other provisions	6,936	94,312	101,248	0.35%	6,117	97,888	104,005	0.34%	102.72
Deferred and current tax liability	15,728	186,232	201,960	0.70%	14,395	339,465	353,860	1.14%	175.21
Funds held under reinsurance business ceded	257,995	18,574	276,569	0.96%	297,661	59,344	357,005	1.15%	129.08
Financial liabilities	11,541	161,747	173,288	0.60%	24,911	160,308	185,219	0.60%	106.89
Other liabilities	212,163	949,884	1,162,047	4.04%	299,371	973,702	1,273,073	4.11%	109.55
Accruals and deferred income	77,024	145,972	222,996	0.77%	73,305	204,656	277,961	0.90%	124.65
TOTAL LIABILITIES	13,313,778	15,492,944	28,806,722	100.00%	14,800,911	16,169,080	30,969,991	100.00%	107.51

As at 31 December 2010, technical provisions accounted for HRK 11.9 billion in total life assurance liabilities or 80.5% with the most significant item in the amount of HRK 11.9 billion related to mathematical provisions-gross amount, which reported HRK 11.7 billion or 78.7% of liabilities. Capital and reserves amounted for HRK 1.5 billion or 9.9% of liabilities, while other life assurance liability items did not individually exceed 5.0%. The most

significant item in non-life liability structure also related to technical provisions amounting to HRK 10.0 billion or 67.7%, out of which the largest share (HRK 6.7 billion) related to claims provisions-gross amount with a 41.7% share in liabilities. Capital and reserves reported HRK 4.3 billion (26.6% of liabilities), whereas other liabilities amounted to HRK 1.0 billion (6.0% of liabilities).

Source: HANFA



4.1.5 Financial Operating Results

In the period from 01 January to 31 December 2010, insurance and reinsurance companies reported net profit to the amount of HRK 290.3 million, which is an increase in net profit of HRK 284.0 million in comparison with 2009, when net profit amounted to HRK 6.3 million. This was primarily a result of a HRK 336.7 million decrease in settled claims, in net amount of reinsurance compared to the previous year.

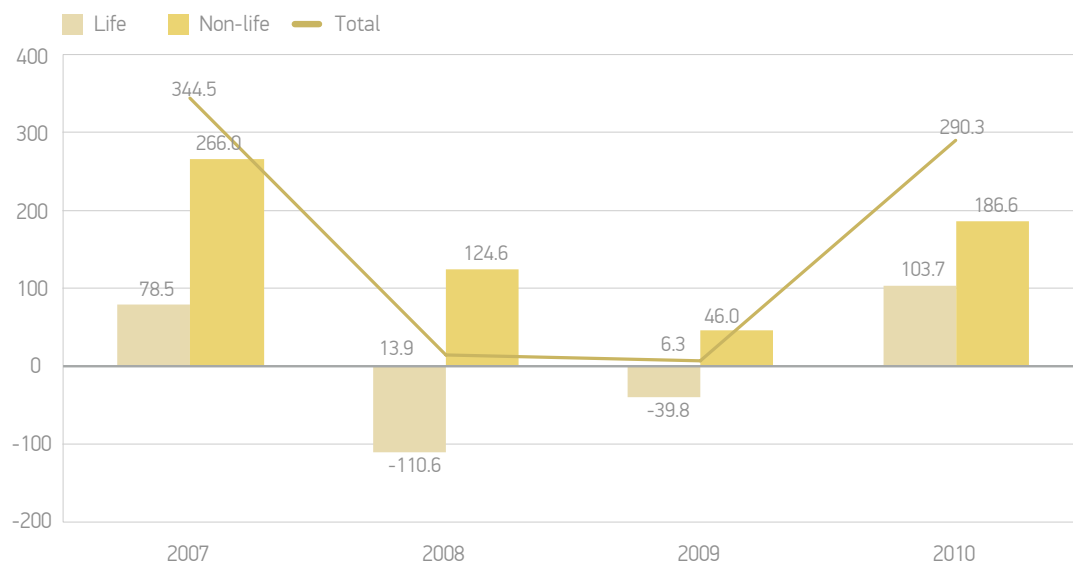
In life assurance business, 10 insurance companies reported net profit in the amount of HRK 136.3 million, whereas 6 insurance companies recorded loss totalling HRK 32.7 million. In non-life insurance business, 13 insurance companies reported net profit amounting to HRK 274.7 million, whereas 7 insurance companies registered loss in the amount of HRK 120.6 million. The 2 reinsurance companies recorded net profit totalling HRK 32.6 million.

Out of 26 insurance companies and 2 reinsurance companies that carried on insurance business in 2010, 15 insurance companies and 2 reinsurance companies realised net profit in the amount of HRK 417.2 million, whereas 11 insurance companies recorded loss in the amount of HRK 126.9 million. Euroherc osiguranje d.d. accounted for a 21.6% share in the total registered profit of HRK 417.2 million, followed by Allianz Zagreb d.d. with a 17.3% share, Jadransko osiguranje d.d. with a 11.0% share, whereas Croatia osiguranje d.d. made up 10.5%. At the same time, Basler osiguranje Zagreb d.d. recorded a 48.6 % share of the total registered loss which amounted to HRK 126.9 million, followed by Triglav osiguranje d.d. with 19.2% and Velebit osiguranje with a 11.5% share.

Chart 4.1.12

Operating Results of Insurance and Reinsurance Companies from 2007 to 2010⁹ (in HRK million)

Source: HANFA



4.1.6 Technical Provisions

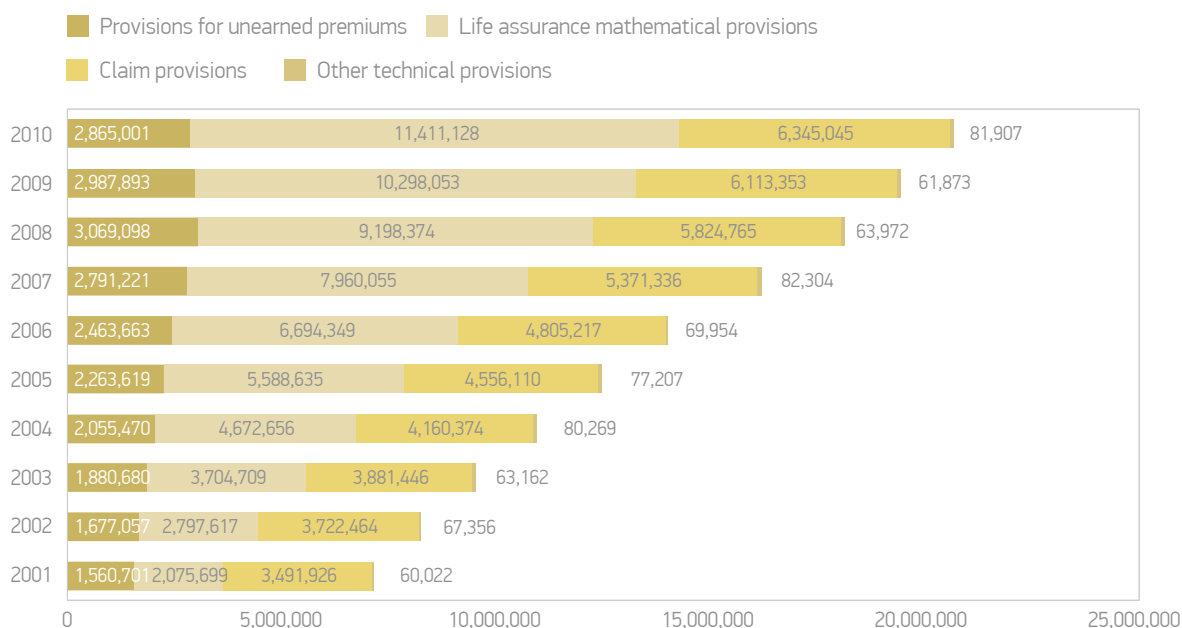
The value of net technical provisions as at 31 December 2010 is shown in the balance sheet in the amount of HRK 20.7 million and is by HRK 6.4% higher compared to 31 December 2009. As in the previous year, companies

allocated the majority of the total amount of net technical provisions in mathematical provisions which reported a 55.1% share of total technical provisions which is a 10.8% increase compared to 2009.

Chart 4.1.13

Net Technical Provisions in the 2001 - 2010 Period (in HRK thousand)

Source: HANFA

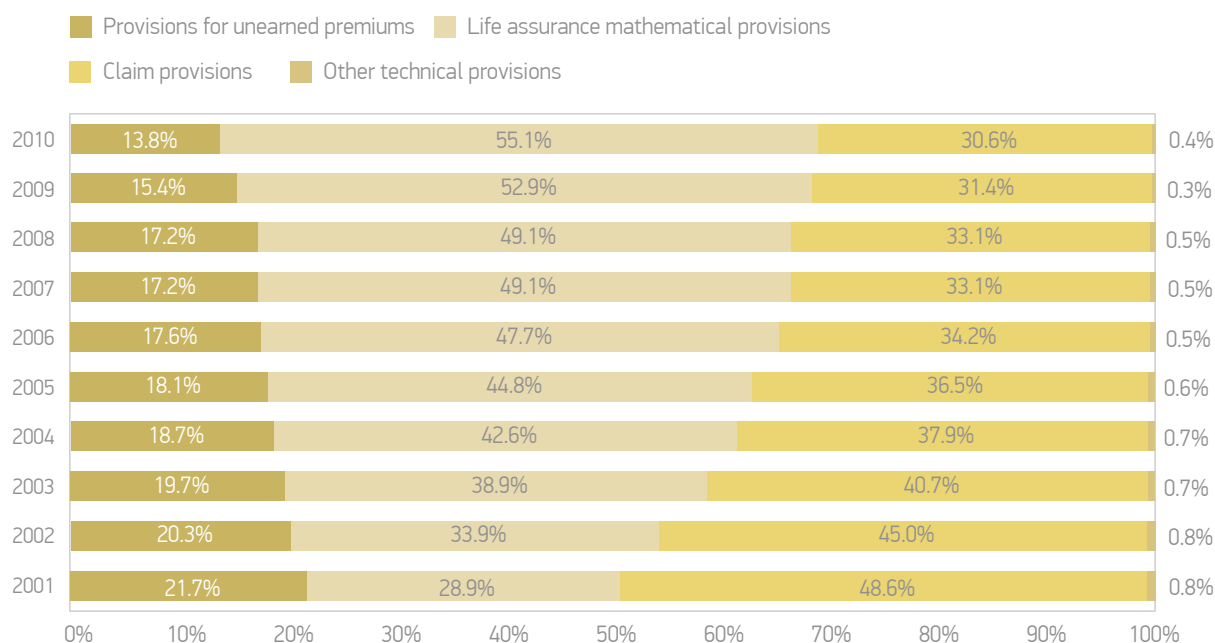


⁹ Operating results of insurance and reinsurance companies for periods before 2007 are not shown due to the change in the reporting methodology in the Profit and loss account.

Structure of Technical Provisions in the 2001 - 2010 Period (in %)

Chart 4.1.14

Source: HANFA



4.1.7 Investments of Assets Covering Technical Provision

Pursuant to Articles 115 and 116 of the Insurance Act (Official Gazette 151/05, 87/08 and 82/09), and provisions of the Ordinance on types and characteristics of assets covering technical provisions, rules for diversification and limitations on asset investments, their valuation and compliance with the law, rules for the use of derivative financial instruments, as well as the manner and time limits for reporting (Official Gazette 119/09 and 155/09, hereinafter: Ordinance on investments), insurance and reinsurance companies are obliged to set up assets covering technical provisions. The requested coverage of technical provisions except mathematical provisions¹⁰ of insurance and reinsurance companies amounted to HRK 9.2 billion as at 31 December 2010, whereas total invested assets amounted to HRK 7.6 billion, i.e. HRK 1.6 billion or 17.5% less than the total technical provisions.

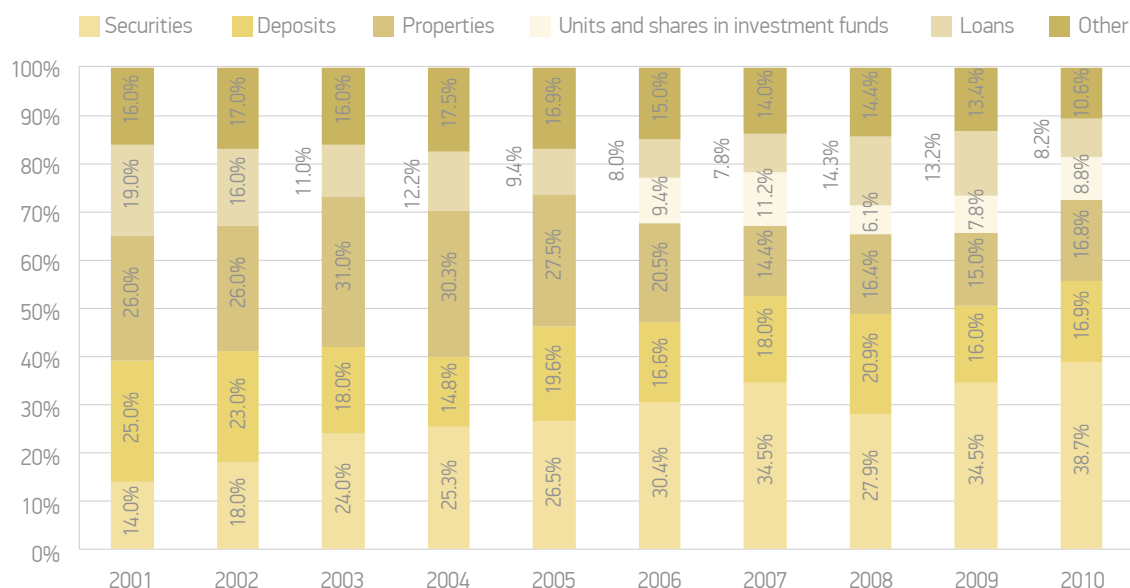
The largest share (29.4%) in the investment structure for the insurance industry related to investments in securities issued by the Republic of Croatia, Croatian National Bank and Croatian Bank for Reconstruction and Development. Investments in securities including bonds of other issuers and shares made up 38.7% of total investments and their total share is higher compared to 2009 when it amounted to 34.5%. The share of investments in investment funds deposits also reported an increase in total investments, from 7.8% in 2009 to 8.8% in 2010. The share of investments in deposits slightly increased from 16.0% in 2009 to 16.9% in 2010, and the share of loans decreased from 13.2% in 2009 to 8.2% in 2010. The share of investments in properties amounted to 16.8% in 2010, while in 2009 it amounted to 15.0% of total investments.

¹⁰ Requested coverage of technical provisions, except mathematical provisions comprises of: provisions for unearned premiums, provisions for bonuses and discounts, claim provisions, claims equalization and other technical provisions of insurance.

Chart 4.1.15

Structure of Investments in Technical Provisions in the 2001-2010 Period (in %)

Source: HANFA



4.1.8 Investments of Assets Covering Mathematical Provisions

Insurance companies are obliged to set up mathematical provisions in the amount of the present value of all future liabilities of insurance company, calculated on the basis of concluded insurance contracts and reduced by the present estimated value of future premiums payable under such insurance contracts. Furthermore, an insurance company conducting insurance business in the lines of insurance in respect of which mathematical provisions must be formed must set aside assets covering mathematical provisions and must manage those assets separately from other assets. The value of assets covering mathematical provisions must at all times be at least equal to the amount of the required coverage which include mathematical provisions. Insurance companies are obliged to invest assets covering mathematical provisions in accordance with Articles 122 and 123 of the Insurance Act and provisions of the Ordinance on investments, taking into account the type of insurance business carried on and guaranteeing the safety, profitability and 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 assurance assets, since those assets match the definition of long-term savings. Mathematical provisions registered in the balance sheet

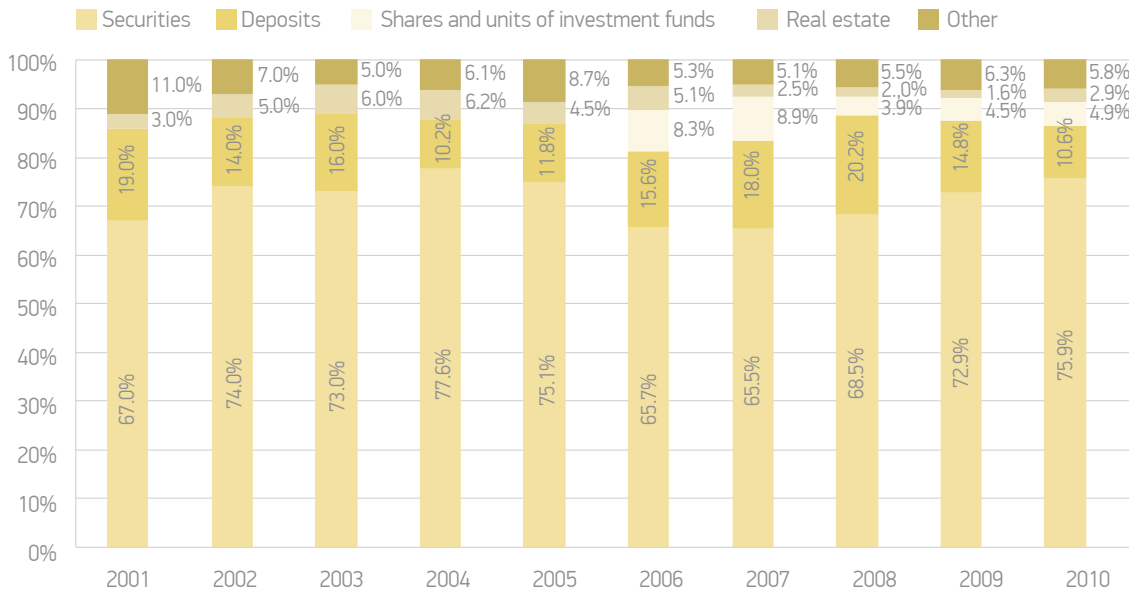
as at 31 December 2010 amounted to HRK 11.4 billion and were by 10.8% higher in comparison to the previous year, making up 55.1% of the total technical provisions. As at 31 December 2010, insurance companies reported the required coverage of mathematical provisions¹¹ in the amount of HRK 11.5 billion, while assets covering mathematical provisions amounted to HRK 11.7 billion, which means that insurance companies invested HRK 0.2 billion or 1.6% more than the required coverage.

In the investment structure, the largest share (72.6%) of assets was invested in securities of the Republic of Croatia, Croatian National Bank and Croatian Bank for Reconstruction and Development. Insurance companies are obliged to invest, pursuant to the Insurance Act, at least 50.0% of assets covering mathematical provisions in securities issued by the Republic of Croatia, Croatian National Bank and 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. A significant share of assets was also invested in deposits (10.6%). Less than 5.0% was invested in other asset types individually and those investments jointly made up a 16.8% share in the structure of investments of assets covering mathematical provisions.

¹¹ Requested cover of mathematical provision is comprised of: mathematical provisions, provisions for ceded premiums in risk types for which mathematical provisions must be formed, provisions for damages in risk types for which mathematical provisions must be formed, and provisions for bonuses and discounts in risk types for which mathematical provisions must be formed.

Structure of Investments of Mathematical Provisions in the 2001- 2010 Period (in %)

Chart 4.1.16



Source: HANFA

4.1.9 Investments of Assets From Capital and Other Funds (except assets for covering mathematical and technical provisions)

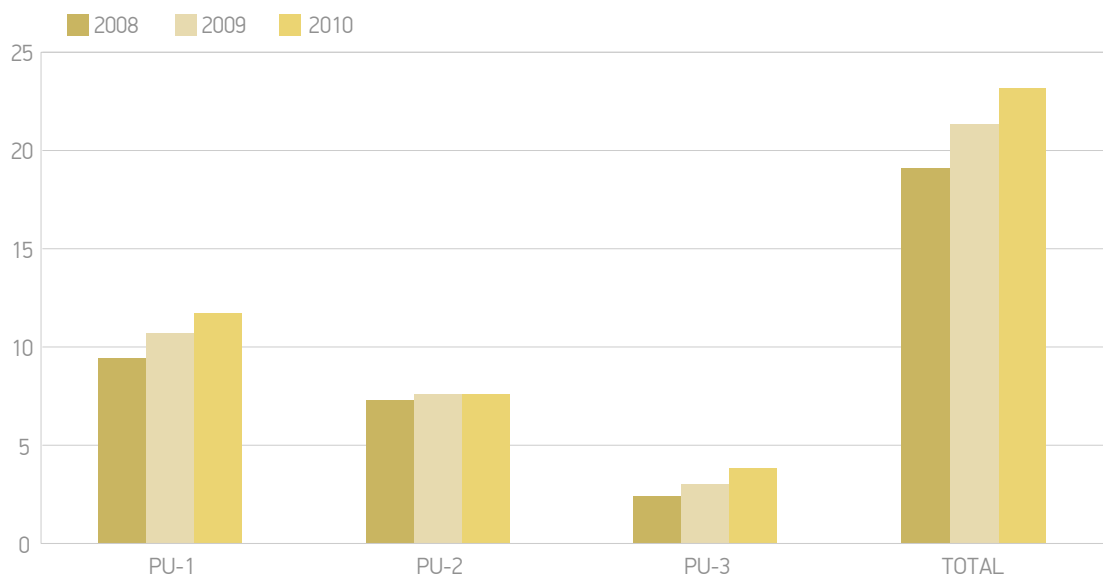
Total investments from capital and other funds, except assets for covering mathematical and technical provisions (hereinafter: investments from capital) amounted to HRK 3.9 billion in 2010, out of which HRK 1.0 billion, or 26.3% related to life assurance and HRK 2.9 billion or 73.7% related to non-life insurance. Out of

total investments from capital, the majority (47.7%) was made of deposits, loans and receivables in the amount of HRK 1.9 billion. Compared to 2009, total investments from capital increased in 2010 by HRK 0.9 billion, or by 28.5% with the largest share related to deposits, loans and receivables which made 55.7% of investments.

Chart 4.1.17

Structure of Investments From Mathematical Provisions¹², Technical Provisions, Except Mathematical Provision¹³ and Investments of Assets From Capital in the 2008 - 2010 Period¹⁴ (in HRK billion)

Source: HANFA



4.1.10 Capital Adequacy

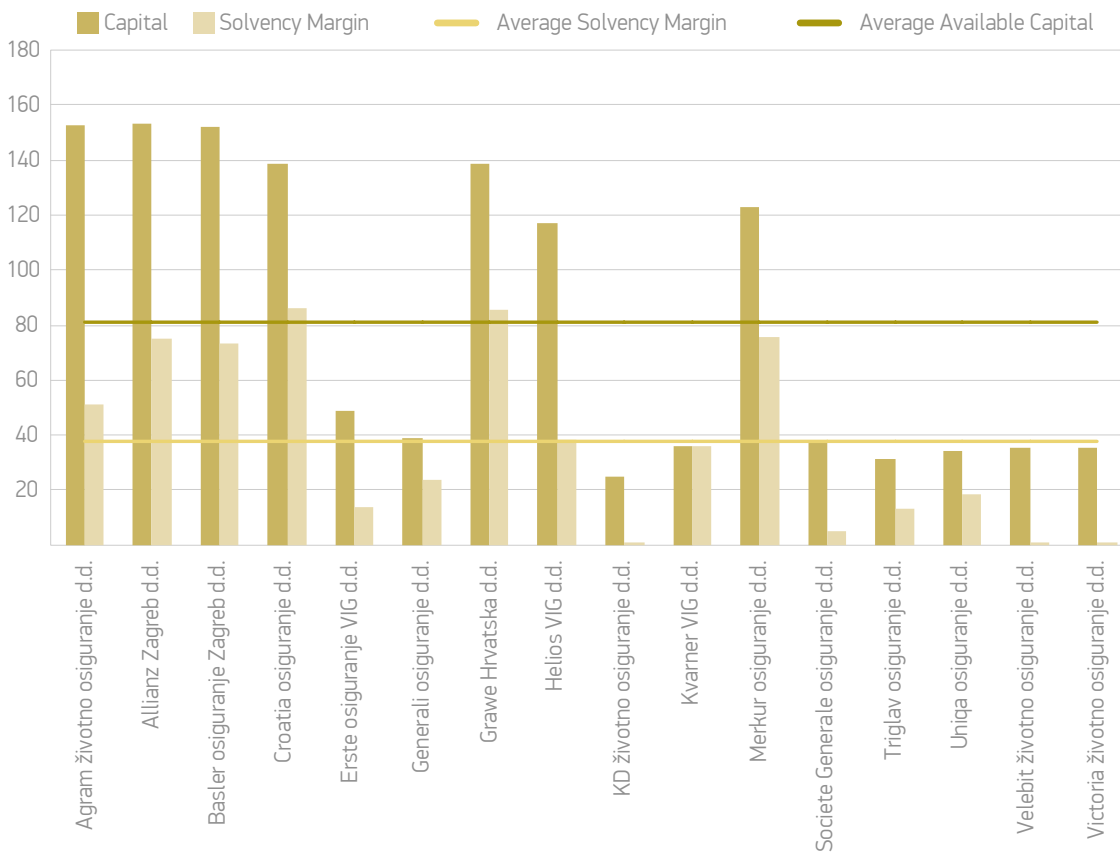
To assess business operations and financial position of companies operated in the insurance market during 2010, business operations of insurance and reinsurance are assessed on the basis of key performance indicators, the structure of asset sources and asset quality on the one hand, while the special importance in assessing the insurance system is given to whether companies have enough capital and reserves needed to meet their liabilities towards policyholders, and whether they invest assets in accordance with legal provisions. In accordance with provisions of article 92, paragraph 1

of the Insurance Act, the insurance company is obliged to maintain the capital level adequate to the volume and types of insurance activities carried on, and to the risks they are exposed to. In order to meet the capital adequacy requirements, the insurance company must meet 3 conditions regulated by the Insurance Act: the insurance company capital must be at least equal to the solvency margin, the guarantee fund of the insurance company must be at least equal to the 1/3 of the solvency margin and the guarantee fund must be at least equal to the minimum initial capital.

¹² Data on investments from mathematical provisions assets is taken from the form: Overview of investments of assets for covering mathematical provisions (form PU- 1).
¹³ Data on investments from technical provisions assets, except mathematical provisions, is taken from the form: Overview of investments of assets covering technical provisions, except mathematical provisions (form PU-2).
¹⁴ Investments of insurance and reinsurance companies from mathematical provisions assets, technical provisions, except mathematical provisions and investments from capital for the periods before 2008 are not shown because data from the form: Overview of investments of assets from capital and other funds, except assets for covering mathematical and technical provisions (form PU-3) started being collected in 2008.

Ratio of Available Capital to Solvency Margin by Companies in Life Assurance for 2010 (in HRK million)

Chart 4.1.18



Source: HANFA

As at 31 December 2010, all companies in the life assurance business fulfilled the 3 conditions prescribed by the Insurance Act and met the capital adequacy requirements, while in non-life insurance

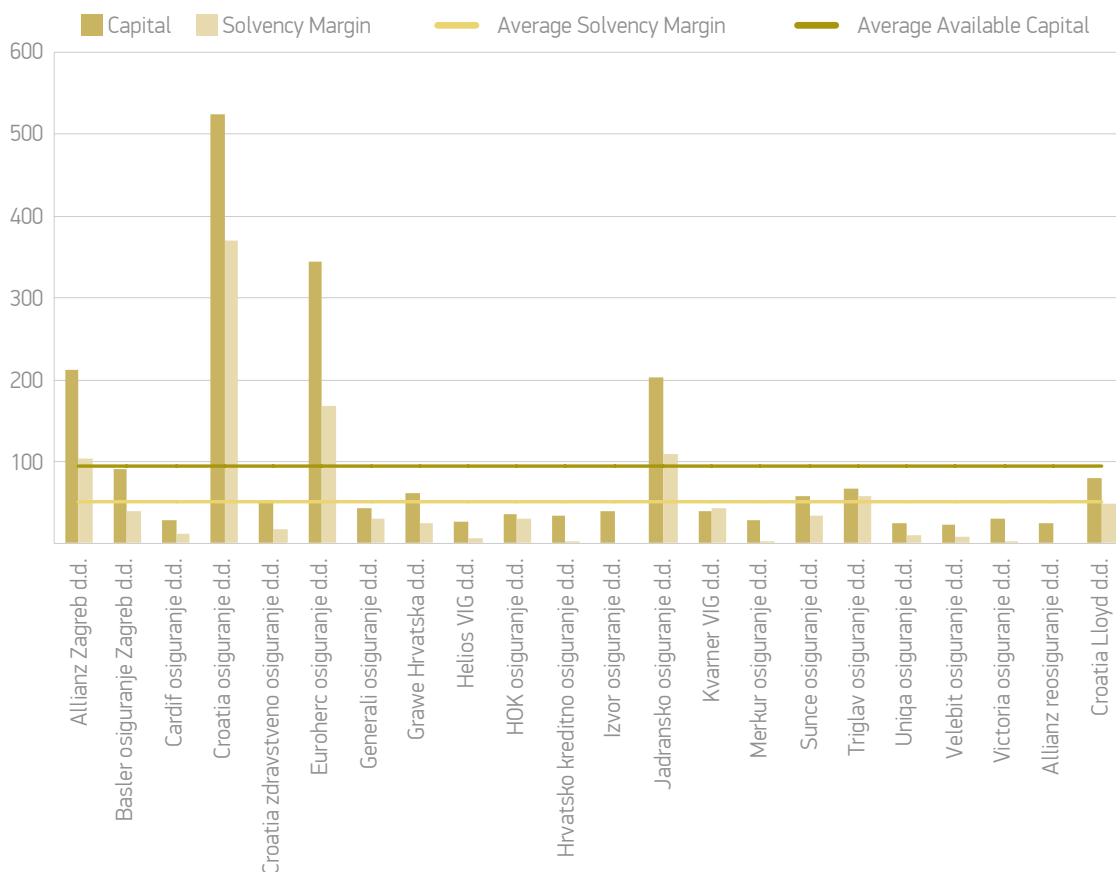
only 1 insurance company failed to comply with all the 3 prescribed conditions, meaning that its available capital was lower than the solvency margin¹⁵.

¹⁵ To ensure the capital adequacy in later periods, the company paid the amount of HRK 22.2 million to the initial capital which was registered in the Court Register of the Commercial Court in Rijeka on 06 April 2011.

Chart 4.119.

**Ratio of Available Capital to Solvency Margin by Companies in Non-Life Insurance for 2010
(in HRK million)**

Source: HANFA



During 2010, the capital of 6 insurance companies was increased in the total amount of HRK 97.1 million. A total of HRK 11.2 million was paid in life assurance, in the total amount paid for capital reserves. In non-life insurance business, the amount of HRK 85.9 million was paid to increase the capital, of which the amount of HRK

69.9 million was used to increase initial capital, while capital reserves were increased by HRK 16.0 million. At the same time, 1 insurance company carrying on non-life insurance business decreased initial capital by HRK 125.3 million.

4.1.11. Insurance Business Indicators

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

The Claims Ratio is the ratio of the sum of claims paid, changes in provisions for claims and changes in other technical provisions (including changes in life assurance technical provisions when the policyholder bears the investment risk) to insurance premiums earned (multiplied by 100), with net value of reinsurance being included into the calculation. The claims ratio in 2010 amounted to 67.59% and was more favourable compared to 2009, when it totalled 69.77%. The claims ratio in life assurance amounted to 94.44%, while for non-life insurance it totalled 57.12%.

and other technical charges to gross written premium, reduced by premiums ceded to reinsurance (multiplied by 100). The expense ratio amounted to 44.27% in 2010 and is slightly lower compared to 2009 when it amounted to 44.5%. The expense ratio for life assurance amounted to 35.12%, while in non-life insurance it amounted to 47.83%.

The Combined Ratio amounted to 111.86% in 2010, while in 2009 it reached 114.27%. This ratio is calculated as the sum of the claims ratio and expense ratio, and it shows operating results before including income from investments. The combined ratio in life assurance amounted to 129.56%, while in non-life insurance it totalled 104.95%.

The Expense Ratio is the ratio of the sum of operating expenses (acquisition costs and administrative costs)

Return on Investment is calculated as the ratio of income from investments reduced by investment expenses to the amount of investments (multiplied by 100). In 2010, the return on investment amounted to 4.57%, while in 2009 it amounted to 4.83%. In life assurance business it amounted to 6.00%, while in non-life insurance it totalled 2.71%.

The Debt Ratio is calculated as the ratio of total liabilities to total assets. This ratio shows the amount of assets financed by liabilities which do not include capital and reserves. The 2010 debt ratio amounted to 0.81 which is the same as in 2009. In life assurance business, this ratio amounted to 0.90, while in non-life insurance it reached 0.73.

Return on Assets (ROA) is a ratio of after-tax profit or loss of the accounting period to total assets. In the insurance industry, this ratio amounted to 0.94% in 2010, increasing compared to 2009 when it amounted to 0.02%. In life assurance business, the return on assets reached 0.70%, while in non-life insurance it amounted to 1.15%.

Return on Equity (ROE) represents the relationship between after-tax profit or loss of the accounting period and equity (subscribed capital, premium on shares issued, revaluation reserves, reserves and accumulated profit or loss). It is expressed as a percentage, showing how much net profit or loss of the accounting period can be generated by HRK 100 of equity. In 2010, total return on equity amounted to 5.30%, increasing compared to 2009, when it amounted to 0.12%. In life assurance business, the return on equity totalled 7.59%, and in non-life insurance it amounted to 4.54%.

4.1.12. Concentration Indices of the Insurance Market

Concentration in the insurance market in the Republic of Croatia is measured by using the Herfindahl-Hirschman Index (hereinafter: HH index). Data on insurance market concentration is calculated by using market shares

of insurance and reinsurance companies in the total assets and gross written premium as shown in the following table.

HH Indices of the Insurance Market in 2009 and 2010

Table 4.15

	31 December 2009			31 December 2010		
	Life	Non-life	Total	Life	Non-life	Total
HH index of assets	1,015.49	1,897.49	1,128.89	1,035.04	1,786.87	1,078.44
HH index of GWP	907.34	1,772.06	1,332.96	924.01	1,687.64	1,280.08

Source: HANFA

Market concentration in life assurance increased in comparison with 2009, primarily as a result of the decreased number of insurance companies conducting life assurance business which increased the share of other companies. According to the gross written premium and taking into account the level of the HH index, life assurance market is being considered as a low concentrated market (HH index's 924.0), with the observation that it is close to being a significantly concentrated market (HH index under 1,000.0 shows low concentration, while HH index value between 1,000.0 and 1,800.0 shows a significantly concentrated market)¹⁶. The level of HH index in relation to assets was slightly higher than the one calculated according to the gross written premium and it stood on the lower limit of a significantly concentrated market.

In the segment of non-life insurance, market concentration was higher than in life assurance, but was decreasing compared to 2009. HH index from 1,800.0 to 10,000.0 represents a highly concentrated market and according to the assets value it was highly concentrated in 2009 (HH index 1,897.5), while the concentration in 2010 was slightly lower (HH index 1,786.9). The HH index according to the gross written premium also showed significant concentration of non-life insurance market but is gradually decreasing.

¹⁶ Source: A. Griffiths and S. Wall, "Intermediate Microeconomics", Longman, London and New York, 1996, page 325.

4.2 Regulatory activities

4.2.1 Legislative Framework

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

During 2010, the Management Board of the Agency adopted 3 ordinances, 2 amendments to ordinances, 3 technical instructions for submitting reports, a consolidated version of instructions for applying of chart of accounts of insurance and reinsurance companies and 2 instructions for completion of reports. Additional requirements for professional training and examination of professional knowledge required to perform duties of a certified actuary were set by adopting the Ordinance

for professional training and examination of professional knowledge required to perform duties of a certified actuary (Official Gazette 20/10), which is defined by the Insurance Act as the main act regulating requirements for establishing and conducting of insurance and reinsurance companies, carrying out internal audit activities and audit of insurance and reinsurance companies, winding up and bankruptcy procedure, conducting insurance representation and brokerage business, competences of the supervisory authority and supervision activities.

Furthermore, the Ordinance on the structure and contents of financial statements of insurance and reinsurance companies (Official Gazette 132/10) and Ordinance on the structure and contents of supervisory statements of insurance and reinsurance companies (Official Gazette 132/10) were adopted by the Agency in order to comply with amendments to the International financial reporting standards (Official Gazette 140/06 and 136/09), i.e. to comply with the structure and content of financial reports with amendments to International accounting standard 1.

4.2.2 Licensing

In 2010 the Agency issued 2 licences to conduct insurance business, out of which 1 licence was issued to a newly established insurance company (IZVOR OSIGURANJE d.d. in establishment), and 1 licence to the insurance company to carry out a new insurance activity (VICTORIA osiguranje d.d.). Furthermore, the Agency received and processed 23 applications for issuing a licence to perform duties of the member of the management board of the insurance company and 1 application for granting the acquisition of a qualifying holding in the insurance company.

In the previous year, the Agency also received and processed 7 applications for approval of marketing activities of insurance companies.

Two applications for issuing licences for performing duties of a member of the management board of a pension insurance company were processed for Raiffeisen mirovinsko osiguravajuće društvo d.o.o.

During 2010, the Agency issued 22 licences for conducting insurance representation activities to

insurance representation companies and 14 licences for conducting insurance representation activities to owners of insurance representation trades. 4 licences were issued to insurance companies and 2 licences to owners of insurance representation trades for carrying on insurance representation business at vehicle roadworthiness test garages. The Agency also issued a prior consent to Wüstenrot stambena štedionica d.d for carrying out insurance representation business. During 2010 the Agency issued 4 licences for conducting insurance brokerage business to insurance and reinsurance brokerage companies.

On the basis of received notifications of business closure, 3 decisions were adopted determining that the licence for conducting insurance representation business of insurance representation companies ceased to be valid and 28 decisions determining that the licence for conducting insurance representation business for owners of insurance representation trades ceased to be valid. 1 decision determining that the licence for conducting insurance representation business on the vehicle roadworthiness test garages ceased to be

valid to the insurance representation company, while 4 same decisions were adopted related to owners of insurance representation trades conducting insurance representation business on the vehicle roadworthiness test garages. 1 licence of the insurance and reinsurance brokerage company was revoked due to found irregularities in business operations, and a licence of an insurance representation company was also revoked.

During 2010, 10 examination terms were organised for examination to obtain the authorisation to carry out insurance representation or insurance and reinsurance brokerage business. 2,445 candidates took the exam to obtain the authorisation to carry on insurance representation business, out of which 1,837 candidates passed the exam. 37 candidates took the exam to obtain authorisation to carry on insurance and reinsurance brokerage business, out of which 30 candidates passed the exam.

Based on the received applications, 18 certificates on passed exams within the Croatian Actuarial Society and 18 licences were issued to carry on activities of a certified actuary.

Proceedings were conducted and approvals were issued for 2 companies to hire internal auditors without an employment contract.

Furthermore, the Agency issued approval to the company Basler osiguranje Zagreb d.d. to acquire companies Basler osiguranje d.d. and Basler životno osiguranje d.d. and approved the company HELIOS Vienna Insurance Group d.d. to acquire the company Cosmopolitan Life Vienna Insurance Group d.d. Approval for business closure and change of business operations was issued to the company Allianz reosiguranje d.d.

59 conditions of insurance were reviewed for the purpose of compliance with positive legal regulations and 28 consumer complaints were processed.

Due to found irregularities in business operations and deadlines for settling indemnity claims, in 2010, the Agency adopted a decision, published in the Official Gazette, determining that the company Euroherc osiguranje d.d. did not deliver to the injured parties a founded response when the liability of compensation of damages and amount of damages were in dispute and did not pay the undisputed part of compensation of damage to the injured parties when the company was obliged to do so according to the provisions of Article 12, paragraph 1 and paragraph 3 of the Act on Compulsory Insurance within the Transport Sector.

Based on received requests, the Agency issued 4 opinions related to the applying of provisions of the Insurance Act. Based on provisions of the Ordinance on the content of regular reports and reports submitted at the request of the Croatian Financial Services Supervisory Agency (Official Gazette 97/09), the Agency received reports and controlled the legality of reports of insurance and reinsurance companies, insurance representation companies, insurance representation trades and insurance and reinsurance brokerage companies and carried out activities within its legal authorities.

During the previous year, representatives of the Agency participated in 3 sessions of Council of the attorney in insurance and submitted proposals for better protection of insured persons. Employees of the Agency also participated in counselling organised for insurers and reinsurers within the Croatian Chamber of Economy with subjects: application of Article 12 of the Act on Compulsory Insurance within the Transport Sector, unit linked insurance and insurance conditions. The Agency organised and carried out education and examination for candidates for obtaining a licence to manage pension insurance company with the subject: Pension insurance companies, while representatives of the Agency participated in education held by the Croatian Actuarial Society for candidates who took additional exams for obtaining a licence for conducting activities of a certified actuary with a topic: Insurance law.

Insurance Market Supervision

4.3

Within the framework of its competence, the Agency carries out continuous supervision of its supervised entities and commences procedures of on-site and off-site supervision. On-site supervision is defined within the annual plan of supervision while off-site supervision commences on the basis of received financial and statistical reports.

During 2010 the Agency conducted 31 supervision procedures over insurance market entities.

On-site supervision of insurance companies, reinsurance companies, insurance and reinsurance brokers, insurance representatives and insurance representation trade is being conducted on the basis of annual and triennial supervision plans which are adopted by the management

board of the Agency, and which are set out on the basis of chosen requirements and risk parameters.

Thus, the Agency conducted 21 on-site examinations, out of which 4 examinations related to on-site examinations commenced in 2009 and completed in 2010. Out of 17 on-site examinations initiated in 2010, 14 examinations were completed and followed by relating reports, while 3 examinations continued in 2011.

Apart from the 21 mentioned on-site examinations, out of which 19 related to supervision of insurance and reinsurance companies and 2 related to supervision of insurance representation companies, the Agency carried out 10 off-site supervisions of insurance companies' businesses during 2010.

Supervision of insurance and reinsurance companies and insurance representation companies covered the following matters:

- investments of assets covering technical provisions with consent of the supervisory authority;
- recognition and measurement, as well as publication and presentation of financial investments;
- recognition and measurement, as well as publication and presentation of property investments;
- risk management;
- capital adequacy;
- risk management in the part of security and adequacy of the IT system;
- risk management in the part of insurance business process;
- financial operations;
- conclusion of insurance agreements in accordance with the Act on Compulsory Insurance within the Transport Sector and regulations adopted pursuant to the said Act;
- application of the provisions of the Anti Money Laundering and Terrorist Financing Act.

Irregularities established during the examinations of insurance and reinsurance companies related to:

- lack of internal procedures;
- ensuring of risk monitoring and adopting measures for risk mitigation;
- lack of appropriate internal control and internal audit system;
- investments of assets covering mathematical and technical provisions;

- recognition, valuation and presentation of financial investments;
- recognition, valuation and presentation of real estate investments;
- bookkeeping;
- conducting insurance representation activities by natural persons without a licence of the supervisory authority;
- forming and recording of value impairment;
- non-compliance with Premium Rates and Conditions for motor vehicle liability insurance;
- process of conclusion of insurance agreements;
- processing of claims and settled claims;
- internal control procedures over risk of forming of technical provisions;
- risk management related to security and adequacy of IT system;
- no annual professional training and education on the subject of prevention of money laundry and financing of terrorism;
- no regular internal audit for the prevention of money laundry and financing of terrorism;
- no risk assessment on money laundry;
- receipt of annual cash payments of life assurance premiums in amounts higher than allowed by the Anti Money Laundering and Terrorist Financing Act.

The established irregularities related to non-compliance with provisions of the Insurance Act, Act on Compulsory Insurance within the Transport Sector, Accounting Act, i.e. International financial reporting standards, Civil Obligation Act and Anti Money Laundering and Terrorist Financing Act as well as regulations adopted on the basis of the same acts.

During 2010, on the basis of established violations of the Insurance Act and Act on Compulsory Insurance within the Transport Sector, the Agency submitted 25 prosecution propositions and adopted 31 decisions ordering measures for the elimination of violations and irregularities in business operations of supervised entities.

Pursuant to provisions of Article 271, paragraph 5 of the Insurance Act, business operations of the Croatian Insurance Bureau (hereinafter: the Bureau) is financed by insurance companies which are members of the Bureau. Membership in the Bureau is mandatory for insurance companies operating in compulsory insurance within the transport sector, while other companies voluntarily join the Bureau.

In 2010 the Bureau had 20 members, out of which 15 were mandatory and 5 voluntary members.

Financial business operations of the Bureau (regular business operations of the Bureau) as well as financial business operations of the Guarantee Fund for 2010 are presented in the report which the Bureau submitted to the Agency. The Guarantee Fund is made of assets of the Bureau intended for meeting obligations on the basis of: compensation of damages caused on the territory outside the Republic of Croatia, in a European Union member state or other member state within the Green Card System, by insured and uninsured vehicles for which the Bureau guarantees the foreign national insurance bureau, damages caused out of the territory of the Republic of Croatia in European Union member states by a vehicle with foreign registration plates issued on the basis of Article 35, paragraph 1 of the Act on Compulsory Insurance within the Transport Sector, damages occurred out of the territory of the

Republic of Croatia, in a EU member state or another EU member state within the Green Card System, damages caused in the Republic of Croatia by uninsured vehicles, damages related to loss due to death, bodily injury, deterioration of health caused on the territory of the Republic of Croatia by unknown vehicles, damages caused on the territory of the Republic of Croatia by vehicles with foreign registration plates, damages or losses of personal belongings caused in the territory of the Republic of Croatia by unknown vehicles, claims which could not be collected due to the occurrence of conditions for dissolution of the insurance company if the owner of the vehicle which serves for transportation of passengers, contrary to Article 21 of the Insurance Act has not concluded a contract of insurance covering passengers in public transportation against personal accident, or if the insured amount has not been paid out because of dissolution or liquidation of an insurance undertaking. Costs of processing of damages are also being compensated by funds of the Guarantee Fund but the funds of the Guarantee fund cannot be used to compensate damages caused by vehicles with foreign registrations travelling in the territory of the Republic of Croatia on the basis of special agreements of which Croatia is a signatory, if they do not have international documents or evidence on the existence of motor vehicle liability insurance.

4.4.1 Regular Business Operations

Abbreviated Balance Sheet of Regular Business Operations of the Bureau for 2009 and 2010 (in HRK)

Table 4.4.1

Source: HANFA

No.	Item	2009	2010	Share (%)		Index
				2009	2010	2010/2009
Assets						
Total assets		10,558,241	8,390,974	100.00%	100.00%	79.47
1	Non-financial assets	7,235,518	6,988,448	68.53%	83.29%	96.59
2	Financial assets	3,322,723	1,402,526	31.47%	16.71%	42.21
Liabilities						
Total liabilities and own funds			8,390,974	100.00%	100.00%	79.47
1	Liabilities	3,698,730	3,790,225	35.03%	45.17%	102.47
2	Sources of financing	6,859,511	4,600,749	64.97%	54.83%	67.07

According to the balance sheet as at 31 December 2010, total assets amounted to HRK 8.4 million, out of which financial assets amounted to HRK 1.4 million, while non-financial assets amounted to HRK 7.0 million. Reported assets decreased by 20.5% compared to 2009. The decrease in total assets was a result of decrease in financial assets, particularly shares and units in the principal, which recorded an amount lower by HRK 1.9 million or 80.4% compared to assets reported in 2009. Total liabilities of the Bureau as at 31 December 2010

amounted to HRK 3.8 million, which is by 2.5% higher than in the previous year. Sources of financing recorded HRK 4.6 million, and were comprised of own funds (funds of the establisher) in the amount of HRK 68.0 thousand and excess of income over expenses in the amount of HRK 4.5 million. The excess of income related to funds unspent from the beginning of the Bureau's business operations, all purchases of long term assets from funds planned in the budget, and reduced by the long term assets value impairment.

Table 4.4.2

Income and Expenditure from Regular Business Operations of the Bureau for 2009 and 2010 (in HRK)

Source: HANFA

No.	Item	2009	2010	Index 2010/2009
A	Income	12,215,720	10,391,014	85.06
1	Total income from regular business	11,776,108	8,767,118	74.45
2	Total income - taxable business	0	1,594,194	
3	Other income	439,612	29,702	6.76
B	Expenditure	10,110,370	12,339,908	122.05
1	Total expenditure from regular business	10,110,370	10,378,443	102.65
2	Total expenditure- taxable business		520,000	
C	Profit/Loss	2,105,350	-1,948,894	-

Total income of the Bureau in the January-December 2010 period recorded HRK 10.4 million, which is a 14.9% decrease compared to the previous year. In the structure of total income, income from regular business operations amounted to 84.4%, while income from taxable business operations (which was not reported in 2009) amounted 15.3%. Total expenditures recorded HRK 12.3 million and were by 22.1% higher than expenditures recorded in 2009. In the structure of total expenditures, the largest share relates to expenditure

from regular business (84.4%), mostly structured of functional expenditure (49.4%) and salaries and fees (47.9%). Total expenditure from taxable business recorded 15.6% of total expenditures of the Bureau. Lack of income against expenditure amounted to HRK 2.0 million, which was covered by transferred profit from other periods in amount of HRK 2.1 million. Thus at the end of the reporting period excess of income available for the following period amounted to HRK 156.5 thousand.

4.4.2. Guarantee Fund

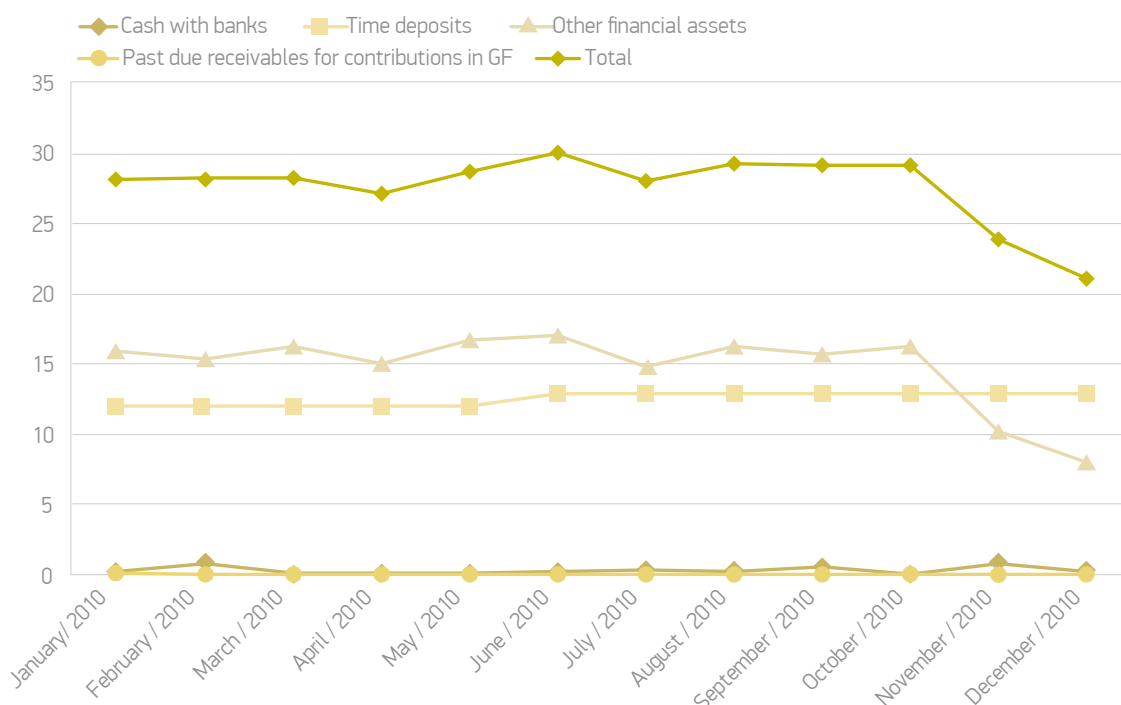
Pursuant to Article 45 paragraph 1 of the Act on Compulsory Insurance within the Transport Sector, the insurance company conducting compulsory insurance within the transport sector is obliged to pay contributions to the Bureau for the Guarantee Fund, proportionally to the premium earned in a specific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

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

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

Assets of the Guarantee Fund from 01 January 2010 to 31 December 2010 (in HRK million)

Chart 4.4.1



Source: HANFA

Total assets and liabilities of the Guarantee Fund as at 31 December 2010, according to the data from the balance sheet of the Guarantee Fund, recorded

HRK 22.7 million which is 17.1% less compared to the previous year.

Abbreviated Balance Sheet of the Guarantee Fund for 2009 and 2010 (in HRK)

Table 4.4.3

No.	Item	2009	2010	Share (%)		Index
				2009	2010	2010/2009
Assets						
Total assets		27,374,451	22,692,895	100.00%	100.00%	82.90
1	Non-financial assets			0.00%	0.00%	
2	Financial assets	27,374,451	22,692,895	100.00%	100.00%	82.90
Liabilities						
Total liabilities and own funds		27,374,451	22,692,895	100.00%	100.00%	82.90
1	Liabilities	130,378	245,518	0.48%	1.08%	188.31
2	Sources of financing	27,244,073	22,447,377	99.52%	98.92%	82.39

Source: HANFA

4.5 Croatian Nuclear POOL Economic Interest Grouping¹⁷

The Croatian Nuclear POOL for Insurance and Reinsurance against Nuclear Risks (hereinafter: CN POOL) represents an association¹⁸ consisting of 5 members as at 31 December 2010, namely: Allianz Zagreb d.d., Croatia Lloyd d.d., Croatia osiguranje d.d., Generali osiguranje d.d., and Triglav osiguranje d.d. In 2009, Helios Vienna Insurance Group d.d. was also a member of CN POOL.

In accordance with the agreement of establishment, members of the CN POOL jointly take on extraordinary risks with respect to insurance, co-insurance and reinsurance of nuclear plants in Croatia and abroad, i.e. risks with respect to the exploitation of nuclear power for peacetime purposes. In addition to its main business operations, other activities of the CN POOL include nuclear prevention, depositing and investing financial resources earned from its business operations, as well as from side-lines connected with its main activities.

4.5.1 Balance Sheet

As at 31 December 2010, the total value of CN POOL assets amounted to HRK 69.7 million, increasing by 8.1% in comparison with the same day in 2009. The total asset structure was dominated by cash at bank and in hand (a 98.4% share, HRK 68.6 million), which mostly related to the foreign exchange account (HRK 51.0 million), while the giro account stood at HRK 17.6 million. These amounts were made up by deposited and time monetary assets generated by the CN POOL

through its business operations, as well as through side-lines connected with its main activities for the purpose of ensuring the safest possible placements and the most favourable possible financial effects. The largest liability share (90.6%) was accounted for by provisions which amounted to HRK 63.1 million, indicating a HRK 3.6 million or 6.1% increase compared to the observed day in 2009.

Table 4.5.1

Abbreviated Balance Sheets as at 31 December 2009 and 31 December 2010 (in HRK)

Source: HANFA

No.	Position description	31 Dec 2009	Share	31 Dec 2010	Share	Index 2010/2009
I	Fixed assets	23,188	0.0%	227,998	0.3%	983.3
II	Financial assets	262,017	0.4%	226,863	0.3%	86.6
III	Receivables arising from ins. business	0	0.0%	0	0.0%	
IV	Receivables arising from reins. business	0	0.0%	0	0.0%	
V	Other receivables	705,117	1.1%	648,374	0.9%	92.0
VI	Cash at bank and in hand	63,418,066	98.5%	68,552,756	98.5%	108.1
VII	Prepayments	7,062	0.0%	7,896	0.0%	111.8
	TOTAL ASSETS	64,415,450	100.0%	69,663,887	100.0%	108.1
I	Capital	0	0.0%	0	0.0%	
II	Revaluation and POOL reserves	19,471	0.0%	19,471	0.0%	100.0
III	Retained profit	64,135	0.1%	86,547	0.1%	134.9
IV	Profit or loss of the current year	22,412	0.0%	25,411	0.0%	113.4
V	Reserves	59,485,530	92.4%	63,085,394	90.7%	106.1
VI	Current liabilities	4,388,314	6.8%	6,011,474	8.6%	137.0
VII	Accruals	0	0.0%	0	0.0%	
VIII	Deferred income	379,630	0.6%	379,630	0.5%	100.0
IX	Liability accounts - payables	55,958	0.1%	55,958	0.1%	100.0
	TOTAL LIABILITIES	64,415,450	100.0%	69,663,887	100.0%	108.1

¹⁷ Pursuant to Article 583 of the Companies Act (Official Gazette 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08 and 137/09), an Economic Interest Grouping (EIG) is a legal person established by two or more natural or legal persons with the aim of facilitating and promoting economic activities which constitute the scope of their business operations, and of improving the effect of those operations, provided that that legal person does not generate profits for itself.

¹⁸ Pursuant to Article 270, paragraph 1 of the Insurance Act (Official Gazette 151/05, 87/08 and 82/09), 2 or more insurance or reinsurance companies may establish an insurance or reinsurance pool for the purpose of carrying on insurance or reinsurance business that covers risks of liability claims for great damage arising from nuclear energy or for other great damage.

4.5.2 Profit and Loss Account

In the period from 1 January to 31 December 2010, the CN POOL generated profit totalling HRK 42.0 thousand, increasing by 22.2 % compared with the same period last year. Total income amounted to HRK 16.0 million, decreasing by 9.3 % compared with 2009.

Although the largest income share was still accounted for by premiums for active reinsurance against foreign risks, which amounted to HRK 6.9 million or 42.9 % of total income, they reported a 31.4 % decrease compared to the previous year.

The CN POOL generates all of its income abroad on the basis of insurance and reinsurance, so it was exposed to the effects of the economic crisis in the same manner it affects its ceding companies and their clients. The impact of the economic crisis influenced the income of CN POOL based on interest rates on deposits held in domestic business banks. Namely, interest rates on deposits were lowered and thus had an impact of significant decrease on the related income in 2010 compared to the realized in the previous year, while at

the same time the item concerning other income was significantly increased (526.0 %), due to releasing part of the regular claim reserves in the total amount of HRK 1.0 million, after paying CN POOL's share in claims at the British POOL. In addition, in 2010, income based on positive exchange rate discrepancies significantly increased (by 43.7 %) as compared to 2009.

Domestic risk insurance premium totalled HRK 6.1 million in 2010, decreasing by 0.3 % compared to the previous year.

Total expenditures stood at HRK 16.0 million, decreasing by 9.4 % relative to the previous year. Provisions, comprised of provisions for claims, provisions for bonuses and discounts, provisions for unearned premiums and other technical provisions, amounted to HRK 5.1 million, or 32.1 % of all liabilities. During 2010, claimed and paid damages for reinsured foreign risks were higher compared to 2009 (20.3 %), but without the significant influence on reported positive business results.

Profit and Loss Account for 2009 and 2010 (in HRK)

Table 4.5.2

No.	Position description	2009	Share in income/ expenses	2010	Share in income/ expenses	Index 2010/2009
I	Income	17,619,168	100.0%	15,972,940	100.0%	90.7
1	Insurance premium	6,142,435	34.9%	6,123,149	38.3%	99.7
2	Insurance premium - prevention (1%)	62,045	0.4%	61,850	0.4%	99.7
3	Reinsurance premium	9,996,529	56.7%	6,856,676	42.9%	68.6
4	Unearned premium of ins. and reins.	500,000	2.8%	480,000	3.0%	96.0
5	Shares in claims	0	0.0%	0	0.0%	0.0
6	Premiums ceded to reinsurance (-)	5,550,721	31.5%	5,555,380	34.8%	100.1
7	Interest income	2,466,135	14.0%	1,437,668	9.0%	58.3
8	Exchange rate differences	3,833,307	21.8%	5,508,308	34.5%	143.7
9	Other income	169,438	1.0%	1,060,668	6.6%	626.0
II	Expenses	17,584,847	100.0%	15,931,015	100.0%	90.6
1	Fire-service contribution	1,189	0.0%	926	0.0%	77.9
2	Co-insurance premium	53,139	0.3%	53,124	0.3%	100.0
3	Co-reinsurance premium	3,653,100	20.8%	3,857,809	24.2%	105.6
4	Claims-paid	518,087	2.9%	623,153	3.9%	120.3
5	Provisions for claims	2,600,000	14.8%	1,907,311	12.0%	73.4
6	Provisions for bonuses and discounts	500,000	2.8%	0	0.0%	0.0
7	Unearned premiums	480,000	2.7%	2,235,392	14.0%	465.7
8	Other technical provisions	1,845,455	10.5%	978,469	6.1%	53.0
9	Commissions and expenses	1,035,211	5.9%	574,808	3.6%	55.5
10	Exchange rate differences	3,230,707	18.4%	3,078,382	19.3%	95.3
11	Operational expenses of the POOL	3,297,293	18.8%	2,261,152	14.2%	68.6
12	Other expenses	370,666	2.1%	360,490	2.3%	97.3
III	Profit	34,321		41,925		122.2

Source: HANFA

Operating expenses of the CN POOL are financed by insurance and active reinsurance premiums, as well as by the generated interest income and exchange rate differences. During 2010, the total income arising from the above mentioned items amounted to HRK 14.4 million, decreasing by 14.9 % in comparison to the previous year. Tangible and intangible expenditures, in the total amount of HRK 2.3 million, decreased by 31.4% compared to 2009.

Pension Insurance Companies

5

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

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

Since the entry into force of the Act, only one pension insurance company has been established and is operating in the Republic of Croatia – Raiffeisen

mirovinsko osiguravajuće društvo d.o.o., established in 2002, with first pension annuities having been paid in 2003. Payment of pension annuities under the mandatory pension insurance system is guaranteed by the Republic of Croatia, for which purpose a special guarantee fund had been established at the Croatian National Bank. The fund is used in the event that the pension insurance company lacks the ability to pay pension annuities as agreed in the contracts.

In accordance with the provisions of Article 22, paragraphs 1 and 2 of the Act on Pension Insurance Companies and Payment of Pension Annuities based on Individual Capitalised Savings (Official Gazette 107/07), a pension insurance company may not deduct more than 10% of received assets transferred from mandatory pension funds as the fee for covering the costs of the pension insurance company, the decision on the highest fee is issued by the Agency for each year. In 2010, based on the Decision on the highest fee for covering costs of the pension insurance company for 2010, from transferred assets from mandatory pension funds (Official Gazette 26/10), issued by the Agency in February 2010, the highest fee amounted to a maximum of 5% from the received assets of the mandatory pension fund.

Market Description

5.1

5.1.1 Balance Sheet

According to the balance sheet as at 31 December 2010, the total asset value of the only pension insurance company - Raiffeisen mirovinsko osiguravajuće društvo d.o.o. (hereinafter: the Company) amounted to HRK 176.7 million, increasing by 71.3 % in comparison to 31 December 2009, mainly due to a 71.9 % rise in the value of total investments, which were by HRK 70.1 million

higher than the total investments recorded as at 31 December 2009. Technical provisions amounted to HRK 140.4 million, making up 79.4 % of the total liabilities as at 31 December 2010. Technical provisions of voluntary pension insurance reached HRK 117.3 million, whereas a HRK 23.1 million share related to technical provisions of the mandatory pension insurance.

Table 5.1.1

Balance Sheet as at 31 December 2009 and 31 December 2010 (in HRK)

Source: HANFA

No.	Position description	31 Dec 2009	Share	31 Dec 2010	Share	Index 2010/2009
Assets						
1	Receivables for subscribed and unpaid capital					
2	Intangible assets					
3	Tangible assets	34,756	0.03%	61,402	0.03%	176.67
4	Investments	97,575,364	94.58%	167,686,995	94.91%	171.85
5	Share of investments in technical reserves					
6	Deferred and current tax assets	679,795	0.66%	27,968	0.02%	4.11
7	Receivables					
8	Other assets	3,379,018	3.28%	6,240,423	3.53%	184.68
9	Paid costs of future period and undue payment of income	1,502,930	1.45%	2,672,041	1.51%	177.79
	Total assets	103,171,863	100.00%	176,688,829	100.00%	171.26
Liabilities						
10	Capital and reserves	9,081,260	8.80%	13,107,819	7.42%	144.34
11	Minority interest					
12	Technical provisions	85,306,314	82.68%	140,363,077	79.44%	164.54
13	Other provisions- reservations					
14	Non-insurance- technical provisions- reservations					
15	Financial liabilities					
16	Deferred and current tax liabilities					
17	Other obligations	142,624	0.14%	202,169	0.11%	141.75
18	Deferred payment of costs and income of future period	8,641,665	8.38%	23,015,764	13.03%	266.33
	Total liabilities	103,171,863	100.00%	176,688,829	100.00%	171.26

5.1.2 Profit and Loss Account

During the period from 1 January to 31 December 2010, the Company recorded a total income in the amount of HRK 103.8 million, which was an increase of 85.0% relative to the same period in 2009. The largest share in the income structure (HRK 71.2 million or 68.6%), was made up by income from payments of pension companies and direct lump sum payments under voluntary pension insurance.

Total expenditures amounted to HRK 100.3 million, increasing by 86.7 % in comparison with 2009. The largest share of expenditures, in the amount of HRK 78.9 million, related to expenses arising from voluntary pension insurance agreements, out of which the amount

of HRK 35.4 million was accounted for by payments under voluntary pension insurance, and HRK 43.5 million was made up by changes in technical provisions. Total expenditures rose due to the increase in expenses of 481.9 % arising from mandatory pension insurance agreements (from HRK 3.1 million to HRK 18.0 million), and the increase in expenses of 63.1% arising from voluntary pension insurance agreements (from HRK 48.4 million to HRK 78.9 million).

The Company reported pre-tax profit of the accounting period amounting to HRK 3.5 million and after-tax profit of the accounting period totalling HRK 2.8 million.

Profit and Loss Accounts for 2009 and 2010 (in HRK)

Table 5.1.2

Source: HANFA

No.	Position description	2009	Share	2010	Share	Index 2010/2009
1	Income from payments of pension companies and lump sum payments - Mandatory pension insurance	2,679,396	4.78%	16,676,798	16.07%	622.41
2	Income from payments of pension companies and lump sum payments - Voluntary pension insurance	43,960,477	78.36%	71,225,160	68.64%	162.02
3	Income from investments - Mandatory pension insurance	417,986	0.75%	1,320,458	1.27%	315.91
4	Income from investments - Voluntary pension insurance	5,035,763	8.98%	8,223,742	7.93%	163.31
5	Income from investments - the Company's business operations	606,467	1.08%	706,021	0.68%	116.42
6	Income from fees and commission	3,357,728	5.99%	5,609,306	5.41%	167.06
7	Other income	39,782	0.07%	5,346	0.01%	13.44
	Total income	56,097,599	100.00%	103,766,831	100.00%	184.98
8	Expenses arising from pension contracts - Mandatory pension insurance	3,086,002	5.75%	17,957,948	17.91%	581.92
9	Expenses arising from pension contracts - Voluntary pension insurance	48,363,218	90.06%	78,879,216	78.67%	163.10
10	Operating expenses	1,669,063	3.11%	2,818,739	2.81%	168.88
11	Investment expenses - Mandatory pension insurance	6,000	0.01%	39,308	0.04%	655.13
12	Investment expenses - Voluntary pension insurance	578,007	1.08%	569,058	0.57%	98.45
13	Investment expenses - the Company's business operations	1,535	0.00%	30	0.00%	1.95
	Total expenditures	53,703,825	100.00%	100,264,299	100.00%	186.70
14	Pre-tax profit or loss of the accounting period	2,393,774		3,502,532		146.32
15	Profit tax	134,762		697,482		517.57
16	After-tax profit or loss of the accounting period	2,259,011		2,805,050		124.17

As at 31 December 2010, the total number of pension agreements concluded amounted to 6,479, out of which 5,877 agreements related to voluntary pension insurance (Pension Pillar 3), and 602 agreements related to mandatory pension insurance (Pension Pillar 2).

Technical provisions of mandatory pension insurance, as at 31 December 2010, totalled HRK 23.1 million

while assets invested for their coverage were by HRK 12.0 million higher, i.e. assets covering technical provisions of mandatory pension insurance reached HRK 35.1 million. Assets covering technical provisions of voluntary pension insurance amounted to HRK 126.5 million, or HRK 9.2 million more than the total technical provisions, which amounted to HRK 117.3 million.

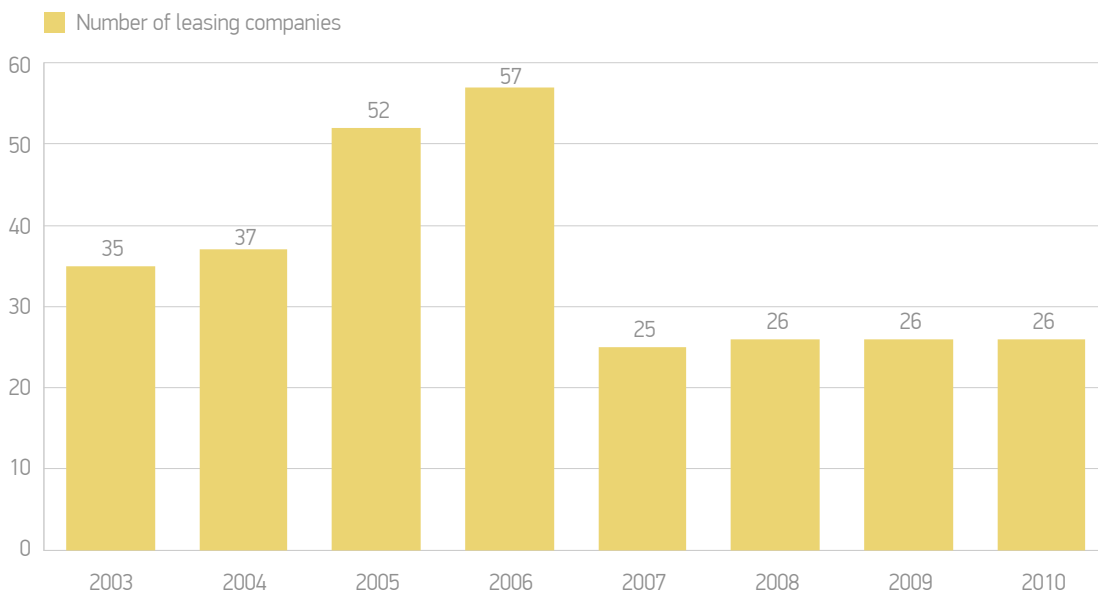
Leasing 6

As at 31 December 2010, there were 26 leasing companies conducting leasing operations in the Republic of Croatia which is equal to the number of leasing companies that

gained approval from the Agency to conduct leasing operations as at 31 December 2009.

Number of Leasing Companies in the Republic of Croatia in the 2003 - 2010 Period

Chart 6.1



Source: HNB (2003., 2004. and 2005.), HANFA (2006., 2007., 2008., 2009. and 2010.)

Market Description 6.1

The spillover effects of the global economic and financial crisis which started affecting the Republic of Croatia in the last quarter of 2008 continued throughout the whole 2010. Unfavourable conditions in the economy had a negative impact on the leasing industry during 2010 which was reflected in the further decrease of personal and investment spending (investments), as well as

problems with the collection of accounts receivable. Hence, the leasing industry in the Republic of Croatia was marked by a lower volume of business operations two years in a row (number and value of newly concluded contracts), nevertheless during 2010 the decrease was significantly less than when comparing the lower volume of business during 2009 and 2008.

Table 6.11

Assets, Value of Newly Concluded Contracts, Value of Active Contracts and Number of Employed Persons in the Leasing Industry for the Period 31 December 2006 – 31 December 2010¹⁹

Source: HANFA

Date	Total assets (HRK billion)	Value of newly concluded contracts (HRK billion)	Value of active contracts (HRK billion)	Number of employed persons
31 Dec 2006	27.0	13.3	22.1	868
31 Dec 2007	30.3	13.8	26.5	997
31 Dec 2008	35.1	15.5	30.9	1,007
31 Dec 2009	33.7	8.3	26.7	992
31 Dec 2010	28.1	5.8	22.3	994

The value of newly concluded contracts during 2010 amounted to HRK 5.8 billion, which is a decrease of HRK 2.5 billion, or 29.8% relative to 2009.

As at 31 December 2010, total assets of the leasing industry stood at HRK 28.1 billion, with a decrease of HRK 5.6 billion or 16.7% compared with the previous year.

Out of 26 leasing companies, 5 were in direct ownership of residents²⁰, whereas 21 companies were owned by non-residents²¹. Viewed by indirect²² ownership of subscribed (initial) capital, only 3 leasing companies

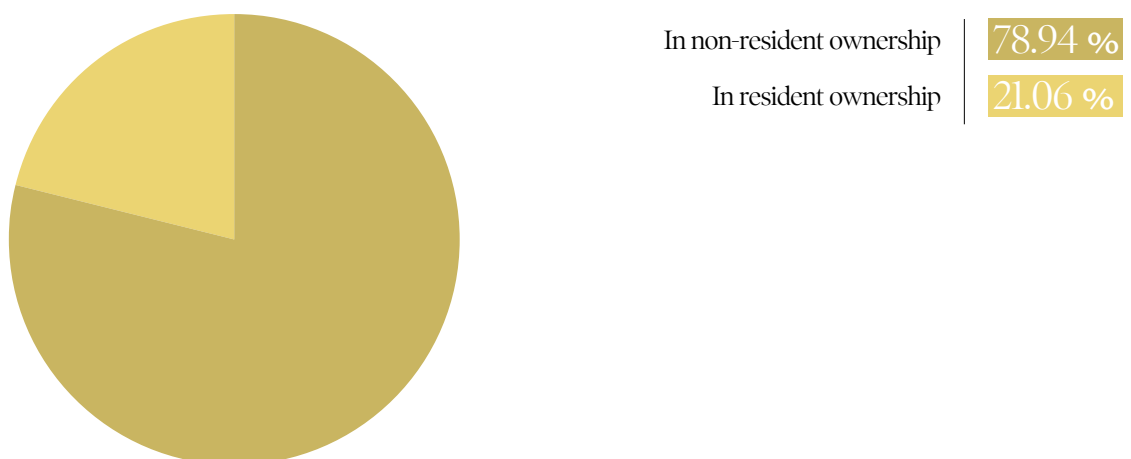
were owned by residents (Alfa leasing d.o.o., Croatia Leasing d.o.o. and Euroleasing d.o.o.), whereas all the remaining leasing companies were in the ownership of non-residents in the majority ownership of foreign banks and financial institutions or their affiliated companies.

According to the aggregate leasing industry balance sheet, the total reported subscribed (initial) capital of the leasing industry as at 31 December 2010 amounted to HRK 626.4 million, out of which the share of non-resident capital accounted for 78.9% or HRK 494.5 million, whereas 21.1% or HRK 131.9 million was made up by initial capital in direct resident ownership.

Chart 6.11

Structure of the Initial Capital of Leasing Companies by Capital Origin as at 31 December 2010 (in %)

Source: HANFA



¹⁹ Data for previous years presented in the Annual Report for 2010 can differ from the data presented in Annual Reports 2006, 2007, 2008 and 2009 due to the implementation of the Accounting Act (Official Gazette 109/07), Leasing Act (Official Gazette 135/06), International Financial Reporting Standards (Official Gazette 140/06 and 136/09) and due to the actions taken according to the Agency's orders based on reports on supervision.

²⁰ Pursuant to the provisions of paragraph 1 Article 3 of the Income Tax Act (Official Gazette 177/04, 90/05, 57/06, 146/08 and 80/10), residents are legal and natural persons whose residence has been entered in the court register or another register in the Republic of Croatia, or whose place of effective management and supervision of business operations is in the Republic of Croatia; residents are also entrepreneurs natural persons with a domicile or habitual residence in the Republic of Croatia whose business activity has been entered in the register.

²¹ Pursuant to the Income Tax Act (Official Gazette 177/04, 90/05, 57/06, 146/08 and 80/10), a non-resident is a person who does not meet one of the requirements referred to in paragraph 1 Article 3 of the Income Tax Act.

²² Indirect ownership of leasing companies involves the origin of the parent company's initial capital.

Asset Structure 6.2

According to the data from the leasing industry aggregate balance sheet, total assets of the 26 leasing companies as at 31 December 2010 amounted to HRK 28.1 billion, declining by HRK 5.6 billion or 16.7% relative to total assets of the leasing industry reported on the same day in 2009. The recorded decrease was a

result of a significant decrease in volume of financing, as well as expenses of value adjustment.

In the total asset structure, the largest share of 72.1% was accounted for by fixed assets, while current assets comprised of 27.1% of total assets. Prepayments and accrued income comprised of a slight 0.8% share.

Comparative Abbreviated Overview of Leasing Industry Assets in 2009 and 2010 (in HRK)

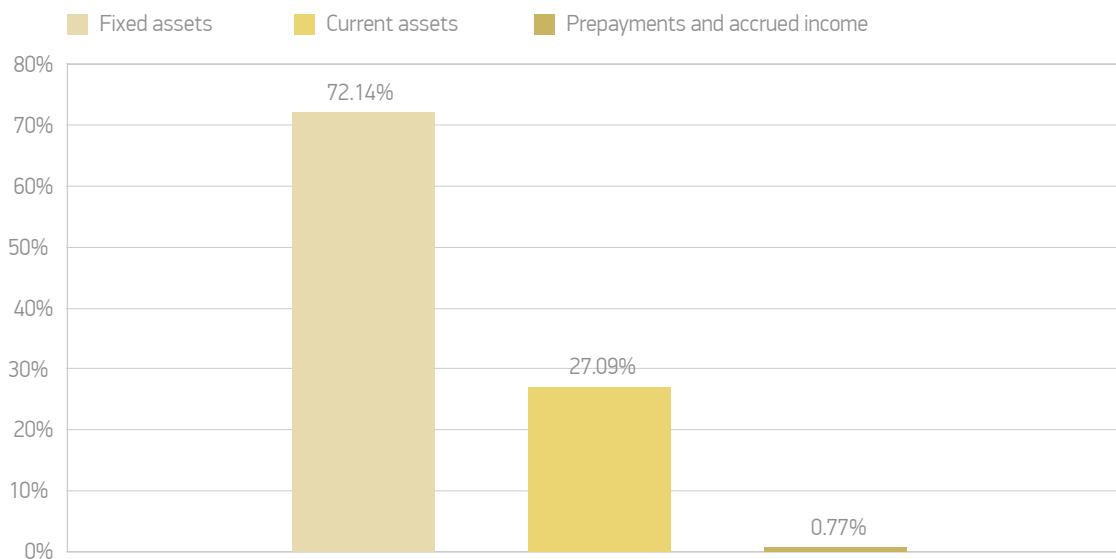
Table 6.2.1

Description	31 Dec 2009	31 Dec 2010	Index 31 Dec 2010/ 31 Dec 2009	Absolute change 31 Dec 2010/ 31 Dec 2009
FIXED ASSETS	24,829,571,078	20,256,860,022	81.58	-4,572,711,056
Intangible assets	29,671,145	36,322,391	122.42	6,651,246
Tangible assets	10,727,397,574	9,061,658,854	84.47	-1,665,738,720
Fixed financial assets	2,175,654,049	1,092,103,882	50.20	-1,083,550,167
Long-term receivables	11,816,052,591	9,976,449,585	84.43	-1,839,603,006
Deferred tax assets	80,795,719	90,325,310	111.79	9,529,591
CURRENT ASSETS	8,599,880,582	7,605,314,708	88.44	-994,565,874
Inventories	362,538,984	472,489,566	130.33	109,950,582
Short-term receivables	4,946,716,176	4,930,708,632	99.68	-16,007,544
Current financial assets	2,994,194,556	1,527,955,584	51.03	-1,466,238,972
Cash at bank and in hand	296,430,866	674,160,926	227.43	377,730,060
Prepayments and accrued income	260,992,398	215,886,163	82.72	-45,106,235
TOTAL ASSETS	33,690,444,058	28,078,060,893	83.34	-5,612,383,165
Active off-balance sheet items	1,608,624,045	2,106,877,472	130.97	498,253,427

Source: HANFA

Leasing Industry Asset Structure as at 31 Dec 2010 (in %)

Chart 6.2.1



Source: HANFA

As at 31 December 2010 the total receivables from finance lease amounted to HRK 14.4 billion, which makes 51.2% of assets recording a decrease of HRK 1.7 billion or 10.6% compared to the previous year. From the recorded amount HRK 4.4 billion (30.6%) was from short-term receivables and HRK 10.0 billion (69.4%) from long-term receivables.

Tangible assets under operating lease and operating lease receivables amounted to HRK 9.0 billion, or 32.1% of assets, decreasing by HRK 1.7 billion or 15.6% relative

to 2009. At the same time given loans amounted to HRK 1.9 billion or 6.7% of assets, decreasing by HRK 1.2 billion or 39.8% compared to the previous year. Deposits granted amounted to HRK 0.3 billion or 1.1% of assets. Other asset items amount to a total of HRK 2.5 billion or 8.9% of assets.

As at 31 December 2010 the share in total assets of the top 5 leasing companies decreased compared to the previous year (from 64.4% to 60.9%), indicating a decrease of concentration in leasing operations.

Table 6.2.2

Comparative Overview of Assets by Leasing Company in 2009 and 2010 (in HRK)²³

Source: HANFA

No.	Company	31 Dec 2009	Share	31 Dec 2010	Share
1	ALD Automotive d.o.o.	280,372,587	0.83%	282,632,111	1.01%
2	ALFA Leasing d.o.o.	3,565,431	0.01%	10,302,448	0.04%
3	Austrofin Leasing d.o.o.	54,375,787	0.16%	35,742,778	0.13%
4	BKS - Leasing Croatia d.o.o.	436,313,669	1.30%	440,138,389	1.57%
5	Croatia Leasing d.o.o.	261,300,539	0.78%	182,041,110	0.65%
6	Erste & Steiermärkische S-Leasing d.o.o.	3,461,853,711	10.28%	2,853,244,403	10.16%
7	Erste Group Immorent Leasing d.o.o.	1,730,380,815	5.14%	1,506,168,449	5.36%
8	Euroleasing d.o.o.	781,269,144	2.32%	683,243,819	2.43%
9	Hypo - Leasing Steiermark d.o.o.	248,664,293	0.74%	262,502,139	0.93%
10	Hypo-Leasing Kroatien d.o.o.	9,419,751,613	27.96%	6,051,484,322	21.55%
11	i4next Leasing Croatia d.o.o.	39,651,691	0.12%	42,271,604	0.15%
12	Immoconsult Leasing d.o.o.	56,728,748	0.17%	1,466,174	0.01%
13	Impuls-Leasing d.o.o.	578,652,174	1.72%	719,190,437	2.56%
14	Jadran jahte d.o.o.	659,462,573	1.96%	486,938,141	1.73%
15	KMB Leasing Hrvatska d.o.o.	312,036,693	0.93%	317,085,386	1.13%
16	Mercedes-Benz Leasing Hrvatska d.o.o.	1,454,357,551	4.32%	1,241,886,719	4.42%
17	Optima Leasing d.o.o.	876,706,629	2.60%	807,016,442	2.87%
18	OTP Leasing d.d.	727,883,103	2.16%	738,404,285	2.63%
19	PBZ-Leasing d.o.o.	1,660,122,043	4.93%	1,359,424,894	4.84%
20	Porsche Leasing d.o.o.	1,442,420,677	4.28%	1,205,424,591	4.29%
21	PROleasing d.o.o.	115,645,068	0.34%	109,150,191	0.39%
22	Raiffeisen Leasing d.o.o.	2,450,493,821	7.27%	2,435,834,018	8.68%
23	Scania Credit Hrvatska d.o.o.	92,276,170	0.27%	88,369,162	0.31%
24	SG Leasing d.o.o.	187,906,697	0.56%	490,525,528	1.75%
25	UniCredit Leasing Croatia d.o.o.	4,531,247,451	13.45%	4,240,285,866	15.10%
26	VB Leasing d.o.o.	1,827,005,381	5.42%	1,487,287,486	5.30%
	TOTAL	33,690,444,058	100.00%	28,078,060,893	100.00%

Liability Structure 6.3

The largest share (61.7%) in total reported liabilities of the largest 26 leasing companies was accounted for long-term liabilities as at 31 December 2010. Short-term liabilities made up 35.9%, and accruals and deferred income made up 1.7% of liabilities. Capital and reserves made up 0.4%, while provisions made up 0.3% of liabilities.

Comparative Abbreviated Overview of Leasing Industry Liabilities in 2009 and 2010 (in HRK)

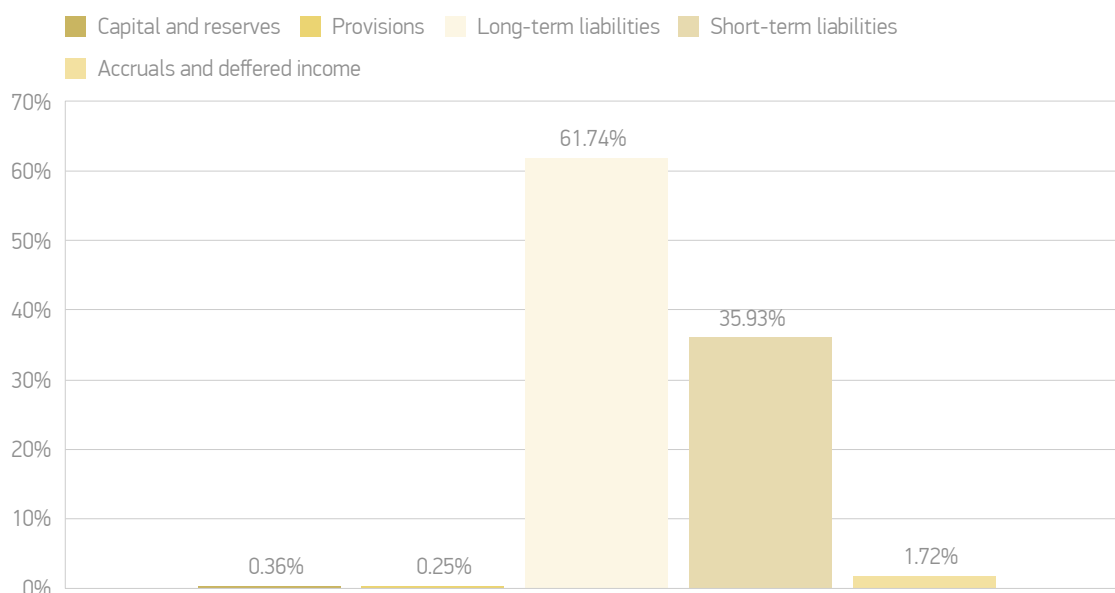
Table 6.3.1

Description	31 Dec 2009	31 Dec 2010	Index 31 Dec 2010/ 31 Dec 2009	Absolute change 31 Dec 2010/ 31 Dec 2009
CAPITAL AND RESERVES	-42,157,590	99,980,412	-	142,138,002
Subscribed capital	617,519,500	626,383,500	101.44	8,864,000
Provisions	63,380,775	70,437,693	111.13	7,056,918
LONG-TERM LIABILITIES	25,138,247,908	17,334,726,126	68.96	-7,803,521,782
SHORT-TERM LIABILITIES	7,932,289,220	10,089,179,482	127.19	2,156,890,262
Accruals and deferred income	598,683,745	483,737,180	80.80	-114,946,565
TOTAL LIABILITIES	33,690,444,058	28,078,060,893	83.34	-5,612,383,165
Off-balance sheet liability items	1,608,624,045	2,106,877,472	130.97	498,253,427

Source: HANFA

Leasing Industry Liability Structure as at 31 December 2010 (in %)

Chart 6.3.1



Source: HANFA

Broken down by individual items, the largest component of the leasing industry liability structure as at 31 December 2010 were liabilities arising from loans from domestic and foreign banks and financial institutions, amounting to HRK 25.4 billion or 90.4%, while the same item as at 31 December 2009 amounted to HRK 30.7 billion (91.2%).

6.3.1 Capital and Reserves

Capital and reserves of the leasing industry totalled HRK 100.0 million as at 31 December 2010, which is an increase of HRK 142.1 million compared to the previous year when the amount was HRK -42.2 million (the amount represents the loss above the equity value). The subscribed capital was increased by HRK 8.9 million (1.4%) compared to the previous year, while other reserves were higher by HRK 1.2 billion (503.5%). At the same time, the transferred loss increased by HRK 631.8 million (215.0%) relative to 2009, while loss in 2010 was higher by HRK 423.7 million (70.4%) compared to the previous year. A positive amount of capital and reserves, totalling HRK 767.5 million, was reported by 21 companies, and negative (loss above the equity value)

amounting to HRK 667.5 million, by 5 companies.

As at 31 December 2010, the largest amount of capital and reserves (HRK 178.9 million) was reported by Raiffeisen Leasing d.o.o. Subscribed capital of the leasing industry totalled HRK 626.4 million as at 31 December 2010, with the largest share (HRK 197.5 million) being accounted for by Hypo-Leasing Kroatien d.o.o. According to the aforementioned, 5 leasing companies made payments into the capital reserves in the amount of HRK 1.2 billion, out of which 92.0% accounts for Hypo-Leasing Kroatien d.o.o., while 1 leasing company made a payment into the initial capital in the amount of HRK 8.9 million²⁴.

6.3.2 Liabilities

Long-term and short-term liabilities together with provisions items and accruals and deferred income as at 31 December 2010 amounted to HRK 28.0 billion and were lower by HRK 5.8 billion or 17.1%. The leasing industry assets were mainly financed by loans from foreign banks and financial institutions in the total amount of HRK 24.1 billion. Liabilities of

leasing companies from domestic banks and financial institutions amounted to HRK 1.3 billion while liabilities to deposits and guarantees stood at HRK 1.6 billion.

The share of the top 5 leasing companies by liability level totalled HRK 17.4 billion or 62.1% at the end of 2010.

6.4 Financial Operating Results

In the period from 1 January to 31 December 2010 the leasing industry recorded a loss after tax totalling HRK 1,025.6 million, relative to 2009, when the loss amounted to HRK 601.9 million, reporting an increase of HRK 423.7 million. In 2010, profit after tax amounting to HRK 97.4 million was reported by 11 companies, whereas loss after tax in the amount of HRK 1,123.0 million was reported by 15 companies. The financial operating result of the leasing industry was mostly caused by the decreased volume of financing, i.e. conclusion of new contracts.

Broken down by items, the recorded loss of the leasing industry in 2010 was mainly accounted for by the value adjustment expenses, amounting to HRK 1.4 billion,

increasing by HRK 162.9 million compared to 2009. The reported 2010 loss was also affected by the negative exchange rate differences which amounted to HRK 375.4 million.

The 2010 structure of revenues and expenditures differs from that in 2009. The interest income recorded in 2010 stood at HRK 562.5 million, whereas interest income in 2009 amounted to HRK 515.5 million. Income from fees and commissions was higher by HRK 4.3 million relative to 2009. The loss from other revenues and expenditures in 2010 was HRK 209.5 million, while the profit amounted to HRK 176.0 million. As a result, in 2010 the leasing industry recorded profit before expenses of value adjustment and tax in the amount of HRK 427.5 million (HRK 761.8 million in 2009).

²⁴ According to data received by the Agency before the beginning of May 2011 a company made a payment into capital reserves in the amount of EUR 113.0 million (counter value on day of payment amounted to HRK 830.3 million) in April, while 1 company made a payment into the initial capital amounting to HRK 7.0 million in March

Comparative Abbreviated Overview of the Profit and Loss Account of the Leasing Industry in 2009 and 2010 (in HRK)

Table 6.4.1

Description	01 Jan-31 Dec 2009	01 Jan-31 Dec 2010	Index 2010/2009	Absolute change
Interest income	1,441,811,056	1,222,520,171	84.79	-219,290,885
Interest expenses	926,272,858	660,055,223	71.26	-266,217,635
Interest profit/loss	515,538,198	562,464,947	109.10	46,926,749
Income from fees and commissions	101,747,011	106,687,699	104.86	4,940,688
Expenses on fees and commissions	31,473,040	32,115,607	102.04	642,567
Profit/loss from fees and commissions	70,273,971	74,572,092	106.12	4,298,121
Other operating revenues	3,500,359,701	3,299,680,004	94.27	-200,679,697
Other operating expenditures	3,324,363,913	3,509,206,958	105.56	184,843,044
Profit/loss from other revenues and expenditures	175,995,788	-209,526,954	-	-385,522,742
Profit/loss before cost of value adjustment for impairment losses	761,807,956	427,510,085	56.12	-334,297,871
Cost of value adjustment for impairment losses	1,284,097,900	1,446,978,480	112.68	162,880,580
Profit/loss before income tax	-522,289,944	-1,019,468,395	195.19	-497,178,451
Income tax	79,610,877	6,137,646	7.71	73,473,231
Profit/loss after income tax	-601,900,821	-1,025,606,041	170.39	-423,705,220

Source: HANFA

After - tax profit was recorded by 11 leasing companies out of which the top 5 companies accounted for 77.0%, whereas their after-tax loss made up 93.4% (i.e. the 15 companies that reported loss).

Leasing Industry Portfolio Structure by Periods

6.5

In the period from 1 January to 31 December 2010, a total of 28,446 new lease contracts were concluded, which is 3,186 or 10.1% less new contracts than reported in the same period in 2009. The total value of newly concluded contracts amounted to HRK 5.8 billion, falling by HRK 2.5 billion or 29.8% compared with the value of newly concluded contracts in 2009.

Leasing Industry Portfolio Structure in 2009 and 2010

Table 6.5.1

Date/period from 1 Jan to	Newly concluded contracts in the period			Active contracts as at		
	Number of newly concluded contracts	Value of newly concluded contracts (in HRK)	Average value of newly concluded contracts (in HRK)	Number of active contracts	Value of active contracts (in HRK)	Average value of active contracts (in HRK)
31 Dec 2009	31,632	8,270,945,937	261,474	158,939	26,737,554,474	168,225
31 Dec 2010	28,446	5,805,148,454	204,076	154,676	22,254,304,319	143,877

Source: HANFA

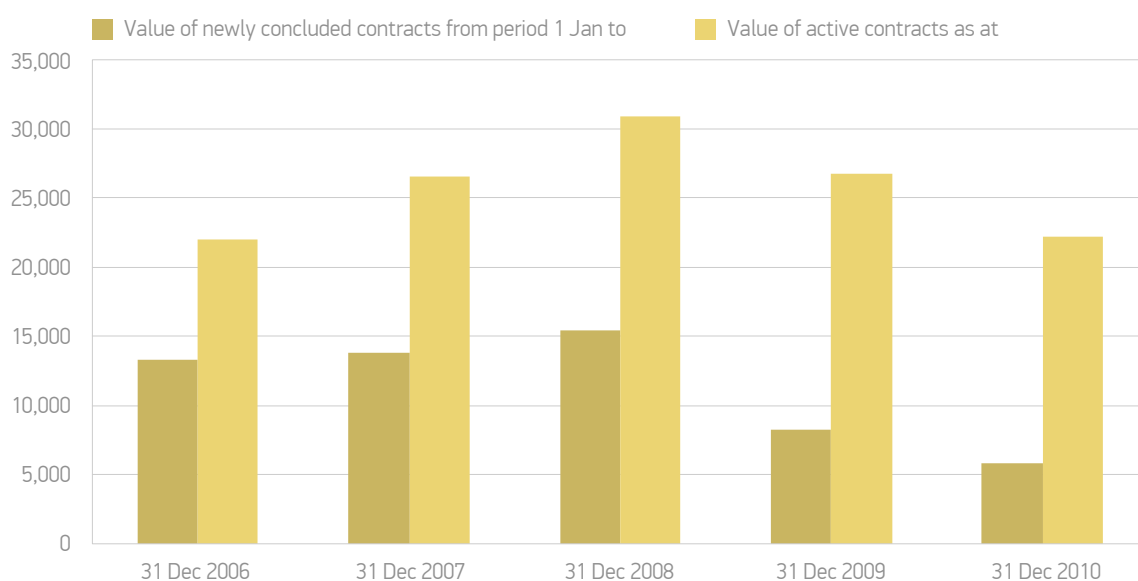
As at 31 December 2010, there were a total of 154,676 active contracts, recording 4,263 or 2.7% fewer contracts compared with the same day of the previous year. The contract value of active contracts of the leasing

industry as at 31 December 2010 amounted to HRK 22.3 billion, showing a decrease of HRK 4.5 billion or 16.8% compared to the same day of the previous year.

Chart 6.5.1

Value of Newly Concluded and Active Contracts in the Period 31 December 2006 – 31 December 2010 (in HRK million)

Source: HANFA



The share of finance lease in the structure of the number of newly concluded contracts at the end of 2010 stood at 54.9%, whereas the share of operating lease reached 45.1%. This structure was significantly different in 2009, when the share of finance lease made up 51.3%, and the share of operating lease 48.7% of the total number of

newly concluded contracts. The structure of the value of newly concluded contracts also changed. The share of finance lease in the total value of newly concluded contracts fell from 61.8% in 2009 to 61.5% in 2010, while the share of operating lease rose from 38.2% to 38.5%.

Table 6.5.2

Comparative Overview of the Number and Value of Newly Concluded Contracts in the Leasing Industry in 2009 and 2010

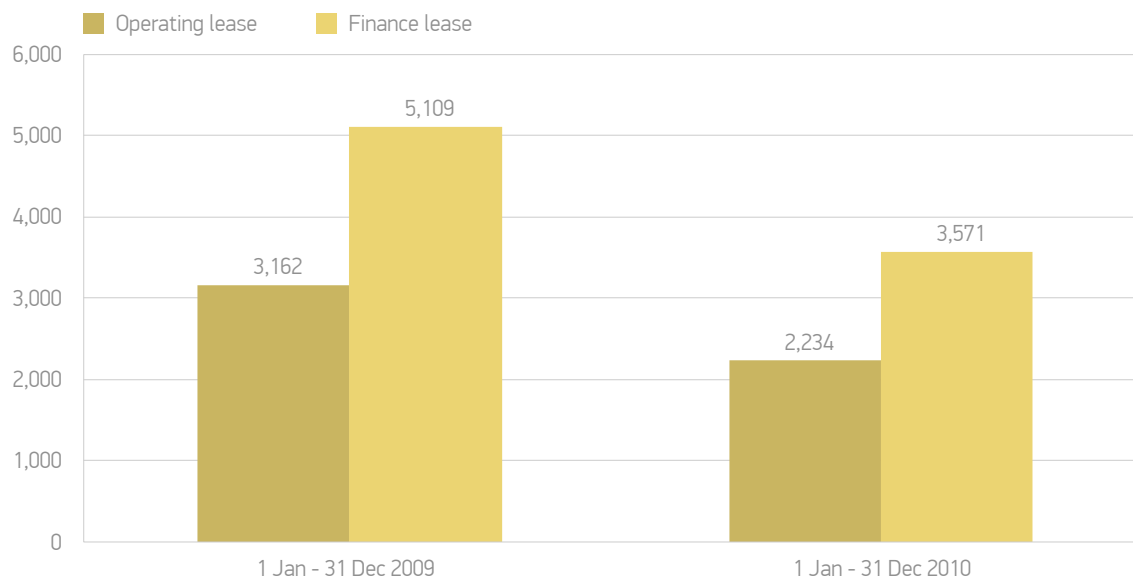
Source: HANFA

Lease type/ period	Number of newly concluded contracts in the period			Value of newly concluded contracts in the period (in HRK)		
	1 Jan-31 Dec 2009	1 Jan-31 Dec 2010	Index 2010/2009	1 Jan-31 Dec 2009	1 Jan-31 Dec 2010	Index 2010/2009
Operating lease	15,394	12,819	83.27	3,162,366,616	2,234,002,839	70.64
Finance lease	16,238	15,627	96.24	5,108,579,321	3,571,145,615	69.90
TOTAL	31,632	28,446	89.93	8,270,945,937	5,805,148,454	70.19

Leasing Industry Portfolio Structure – Comparison of Values of Newly Concluded Contracts by Periods (in HRK million)

Chart 6.5.2

Source: HANFA



The share of finance lease in the number of active contracts rose from 44.0% as at 31 December 2009 to 46.9%, as at 31 December 2010. At the same time, the share of operating lease in the total number of active contracts fell from 50.2% as at 31 December 2009 to 48.2% as at 31 December 2010. The share of loans in the total number of active contracts fell from 5.8% as at 31 December 2009 to 4.9% at the same date in 2010.

In the structure of value of active contracts, the share of finance lease grew from 57.7% as at 31 December 2009 to 61.3% as at 31 December 2010. The share of operating lease amounted to 33.4% at the end of 2010, decreasing slightly relative to the end of 2009, when it stood at 33.7%. At the same time, the share of loans in the total value of active contracts also declined, from 8.6% in 2009 to 5.3% in 2010.

Comparative Overview of the Number of Active Contracts in the Leasing Industry in 2009 and 2010

Table 6.5.3

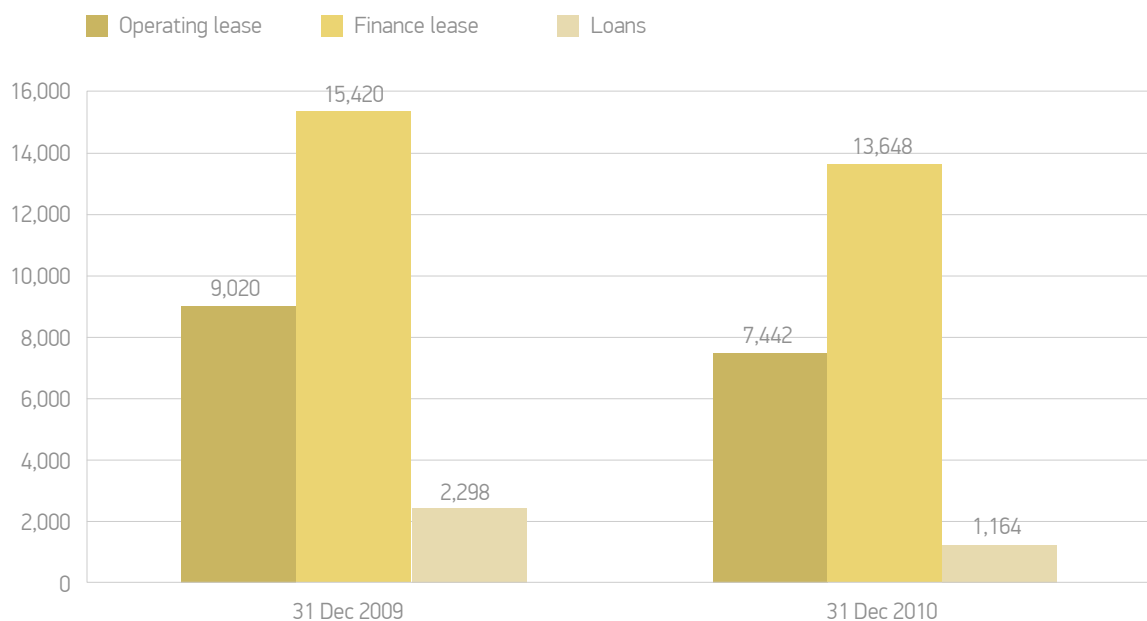
Source: HANFA

Investment type/ as at	Number of active contracts					
	31 Dec 2009	Share	31 Dec 2010	Share	Index 31 Dec 2010/31 Dec 2009	Absolute change
Operating lease	79,873	50.25%	74,499	48.16%	93.27	-5,374
Finance lease	69,852	43.95%	72,594	46.94%	103.93	2,742
Loans	9,214	5.80%	7,583	4.90%	82.30	-1,631
TOTAL	158,939	100.00%	154,676	100.00%	97.32	-4,263

Chart 6.5.3

Leasing Industry Portfolio Structure – Comparison of Values of Active Contracts as at 31 December 2009 - 31 December 2010 (in HRK million)

Source: HANFA



6.6 Leasing Industry Portfolio Structure by Leased Assets

The largest number and the highest value of newly concluded contracts in 2010 were accounted for by passenger cars, followed by commercial vehicles. Compared with 2009, in 2010 there was a further decrease both in the number and value of all leased assets in the structure of the portfolio of newly concluded contracts by leased assets.

The largest relative decline in the number of newly concluded contracts (34.8%) was recorded by other leased objects, followed by vessels with a decrease of 31.1%, while the largest decrease in the number of newly concluded contracts (2,632 contracts or 11.1%) relative to 2009 was accounted for by passenger cars.

Table 6.6.1

Number of Newly Concluded Contracts in the Leasing Industry by Leased Assets in 2009 and 2010

Source: HANFA

Leased asset	Number of newly concluded contracts in the period					
	1 Jan-31 Dec 2009	Share	1 Jan-31 Dec 2010	Share	Index 2010/2009	Absolute change
Property	215	0.68%	173	0.61%	80.47	-42
Passenger cars	23,621	74.67%	20,989	73.79%	88.86	-2,632
Commercial vehicles	4,526	14.31%	4,671	16.42%	103.20	145
Vessels	331	1.05%	228	0.80%	68.88	-103
Aircrafts	1	0.00%	0	0.00%	0.00	-1
Plants, equipment, transport machines and equipment	2,183	6.90%	1,893	6.65%	86.72	-290
Other	755	2.39%	492	1.73%	65.17	-263
TOTAL	31,632	100.00%	28,446	100.00%	89.93	-3,186

The sharpest relative decrease in the value of newly concluded contracts, amounting to 55.1%, was accounted for by vessels, whereas the most significant decrease in the value of newly concluded contracts (as much as HRK 842.2 million or 46.7%) compared with 2009 was recorded

by commercial vehicles. In the same period, properties recorded a fall totalling HRK 552.8 million or 34.7%, while passenger cars recorded a HRK 544.5 million or 18.2% decline. The slowdown in financing of new contracts in 2010 was also observed in all other leased assets.

Value of Newly Concluded Contracts in the Leasing Industry by Leased Assets in 2009 and 2010 (in HRK)

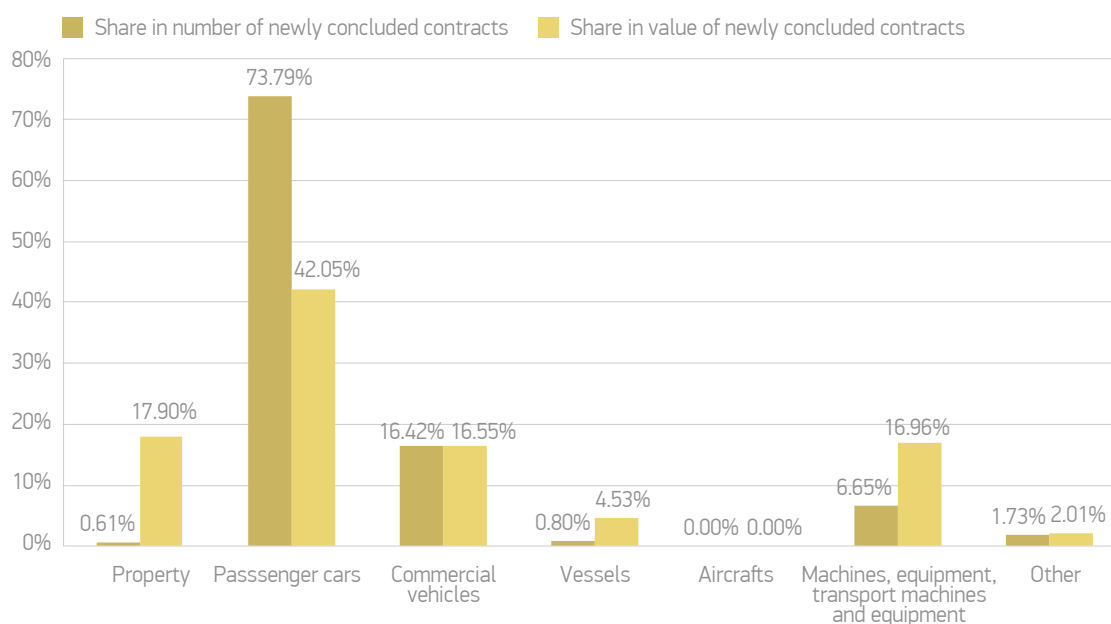
Table 6.6.2

Leased asset	Value of newly concluded contracts in the period					
	1 Jan-31 Dec 2009	Share	1 Jan-31 Dec 2010	Share	Index 2010/2009	Absolute change
Property	1,592,095,046	19.25%	1,039,324,873	17.90%	65.28	-552,770,173
Passenger cars	2,985,209,706	36.09%	2,440,749,230	42.05%	81.76	-544,460,476
Commercial vehicles	1,803,069,885	21.80%	960,862,603	16.55%	53.29	-842,207,282
Vessels	585,490,397	7.08%	263,067,718	4.53%	44.93	-322,422,679
Aircrafts	30,024,195	0.36%	0	0.00%	0.00	-30,024,195
Plants, equipment, transport machines and equipment	1,118,226,264	13.52%	984,266,018	16.96%	88.02	-133,960,246
Other	156,830,444	1.90%	116,878,012	2.01%	74.53	-39,952,432
TOTAL	8,270,945,937	100.00%	5,805,148,454	100.00%	70.19	-2,465,797,483

Source: HANFA

Comparison of the Structures of the Number and Value of Newly Concluded Contracts by Leased Assets in 2010 (in %)

Chart 6.6.1



Source: HANFA

As at 31 December 2010, the largest number of active contracts by leased/loaned assets was accounted for by passenger car lease contracts (106,911 contracts), that

made up 69.1% of the total number of active contracts, which is a decrease totalling 3,089 contracts or 2.8% relative to 31 December 2009.

Table 6.6.3

Number of Active Contracts in the Leasing Industry by Leased/Loaned Assets in 2009 and 2010

Source: HANFA

Leased asset	Number of active contracts at					
	31 Dec 2009	Share	31 Dec 2010	Share	Index 31 Dec 2010/ 31 Dec 2009	Absolute change
Property	1,606	1.01%	1,647	1.07%	102.55	41
Passenger cars	110,000	69.21%	106,911	69.12%	97.19	-3,089
Commercial vehicles	27,993	17.61%	27,877	18.02%	99.59	-116
Vessels	2,163	1.36%	2,047	1.32%	94.64	-116
Aircrafts	5	0.00%	5	0.00%	100.00	0
Plants, equipment, transport machines and equipment	15,301	9.63%	14,467	9.36%	94.55	-834
Other	1,871	1.18%	1,722	1.11%	92.04	-149
TOTAL	158,939	100.00%	154,676	100.00%	97.32	-4,263

The highest value of active contracts by leased asset/loan as at 31 December 2010 was accounted for by passenger cars in the amount of HRK 6.5 billion, accounting for 29.4% of the value of active contracts. At

the same time, the value of active contracts on property lease/loan amounted to HRK 6.2 billion accounting for 27.9% value of active contracts.

Table 6.6.4

Value of Active Contracts by Leased Asset/Loan in 2009 and 2010 (in HRK)

Source: HANFA

Leased asset	Value of active contracts at					
	31 Dec 2009	Share	31 Dec 2010	Share	Index 31 Dec 2010/ 31 Dec 2009	Absolute change
Property	7,348,089,094	27.48%	6,210,345,655	27.91%	84.52	-1,137,743,439
Passenger cars	7,830,544,117	29.28%	6,532,033,454	29.35%	83.42	-1,298,510,662
Commercial vehicles	4,689,655,209	17.54%	3,925,473,450	17.64%	83.70	-764,181,759
Vessels	1,662,418,276	6.22%	1,211,628,380	5.44%	72.88	-450,789,895
Aircrafts	34,464,090	0.13%	30,728,001	0.14%	89.16	-3,736,089
Machines, equipment, transport machines and equipment	4,729,090,891	17.69%	3,943,107,663	17.72%	83.38	-785,983,228
Other	443,292,798	1.66%	400,987,716	1.80%	90.46	-42,305,082
TOTAL	26,737,554,474	100.00%	22,254,304,319	100.00%	83.23	-4,483,250,155

Concentration Indices of the Leasing Industry in the Republic of Croatia

6.7

The following table and chart present the Herfindahl-Hirschman Index (hereinafter: HH index) of the Croatian leasing industry, showing the ratio of assets and active contract by periods.

HH index of the Leasing Industry by Periods

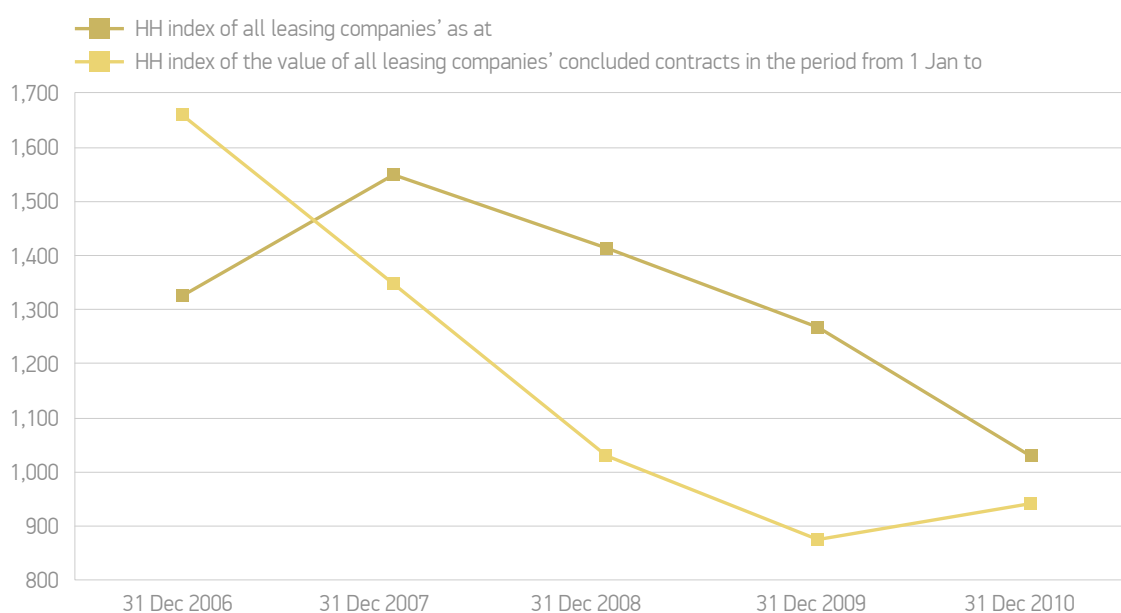
Table 6.7.1

HH index type/date	31 Dec 2006	31 Dec 2007	31 Dec 2008	31 Dec 2009	31 Dec 2010
HH index of all leasing companies' assets as at	1,325.6	1,551.2	1,414.0	1,266.7	1,029.4
HH index of the value of all leasing companies' newly concluded contracts in the period from 1 Jan to	1,662.2	1,347.2	1,028.7	873.2	941.2

Source: HANFA

HH index of the Leasing Industry by Periods²⁵

Chart 6.7.1



Source: HANFA

Leasing market concentration, measured by using the HH index, showed a downward trend in assets concentration in 2010 compared with previous periods, as well as showing a slight concentration increase of newly concluded contracts. This was brought about by a decrease in the relative share of the largest company

Hypo-Leasing Kroatien d.o.o. in the total financing volume of newly concluded contracts, and in the total assets of the leasing industry, as well as changes in the structure of market shares by periods of the largest leasing companies in the value of newly concluded contracts and assets of the leasing industry.

6.8 Leasing Industry Indicators

6.8.1 Liquidity Ratios

The Current Ratio measures liquidity and solvency of a company, and shows the availability of current assets relative to current liabilities. As at 31 December 2010, the current ratio of the industry totalled 0.75, showing that the current asset value was by 25.0% lower than the current liabilities. This ratio amounted to 1.08 as at 31 December 2009, which testifies to a decrease in liquidity in 2010.

The Quick Ratio shows the ability of a company to meet its current liabilities by using liquid current assets, i.e. cash. As at 31 December 2010, it amounted to 0.07, while on the same day of the previous year it stood at 0.04, which is a sign of an increase in short-term liquidity in 2010.

6.8.2 Financial Stability Ratios

Level of Coverage I shows the level of self-financing of fixed assets, i.e. financing of fixed assets by own funds. In terms of operational stability, it is deemed desirable that the highest possible share of fixed assets be financed by own sources. As at 31 December 2010, this ratio totalled 0.005, showing that only 0.5% of fixed assets of the leasing industry were financed by own sources. The same ratio amounted to 0.00 as at 31 December 2009 indicating that in 2009 the leasing industry fixed assets were entirely financed by external sources.

Level of Coverage II measures the level of financing of fixed assets by long-term sources. It is deemed desirable that fixed assets be entirely financed by long-term sources (ratio = 1). This ratio totalled 0.86 for the leasing industry as at 31 December 2010, showing that the value of own funds and long-term liabilities in the leasing industry was lower than fixed assets by 14.0%. As at 31 December 2009, the ratio amounted to 1.01, which proves that 2010 saw a negative trend in financing of fixed assets of leasing companies by long-term sources.

6.8.3 Debt Indicators

The Self-Financing Ratio shows the share of assets financed from own funds, i.e. the share of own assets in total assets. In terms of indebtedness, the highest possible ratio is deemed desirable. The 0.004 ratio for the leasing industry as at 31 December 2010 showed that 0.4% assets were financed by own funds. The same ratio as at 31 December 2009 stood at 0.0 meaning that assets were not financed by own funds.

The Debt Ratio measures the share of assets financed by external funds, i.e. the share of external assets in total assets. As at 31 December 2010, it amounted to 0.996, meaning that almost the entire assets of the leasing industry were financed by external funds (leasing industry liabilities made up 99.6% of all liabilities). In the previous year, the ratio totalled 1.00 (leasing industry liabilities were entirely made up by all liabilities).

6.8.4 Activity Ratios

The Total Asset Turnover Ratio shows a company's efficiency at using its total assets in generating revenue, i.e. how many times a year total assets are turned into revenue. A high ratio is considered desirable. The 0.16

ratio as at 31 December 2010 meant that the yearly revenue of the leasing industry was by 84.0% lower than the total assets. The same ratio as at 31 December 2009 totalled 0.15.

6.8.5 Profitability Ratios

Return on Assets (ROA) is a ratio measuring a company's gross profit against its total assets. A high ratio is considered desirable. As at 31 December 2010, it reached -3.63%, which was caused by the loss recorded in the leasing industry in 2010. The same ratio totalled -1.55% as at 31 December 2009. The negative ratio indicates a negative return on total assets, testifying to a lack of profitability in the leasing industry. The further decrease in asset profitability in 2010 compared with 2009 is a result of an increase in reported loss and a decrease in asset value.

Return on Equity (ROE) is a ratio measuring a company's net profit against the shareholders' equity, i.e. it is a calculated rate of return on equity. A high ratio is deemed desirable. The negative ROE value totalling as much as -1,025.8% as at 31 December 2010 was caused by the after-tax loss recorded in the leasing industry. In other words, the 2010 loss recorded in the leasing industry was 10.3 times higher than the value of capital and reserves.

Regulatory Activities 6.9

6.9.1 Legislation and Subordinate Legislation

The Leasing Act (Official Gazette 135/06) is the basic legal act regulating the establishment and business operations of leasing companies, as well as the supervisory powers of the Agency. The following subsidiary legislations also apply: the Act on the Croatian Financial Services Supervisory Agency (Official Gazette 140/05), the Companies Act (Official Gazette 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08 and 137/09), the Civil Obligations Act (Official Gazette 35/05 and 41/08), the Accounting Act (Official Gazette 109/07), the Audit Act (Official Gazette 146/05 and 139/08), the Anti Money Laundering and Terrorist Financing Act (Official Gazette 87/08), Bankruptcy Law (Official Gazette 44/96, 29/99, 129/00, 123/03, 197/03, 187/04, 82/06 and 116/10) and other provisions related to leasing companies.

In 2010 the Ordinance on the structure and content of financial statements and additional reports of leasing companies and on the manner of and time limits for their submission (Official Gazette 124/10) was adopted

as well as the Instruction for the completion of financial statements and additional reports of leasing companies, which further regulated the provisions of the Leasing Act abiding to the accounting and financial standards and general principals of accounting.

The adoption of the Ordinance amending the Ordinance on the 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 (Official Gazette 133/10) meant leasing companies could more easily fulfil their reporting obligations to the Agency pursuant to Article 65 of the Leasing Act.

In 2010, on the basis of its statutory powers, and at the request of parties to proceeding of persons who have proved their interest in bringing court proceedings, the Agency issued 9 opinions on the implementation of the provisions of the Leasing Act.

6.9.2 Licensing

In 2009, the process of alignment with the provisions of the Leasing Act was completed by leasing companies which were on the day of the entry into force of that Act carrying out leasing operations and were entered in the court register, approvals were also issued for companies who up until that time had not conducted

leasing operations and had changed their business operations in the court register upon the receipt of the approval. The Agency also issued approval to a newly established company.

By the end of 2009 the number of issued approvals

for conducting leasing operations amounted to 26 the number of companies remained unchanged in 2010.

In special procedures upon individual requests in 2010 the Agency issued 8 decisions approving the appointment of management board members of leasing companies, in cases of change in management.

Before acquiring direct or indirect ownership of a company's holding, shares or other rights, based on which the holder acquires 10% or more of the voting rights or capital of a legal entity, or even less than 10% if the holder has influence on the management of that legal entity, which is defined as a qualifying holding by the Leasing Act, as well as for any further acquisition of a holding or shares by means of which

the holder reaches or exceeds the 20%, 33% or 50% share of the voting rights or capital of the company, leasing companies must obtain approval to acquire the qualifying holding. Such approval must also be obtained by a natural or legal person who proposes to acquire a qualifying holding, or a holding by means of which the holder reaches or exceeds the 20%, 33% or 50% share in the voting rights or capital of the company.

During 2010, the Agency adopted decisions approving the acquisition of qualifying holdings in 6 companies, in 2 of the applications the qualifying holding of the leasing company was for a legal person, while in 4 of the applications the qualifying holding was for a leasing company.

6.10 On-site Supervision of Leasing Companies' Business Operations

Within its field of competence, in 2010 the Agency carried out on-site and off-site supervision of business operations of leasing companies pursuant to the Act on the Croatian Financial Services Supervisory Agency and the Leasing Act. Supervision of leasing company operations was carried out to examine the alignment of business operations of leasing companies with regulations stipulated in the Leasing Act and provisions brought in accordance with other laws regulating leasing companies' business operations and regulations adopted pursuant to them.

In 2010, 8 on-site and 1 off-site supervisions were initiated. Based on the carried out examinations 8 Reports on Supervision of Business Operations were created, out of which 2 were reports on on-site supervision of business operations commenced in 2009.

The subject of the 2010 supervision was: entire business operations of leasing companies, risk management, verification of the application of the Anti Money Laundering and Terrorist Financing Act, while business operations of 1 leasing company related to the supervision of a concrete lease agreement.

Irregularities established during on-site supervision were found for these categories:

- Risk management,
- Valuation of assets,
- Forming and recording financial asset value impairment,
- Non-applying the chart of accounts for leasing companies,
- Classification of lease contracts,
- Calculation of depreciation for lease contracts,
- Calculation of exchange differences on operating lease agreements with a currency clause,
- Failure to establish internal audit and
- Failure to establish risk management on money laundering and financing of terrorism.

Irregularities established during on-site supervision concerned failure to operate pursuant to the Leasing Act and regulations adopted pursuant to it, the Accounting Act, i.e. the International Financial Standards of Reporting (Official Gazette 140/06 and 136/09) and the Anti Money Laundering and Terrorist Financing Act.

On the basis of supervision procedures carried out in 2010, the Agency adopted 8 decisions ordering the elimination of established violations and irregularities.

Factoring 7

Factoring operations in the Republic of Croatia are conducted by credit institutions and companies registered for factoring operations. Companies registered for factoring operations are supervised by the Agency, whereas supervision of credit institutions performing factoring operations within their registered activities falls within the scope of the Croatian National Bank. Data presented in this chapter is provided on the basis of the available data on companies registered for factoring operations as the establishment, licensing and business operations of companies which conduct factoring operations are not regulated by any special legislation, but is the legal framework covering the supervision of companies conducting factoring operations as defined by the Act on the Croatian Financial Services Supervisory Agency (Official Gazette 140/05), with the manner of conducting business operations being laid down by the Accounting Act (Official Gazette 109/07) and the Anti Money Laundering and Terrorist Financing Act (Official Gazette 87/08), as well as other laws and by-laws regulating business operations of business entities in the Republic of Croatia. According to the data available to the Agency, factoring services provided by companies registered for conducting factoring operations started growing more rapidly in the Republic of Croatia in 2003.

Factoring operations conducted in the Republic of Croatia may be divided into domestic, export and import factoring operations. In terms of recourse, there are two types of factoring: recourse ("non-standard" factoring) and non-recourse factoring ("standard" factoring). According to the data submitted by factoring companies

as at 31 December 2010, the market in the Republic of Croatia is dominated by domestic factoring (95.2% of total factoring accounts receivable), with accounts receivable purchased being invoices of buyers in the Republic of Croatia, i.e. by recourse factoring (84.5% of total factoring accounts receivable), with factors being entitled to the collection of payments from invoice sellers in the event that debtors become insolvent.

According to the data from Statistical Reports of Factoring Companies, collected from factoring companies known to the Agency, as at 31 December 2010, 19 companies were actively providing factoring services, whereas on 31 December 2009 those activities were provided for by 15 companies, which testifies to the continuing growing trend in the number of factoring companies. Out of 19 active companies, 4 companies were in direct ownership of non-residents²⁶, whereas 15 companies were in the ownership of residents²⁷.

On the financial market of the Republic of Croatia factoring operations are unique due to the ownership of residents in the total ownership structure of factoring operations, as opposed to trends in banking and other financial sectors, which are predominantly in non-resident ownership. As at 31 December 2010, 18 companies were organised as limited liabilities companies, whereas one company was organised as a joint-stock company, factoring companies had a total of 193 employees.

Number of Factoring Companies and their Total Assets in 2008, 2009 and 2010 (in HRK)

Table 7.1

Source: HANFA

No,	Description	31 Dec 2008	31 Dec 2009	31 Dec 2010
1	Number of active companies	13	15	19
2	Assets as at	6,342,888,399	7,006,830,195	5,748,128,022
3	Absolute change		663,941,797	-1,258,702,173
4	Relative change		10.47%	-17.96%

²⁶ Pursuant to the Income Tax Act (Official Gazette 177/04, 90/05, 57/06 and 146/08), a non-resident is a person who does not meet one of the requirements referred to in paragraph 1 Article 3 of the Income Tax Act.

²⁷ Pursuant to the provisions of paragraph 1 Article 3 of the Income Tax Act (Official Gazette 177/04, 90/05, 57/06 and 146/08), residents are legal and natural persons whose residence has been entered in the court register or another register in the Republic of Croatia, or whose place of effective management and supervision of business operations is in the Republic of Croatia; residents are also entrepreneurs- natural persons with a domicile or habitual residence in the Republic of Croatia whose business activity has been entered in the register.

Table 7.2

Movements and Shares of Factoring Companies' Assets in 2009 and 2010 (in HRK)²⁸

Source: HANFA

No.	Factoring company	ASSETS as at 31 Dec 2009	Share	ASSETS as at 31 Dec 2010	Share	Change	% change
1	Adriatic Zagreb d.o.o	234,647,273	3.35%	324,699,365	5.65%	90,052,092	38.38%
2	Alfa faktor d.o.o	4,434,078	0.06%	4,691,089	0.08%	257,011	5.80%
3	CEI Zagreb d.o.o.	4,049,251	0.06%	2,140,702	0.04%	-1,908,549	-47.13%
4	Croatia factoring d.o.o.	176,759,913	2.52%	160,019,894	2.78%	-16,740,019	-9.47%
5	Erste factoring d.o.o.	4,457,099,939	63.61%	2,854,768,090	49.66%	-1,602,331,849	-35.95%
6	Eurofakt d.o.o.	1,474,357	0.02%	2,324,975	0.04%	850,618	57.69%
7	Factor Max d.o.o	11,453,257	0.16%	18,184,258	0.32%	6,731,001	58.77%
8	Finea Holding d.o.o.	3,890,679	0.06%	630,051	0.01%	-3,260,628	-83.81%
9	Finesa Credos d.d.	43,845,113	0.63%	54,909,655	0.96%	11,064,542	25.24%
10	FTC usluge d.o.o.	28,694,469	0.41%	23,241,760	0.40%	-5,452,709	-19.00%
11	Jasminka d.o.o.	7,833,214	0.11%	6,602,596	0.11%	-1,230,618	-15.71%
12	Maksimum d.o.o.	87,345	0.00%	18,426	0.00%	-68,919	-78.90%
13	Prvi faktor d.o.o.	1,149,603,978	16.41%	1,166,884,489	20.30%	17,280,511	1.50%
14	Raiffeisen factoring d.o.o.	845,501,391	12.07%	935,101,919	16.27%	89,600,528	10.60%
15	WEIP Perfectus d.o.o.	37,455,939	0.53%	28,992,694	0.50%	-8,463,245	-22.60%
16	Afaktor-factoring d.o.o.			17,949,914	0.31%	0	0.00%
17	Alfa net d.o.o.			25,377,078	0.44%	0	0.00%
18	Fortis factoring d. o. o.			105,860,715	1.84%	0	0.00%
19	Par lux d.o.o.			15,730,352	0.27%	0	0.00%
	TOTAL	7,006,830,196	100.00%	5,748,128,022	100.00%	-1,258,702,174	-17.96%

7.1 Asset Structure

The aggregated assets of factoring companies were HRK 5.8 billion as at 31 December 2009, when they amounted to HRK 7.0 billion of 18.0% compared with their balance as at 31 December 2010, which is a decrease

Table 7.11

Aggregated Assets of the Factoring Industry as at 31 December 2009 and 31 December 2010 (in HRK)

Source: HANFA

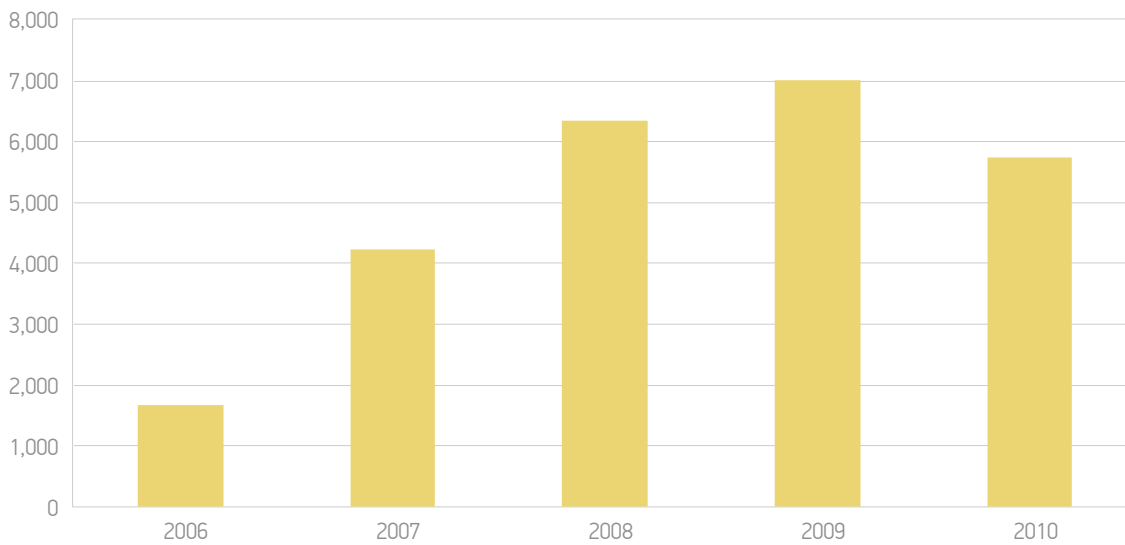
ASSETS	As at 31 Dec 2009	As at 31 Dec 2010	Index 2010/2009
RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID	0	0	0.00
FIXED ASSETS	32,935,895	62,972,242	191.20
CURRENT ASSETS	6,956,460,738	5,661,661,874	81.39
Factoring accounts receivables	2,000,330,169	2,266,625,040	113.31
Domestic factoring	1,922,660,335	2,158,029,918	112.24
Export factoring	15,139,009	64,091,621	423.35
Import factoring	62,530,825	44,503,501	71.17
Discounted bills of exchange	1,973,468,098	1,379,540,127	69.90
Given loans	61,061,067	72,252,968	118.33
Given deposits	2,529,228,190	1,496,225,022	59.16
Cash at bank and in hand	133,592,827	143,007,400	107.05
Other current assets	258,780,386	304,011,317	117.48
PREPAYMENTS AND ACCRUED INCOME	17,433,562	23,493,906	134.76
TOTAL ASSETS	7,006,830,195	5,748,128,022	82.04

²⁸ Finesa Credos d.d. used to be referred to as Finesa faktor d.d.

Aggregated Assets of the Factoring Industry in the 2006 - 2010 Period (in HRK million)

Chart 7.1.1

Source: HANFA



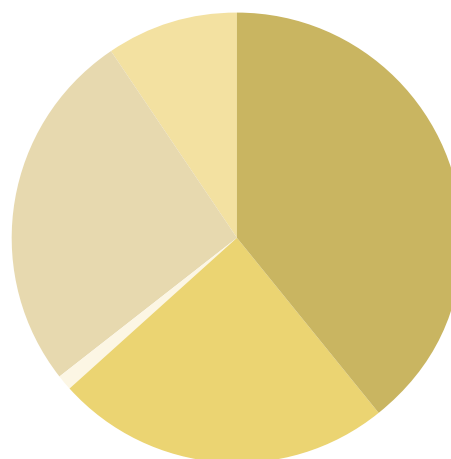
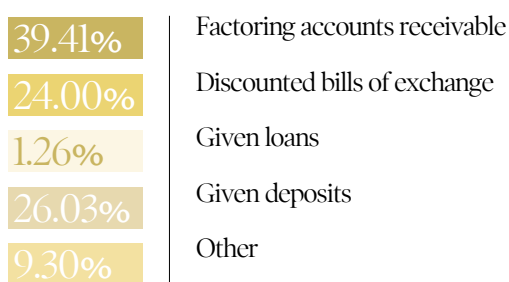
As at 31 December 2010, the highest share of 39.4% in total assets was accounted for by receivables relating to factoring operations, which compared to the previous period was a considerable change considering they accounted for 28.6% in total assets. In the previous period the highest share in total assets was accounted for by given deposits accounting for 36.1% of all assets,

while on 31 December 2010 they made up 26.0% in total assets. The amount of given loans increased by 18.3% while the discounted bills of exchange decreased by 30.1%. Even though the total assets decreased by 18.0% the fixed assets increased by 91.2% compared to the previous reporting period.

Factoring Companies' Asset Structure as at 31 December 2010 (in %)

Chart 7.1.2

Source: HANFA



The factoring market in the Republic of Croatia was characterised as being highly concentrated due to the top company (Erste factoring d.o.o.) accounting for 49.7% of total assets of all companies performing factoring operations. However, a downward trend in concentration compared to the previous year was

reported when as at 31 December 2009 the same company accounted for 63.6% of total assets of all companies performing factoring operations. The share of the top 3 companies according to asset level (Erste factoring d.o.o., Prvi faktor d.o.o. and Raiffeisen factoring d.o.o.) accounted for 86.2% of total assets.

7.2 Liability Structure

Factoring companies' assets were mostly financed by loans from foreign banks and financial institutions. Even though long-term liabilities for loans from foreign banks and financial institutions recorded a considerable decrease relative to 2009 (from HRK 2.8 billion to HRK

299.0 million), while short-term liabilities for loans from foreign banks and financial institutions recorded an increase of almost HRK 0.9 billion (from HRK 3.5 billion to HRK 4.4 billion), the total liabilities to foreign loans decreased by 24.4%.

Table 7.2.1

Aggregated Liabilities of the Factoring Industry as at 31 December 2009 and 31 December 2010 (in HRK)

Source: HANFA

Description	31 Dec 2009	31 Dec 2010	Index 2010/2009
CAPITAL AND RESERVES	172,423,877	243,663,944	141.32
LONG-TERM LIABILITIES	2,767,550,362	316,201,451	11.43
Domestic bank and financial institution loans	2,174,679	2,219,299	102.05
Foreign bank and financial institution loans	2,754,680,350	298,982,152	10.85
Other long-term liabilities	10,695,332	15,000,000	140.25
SHORT-TERM LIABILITIES	4,051,968,751	5,176,514,212	127.75
Domestic bank and financial institution loans	258,596,958	508,479,675	196.63
Foreign bank and financial institution loans	3,509,407,867	4,434,901,628	126.37
Other short-term liabilities	283,963,926	233,132,908	82.10
ACCRUALS AND DEFERRED INCOME	14,887,206	11,748,415	78.92
TOTAL LIABILITIES	7,006,830,195	5,748,128,022	82.04

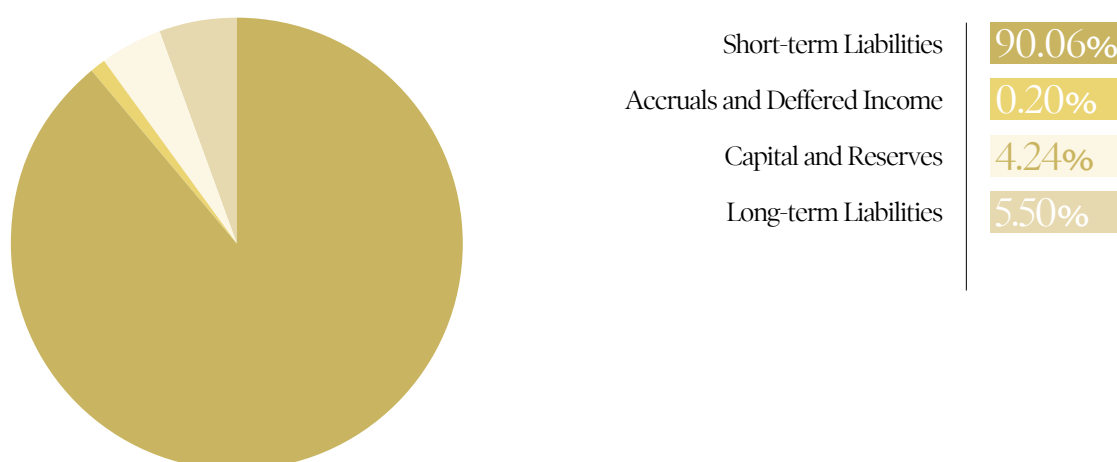
At the same time, an increase was recorded in loans from domestic banks and financial institutions amounting to 95.8%. Long-term liabilities for loans from domestic

banks and financial institutions increased by 2.1% in the observed period, while short-term liabilities increased by 96.6%.

Chart 7.2.1

Factoring Companies' Liability Structure as at 31 December 2010 (in %)

Source: HANFA



Capital and reserves made up 4.2% of all liabilities, increasing by 41.3% compared to the previous year and amounting to HRK 243.7 million as at 31 December 2010.

Financial Operating Results

7.3

In 2010 factoring companies' net profit amounted to HRK 96.4 million, which is 149.5% higher than in 2009.

Although the total profit of registered factoring companies amounted to HRK 739.4 million, it was 16.5% less compared to the previous reporting period, the same tendency had been seen with expenses, which decreased from HRK 835.9 million to HRK 618.1 million in 2010. This resulted with the increase of after-tax profit for the entire industry by 149.5%. Out of 19 registered factoring companies 15 ended the 2010 business year with a positive result and reported after-tax profit of HRK 101.5 million. The remaining 4 companies reported loss to the amount of HRK 5.2 million.

In the same period, the largest share in total income was made up from interest income amounting to 48.8%. Interest income related to factoring operations remained at the same level as in 2009, whereas for the same the most significant increase of 3,804.2%, was recorded for import factoring, whilst the greatest decrease of 86.3% was recorded for export factoring.

The largest share of 61.2% in total expenditures was made up by other operating expenditures (out of which other operational expenses made up 36.1% of total expenditures). Expenses on interest made up 33.5% of total expenditures of the factoring industry.

Aggregated Profit and Loss Account for the Factoring Industry in the 1 January – 31 December 2009 and 1 January – 31 December 2010 Periods (in HRK)

Table 7.3.1

PROFIT AND LOSS ACCOUNT	1 Jan-31 Dec 2009	1 Jan-31 Dec 2010	Index 2010/2009
INTEREST INCOME	437,175,597	360,446,846	82.45
Interest income-factoring	152,367,838	153,146,055	100.51
Domestic factoring	147,995,601	148,874,832	100.59
Export factoring	4,277,880	587,347	13.73
Import factoring	94,357	3,683,876	3,904.18
Interest income-discounted bills of exchange	161,843,497	113,104,169	69.88
Interest income-given loans	2,915,890	4,594,980	157.58
Interest income-given deposits	77,779,057	62,085,810	79.82
Other interest income	42,269,315	27,515,832	65.10
INTEREST EXPENSES	246,535,570	207,042,522	83.98
Interest expenses-domestic banks and financial institutions	17,867,209	28,849,505	161.47
Interest expenses-foreign banks and financial institutions	227,900,728	174,897,819	76.74
Other interest expenses	767,633	3,295,198	429.27
INTEREST PROFIT/LOSS	190,640,027	153,404,324	80.47
INCOME FROM FEES AND COMMISSIONS	72,665,680	89,265,453	122.84
EXPENSES ON FEES AND COMMISSIONS	39,582,137	32,819,340	82.91
PROFIT/LOSS FROM FEES AND COMMISSIONS	33,083,544	56,446,113	170.62
OTHER OPERATING REVENUES	375,311,642	289,706,272	77.19
OTHER OPERATING EXPENDITURES	549,774,315	378,231,105	68.80
Services expenses	44,456,676	34,002,020	76.48
Employee expenses	32,446,140	36,783,046	113.37
Expenses on value adjustment for impairment losses	132,633,204	84,388,445	63.63
Other operational expenses	340,238,295	223,057,594	65.56
PROFIT/LOSS FROM OTHER REVENUES AND EXPENDITURES	-174,462,673	-88,524,833	50.74
PROFIT/LOSS BEFORE INCOME TAX	49,260,898	121,325,604	246.29
Income tax	10,639,880	24,952,094	234.51
PROFIT/LOSS AFTER INCOME TAX	38,621,018	96,373,510	249.54

Source: HANFA

Compared to 2009, net profit from interest decreased by 19.5% in 2010, however, profit from fees and commissions dramatically rose by 70.6%. Factoring

companies compared to 2009, divided their loss by half from other revenues and expenditures (from HRK 174.5 million to HRK 88.5 million).

Table 7.3.2

Factoring Companies with their Shares in Profit of the Industry in 2009 and 2010 (in HRK)

Source: HANFA

Company	TOTAL PROFIT as at 31 December 2009	Share	TOTAL PROFIT as at 31 December 2010	Share
Adriatic Zagreb d.o.o	4,363,623	11.04%	8,334,561	8.21%
Alfa faktor d.o.o.			340,922	0.34%
Alfa net d.o.o.			8,926,372	8.79%
CEI Zagreb d.o.o.	213,914	0.54%	138,247	0.14%
Croatia factoring d.o.o.	1,145,218	2.90%	1,060,084	1.04%
Erste factoring d.o.o.	20,333,176	51.48%	36,308,272	35.76%
Eurofakt d.o.o.			12,541	0.01%
Factor Max d.o.o	1,196,599	3.02%	927,227	0.91%
Finea Holding d.o.o.	153,614	0.39%	48,606	0.05%
Fortis factoring d.o.o.			689,607	0.68%
FTC usluge d.o.o.	1,000,630	2.53%	1,119,767	1.10%
Jasminka d.o.o.	9,132	0.02%	8,416	0.01%
Par lux d.o.o.			957,506	0.94%
Prvi faktor d.o.o.	10,228,858	25.88%	10,304,040	10.15%
Raiffeisen factoring d.o.o.	285,740	0.72%	32,343,041	31.86%
Maksimum d.o.o.	1,412	0.00%		
WEIP perfectus d.o.o.	585,150	1.48%		
TOTAL PROFIT	39,517,066	100.00%	101,519,209	100.00%

Erste factoring d.o.o. accounted for a 35.8 % share in the total profit of the factoring industry, decreasing its share in the total profit compared to the previous period when it accounted for 51.5%. In the same period the second in line was Raiffeisen factoring d.o.o. with 31.9%, whereas in 2009 its share was only 0.7%. As opposed to its position, the share of Prvi faktor d.o.o. dropped from 25.9% in 2009 to 10.2% in 2010. Those

3 companies made up 88.4% of the total profit of the factoring industry. The 3 named companies accounted for 77.8% of the total profit in the factoring industry in 2010, while in 2009 the top 3 companies had a share of 88.4% which indicates the concentration in the factoring industry is on the decline. The other 12 factoring companies accounted for the share of 22.2% in the total profit of the factoring industry.

7.4 Transaction Volume

Transaction volume presents the cumulative amount of purchased invoices under factoring arrangements, and the cumulative amount of discounted bills of exchange under arrangements involving discounting bills of exchange, in the period from 1 January to 31 December 2010.

In the period from 1 January to 31 December 2010, factoring companies purchased invoices under factoring agreements in the amount of HRK 6.1 billion, at the same time purchasing bills of exchange under agreements involving discounting bills of exchange in the amount of HRK 3.7 billion. In the same period factoring companies approved loans amounting to HRK 107.5 million.

7.5.1 Liquidity Ratios

The Current Ratio is the ratio of current assets to current liabilities. As at 31 December 2010, the current ratio amounted to 1.09, showing that the current asset value was by 9.0% higher than the current liability value. This ratio totalled 1.71 as at 31 December 2009, which testifies to a significant deterioration in liquidity in 2010 which can be seen in the change in liability structure for loans from banks and financial institutions to short-term liabilities.

The Quick Ratio is the ratio of cash to current liabilities. As at 31 December 2010, the quick ratio amounted to 0.03, while as at 31 December 2009 it also totalled 0.03, which indicates short-term liquidity in 2010 is at the same level as it was in 2009.

7.5.2 Debt Indicators

The Self-Financing Ratio shows the share of own assets in total assets. As at 31 December 2010, it reached 0.042, showing that the assets of factoring companies were financed by 4.2% of own capital while in 2009 it reached 0.025 indicating factoring companies finance their own capital even more.

The Debt Ratio shows the share of external assets in total assets. As at 31 December 2010, it stood at 0.958, showing that factoring companies' assets. The ratio totalled 0.975 as at 31 December 2009.

7.5.3 Profitability Ratios

Return on Total Assets (ROA) is a ratio that measures a company's gross profit against its total assets, and it totalled 2.11% as at 31 December 2010. This ratio reached 0.7% as at 31 December 2009, showing an increase in asset profitability in 2010.

amounted to 22.4% as at 31 December 2009, which testifies to an increase in return on equity in 2010.

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. As at 31 December 2010, it totalled 39.6%. The same ratio

Factoring companies' external debt totalled EUR 641.0 million, accounting for a share of about 1.4% in total external debt of the Republic of Croatia (according to the Croatian National Bank, external debt amounted to EUR 45.8 billion as at 31 December 2010).

Within its competence, on the basis of the Act on the Croatian Financial Services Supervisory Agency, for the purpose of ensuring that the company conducts its business operations in accordance with the relevant legal framework, the Agency initiated on-site and off-site supervision.

In 2010 a supervision of 1 factoring company was completed, it covered complete supervision of business operations of the company in 2008 and in the period from 1 January to 30 June 2009, as well as the compliance with the provisions of the Anti Money Laundering and Terrorist Financing Act.

Cooperation and Consumer Protection 8

Cooperation with Croatian and Foreign Supervisory and Regulatory Bodies and International Organisations 8.1

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

The Agency cooperates with the Croatian National Bank (CNB) on the basis of the Agreement on Cooperation which was signed in September 2006. Based on this agreement, the Working Committee for Financial System Supervision was founded with the purpose of coordinating procedures and activities of CNB and the Agency, which also includes the coordination of supervision proceedings and exchange of information. In line with the recommendations from the European Commission, in June 2009, the Agency signed the Cooperation Agreement with the Ministry of Finance. Along with the Croatian National Bank and the Ministry of Finance, the Agency signed the Memorandum of Understanding for Managing the Financial Crisis which has the purpose of insuring a better inter-institutional coordination of activities in the time of instability on financial markets.

Besides the cooperation with the Ministry of Finance and CNB, in 2010 the Agency cooperated with the Ministry of Foreign Affairs and European Integration, the Ministry of Internal Affairs, Ministry of Economy, Labour and

Entrepreneurship, State Attorney's Office and the Croatian Competition Agency.

The Agency is signatory of 29 bilateral and multilateral cooperation agreements in the area of supervision of the capital market, insurance market and pension fund market. In 2010 the Agency signed a Memorandum of Understanding regarding the insurance market supervision with the Insurance Supervision Agency of the Republic of Macedonia.

Pursuant to Article 18 of the Act on the Croatian Financial Services Supervisory Agency, which enables the Agency to be a member of international organisations responsible for supervision of financial institutions and markets, the Agency is a member of IOSCO (International Organisation of Securities Commissions) and IAIS (International Association of Insurance Supervisors). The Agency is also a member of the European Regional Committee and the Emerging Markets Committee. In 2010 the Agency's representatives actively participated in the work of both committees.

The Agency, as the signatory of IOSCO's Multilateral Memorandum of Understanding on consultations, cooperation and exchange of information, as well as on the basis of the bilateral agreements cooperates with financial market regulators, and exchanges information when supervision activities deem it necessary.

Prevention of Money Laundering and Terrorist Financing 8.2

The Agency continued carrying out measures from the Action Plan for the Prevention of Money Laundering and Terrorist Financing in 2010. Within the framework of these measures, the Agency had a consultative role in the activities of the Office for the Prevention of Money Laundering and Terrorist Financing (hereinafter: the Office) in giving opinions to the entities regulated by the Anti Money Laundering and Terrorist Financing Act (Official Gazette 87/08), which fall within the Agency's jurisdiction.

Also, the Agency continuously prepared data at the request of the Office for reports of the Government of the Republic of Croatia for the European Commission.

Representatives of the Agency continuously and actively participate in the meetings and activities of the Inter-institutional Working Group on the Prevention of Money Laundering and Terrorist Financing. The Agency also continues to successfully cooperate with all members of the working group.

The Agency is also a member and an active participant of the Standing Coordination Group for Monitoring of the Implementation of International Limitation Measures which is headed by the Ministry of Foreign Affairs and European Integration.

During 2010 the Agency prepared two reports for the elaboration of the situation regarding the prevention of money laundering and terrorist financing for the Croatian delegation participating in the work of MONEYVAL Committee (Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism). Also, the representatives of the Agency answered MONEYVAL's questionnaire on the situation regarding the prevention of money laundering and financing of terrorism in the insurance industry in Croatia.

The Agency participated in the preparation of the semi-annual Action plan for the prevention of money laundering and financing of terrorism for the purpose of reporting for the Government of the Republic of Croatia.

In cooperation with the Croatian Chamber of Economy, the Agency organised the education of regulated entities with respect to the Anti Money Laundering and Terrorist Financing Act. In order to ensure the full implementation of supervision in the prevention of money laundering and financing of terrorism, the Agency continued to educate its employees and organised a special workshop for its employees in the area of insurance supervision.

8.3 Activities of the Agency Related to the EU Accession Negotiations

After the negotiation of Chapter 9 – Financial Services was provisionally closed, in 2010 the Agency participated in the drafting of the Amendments of the Mandatory and Voluntary Pension Funds Act (Official Gazette 49/99, 63/00, 103/03, 177/04, 71/07 and 124/10), which fully aligned this act with the Directive 2003/41/EC of the European Parliament and the Council on the activities and the supervision of institutions for occupational retirement provision.

The Agency participated in the preparation of the report for the European Commission regarding the fulfilment of the obligations relating to the Negotiation of Chapter 9. The Agency also prepared a special report for the European Commission regarding the implementation of the recommendations given by the representatives or regulatory authorities of the EU member states (Peer assessment) which addressed the strengthening of administrative capacities as well as the introduction of certain procedures and methodologies in the area of supervision.

In 2010, the Agency participated in working meetings and the preparation of materials for two Subcommittees

based on the Stabilisation and Association Agreement between the European Union and the Republic of Croatia; the meeting of the Subcommittee for economic and financial issues and statistics which was held on 15 June 2010 and the Subcommittee for internal market, competition, trade, industry, duties and taxes which was held on 06 May 2010.

The Agency also participated in the preparation of the Programme of the Government of the Republic of Croatia for the Transposition and Implementation of the European Union acquis, where the emphasis was on activities of the Agency in the preparation for the implementation of Solvency II directive which will become applicable for insurance companies in 2013.

During 2010 the Agency also participated in the preparation of other documents related to the accession of the Republic of Croatia to the EU which included the document „Self-assessment on the progress of the Republic of Croatia in the process of the Accession to the European Union for 2010“ and the “Pre-accession Economic Programme from 2011 to 2013.”

Consumer Protection 8.4

The Agency continuously carries out activities with the aim of building up the confidence among participants of the financial market, increasing awareness of the public as well as the protection of consumers which use financial services, in line with regulatory framework from its jurisdiction and in line with the Agency's principle of reporting to the consumers.

With the aim of raising awareness and the level of financial education, in 2010 the Agency published an educational brochure „Leasing” which is available on the Agency's web site.

In 2010 the Agency carried out activities which were directed to increasing the level of financial education and awareness by creating a new web site RIPE or the Regulatory Information and Publication Service.

On RIPE service web site, the Agency publishes regulations, publications and statistics as well as news and educational texts, all with the aim of informing investors and the general public which use financial services.

During 2009 and 2010 the Agency also cooperated with the World Bank representatives in the drafting of the Report on Consumer Protection and Financial Literacy in the Republic of Croatia. The Agency also participated in the presentation of the World Bank report „Diagnostic overview of consumer protection and financial literacy” in May 2010.

The Agency monitors, analyses and undertakes measures for consumer protection, and in 2010 it made additional efforts regarding the procedure for receiving and resolving consumer complaints by enabling the consumer to deliver formal complaints via e-mail on potrosaci@hanfa.hr, in addition to regular filing of complaints via regular mail.

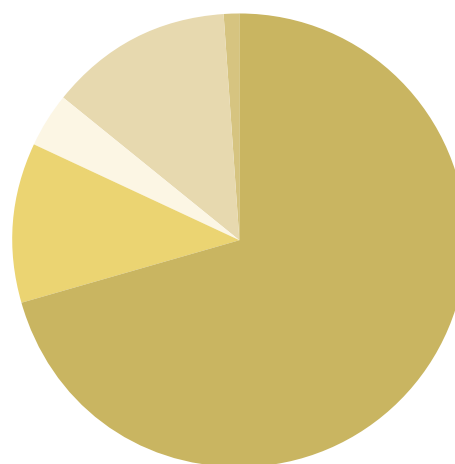
In 2010 the Agency received a total of 106 consumer complaints, out of which 75 complaints were related to the insurance market, 12 related to pension insurance, 14 related to the capital market, 4 related to leasing and 1 complaint related to other issues from the Agency's jurisdiction.

The structure of received complaints is given below.

Consumer Complaints Structure

Chart 8.4.1

70.76%	Insurance
11.32%	Pension insurance
3.77%	Leasing
13.21%	Capital market
0.94%	Other



Source: HANFA

Based on the consumer complaints in 2010, the Agency submitted a total of 19 prosecution propositions due to the fact that the Agency determined that there were irregularities in the conduct of insurance companies, namely the violation of Article 63 paragraph 5 point 3 and 4 of the Act on Compulsory Insurance within the Transport Sector (Official Gazette 151/05, 36/09 and 73/09) and Article 943 of the Law on Obligatory Relations (Official Gazette 35/05 and 41/08), relating to

the advance payment of the non-disputed part of liability as well as providing answers within the proscribed deadline whether the compensation requirement is grounded or not.

The number of consumer complaints for each supervised entity which the Agency received in 2010 is given below.

Table 8.4.1

Number of Consumer Complaints per Supervised Entity

Source: HANFA

Supervised entities	Complaints
Insurance companies:	
Euroherc osiguranje d.d.	18
Jadransko osiguranje d.d.	11
Allianz Zagreb d.d.	10
Croatia osiguranje d.d.	6
Triglav osiguranje d.d.	4
Hrvatska osiguravajuća kuća d.d.	4
UNIQA osiguranje d.d.	3
Kvarner Vienna Insurance Group d.d.	2
Helios Vienna Insurance Group d.d.	3
Grawe Hrvatska d.d.	2
Basler osiguranje Zagreb d.d.	2
Velebit osiguranje d.d.	1
Sunce osiguranje d.d.	1
Generali osiguranje d.d.	1
Insurance agencies:	
LIBRA CO d.o.o. Pula	1
Auto kuća Burić d.o.o.	1
IFA d.o.o.	5
Leasing companies:	
Impuls leasing d.o.o.	1
Unicredit leasing Croatia d.o.o.	1
Optima leasing d.o.o.	1
Hypo leasing Kroatien d.o.o.	1
Pension fund management companies:	
AZ d.o.o. društvo za upravljanje dobrovoljnim mirovinskim fondovima	1
Raiffeisen mirovinsko društvo za upravljanje dobrovoljnim mirovinskim fondovima d.o.o.	2
Investment fund management companies:	
ZB Invest d.o.o.	1
Pension insurance companies:	
Raiffeisen mirovinsko osiguravajuće društvo d.o.o.	9
Investment firms:	
Prva generacija d.o.o.	1
Dionica Brod d.o.o.	5
Credit Institutions:	
Privredna banka Zagreb d.d.	2
Issuers:	
Hotel Esplanade d.d.	1
Zagorje d.d. Varaždin	1
Zagrebačka pivovara d.d.	1
Institut za sigurnost d.d.	1
Konzum d.d.	1
Other:	
SKDD d.d.	1
Total	106

Education and examination programme for obtaining the permit or licence to conduct activities of a broker, investment advisor, certified pension fund manager and certified pension insurance company manager

8.5

Pursuant to the Capital Market Act (Official Gazette 88/08, 146/08 and 74/09) and pursuant to the Ordinance on the requirements for professional training and examination of professional knowledge required for obtaining the licence to carry out activities of a broker and investment adviser (Official Gazette 80/10), the Agency organizes and carries out the education programme and examinations for obtaining the licence to conduct the activities of a broker and investment advisor.

Pursuant to the Mandatory and Voluntary Pension Fund Act and the Ordinance on the contents and duration of the educational programme requirements for taking the examination and the examination procedure for certified pension fund managers and on licensing requirements and the validity of the certified pension fund manager (Official Gazette 6/11), the Agency organises and carries out the education programme and examinations for obtaining the licence of a certified pension fund manager.

The Agency also, organises and carries out the education programme and examinations for obtaining and examination of professional knowledge needed for obtaining the licence for performing the activities of a certified pension insurance company manager. This is done pursuant to the Act on Pension Insurance companies and Payment of Pension Annuities Based on Individual Capitalised Savings (Official Gazette 106/99, 63/00 and 107/07) and the Ordinance on the requirements for the acquisition and examination of professional knowledge needed to obtain a certified pension insurance company manager's licence (Official Gazette 80/10).

In 2010, the Agency organised the education programme needed for obtaining the licence of the certified pension fund manager and certified pension insurance company manager. 8 candidates attended each programme.

The education programme for obtaining professional knowledge needed to carry out activities of a broker and investment adviser was not carried out due to the insufficient number of candidates, in line with the Ordinance on the requirements for professional training and examination of professional knowledge required for obtaining the licence to carry out activities of a broker and investment adviser.

In 2010 the Agency carried out the examinations for professional knowledge needed to carry out activities of a broker and investment adviser, examinations needed to become a certified pension fund manager and certified pension insurance company manager.

The examination of professional knowledge needed to carry out activities of a broker was a written exam with 50 questions from the following 6 courses:

1. Quantitative methods
2. Introduction to financial reporting
3. Corporate management and corporate finance
4. Capital market and financial institutions
5. Securities analysis
6. Institutional framework of the capital market

The candidate passed the exam if he or she had answered correctly 60% of the questions from each course. Out of 83 candidates in the first examination term for brokers, 36 of them or 43.4% passed the exam, while the remaining 47 candidates did not pass.

The second examination term was organised for candidates which did not pass in the first term. Out of 32 candidates in the second examination term for brokers, 16 of them, or 50% passed the exam while the remaining 16 did not.

Persons that passed the broker exam may take the investment advisor exam.

The examination of professional knowledge needed to carry out activities of an investment advisor was also a written exam which consisted of the following 8 courses:

1. Quantitative methods
2. Economic policy
3. Introduction to financial reporting
4. Corporate management and corporate finance
5. Capital market and financial institutions
6. Portfolio theory
7. Securities analysis
8. Institutional framework of the capital market.

For those persons that passed the broker exam prior to 2009 in line with the earlier programme, the investment advisor exam consisted of all 8 courses, while the exam for persons that passed the exam after 1 January 2009, in line with the current program, consisted of 2 courses:

economic policy and portfolio theory.

A total of 57 candidates sat for the investment advisor examination in the first examination term, with 13 candidates having passed the broker examination according to the old programme before 1 January 2009, and 44 candidates having passed the examination based on the new programme after 1 January 2009.

Those candidates who sat for the 8 course examination took a written examination consisting of 60 questions divided in 8 parts. The candidates were considered to have passed the examination successfully provided that their score was at least 60% in each course. Out of a total of 13 candidates, 3 of them, or 23.08% passed, while the remaining 10 candidates failed.

The exam for candidates that had to pass two courses was in written form and consisted of 20 questions divided in 2 parts. Out of a total of 44 candidates, 40 of them, or 90.91% passed the examination successfully while the remaining 4 candidates did not.

A total of 7 candidates attended the second examination term for investment advisors, with 5 candidates taking the 8 course examination and 2 candidates taking the 2 course examination. Out of a total of 7 candidates, 6 of them, or 85.7% passed the exam.

Based on the above mentioned data, the total success rate in both first and second examination term for brokers was 62.7%, while the success rate for investment advisors was 86%.

A total of 8 candidates sat for the **examination of professional knowledge needed for obtaining the licence for conducting the activities of a certified pension fund manager**, out of which all 8 candidates passed the exam. The candidate passed the exam if he or she answered correctly 60% of the questions in each course.

The written examination consisted of 50 questions divided into the 6 following courses:

1. Regulatory and institutional framework of the pension fund market
2. Regulation and practice of pension fund industry
3. Capital market, financial institutions and corporate finance
4. Technical analysis
5. Accounting and introduction to financial reporting
6. Portfolio theory and statistics

Based on the above mentioned data, the total success rate in both first and second examination term was 100%.

A total of 8 candidates sat for the **examination of professional knowledge needed for obtaining the licence for conducting activities of a certified pension insurance company manager**, out of which 5 candidates, or 62.5% passed the exam. A second examination term was organised for candidates who failed the examination. Out of 3 candidates that took the examination all three candidates (100%) passed the exam.

The candidate passed the exam if he or she answered correctly 60% of the questions in each course.

The written examination consisted of 50 questions divided into 6 following courses:

1. Regulatory and institutional framework of pension insurance market
2. Croatian pension insurance
3. Capital market, financial institutions and corporate finance
4. Technical analysis
5. Accounting and statistics
6. Portfolio theory and actuarial science in pension insurance

The total success rate in both first and second examination term was 100%

The following table presents success rates in the first and second examination term:

Results of Examinations for Obtaining the Licence to Conduct Activities of Broker, Investment Adviser, Certified Pension Fund Manager and Certified Pension Insurance Company Manager

Table 8.5.1

	BROKER		INVESTMENT ADVISOR		CERTIFIED PENSION FUND MANAGER		CERTIFIED PENSION INSURANCE COMPANY MANAGER	
	candidates	passed %	candidates	passed %	candidates	passed %	candidates	passed %
FIRST TERM								
total attendance	83		57		8		8	
passed	36	43.4%	43	75.4%	8	100.0%	5	62.5%
failed	47	56.6%	14	24.6%	0	0.0%	3	37.5%
SECOND TERM								
total attendance	32		7				3	
passed	16	50.0%	6	85.7%			3	100.0%
failed	16	50.0%	1	14.3%			0	0.0%
PASSED OVERALL	52	62.7%	49	86.0%	8	100.0%	8	100.0%

Source: HANFA

Employee Education 8.6

The Agency continuously educates its employees through their attendance of seminars, workshops, conferences and consultations related to the Agency's scope of activities.

In the previous year, the Agency's employees participated in the following seminars:

- SEC 20th Annual International Institute for Securities Market Development, Washington, New York
- IOSCO European Regional Meeting, Paris
- IOCV-IOSCO 2011, Montreal
- Consultations on the Amendments to the Company Law, Zagreb
- Croatian Money Market Conference, Opatija
- Regional Capital Market- New Opportunities, Belgrade
- Croatian Economic Policy in 2010, Opatija
- Miločer Development Forum, Miločer
- IOSCO Emerging Markets Committee, Istanbul
- Certificates, Zagreb
- Zagreb Stock Exchange Conference, Šibenik
- "Croatian Insurance Days" Conference, Zadar
- Fund Industry Conference, Split
- Financial Statements of the Non-profit Organisations, Zagreb
- Sick Leave and Maternity Leave Compensation, Zagreb
- Application of New Labour Act, Zagreb
- Public Procurement Act – New Regulatory and Implementation Developments, Zagreb
- WinDays10, Rovinj
- Cisco Expo 2010, Split
- Open Source Computer System Days-Linux, Zagreb
- Installing and Configuring Windows 7 Client, Zagreb
- Microsoft Official Course 70-432: Microsoft SQL Server 2008, Implementation and Maintenance, Zagreb
- Database Development, Designing Database Solutions, Business Intelligence Dev., Zagreb
- Information Security 2010, Zagreb
- 6234: Implementing and Maintaining Microsoft SQL Server 2008 Analysis Services, Zagreb
- Anticorruption Activities, Zagreb
- Act on Amendments to the Companies Act, Zagreb
- Consultations on Amendments to the Company Law, Zagreb
- Seminar on Recent Developments in Legal Proceedings, Zagreb
- 18th Consultations and Processing and Liquidation of Car Damages-HUO, Opatija
- Toronto Securities Program, Toronto
- The Administrative Procedure Act, Zagreb
- Derivatives Market, Zagreb
- The Application of Court Register Act and Accompanying Secondary Legislation on Companies, Zagreb
- Criminal Law Developments, Zagreb

- Reinsurance Fundamentals, Zagreb
- Basic Insurance Seminar III, Zagreb
- Croatian Quants Day 2010, Zagreb
- Seminar for Insurance Supervisors in Central and Eastern Europe, Belgrade
- Consolidation of Financial Reports, Zagreb
- Company Risk Assessment based on the Credit Rating Model – Croatian Banking and Insurance Institute, Zagreb
- Seminar on Combating Terrorism, Money Laundering and the Financing of Terrorism, Vienna
- Invisibilities within the most visible, Brussels
- Supervisory College Vienna Insurance Group, Vienna
- 13th Consultations for Internal Audits and Controls, Vodice
- Solvency II, Zagreb
- Expert training and the Exam for the Licenced Internal Auditor 2010, Zagreb
- Net Currency Exposure of the Balance Sheet, Zagreb
- Reservations, Zagreb
- Management System and Risk Reporting in the Leasing Industry, Zagreb
- FSI Connect Tutorial, on-line
- Decision on Risk Management with Special Emphasis on Operational Risk, Zagreb
- IOSCO-Examination, Investigation, and Litigation of Insider Trading and Market Manipulation, Istanbul
- Regional Economic Integration, 2nd Annual Conference, Beograd
- Private Equity, Zagreb
- Fundamental Analysis, Zagreb
- FSA Risk Management Symposium, London
- Alternative Investment Analysis, Skopje.

Judicial Proceedings 9

The Agency regularly participates in judicial proceedings as the authorized prosecuting authority in misdemeanor proceedings, and as a respondent in administrative proceedings concerning lawsuits against administrative acts of the Agency. The Agency is authorized to conduct prosecuting actions for those misdemeanours regulated within the scope of its public authorities, and during these proceedings the Agency takes on actions for which it is legally authorized to perform by a person delegated as its representative. As the acts issued by the Agency are definitive, and administrative proceedings may be initiated against these acts, the Agency is a party in the administrative proceedings and regularly participates in these proceedings by providing a response to the lawsuit and by submitting the Agency's documents and files to the Administrative Court of the Republic of Croatia at its request.

In accordance with the provisions regulating criminal procedures, the Agency brings criminal charges to the State Attorney's Office in cases when it has knowledge that a criminal offence that is prosecuted by official duty has occurred.

With aim to initiate the measures for efficient functioning of the financial market and informing the public, the Agency publishes on its website valid court decisions

in misdemeanour and administrative court proceedings where the Agency is a party in the process. Complete court decisions with certain data on parties and their representatives and agents are crossed out and made illegible for the purpose of protecting personal data and identity rights. The principles on anonymisation as regulated within the Instruction on the method of anonymisation of court decisions and Rules on anonymisation of court decisions by the Supreme Court of the Republic of Croatia are taken into account and are respected in this manner. Article 15, point 5 of the Act on the Croatian Financial Services Supervisory Agency (Official Gazette 140/05) stipulates that, in the performance of its public authorities, the Agency is authorized to encourage, organise and supervise measures for the effective functioning of the financial markets, and point 7 of the same Article regulates that the Agency has authority to inform the public of principles according to which the financial market operates.

In addition, this manner of publishing court decisions in proceedings where the Agency acts as the party also ensures and enables the right of access to information for all legal and natural persons, constantly and under equal conditions.

Misdemeanour Proceedings 9.1

While performing its supervisory activities in the areas of capital market, insurance and leasing, the Agency determined the occurrence of misdemeanours regulated by the Act on Takeover of Joint Stock Companies (Official Gazette 84/02, 87/02, 120/02 and 02/07, and Official Gazette 109/07 and 36/09), the Capital Market Act (Official Gazette 88/08, 146/08 and 74/09), the Anti Money Laundry and Terrorism Financing Act (Official Gazette 87/08), the Insurance Act (Official Gazette 151/05, 87/08 and 82/09), the Act on

Compulsory Insurance Within Transport Sector (Official Gazette 151/05, 36/09 and 75/09), the Leasing Act (Official Gazette 135/06) and the Accounting Act (Official Gazette 109/07), and in accordance with its authorities, in 2010 brought a total of 52 prosecution propositions to authorized misdemeanour courts and to the Financial Inspectorate (for misdemeanours referred to in the Act on Prevention of Money Laundry and Terrorism Financing).

Table 9.11

Overview of Prosecution Propositions in 2010

Source: HANFA

Area	Act	Number of prosecution propositions
CAPITAL MARKET	Act on Takeover of Joint Stock Companies	6
	Capital Market Act	2
	Act on Prevention of Money Laundry and Terrorism Financing	2
	Total	10
INSURANCE	Act on Compulsory Insurance Within the Transport Sector	28
	The Insurance Act	9
	The Insurance Act and the Accounting Act	2
	Total	39
LEASING	The Leasing Act	1
	The Leasing Act and the Accounting Act	1
	Act on Prevention of Money Laundry and Terrorism Financing	1
	Total	3
Total number of prosecution propositions in 2010		52

Since its establishment on 1 January 2006 until 31 December 2010, the Agency brought a total of 420 prosecution files for initiating misdemeanour

proceedings. In 2010, the Agency actively participated as the authorised prosecuting authority in cases which were initiated earlier.

9.1.1 Capital Market

While performing its supervisory activities, the Agency determined the occurrence of misdemeanours in the area of capital market, so in 2010 the Agency brought a total of 8 prosecution propositions against persons committing misdemeanours, with 6 propositions related to acts referred to in the Act on Takeover of Joint Stock Companies and 2 propositions related to acts referred to in the Capital Market Act. In addition, while supervising the capital market, the occurrence of misdemeanours referred to in the Anti Money Laundry and Terrorism Financing Act, resulting in 2 prosecution propositions being submitted to the Financial Inspectorate as the authorized state authority for misdemeanour proceedings in the first degree. Prosecution propositions related to misdemeanours referred to in the Act on Takeover of Joint Stock Companies were brought against 10 legal persons and 10 authorised persons, as well as against 13 natural persons, as they had neither submitted, without delay, the notice on the occurrence of obligation to publish the takeover bid to the Agency, to the company in question and the Zagreb Stock Exchange, nor did it publish the

same notice or did it submit a request for approval of the publishing of the takeover bid within 30 days since the day the obligation to publish the takeover bid had occurred. Prosecution propositions were also submitted due to misdemeanours referred to in the Capital Market Act- market manipulation, as well as for starting new business activities related to providing investment services after the operating licence had been revoked. Prosecution propositions were submitted to the Financial Inspectorate against 2 legal persons and 4 responsible persons due to the non-application of the following: use of the indicators list while determining the grounds for suspicion concerning money laundry or terrorism financing, performing due diligence and/or strengthened analysis of the party, nominating a responsible person for performing activities or detecting and preventing money laundry and terrorism financing, bringing an internal document on determining measures, performing actions and procedures aimed at the prevention and detection of money laundry and terrorism financing.

9.1.2 Insurance Market

Out of 52 submitted prosecution proposals in 2010, 28 referred to acts regulated by the Act on compulsory Insurance Within the Transport Sector - not applying

the legal provisions on submitting the reasoned offer for claim remuneration, that is, grounded response within the legally stipulated timeframe and payment of the

amount of indisputable part of claim within the legally stipulated timeframe (21 propositions), and concluding the insurance contract contrary to the provisions of this act and insurance terms, that is, tariff list of the insurance premiums (7 propositions). Prosecution propositions were submitted against a total of 6 insurance companies and their responsible persons.

In addition, in the insurance area the Agency brought 9 prosecution propositions due to violations of provisions of the Insurance Act, and 2 prosecution propositions due to violations of provisions of the Insurance Act and the Accounting Act. Out of 9 propositions related to the Insurance Act, 2 referred to misdemeanour proceedings against 1 insurance and reinsurance brokerage company and its responsible persons as they demanded payment of commission fees, contrary to the provisions of the Insurance Act. Other prosecution propositions referred

to misdemeanour proceedings against 8 insurance companies and responsible persons in these companies. These related to facts that insurance companies did not invest their assets for covering mathematical and technical reserves in accordance with the provisions of the Insurance Act, members of the management board of the insurance company did not meet their obligation to ensure the monitoring of risks and adoption of appropriate measures for risk limitations and prescribe methods for conducting these activities, as well as the marketing of the insurance company was conducted contrary to the provisions of the Insurance Act. Misdemeanours related to the accounting area referred to the violation of obligation to apply the International Financial Reporting Standards and violation of obligation to maintain business books pursuant to the provisions of the Accounting Act.

9.1.3 Leasing

While performing its supervisory activities over leasing companies, the Agency determined that misdemeanours referred to in the Leasing Act, the Act on Prevention of Money Laundry and Terrorism Financing and the Accounting Act had occurred, and brought 3 prosecution propositions. The Agency brought prosecution propositions against 2 legal persons and 4 responsible persons as they did not prepare leasing contracts in written form, respect the obligations of the members of the management board of the leasing company for monitoring and managing risk, apply the

International Financial Reporting Standards. Due to the fact that none of the following had been fulfilled: nomination of an authorized responsible person for performing activities or detecting and preventing money laundry and terrorism financing, bringing an internal document on determining measures, performing actions and procedures aimed at the prevention and detection of money laundry and terrorism financing, the Agency submitted a prosecution proposition against a legal person and its responsible persons to the Financial Inspectorate.

Administrative Proceedings

9.2

In 2010, a total of 23 administrative proceedings were initiated against administrative acts issued by the Agency (resolutions and decisions), by submitting complaints to the Administrative Court of the Republic of Croatia, the Agency provided responses and submitted the requested files, containing decisions by the Agency which were complained against, to the Administrative Court of the Republic of Croatia, in accordance with the Law on Administrative proceedings (Official Gazette 53/91, 9/92 and 77/92). Out of 23 administrative proceedings, 20 referred to the capital market, with 19 concerning the obligation to publish

the takeover bid for joint stock companies and 1 due to supervising of trading with securities. The remaining 3 proceedings referred to the insurance market as follows: 1 for issuing authorization to perform activities of insurance representation, 1 for issuing a licence to perform activities of insurance representation, and 1 for revoking a licence and authorization to perform activities of insurance and reinsurance brokerage. In 2010, no administrative proceedings were initiated against the Agency on the grounds that the Agency would not issue an appropriate legal act at the party's request (so called "administrative silence").

9.3 Criminal Charges

While performing its regular activities, the Agency found a basis of reasonable doubt for a number of criminal offences (a total of 30) which had occurred, and consequently submitted 3 criminal charges against 17 persons (15 natural and 2 legal persons being suspected). The criminal offences in question were regulated by the Criminal Act (Official Gazette 110/97, 27/98, 50/00, 51/01, 105/04, 84/05, 71/06, 110/07 and 152/08) and cover negligent conduct while performing business activities, conclusion of a disadvantageous contract, counterfeiting official documents, abuse of

official duty and authority; and Act on Criminal Offences Against the Capital Market Act (Official Gazette 152/08) specifically unauthorized performance of activities of a tied agent, and all related to the Act on Responsibility of Legal Persons for Criminal Offences (Official Gazette 151/03, 110/07).

Since its establishment on 1 January 2006 until 31 December 2010, the Agency submitted a total of 37 criminal offences to the authorized State Attorney's Office.

Financial Report of the Agency 10

The Croatian Financial Services Supervisory Agency started with its activities on 1 January 2006 on the basis of the Act on the Croatian Financial Services Supervisory Agency (Official Gazette 140/05) as the legal successor of the Croatian Securities Commission, the Agency for Supervision of Pension Funds and Insurance and the Directorate for Supervision of Insurance Companies.

The Registry number (MB) of the Agency is 02016419, the Personal Identification Number (OIB) of the Agency is 49376181407. The Activity code of the Agency is 8411, and the address is Miramarska 24b, Zagreb.

The Agency is entered in the register of non-profit organisations under number 80152.

Pursuant to the provisions of Article 18 of the Statute of the Agency, the Agency maintains its business books in accordance with the legislation regulating book-keeping of non-profit organisations, as it is financed by fees from assets and revenues of supervised entities and by fees charged for provision of services falling within the Agency's scope of activity.

According to the provisions of Article 20 of the Act on the Croatian Financial Services Supervisory Agency, the Agency may be financed:

- by the State Budget,
- by fees from assets and revenue of supervised entities, and
- by fees charged for provision of services falling within the Agency's scope of activity.

During 2010, the Agency did not use State Budget funds to finance its operations as it generated income exclusively on the basis of own income in accordance with the provisions of the Ordinance on the type and level of fees and administrative charges of the Croatian Financial Services Supervisory Agency for the year 2010 (Official Gazette, 155/09) and the Ordinance on the calculation, level and charging of fees paid to the Croatian Financial Services Supervisory Agency for the year 2010 (Official Gazette 155/09).

Pursuant to a Decision (Class: 011-02/09-04/70, Reg. no.: 326-01-10-2) issued by the Agency on 23 September 2010, supervised entities referred to in Article 2, paragraph 1 of the Ordinance on the calculation, level and charging of fees paid to the Croatian Financial Services Supervisory Agency for the year 2010, were exempted from paying fees to the Agency for the period 1 October 2010 - 31 December 2010.

Income and Expenditure Account of the Agency for 2010 (in HRK)

Table 10.1

INCOME- TOTAL	41,748,356
Income by special regulations from other sources	40,232,885
Income from interest rate from deposited assets on a vista deposits	1,423,471
Income from refunds	30,300
Income from selling long-term assets	61,700
EXPENDITURE- TOTAL	34,840,530
Staff costs	25,279,109
Net salaries, taxes and contributions from salaries	21,136,273
Other staff-related expenditures	495,395
Contributions on salaries	3,647,441
Material expenditure	9,016,806
Remuneration for staff costs	1,281,057
Remuneration to members in representative and executive bodies and committees	92,000
Remuneration to persons without working status	328,343
Remuneration for services	5,899,528
Remuneration for materials and energy	919,557
Other non-mentioned material expenses	496,321
Depreciation costs	460,692
Financial expenditure	23,438
Donations	56,893
Other expenditures for staff	3,592

Source: HANFA

The Decree on accounting of non-profit organisations (Official Gazette 10/08 and 7/09) regulates that both tangible and intangible assets are not entered as expenditures at sale, and that only depreciation costs are entered as expenditures. A total of HRK 462.865 was invested in acquiring tangible and intangible assets. In alignment with these provisions, the Agency, as a

non-profit organization, generated surplus of income over expenditure in the current year in the amount of HRK 6.9 million.

In accordance with the decision by the Management Board, the surplus of income shall be used for business activities in 2011.

Table 10.2

Balance Sheet of the Agency for 2010 (in HRK)

Source: HANFA

ASSETS	
Non-produced long-term assets	2,120,530
Produced long-term assets	2,612,463
Financial assets	39,829,882
TOTAL ASSETS	44,562,875
LIABILITIES	
Sources of financing	41,913,878
Obligations	2,648,997
TOTAL LIABILITIES	44,562,875

As at 31 December 2010, total assets amounted to HRK 44.56 million, with HRK 4.73 million referring to non-financial assets and the remaining HRK 39.83 million referring to current assets.

In the total assets of the Agency, the share of financial assets was 89.38%, and the remaining 10.62% referred to non-financial assets.

Appendix 11

Statistical Overview 11.1

Number of Investment Funds (end of period)

Table A1

	2006	2007	2008	2009	2010
Open-end investment funds	72	100	126	130	131
- with a public offering	62	83	98	103	101
Cash	15	15	17	20	19
Bond	14	14	14	10	9
Balanced	18	18	19	20	20
Equity	15	36	48	53	53
- with a private offering	9	16	26	25	23
Cash			1	3	3
Bond	1	1	1	1	1
Balanced	6	6	9	10	9
Equity	2	9	15	11	10
- Open-end venture capital funds	1	1	2	2	7
Closed-end investment funds	7	9	11	10	8
- with a public offering	4	4	4	4	4
- with a public offering with investments into real estate	3	5	7	6	4

Source: HANFA

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

Table A2

	2006	2007	2008	2009	2010
Open-end investment funds	16,038,989	30,056,247	9,890,231	12,034,941	13,674,365
- with a public offering	15,719,074	29,017,625	9,322,244	11,406,884	13,007,723
Cash	4,274,744	4,140,206	3,907,382	6,044,826	6,859,559
Bond	1,138,589	674,073	510,977	554,761	1,180,904
Balanced	5,994,698	10,022,402	2,150,291	1,929,278	1,945,398
Equity	4,311,043	14,180,944	2,753,595	2,878,020	3,021,862
- with a private offering	319,915	1,038,621	567,986	628,057	666,642
Cash			8,398	84,803	96,587
Bond	78,927	103,466	78,269	82,192	89,105
Balanced	163,908	276,994	150,697	149,317	150,901
Equity	77,079	658,162	330,623	311,745	330,049
Closed-end investment funds	2,443,431	3,682,360	1,895,576	1,840,765	1,917,555
- with a public offering	2,280,197	3,299,808	1,298,848	1,309,651	1,402,567
- with a public offering (real estate)	163,235	382,552	596,729	531,114	514,989

Source: HANFA

Table A3

Investment Structure of Open-end Investment Funds with a Public Offering as at 31 December 2010 (in HRK thousand)

Source: HANFA

Type of assets	Cash	Bond	Balanced	Equity	Total
Cash	166,739	115,218	134,015	132,785	548,757
Receivables	141,759	2,018	10,738	22,462	176,978
Securities and deposits	6,688,238	1,129,592	1,830,857	2,917,189	12,565,876
Domestic	6,688,238	852,091	1,077,317	1,067,705	9,685,352
Shares and GDRs	0	0	406,669	748,639	1,155,308
Government bonds	154,396	314,407	149,164	2,754	620,722
Municipal bonds	1,534	12,221	3,869	0	17,625
Corporate bonds	232,086	149,967	239,828	91,432	713,313
Closed-end investment funds	0	0	2,638	2,040	4,677
Open-end investment funds	65,826	1,436	44,204	54,251	165,716
Short-term securities	2,919,684	195,346	53,057	9,801	3,177,887
Deposits	3,314,712	178,714	177,889	158,789	3,830,104
Foreign	0	277,501	753,539	1,849,484	2,880,524
Shares	0	0	419,318	1,545,433	1,964,751
Government bonds	0	161,986	50,315	18,737	231,037
Municipal bonds	0	0	0	0	0
Corporate bonds	0	62,942	100,549	58,144	221,635
Closed-end investment funds	0	0	10,682	37,243	47,925
Open-end investment funds	0	34,701	165,518	189,927	390,146
Short-term securities	0	17,873	7,157	0	25,030
Deposits	0	0	0	0	0
Other assets	0	0	18	0	18
TOTAL ASSETS	6,996,736	1,246,828	1,975,628	3,072,437	13,291,629
TOTAL LIABILITIES	137,178	65,924	30,230	50,574	283,906
Net Assets	6,859,559	1,180,904	1,945,398	3,021,862	13,007,723
DERIVATIVES	2,368	256	164	373	3,160
REPURCHASE AGREEMENTS	136,865	0	3,006	0	139,871

Number of Pension Funds (end of period)

Table B1

	2006	2007	2008	2009	2010
Mandatory pension funds	4	4	4	4	4
Open-end voluntary pension funds	6	6	6	6	6
Closed-end voluntary pension funds	10	12	15	15	15
Total	20	22	25	25	25

Source: HANFA

Pension Funds' Membership (end of period)

Table B2

	2006	2007	2008	2009	2010
Mandatory pension funds	1,322,010	1,395,693	1,475,729	1,522,149	1,561,454
Open-end voluntary pension funds	75,161	103,923	127,738	146,410	169,851
Closed-end voluntary pension funds	10633	11,943	17,285	17,733	17,618
Total	1,407,804	1,511,559	1,620,752	1,686,292	1,748,923

Source: HANFA,
REGOS

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

Table B3

	2006	2007	2008	2009	2010
Mandatory pension funds	15,919,423	21,001,886	22,590,933	29,264,636	36,328,054
Open-end voluntary pension funds	397,335	692,810	799,665	1,144,809	1,472,212
Closed-end voluntary pension funds	60,303	119,082	148,378	218,343	287,794
Total	16,377,061	21,813,778	23,538,977	30,627,788	38,088,061

Source: HANFA

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

Table B4

Type of assets	2006	2007	2008	2009	2010
DOMESTIC ASSETS	14,588,033	20,297,532	20,920,792	26,572,709	32,580,847
Securities and deposits	14,313,666	19,947,365	20,633,823	26,181,820	32,396,114
Shares and GDRs	851,845	3,127,776	2,529,825	3,909,073	5,740,135
Government bonds	11,447,577	13,484,885	15,937,982	16,716,518	23,776,543
Municipal bonds	62,810	76,277	81,448	79,044	73,539
Corporate bonds	476,121	451,259	732,269	1,108,541	1,219,992
Closed-end investment funds	0	0	56,909	69,272	67,927
Open-end investment funds	1,147,996	2,543,021	373,285	1,031,757	550,914
Short-term securities	11,682	21,792	290,562	2,025,358	349,407
Deposits	315,635	242,354	631,543	1,242,256	617,655
Cash	138,521	232,527	265,500	375,189	111,361
Receivables	135,845	117,641	21,470	15,700	73,372
FOREIGN ASSETS	1,456,965	904,867	1,696,084	2,790,856	4,348,910
Shares and GDRs	218,338	689,226	481,446	763,268	1,858,651
Government bonds	232,649	0	307,489	1,253,393	444,719
Municipal bonds	0	0	0	0	0
Corporate bonds	183,122	42,114	475,845	60,764	49,968
Closed-end investment funds	0	0	0	0	0
Open-end investment funds	822,855	173,527	431,303	713,432	1,995,571
Short-term securities	0	0	0	0	0
Deposits	0	0	0	0	0
TOTAL ASSETS	16,044,997	21,202,399	22,616,876	29,363,566	36,929,757
Net assets	15,919,423	21,001,886	22,590,933	29,264,636	36,328,054

Source: HANFA

Table B5

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

Source: HANFA

Type of assets	2006	2007	2008	2009	2010
DOMESTIC ASSETS	392,823	687,823	744,502	981,424	1,283,511
Securities and deposits	376,158	648,184	727,049	962,589	1,255,358
Shares and GDRs	32,619	161,645	108,508	175,224	194,391
Government bonds	212,871	313,900	362,484	332,125	743,175
Municipal bonds	1,788	553	4,213	6,702	4,616
Corporate bonds	51,753	9,978	82,256	126,170	158,974
Closed-end investment funds	0	0	3,061	3,283	5,403
Open-end investment funds	50,457	144,684	9,031	102,878	31,654
Short-term securities	0	0	66,323	143,136	38,575
Deposits	26,669	17,424	91,172	73,071	78,571
Cash	14,623	38,956	17,290	15,778	27,618
Receivables	2,042	683	164	3,057	534
FOREIGN ASSETS	22,818	28,501	60,173	167,962	194,660
Shares and GDRs	1,889	12,886	16,359	63,878	125,216
Government bonds	0	699	32,786	55,403	0
Municipal bonds	0	0	0	0	0
Corporate bonds	0	0	0	11,156	0
Closed-end investment funds	0	0	0	0	0
Open-end investment funds	20,930	14,916	11,027	37,526	69,444
Short-term securities	0	0	0	0	0
Deposits	0	0	0	0	0
TOTAL ASSETS	415,641	716,324	804,675	1,149,386	1,478,171
Net assets	397,335	692,810	799,665	1,144,809	1,472,212

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

Table B6

Source: HANFA

Type of assets	2006	2007	2008	2009	2010
DOMESTIC ASSETS	59,099	118,447	140,654	199,109	264,478
Securities and deposits	55,322	111,222	128,886	196,308	256,718
Shares and GDRs	3,852	23,649	11,803	20,880	26,180
Government bonds	30,115	41,643	60,146	53,846	149,603
Municipal bonds	252	133	94	243	85
Corporate bonds	5,725	6,693	12,370	19,222	21,485
Closed-end investment funds	0	0	0	0	0
Open-end investment funds	13,490	30,999	8,427	27,531	26,855
Short-term securities	0	209	18,654	50,529	13,060
Deposits	1,887	7,896	17,391	24,056	19,450
Cash	3,438	6,359	8,971	2,363	7,741
Receivables	339	867	2,798	438	19
FOREIGN ASSETS	2,506	3,403	9,997	19,599	23,744
Shares and GDRs	0	2,262	1,863	11,926	22,112
Government bonds	0	0	7,035	5,459	0
Municipal bonds	0	0	0	0	0
Corporate bonds	0	0	0	1,159	0
Closed-end investment funds	0	0	0	0	0
Open-end investment funds	2,506	1,140	1,099	1,055	1,632
Short-term securities	0	0	0	0	0
Deposits	0	0	0	0	0
TOTAL ASSETS	61,604	121,850	150,651	218,707	288,222
Net assets	60,303	119,082	148,378	218,343	287,794

Share of Insurance and Reinsurance Companies' Assets in Total Assets (in HRK thousand)

Table CI

INSURANCE AND REINSURANCE COMPANIES	31 Dec 2009			Share in assets of all companies	31 Dec 2010			Share in assets of all companies	Index 2010/2009
	Life	Non-life	Total		Life	Non-life	Total		
1									
Agram životno osiguranje d.d.	1,179,868		1,179,868	4.23%	1,352,801		1,352,801	4.49%	114.66
Allianz Zagreb d.d.	1,674,022	1,094,377	2,768,399	9.92%	1,897,295	1,205,638	3,102,933	10.30%	112.08
Basler osiguranje d.d.		76,515	76,515	0.27%				0.00%	-
Basler osiguranje Zagreb d.d.	1,429,943	420,587	1,850,531	6.63%	1,624,354	488,918	2,113,272	7.02%	114.20
Basler životno osiguranje d.d.	167,660		167,660	0.60%				0.00%	-
Cardif osiguranje d.d.		66,695	66,695	0.24%			103,707	0.34%	155.49
Cosmopolitan Life VIG d.d.	350,245		350,245	1.25%				0.00%	-
Croatia osiguranje d.d.	1,878,564	5,756,538	7,635,102	27.35%	2,037,490	5,723,000	7,760,490	25.77%	101.64
Croatia zdravstveno osiguranje d.d.		122,387	122,387	0.44%			117,044	0.39%	95.63
Erste osiguranje VIG d.d.	246,829		246,829	0.88%	329,918		329,918	1.10%	133.66
Euroherc osiguranje d.d.		2,556,871	2,556,871	9.16%		2,717,353	2,717,353	9.02%	106.28
Generali osiguranje d.d.	435,208	252,827	688,035	2.46%	509,830	285,452	795,282	2.64%	115.59
Grave Hrvatska d.d.	1,922,012	354,202	2,276,214	8.15%	2,101,093	373,475	2,474,568	8.22%	108.71
Helios VIG d.d.	429,983	176,185	606,169	2.17%	832,846	197,681	1,030,527	3.42%	170.01
HOK osiguranje d.d.		200,212	200,212	0.72%		254,553	254,553	0.85%	127.14
Hrvatsko kreditno osiguranje d.d.				-		39,779	39,779	0.13%	-
Izvor osiguranje d.d.				-		41,129	41,129	0.14%	-
Jadransko osiguranje d.d.		1,637,530	1,637,530	5.86%		1,707,798	1,707,798	5.67%	104.29
KD životno osiguranje d.d.	28,897		28,897	0.10%	32,718		32,718	0.11%	113.22
Kvarner VIG d.d.	1,014,605	531,118	1,545,723	5.54%	1,147,172	593,637	1,740,809	5.78%	112.62
Merkur osiguranje d.d.	1,614,101	91,906	1,706,007	6.11%	1,788,377	91,722	1,880,099	6.24%	110.20
Societe Generale osiguranje d.d.	49,739		49,739	0.18%	63,390		63,390	0.21%	127.45
Sunce osiguranje d.d.		364,203	364,203	1.30%		379,561	379,561	1.26%	104.22
Triglav osiguranje d.d.	293,627	553,688	847,315	3.03%	336,162	584,023	920,185	3.06%	108.60
Unica osiguranje d.d.	467,983	218,624	686,607	2.46%	572,619	253,827	826,446	2.74%	120.37
Velebit osiguranje d.d.		100,669	100,669	0.36%		123,089	123,089	0.41%	122.27
Velebit životno osiguranje d.d.	59,588		59,588	0.21%	56,177		56,177	0.19%	94.28
Victoria osiguranje d.d.		31,897	31,897	0.11%		32,376	32,376	0.11%	101.50
Victoria životno osiguranje d.d.	70,904		70,904	0.25%	118,669		118,669	0.39%	167.37
Allianz reosiguranje d.d.		26,218	26,218	2.96%		24,590	24,590	2.87%	93.79
Croatia Lloyd d.d.		859,693	859,693	97.04%		830,727	830,727	97.13%	96.63
TOTAL insurance companies	13,313,778	14,607,033	27,920,811	100.0%	14,800,911	15,313,763	30,114,674	100.0%	107.86
TOTAL reinsurance companies		885,911	885,911	100.0%		855,317	855,317	100.0%	96.55
TOTAL	13,313,778	15,492,944	28,806,722	100.0%	14,800,911	16,169,080	30,969,991	100.0%	107.51

Source: HANFA

Table C2

Overview of Gross Written Premium of life and non-life insurance (in HRK thousand)

Source: HANFA

INSURANCE AND REINSURANCE COMPANIES	LIFE INSURANCE			Share in premium of all companies in %			NON-LIFE INSURANCE			Share in premium of all companies in %			TOTAL			Share in premium of all companies in %		
	1 Jan 2009 - 31 Dec 2009	1 Jan 2010 - 31 Dec 2010	Index 2010/2009	1 Jan 2009 - 31 Dec 2009	1 Jan 2010 - 31 Dec 2010	Index 2010/2009	1 Jan 2009 - 31 Dec 2009	1 Jan 2010 - 31 Dec 2010	Index 2010/2009	1 Jan 2009 - 31 Dec 2009	1 Jan 2010 - 31 Dec 2010	Index 2010/2009	1 Jan 2009 - 31 Dec 2009	1 Jan 2010 - 31 Dec 2010	Index 2010/2009	1 Jan 2009 - 31 Dec 2009	1 Jan 2010 - 31 Dec 2010	Index 2010/2009
	2	3	4 (6/2)	5	6	7	8	9 (8/7)	10	11	12 (2+7)	13 (3+8)	14 (13/12)	15	16			
1																		
Agram životno osiguranje d.d.	227,755	206,703	90.8	9.15	8.41				0.00	0.00			227,755	206,703	90.76	2.42	2.24	
Allianz Zagreb d.d.	336,532	345,717	102.7	13.52	14.07	649,245	638,251	98.31	9.39	9.42	983,968	99.82	985,777	983,968	99.82	10.48	10.65	
Basler osiguranje d.d.				0.00	0.00	28,189			0.41	0.00			28,189			0.30	0.00	
Basler osiguranje Zagreb d.d.	179,211	196,253	109.5	7.20	7.99	191,684	212,759	110.99	2.77	3.14	370,895	110.28	370,895	409,012	110.28	3.94	4.43	
Basler životno osiguranje d.d.	49,819			2.00	0.00				0.00	0.00	49,819		49,819			0.53	0.00	
Cardif osiguranje d.d.				0.00	0.00	35,502	65,239	183.76	0.51	0.96	35,502	183.76	35,502	65,239	183.76	0.38	0.71	
Cosmopolitan Life VIG d.d.	87,443			3.51	0.00				0.00	0.00	87,443		87,443			0.93	0.00	
Croatia osiguranje d.d.	356,410	345,215	96.9	14.32	14.05	2,673,076	2,550,202	95.40	38.65	37.63	3,029,486	95.57	3,029,486	2,895,417	95.57	32.21	31.35	
Croatia zdravstveno osiguranje d.d.	88,820	106,756	120.2	3.57	4.34	97,006	97,208	100.21	1.40	1.43	97,006	100.21	97,006	97,208	100.21	1.03	1.05	
Erste osiguranje VIG d.d.				0.00	0.00	1,043,612	1,002,519	96.06	15.09	14.79	1,043,612	96.06	1,043,612	1,002,519	96.06	11.10	10.86	
Euroherc osiguranje d.d.	106,425	114,766	107.8	4.28	4.67	165,629	186,443	112.57	2.39	2.75	272,054	110.72	272,054	301,209	110.72	2.89	3.26	
Generali osiguranje d.d.	259,009	246,510	95.2	10.41	10.03	157,419	151,874	96.48	2.28	2.24	416,428	95.67	416,428	398,384	95.67	4.43	4.31	
Grawe Hrvatska d.d.	52,805	128,589	243.5	2.12	5.23	46,991	46,233	98.39	0.68	0.68	99,796	175.18	99,796	174,822	175.18	1.06	1.89	
Helios VIG d.d.				0.00	0.00	145,128	165,469	114.02	2.10	2.44	145,128	114.02	145,128	165,469	114.02	1.54	1.79	
HOK osiguranje d.d.				0.00	0.00		1,551		0.00	0.02			1,551			0.00	0.02	
Hrvatsko kreditno osiguranje d.d.				0.00	0.00				0.00	0.00						0.00	0.00	
Izvor osiguranje d.d.				0.00	0.00				0.00	0.00						0.00	0.00	
Jadransko osiguranje d.d.				0.00	0.00	661,051	641,345	97.02	9.56	9.46	661,051	97.02	661,051	641,345	97.02	7.03	6.94	
KD životno osiguranje d.d.	4,246	8,248	194.3	0.17	0.34				0.00	0.00	4,246		4,246	8,248	194.25	0.05	0.09	
Kvarner VIG d.d.	214,029	211,394	98.8	8.60	8.60	326,507	300,026	91.89	4.72	4.43	540,536	94.61	540,536	511,420	94.61	5.75	5.54	
Merkur osiguranje d.d.	264,198	259,344	98.2	10.62	10.55	31,740	31,054	97.84	0.46	0.46	295,938	98.13	295,938	290,398	98.13	3.15	3.14	
Societe Generale osiguranje d.d.	17,701	29,414	166.2	0.71	1.20				0.00	0.00	17,701	166.17	17,701	29,414	166.17	0.19	0.32	
Sunce osiguranje d.d.				0.00	0.00	180,803	176,695	97.73	2.61	2.61	180,803	97.73	180,803	176,695	97.73	1.92	1.91	
Triglav osiguranje d.d.	81,409	75,031	92.2	3.27	3.05	318,681	330,473	103.70	4.61	4.88	400,090	101.35	400,090	405,504	101.35	4.25	4.39	
Unica osiguranje d.d.	121,792	122,716	100.8	4.89	4.99	112,578	117,242	104.14	1.63	1.73	234,370	102.38	234,370	239,958	102.38	2.49	2.60	
Velebit osiguranje d.d.				0.00	0.00	51,818	62,327	120.28	0.75	0.92	51,818	120.28	51,818	62,327	120.28	0.55	0.67	
Velebit životno osiguranje d.d.	9,913	9,468	95.5	0.40	0.39				0.00	0.00	9,913	95.51	9,913	9,468	95.51	0.11	0.10	
Victoria osiguranje d.d.				0.00	0.00	131	852	650.38	0.00	0.01	131	650.38	131	852	650.38	0.00	0.01	
Victoria životno osiguranje d.d.	31,158	51,559	165.5	1.25	2.10				0.00	0.00	31,158	165.48	31,158	51,559	165.48	0.33	0.56	
Allianz reosiguranje d.d.				0.00	0.00	2,026	471	23.24	0.42	0.09	2,026	23.24	2,026	471	23.24	0.42	0.09	
Croatia Lloyd d.d.				0.00	0.00	482,164	522,775	108.42	99.58	99.91	482,164	108.42	482,164	522,775	108.42	99.58	99.91	
TOTAL insurance companies	2,488,675	2,457,683	98.8	100.00	100.00	6,916,790	6,777,762	97.99	100.00	100.00	9,405,465	98.19	9,405,465	9,235,445	98.19	100.00	100.00	
TOTAL reinsurance companies				100.00	100.00	484,190	523,246	108.07	100.00	100.00	484,190	108.07	484,190	523,246	108.07	100.00	100.00	
TOTAL	2,488,675	2,457,683	98.8	100.00	100.00	7,400,980	7,301,008	98.65	100.00	100.00	9,889,655	98.68	9,889,655	9,758,691	98.68	100.00	100.00	

Table C3

Insurance and Reinsurance Companies' Profit or Loss (in HRK thousand)

Source: HANFA

INSURANCE AND REINSURANCE COMPANIES	Life		Non-life		Total		Index 2010/2009
	1 Jan 2009- 31 Dec 2009	1 Jan 2010- 31 Dec 2010	1 Jan 2009- 31 Dec 2009	1 Jan 2010- 31 Dec 2010	1 Jan 2009- 31 Dec 2009	1 Jan 2010- 31 Dec 2010	
1	2	3	4	5	6 (2+4)	7 (3+5)	8
Agram životno osiguranje d.d.	32,136	34,507			32,136	34,507	107.38
Allianz Zagreb d.d.	2,421	15,600	40,544	56,657	42,965	72,257	168.18
Basler osiguranje d.d.			11		11		-
Basler osiguranje Zagreb d.d.	6,485	-11,968	-43,773	-49,724	-37,288	-61,692	165.45
Basler životno osiguranje d.d.	-729				-729		-
Cardif osiguranje d.d.			-2,855	1,025	-2,855	1,025	-
Cosmopolitan Life VIG d.d.	-66,505				-66,505		-
Croatia osiguranje d.d.	5,264	4,527	64,427	39,076	69,691	43,603	62.57
Croatia zdravstveno osiguranje d.d.			4,480	4,339	4,480	4,339	96.85
Erste osiguranje VIG d.d.	16	5,777			16	5,777	36,106.25
Euroherc osiguranje d.d.			59,637	90,238	59,637	90,238	151.31
Generali osiguranje d.d.	-11,503	-1,870	-19,779	3,253	-31,282	1,383	-
Grawe Hrvatska d.d.	16,970	14,423	9,367	8,425	26,337	22,848	86.75
Helios VIG d.d.	-18,375	6,994	-2,709	3,004	-21,084	9,998	-
HOK osiguranje d.d.			-7,677	4,422	-7,677	4,422	-
Hrvatsko kreditno osiguranje d.d.				-679		-679	-
Izvor osiguranje d.d.				-942		-942	-
Jadransko osiguranje d.d.			37,802	45,861	37,802	45,861	121.32
KD životno osiguranje d.d.	-7,267	-7,227			-7,267	-7,227	99.45
Kvarner VIG d.d.	-1,334	9,700	-19,398	-14,698	-20,732	-4,998	24.11
Merkur osiguranje d.d.	21,644	27,018	3,223	3,752	24,867	30,770	123.74
Societe Generale osiguranje d.d.	-2,756	-349			-2,756	-349	12.66
Sunce osiguranje d.d.			13,650	14,105	13,650	14,105	103.33
Triglav osiguranje d.d.	-6,778	14,807	-98,986	-39,159	-105,764	-24,352	23.02
Uniqa osiguranje d.d.	1,844	2,956	678	523	2,522	3,479	137.96
Velebit osiguranje d.d.			-18,522	-14,618	-18,522	-14,618	78.92
Velebit životno osiguranje d.d.	-9,331	-8,578			-9,331	-8,578	91.93
Victoria osiguranje d.d.			-2,232	-819	-2,232	-819	36.69
Victoria životno osiguranje d.d.	-1,961	-2,663			-1,961	-2,663	135.80
Allianz reosiguranje d.d.			41	457	41	457	1,109.26
Croatia Lloyd d.d.			28,099	32,149	28,099	32,149	114.41
TOTAL insurance companies	-39,759	103,654	17,887	154,041	-21,872	257,695	-
TOTAL reinsurance companies			28,140	32,606	28,140	32,606	115.87
TOTAL	-39,759	103,654	46,027	186,647	6,268	290,301	4,631.31

Table C4

Technical Provisions by Insurance and Reinsurance Companies (in HRK thousand)

INSURANCE AND REINSURANCE COMPANIES	TECHNICAL PROVISIONS, net amount		TRANSFERABLE PREMIUMS, net amount		MATHEMATICAL PROVISIONS, net amount		CLAIMS PROVISIONS, net amount		PROVISIONS FOR PREMIUM REFUNDS REGARDLESS OF RESULT (BONUS AND DISCOUNTS), net amount			EQUALISATION RESERVES, net amount		OTHER TECHNICAL PROVISIONS, net amount		
	31 Dec 2009	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009	31 Dec 2010
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15		
Agram životno osiguranje d.d.	912,368	1,003,718	4,671	6,760	890,391	976,004	17,306	20,954								
Allianz Zagreb d.d.	1,822,286	2,033,753	256,670	250,156	1,136,879	1,318,131	427,678	464,016	940	1,218			119	231		
Basler osiguranje d.d.	39,552		12,799				26,753									
Basler osiguranje Zagreb d.d.	1,516,587	1,770,315	95,542	109,622	1,202,018	1,409,894	219,027	250,574						225		
Basler životno osiguranje d.d.	123,583		95		121,258		2,230									
Cardif osiguranje d.d.	33,923	68,575			29,186	58,895	4,737	9,680								
Cosmopolitan Life ViG d.d.	295,188		182		290,585		4,421									
Croatia osiguranje d.d.	5,280,252	5,318,007	994,694	917,318	1,636,179	1,770,866	2,634,978	2,615,066					14,400	14,757		
Croatia zdravstveno osiguranje d.d.	61,522	55,504	44,816	41,678			7,843	8,946	8,862	4,880						
Erste osiguranje ViG d.d.	188,555	256,831	3	7	187,909	254,779	643	2,045								
Euroherc osiguranje d.d.	1,455,707	1,551,114	555,697	549,019			900,010	1,002,095								
Generall osiguranje d.d.	517,725	604,703	62,795	70,144	382,223	442,479	72,707	91,292		788						
Grawe Hrvatska d.d.	1,956,841	2,086,169	68,560	65,408	1,726,189	1,843,089	162,091	177,672								
Helios ViG d.d.	447,551	749,191	20,766	14,793	351,963	662,273	74,608	71,833			214	291				
HOK osiguranje d.d.	148,423	190,884	68,979	79,646			79,443	109,227			1	18				2,011
Hrvatsko kreditno osiguranje d.d.		453		309				126								
Izvor osiguranje d.d.																
Jadransko osiguranje d.d.	817,623	851,129	331,225	327,559			486,358	523,570			40					
KD životno osiguranje d.d.	317	1,332	14	21	92	805	211	506								
Kvarner ViG d.d.	821,459	830,291	129,696	90,462	507,755	553,680	180,694	184,049			193		3,120	2,100		
Merkur osiguranje d.d.	1,461,263	1,615,954	10,424	13,563	1,370,567	1,523,568	80,233	78,792			39	31				
Societe Generale osiguranje d.d.	9,097	22,128			8,560	20,869	537	1,259								
Sunce osiguranje d.d.	194,845	190,138	78,523	76,100			116,241	113,983	81	56						
Triglav osiguranje d.d.	577,272	605,588	140,411	139,080	187,056	207,460	243,827	245,412			253	253	5,727	13,383		
Uniaq osiguranje d.d.	307,122	409,397	32,448	39,120	251,203	339,458	23,295	30,466	177	353						
Velebit osiguranje d.d.	43,033	59,767	21,986	25,785			21,047	33,982								
Velebit životno osiguranje d.d.	13,716	16,981	40	22	13,595	16,669	80	291								
Victoria osiguranje d.d.	96	629	75	402			22	226								
Victoria životno osiguranje d.d.	4,445	12,355			4,445	12,209		147								
Allianz reosiguranje d.d.	227		20				207									
Croatia Lloyd d.d.	410,594	398,088	56,761	48,027			326,126	308,749	197	312			27,510	41,000		
TOTAL insurance companies	19,050,351	20,304,906	2,931,112	2,816,974	10,298,053	11,411,128	5,787,020	6,036,209	10,060	7,295	740	593	23,366	32,707		
TOTAL reinsurance companies	410,821	398,088	56,781	48,027			326,333	308,749	197	312	740	593	27,510	41,000		
TOTAL	19,461,172	20,702,994	2,987,893	2,865,001	10,298,053	11,411,128	6,113,353	6,344,958	10,257	7,607	740	593	50,876	73,707		

Table C5

Capital and Solvency Margin Ratio of Insurance and Reinsurance Companies as at 31 December 2010 (in HRK thousand)

Source: HANFA

INSURANCE AND REINSURANCE COMPANIES	CAPITAL (Article 94 of the Insurance Act)		SOLVENCY MARGIN (Article 98 and 99 of the Insurance Act)		SOLVENCY MARGIN DEVIATION (>=)	
	Life	Non-life	Life	Non-life	Life	Non-life
1	2	3	4	5	6 (2-4)	7 (3-5)
Agram životno osiguranje d.d.	152,514		51,321		101,193	
Allianz Zagreb d.d.	153,388	211,670	74,861	103,883	78,528	107,787
Basler osiguranje Zagreb d.d.	151,941	90,312	73,357	40,043	78,584	50,269
Cardif osiguranje d.d.		28,735		11,743		16,992
Croatia osiguranje d.d.	138,834	523,492	86,313	370,363	52,521	153,130
Croatia zdravstveno osiguranje d.d.		51,455		18,062		33,393
Erste osiguranje VIG d.d.	49,090		14,138		34,952	
Euroherc osiguranje d.d.		343,836		168,086		175,749
Generali osiguranje d.d.	39,208	43,251	24,030	31,029	15,178	12,222
Grawe Hrvatska d.d.	138,534	61,736	85,509	24,304	53,025	37,431
Helios VIG d.d.	117,237	26,318	38,365	7,101	78,871	19,216
HOK osiguranje d.d.		36,164		30,844		5,320
Hrvatsko kreditno osiguranje d.d.		34,458		140		34,319
Izvor osiguranje d.d.						38,533
Jadransko osiguranje d.d.		203,723		109,120		94,602
KD životno osiguranje d.d.	24,845		1,019		23,826	
Kvarner VIG d.d.	35,903	39,910	35,825	43,777	78	-3,867
Merkur osiguranje d.d.	122,797	29,079	75,724	3,355	47,073	25,723
Societe Generale osiguranje d.d.	37,124		5,308		31,817	
Sunce osiguranje d.d.		57,262		33,418		23,843
Triglav osiguranje d.d.	31,131	67,622	13,014	57,128	18,118	10,494
Uniqa osiguranje d.d.	34,266	25,579	18,712	10,737	15,555	14,842
Velebit osiguranje d.d.		22,568		9,043		13,525
Velebit životno osiguranje d.d.	35,297		1,213		34,084	
Victoria osiguranje d.d.		29,444		111		29,333
Victoria životno osiguranje d.d.	35,263		1,077		34,186	
Allianz reosiguranje d.d.		23,852				23,852
Croatia Lloyd d.d.		78,920		49,126		29,794

Source: HANFA

Redni broj	DRUŠTVA ZA OSIGURANJE I DRUŠTVA ZA REOSIGURANJE	CLAIMS RATIO (%)		EXPENSE RATIO (%)		COMBINED RATIO (%)		RETURN ON INVESTMENT (%)		DEBT RATIO (%)		ROE (%)		ROA (%)	
		2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1	Agram životno osiguranje d.d.	85.16	89.89	17.09	20.70	102.25	110.59	4.12	5.00	0.80	0.80	15.82	14.67	2.72	2.55
2	Allianz Zagreb d.d.	66.23	67.67	44.66	41.47	110.89	109.13	6.32	6.28	0.86	0.85	12.52	17.96	1.55	2.33
3	Basler osiguranje Zagreb d.d.	78.59	83.18	45.79	49.75	124.38	132.93	3.06	3.29	0.92	0.93	-19.57	-30.53	-2.02	-2.92
4	Cardif osiguranje d.d.	53.30	55.83	63.02	49.95	116.31	105.78	3.76	5.09	0.55	0.70	-8.77	3.38	-4.28	0.99
5	Croatia osiguranje d.d.	68.23	65.55	44.87	42.36	113.11	107.91	6.67	2.59	0.80	0.79	4.75	2.71	0.91	0.56
6	Croatia zdravstveno osiguranje d.d.	60.28	61.48	37.94	39.36	98.22	100.84	5.24	3.05	0.56	0.52	9.05	8.33	3.66	3.71
7	Erste VIG osiguranje d.d.	72.81	86.46	30.00	25.89	102.81	112.34	0.18	5.74	0.80	0.83	0.03	11.69	0.01	1.75
8	Euroherc osiguranje d.d.	57.33	51.09	42.57	45.11	99.90	96.20	3.70	3.69	0.67	0.71	7.52	12.71	2.33	3.32
9	Generali osiguranje d.d.	58.43	62.08	68.51	54.83	126.94	116.91	4.45	5.81	0.91	0.89	-32.76	1.54	-4.55	0.17
10	Gawe Hrvatska d.d.	84.18	99.25	36.39	36.00	120.57	135.25	4.47	6.11	0.91	0.91	15.18	11.38	1.16	0.92
11	Helios VIG d.d.	99.74	73.84	59.93	66.97	159.66	140.81	5.38	5.53	0.86	0.84	-19.40	6.49	-3.48	0.97
12	HOK osiguranje d.d.	69.47	59.35	35.94	40.66	105.40	100.01	5.21	4.71	0.87	0.86	-22.78	14.09	-3.83	1.74
13	Hrvatsko kreditno osiguranje d.d.		207.43		508.38		715.80		1.61		0.07		-1.81		-1.71
14	Izvor osiguranje d.d.								1.01		0.05		-2.35		-2.29
15	Jadransko osiguranje d.d.	50.98	44.09	45.28	51.86	96.26	95.96	1.04	2.36	0.59	0.65	5.93	8.21	2.31	2.69
16	KD životno osiguranje d.d.	22.89	41.55	296.83	172.77	319.72	214.32	7.66	7.97	0.12	0.21	-22.16	-21.95	-25.15	-22.09
17	Kvarner VIG d.d.	67.17	67.15	53.95	68.51	121.11	135.67	4.57	6.50	0.93	0.94	-16.81	-4.96	-1.34	-0.29
18	Merkur osiguranje d.d.	86.21	99.41	27.91	28.25	114.12	127.66	4.00	5.97	0.91	0.90	18.25	19.52	1.46	1.64
19	Societe Generale osiguranje d.d.	51.69	47.51	68.56	61.88	120.26	109.40	1.79	4.14	0.23	0.39	-6.73	-0.90	-5.54	-0.55
20	Sunce osiguranje d.d.	75.72	68.36	26.85	33.40	102.57	101.76	5.23	5.99	0.67	0.66	12.65	12.08	3.75	3.72
21	Triglav osiguranje d.d.	86.64	75.12	51.46	41.44	138.10	116.56	3.48	5.51	0.93	0.87	-64.03	-17.34	-12.48	-2.65
22	Uniqqa osiguranje d.d.	76.77	86.05	57.72	57.54	134.49	143.60	4.57	6.83	0.90	0.92	4.02	5.37	0.37	0.42
23	Velebit osiguranje d.d.	77.26	69.66	77.11	67.24	154.37	136.90	5.15	4.84	0.73	0.81	-40.92	-38.78	-18.40	-11.88
24	Velebit životno osiguranje d.d.	70.61	53.97	141.58	156.83	212.19	210.80	2.96	4.04	0.26	0.36	-17.40	-19.37	-15.66	-15.27
25	Victoria osiguranje d.d.	69.75	52.75	410.66	396.67	4171.41	449.43	6.73	6.07	0.04	0.09	-6.77	-2.69	-7.00	-2.53
26	Victoria životno osiguranje d.d.	96.50	95.72	22.05	19.66	118.56	115.37	8.11	8.70	0.47	0.70	-4.92	-6.95	-2.77	-2.24
27	Allianz reosiguranje d.d.	35.69	-165.05	1,320.28	14,646.51	1,355.97	14,481.46	5.73	4.33	0.09	0.01	0.17	1.92	0.16	1.86
28	Croatia Lloyd d.d.	96.35	72.41	36.04	33.28	132.39	105.69	7.41	5.88	0.70	0.67	12.19	13.14	3.27	3.87
	TOTAL	69.77	67.59	44.50	44.27	114.27	111.86	4.83	4.57	0.81	0.81	0.12	5.30	0.02	0.94

Table D1

Total Assets of Leasing Companies (in HRK thousand)

Source: HANFA

Description / Date	31 Dec 2009 ¹	31 Dec 2010 ¹
FIXED ASSETS	24,829,571	20,256,860
INTANGIBLE ASSETS	29,671	36,322
TANGIBLE ASSETS	10,727,398	9,061,659
Tangible assets in preparation (investments in progress)	164,289	119,033
Tangible assets given under operating lease	10,375,964	8,735,081
Property	887,637	1,083,453
Passenger cars	5,422,638	4,401,903
Commercial vehicles	1,636,211	1,380,654
Vessels	1,301,446	1,070,849
Aircrafts	12,980	10,018
Plants, machines, transport machines and equipment	1,026,556	731,247
Other	88,496	56,956
Other tangible assets	157,041	147,700
Foreclosed assets	30,103	59,845
LONG -TERM FINANCIAL ASSETS	2,175,654	1,092,104
Investments in subsidiaries, associates and joint ventures	521,796	34,503
Investment in long-term securities	130,396	131,579
Long term loans	1,492,076	847,688
Long term deposits	2,253	2,394
Other long-term financial assets	29,134	75,940
LONG -TERM RECEIVABLES	11,816,053	9,976,450
Receivables under finance lease	11,815,812	9,976,115
Other long-term receivables	240	334
DEFERRED TAX ASSETS	80,796	90,325
SHORT-TERM ASSETS	8,599,881	7,605,315
INVENTORY	362,539	472,490
SHORT-TERM RECEIVABLES	4,946,716	4,930,709
Receivables under operating lease	301,530	276,241
Receivables under financial lease	4,260,997	4,394,246
State and other institutions receivables	82,731	88,789
Other short-term receivables	301,459	171,433
SHORT- TERM FINANCIAL ASSETS	2,994,195	1,527,956
Investments in subsidiaries, associates and joint ventures	0	0
Investments in securities	0	123,174
Given loans	1,645,928	1,042,972
Given deposits	1,321,271	310,102
Other short-term financial assets	26,995	51,708
CASH WITH BANK AND IN HAND	296,431	674,161
PREPAYMENTS AND ACCRUED INCOME	260,992	215,886
TOTAL ASSETS	33,690,444	28,078,061
Off-balance sheet items	1,608,624	2,106,877

Total Liabilities of Leasing Companies (in HRK thousand)

Table D2

Description / Date	31 Dec 2009 ¹	31 Dec 2010 ¹
CAPITAL AND RESERVES	-42,158	99,980
Subscribed capital	617,520	626,384
in that owned by non-residents	490,033	494,465
Revaluation reserves	4	4
Other reserves	236,118	1,424,872
Retained profit/transferred loss	-293,898	-925,673
Profit/loss for the year	-601,901	-1,025,606
PROVISIONS	63,381	70,438
LONG-TERM LIABILITIES	25,138,248	17,334,726
Foreign bank and financial institutions loans	22,777,167	15,023,853
Domestic bank and financial institutions loans	874,045	1,024,936
Liabilities for advances in respect of lease	24,689	20,053
Liabilities for deposits and guarantees in respect of lease	1,433,259	1,249,889
Liabilities for issued securities	0	0
Other long-term liabilities	0	3,673
Deferred tax liability	29,087	12,322
SHORT-TERM LIABILITIES	7,932,289	10,089,179
Foreign bank and financial institutions loans	6,811,040	9,075,079
Domestic bank and financial institutions loans	245,888	255,515
Liabilities for short-term securities	0	0
Liabilities for advances in respect of lease	96,643	49,924
Liabilities for deposits and guarantees in respect of lease	348,777	340,033
Other short-term liabilities	429,940	368,628
ACCRUALS AND DEFERRED INCOME	598,684	483,737
TOTAL LIABILITIES	33,690,444	28,078,061
Off-balance sheet items	1,608,624	2,106,877

Source: HANFA

¹ Data as at 31 December 2009 was submitted to the Agency on reports as at 31 December 2010.

Table D3

**Leasing Companies' Statement on Comprehensive Income (Profit and Loss Account)
(in HRK thousands)**

Source: HANFA

Description / Date	1 Jan 2009- 31 Dec 2009 ¹	1 Jan 2010- 31 Dec 2010 ¹
INTEREST INCOME	1,441,811	1,222,520
Interest income - finance lease	1,080,716	920,639
Interest income - given loans	217,056	183,253
Other interest income	144,039	118,629
EXPANDITURES BASED ON THE BASIS OF INTEREST	926,273	660,055
Interest expenditure for credits from domestic banks and financial institutions	37,702	34,337
Interest expenditure for credits from foreign banks and financial institutions	850,217	595,327
Other interest expenditure	38,354	30,391
PROFIT/LOSS FROM INTEREST	515,538	562,465
PROFIT FROM COMMISSIONS AND FEES	101,747	106,688
EXPENDITURE FOR COMMISSIONS AND FEES	31,473	32,116
PROFIT/LOSS FROM COMMISSIONS AND FEES	70,274	74,572
OTHER BUSINESS INCOME	3,500,360	3,299,680
Income realised from operating lease	3,180,927	2,975,808
Profit from sale of assets from operating lease	45,331	64,013
Profit from sale of assets from finance lease	23,051	13,816
Profit from reimbursable expenses in operating lease	18,896	24,741
Profit from exchange rate differentials	44,290	4,000
Other income	187,864	217,302
OTHER BUSINESS EXPENDITURE	3,324,364	3,509,207
Loss from operating lease	82,275	50,035
Loss from sale of assets from operating lease	929	7,891
Loss from sale of assets from finance lease	17,983	21,502
Loss from reimbursable expenses in operating lease	23,180	379,368
Loss from exchange rate differentials	2,369,602	2,201,149
Expense for depreciation of other assets	25,800	23,168
Staff expenses	239,695	236,535
Overheads and administrative business expenses	287,722	275,277
Other expenditure	277,178	314,282
PROFIT/LOSS FROM OTHER INCOME AND EXPENDITURE	175,996	-209,527
PROFIT/LOSS BEFORE COST OF VALUE ADJUSTMENT EXPENSES FOR IMPAIRMENT LOSSES	761,808	427,510
Costs of value adjustment expenses for impairment losses	1,284,098	1,446,978
PROFIT/LOSS BEFORE PROFIT TAX	-522,290	-1,019,468
Profit tax	79,611	6,138
PROFIT/LOSS AFTER PROFIT TAX	-601,901	-1,025,606
Attributable to owners of the parent	0	0
Attributable to non-controlling interests	0	0
OTHER COMPREHENSIVE INCOME	-10	-2,577
Change in revaluation reserves (property, plant, equipment and intangible assets)	0	0
Unrealised gains/losses on financial assets available for sale	0	-5,811
Gains/losses on hedging instruments in cash flow hedge	0	2,044
Actuarial gains/losses on defined benefit pension plans	-13	-2
Gains/losses arising from translation of financial statements on foreign operating activities	0	0
Profit tax on other comprehensive income	-3	-1,193
Total comprehensive income	-601,911	-1,028,183

¹ Data as at 31 December 2009 was submitted to the Agency on reports as at 31 December 2010.

Structure of Active Lease Contracts by Type and by Leased/Loaned Asset

Table D4

Source: HANFA

As at		31 Dec 2009 ¹		31 Dec 2010 ¹	
	Description	Number of Active Contracts	Active Contracts' Value	Number of Active Contracts	Active Contracts' Value
			(outstanding contract value / outstanding receivables) ² (in HRK thousand)		(outstanding contract value / outstanding receivables) ² (in HRK thousand)
Operating lease	TOTAL	79,873	9,020,229	74,499	7,442,267
	Property	86	878,764	83	1,007,737
	Passenger cars	66,119	4,650,312	61,482	3,820,652
	Commercial vehicles	8,780	1,486,111	8,649	1,255,427
	Vessels	1,090	1,025,265	1,016	680,272
	Aircrafts	1	5,944	1	3,342
	Plants, machines, transport machines and equipment	3,385	889,641	2,940	617,781
	Other	412	84,191	328	57,055
Finance lease	TOTAL	69,852	15,419,538	72,594	13,648,217
	Property	998	4,770,916	1,078	4,371,565
	Passenger cars	38,420	3,006,486	41,141	2,618,826
	Commercial vehicles	17,457	3,129,726	17,741	2,647,180
	Vessels	841	563,705	835	490,613
	Aircrafts	1	28,520	1	27,386
	Plants, machines, transport machines and equipment	10,714	3,670,881	10,427	3,229,789
	Other	1,421	249,304	1,371	262,858
Loans	TOTAL	9,214	2,297,788	7,583	1,163,820
	Property	522	1,698,409	486	831,044
	Passenger cars	5,461	173,746	4,288	92,555
	Commercial vehicles	1,756	73,818	1,487	22,866
	Vessels	232	73,448	196	40,743
	Aircrafts	3	0	3	0
	Plants, machines, transport machines and equipment	1,202	168,569	1,100	95,537
	Other	38	109,798	23	81,074
TOTAL	TOTAL	158,939	26,737,554	154,676	22,254,304
	Property	1,606	7,348,089	1,647	6,210,346
	Passenger cars	110,000	7,830,544	106,911	6,532,033
	Commercial vehicles	27,993	4,689,655	27,877	3,925,473
	Vessels	2,163	1,662,418	2,047	1,211,628
	Aircrafts	5	34,464	5	30,728
	Plants, machines, transport machines and equipment	15,301	4,729,091	14,467	3,943,108
	Other	1,871	443,293	1,722	400,988

¹ Data as at 31 December 2009 was submitted to the Agency on reports as at 31 December 2010.

² Outstanding contract value in the portfolio structure for operating lease relates to the amount of outstanding rents (without VAT) by operating lease contract; the amount does not include residual value. Outstanding receivables relate to the outstanding financing amount (outstanding principal) by finance lease contracts and loans impaired by receivables value adjustment.

Table D5

Structure of Newly Concluded Lease Contracts by Type and by Leased/Loaned Asset

Source: HANFA

As at 1 Jan to		31 Dec 2009 ¹		31 Dec 2010 ¹	
	Description	Number of newly concluded lease contracts	Value of newly concluded lease contracts (concluded / financed value) ² (in HRK thousand)	Number of newly concluded lease contracts	Value of newly concluded lease contracts (concluded / financed value) ² (in HRK thousand)
	TOTAL	15,394	3,162,367	12,819	2,234,003
Operating lease	Property	4	25,948	10	389,995
	Passenger cars	13,489	1,718,684	11,197	1,370,719
	Commercial vehicles	1,256	801,735	1,226	194,946
	Vessels	175	363,595	96	150,906
	Aircrafts	0	0	0	0
	Plants, machines, transport machines and equipment	335	234,131	274	126,585
	Other	135	18,272	16	852
	TOTAL	16,238	5,108,579	15,627	3,571,146
Finance lease	Property	211	1,566,147	163	649,330
	Passenger cars	10,132	1,266,525	9,792	1,070,031
	Commercial vehicles	3,270	1,001,335	3,445	765,916
	Vessels	156	221,895	132	112,161
	Aircrafts	1	30,024	0	0
	Plants, machines, transport machines and equipment	1,848	884,095	1,619	857,681
	Other	620	138,558	476	116,026
	TOTAL	31,632	8,270,946	28,446	5,805,148
TOTAL	Property	215	1,592,095	173	1,039,325
	Passenger cars	23,621	2,985,210	20,989	2,440,749
	Commercial vehicles	4,526	1,803,070	4,671	960,863
	Vessels	331	585,490	228	263,068
	Aircrafts	1	30,024	0	0
	Plants, machines, transport machines and equipment	2,183	1,118,226	1,893	984,266
	Other	755	156,830	492	116,878

¹ Data for the period from 1 January – 31 December 2009 was submitted to the Agency on reports as at 1 January – 31 December 2010.

² The concluded value in the portfolio structure for operating lease relates to the total concluded amount which is equal to the total sum of rents (VAT excluded) in accordance with operating lease contracts; presented amount does not include residual value.

The financed value of the contract in the portfolio structure for finance lease relates to the financing amount which is financed by the lessee (principal) by contract on finance lease concluded in the reporting period.

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