

ANNUAL REPORT

CROATIAN FINANCIAL SERVICES SUPERVISORY AGENCY



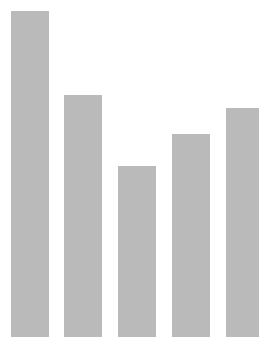
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CROATIAN FINANCIAL SERVICES SUPERVISORY AGENCY



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ANNUAL REPORT 2009



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Dear readers,

this is the fourth annual report of the Croatian Financial Services Supervisory Agency (Agency), representing a comprehensive review of all events, regulatory activities and supervision results related to the non-banking financial sector in the Republic of Croatia.

The 2009 non-banking financial sector was marked by events mostly linked to the global capital market crisis from 2008. In addition to a fall in the Zagreb Stock Exchange turnover and a modest upward trend of the CROBEX, there are two more events 2009 will be remembered for, namely total asset decrease and losses recorded by investment (brokerage) firms.

However, due to a slight capital market recovery, net asset growth was reported by both open-end investment funds (21%) and mandatory pension funds (29.5%).

The insurance market saw a moderate decline in gross written premium (2.8%) compared with the previous year, and total financial operating results of the insurance and reinsurance sector were positive.

The leasing market recorded a decrease in the value of newly concluded contracts (47%), as well as in leasing companies' assets (4.1%). The financial operating results of the leasing industry were negative (HRK 624 million).

Factoring companies reported an asset growth (10%), with recourse factoring arrangements dominating the industry (83%).

Regulatory activities were in 2009 strongly linked to the implementation of the Capital Market Act and related subordinate legislation.

Licensing activities included issue of approvals to investment firms' management boards (16) and operating licences to brokers and investment advisors (28), but also revocation of operating licences for administrative reasons (58). Prospectuses for issues (3) and for stock exchange listings (3) were approved along with the establishment of new open-end investment funds (11).

In the previous year, the Agency issued one operating licence for a new insurance company, as well as numerous authorisations to conduct insurance representation business (1,846).

During 2009, no new leasing companies were established, while 13 leasing companies participated in the process of aligning their business operations with the legal framework.

Supervisory activities in the capital market resulted in a series of open cases (512). In the course of 2009, the Agency filed criminal charges

(4) and submitted accusatory motions (9) in relation to business operations in the capital market. It also conducted on-site examinations of investment fund management companies (10), and of all four mandatory pension fund management companies.

Supervisory procedures also covered insurance and reinsurance companies (22), with accusatory motions being the result of the supervision (38). On-site examinations were conducted in leasing companies (10), based on which one accusatory motion was submitted.

The Agency's own activities and cooperation with other institutions

led to signing, at end-2009, of the Multilateral Memorandum of Understanding with members of the International Organisation of Securities Commissions (IOSCO), whereas active involvement of Agency employees in the EU accession negotiations contributed to a timely closure of Chapter 9 – Financial Service.

In the course of the year, the Agency actively cooperated and exchanged information with institutions such as the Croatian National Bank, Ministry of Finance – Tax Administration, State Attorney's Office of the Republic of Croatia, Anti-Money Laundering Department and Financial Inspectorate.

I would like to place special emphasis on the prominent role of the Agency in the protection of financial services users and in the process of their education related to financial products and services.

In spite of adverse developments in the real and total financial sector in 2009, the **financial stability and assets of the non-banking sector** were not jeopardised. The number of supervised entities did not change due to insolvency or involuntary liquidation procedures, whereas assets under management increased relative to 2008 (11%). The share of non-banking sector assets in total assets of the financial sector remained unchanged (23%), while the share of assets in GDP amounted to around 35%.

Institutional and financial independence of the Agency ensures free exercise of our statutory powers over all supervised entities, irrespective of their real ownership, financial power or political preferences.

It is my belief, based on the responsible work and dedicated efforts by my colleagues, that in 2009 the Agency used all its statutory powers within the framework of regulation and supervision, and achieved its objectives, as shown in this annual report.

Zagreb, June 2010

Ante Samodol

President of the Management Board



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CAPITAL MARKET

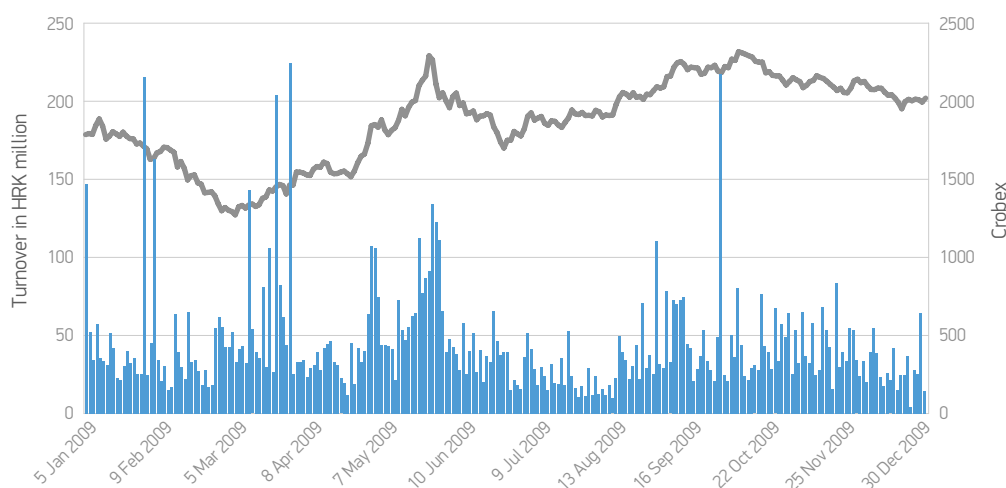
1 CAPITAL MARKET

In 2009, the Croatian capital market followed developments in global capital markets. The sharp fall of the Croatian stock exchange index, the CROBEX, recorded in 2008, continued until 9 March 2009, when the index reached its lowest annual value of 1,239.17. By 2 June 2009 the index grew to 2,292.36 (almost by 85%). At the same time, the S&P 500 Index increased by only 41%. After a one-month decline, the trend of the index changed, causing the CROBEX to rise to its highest annual value of 2,318.41 by 16 October 2009. The final value of the CROBEX for the previous year was 2,004.06, while in 2008

it reached 1,722.25, meaning that in 2009 the index increased by 16.4%. The S&P Index grew by 23.5% in the same period.

The Zagreb Stock Exchange recorded a total turnover amounting to HRK 10,913 million, which was a 64.9% decrease compared to the total turnover in 2008. 310 issues of securities were actively traded, 16.7% less than the previous year. The regular share turnover amounted to HRK 7,434.3 million, dropping by 55.9% compared to the previous year. Market capitalization was by 3.1% lower relative to 2008.

Chart 1.1 Changes in the CROBEX Value and in the Turnover on the Zagreb Stock Exchange in 2009

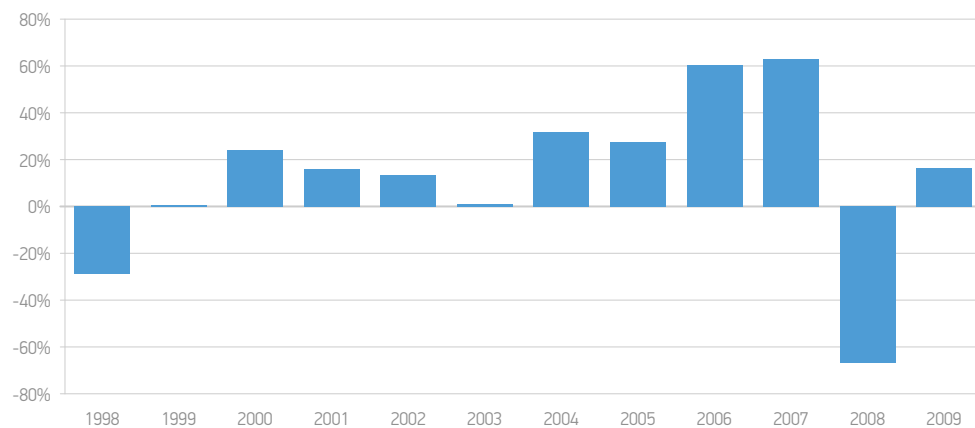


Source: ZSE

The regular bond turnover on the Zagreb Stock Exchange amounted to HRK 202.8 million,

dropping by 49.1% compared to 2008.

Chart 1.2 Annual Rate of Return of the CROBEX in the Period from 1998 to 2009



Source: ZSE

Table 1.1 Comparison of Values of a HRK 10,000 Investment in the CROBEX in the Period from 1997 to 2009

CROBEX	2 Sep 1997														
1997	1,002.09	10,020.90	1998												
1998	715.77	7,157.70	7,142.77	1999											
1999	715.31	7,153.10	7,138.18	9,993.57	2000										
2000	890.01	8,900.10	8,881.54	12,434.30	12,442.30	2001									
2001	1,034.72	10,347.20	10,325.62	14,456.04	14,465.34	11,625.94	2002								
2002	1,172.58	11,725.80	11,701.34	16,382.07	16,392.61	13,174.91	11,332.34	2003							
2003	1,185.13	11,851.30	11,826.58	16,557.41	16,568.06	13,315.92	11,453.63	10,107.03	2004						
2004	1,565.81	15,658.10	15,625.44	21,875.88	21,889.95	17,593.17	15,132.69	13,353.55	13,212.14	2005					
2005	1,997.53	19,975.30	19,933.64	27,907.43	27,925.38	22,443.91	19,305.03	17,035.34	16,854.94	12,757.18	2006				
2006	3,209.48	32,094.80	32,027.86	44,839.54	44,868.38	36,061.17	31,017.86	27,371.10	27,081.25	20,497.25	16,067.24	2007			
2007	5,239.03	52,390.30	52,281.03	73,194.32	73,241.39	58,864.84	50,632.35	44,679.51	44,206.37	33,458.91	26,227.54	16,323.61	2008		
2008	1,722.25	17,222.50	17,186.58	24,061.50	24,076.97	19,350.91	16,644.60	14,687.70	14,552.16	10,999.10	8,621.90	5,366.13	3,287.35	2009	
2009	2,004.06	20,040.60	19,998.80	27,998.66	28,016.66	22,517.28	19,368.14	17,091.03	16,910.04	12,798.87	10,032.69	6,244.19	3,825.25	11,636.29	

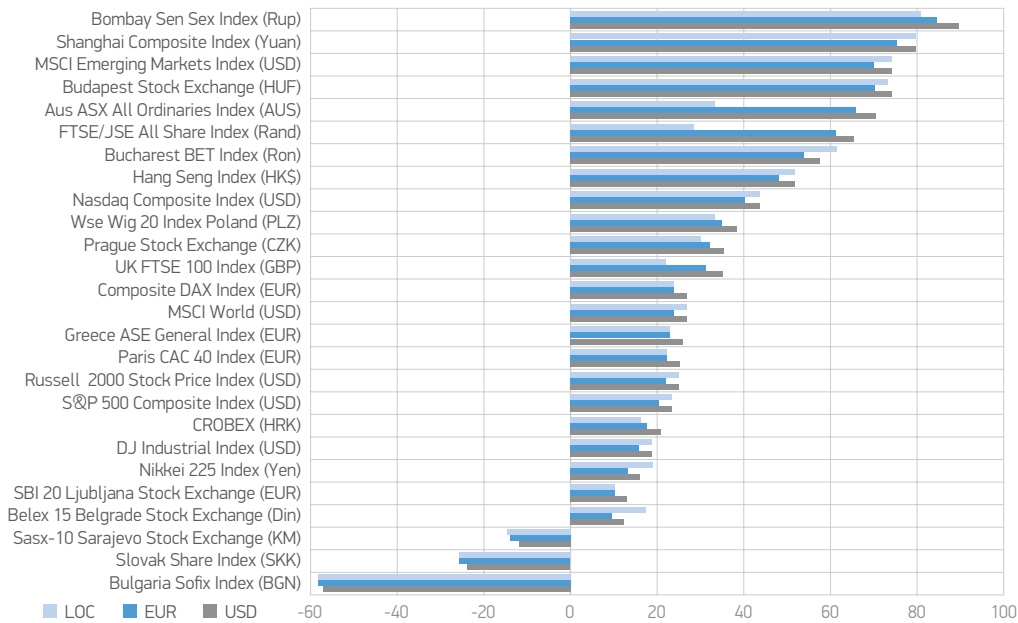
Source: ZSE

Table 1.2 Changes in World Stock Exchange Indices in 2009

Index (currency)	Index value in 2009				Change in index value in 2009		
	Initial	Highest	Lowest	Final	Domestic currency	EUR	USD
CROBEX (HRK)	1,726.6	2,318.4	1,239.2	2,004.1	16.36%	17.60%	20.92%
DJ Industrial Index (USD)	8,772.3	10,580.3	6,470.0	10,428.1	18.82%	15.92%	18.82%
S&P 500 Composite Index (USD)	903.0	1,130.4	666.8	1,115.1	23.45%	20.44%	23.45%
Nasdaq Composite Index (USD)	1,579.2	2,295.8	1,265.5	2,269.2	43.89%	40.37%	43.89%
Russell 2000 Stock Price Index (USD)	499.9	636.0	342.6	625.4	25.22%	22.16%	25.22%
Composite DAX Index (EUR)	4,856.9	6,026.7	3,588.9	5,957.4	23.85%	23.85%	27.01%
Paris CAC 40 Index (EUR)	3,240.8	3,976.9	2,465.5	3,936.3	22.32%	22.32%	25.44%
UK FTSE 100 Index (GBP)	4,434.2	5,445.2	3,460.7	5,412.9	22.07%	31.42%	35.18%
Aus ASX All Ordinaries Index (AUS)	3,660.8	4,897.5	3,090.8	4,882.7	33.43%	65.98%	70.70%
Nikkei 225 Index (Yen)	8,991.2	10,767.0	7,021.3	10,546.4	19.04%	13.23%	15.99%
Hang Seng Index (HK\$)	14,448.2	23,099.6	11,344.6	21,872.5	52.02%	48.24%	51.94%
Shanghai Composite Index (Yuan)	1,849.0	3,478.0	1,844.1	3,277.1	79.98%	75.52%	80.04%
Bombay Sen Sex Index (Rup)	9,720.6	17,530.9	8,047.2	17,464.8	81.03%	84.83%	89.89%
FTSE/JSE All Share Index (Rand)	21,509.2	27,935.4	17,954.0	27,666.5	28.63%	61.41%	65.61%
SBI 20 Ljubljana Stock Exchange (EUR)	3,695.7	4,669.9	3,395.5	4,078.6	10.36%	10.36%	13.18%
Belex 15 Belgrade Stock Exchange (Din)	569.0	870.2	347.5	663.8	17.44%	9.58%	12.41%
Bulgaria Sofix Index (BGN)	358.7	514.7	257.7	427.3	-58.44%	-58.42%	-57.15%
Prague Stock Exchange (CZK)	867.9	1,195.7	606.9	1,117.3	30.19%	32.21%	35.50%
Budapest Stock Exchange (HUF)	12,648.5	21,716.8	9,338.0	21,227.0	73.40%	70.34%	74.41%
Sasx-10 Sarajevo Stock Exchange (KM)	1,233.7	1,239.3	803.8	1,053.1	-14.64%	-13.96%	-11.96%
Wse Wig 20 Index Poland (PLZ)	1,851.4	2,453.2	1,253.2	2,388.7	33.47%	35.04%	38.44%
Slovak Share Index (SKK)	359.2	367.1	263.9	267.0	-25.67%	-25.67%	-23.78%
Bucharest BET Index (Ron)	2,901.1	5,009.6	1,833.2	4,690.6	61.68%	54.00%	57.83%
Greece ASE General Index (EUR)	1,786.5	2,932.5	1,457.8	2,196.2	22.93%	22.93%	26.07%
MSCI Emerging Markets Index (USD)	568.2	475.1	989.5	989.5	74.50%	70.23%	74.50%
MSCI World (USD)	920.2	1,183.3	684.1	1,168.5	26.98%	23.87%	26.98%

Source: Bloomberg

Chart 1.3 Rates of Return of World Indices in 2009



Source: Bloomberg

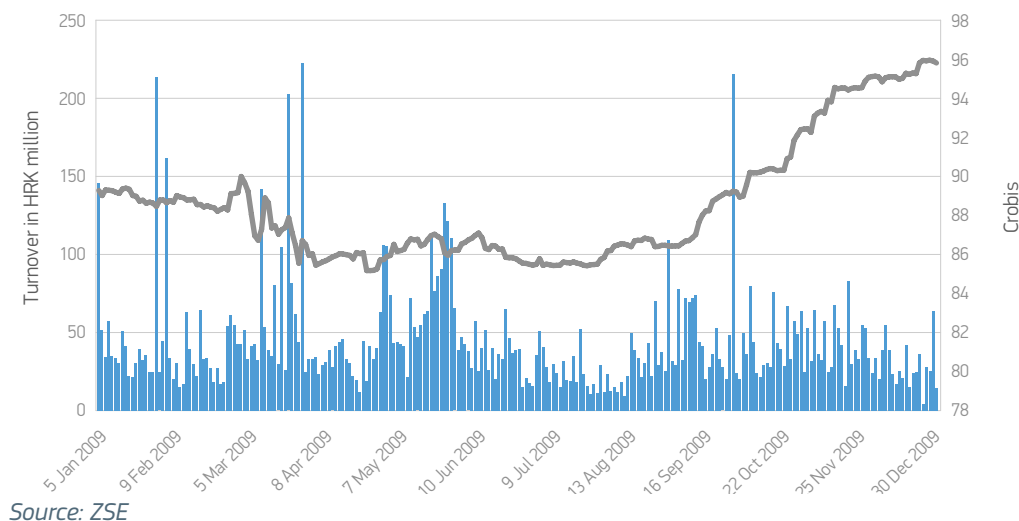
The official bond index of the Zagreb Stock Exchange, the CROBIS, was first published on 1 October 2002. 30 September 2002 was determined as the base date, with 100 points set as the base value.

The CROBIS includes eight 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.

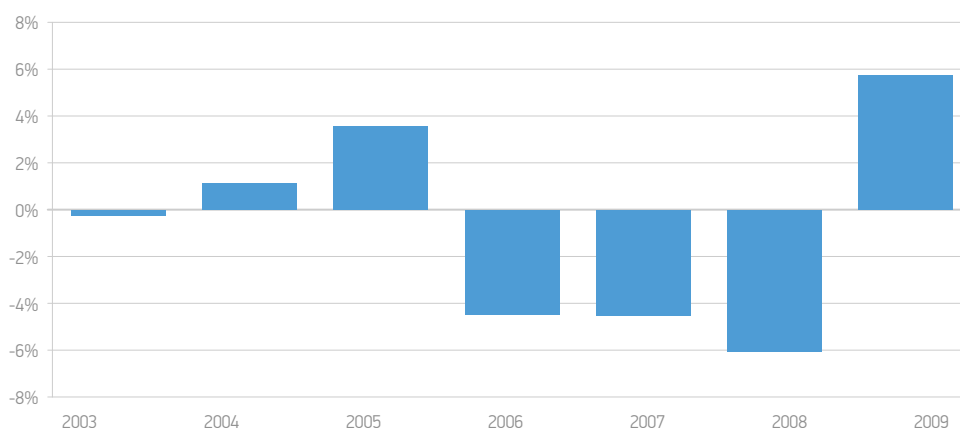
As shown in Chart 1.4, in 2009 the CROBIS rose by 5.8% relative to 2008.

Chart 1.4 Changes in the CROBIS Value and in the Turnover on the Zagreb Stock Exchange in 2009



Source: ZSE

Chart 1.5 Annual Rate of Return of the CROBIS in the Period from 2002 to 2009



Source: ZSE

Investment Firms

Income Arising from Provision of Investment Services and Pursuit of Investment Activities in 2009

Investment firms, credit institutions and other legal persons authorised, pursuant to the Investment Funds Act (Official Gazette 88/08, 146/08 and 74/09), to provide investment services and pursue investment activities reported an income of HRK 6.2 billion, arising from the said services and activities.

Income arising from provision of investment services and pursuit of investment activities accounted for HRK 6 billion, while income arising from provision of ancillary services made up HRK 152 million of the total income.

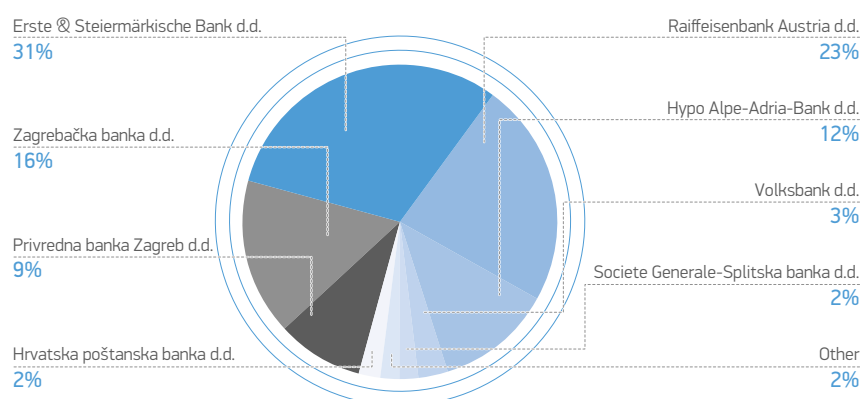
As much as 98% of the total income from investment services and activities was recorded by credit institutions. Investment firms reported a HRK 93 million income from provision of investment services and pursuit of investment activities (about 1.5% of the total income). The largest share (95.6%) of the total income was accounted for by income from dealing on own account.

Table 1.3 Total Income Arising from Provision of Investment Services and Pursuit of Investment Activities in 2009 (in HRK thousand)

	Investment companies	Credit institutions	Investment fund management companies	Total
I. Income from provision of investment services and pursuit of investment activities	92,457	5,919,670	3,732	6,015,859
Income from reception and transmission of orders in relation to one or more financial instruments	40	1,641	0	1,681
Income from execution of orders on behalf of clients	55,500	34,987	0	90,488
Income from dealing on own account	32,034	5,862,786	0	5,894,820
Income from portfolio management	2,473	4,658	2,819	9,951
Income from provision of investment advice	1,749	0	912	2,661
Income from underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis	0	2,007	0	2,007
Placing of financial instruments without a firm commitment basis	661	13,591	0	14,251
II. Income from provision of ancillary services	566	151,685	0	152,252
Total income	93,023	6,071,355	3,732	6,168,111

Source: HANFA

Chart 1.6 Reported Income Arising from Provision of Investment Services and Pursuit of Investment Activities by Legal Persons in 2009 (in HRK thousand)



Source: HANFA

Investment Firm Balance Sheet

As at 31 December 2009, the total asset value of investment firms amounted to HRK 362.8 million. The largest asset share (in the amount of HRK 204 million or 56.2%) was accounted for by financial assets, followed by cash and receivables (HRK 95.5 million or 26.3%). Capital and reserves amounted to HRK 173.3 million or 47.8% of liabilities, while payables totalled HRK 189.5 million, making up 52.2% of liabilities.

83.5% of total assets were accounted for by Investco vrijednosnice d.o.o. Since the company's operating licence ceased to be valid on 23 July 2009, this led to a considerable decrease in total assets in 2009.

The share of self-financing also decreased, to 47.8%, capital and reserves fell by HRK 1.4 billion, while liabilities declined by only HRK 503 million.

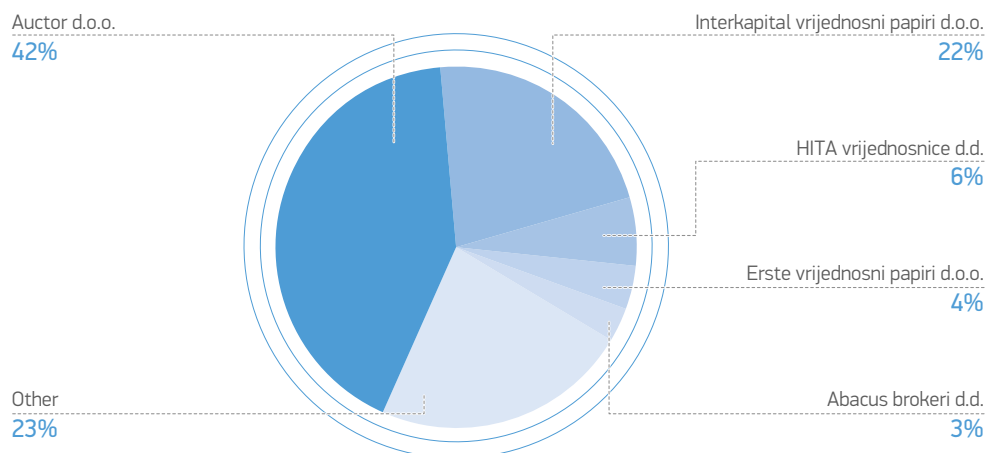
Investment firms' assets decreased by HRK 1.9 billion relative to the previous year. In 2008,

Table 1.4 Investment Firm Balance Sheet as at 31 December 2008 and 31 December 2009 (in HRK thousand)

ASSETS	2008	2009
1 Intangible and tangible assets and long-term investments	0	63,302
2 Cash funds and receivables	123,429	95,508
3 Financial assets	2,043,746	204,035
a Securities and other financial instruments at fair value through profit and loss	197,941	92,332
b Securities and other financial instruments available for sale	1,841,756	111,702
c Securities and other financial instruments held to maturity	4,048	0
Total assets	2,228,836	362,845
LIABILITIES		
1 Capital and reserves	1,536,205	173,324
2 Liabilities	692,631	189,521
Total liabilities	2,228,836	362,845

Source: HANFA

Chart 1.7 Asset Shares of Investment Firms in Investment Firm Total Assets as at 31 December 2009 (in HRK thousand)

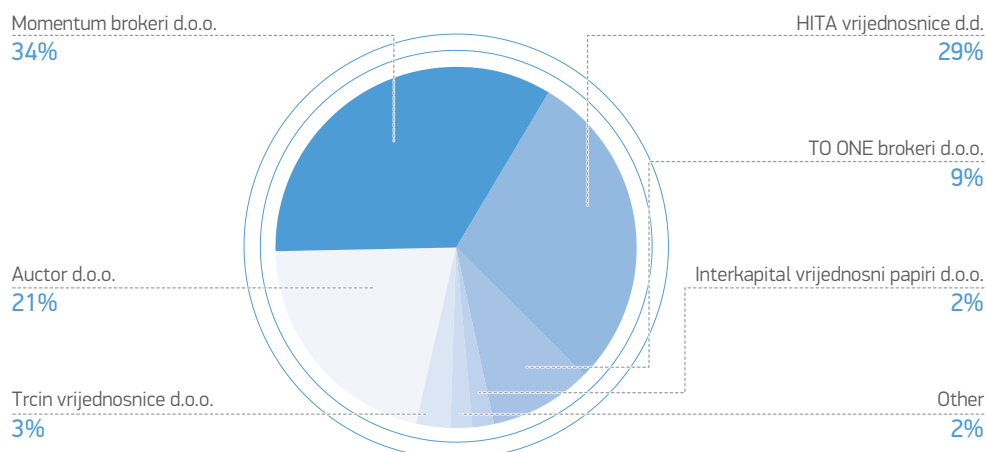


Source: HANFA

In 2009, investment firms recorded a total loss amounting to HRK 19.4 million, which was a result of the profit totalling HRK 4.9 million, generated by 8 companies, and of the loss totalling HRK 24.3 million, recorded by 15 companies. The largest profit was reported by Momentum brokeri d.o.o., HITa vrijednosnice d.d. and Auctor d.o.o.

In 2009, the largest income share was accounted for by income from commissions and fees for investment services provided (48.6%), followed by income from dividends, shares and other securities (13.4%). The largest expenses were made up by employee expenses (30.1%) and expenses on commissions and fees for investment services provided (14.5%).

Chart 1.8 Profit of Investment Firms Recorded in 2009 (in HRK thousand)



Source: HANFA

Regulatory Activities

On January 1 2009, the Capital Market Act entered into force. The Act was published in the Official Gazette 88/08, and its Amendments in the Official Gazette 146/08 and 74/09. On the day of its entry into force, the Securities Market Act (Official Gazette 84/02 and 138/06) ceased to be valid.

During 2009, the Croatian Financial Services Supervisory Agency (hereinafter: the Agency) adopted numerous by-laws within its competence, whose enactment, along with the enactment of the Capital Market Act, meant the completion of the process of the alignment of the legislation relating to the capital market with the *acquis communautaire*.

The year 2009 saw the adoption of the following by-laws:

1. Ordinance on features of derivatives (Official Gazette 5/2009)
2. Ordinance on the content, form and manner of keeping the register of persons authorised to provide investment services and to perform investment activities (Official Gazette 5/2009)
3. Ordinance on the content of application for issuing operating licence to investment firms and on requirements and content of application for issuing operating licence to brokers and investment advisors (Official Gazette 5/2009)
4. Ordinance on the requirements for professional training and examination of professional knowledge required for obtaining the licence to carry out activities of a broker, investment advisor, certified pension fund manager and certified pension insurance company manager (Official Gazette 5/2009)
5. Ordinance on organisational requirements for providing investment services and conducting investment activities and ancillary services (Official Gazette 5/2009)
6. Ordinance on the list of documents required for the assessment of the application for issuing approval for acquisition of a qualifying holding (Official Gazette 5/2009)
7. Ordinance on business obligations of an investment firm when providing services to clients (Official Gazette 5/2009)
8. Ordinance on obligations of an investment firm regarding best execution of client orders (Official Gazette 5/2009)
9. Ordinance on the content of the application, documents accompanying the application and requirements for issuance of authorisation to conduct activities of a tied agent of the investment firm (Official Gazette 5/2009)
10. Ordinance on obligations to report on executed transactions (Official Gazette 5/2009)
11. Ordinance on obligations to publish information on transactions (Official Gazette 5/2009)
12. Ordinance on the structure and content of annual financial reports of investment firms (Official Gazette 5/2009)
13. Ordinance on the liquidity of investment firms (Official Gazette 5/2009)
14. Ordinance on the form, content, deadlines and manner of submitting reports on transactions and on trading in financial instruments conducted on a regulated market managed by the stock exchange (Official Gazette 5/2009)
15. Ordinance on the content of the application and accompanying documents for issuing operating licence to the stock exchange (Official Gazette 5/2009)
16. Ordinance on conditions for financial instruments when admitted to trading in the regulated market (Official Gazette 5/2009)
17. Ordinance on the minimum information contained in the prospectus, format of prospectus and manner of publishing the prospectus and advertisements regarding prospectus (Official Gazette 5/2009)
18. Ordinance on the form, type and number of copies of mandatory attachments to the application for the approval of prospectus and on the mandatory content of the application (Official Gazette 5/2009)
19. Ordinance on conditions for implementation of buy-back programmes and measures for stabilisation of financial instruments under which exemption from market abuse prevention may be obtained (Official Gazette 5/2009)
20. Ordinance on disclosure of inside information which directly concern the issuer and on determining the legitimate interests of the issuer for the delay in disclosure (Official Gazette 5/2009)
21. Ordinance on manipulation and obligation to report on suspicion of market abuse (Official Gazette 5/2009)
22. Ordinance on accepted market practices (Official Gazette 5/2009)
23. Ordinance on the content of the application and documents accompanying the application for issuing approval to the central clearing and depository company (Official Gazette 5/2009)
24. Ordinance on conditions for a member of the management board of a stock exchange, contents of the application and accompanying documents for issuing approval for performing the function of a member of the management board (Official Gazette 9/2009)
25. Ordinance on conditions and content of application for issuing approval for performing the function of a member of the management board of the investment firm (Official Gazette 9/2009)
26. Ordinance on keeping the official register of regulated information (Official Gazette 12/2009)
27. Ordinance on supervisory reports for legal persons authorised to provide investment services and perform investment activities (Official Gazette 22/2009)
28. Ordinance on the manner of keeping the register of qualified investors (Official Gazette 30/2009)
29. Ordinance amending 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, investment advisor, certified pension fund manager and certified pension insurance company manager (Official Gazette 30/2009)
30. Ordinance on reporting on capital adequacy of investment firms (Official Gazette 48/2009)
31. Ordinance on disclosure of information of investment firms (Official Gazette 48/2009)
32. Ordinance on capital adequacy of investment firms (Official Gazette 48/2009)
33. Ordinance on own funds of investment firms (Official Gazette 48/2009)
34. Ordinance on calculation, methods of and timeframes for the payment of regular contribution of members to the Investors Protection Fund (Official Gazette 81/2009)
35. Ordinance on the structure and content of annual financial statements of investment firms (Official Gazette 20/2010)
36. Ordinance on supervisory reports for legal persons authorised to provide investment services and engage in investment activities (Official Gazette 20/2010).

Licensing

The Capital Market Act obliged all legal and natural persons to align their business operations with the provisions of the Act by 30 June 2009.

The Act laid down the obligation for investment firms and credit institutions to align their business operations with the provisions of the Act and relating by-laws and to deliver to the Agency a report on the alignment within the prescribed deadline.

When the report and the prescribed documentation led to the conclusion that an investment firm, i.e. credit institution had aligned their business operations with the provisions of the Capital Market Act, the Agency issued an operating licence to the investment firm, i.e. granted prior approval to the credit institution.

During 2009, the Agency issued three operating licences to investment firms and eight prior approvals to credit institutions. In the same period, six licences to conduct transactions in securities

were revoked upon the request of investment firms, and one application for issuing a licence to conduct transactions in securities was rejected.

The Agency also issued 16 approvals for the appointment of a member of the management board of an investment firm, whereas one application for the appointment of a member of the management board of an investment firm was rejected. In the same period, two procedures for issuing approval for the appointment of a member of the management board of an investment firm were suspended.

Furthermore, during 2009, 17 broker licences and 11 investment advisor licences were issued. In the same period, 39 broker licences and 19 investment advisor licences were revoked. Broker and investment advisor licences were revoked due to administrative reasons, i.e. because they ceased to be employees of investment firms.

Table 1.5 Comparison of the Issue and Revocation of Licences in 2008 and 2009

CASE	2008	2009
LICENCE ISSUE		
Investment firms	9	11
Brokers	80	17
Investment advisors	43	11
LICENCE REVOCATION		
Investment firms	6	6
Brokers	21	39
Investment advisors	8	19

Source: HANFA

In 2009, the Agency issued two approvals for the acquisition of a qualified holding in an investment firm, whereas one procedure for the acquisition of a qualified holding in an investment firm was suspended.

The Capital Market Act introduced the notion of a tied agent of an investment firm. Pursuant to its provisions, an investment firm may authorise a legal or natural person to, on its behalf, perform activities referred to in Article 93 paragraph 1 of the Act, namely: promote the services of the investment firm, offer the services of the investment firm, receive and transmit orders from clients or potential clients, place financial instruments, provide advice in respect of financial instruments and services offered by the investment firm.

Those activities may only be performed by legal

or natural persons who have been given prior approval from the Agency to carry out activities of a tied agent and who have as such been entered in the Register of Tied Agents kept by the Agency. In the previous year, two approvals to carry out activities a tied agent were issued, both to legal persons.

The Capital Market Act also laid down the obligation for the Central Depository and Clearing Company to, within 6 months upon the entry into force of the Act, align its business operations with the new provisions and to submit the aligned by-laws, i.e. Rules, Instructions and Price List, for the approval of the Agency within the same deadline. In 2009, the Agency approved the said by-laws of the Central Depository and Clearing Company.

Apart from that, the Agency granted the Central Depository and Clearing Agency a licence, for an indefinite period of time, to act as the Investor Protection Fund operator; it approved the Investor Protection Fund's rules, and afterwards their amendments. At the request of the Central Depository and Clearing Company as the Investor Protection Fund's operator, the Agency issued a decision approving the Decision on the level of the regular fee of the Investor Protection Fund's operator for the year 2009. Furthermore, based on the authorisation referred to in Article 2 paragraph 4 of the Act on Settlement Finality in Payment and Financial Instruments Settlement Systems (Official Gazette 117/08), the Agency

adopted a decision, within the procedure initiated by virtue of its office, determining that the financial instruments settlement system managed by the Central Depository and Clearing Company met the requirements referred to in Article 2 paragraph 1 of the Act on Settlement Finality in Payment and Financial Instruments Settlement Systems. The Capital Market Act laid down the obligation of the stock exchange to align its business operations with the provisions of the said Act and to deliver to the Agency its aligned by-laws for approval, within three months of the entry into force of the Act. Over the previous year, the Agency approved the Rules of the Zagreb Stock Exchange.

Table 1.6 Approvals of By-Laws in 2008 and 2009

APPROVAL OF BY-LAWS	2008	2009
Central Depository and Clearing Company	2	4
Zagreb Stock Exchange	2	1

Source: HANFA

Issue and Listing Prospectuses

During the previous year, the Agency issued three decisions on the approval to issue data when listing securities on the regulated market of the Zagreb Stock Exchange, with two of the decisions relating to bond listing and one to share listing. The Agency also adopted a decision on the approval to publish amendments to data when listing bonds on the regulated market of the Zagreb Stock Exchange.

Pursuant to the provision of Article 597 of the Capital Market Act, the procedures, including also public or private securities offerings, instigated before the Agency prior to the entry into force of that Act, are completed by applying the provisions of the Securities Market Act. According to that, the listings of bonds of ŠC VIŠNJIK d.o.o., Zadar, Splitska ulica 3 and of shares of SPLITSKA PLOVIDBA d.d., Split, Ulica Ante Petravića 23, on the regulated market are carried out pursuant to

the provisions of the Securities Market Act, while the provisions of the Capital Market Act applied to the approval of the prospectus for listing bonds of Metronet Telekomunikacije d.d., Zagreb, Ulica grada Vukovara 269d/VII.

In addition, the Agency approved three share issue prospectuses. The procedures of approving prospectuses for issuing shares of INGRA d.d., Zagreb, Alexandera von Humboldta 4/a and ABACUS BROKERI dioničko društvo za poslovanje s vrijednosnim papirima, Zagreb, Petrova 88, were carried out in accordance with the Securities Market Act (pursuant to Article 597 of the Capital Market Act), whereas the provisions of the Capital Market Act applied to the approval of the prospectus relating to the public offering of shares of NAVA BANKA d.d., Zagreb, Tratinska 27.

Table 1.7 Issue and Listing Prospectuses in 2008 and 2009

CASE	2008	2009
Issue prospectus	27	3
Listing prospectus	14	3

Source: HANFA

Violations and Opinions

Due to violations of the provisions of the Capital Market Act and the Act on the Takeover of Joint-Stock Companies over the previous year, two accusatory motions were submitted to the competent misdemeanour courts. One appeal was sent to the High Misdemeanour Court of the Republic of Croatia against a decision of the misdemeanour court in a procedure initiated by the Agency.

Apart from that, three administrative disputes were initiated against the decisions issued by the Agency, and were followed by the Agency's responses submitted to the Administrative Court of the Republic of Croatia.

In 2009, one proposal for the renewal of a procedure was submitted and rejected.

A total of 18 opinions were issued, 13 of them relating to the implementation of the provisions of the Capital Market Act, and 5 relating to the implementation of the provisions of the Act on the Takeover of Joint-Stock Companies.

Takeover of Joint-Stock Companies

In the previous year the Agency approved a total of nine applications for the approval to publish a takeover bid.

Based on the takeover bids published, the shareholders who had properly deposited their shares were paid a total sum of HRK 413,089,575.30.

Within the framework of its competence to order supervisory measures, the Agency adopted two decisions determining the obligation to publish a takeover bid and ordering its publication, since the persons who, pursuant to the Act on the Takeover of Joint-Stock Companies, were obliged to publish the takeover bid failed to do so within the time limit prescribed by law. AUCTOR KAPITAL d.o.o., Zagreb, Dežmanova 5, was ordered to publish the takeover bid for the acquisition of LAGUNA NOVIGRAD d.d., Novigrad, Škverska 8, whereas GRAD OPATIJA, Opatija, Maršala Tita 3, OPĆINA MATULJI, Matulji, Trg maršala Tita 11, OPĆINA MOŠČENIČKA DRAGA, Mošćenička Draga, Trg slobode 7, OPĆINA LOVRAN, Lovran, Šetalište maršala Tita 41 and NOVA LIBURNIJA d.o.o., Opatija, Ulica maršala Tita 3, were ordered to publish a takeover bid for the acquisition of LIBURNIA RIVIERA HOTELI d.d. Opatija, Ulica maršala Tita 198.

Furthermore, within the supervision of the compliance with the provisions of the Act on the Takeover of Joint-Stock Companies, the Agency issued a decision terminating the deadline for the takeover of ŽELJEZARA SPLIT d.d., Kaštel Sućurac, Cesta dr. F. Tuđmana bb, and ordering Carlson Private Equity Limited, headquartered in

20-22 Bedford Row, London WC1R4JS, United Kingdom, as offerer, to deliver the takeover bid to ŽELJEZARA SPLIT d.d., Kaštel Sućurac, Cesta dr. F. Tuđmana bb, to the Zagreb Stock Exchange and to the Central Depository and Clearing Company as depository, to initiate the takeover procedure before the depository and to submit to the Agency the proof of having done so.

Capital Market Supervision

Within its field of competence, in 2009 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 512 procedures relating to the capital market supervision were initiated at the Agency, of which 22 administrative and 490 non-administrative procedures.

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. Investment firms are also obliged to submit quarterly financial reports (Balance Sheet, Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity), whereas banks carrying out activities referred to in Article 5 of the Capital Market Act are obliged to submit to the Agency business reports, i.e. the Income and Expenditure Account relating to transactions in securities.

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.

In the course of daily supervision of trading on the Zagreb Stock Exchange, and for the purpose of protecting investors, establishing confidence among capital market participants, setting up a trade transparency system and preventing market disturbances in general, the Agency examines buy and sell orders, executed transactions, the order book and client accounts, and monitors issuers of financial instruments.

Supervision of trading on the Zagreb Stock Exchange includes:

1. monitoring trading on the Zagreb Stock Exchange

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.

Within daily inspection of securities trading, in case of suspicion of market manipulation or use of inside information, the Agency proceeds to establish the facts of such case.

Inspection may also be carried out upon a notification of an investment firm or the stock exchange regarding suspected market manipulation.

The Agency keeps a record of notifications submitted to the Agency by issuers of financial instruments and natural and legal persons in accordance with Part III, Title II of the Act. In the course of 2009, 368 related cases were opened at the Agency.

Since January 2009 saw the adoption of the Ordinance on the establishment of the official register of prescribed information, in the course of the year the Agency organised several meetings with institutions which expressed interest in keeping the register (Central Depository and Clearing Company, Zagreb Stock Exchange, Croatian News Agency, Financial Agency).

On-Site Supervision

Apart from off-site supervision, in 2009 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 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.

In 2009, on-site examinations 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.

In the previous year, 16 on-site supervision procedures were initiated at investment firms and/or credit institutions, 11 of them targeted and 2 full-scope supervision procedures. Supervision procedures were initiated of the following supervised entities:

1. Interkapital vrijednosni papiri d.o.o.
2. Apex vrijednosnice d.o.o.
3. Raiffeisenbank Austria d.d.
4. To one brokeri d.o.o.
5. Trcin vrijednosnice d.o.o.
6. Centar banka d.d.
7. Hrvatska poštanska banka d.d.
8. Dionica Brod d.o.o.
9. Hypo Alpe-Adria-Bank d.d.
10. KD upravljanje imovinom d.o.o.
11. Argus vrijednosnice d.o.o.
12. Nava banka d.d.
13. Croatia banka d.d.

Four on-site examinations at investment firms initiated in 2008 ended in 2009 (at Erste vrijednosni papiri d.o.o., Momentum brokeri d.o.o., Fima vrijednosnice d.o.o. and Credos d.o.o.).

The Agency issued reports on on-site examinations of investment firms and/or credit institutions, and took appropriate measures on the basis of examination findings, due to certain actions taken contrary to the provisions of the Act.

In 2009, the Agency filed four criminal charges to the State Attorney's Office, relating to: criminal offence – market manipulation, criminal offence against official duty – embezzlement, criminal offence – acquiring unlawful pecuniary gain by abusing the financial instruments market, criminal offence against the safety of payment system safety and business operations – careless conduct of business operations, criminal offence against authenticity of documents – forgery of documents and criminal offence against property – fraud.

The Agency also filed 7 misdemeanour charges, most important being those related to the following: market manipulation, failure to submit documents needed for supervisory procedures, illegal disposal of clients' cash, illegal provision of investment services and conduct of investment activities, illegal acquisition of own shares and failure to take adequate measures to analyse clients thoroughly with respect to prevention of money laundering and terrorism financing.

In the course of the previous year, the Agency adopted 10 decisions ordering measures with the aim of establishing legality and aligning business operations with relevant laws and by-laws. Some of the most important decisions were to do with: determining the obligation to publish takeover bids, prohibiting disposal of financial instruments and cash, revoking investment firms' licences to conduct transactions in securities, suspension of trading in shares of some issuers on the regulated market, and ordering investment firms to remedy certain violations and irregularities.

A total of 5 administrative disputes were initiated against the decisions issued by the Agency, and were followed by the Agency's responses submitted to the Administrative Court of the Republic of Croatia.



[2 INVESTMENT FUNDS

2 INVESTMENT FUNDS

As at 31 December 2009, there were 130 open-end investment funds registered in the Republic of Croatia, as well as 10 closed-end investment funds and 2 funds established pursuant to special acts, namely the Fund for Croatian Homeland War Veterans and Members of their Families and the Retired Persons' Fund. On the same day, a total of 36 companies were registered as investment funds management companies (3 fewer than

in 2008). In 2009, three funds of HPB Invest d.o.o. (HPB Alfa, HPB Omega and HPB ZM) were merged with HPB Global, one fund managed by ST Invest d.o.o.(ST Bond) was merged with ST Balanced, Prospectus Worldwide, belonging to Prospectus Invest, was merged with Prospectus Jugoistočna Europa open-end investment fund, while ICF Private 1, belonging to ICF Invest d.o.o., was liquidated.

Table 2.1 Comparison of the Number of Investment Funds in 2008 with that in 2009

	2008	2009	Change
Open-end investment funds	126	130	3.2%
- with public offering	98	103	5.1%
Cash	17	20	17.6%
Bond	14	10	-28.6%
Balanced	19	20	5.3%
Equity	48	53	10.4%
- with private offering	26	25	-3.8%
Cash	1	3	200.0%
Bond	1	1	0.0%
Balanced	9	10	11.1%
Equity	15	11	-26.7%
- venture capital open-end investment fund	2	2	0.0%
Closed-end investment funds	11	10	-9.1%
- with public offering	4	4	-
- with public offering for real-estate investments	7	6	-14.3%

Source: HANFA

Note: Two closed-end investment funds (real estate) ceased their business activities in 2009, but were deleted from the fund register in January 2010 and are thus included in the number of funds for the year 2009

Open-End Investment Funds

In 2009, the establishment of ten new open-end investment funds (three cash, one balanced and six equity funds) was approved, seven of them being funds with public offering and three with private offering (one cash and two equity funds). The year 2009 saw a significant decrease in the number of newly established funds, which is a logical consequence of the market decline in 2008.

In 2009, the financial market did not continue its 2008 fall, but recorded a slight increase, which resulted in the growth in investment funds' assets. The most significant rise was recorded by cash funds, which is a logical result of transferring assets during a market decline and of investment of assets in short-term and more secure instruments.

Table 2.2 Net Assets of Open-End Investment Funds (in HRK thousand)

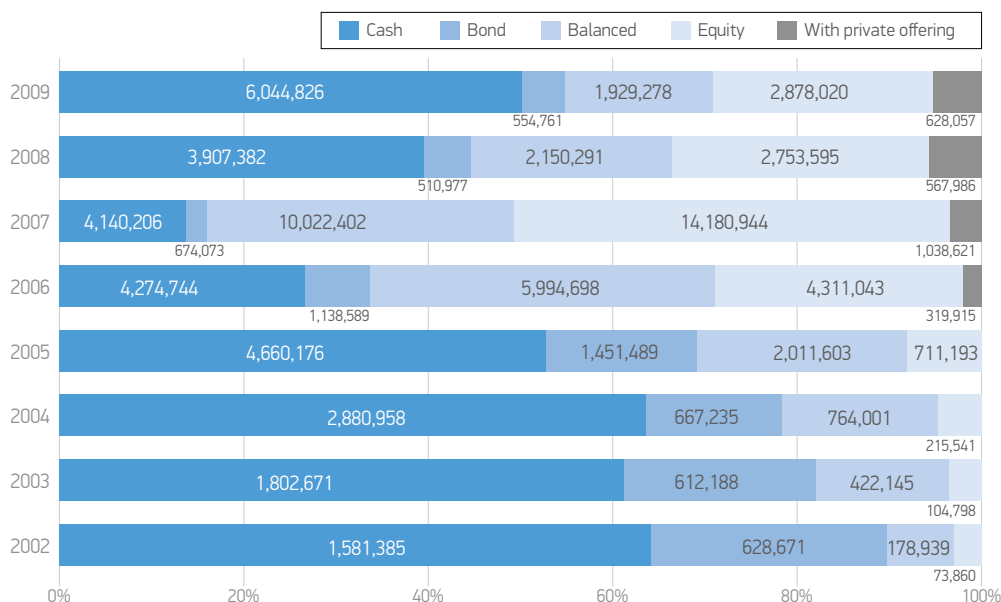
	2008	2009	Absolute change	Change in %
Open-end investment funds	9,890,231	12,034,941	2,144,711	21.69%
- with public offering	9,322,244	11,406,884	2,084,640	22.36%
Cash	3,907,382	6,044,826	2,137,444	54.70%
Bond	510,977	554,761	43,784	8.57%
Balanced	2,150,291	1,929,278	-221,013	-10.28%
Equity	2,753,595	2,878,020	124,425	4.52%
- with private offering	567,986	628,057	60,071	10.58%
Cash	8,398	84,803	76,405	909.77%
Bond	78,269	82,192	3,924	5.01%
Balanced	150,697	149,317	-1,380	-0.92%
Equity	330,623	311,745	-18,878	-5.71%

Source: HANFA

Cash funds reported the highest growth in net assets of all funds with public offering (54.7%). A modest increase was recorded by bond (8.6%) and equity funds (4.5%), while balanced funds reported a decrease (-10.3%). A decrease in net assets of funds with private offering was recorded by equity (-0.9%) and balanced funds (-5.7%), bond funds reported a 5.0% growth, whereas cash funds reported an extremely sharp increase, with their assets growing more than 9 times (909.8%).

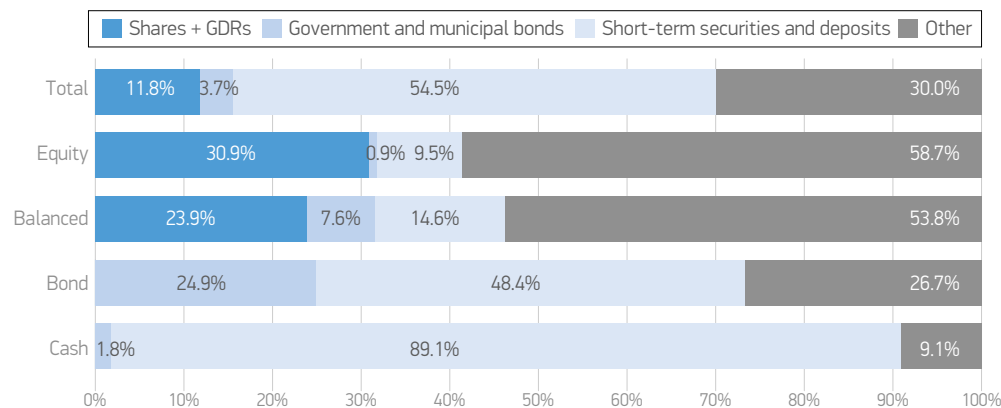
Net assets of all open-end investment funds in 2009 (funds with public and private offering, excluding venture capital funds) increased by 21.7%. Viewed by type of investments, the highest growth was reported by cash funds (56.5%), followed by bond (8.1%) and equity funds (3.4%), whereas only balanced funds recorded a decline (-9.7%). These numbers testify to the 2008 trend continuation, i.e. the transfer of assets from the most risky (equity and balanced) to more secure funds, i.e. bond and, especially, cash funds.

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



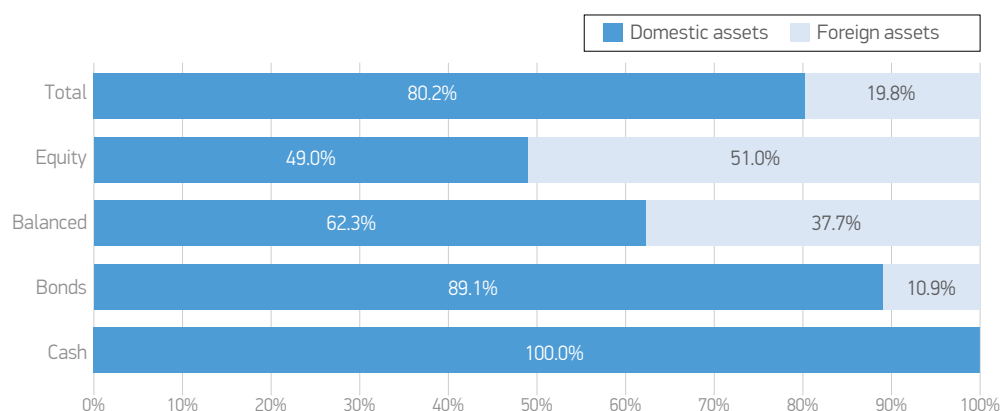
Source: HANFA

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



Source: HANFA

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



Source: HANFA

Table 2.3 Net Assets Managed by Companies Managing Open-End Investment Funds (in HRK thousand)

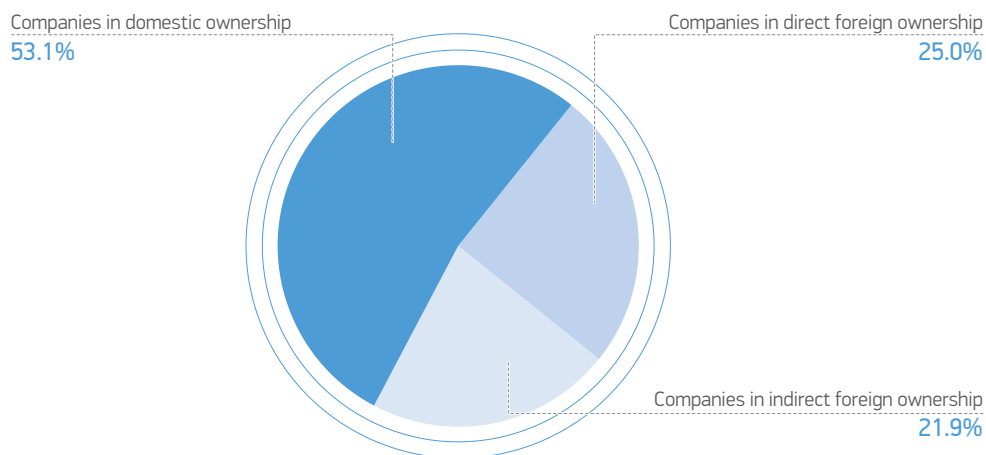
Company	2008		2009	
	Net assets	Share in total OIF assets	Net assets	Share in total OIF assets
ZB INVEST d.o.o.	3,525,148	35.6%	4,370,441	36.3%
PBZ INVEST d.o.o.	1,549,884	15.7%	2,010,278	16.7%
RAIFFEISEN INVEST d.o.o.	904,544	9.1%	1,644,030	13.7%
ERSTE - INVEST d.o.o.	1,157,639	11.7%	1,285,018	10.7%
HPB-INVEST d.o.o.	630,215	6.4%	395,630	3.3%
Other	2,122,801	21.5%	2,329,545	19.4%
Total	9,890,231	100.0%	12,034,941	100.0%

Source: HANFA

Out of 36 companies managing open-end investment funds, 21 were in domestic ownership, while 6 companies were in direct, and 9 in indirect foreign ownership. Two companies stopped existing as investment fund management companies (Zagrebačko investicijsko društvo d.o.o. and MediteranInvest d.o.o.) and their

operating licences were revoked, whereas Terra Invest d.o.o. stopped existing as an investment fund management company, although it has not yet been deleted from the register of companies managing investment funds. NFD Kapital d.o.o. acquired the majority holding in Alfa Invest d.o.o., incorporating the company into its structure.

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



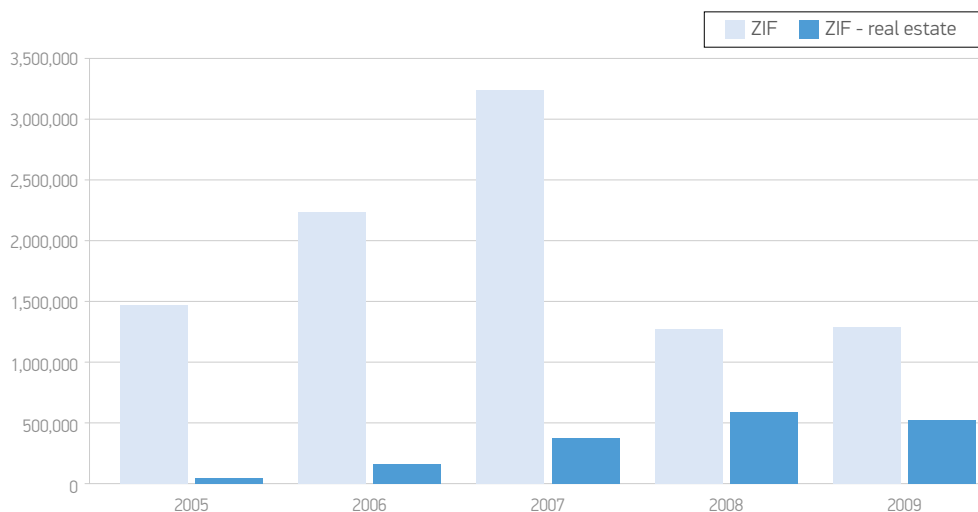
Source: HANFA

Closed-End Investment Funds

In 2009, a total of 10 closed-end investment funds (zatvoreni investicijski fondovi – ZIF) operated in the Republic of Croatia, 6 of which were registered for investments in real estate. Two closed-end investment funds (real estate) ceased their business activities in 2009, but were deleted

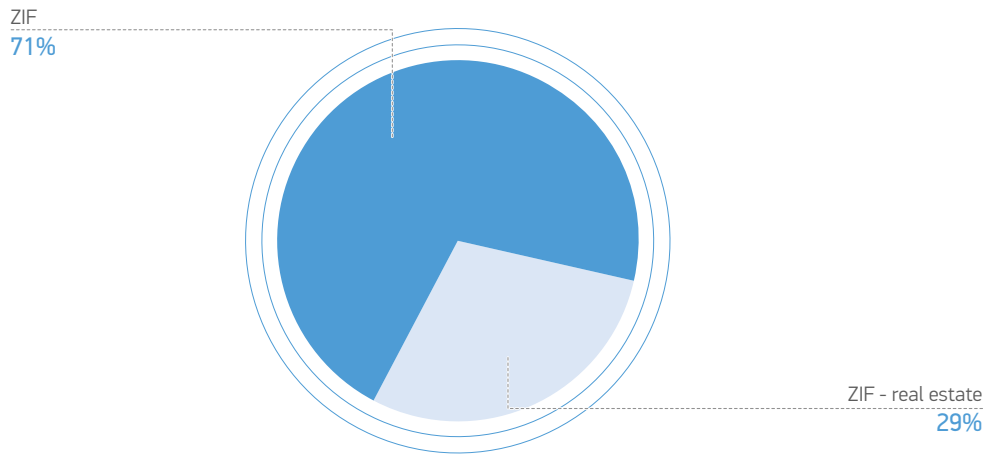
from the fund register in January 2010 and are thus included in the number of funds for the year 2009. Total assets of all closed-end investment funds amounted to HRK 1.8 billion, with real estate funds accounting for a 28.9 % share..

Chart 2.5 Net Assets of Closed-End Investment Funds in the Period from 2005 to 2009 (in HRK thousand)



Source: HANFA

Chart 2.6 Shares of Closed-End Investment Funds with Public Offering and Closed-End Real Estate Funds in Total Assets of Closed-End Investment Funds

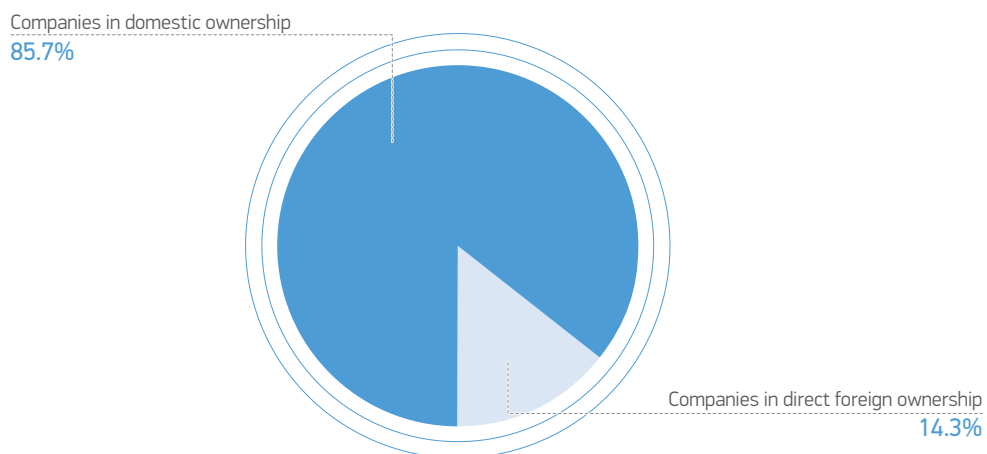


Source: HANFA

In 2009, closed-end investment funds were managed by eight companies, seven of them being in domestic and one in direct foreign ownership. Terra Invest d.o.o. ceased its business

activities as an investment fund management company in 2009, but due to the obligation to submit its reports, it is still entered in the register of companies.

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



Source: HANFA

Investment Fund Management Companies

In 2009, total assets of investment fund management companies amounted to HRK 351.6 million, with HRK 310.8 million or 88.4% being accounted for by current assets. In comparison with 2008, total assets of investment fund management companies decreased by HRK 110.1 million or 23.9%.

Investment fund management companies' assets were primarily financed by own sources (70.7%), namely by retained earnings and current profit. Investment fund management companies' capital and reserves totalled HRK 248.4 million and recorded a decrease amounting to HRK 85.3 million or 25.6%.

Table 2.4 Balance Sheet of Management Companies as at 31 December 2008 and 31 December 2009 (in HRK thousand)

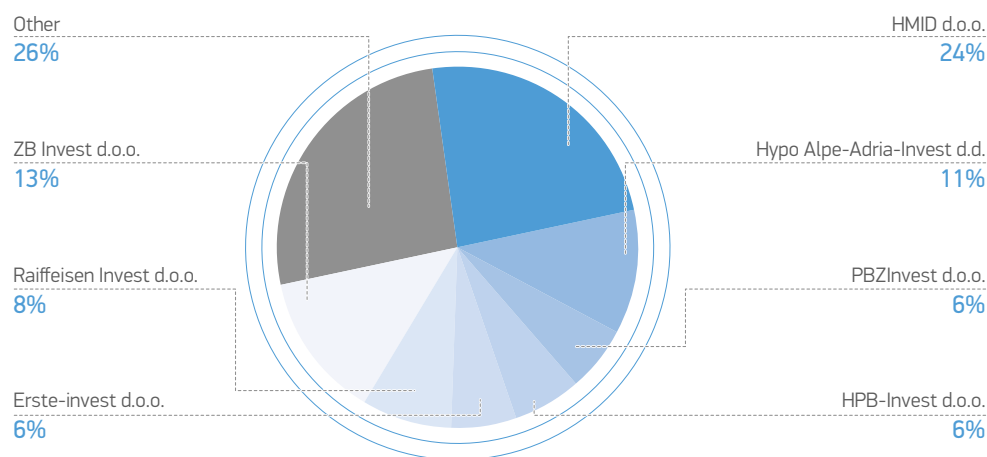
ASSETS		2008	2009
A	Fixed assets	34,295	33,253
I	Intangible assets	8,427	6,630
II	Tangible assets	20,264	15,748
III	Financial assets	5,604	10,875
B	Current assets	425,402	310,750
I	Receivables	140,208	129,209
II	Financial assets	145,494	107,227
III	Cash at bank and in hand	139,700	74,314
C	Prepayments and accrued income	2,004	7,551
TOTAL ASSETS		461,701	351,554
LIABILITIES			
A	Capital and reserves	333,684	248,403
I	Subscribed capital	113,969	119,179
II	Revaluation reserves	320	21
III	Reserves	3,384	4,599
IV	Retained earnings	82,407	107,850
V	Profit (loss) of the current year	133,604	16,755
B	Liabilities	122,201	92,060
C	Accruals and deferred income	5,816	11,091
TOTAL LIABILITIES		461,701	351,554

Source: HANFA

The largest asset share (HRK 85.3 million) was accounted for by Hrvatsko mirovinsko investicijsko društvo d.o.o., followed by ZB Invest d.o.o. with HRK 43.7 million, Hypo Alpe-Adria Invest d.d. with

HRK 40.1 million and Raiffeisen Invest d.o.o. with HRK 28.2 million. These companies' assets made up 56.1% of total investment fund management companies' assets.

Chart 2.8 Shares in Total Management Companies' Assets as at 31 December 2009



Source: HANFA

In 2009, investment fund management companies reported an income to the amount of HRK 262.5 million, with operating income comprising the largest share (90.5%). Compared with 2008, investment fund management companies recorded a decrease in total income amounting to HRK 296.1 million or 53%. Total investment fund management companies' after-tax profit amounted to HRK 16.8 million, as a

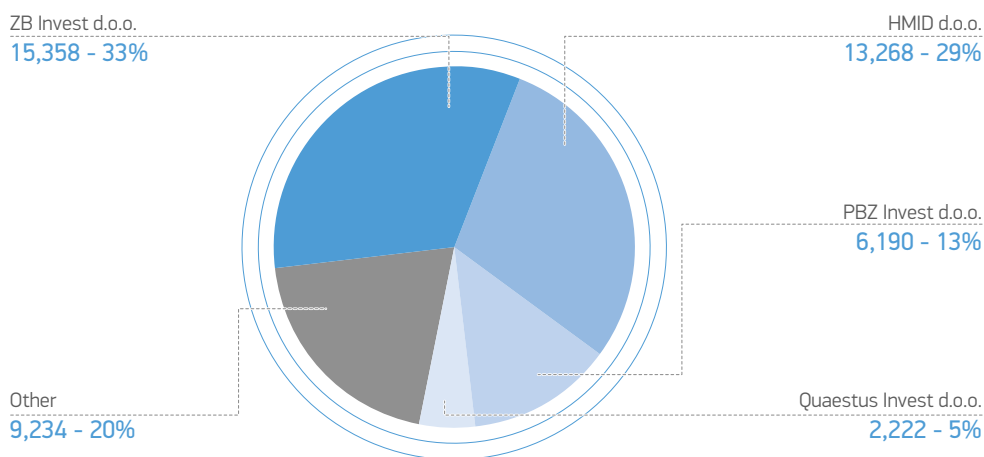
result of profit realised by 17 investment fund management companies totalling HRK 46.3 million and loss realised by 18 investment fund management companies in the amount of HRK 29.5 million. The largest profit was reported by ZB Invest d.o.o. (HRK 15.4 million), Hrvatsko mirovinsko investicijsko društvo d.o.o. (HRK 13.3 million) and PBZ Invest d.o.o. (HRK 6.2 million).

Table 2.5 Profit and Loss Account of Management Companies in 2009 (in HRK thousand)

	ITEM	2008	2009	Change
A.	Operating income	510,283	237,450	-53.47%
B.	Operating expenses	352,433	217,157	-38.38%
C.	Financial income	21,976	23,680	7.75%
D.	Financial expenses	4,980	4,560	-8.43%
E.	Other income	26,286	1,359	-94.83%
F.	Other expenses	0	11,968	
G.	Total income	558,545	262,488	-53.00%
H.	Total expenses	357,413	233,685	-34.62%
I.	Pre-tax profit (loss)	201,132	28,803	-85.68%
J.	Profit tax	44,528	12,048	-72.94%
K.	After-tax profit (loss)	156,604	16,755	-89.30%

Source: HANFA

Chart 2.9 Management Companies' After-Tax Profit in 2009



Source: HANFA

Investment Funds Established Pursuant to Special Acts

As in the previous years, two funds established pursuant to special acts operated in the Republic of Croatia in 2009: the Fund for Croatian Homeland War Veterans and Members of their Families and the Retired Persons' Fund.

As at 31 December 2009, the net asset value of the Fund for Croatian Homeland War Veterans and Members of their Families amounted to HRK 2.2 billion, decreasing by 7.38 % compared with 2008. The net asset value of the Retired Persons' Fund totalled HRK 2.7 billion

Table 2.6 Investment Funds Established Pursuant to Special Acts as at 31 December 2009 (net assets in HRK thousand)

Investment fund	Management company	Net assets
Fund for Croatian Homeland War Veterans and Members of their Families	ERSTE INVEST d.o.o.	2,223,348
Retired Persons' Fund	HPB INVEST d.o.o.	2,675,920

Source: HANFA

Table 2.7 Investment Structures of the Fund for Croatian Homeland War Veterans and Members of their Families as at 31 December 2008 and 31 December 2009 (in HRK thousand)

	31 December 2008		31 December 2009	
DOMESTIC ASSETS	2,427,904	100.0%	2,194,138	95.5%
SECURITIES AND DEPOSITS	2,391,967	98.5%	1,984,509	86.4%
Shares+ GDRs	1,145,298	47.2%	1,574,534	68.5%
Government bonds	0	0.0%	0	0.0%
Municipal bonds	0	0.0%	0	0.0%
Corporate bonds	0	0.0%	0	0.0%
Closed-end investment funds	0	0.0%	0	0.0%
Open-end investment funds	0	0.0%	0	0.0%
Short-term securities	401,029	16.5%	350,767	15.3%
Deposits	845,640	34.8%	59,209	2.6%
CASH	35,800	1.5%	132,972	5.8%
RECEIVABLES	137	0.0%	76,657	3.3%
FOREIGN ASSETS	0	0.0%	0	0.0%
Shares	0	0.0%	0	0.0%
Government bonds	0	0.0%	0	0.0%
Corporate bonds	0	0.0%	0	0.0%
Open-end investment funds	0	0.0%	0	0.0%
Short-term securities	0	0.0%	0	0.0%
TOTAL ASSETS	2,427,904	100.0%	2,297,788	100.0%
NET ASSETS	2,400,416	98.9%	2,223,348	96.8%
LIABILITIES	26,990	1.1%	73,972	3.2%
REPURCHASE AGREEMENTS			103,650	4.5%

Source: HANFA

Table 2.8 Investments Structure of the Retired Persons' Fund as at 31 December 2008 and 31 December 2009 (in HRK thousand)

	31 December 2008		31 December 2009	
DOMESTIC ASSETS	3,525,204	100.00%	2,693,418	100.00%
SECURITIES AND DEPOSITS	725,670	20.59%	0	0.00%
Shares+ GDRs	5,942	0.17%	0	0.00%
Short-term securities	719,728	20.42%	0	0.00%
Deposits	0	0.00%	0	0.00%
CASH	93,414	2.65%	18,839	0.70%
RECEIVABLES	2,706,121	76.76%	2,674,579	99.30%
FOREIGN ASSETS	0	0.00%	0	0.00%
TOTAL ASSETS	3,525,204	100.00%	2,693,418	100.00%
NET ASSETS	3,474,013	98.55%	2,675,920	99.35%
LIABILITIES	51,191	1.45%	17,498	0.65%

Source: HANFA

Regulatory Activities

The legal framework regulating business operations of investment funds is contained in the Investment Funds Act (Official Gazette 150/05), which entered into force on 1 January 2006. In accordance to it, the following by-laws were adopted in the course of 2009:

Table 2.9 By-Laws Adopted Pursuant to the Investment Funds Act in 2009

1	Ordinance amending the Ordinance on permitted investments and investment limitations for open-end investment funds with public offering (Official Gazette 5/2009)
2	Ordinance amending the Ordinance on the content of reports to the fund's shareholders and unit-holders and on keeping business books of the investment fund management company (Official Gazette 26/2009)
3	Ordinance on the content of application for issuance of authorisation to the investment fund management company to conduct activities of asset-portfolio management and investment advising (Official Gazette 30/2009)
4	Ordinance amending the Ordinance on permitted investments and investment limitations for open-end investment funds with public offering (Official Gazette 100/2009)
5	Ordinance on the structure and content of financial statements of investment fund management companies (Official Gazette 155/2009)
6	Ordinance on the structure and content of financial statements of open-end investment funds (Official Gazette 155/2009)
7	Ordinance on the structure and content of financial statements of closed-end investment funds (Official Gazette 155/2009)
8	Ordinance on the minimum content, deadlines and form of mandatory reports on business operations of investment funds, management companies and depository banks (Official Gazette 155/2009)

Source: HANFA

Licensing

Investment fund management companies

In 2009, there were fewer investment fund management companies than in 2008. No operating licences for new management companies were granted in 2009, while two licences were revoked. Pursuant to the provisions of the Investment Funds Act, the operating licence was revoked of Zagrebačko investicijsko društvo d.o.o. due to the fact that the company had not established a fund in the period of one year since the issue of the operating licence., and of MediteranInvest d.o.o. as the investment fund management company had not conducted the activity of managing investment funds for 6 or more months.

Alfa Invest d.o.o. ceased its business activities as it was acquired by NFD Kapital d.o.o.

As at 31 December 2009, a total of 36 investment fund management companies were registered, with 2 companies being companies managing venture capital investment funds.

Investment funds

As at 31 December 2009, a total of 130 open-end investment funds were registered, out of which 103 open-end investment funds with public offering (7 inactive), 25 open-end investment funds with private offering, 2 open-end venture-capital funds with private offering, 10 closed-end investment funds, the Fund for Croatian Homeland War Veterans and Members of their Families and the Retired Persons' Fund.

In the course of 2009, the establishment of eight open-end investment funds with public offering and three open-end investment funds with private offering was approved. Four open-end investment funds with public offering did not start operating. As at 31 December 2009, total asset value managed by investment funds (including both private and public offering) amounted to HRK 12,034,941,279.41.

As at 31 December 2009, 10 closed-end investment funds were registered in the Republic of Croatia. On the same day, their total asset value amounted to HRK 1,840,764,502.55.

By virtue of the Decision of the Commercial Court in Pazin of 14 August 2009, and based on the Decision of the Extraordinary General Meeting of Terra Firma d.d. from Pula and by virtue of the Decision of the Commercial Court in Pazin of 15 July 2009, on the basis of the Decision of the Extraordinary General Meeting of Terra Mediterranea d.d. from Pula, those closed-end investment funds with public offering for investments in real-estate changed their business operations and company name in accordance with the provisions of the Companies Act, stopped operating as closed-end investment funds with public offering for investments in real-estate on the said dates, and consequently stopped falling within the competence of the Agency. The funds were deleted from the register of funds kept by the Agency on 14 January 2010, and are still included in the data for the year 2009.

Table 2.10 Cases Processed in 2008 and 2009

TYPE	2008	2009
Approvals/revoked approvals of business operations of the management company	7	4
Approval and registration of the fund register entry, approval to choose a depositary bank/ liquidation/ merging	40	19
Approval of new, amended prospectuses and statutes	120	112
Promotion of investment funds	37	8
Approval of ordinances on conflicts of interest	5	8
Approval of members of the management board	78	19
Approval to management companies for asset management and provision of investment advice	5	7

Source: HANFA

Investment Fund Supervision

Within the framework of off-site supervision of investment funds, the Agency analyses and processes daily and periodic reports on a daily basis, covering the compliance with the regulations on 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 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. The supervision involves direct examination of documents and interviews with authorised staff of the company regarding all important issued related to business operations and results of investment funds.

Within the framework of 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.

During 2009, full-scope on-site examinations were carried out of the following entities: ADRIATICA CAPITAL d.o.o. (AC Rusija open-end investment fund with public offering, AC Excel and AC Sigma open-end investment funds with private offering), MP INVEST d.d. (MP BRIC and MP MENA open-end investment fund with public offering), POBA ICO INVEST d.o.o. (POBA ICO Equity open-end investment fund with public offering), QUAESTUS INVEST d.o.o. (Quaestus nekretnine d.d. closed-end investment fund with public offering for investments in real estate), HPB INVEST d.o.o. (HPB Dionički, HPB Global, HPB Novčani, HPB Obveznički, HPB WAV - DJE, HPB Titan and HPB Dynamic open-end investment funds with public offering, HPB Alpha, HPB ZM-1 and HPB Omega open-end investment funds with private offering, HPB Real d.d. closed-end investment fund with public offering for investments in real estate and Retired Persons' Fund), VB INVEST d.o.o. (VB Cash and VB High Equity closed-end investment funds with public offering), ST INVEST d.o.o. (ST Aggressive, ST Balanced, ST Bond, ST Cash and ST Global Equity open-end investment funds with public offering), KD INVESTMENTS d.o.o. (KD Adria Bond, KD Balanced, KD Nova Europa and KD Victoria open-end investment funds with public offering), HRVATSKO MIROVINSKO INVESTICIJSKO DRUŠTVO d.o.o. (Kapitalni zatvoreni investicijski fond d.d.), FIMA GLOBAL INVEST d.o.o. (FIMA Equity, FIMA Maximum and FIMA West open-end investment funds with public offering).

At the same time, full-scope on-site supervision was initiated at INTERINVEST d.o.o. and Velebit d.d. closed-end investment fund with public offering.

Table 2.11 On-Site Supervision of Investment Fund Management Companies in 2009

Supervision	Management companies	Investment Funds			
		Public offering		Private offering	
		Open-end	Closed-end	Open-end	Venture capital open-end
Full-scope	10	25	3	5	1
Targeted	-	-	-	-	-
Total		25	3	5	1

Source: HANFA

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

companies to adjust assets of the funds they manage. The Agency also issued an order to an investment fund management company to liquidate/merge the funds it manages, and it filed one criminal charge against an investment fund management company.



[3 PENSION FUNDS

3 PENSION FUNDS

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

There were four mandatory pension funds operating in 2009:

- 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.).

In 2009, a total of 52,349 persons joined one of the mandatory pension funds, whereas 5,929 persons exited the funds in the same period. As at 31 December 2009, the four mandatory pension funds had 1,522,149 members. As many as 92.3% of the insured persons were allocated to one of the existing funds by REGOS upon the expiry of the selection period.

Table 3.1 Mandatory Pension Funds (obvezni mirovinski fondovi – OMF) Membership

MANDATORY PENSION FUND	AZ OMF	ERSTE PLAVI OMF	PBZ CO OMF	RAIFFEISEN OMF	TOTAL
Balance as at 31 December 2008	531,206	226,815	262,277	455,431	1,475,729
First registrations	493	242	505	596	1,836
Subsequently completed registrations	507	465	627	601	2,200
Allocation by REGOS	17,392	7,422	8,581	14,918	48,313
Total number of new members	18,392	8,129	9,713	16,115	52,349
Transfers to another fund	377	274	302	188	1,141
Transfers from other funds	280	163	127	571	1,141
Net transfer	-97	-111	-175	383	0
Total termination of membership	1834	950	1389	1756	5,929
Balance as at 31 Dec 2009	547,667	233,883	270,426	470,173	1,522,149
Annual change (in %)	3.10%	3.12%	3.11%	3.24%	3.15%

Source: HANFA

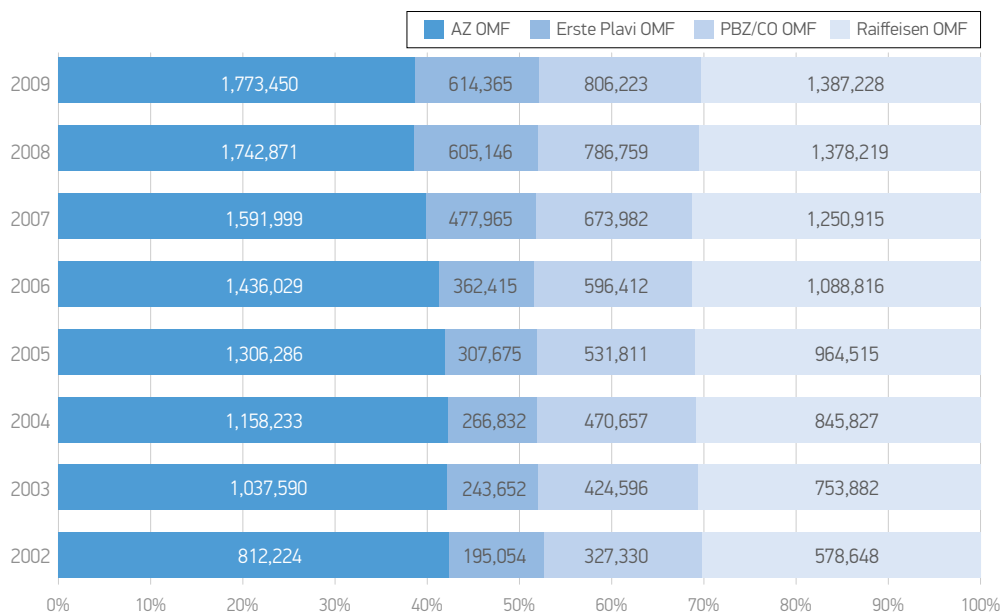
In 2009, a total amount of HRK 4.6 billion of net pension contributions was paid into mandatory pension funds, while payments from funds due to the closure of personal accounts amounted to HRK 114.3 million.

Table 3.2 Net Contributions of Mandatory Pension Funds in 2009 (in HRK thousand)

MANDATORY PENSION FUND	AZ OMF	ERSTE PLAVI OMF	PBZ CO OMF	RAIFFEISEN OMF	TOTAL
Net contributions	1,773,450	614,365	806,223	1,387,228	4,581,266
Payments from other OMFs	4,992	2,679	1,600	7,282	16,553
Disbursements to other OMFs	4,889	3,897	4,262	3,435	16,483
Disbursements of funds upon adjustments	2,666	1,004	1,121	2,347	7,138
Disbursements of funds upon the closure of personal accounts	37,663	17,622	26,119	32,894	114,298

Source: HANFA

Chart 3.1 Net Contributions of Mandatory Pension Funds in the 2002-2009 Period (in HRK thousand)

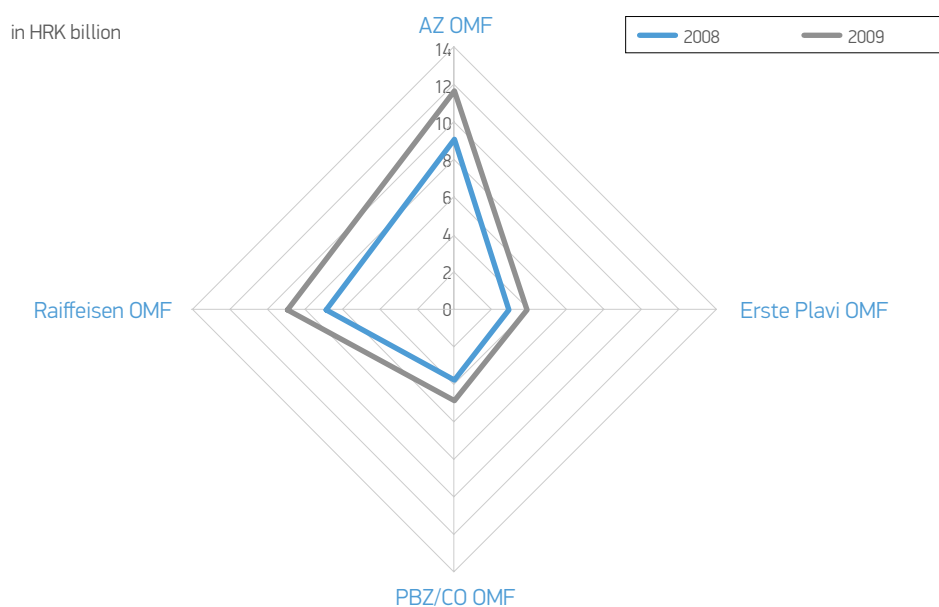


Source: HANFA

At end-2009, total assets of mandatory pension funds amounted to HRK 29.3 billion, increasing by 29.5% relative to the previous year. Broken down by fund members, HRK 19.200 was accounted for

by each member, which is an increase of 25.6% in comparison with 2008. The average annual net contribution by fund member in 2009 stood at HRK 3.000, falling by 1.6% compared with 2008.

Chart 3.2 Net Assets of Mandatory Pension Funds in 2008 and 2009



Source: HANFA

Chart 3.3 Net Asset to Net Contribution Ratio of Mandatory Pension Funds in the Period from 30 April 2002 to 31 December 2009



Source: HANFA

Mandatory pension funds invested most of their assets in domestic government bonds, which in 2009 made up 56.9%, whereas in 2008 they accounted for 70.5% of total asset value. The

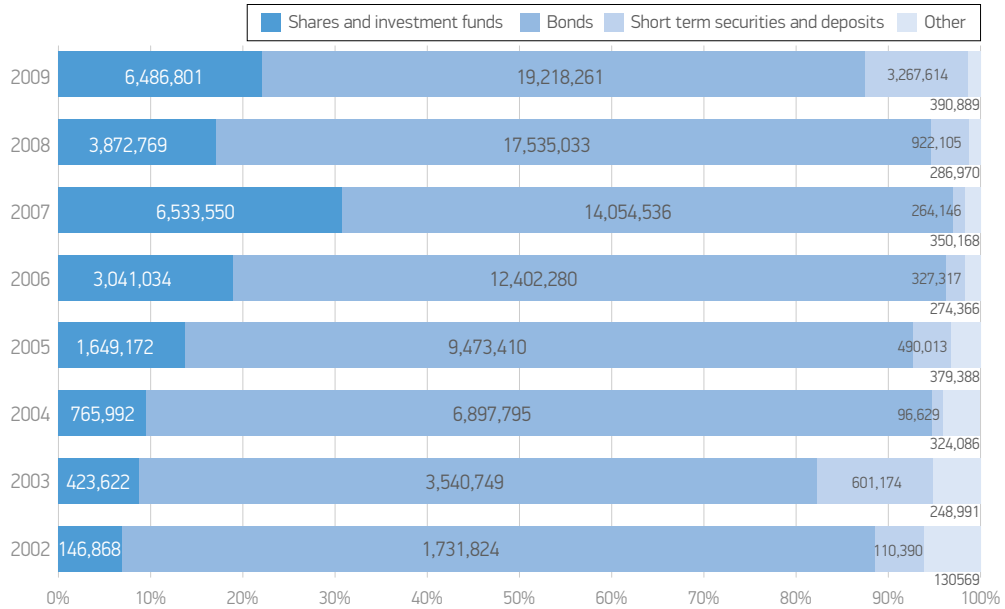
year 2009 saw an increase in mandatory pension funds' investments in domestic shares, short-term securities, deposits and foreign government bonds.

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

TYPE OF ASSETS	31 December 2008		31 December 2009	
	Amount	Share	Amount	Share
DOMESTIC ASSETS	20,920,792	92.50%	26,572,709	90.50%
Securities and deposits	20,633,823	91.23%	26,181,820	89.16%
Shares + GDRs	2,529,825	11.19%	3,909,073	13.31%
Government bonds	15,937,982	70.47%	16,716,518	56.93%
Municipal bonds	81,448	0.36%	79,044	0.27%
Corporate bonds	732,269	3.24%	1,108,541	3.78%
Closed-end investment funds	56,909	0.25%	69,272	0.24%
Open-end investment funds	373,285	1.65%	1,031,757	3.51%
Short-term securities	290,562	1.28%	2,025,358	6.90%
Deposits	631,543	2.79%	1,242,256	4.23%
Cash	265,500	1.17%	375,189	1.28%
Receivables	21,470	0.09%	15,700	0.05%
FOREIGN ASSETS	1,696,084	7.50%	2,790,856	9.50%
Shares	481,446	2.13%	763,268	2.60%
Government bonds	307,489	1.36%	1,253,393	4.27%
Municipal bonds	0	0.00%	0	0.00%
Corporate bonds	475,845	2.10%	60,764	0.21%
Closed-end investment funds	0	0.00%	0	0.00%
Open-end investment funds	431,303	1.91%	713,432	2.43%
Short-term securities	0	0.00%	0	0.00%
Deposits	0	0.00%	0	0.00%
TOTAL ASSETS	22,616,876	100.00%	29,363,566	100.00%
Net assets	22,590,933		29,264,636	

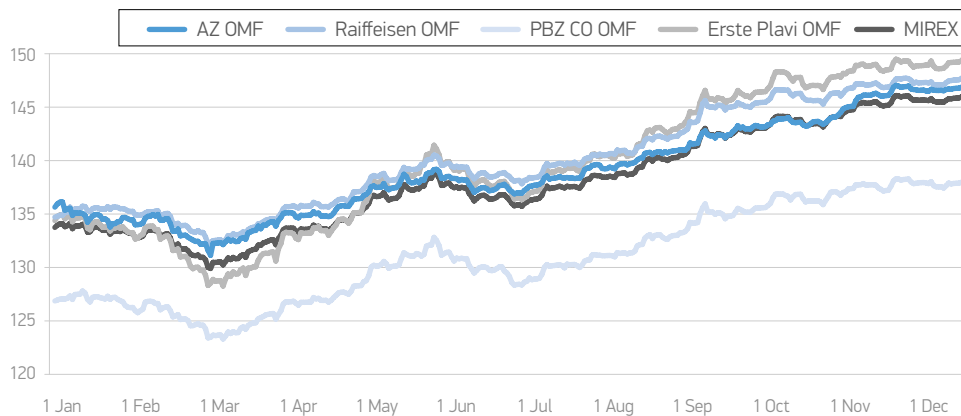
Source: HANFA

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



Source: HANFA

Chart 3.5 Values of Accounting Units and the MIREX Index during 2009



Source: HANFA

In 2009, rates of return of mandatory pension funds, including that of the MIREX index, were positive. AZ OMF's rate of return for 2009 amounted to 7.8%, ERSTE PLAVI OMF's rate of

return reached 10.6%, while PBZ CO OMF and RAIFFEISEN OMF recorded rates of return totalling 8.5% and 9.2%.

Table 3.4 Annualised Rates of Return of Mandatory Pension Funds' Accounting Units and the MIREX

AZ OMF									
	From	30Apr 2002	31Dec 2002	31Dec2003	31Dec2004	31Dec2005	31Dec2006	31Dec2007	31 Dec2008
To	AUV	100	108.6759	116.8000	124.0084	131.2816	138.8635	147.7171	134.3385
31Dec 2002	108.6759	13.20%							
31Dec2003	116.8000	9.74%	7.48%						
31Dec2004	124.0084	8.39%	6.82%	6.17%					
31Dec2005	131.2816	7.70%	6.50%	6.02%	5.87%				
31Dec2006	138.8635	7.28%	6.32%	5.94%	5.82%	5.78%			
31Dec2007	147.7171	7.12%	6.33%	6.05%	6.01%	6.08%	6.38%		
31Dec2008	134.3385	4.52%	3.60%	2.84%	2.02%	0.77%	-1.64%	-9.06%	
31Dec2009	144.8585	4.95%	4.19%	3.65%	3.16%	2.49%	1.42%	-0.97%	7.83%
ERSTE PLAVI OMF									
	From	30Apr 2002	31Dec 2002	31Dec2003	31Dec2004	31Dec2005	31Dec2006	31Dec2007	31 Dec2008
To	AUV	100	108.4353	116.1018	125.4063	135.4920	146.8004	155.6751	133.2136
31Dec 2002	108.4353	12.82%							
31Dec2003	116.1018	9.34%	7.07%						
31Dec2004	125.4063	8.84%	7.54%	8.01%					
31Dec2005	135.4920	8.63%	7.71%	8.03%	8.04%				
31Dec2006	146.8004	8.57%	7.87%	8.13%	8.19%	8.35%			
31Dec2007	155.6751	8.12%	7.50%	7.61%	7.47%	7.19%	6.05%		
31Dec2008	133.2136	4.39%	3.49%	2.79%	1.52%	-0.56%	-4.74%	-14.43%	
31Dec2009	147.3339	5.18%	4.47%	4.05%	3.27%	2.12%	0.12%	-2.72%	10.60%
PBZ CO OMF									
	From	30Apr 2002	31Dec 2002	31Dec2003	31Dec2004	31Dec2005	31Dec2006	31Dec2007	31 Dec2008
To	AUV	100	109.4154	117.9214	127.1730	133.2243	142.8526	153.7997	126.3414
31Dec 2002	109.4154	14.35%							
31Dec2003	117.9214	10.37%	7.77%						
31Dec2004	127.1730	9.42%	7.81%	7.85%					
31Dec2005	133.2243	8.13%	6.78%	6.29%	4.76%				
31Dec2006	142.8526	7.93%	6.89%	6.60%	5.99%	7.23%			
31Dec2007	153.7997	7.89%	7.05%	6.87%	6.54%	7.44%	7.66%		
31Dec2008	126.3414	3.57%	2.43%	1.39%	-0.16%	-1.75%	-5.96%	-17.85%	
31Dec2009	137.0353	4.19%	3.27%	2.53%	1.50%	0.71%	-1.38%	-5.60%	8.46%
RAIFFEISEN OMF									
	From	30Apr 2002	31Dec 2002	31Dec2003	31Dec2004	31Dec2005	31Dec2006	31Dec2007	31 Dec2008
To	AUV	100	108.5443	116.1595	126.1430	138.1216	143.6204	153.5363	133.5218
31Dec 2002	108.5443	12.99%							
31Dec2003	116.1595	9.38%	7.02%						
31Dec2004	126.1430	9.08%	7.80%	8.59%					
31Dec2005	138.1216	9.20%	8.36%	9.04%	9.50%				
31Dec2006	143.6204	8.06%	7.25%	7.33%	6.70%	3.98%			
31Dec2007	153.5363	7.85%	7.18%	7.22%	6.77%	5.43%	6.90%		
31Dec2008	133.5218	4.43%	3.51%	2.83%	1.43%	-1.12%	-3.58%	-13.04%	
31Dec2009	145.7648	5.03%	4.30%	3.86%	2.93%	1.36%	0.50%	-2.56%	9.17%
MIREX OMF									
	From	30Apr 2002	31Dec 2002	31Dec2003	31Dec2004	31Dec2005	31Dec2006	31Dec2007	31 Dec2008
To	Mirex	100	108.7306	116.7457	125.3544	134.1982	141.9054	151.5643	132.6237
31Dec 2002	108.7306	13.28%							
31Dec2003	116.7457	9.71%	7.37%						
31Dec2004	125.3544	8.83%	7.37%	7.37%					
31Dec2005	134.1982	8.34%	7.27%	7.21%	7.06%				
31Dec2006	141.9054	7.78%	6.88%	6.72%	6.40%	5.74%			
31Dec2007	151.5643	7.61%	6.87%	6.74%	6.53%	6.27%	6.81%		
31Dec2008	132.6237	4.32%	3.37%	2.58%	1.42%	-0.39%	-3.33%	-12.50%	
31Dec2009	144.1581	4.88%	4.11%	3.58%	2.83%	1.81%	0.53%	-2.47%	8.70%

Source: HANFA

Mandatory Pension Companies

In 2009, the total assets of mandatory pension companies increased by 11.3% relative to 2008, amounting to HRK 544.3 million. In the same period, the total management companies' capital grew by 8.6% and amounted to HRK 508.2 million

at the end of 2009. Total capital by mandatory fund member rose by 5.3%, reaching HRK 333.9 at the end of the year.

In 2009, the total assets of mandatory pension companies increased by 11.3% relative to 2008,

Table 3.5 Mandatory Pension Company Balance Sheets as at 31 December 2008 and 31 December 2009 (in HRK thousand)

Items	2008	2009
ASSETS		
A. Fixed assets	250,691	204,753
I. Intangible assets	19,472	17,481
II. Tangible assets	4,709	5,433
III. Financial assets	226,510	181,839
B. Current assets	209,793	272,555
I. Stock, inventory and other	0	0
II. Receivables	20,263	25,089
III. Financial assets	178,051	225,067
IV. Cash at bank and in hand	11,479	22,399
C. Prepayments	24,310	64,862
D. Accrued income	2,949	1,076
E. Tax assets	1,504	1,094
F. TOTAL ASSETS	489,247	544,340
LIABILITIES		
A. Capital	467,923	508,219
I. Subscribed capital	327,844	327,844
II. Premiums for shares issued	0	0
III. Revaluation reserves	0	51
IV. Reserves	6,012	7,654
V. Retained profit or accumulated loss	26,617	29,079
VI. Profit or loss of the current year	107,450	143,591
B. Long-term liabilities	257	349
C. Short-term liabilities	14,698	26,324
D. Accruals	6,369	9,447
E. Deferred income	0	0
F. TOTAL LIABILITIES	489,247	544,340

Source: HANFA

amounting to HRK 544.3 million. In the same period, the total management companies' capital grew by 8.6% and amounted to HRK 508.2 million at the end of 2009. Total capital by mandatory fund member rose by 5.3%, reaching HRK 333.9 at the end of the year.

In 2009, total expenses decreased by 18.9% compared to the previous year, amounting to HRK 87.9 million. Fund management costs recorded the sharpest fall, mostly due to sales agent costs which totalled HRK 13.8 million, recording a 51.7% decline. Marketing costs also fell, by 58.8%, and stood at HRK 3.6 million. The companies' total expenses by mandatory fund member reached HRK 57.7 million, which was 21.4% less than in the previous year. The companies set aside an average amount by fund member totalling HRK 18.2 for employee costs (an

increase of 1.1%), HRK 9.1 for sales agent costs (a 53.2% decrease) and HRK 2.36 for marketing costs (a 60.0% decrease).

In 2009, total companies' income stood at HRK 267.5 million, going up by 10.2% compared to 2008. Income from fund management (income from fund members' fees) totalled HR 237.1 million (a 9.8% growth), with the most important source of income being management fee, based on which management companies earned HRK 205.1 million. Income from total fees by mandatory fund member recorded an increase of 6.5% and amounted to HRK 155.7.

The total net profit of mandatory pension companies amounted to HRK 143.6 million, increasing by 33.6% over 2008. The return on asset (ROA) was 26.4% compared to 2008 when it stood at 22.0%.

Table 3.6 Profit and Loss Accounts of Mandatory Pension Companies in 2008 and 2009
(in HRK thousand)

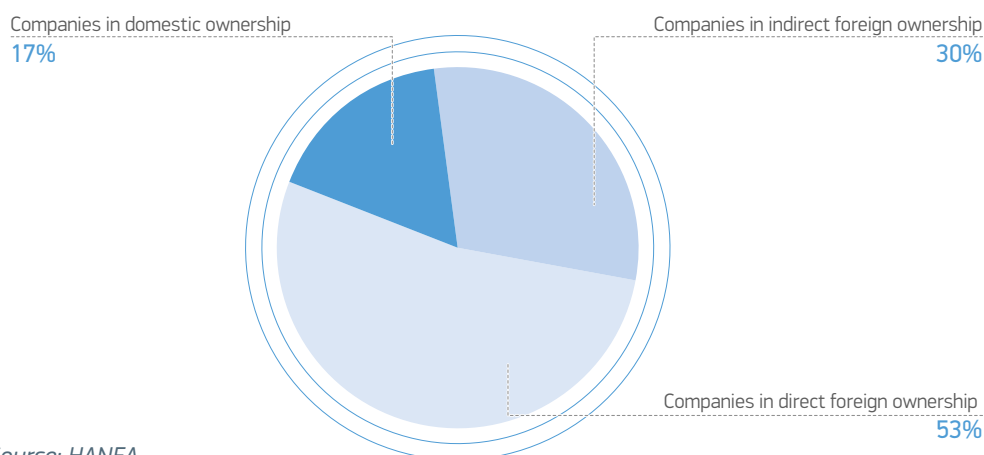
Items	2008	2009
Management fee	215,847	237,058
Fee from paid contributions	29,449	31,939
Fee from total assets of the pension fund	185,454	205,054
Exit fee	944	65
Performance bonus	0	0
Fund management expenses	48,686	30,229
Transaction costs	11	2
Marketing costs	8,699	3,585
Sales agent costs	28,516	13,775
Other pension fund management costs	11,460	12,867
Fund management profit and loss	167,161	206,829
Other income of the company	3,293	947
Operational expenses	54,004	55,138
Material costs	1,485	1,239
Employee costs	26,517	27,641
Depreciation and adjustment of value of fixed assets	3,874	3,797
Adjustment of value of current assets	0	0
Reservations for costs and risks	0	0
Other operational expenses	22,128	22,461
Financial income	23,698	29,469
Financial expenses	5,666	2,519
Income or loss from regular business operations	134,482	179,589
Extraordinary income	0	17
Extraordinary expenses	0	0
Pre-tax profit or loss of the accounting period	134,482	179,606
Profit tax	27,032	36,015
Net profit or loss	107,450	143,591

Source: HANFA

The return on equity (ROE) totalled 28.3%, while in 2008 it reached 23.0%. Out of four mandatory pension companies operating in 2009, two were in direct ownership

of foreign financial institutions, one was in indirect foreign ownership, whereas in one of them equal ownership shares were held by foreign and domestic founders.

Chart 3.6 Shares in Assets Under Management by Ownership Structure



Source: HANFA

Voluntary Pension Funds

In 2009, there were six open-end voluntary pension funds (otvoreni dobrovoljni mirovinski fondovi – ODMFs) operating in the Republic of Croatia, managed by four voluntary pension companies (dobrovoljna mirovinska društva – DMDs):

- AZ benefit ODMF (managed by Allianz ZB d.o.o. društvo za upravljanje dobrovoljnim mirovinskim fondovima)
- AZ profit ODMF (managed by Allianz ZB d.o.o. društvo za upravljanje dobrovoljnim mirovinskim fondovima)
- Croatia osiguranje ODMF (managed by CROATIA osiguranje mirovinsko društvo za upravljanje dobrovoljnim mirovinskim fondom d.o.o.)
- Erste Plavi Expert ODMF (managed by ERSTE DMD d.o.o. za upravljanje dobrovoljnim

mirovinskim fondom)

- Erste Plavi Protect ODMF (managed by ERSTE DMD d.o.o. za upravljanje dobrovoljnim mirovinskim fondom)
- Raiffeisen ODMF (managed by Raiffeisen mirovinsko društvo za upravljanje dobrovoljnim mirovinskim fondovima d.o.o.).

Although open-end voluntary pension funds still had a significantly smaller membership than mandatory pension funds, the number of their members continued rising in 2009. As at 31 December 2009, it amounted to 146,410, growing by 14.6% relative to 2008.

Table 3.7 Open-End Voluntary Pension Funds' Membership

FUND	31 Dec 2008	31 Dec 2009	Change
AZ benefit ODMF	7,790	11,313	3,523
AZ profit ODMF	51,604	59,472	7,868
Croatia osiguranje ODMF	14,626	15,487	861
Erste Plavi Expert ODMF	12,442	14,007	1,565
Erste Plavi Protect ODMF	3,403	5,877	2,474
Raiffeisen ODMF	37,873	40,254	2,381
TOTAL	127,738	146,410	18,672

Source: HANFA

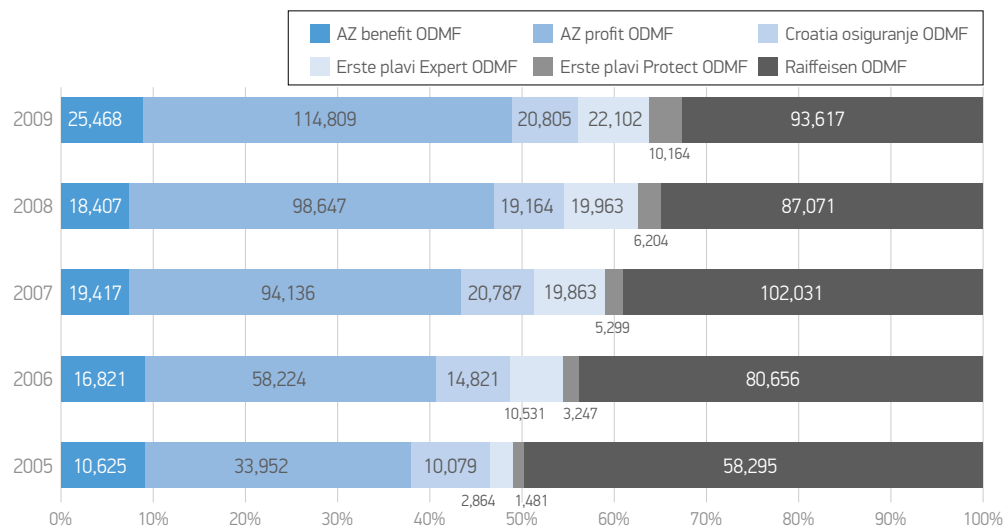
The gross contributions of ODMF members amounted to HRK 287.0 million, increasing by 15.0% compared with the previous year.

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

FUND	Gross contributions in 2008	Gross contributions in 2009	Change in %
AZ benefit ODMF	18,407	25,468	38.4%
AZ profit ODMF	98,647	114,809	16.4%
Croatia osiguranje ODMF	19,164	20,805	8.6%
Erste Plavi Expert ODMF	19,963	22,102	10.7%
Erste Plavi Protect ODMF	6,204	10,164	63.8%
Raiffeisen ODMF	87,071	93,617	7.5%
TOTAL	249,457	286,965	15.0%

Source: HANFA

Chart 3.7 Gross Contributions of ODMF Members over the last Five Years (in HRK thousand)



Source: HANFA

At end-2009, net assets of all ODMFs amounted to HRK 1,144.8 million, which was a 43.2% increase compared with last year. The average annual gross contribution by fund member totalled HRK 1,960.0, growing by only 0.4% relative to 2008. The total ODMF assets increased by 42.8% compared with the previous year. There was a change in the investment structure: investments

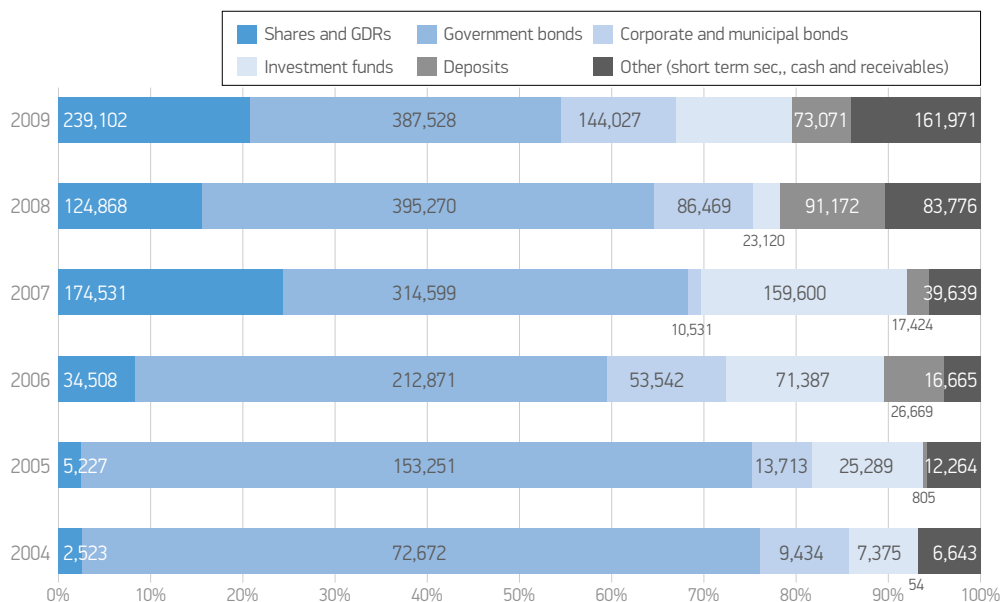
in domestic assets recorded a decrease, while investments in foreign assets rose. Investments in domestic government bonds fell from 45.0% in 2008 to 28.9% in 2009. An increase was recorded by investments in domestic open-end investment funds and short-term securities as well as in foreign shares. In 2009 ODMFs reported positive individual rates

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

ASSETS	31 Dec 2008		31 Dec 2009	
	Amount	Share	Amount	Share
DOMESTIC ASSETS	744,502	92.5%	981,424	85.4%
Securities and deposits	727,049	90.9%	962,589	83.7%
Shares + GDRs	108,508	13.5%	175,224	15.2%
Government bonds	362,484	45.0%	332,125	28.9%
Municipal bonds	4,213	0.5%	6,702	0.6%
Corporate bonds	82,256	10.2%	126,170	11.0%
Closed-end investment funds	3,061	0.4%	3,283	0.3%
Open-end investment funds	9,031	1.1%	102,878	9.0%
Short-term securities	66,323	8.2%	143,136	12.5%
Deposits	91,172	11.3%	73,071	6.4%
Cash	17,290	2.1%	15,778	1.4%
Receivables	164	0.0%	3,057	0.3%
FOREIGN ASSETS	60,173	7.5%	167,962	14.6%
Shares	16,359	2.0%	63,878	5.6%
Government bonds	32,786	4.1%	55,403	4.8%
Municipal bonds	0	0.0%	0	0.0%
Corporate bonds	0	0.0%	11,156	1.0%
Closed-end investment funds	0	0.0%	0	0.0%
Open-end investment funds	11,027	1.4%	37,526	3.3%
Short-term securities	0	0.0%	0	0.0%
Deposits	0	0.0%	0	0.0%
TOTAL ASSETS	804,675	100.0%	1,149,386	100.0%
Net assets	799,665		1,144,809	

Source: HANFA

Chart 3.8 ODMF Investment Structures over the Last Five Years (in HRK thousand)



Source: HANFA

of return, ranging from 5.30% to 14.1%. AZ Profit ODMF recorded the highest annual rate of return (14.1%), followed by Erste Plavi Expert ODMF (13.4%).

Apart from managing open-end voluntary pension funds, voluntary pension funds management companies also manage closed-end voluntary

pension funds (zatvoreni dobrovoljni mirovinski fondovi - ZDMFs), whose members may be employees of a particular employer, members of trade unions and members of associations of self-employed persons. In 2009, there were 15 closed-end voluntary pension funds operating in the Republic of Croatia.

Table 3.10 ODMF Annualised Rates of Return

Annualised Rate of Return for Accounting Unit of AZ Benefit ODMF								
	from	03 Dec 2003	31 Dec 2003	31 Dec 2004	31 Dec 2005	31 Dec 2006	31 Dec 2007	31 Dec 2008
to	AUV	100	100.5228	110.6070	117.5851	124.9274	130.1425	137.0393
31 Dec 2003	100.5228	7.03%						
31 Dec 2004	110.6070	9.82%	10.03%					
31 Dec 2005	117.5851	8.11%	8.15%	6.31%				
31 Dec 2006	124.9274	7.50%	7.51%	6.28%	6.24%			
31 Dec 2007	130.1425	6.68%	6.67%	5.57%	5.20%	4.17%		
31 Dec 2008	137.0393	6.40%	6.39%	5.50%	5.24%	4.74%	5.30%	
31 Dec 2009	151.7178	7.10%	7.10%	6.52%	6.58%	6.69%	7.97%	10.71%
Annualised Rate of Return for Accounting Unit of AZ Profit ODMF								
	from	30 Sep 2003	31 Dec 2003	31 Dec 2004	31 Dec 2005	31 Dec 2006	31 Dec 2007	31 Dec 2008
to	AUV	100	102.2404	112.3833	124.8151	140.7790	162.5783	151.0721
31 Dec 2003	102.2404	9.19%						
31 Dec 2004	112.3833	9.77%	9.92%					
31 Dec 2005	124.8151	10.34%	10.49%	11.06%				
31 Dec 2006	140.7790	11.09%	11.25%	11.92%	12.79%			
31 Dec 2007	162.5783	12.11%	12.29%	13.10%	14.13%	15.48%		
31 Dec 2008	151.0721	8.17%	8.12%	7.68%	6.57%	3.59%	-7.08%	
31 Dec 2009	172.3404	9.10%	9.09%	8.93%	8.40%	6.98%	2.96%	14.08%
Annualised Rate of Return for Accounting Unit of CO ODMF								
	from	29 Oct 2003	31 Dec 2003	31 Dec 2004	31 Dec 2005	31 Dec 2006	31 Dec 2007	31 Dec 2008
to	AUV	100	100.4406	106.8197	112.8280	121.2594	136.7056	104.9786
31 Dec 2003	100.4406	2.58%						
31 Dec 2004	106.8197	5.79%	6.35%					
31 Dec 2005	112.8280	5.71%	5.99%	5.62%				
31 Dec 2006	121.2594	6.26%	6.48%	6.54%	7.47%			
31 Dec 2007	136.7056	7.78%	8.01%	8.57%	10.07%	12.74%		
31 Dec 2008	104.9786	0.94%	0.89%	-0.43%	-2.37%	-6.96%	-23.21%	
31 Dec 2009	113.4797	2.07%	2.06%	1.22%	0.14%	-2.19%	-8.89%	8.10%
Annualised Rate of Return for Accounting Unit of Raiffeisen ODMF								
	from	06 Aug 2002	31 Dec 2003	31 Dec 2004	31 Dec 2005	31 Dec 2006	31 Dec 2007	31 Dec 2008
to	AUV	100	112.3541	121.9055	130.7163	140.4768	159.7848	127.9079
31 Dec 2003	112.3541	8.66%						
31 Dec 2004	121.9055	8.59%	8.50%					
31 Dec 2005	130.7163	8.19%	7.86%	7.23%				
31 Dec 2006	140.4768	8.03%	7.73%	7.35%	7.47%			
31 Dec 2007	159.7848	9.06%	9.20%	9.44%	10.56%	13.74%		
31 Dec 2008	127.9079	3.92%	2.63%	1.21%	-0.72%	-4.58%	-19.95%	
31 Dec 2009	144.0482	5.05%	4.23%	3.39%	2.46%	0.84%	-5.05%	12.62%
Annualised Rate of Return for Accounting Unit of EP Expert ODMF								
	from			15 Mar 2005	31 Dec 2005	31 Dec 2006	31 Dec 2007	31 Dec 2008
to	AUV			100	109.9721	128.0476	141.4317	108.8732
31 Dec 2005	109.9721			12.66%				
31 Dec 2006	128.0476			14.75%	16.44%			
31 Dec 2007	141.4317			13.19%	13.40%	10.45%		
31 Dec 2008	108.8732			2.26%	-0.33%	-7.79%	-23.02%	
31 Dec 2009	123.4828			4.50%	2.94%	-1.20%	-6.56%	13.42%
Annualised Rate of Return for Accounting Unit of EP Protect ODMF								
	from			15 Mar 2005	31 Dec 2005	31 Dec 2006	31 Dec 2007	31 Dec 2008
to	AUV			100	105.1318	110.7152	112.4339	115.4303
31 Dec 2005	105.1318			6.48%				
31 Dec 2006	110.7152			5.83%	5.31%			
31 Dec 2007	112.4339			4.28%	3.41%	1.55%		
31 Dec 2008	115.4303			3.85%	3.16%	2.11%	2.67%	
31 Dec 2009	121.5288			4.15%	3.69%	3.16%	3.97%	5.28%

Source: HANFA

Table 3.11 Closed-End Voluntary Pension Funds

VOLUNTARY PENSION FUND MANAGEMENT COMPANY	Closed-end voluntary pension fund	Beginning of business operations
Allianz ZB DMD	AZ VIP ZDMF	8 Mar 2004
	AZ Dalekovod ZDMF	14 Dec 2004
	AZ Hrvatska kontrola zračne plovidbe ZDMF	14 Mar 2005
	AZ Zagreb ZDMF	9 Oct 2008
Erste DMD	Cestarski ZDMF	30 Dec 2008
	Sindikat pomoraca Hrvatske ZDMF	21 Oct 2004
Croatia osiguranje DMD	CROATIA OSIGURANJE ZDMF	20 Sep 2005
	ZDMF HEP grupe	9 May 2006
	ZDMF HAC	3 Jun 2008
Raiffeisen DMD	Hrvatski liječnički sindikat ZDMF	1 Jul 2004
	Ericsson Nikola Tesla ZDMF	21 Feb 2005
	Novinar ZDMF	14 Oct 2005
	T-HT ZDMF	20 Dec 2006
	T-Mobile ZDMF	29 Oct 2007
	ZDMF Sindikat hrvatskih željezničara	15 Nov 2007

Source: HANFA

In 2009, closed-end voluntary pension funds had 17,733 members, increasing their membership by 2.6% compared with the previous year, whereas total net assets of all ZDMFs stood at HRK 218.3

million, rising by 47.2% relative to 2008. Average assets by fund member totalled HRK 12,312.8, growing by 43.4% over 2008. The average annual contribution to ZDMFs reached HRK 12,001.2.

Table 3.12 Main Indicators for ZDMFs

Information	31 Dec 2008	31 Dec 2009
Total ZDMF membership	17,285	17,733
Total ZDMF contributions (in HRK thousand)	156,471	212,818
Total ZDMF assets (in HRK thousand)	148,378	218,343

Source: HANFA

Closed-end voluntary pension funds' rates of return ranged between 6.8% and 17.1%, while annualised rates of return since the beginning of business operations ranged from -0.2% to 17.6%.

Table 3.13 Values of Accounting Units and ZDMF Rates of Return

CLOSED-END VOLUNTARY PENSION FUND	Value of accounting units		Rates of return of ZDMFs	
	31 Dec 2008	31 Dec 2009	2009	Annualised rates of return since the beginning of operations
AZ VIP ZDMF	145.2103	167.4408	15.31%	9.26%
AZ Dalekovod ZDMF	138.8948	159.6525	14.94%	9.71%
AZ Hrvatska kontrola zračne plovidbe	135.9320	156.3049	14.99%	9.75%
CROATIA OSIGURANJE ZDMF	91.4800	99.2234	8.46%	-0.18%
Ericsson Nikola Tesla ZDMF	128.2214	140.2019	9.34%	7.20%
Hrvatski liječnički sindikat ZDMF	135.2738	147.3568	8.93%	7.30%
Sindikat pomoraca Hrvatske ZDMF	91.5325	100.1547	9.42%	0.03%
Novinar ZDMF	118.6217	130.9525	10.40%	6.60%
ZDMF HEP grupe	95.1662	102.5260	7.73%	0.69%
T-HT ZDMF	105.4520	115.3561	9.39%	4.82%
T-Mobile ZDMF	97.4237	105.6143	8.41%	2.54%
ZDMF Sindikat hrvatskih željezničara	101.2643	108.1508	6.80%	3.75%
ZDMF HAC	103.7325	111.4300	7.42%	7.10%
AZ Zagreb	104.2369	122.0173	17.06%	17.60%
Cestarski ZDMF	100.0204	107.4586	7.44%	7.44%

Source: HANFA

Voluntary Pension Companies

The total assets of voluntary pension companies increased by 14.1% and amounted to HRK 64.3 million. The total capital for the same period rose by 10.3%, reaching HRK 51.3 million by the end of 2009. Due to a 13.2% increase in the voluntary

pension fund membership, the total capital by fund member decreased by 2.5%, totalling HRK 312.7 at the end of the period.

During 2009, total expenses decreased by 4.6%, amounting to HRK 30.3 million. The largest

Table 3.14 Voluntary Pension Company Balance Sheets as at 31 December 2008 and 31 December 2009 (in HRK thousand)

ITEM	2008	2009
ASSETS		
A. Fixed assets	5,705	6,046
I. Intangible assets	451	765
II. Tangible assets	794	545
III. Financial assets	4,460	4,736
B. Current assets	49,466	57,320
I. Stock, inventory and other	67	56
II. Receivables	5,951	4,715
III. Financial assets	32,666	45,869
IV. Cash at bank and in hand	10,782	6,680
C. Prepayments	46	144
D. Accrued income	144	262
E. Tax assets	1,001	513
F. TOTAL ASSETS	56,362	64,285
LIABILITIES		
A. Capital	46,519	51,329
I. Subscribed capital	93,445	78,445
II. Premiums for shares issued	0	0
III. Revaluation reserves	-344	-286
IV. Reserves	0	0
V. Retained profit or accumulated loss	-46,323	-31,583
VI. Profit or loss of the current year	-259	4,752
B. Long-term liabilities	0	0
C. Short-term liabilities	4,525	7,086
D. Accruals	834	661
E. Deferred income	4,484	5,209
F. TOTAL LIABILITIES	56,362	64,285

Source: HANFA

share (56.2%) in total expenses of voluntary pension companies was accounted for by fund management costs, which amounted to HRK 17.0 million, decreasing by 10.6%, mainly due to a 23.8% fall in sales agent costs. Operational expenses grew by 1.6%, totalling HRK 12.5 million.

Total expenses per fund member amounted to HRK 184.4, which is 15.7% less than the previous

year. The companies set aside an average amount by fund member totalling HRK 35.4 for employee costs (an increase of 7.4%), HRK 68.1 for sales agent costs (a 32.7% decrease) and HRK 18.4 for marketing costs (a 12.8% decrease).

Total companies' income reached HRK 36.4 million, growing by 10.8% compared with the previous year. Income from fund management (income

from fund members' fees) totalled HRK 31.7 million (an 8.2% growth), with the most important source of income being management fee, based on which management companies earned HRK 19.3 million, and entry fee in the amount of HRK 12.4 million.

Voluntary pension companies reported a total profit in the amount of HRK 4.8 million, while in

2008 they recorded a HRK 0.3 million loss.

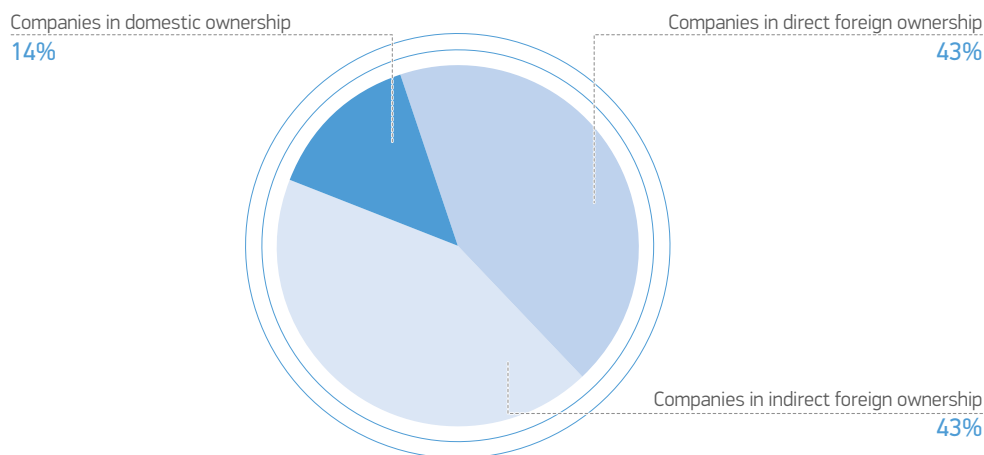
Out of four voluntary pension companies operating in 2009, one was in direct ownership of foreign financial institutions, two were in indirect foreign ownership through companies established in the Republic of Croatia, whereas one company was in domestic ownership.

Table 3.15 Profit and Loss Account of Voluntary Pension Companies in 2008 and 2009
(in HRK thousand)

Items	2008	2009
Management fee	29,288	31,703
Fee from paid contributions	14,897	12,409
Fee from total assets of the pension fund	14,388	19,276
Exit fee	3	17
Performance bonus	0	0
Fund management expenses	19,038	17,019
Transaction costs	183	180
Marketing costs	2,363	3,018
Sales agent costs	14,671	11,182
Other pension fund management costs	1,821	2,639
Fund management profit and loss	10,250	14,683
Other income of the company	661	192
Operational expenses	12,298	12,493
Material costs	299	302
Employee costs	4,787	5,817
Depreciation and adjustment of value of fixed assets	791	645
Adjustment of value of current assets	0	0
Reservations for costs and risks	0	0
Other operational costs	6,421	5,728
Financial income	2,905	4,500
Financial expenses	375	749
Income or loss from regular business operations	1,143	6,135
Extraordinary income	0	7
Extraordinary expenses	0	0
Pre-tax profit or loss of the accounting period	1,143	6,142
Profit tax	1,402	1,390
Net profit or loss	-259	4,752

Source: HANFA

Chart 3.9 Shares in Assets Under Management by Ownership Structure



Source: HANFA

Regulatory Activities and Licensing

During 2009, pursuant to the Mandatory and Voluntary Pension Funds Act (Official Gazette 49/99, 63/00, 103/03, 177/04 and 71/07), the following ordinances were adopted:

- Ordinance on the requirements for professional training and examination of professional knowledge required for obtaining the licence to carry out activities of a broker, investment advisor, certified pension fund manager and certified pension insurance company manager (Official Gazette 5/09)
- Ordinance on the method of registering insured persons in the mandatory pension fund (Official Gazette 144/09).

Several existing ordinances were amended, namely:

- Ordinance amending the Ordinance on additional investment criteria and investment limitations for pension funds (Official Gazette 2/09)
- Ordinance amending the Ordinance on additional investment criteria and investment limitations for pension funds (Official Gazette 9/09)
- Ordinance amending 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, investment advisor, certified pension fund manager and certified pension insurance company manager (Official Gazette 30/09)
- Ordinance amending the Ordinance on accounting and financial reports of pension companies and pension funds (Official Gazette 30/09),

- Ordinance amending the Ordinance on conditions for renewing the licence for managing pension funds (Official Gazette 65/09)
- Ordinance amending the Ordinance on additional investment criteria and investment limitations for pension funds (Official Gazette 141/09).

Over the past year, the Agency issued the following decisions:

- 6 decisions granting approval for the appointment of a member of the management board of a mandatory pension company
- 7 decisions granting approval for the appointment of a member of the supervisory board of a mandatory pension fund company
- 5 decisions granting approval for the appointment of a member of the supervisory board of a voluntary pension fund company
- 3 decisions approving the statute and amendments to the statute of a mandatory pension fund
- 9 decisions approving the statute and amendments to the statute of a voluntary pension fund
- 9 decisions approving the informative prospectus and amendments to the informative prospectus of a voluntary pension fund
- 1 decision granting approval to decrease initial capital of a pension company
- 33 decisions regarding applications for issuing approval for promotional material and
- 19 decisions regarding applications for renewing the licence of a certified pension fund manager.

Pension Fund Supervision

In 2009, the Agency conducted off-site examinations of pension companies' and pension funds' business operations, and monitored their compliance with legislation and subordinate legislation for the purpose of protecting the interests of mandatory and voluntary funds' members. The Amendments to the Mandatory and Voluntary Pension Funds Act of July 2007 provided for liberalisation of investments of pension fund assets.

Within the framework of pension fund supervision, the Agency focused on the 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 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 examinations of the following entities:

- ALLIANZ ZB d.o.o. društvo za upravljanje obveznim mirovinskim fondom and AZ obvezni mirovinski fond
- PBZ CROATIA OSIGURANJE d.d. za upravljanje obveznim mirovinskim fondom and PBZ CROATIA

OSI-GURANJE obvezni mirovinski fond

- ERSTE d.o.o. društvo za upravljanje obveznim mirovinskim fondom and Erste Plavi obvezni mirovinski fond.

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 performance of pension funds.

The on-site examinations also comprised 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 guarantee to persons connected with pension companies, the inspection of the amount of the 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 provisions of relevant prospectuses of pension funds with a view to identify potential operational risks of the abovementioned supervised entities, and for the purpose of providing the best possible protection for mandatory and voluntary pension funds' members. During 2009, no major breaches of regulations were detected in business operations of mandatory and voluntary pension funds.



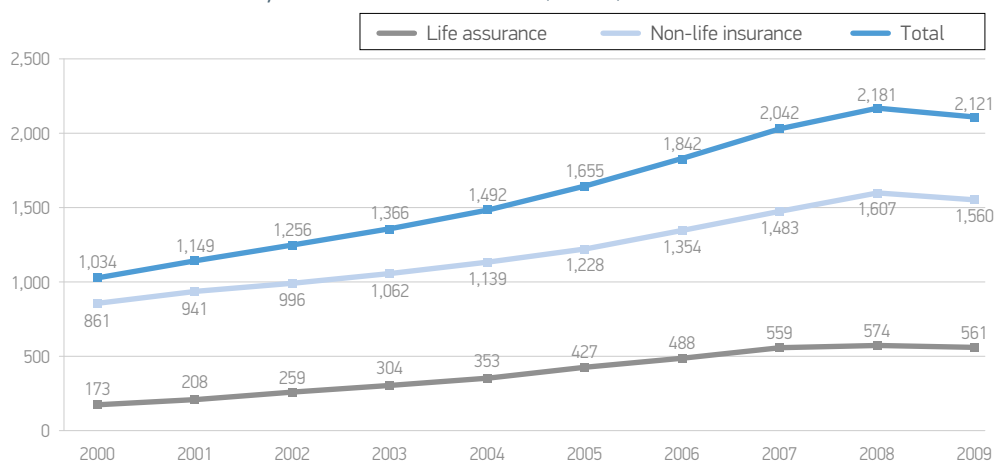
[4] INSURANCE MARKET

4 INSURANCE MARKET

The 2009 insurance market was analysed on the basis of financial and statistical reports¹ submitted to the Agency and on the basis of supervision of business operations carried out by insurance and reinsurance companies, insurance agencies, insurance representation crafts and insurance brokerage companies, insurance agents and insurance brokers, the Croatian Nuclear Pool GIU

and the Croatian Insurance Bureau. Basic indicators used to assess the situation in insurance markets are insurance density² and the share of gross written premium in GDP³. The following charts present their movements in the 2000-2009 period.

Chart 4.1 Insurance Density in the 2000-2009 Period (in HRK)

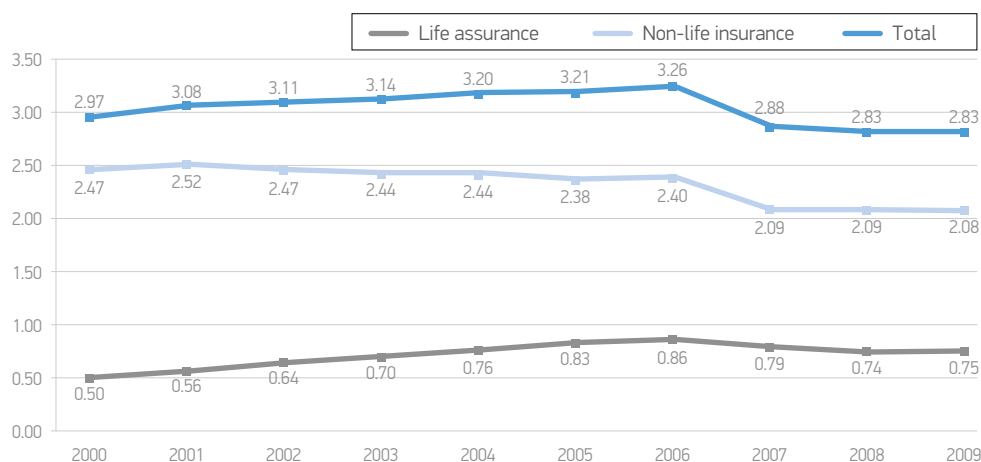


Source: HANFA

In 2009, insurance density decreased relative to 2008 and totalled HRK 2,121 or EUR⁴ 290, even though its value had grown continuously in the preceding years. Broken down by groups of insurance classes, insurance density in life

assurance rose continuously in the period from 2000 to 2008, but in 2009 it fell for the first time, by 2.3%, as did insurance density in non-life insurance, by 2.9%.

Chart 4.2 Share of Gross Written Premium in GDP in the 2000-2009 Period (in %)



Source: HANFA

¹ Financial and statistical data for 2008 and 2009 used in this report have been presented based on audited reports of insurance and reinsurance companies, with data used for other supervised entities in the same period being presented based on unaudited reports. Financial and statistical data for the 2000-2007 period have also been presented based on unaudited financial and statistical reports of all supervised entities.

² Insurance density is calculated as gross written premium per capita.

³ Gross domestic product – data taken from the website of the Croatian Central Bureau of Statistics (www.dzs.hr).

⁴ Calculated according to the midpoint exchange rate of the CNB as at 31 December 2009.

The share of gross written premium in GDP in life assurance rose slightly, from 0.74% in 2008 to 0.75% in 2009, failing to reach its 2004 value. The share of gross written premium in GDP in non-life insurance reduced from 2.09% in 2008 to 2.08% in 2009.

Market Description

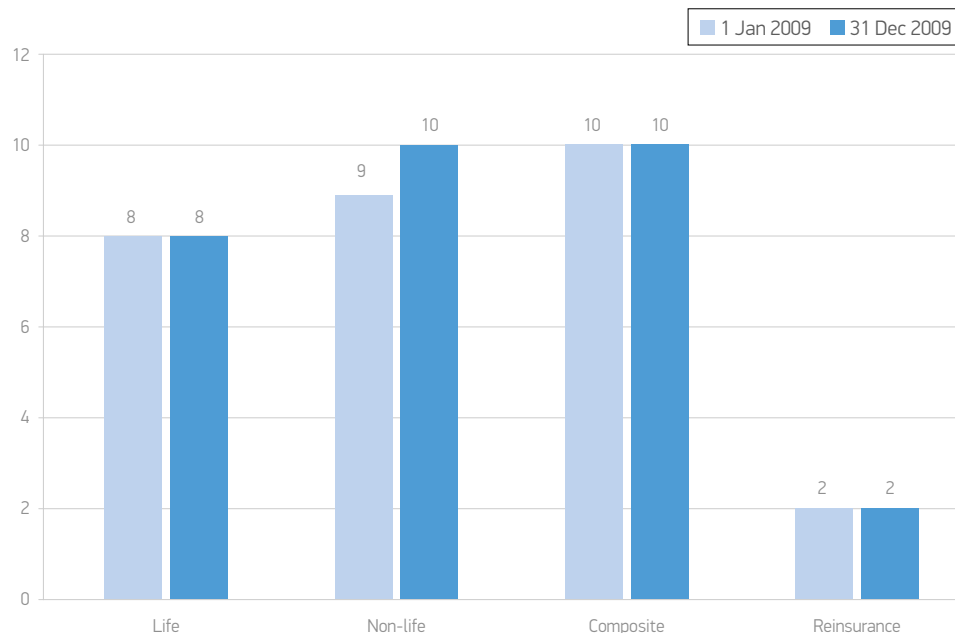
There were 2 reinsurance companies and 27 insurance companies operating in the insurance market in 2009, of which 8 companies carried on life assurance business only, 9 companies

carried on non-life insurance business only, while the remaining 10 companies carried on both life assurance and non-life insurance business.

During 2009, the operating licence was granted only to Hrvatsko kreditno osiguranje d.d., which obtained a licence from the Agency to conclude and carry out credit insurance agreements. The company did not commence insurance activities in 2009, since it only obtained the licence at the end of the year.

In 2009, Velebit osiguranje d.d. was granted a licence to conclude and carry out insurance

Chart 4.3 Number of Licensed Insurance and Reinsurance Companies as at 1 January 2009 and 31 December 2009



Source: HANFA

agreements for miscellaneous financial loss, and Euroherc osiguranje d.d. obtained a licence to conclude and carry out agreements for insurance of railway locomotives and rolling stock.

Victoria životno osiguranje d.d. and Societe Generale osiguranje d.d. were granted operating licences to conclude and carry out life assurance agreements at end-2008, but the companies commenced

insurance activities in the first half of 2009.

As a result of these changes, as at 31 December 2009 insurance business was carried on by 27 insurance companies and 2 reinsurance companies. The following table presents the list of insurance companies according to the type of their insurance activities.

Table 4.1 Insurance Activities Actively Conducted by Insurance and Reinsurance Companies in 2009

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

Source: HANFA

Note: *In 2009, the company changed its name, former Osiguranje Zagreb d.d.

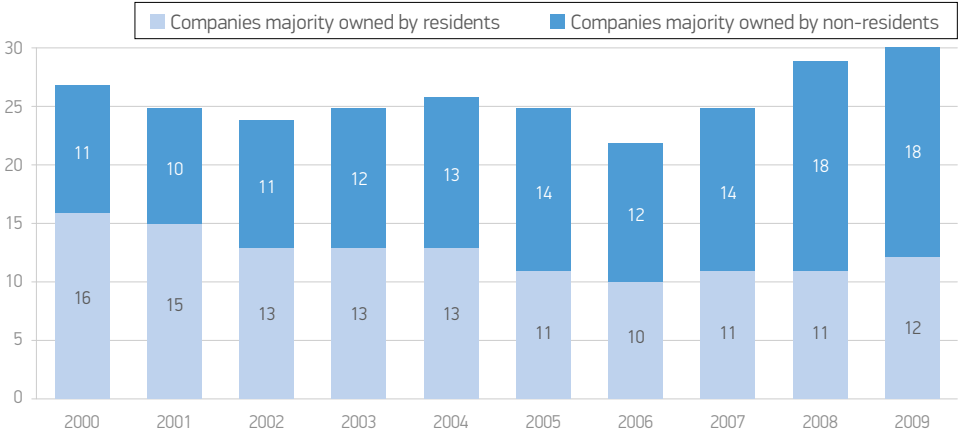
** In 2009, the company changed its name, former Erste Sparkassen osiguranje d.d.

As at 31 December 2009, out of 29 companies actively conducting insurance and reinsurance activities in the Croatian insurance market, 21 companies were directly or indirectly majority

owned by non-residents⁵ (18 companies directly and 3 companies indirectly majority owned by non-residents).

⁵ 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.

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



Source: HANFA

Gross Written Premium

During 2009, insurance companies recorded gross written premium totalling HRK 9.4 billion, which is a decrease of HRK 274.7 million or 2.8% compared with 2008, with a HRK 217.6 million decrease relating to non-life insurance and a HRK 57.1 million decrease relating to life assurance.

Total gross written premium of the reinsurance industry amounted to HRK 484.2 million and was almost entirely accounted for by Croatia Lloyd d.d. (99.6%), whereas the remaining 0.4 was made up by Allianz reosiguranje d.d.

Table 4.2 Gross Written Premiums of Insurance Companies in 2008 and 2009 (in HRK thousand)

No.	Insurance company	Gross written premium (GWP)		Index 2009/2008	Share in total GWP	
		2008	2009		2008	2009
1	Agram životno osiguranje d.d.	235,856	227,755	96.6	2.4%	2.4%
2	Allianz Zagreb d.d.	1,121,070	985,777	87.9	11.6%	10.5%
3	Basler osiguranje d.d.	27,326	28,190	103.2	0.3%	0.3%
4	Basler osiguranje Zagreb d.d.	396,875	370,895	93.5	4.1%	3.9%
5	Basler životno osiguranje d.d.	64,702	49,818	77.0	0.7%	0.5%
6	Cardif osiguranje d.d.	25,205	35,502	140.9	0.3%	0.4%
7	Cosmopolitan Life VIG d.d.	82,190	87,443	106.4	0.8%	0.9%
8	Croatia osiguranje d.d.	3,243,961	3,029,486	93.4	33.5%	32.2%
9	Croatia zdravstveno osiguranje d.d.	88,600	97,007	109.5	0.9%	1.0%
10	Erste osiguranje VIG d.d.	75,267	88,820	118.0	0.8%	0.9%
11	Euroherc osiguranje d.d.	1,086,568	1,043,612	96.0	11.2%	11.1%
12	Generali osiguranje d.d.	266,443	272,054	102.1	2.8%	2.9%
13	Grawe Hrvatska d.d.	432,857	416,428	96.2	4.5%	4.4%
14	Helios VIG d.d.	114,823	99,796	86.9	1.2%	1.1%
15	HOK osiguranje d.d.	105,058	145,128	138.1	1.1%	1.5%
16	Jadransko osiguranje d.d.	680,209	661,051	97.2	7.0%	7.0%
17	KD životno osiguranje d.d.	812	4,246	522.7	0.0%	0.0%
18	Kvarner VIG d.d.	540,479	540,536	100.0	5.6%	5.7%
19	Merkur osiguranje d.d.	296,706	295,938	99.7	3.1%	3.1%
20	Societe Generale osiguranje d.d.		17,701			0.2%
21	Sunce osiguranje d.d.	186,307	180,803	97.0	1.9%	1.9%
22	Triglav osiguranje d.d.	377,860	400,089	105.9	3.9%	4.3%
23	Uniqa osiguranje d.d.	183,567	234,370	127.7	1.9%	2.5%
24	Velebit osiguranje d.d.	38,468	51,818	134.7	0.4%	0.6%
25	Velebit životno osiguranje d.d.	7,948	9,913	124.7	0.1%	0.1%
26	Victoria osiguranje d.d.		131			0.0%
27	Victoria životno osiguranje d.d.	979	31,158	3,181.6	0.0%	0.3%
	TOTAL	9,680,141	9,405,465	97.2	100.0%	100.0%

Source: HANFA

Gross written premium increase in 2008 totalled 6.8% relative to 2007, which had been the lowest annual increase since 2001, while in 2009 its amount was for the first time lower (by 2.8%) than in the preceding year. The 2009 gross written premium growth was reported by 14 out of 25 companies that conducted insurance activities in 2008 as well.

The largest insurance company in the Croatian insurance market, Croatia osiguranje d.d., reported the largest absolute decrease in gross written premium, totalling HRK 214.5 million, while in 2008 it recorded the largest absolute premium growth. The decline in the premium also resulted in the fall of the share in total gross written premium from 33.5% in 2008 to 32.2% in 2009.

Uniga osiguranje d.d. reported the largest absolute gross written premium growth (amounting to HRK 50.8 million), increasing its share in the total gross written premium of the insurance industry from 1.9% in 2008 to 2.5% in 2009.

Viewed by groups of insurance classes, in 2009 Croatia osiguranje d.d. remained the leading company in non-life insurance with a 38.6% share (40.4% in 2008), and was followed by Euroherc osiguranje d.d. with a share of 15.1% (15.2% in 2008), while the remaining insurance companies

together have a share lower than 10.0% in non-life insurance premium.

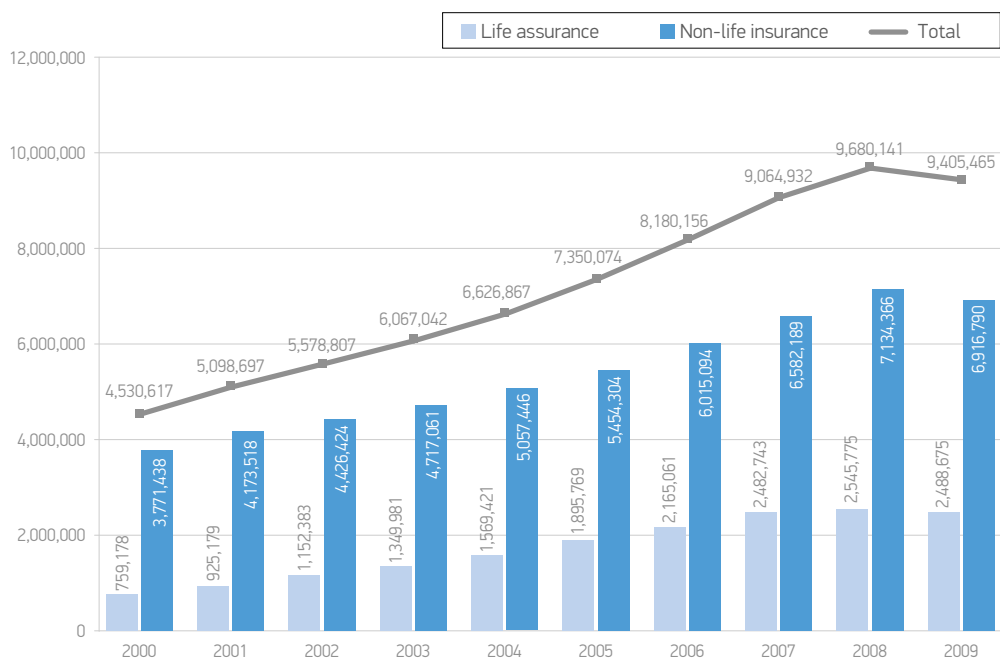
Recording a 14.3% share (14.3% in 2008) in life assurance, Croatia osiguranje d.d. had, for the first time in three years, taken the lead over Allianz Zagreb d.d., whose share totalling 13.5% (16.7% in 2008) did not suffice for the company to preserve its market leading position in 2009. Shares over 10% in life assurance premium were also reported by Merkur osiguranje d.d. (10.6%) and Grawe Hrvatska d.d. (10.4%).

The insurance portfolio concentration by total gross written premium of the top five insurance companies⁶ decreased from 68.9% in 2008 to 66.6% in 2009, while insurance portfolio concentration of the top ten insurance companies fell⁷ from 87.2% to 85.2%. Non-life insurance recorded higher concentration than life assurance: five insurance companies accounted for 77.4% of total non-life insurance premium, whereas 58% of total life assurance premium was made up by five insurance companies. The gradual decline in the insurance portfolio concentration was a result of increased production of certain insurance companies on the one hand and of the establishment of new insurance companies on the other hand.

⁶ Croatia osiguranje d.d., Euroherc osiguranje d.d., Allianz Zagreb d.d., Jadransko osiguranje d.d. and Kvarner VIG d.d.

⁷ Croatia osiguranje d.d., Euroherc osiguranje d.d., Allianz Zagreb d.d., Jadransko osiguranje d.d., Kvarner VIG d.d., Hrvatska d.d., Triglav osiguranje d.d., Basler osiguranje Zagreb d.d., Merkur osiguranje d.d. and Generali osiguranje d.d.

Chart 4.5 Gross Written Premium of Insurance Companies in the 2000-2009 Period
(in HRK thousand)

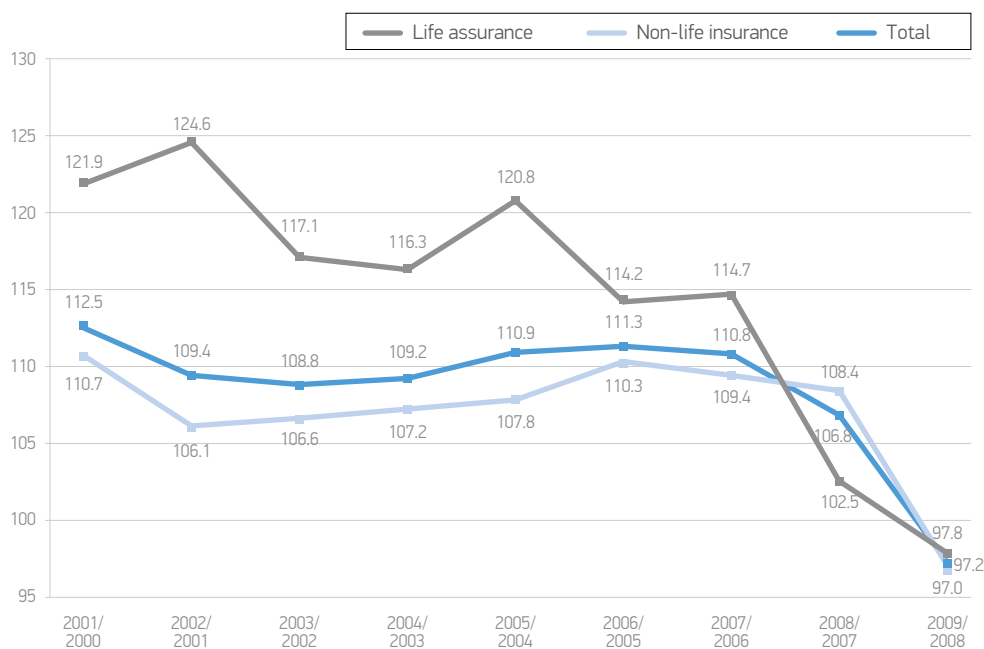


Source: HANFA

Continuous growth of life assurance premium in total insurance market portfolio was interrupted in 2009, when life assurance premium recorded a 2.2% fall relative to 2008. In the period from 2001 to 2008, the average annual increase in life assurance premium totalled 16.5%.

Non-life insurance premium recorded a decline amounting to 3.0% compared with 2008, while the average growth rate in the preceding nine years stood at 7.0%

Chart 4.6 Gross Written Premium Indices in the Insurance Industry in the 2000-2009 Period

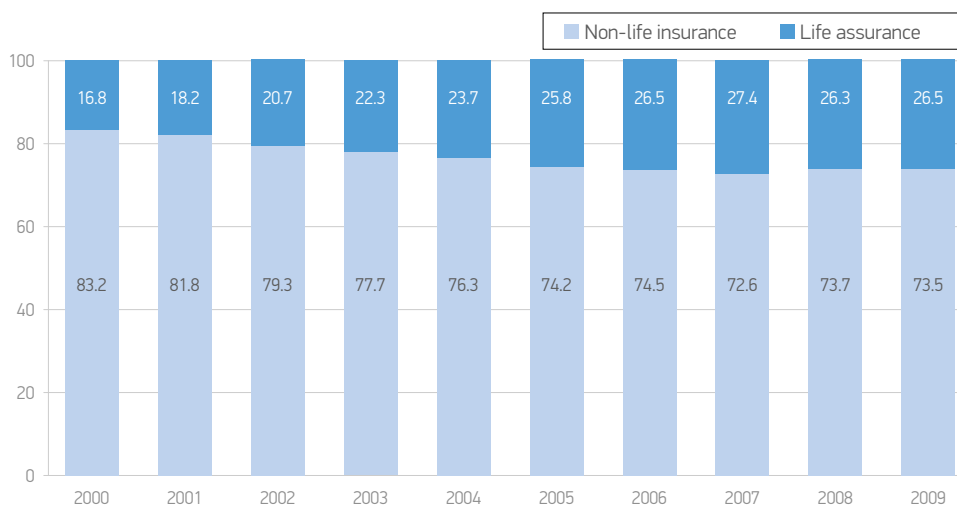


Source: HANFA

In 2009, the share of life assurance in the total gross written premium amounted to 26.5%, reaching the same level as in 2006. The continuous growth in the share of life assurance in the total

gross written premium that had lasted since 2001 was interrupted by the 2008 decrease, but a slight increase was recorded again in 2009.

Chart 4.7 Share of Life and Non-life Insurance in Total Gross Written Premium in the 2000-2009 Period (in %)



Source: HANFA

In total gross written premium⁸, the share of technical premium as part of the premium intended for covering insurance agreement liabilities totalled 80.0%, the expense loading share amounted to 19.5%, while 0.5% was accounted for by the prevention part. Viewed by insurance companies, the share of technical premium in total premium ranges from 13.3% (KD životno osiguranje d.d.) to 89.7% (Victoria životno osiguranje d.d.).

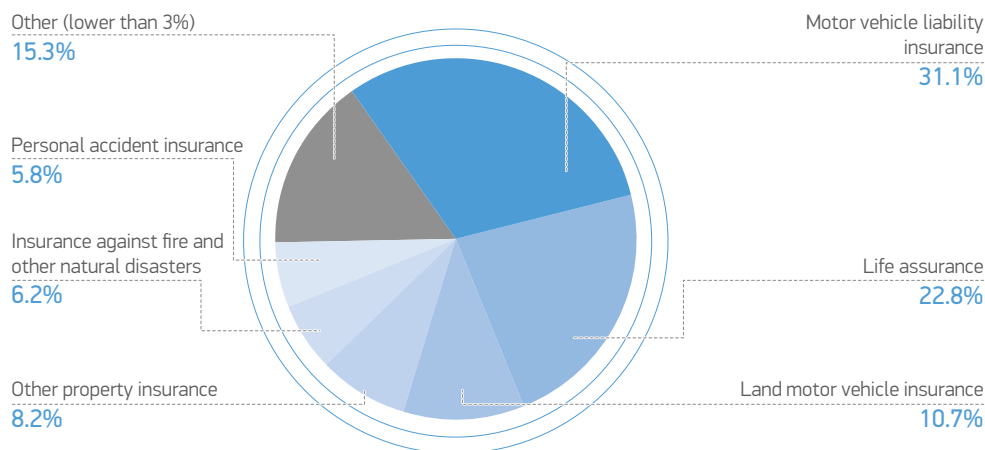
Data on shares of individual sales channels present their shares in the total gross written premium⁹ of life assurance and non-life insurance. In life assurance classes, agencies made up the most represented sales channel in 2009 with a 41.7% share, recording a share increase relative

to the previous year, when their share stood at 41.4%. Internal sales channels also recorded a share growth, from 24.8% in 2008 to 26.7% in 2009. At the same time, a decline in the share of life assurance premium was recorded by bank channels (from 17.6% in 2008 to 16.1% in 2009) and sales channels without commission (from 13.6% in 2008 to 13.5% in 2009). The most significant sales channel in non-life insurance was the internal sales channel with a share of 47.9% (43.1% in 2008). The share of sales channel without commission decreased from 25.5% in 2008 to 24.5% in 2009, while the share of agencies fell from 22.1% in 2008 to 21.3% in 2009.

⁸ Gross written premium includes coinsurance premium

⁹ Gross written premium includes coinsurance premium.

Chart 4.8 Premium Structure by Insurance Classes in 2009 (in %)



Source: HANFA

Shares of individual insurance classes in total insurance portfolio were unevenly distributed in 2009, too. This was due to the fact that two insurance classes (out of 25) accounted for 53.8% of total insurance portfolio, while six insurance classes, whose individual shares are larger than 5%, made up 84.8% of total insurance portfolio.

The largest share (41.7%) in total gross written premium¹⁰ was still accounted for by motor vehicle insurance (motor vehicle liability insurance and land motor vehicle insurance), which recorded a slight growth relative to 2008 (40.1%). Gross written premium of motor vehicle liability insurance totalled HRK 2.9 billion, slightly rising compared with 2008, relative to which a market share increase, amounting to 31.1%, was also recorded (30.2% in 2008). Gross written premium of land motor vehicle insurance (Casco) reached

HRK 1 billion, decreasing by HRK 149.7 million, or 13.0%, compared with 2008, which is the largest decrease in premium by individual insurance classes in 2009. This resulted in the market share of this insurance class falling from 11.9% in 2008 to 10.7% in 2009. The most significant growth in gross written premium, in the absolute amount of HRK 20.2 million (3.6%), was recorded by insurance against fire and natural disasters, with the premium totalling HRK 585.3 million. Gross written premium in other property insurance was lower by HRK 9.1 million (1.2%) than in 2008 and amounted to HRK 773.7 million. Gross written premium of credit insurance stood at HRK 81.3 million, declining by 35.6% relative to the previous year. Gross written premium of life assurance where the policyholder bears the investment risk went down in 2009 by HRK 60.7 million (27.1%) to the amount of HRK 163.4 million.

¹⁰ Gross written premium includes coinsurance premium

Table 4.3 Motor Vehicle Liability Insurance in 2009 (in HRK)

	Insurance company	Gross written premium	Share	Technical result
1	Allianz Zagreb d.d.	227,290,699	7.9%	22,956,684
2	Basler osiguranje Zagreb d.d.	92,527,117	3.2%	-4,139,288
3	Croatia osiguranje d.d.	836,557,127	29.0%	223,958,644
4	Euroherc osiguranje d.d.	676,937,128	23.5%	1,816,907
5	Generali osiguranje d.d.	61,360,497	2.1%	-5,768,409
6	Grawe Hrvatska d.d.	55,031,654	1.9%	1,557,767
7	Helios VIG d.d.	23,801,964	0.8%	-1,850,411
8	HOK osiguranje d.d.	89,711,265	3.1%	-6,796,423
9	Jadransko osiguranje d.d.	461,273,276	16.0%	14,877,597
10	Kvarner VIG d.d.	138,752,834	4.8%	5,616,479
11	Sunce osiguranje d.d.	24,615,174	0.9%	632,755
12	Triglav osiguranje d.d.	124,464,808	4.3%	-48,161,987
13	Uniqa osiguranje d.d.	42,887,186	1.5%	1,040,984
14	Velebit osiguranje d.d.	30,824,046	1.1%	-6,954,268
	TOTAL	2,886,034,775	100.0%	198,787,032

Source: HANFA

In 2009, motor vehicle insurance business (motor vehicle liability insurance and land motor vehicle insurance) was carried on by 14 insurance companies in the Republic of Croatia. In this insurance segment, three insurance companies accounted for as much 68.4% of total premium, which is still less relative to 2008, when they made up 70.3% of total premium. The largest gross written premium, totalling HRK 836.6 million, was reported by Croatia osiguranje d.d., which accounted for a 29.0% share in total motor vehicle liability insurance premium. The company was followed by Euroherc osiguranje d.d. with a HRK 676.9 million premium and a

23.5% share and by Jadransko osiguranje d.d. with a premium totalling HRK 461.3 million and a share amounting to 16.0%. Total technical result in this insurance class reached HRK 198.8 million, which is by 126.7% more than in 2008, when it amounted to HRK 87.7 million. Out of the total number of insurance companies carrying on motor vehicle liability insurance business, eight companies reported a positive technical result in 2009, while six companies registered a negative technical result. Croatia osiguranje d.d. recorded the highest positive technical result, totalling HRK 224.0 million (HRK 87.0 million in 2008).

Settled Claims

Settled claims net of reinsurance amounted to HRK 4.5 billion, growing by HRK 227.0 million or 5.3% relative to 2008. In non-life insurance, settled claims totalled HRK 3.6 billion, falling by 0.5% compared with 2008. In life assurance, settled claims reached HRK 910.1 million, and were higher by as much as 36.5%, which is a result of the increase in the number of expired insurance contracts.

Asset Structure

As at 31 December 2009, the asset value of insurance and reinsurance companies amounted

to HRK 28.8 billion and was by HRK 2.2 billion or 8.3% higher than the total asset value registered in 2008. As much as 73.7% of total recorded assets were made up by investments, while tangible assets accounted for 9.0%, receivables for 8.5%, and share of reinsurance in technical provisions for 3.7% of total assets. Other asset items (intangible assets, investments for the account of life assurance policyholders who bear the investment risk, deferred and current tax assets, other assets and prepayments and accrued income) accounted for 5.2% of the total assets.

Table 4.4 Asset Structure of Insurance and Reinsurance Companies in 2008 and 2009 (in HRK)

	31 Dec 2008	Share	31 Dec 2009	Share	Index 2009/2008
Receivables for subscribed capital unpaid					
Intangible assets	105,336,978	0.4%	120,380,964	0.4%	114.3
Tangible assets	2,144,435,922	8.1%	2,582,482,741	9.0%	120.4
Investments	19,344,665,540	72.8%	21,220,152,197	73.7%	109.7
Investments for the account of life assurance policyholders who bear the investment risk	426,656,549	1.6%	521,607,178	1.8%	122.3
Share of reinsurance in technical provisions	1,094,829,067	4.1%	1,069,939,367	3.7%	97.7
Deferred and current tax assets	132,715,978	0.5%	81,820,904	0.3%	61.7
Receivables	2,525,689,152	9.5%	2,439,008,843	8.5%	96.6
Other assets	456,547,601	1.7%	411,712,513	1.4%	90.2
Prepayments and accrued income	359,643,424	1.4%	358,433,453	1.2%	99.7
TOTAL ASSETS	26,590,520,211	100.0%	28,805,538,160	100.0%	108.3

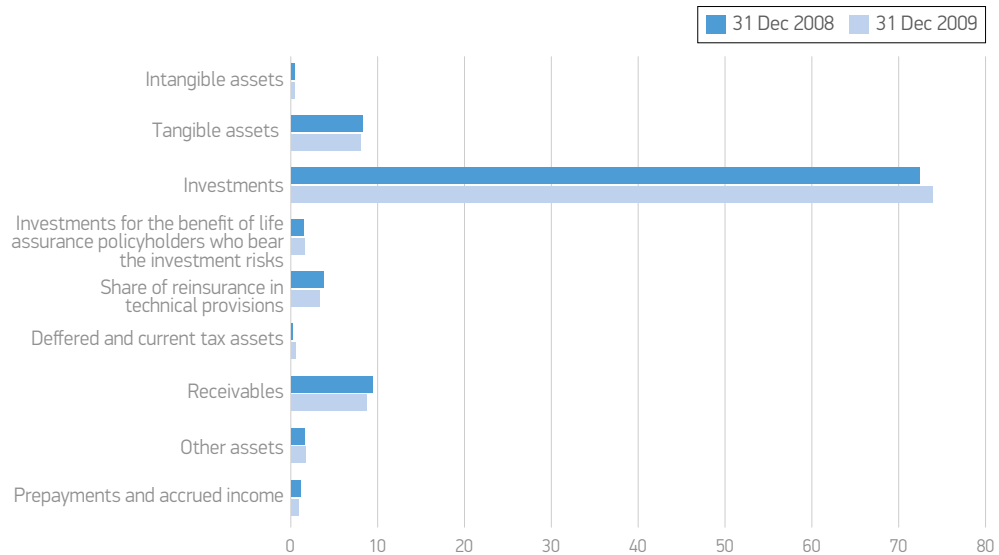
Source: HANFA

As at 31 December 2009, the value of investments totalled HRK 21.2 billion, growing by 9.7% in comparison with 2008, with a simultaneous increase in their share in total assets of insurance and reinsurance companies from 72.8% in 2008 to 73.7% in 2009. The largest share in the investment structure (89.0%) related to financial investments, which, according to IAS 39, are classified into the following portfolios: held to maturity, available for sale, at fair value through profit and loss account and deposits, loans and receivables. Compared to

2008, financial investments increased nominally by HRK 1.8 billion (by 10.8%), making their share in total investments rise by 1.0%.

Total value of receivables as at 31 December 2009, amounting to HRK 2.4 billion, registered a decrease of HRK 86.7 million or 3.4 % compared to 2008. Their share in assets also fell, from 9.5 % in 2008 to 8.5% in 2008.

Chart 4.9 Asset Structures of Insurance and Reinsurance Companies in 2008 and 2009 (in %)



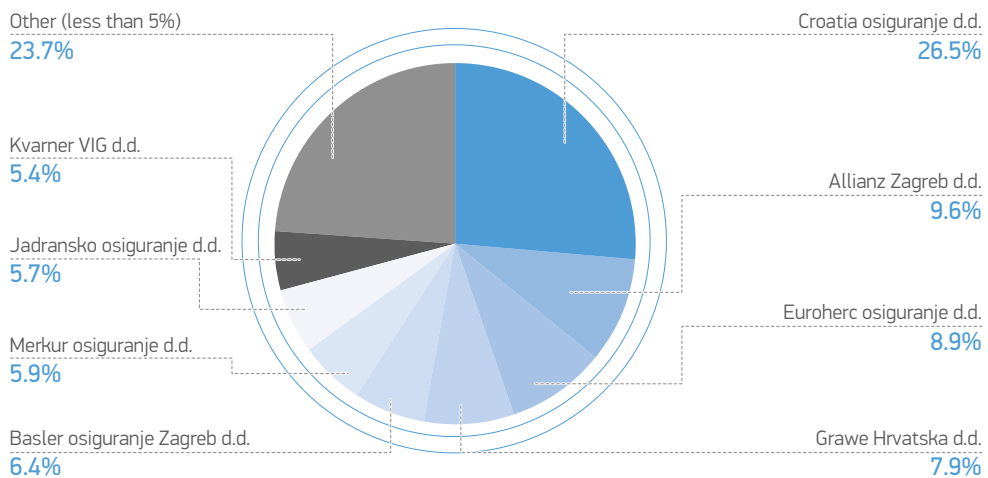
Source: HANFA

Out of total assets value, HRK 13.3 billion (46.2%) was accounted for by life assurance, HRK 14.6 billion (50.7%) was made up by non-life insurance, while HRK 0.9 billion (3.1%) related to reinsurance.

Investments accounted for HRK 11.9 billion or 89.3 % of total life assurance assets, whereas no other life assurance asset item exceeded 5%. Investments were the most significant item in the

structure of non-life insurance assets (HRK 8.7 billion or 59.5%); the amount of HRK 2.4 billion (16.6%) related to tangible assets, receivables amounted to HRK 2.1 billion (14.7%), while no other non-life insurance asset item exceeded 5%. Investments were also the most significant item in the structure of reinsurance assets (HRK 635.3 million or 71.7%); HRK 91.2 million (10.3%) related to the reinsurers' share of technical provisions, while receivables made up HRK 86.3 million (9.7%).

Chart 4.10 Asset Shares of Insurance and Reinsurance Companies in 2009 (in %)



Source: HANFA

The share of the largest insurance company according to total asset value, Croatia osiguranje d.d., amounted to 26.5% of total insurance industry assets, which is less than as at 31 December 2008, when the share stood at 27.8%. Shares in total assets higher than 5% were also reported by the following companies: Allianz Zagreb d.d. (9.6%), Euroherc osiguranje d.d. (8.9%), Grawe Hrvatska d.d. (7.9%), Basler osiguranje Zagreb d.d. (6.4%), Merkur osiguranje d.d. (5.9%), Jadransko osiguranje d.d. (5.7%) and Kvarner VIG d.d. (5.4%). Other insurance and reinsurance companies with shares lower than 5.0% made up a total of 23.7% of total insurance industry assets.

Liability Structure

In 2009, technical provisions accounted for 71.3% of total insurance industry liabilities, capital and reserves made up 18.9%, other liabilities 4.2%, whereas other items (financial liabilities, technical provisions for life assurance policies where the investment risk is borne by the policyholders, funds held under reinsurance business ceded, other liabilities, deferred and current tax liability and accruals and deferred income) made up 5.6% of total liability value of the insurance industry.

As at 31 December 2009, the largest share in

Table 4.5 Liability Structures of Insurance and Reinsurance Companies in 2008 and 2009 (in HRK)

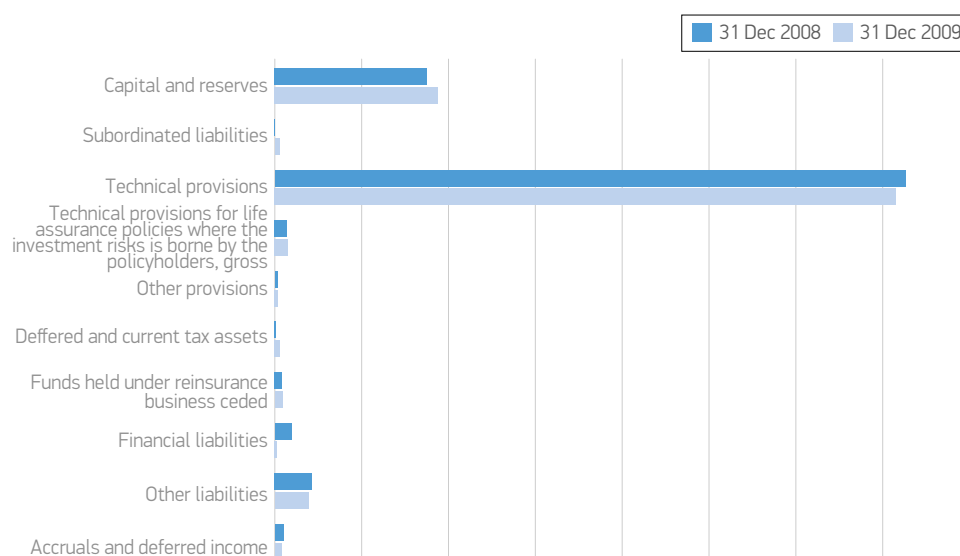
	31 Dec 2008	Share	31 Dec 2009	Share	Index 2009/2008
Capital and reserves	4,667,449,258	17.6%	5,451,574,359	18.9%	116.8
Subordinated liabilities		0.0%	167,064,840	0.6%	
Technical provisions	19,251,037,810	72.4%	20,531,110,870	71.3%	106.6
Technical provisions for life assurance policies where the investment risk is borne by the policyholders, gross	407,306,342	1.5%	518,863,609	1.8%	127.4
Other provisions	43,356,458	0.2%	101,098,587	0.4%	233.2
Deferred and current tax liability	53,258,163	0.2%	200,764,637	0.7%	377.0
Funds held under reinsurance business ceded	233,061,818	0.9%	276,568,598	1.0%	118.7
Financial liabilities	531,049,167	2.0%	137,965,704	0.5%	26.0
Other liabilities	1,166,015,014	4.4%	1,198,327,764	4.2%	102.8
Accruals and deferred income	237,986,182	0.9%	222,199,191	0.8%	93.4
TOTAL LIABILITIES	26,590,520,211	100.0%	28,805,538,160	100.0%	108.3

Source: HANFA

the liability structure (71.3%) was made up by technical provisions – gross amount, which reached HRK 20.5 billion, increasing by HRK 1.3 billion or 6.6% in comparison to 2008. Their share in total liabilities decreased from 72.4% in 2008 to 71.3% in 2009. In comparison with 2008, capital and reserves recorded a growth to the amount of HRK 784.1 million or 16.8%.

Technical provisions for life assurance policies where the investment risk is borne by the policyholders increased by 27.4%, other liabilities grew by 133.2%, funds held under reinsurance business ceded rose by 18.7%, while accruals and deferred income fell by 6.6%.

Chart 4.11 Liability Structures of Insurance and Reinsurance Companies in 2008 and 2009 (in %)



Source: HANFA

As at 31 December 2009, technical provisions amounted to HRK 10.8 billion (80.9%) in total life assurance liabilities, capital and reserves reached HRK 1.4 billion (10.2%), while no other life assurance liability item exceeded 5%. Technical provisions were also the most significant item in the structure of non-life insurance liabilities, amounting to HRK 9.3 billion (63.4%); HRK 3.8 billion (26.1%) related to capital and reserves, HRK 0.9 billion (6.1%) was made up by other liabilities, whereas no other non-life insurance liability item exceeded 5%. In the structure of reinsurance liabilities, technical provisions were the largest item, reaching HRK 502.0 million (56.7%); HRK 282.4 million (31.9%) was accounted for by capital and reserves, whereas other liabilities amounted to HRK 97.0 million (10.9%).

Financial Operating Results

In the period from 1 January to 31 December 2009, insurance and reinsurance companies reported net profit to the amount of HRK 6.3 million, which is a decrease in net profit of HRK 7.6 million (55.0%) in comparison to 2008, when net profit stood at HRK 13.9 million.

In life assurance business, 8 insurance companies reported net profit to the amount of HRK 86.8 million, whereas 10 insurance companies recorded loss totalling HRK 126.5 million. In non-life insurance business, 10 insurance companies reported net profit amounting to HRK 233.8 million, whereas 9 insurance companies registered loss to the amount of HRK 215.9 million. The two reinsurance companies recorded net profit totalling HRK 28.1 million.

Out of 27 insurance companies and 2 reinsurance companies that carried on insurance business in 2009, 12 insurance companies and 2 reinsurance companies realised net profit in the amount of HRK 342.3 million, whereas loss in the amount of HRK 336.0 million was recorded by 15 insurance companies. Croatia osiguranje d.d. accounted for a 20.4% share in total registered profit of the insurance industry, followed by Euroherc osiguranje d.d. with 17.4%, and Allianz Zagreb d.d. with a 12.6% share. At the same time, Triglav osiguranje d.d. made up 31.5% of total registered loss of the insurance industry, followed by Cosmopolitan Life VIG d.d. with 19.8% and Basler osiguranje Zagreb d.d. with a 11.1% share.

Table 4.6 Operating Results of Insurance and Reinsurance Companies in 2008 and 2009 (in HRK)

No	INSURANCE AND REINSURANCE COMPANY	Life	Non-life	Total	Life	Non-life	Total
		1 Jan 2008-31 Dec 2008			1 Jan 2009-31 Dec 2009		
1	Agram životno osiguranje d.d.	51,822,532		51,822,532	32,136,055		32,136,055
2	Allianz Zagreb d.d.	3,407,638	13,115,306	16,522,944	2,420,648	40,543,788	42,964,436
3	Basler osiguranje d.d.		-3,373,994	-3,373,994		11,164	11,164
4	Basler osiguranje Zagreb d.d.	-73,829,355	-6,972,761	-80,802,116	6,484,931	-43,773,218	-37,288,287
5	Basler životno osiguranje d.d.	3,042,710		3,042,710	-728,516		-728,516
6	Cardif osiguranje d.d.		-6,388,154	-6,388,154		-2,854,826	-2,854,826
7	Cosmopolitan Life VIG d.d.	-11,414,686		-11,414,686	-66,505,257		-66,505,257
8	Croatia osiguranje d.d.	945,312	63,965,883	64,911,194	5,263,539	64,426,927	69,690,466
9	Croatia zdravstveno osiguranje d.d.		3,115,205	3,115,205		4,480,181	4,480,181
10	Erste VIG osiguranje d.d.	514,882		514,882	15,699		15,699
11	Euroherc osiguranje d.d.		54,390,263	54,390,263		59,636,593	59,636,593
12	Generali osiguranje d.d.	-40,008,055	-16,461,610	-56,469,666	-11,503,440	-19,778,657	-31,282,097
13	Grawe Hrvatska d.d.	20,358,158	12,404,566	32,762,724	16,970,241	9,367,474	26,337,715
14	Helios VIG d.d.	-22,341,055	-8,962,222	-31,303,277	-18,375,221	-2,708,719	-21,083,940
15	HOK osiguranje d.d.		140,263	140,263		-7,676,868	-7,676,868
16	Jadransko osiguranje d.d.		36,754,967	36,754,967		37,801,970	37,801,970
17	KD životno osiguranje d.d.	-9,617,756		-9,617,756	-7,266,907		-7,266,907
18	Kvarner VIG d.d.	-15,874,825	-14,881,105	-30,755,930	-1,333,406	-19,398,404	-20,731,810
19	Merkur osiguranje d.d.	1,584,535	-760,122	824,413	21,644,102	3,222,809	24,866,912
20	Societe Generale d.d.				-2,756,211		-2,756,211
21	Sunce osiguranje d.d.		12,773,541	12,773,541		13,649,900	13,649,900
22	Triglav osiguranje d.d.	-4,282,371	-43,274,441	-47,556,813	-6,777,646	-98,986,229	-105,763,874
23	Uniqa osiguranje d.d.	343,816	2,706,993	3,050,809	1,844,103	677,718	2,521,821
24	Velebit osiguranje d.d.		-17,564,279	-17,564,279		-18,522,252	-18,522,252
25	Velebit životno osiguranje d.d.	-9,828,782		-9,828,782	-9,330,469		-9,330,469
26	Victoria osiguranje d.d.					-2,232,406	-2,232,406
27	Victoria životno osiguranje d.d.	-5,462,545		-5,462,545	-1,961,168		-1,961,168
28	Allianz reosiguranje d.d.		236,700	236,700		41,199	41,199
29	Croatia Lloyd d.d.		43,606,824	43,606,824		28,099,090	28,099,090
TOTAL insurance companies (1-27)		-110,639,848	80,728,297	-29,911,551	-39,758,922	17,886,945	-21,871,977
TOTAL reinsurance companies (28-29)			43,843,524	43,843,524		28,140,288	28,140,288
TOTAL (1-29)		-110,639,848	124,571,821	13,931,973	-39,758,922	46,027,233	6,268,311

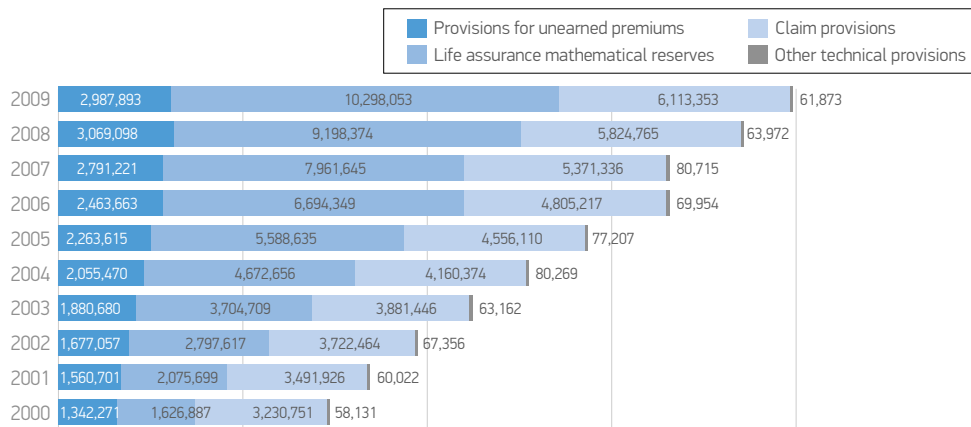
Source: HANFA

Technical Provisions

The value of net technical provisions, totalling HRK 19.5 billion in 2009, was by 7.2% higher compared to 2008. As in the previous year, life assurance

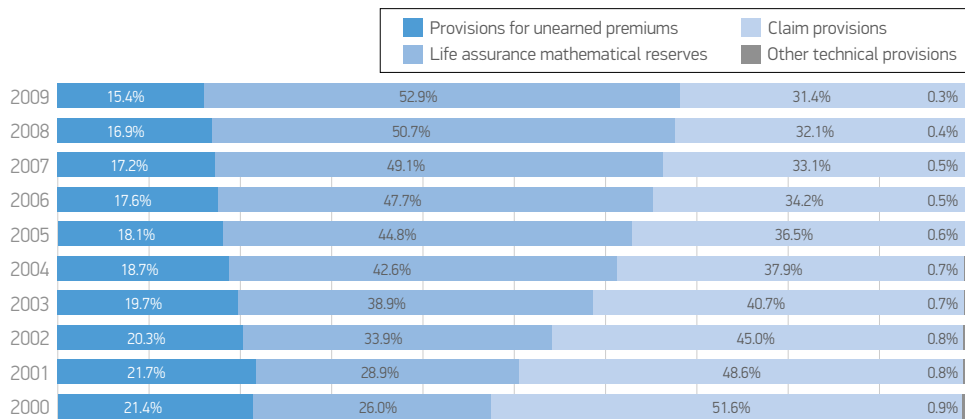
mathematical reserves made up the largest share (52.9%) in the total value of technical provisions, increasing by 12.0% in relative to 2008.

Chart 4.12 Technical Provisions in the 2000-2009 Period (in HRK thousand)



Source: HANFA

Chart 4.13 Structure of Technical Provisions in the 2000-2009 Period (in %)



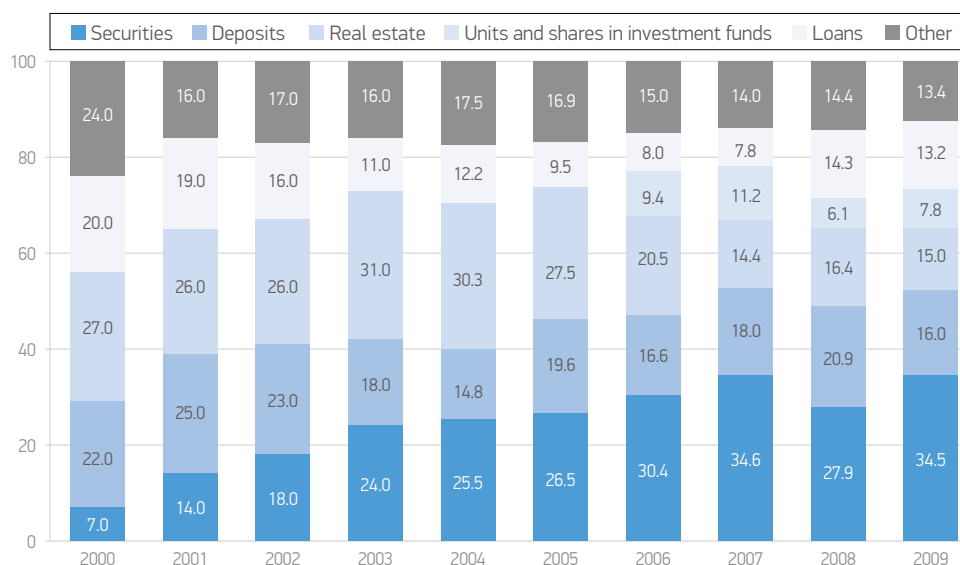
Source: HANFA

Investments of Assets Covering Technical Provisions

Pursuant to Articles 115 and 116 of the Insurance Act (Official Gazette 151/05, 87/08 and 82/09), insurance and reinsurance companies are obliged to set up assets covering technical provisions. As at 31 December 2009, insurance and reinsurance companies reported technical provisions to the amount of HRK 9.1 billion. Out of the total value of technical provisions, the companies invested the amount of HRK 7.6 billion, i.e. HRK 1.5 billion or 16.1% less than the amount of technical provisions, which points to the lack of assets covering technical provisions. The increase in the difference between assets covering technical provisions and total technical provisions in comparison to 2008, when 13.5% less assets were invested, was caused, among other things, by the increase in total technical provisions and decrease in total invested assets covering the said technical provisions.

The largest share (34.5%) in the investment structure of the insurance industry was made up by investments in securities. The 2009 share of investments in securities in total investments was higher than in 2008, when it amounted to 27.9%, and was equal to the share of investment in securities from 2007. The increase in the share in total investments was also recorded by the share of investments in investment funds, which increased from 6.1% in 2008 to 7.8% in 2009, the share of investments in deposits decreased from 20.9% in 2008 to 16.0% in 2009, and the share of loans fell from 14.3% in 2008 to 13.2% in 2009. The share of investments in real estate totalled 15.0%, while in 2008 it amounted to 16.4% of total investments.

Chart 4.14 Structure of Investments of Technical Provisions in the 2000-2009 Period (in %)



Source: HANFA

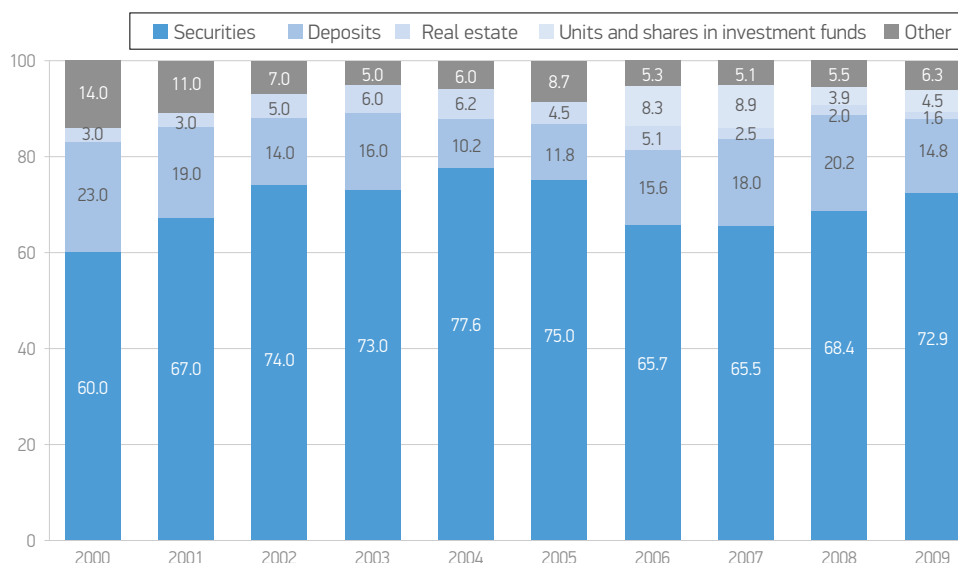
Investments of Assets Covering Mathematical Provisions

Insurance companies are obliged to set up life assurance mathematical provisions amounting to the present value of all future liabilities under insurance contracts concluded, reduced by the present estimated value of future premiums payable under such insurance contracts, using life assurance assets. Furthermore, insurance companies 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. Insurance companies are obliged to invest assets covering mathematical provisions in accordance with Articles 122 and 123 of the Insurance Act, 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. Life assurance mathematical provisions registered as at 31 December 2009 amounted to HRK 10.3

billion and were by 12.0% higher in comparison to the previous year, making up 52.9% of the total value of technical provisions. As at 31 December 2009, insurance companies reported the required coverage of mathematical provisions in the amount of HRK 10.5 billion, while assets covering mathematical provisions amounted to HRK 10.7 billion, which means that insurance companies invested HRK 0.2 billion or 2.4 % more than the required coverage.

In the investment structure, the largest share (72.9%) of assets was accounted for by securities of the Republic of Croatia, Croatian National Bank and Croatian Bank for Reconstruction and Development. This is a result of the obligation of insurance companies to invest, pursuant to the Insurance Act, at least 50% of assets covering mathematical provisions in securities issued by the Republic of Croatia, Croatian National Bank, Croatian Bank for Reconstruction and Development and in bonds and other debt securities guaranteed by the Republic of Croatia, which significantly contributes to investment safety. A significant share of assets was also invested in deposits (14.8%). Less than 5% was invested in other asset types individually, and those investments jointly make up a 12.4% share in the structure of investments of assets covering mathematical provisions.

Chart 4.15 Structure of Investments of Life Assurance Mathematical Provisions in the 2000-2009 Period (in %)



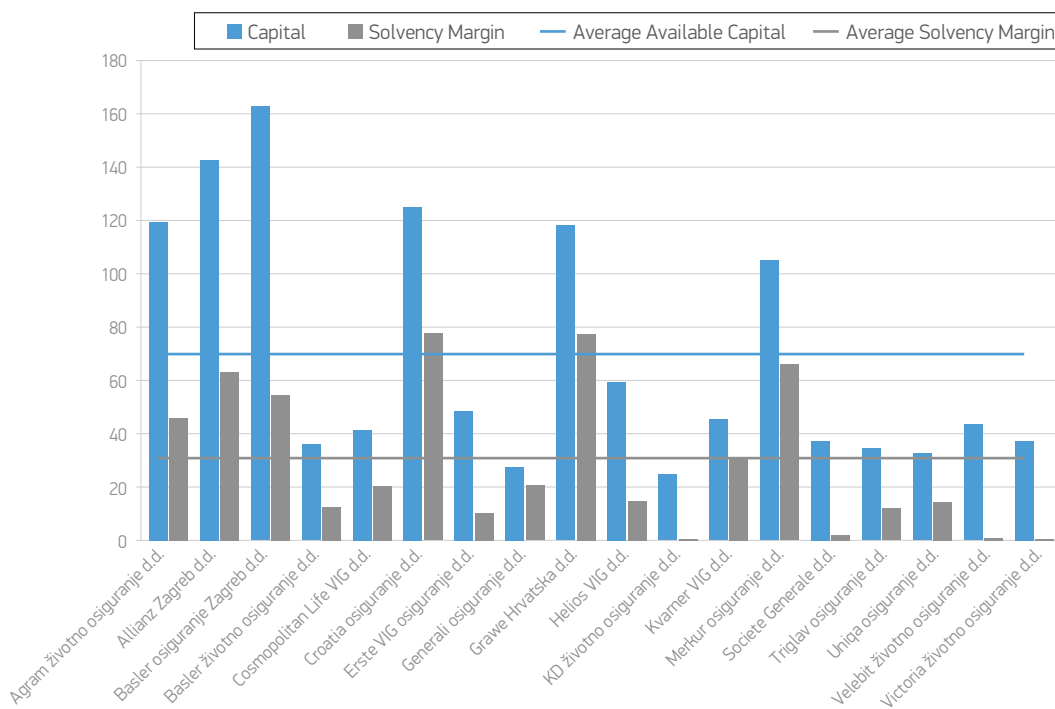
Source: HANFA

Capital Adequacy

Business operations and financial positions of companies operating in the insurance market in 2009 are assessed on the basis of key performance indicators, structure of asset sources and asset quality on the one hand, while on the other hand, special importance in assessing the insurance system is attached to whether companies have enough capital and reserves needed to meet their liabilities towards policyholders, and whether they invest assets in accordance with legal provisions. In accordance with Article 92, paragraph 1 of the

Insurance Act, insurance companies are 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, insurance companies must meet three conditions regulated by the Insurance Act: insurance company capital must be at least equal to the solvency margin, guarantee fund of the insurance company must be at least equal to the 1/3 of the solvency margin, and guarantee fund must be at least equal to the minimum initial capital.

Chart 4.16 Ratio of Available Capital to Solvency Margin by Companies in Life Assurance for 2009 (in HRK million)

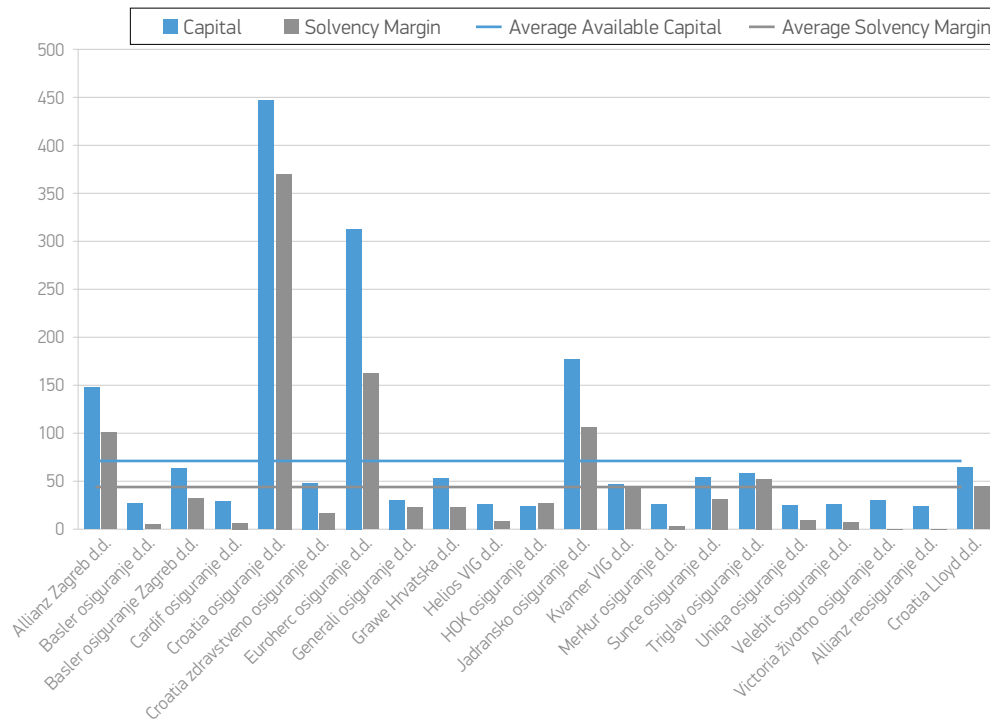


Source: HANFA

As at 31 December 2009, all companies in life assurance business fulfilled the three conditions prescribed by the Insurance Act and met the capital adequacy requirements, while in non-life

insurance only one insurance company failed to comply with all the three prescribed conditions, meaning that its available capital was lower than the solvency margin.

Chart 4.17 Ratio of Available Capital to Solvency Margin by Companies in Non-Life Insurance for 2009 (in HRK million)



Source: HANFA

During 2009, capital of 10 insurance companies was increased in the total amount of HRK 310.3 million. A total of HRK 213.0 million was paid in life assurance, of which the amount of HRK 42.0 million was used to increase initial capital, while capital reserves were increased by HRK 171.0 million. In non-life insurance business, the amount of HRK 97.3 million was paid to increase the companies' capital, of which the amount of HRK 83.3 million was used to increase initial capital, while capital reserves were increased by HRK 14.0 million. At the same time, one insurance company carrying on non-life insurance business decreased

its initial capital by HRK 10.5 million to cover losses from the previous years.

When calculating their capital pursuant to the provisions on risk management, insurance companies may use subordinated loans as an additional capital item. In the previous year, three companies reported subordinated loans in the total amount of HRK 167.0 million, out of which HRK 75.7 million was related to life assurance, and HRK 91.3 million was related to non-life insurance.

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 amounted to 69.77%, and was worse than in 2008, when it totalled 68.42%. The claims ratio in life assurance amounted to 87.81%, while in non-life insurance it totalled 61.75%.

The Expense Ratio is the ratio of the sum of operating expenses (acquisition costs and administrative costs), other technical charges and income from commissions and fees to gross written premium, reduced by premiums ceded to reinsurance (multiplied by 100). The expense ratio amounted to 44.50%, growing relative to the previous year, when it stood at 39.38%. The expense ratio for life assurance amounted to 36.88%, while in non-life insurance it amounted to 47.72%.

The Combined Ratio amounted to 114.27% in 2009, while in 2008 it reached 107.80%. 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 124.69%, while in non-life insurance it totalled 109.47%.

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 2009, the return on investment amounted to 4.83%, while in the previous year it reached 1.88%. In life assurance business it amounted to 4.56%, while in non-life insurance it amounted to 5.02%.

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 2009 debt ratio amounted to 0.81, while in 2008 it totalled 0.82. In life assurance business, this ratio stood at 0.90, while in non-life insurance it reached 0.74.

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 0.02%, decreasing compared with the previous year, when it totalled 0.05%. In life assurance business, the return on assets reached -0.30%, while in non-life insurance business it totalled 0.12%.

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 2009, total return on equity amounted to 0.12%, falling compared with the previous year, when it stood at 0.30%. In life assurance business, return on equity totalled -2.84%, and in non-life it reached 0.68%.

Regulatory Activities

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, 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 Act on Prevention of Money Laundering and Financing of Terrorism (Official Gazette 87/08).

On 21 July 2009, the Amendments to the Insurance Act (Official Gazette 82/09) entered into force, based on which the Management Board of the Agency issued 21 ordinances, the Instruction for applying chart of accounts for insurance and reinsurance companies, Guidelines for identifying, measuring and covering risk insurance and reinsurance companies are exposed to and a number of technical instructions for the submission of reports of insurance and reinsurance companies.

On 8 July 2009, the Act on Amendments to the Act on Compulsory Insurance within the Transport Sector (Official Gazette 75/09) entered into force.

Licensing

In 2009, the Agency issued three licences to conduct insurance business, out of which one licence was issued to a newly established insurance company, and two licences were issued to insurance companies to carry out a new insurance activity. Upon the receipt of applications for issuing licences to conduct insurance representation activities and insurance and reinsurance brokerage activities, operating licences to conduct insurance representation business were issued to 28 insurance agencies and 24 insurance representation crafts. The Agency issued operating licences to conduct insurance and reinsurance brokerage activities to two insurance and reinsurance brokerage companies, and upon the receipt of application for issuing licences to conduct insurance representation business at vehicle roadworthiness test garages, operating licences were issued to four to insurance agencies and to three insurance representation crafts to conduct insurance representation activities at vehicle roadworthiness test garages. The Agency's approval to carry out insurance representation business, pursuant to Article 250, paragraph 4 of the Insurance Act, was obtained by a bank, and pursuant to the same Article, the operating licence to carry out insurance representation business was also granted to the Financial Agency and HP-Hrvatska pošta d.d.

Based on supervision results, three insurance agencies lost their licences to carry on insurance representation business. Upon the receipt of information on termination of business activities, operating licences to conduct insurance representation business of seven insurance agencies, nine insurance representation crafts, one insurance and reinsurance brokerage company and six insurance agencies conducting insurance representation activities at vehicle roadworthiness test garages ceased to be valid.

In the previous year, 9 examination terms were organised for candidates who took the examination to obtain the authorisation to carry on insurance representation or insurance brokerage business, while 1,846 authorisations to carry on insurance representation business and 16 authorisations to carry on insurance and reinsurance brokerage business were issued.

Eight approvals were issued for the acquisition of a qualifying holding in insurance companies and 19 approvals for the appointment of management board members of an insurance company. At the request of insurance companies approvals were issued to four insurance companies to hire internal auditors without an employment contract.

Insurance Market Supervision

On-Site Supervision of Insurance and Reinsurance Companies

In 2009, the Agency carried out, within the framework of its competence, on-site and off-site supervision of insurance companies, reinsurance companies, insurance agents and brokers and the Croatian Insurance Bureau. On the basis of financial and statistical reports submitted, and based on actuarial opinions and audit reports, systematic analysis and examination of business operations of supervised entities were conducted.

During 2009, the Agency initiated 22 on-site examinations, out of which 21 examinations related to on-site supervision of insurance companies while 1 examination related to on-site supervision of a reinsurance company. Out of 22 examinations initiated in 2009, 17 examinations were completed and followed by relating Reports, while the examinations initiated in the 5 remaining companies continued in 2010.

On-site supervision of insurance and reinsurance companies covered the following matters:

- conclusion of insurance agreements in accordance with the Act on Compulsory Insurance within the Transport Sector and regulations adopted pursuant to the said Act,
- recognition and measurement, as well as publication and presentation of financial investments which include investments available for sale, investments at fair value through profit and loss account and investments of assets covering mathematical and technical provisions in shares traded on the regulated securities market in the Republic of Croatia, in shares not traded on the regulated securities market if the issuer of such shares is a legal person with its head office in the Republic of Croatia and investment in shares of companies with head offices in the Republic of Croatia,
- investments of assets covering technical provisions,
- investments of assets covering mathematical and technical provisions and implementation of the Act on Prevention of Money Laundering and Financing of Terrorism and regulations adopted pursuant to the said Act,
- balance of receivables and investments of assets covering technical provisions and implementation of the Act on Prevention of Money Laundering and Financing of Terrorism and regulations adopted pursuant to the said Act,
- recognition and measurement as well as publication and presentation of financial

- investments and implementation of the Act on Prevention of Money Laundering and Financing of Terrorism and regulations adopted pursuant to the said Act,
- risk management,
- presentation and valuation of investments in assets covering mathematical and technical provisions and implementation of the Act on Prevention of Money Laundering and Financing of Terrorism and regulations adopted pursuant to the said Act
- risk management, examination of the process of concluding insurance agreements in accordance with the Act on Compulsory Insurance within the Transport Sector and regulations adopted pursuant to the said Act and implementation of the Act on Prevention of Money Laundering and Financing of Terrorism and regulations adopted pursuant to the said Act,
- recognition and measurement as well as publication and presentation of real-estate investments,
- recognition and measurement as well as publication and presentation of real-estate investments, and implementation of the Act on Prevention of Money Laundering and Financing of Terrorism and regulations adopted pursuant to the said Act.

Irregularities established during the examinations of insurance companies related to risk management, recognition, valuation and presentation of assets covering mathematical and technical provisions, non-compliance with the provisions of the Act regulating types, limitations, dispersion and basic characteristics of assets covering mathematical and technical provisions based on the provisions of the Act, failure to apply the Chart of account of insurance and reinsurance companies, non-compliance with the provisions of the Accounting Act and the International Financial Reporting Standards, as well as non-compliance with the provisions of the Act on Compulsory Insurance within the Transport Sector relating to the application of the Premium System and Conditions for Motor Vehicle Liability Insurance.

During 2009, on the basis of established violations of the Insurance Act and Act on Compulsory Insurance within the Transport Sector, the Agency submitted 38 accusatory motions and adopted 7 decisions ordering measures for elimination of violations and irregularities in business operations of supervised entities.

Croatian Insurance Bureau

In 2009, the Croatian Insurance Bureau (hereinafter: the Bureau) had 20 members. Out of 30 insurance and reinsurance companies¹¹, 14 companies were mandatory members, while 6 companies voluntarily joined the membership of the Bureau. Membership in the Bureau is mandatory for insurance companies engaged in compulsory insurance within the transport sector¹², and it is voluntary for insurance companies engaged in other lines of insurance business.

Financial business operations of the Bureau comprise regular business operations of the Bureau and the Guarantee Fund. Business operations of the Bureau are financed by insurance companies which are members of the Bureau. The Insurance Act and the Act on Compulsory Insurance within the Transport Sector regulate business operations of the Bureau, its duties towards the Agency, as well as duties of insurance companies carrying out compulsory insurance within the transport sector towards the Bureau. Insurance companies make contribution payments in the Guarantee Fund in proportion to the premium recorded for a particular type of compulsory insurance within the transport sector in the preceding year to cover financing expenses of the Bureau. In accordance with the provisions of the Act on Compulsory Insurance within the Transport Sector, the Bureau is obliged to keep statistical records on policyholders, adverse events, claim valuation and liquidation.

Guarantee Fund

The Bureau is also obliged, pursuant to the Act on Compulsory Insurance within the Transport Sector, to keep assets intended to meet liabilities of the Guarantee Fund separate from other assets of the Bureau, as stipulated in Ordinance on the method of calculating and time limits for paying contributions and on the manner of keeping and using assets intended for obligations of the Guarantee Fund (Official Gazette 139/06).

According to the balance sheet of the Guarantee Fund, as at 31 December 2009, total assets amounted to HRK 27.4 million, increasing by 4.7 million or 20.8% over 31 December 2008. The increase in assets (mostly relating to the

¹¹ Number of companies as at 31 December 2009.

¹² Accident insurance of passengers in public sector; motor vehicle liability insurance; insurance of owners or operators of aircraft against liability for damage caused to third parties and passengers and insurance of owners or users of power driven vessels or yachts against liability for damage caused to third parties.

Table 4.7 Abbreviated Balance Sheets of the Guarantee Fund for 2008 and 2009 (in HRK)

No.	Item	2008	2009	Share (%)		Index 2009/2008
				2008	2009	
ASSETS						
Total assets		22,663,900	27,374,451	100.0%	100.0%	120.8
1	Non-financial assets	0	0	0.0%	0.0%	-
2	Financial assets	22,663,900	27,374,451	100.0%	100.0%	120.8
LIABILITIES						
Total liabilities and own funds		22,663,627	27,374,451	100.0%	100.0%	120.8
1	Liabilities	48,841	130,378	0.2%	0.5%	266.9
2	Sources of financing	22,614,786	27,244,073	99.8%	99.5%	120.5

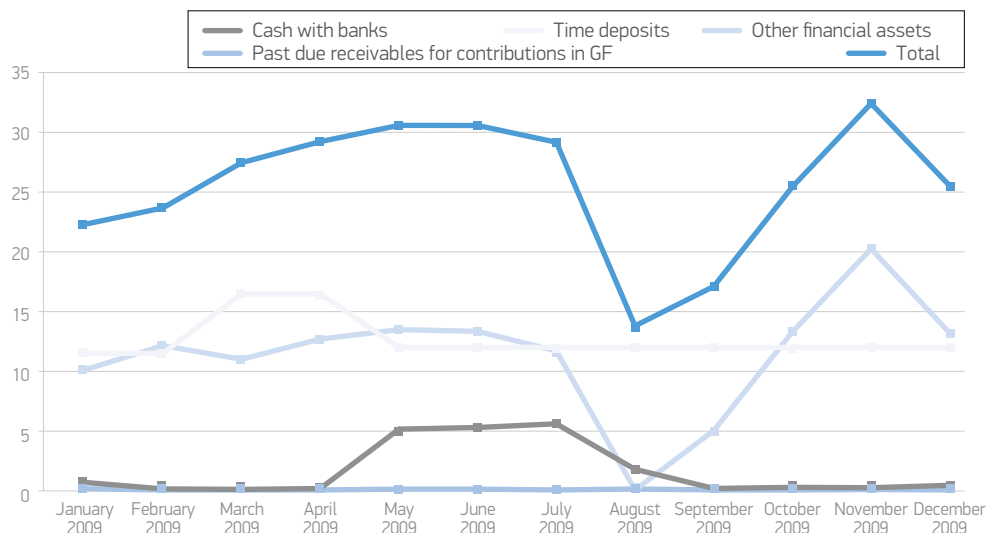
Source: HANFA

financial assets) was primarily due to the increase in shares and units totalling 38.8% to HRK 13.2 million. Deposits and other receivables recorded a 4.4% increase to HRK 12.0 million. Almost the whole amount of liabilities related to sources of financing (HRK 27.4 million), which recorded a 12.8% increase and fully related to the excess of

income (fund balance). As at 31 December 2009, total liabilities of the Guarantee Fund amounted to HRK 130.4 thousand.

Total income of the Guarantee Fund for the January-December 2009 period amounted to HRK 79.8 million, with the largest share being

Chart 4.18 Assets of the Guarantee Fund in 2009 (in HRK million)



Source: HANFA

accounted for by income from members (HRK 42.7 million) and income from calculation of subsequently defined claims (HRK 23.9 million). Total expenditures stood at HRK 75.2 million, with the largest share being made up by expenditures on the basis of damage on uninsured vehicles (HRK 30.1 million), expenditures for payments for calculation of subsequently defined claims (HRK 24.1 million) as well as expenditures on the basis of damage on unknown vehicles (HRK 11.8 million). The excess of income over expenditures of the Guarantee Fund amounted to HRK 4.6 million.

Regular Business Operations of the Bureau

According to the balance sheet of regular business operations of the Bureau, total assets amounted to HRK 10.6 million as at 31 December 2009, increasing by HRK 1.6 million or 20.3% relative to 31 December 2008. The increase in assets of regular business of the Bureau was primarily a result of the growth in financial assets totalling HRK 2.1 million, i.e. 169.4%, up to HRK 3.3 million (31.5% of total assets), which occurred mostly due

Table 4.8 Abbreviated Balance Sheets of Regular Business Operations of the Bureau for 2008 and 2009 (in HRK)

No.	Item	2008	2009	Share (%)		Index 2009/2008
				2008	2009	
ASSETS						
Total assets		8,779,844	10,558,241	100.0%	100.0%	120.3
1	Non-financial assets	7,546,655	7,235,518	86.0%	68.5%	95.9
2	Financial assets	1,233,189	3,322,723	14.0%	31.5%	269.4
LIABILITIES						
Total liabilities and own funds		8,779,845	10,558,241	100.0%	100.0%	120.3
1	Liabilities	3,675,710	3,698,730	41.9%	35.0%	100.6
2	Sources of financing	5,104,135	6,859,511	58.1%	65.0%	134.4

Source: HANFA

to an increase of HRK 1.8 million or 355.9% in units and shares to the amount of HRK 2.3 million. At the same time, non-financial assets decreased by 4.1% and amounted to HRK 7.2 million (68.5% of total assets). Total liabilities related to regular business operations of the Bureau as at 31 December 2009 reached HRK 3.7 million, remaining almost unchanged relative to the same date in 2008 (a 0.6% increase). Sources of financing amounted to HRK 6.9 million and recorded a 34.4% increase compared with 31 December 2008. Sources of

financing related to the excess of income (fund balance) to the amount of HRK 6.8 million, as well as to own funds (funds of establishers) in the amount of HRK 68 thousand.

Total income of regular business operations of the Bureau for the January-December 2009 period stood at HRK 12.2 million, with the largest share being accounted for by income from mandatory members for operating expenses (HRK 8.8 million) and income from members for marketing campaign

expenses (HRK 2.5 million). Total expenditures in the amount of HRK 10.1 million were mostly made up by expenditures for salaries and commissions (HRK 4.9 million), followed by marketing campaign expenditures (HRK 1.1 million). The excess of income over expenditures amounted to HRK 2.1 million.

Croatian Nuclear POOL Economic Interest Grouping¹³

The Croatian Nuclear POOL for Insurance and Reinsurance against Nuclear Risks (hereinafter: CN POOL) represents an association¹⁴ consisting of six members as at 31 December 2009, namely: Allianz Zagreb d.d., Croatia Lloyd d.d., Croatia osiguranje d.d., Generali osiguranje d.d., Helios Vienna Insurance Group d.d. and Triglav osiguranje d.d. On the basis of its request from 30 June 2009, Helios Vienna Insurance Group d.d. ceased to be a CN POOL member as of 31 December 2009.

Members of the CN POOL jointly assume extraordinary risks with respect to 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 sidelines connected with its main activities.

The bodies of the CN POOL are the Assembly (consisting of six members, authorised representatives of CN POOL members), the Supervisory Board (consisting of three members) and the Management Board (General Manager of the CN POOL).

Balance Sheet

As at 31 December 2009, the total value of CN POOL assets amounted to HRK 64.4 million, increasing by 8.4% in comparison with the same day in 2008. The total asset structure was dominated by cash at bank and in hand (a 98.5% share, HRK 63.4 million), which mostly related to the foreign exchange account (HRK 41.8 million), while the giro account stood at HRK 21.6 million. These amounts were made up by deposited and time monetary assets generated by

Table 4.9 Abbreviated Balance Sheets as at 31 December 2008 and 31 December 2009 (in HRK)

Item	31 Dec 2008	Share	31 Dec 2009	Share	Index 2009/2008
Fixed assets	0	0.0%	23,188	0.0%	
Financial assets	306,189	0.5%	262,017	0.4%	85.6
Receivables arising from insurance business	0	0.0%	0	0.0%	
Receivables arising from reinsurance business	15,724	0.0%	0	0.0%	0.0
Other receivables	1,450,530	2.4%	705,117	1.1%	48.6
Cash at bank and in hand	57,621,702	97.0%	63,418,066	98.5%	110.1
Prepayments	7,349	0.0%	7,062	0.0%	96.1
TOTAL ASSETS	59,401,493	100.0%	64,415,450	100.0%	108.4
Capital	0	0.0%	0	0.0%	
Revaluation and POOL reserves	19,471	0.0%	19,471	0.0%	100.0
Retained profit	48,018	0.1%	64,135	0.1%	133.6
Profit or loss of the current year	16,117	0.0%	22,412	0.0%	139.1
Reserves	54,721,612	92.1%	59,485,529	92.3%	108.7
Current liabilities	4,160,687	7.0%	4,388,314	6.8%	105.5
Accruals	0	0.0%	0	0.0%	
Deferred income	379,630	0.6%	379,630	0.6%	100.0
Liability accounts - payables	55,958	0.1%	55,958	0.1%	100.0
TOTAL LIABILITIES	59,401,493	100.0%	64,415,450	100.0%	108.4

Source: HANFA

¹³ Pursuant to Article 583 of the Companies Act (Official Gazette 111/93, 107/07 and 146/08), 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.

¹⁴ Pursuant to Article 270, paragraph 1 of the Insurance Act (Official Gazette 151/05, 87/08 and 82/09), two 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.

the CN POOL through its business operations, as well as through sidelines connected with its main activities for the purpose of ensuring the safest possible placements and the most favourable possible financial effects. The largest liability share (92.3%) was accounted for by provisions which amounted to HRK 59.5 million, growing relative to 2008 by HRK 4.8 million or 8.7%.

Profit and Loss Account

In the period from 1 January to 31 December 2009, the CN POOL generated profit totalling HRK 34.3 thousand, and increasing by 4.3% compared with 2008. Total income amounted to HRK 17.6 million, growing by 1.7%, mostly due to the increase in income from exchange differences. Although the largest income share was still

accounted for by premiums for active reinsurance against foreign risks, which amounted to HRK 10.0 million or 56.7% of total income, they reported a 10.9% decrease compared to the previous year. The decrease in income from abroad was a result of the global economic crisis, as well as of the continued trend in increase in shares of competing captive pools.

Domestic risk insurance premium totalled HRK 6.1 million in 2009, increasing by 1.4% compared with the previous year.

Total expenditures stood at 17.6 million, growing by 1.7% 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

Table 4.10 Profit and Loss Account for 2008 and 2009 (in HRK)

No.	Item	2008	Share in income/ expenditures	2009	Share in income/ expenditures	Index 2009/2008
I	Income	17,321,836	100.0%	17,619,168	100.0%	101.7
1	Insurance premium	6,054,871	35.0%	6,142,435	34.9%	101.4
2	Insurance premium - prevention (1%)	61,160	0.4%	62,045	0.4%	101.4
3	Reinsurance premium	11,215,568	64.7%	9,996,529	56.7%	89.1
4	Unearned premium of ins. and reinsurance	330,000	1.9%	500,000	2.8%	151.5
5	Shares in claims	0	0.0%	0	0.0%	
6	Premiums ceded to reinsurance (-)	5,489,560	31.7%	5,550,721	31.5%	101.1
7	Interest income	3,657,861	21.1%	2,466,135	14.0%	67.4
8	Exchange rate differences	199,187	1.1%	3,833,307	21.8%	1924.5
9	Other income	1,292,750	7.5%	169,438	1.0%	13.1
II	Expenses	17,288,943	100.0%	17,584,847	100.0%	101.7
1	Fire-service contribution	2,108	0.0%	1,189	0.0%	56.4
2	Co-insurance premium	52,464	0.3%	53,139	0.3%	101.3
3	Co-reinsurance premium	3,662,213	21.2%	3,653,100	20.8%	99.8
4	Claims-paid	171,343	1.0%	518,087	2.9%	302.4
5	Provisions for claims	3,040,000	17.6%	2,600,000	14.8%	85.5
6	Provisions for bonuses and discounts	200,000	1.2%	500,000	2.8%	250.0
7	Unearned premiums	500,000	2.9%	480,000	2.7%	96.0
8	Other technical provisions	2,000,810	11.6%	1,845,455	10.5%	92.2
9	Commissions and expenses	1,145,620	6.6%	1,035,211	5.9%	90.4
10	Exchange rate differences	3,415,880	19.8%	3,230,707	18.4%	94.6
11	Operational expenses of the POOL	2,842,974	16.4%	3,297,293	18.8%	116.0
12	Other expenses	255,531	1.5%	370,666	2.1%	145.1
III	Profit	32,894		34,321		104.3

Source: HANFA

to HRK 5.4 million, or 30.9% of all liabilities. During 2009, claimed and paid damage for reinsured foreign risks were slightly higher compared to 2008, but without significant influence on reported positive business results.

Operating expenses of the CN POOL are financed by insurance and active reinsurance premiums,

as well as by generated interest income. During 2009, the total income arising from the said items amounted to HRK 4.9 million, decreasing by 22.4% in comparison to the previous year. Tangible and intangible expenditures, in the total amount of HRK 3.3 million, increased by 16.0% compared with 2008.



[5] PENSION INSURANCE COMPANIES

5 PENSION INSURANCE COMPANIES

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, hereinafter: the Act), which entered into force on 1 January 2000. The Act lays down payments of pension annuities, carried out only by pension insurance companies under the mandatory pension insurance system based on individual capitalised savings (Pension Pillar 2) and under the voluntary pension insurance system based on individual capitalised savings (Pension Pillar 3), and it defines pension annuities and their payment under the mandatory and voluntary pension insurance systems.

Pension fund members entitled to receive pension annuities conclude agreements with the selected pension insurance company, after which capitalised contributions of fund members paid into a (mandatory or voluntary) pension fund are transferred to the pension insurance company which makes 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 operating in the Republic of Croatia – Raiffeisen mirovinsko osiguravajuće društvo d.o.o.,

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

In 2009, two decisions were issued renewing the licences for authorised manager of the pension insurance company.

Market Description

Balance Sheet

According to the balance sheet as at 31 December 2009, the total asset value of the only pension insurance company – Raiffeisen mirovinsko osiguravajuće društvo d.o.o. (hereinafter: the Company) amounted to HRK 103.2 million, increasing by 48.8% in comparison to 31 December 2008, mainly due to a 44.5 % rise in the value of total investments, which were by HRK 30.1 million higher than the total investments recorded as at 31 December 2008. Technical provisions amounted to HRK 85.3 million, making up 82.7% of total liabilities. Technical provisions of voluntary pension insurance reached HRK 79.3 million, whereas a HRK 6.0 million share related to technical provisions of mandatory pension insurance.

Table 5.1 Balance Sheet as at 31 December 2008 and 31 December 2009 (in HRK)

No	Item	2008	2009	Share (%)		Index
				2008	2009	2009/2008
ASSETS						
1	Intangible assets	3,792	-	0.0%	0.0%	0.0
2	Tangible assets	21,339	34,756	0.0%	0.0%	162.9
3	Investments	67,506,874	97,575,364	97.4%	94.6%	144.5
4	Deferred and current tax assets	814,557	679,794	1.2%	0.7%	83.5
5	Other assets	106,043	3,379,018	0.2%	3.3%	3,186.5
6	Prepayments and accrued income	869,181	1,502,930	1.3%	1.5%	172.9
	Total assets	69,321,786	103,171,863	100.0%	100.0%	148.8
LIABILITIES						
7	Capital and reserves	6,607,203	9,081,260	9.5%	8.8%	137.4
8	Technical provisions	59,191,191	85,306,314	85.4%	82.7%	144.1
9	Other liabilities	156,832	142,624	0.2%	0.1%	90.9
10	Accruals and deferred income	3,366,560	8,641,665	4.9%	8.4%	256.7
	Total liabilities	69,321,786	103,171,863	100.0%	100.0%	148.8

Source: HANFA

Profit and Loss Account

During the period from January to December 2009, the Company recorded total income in the amount of HRK 56.1 million, which is an increase of 85.1% relative to the same period in 2008. The largest share in the income structure (HRK 44.0 million or 78.4%), was made up by income from payments of pension companies and direct lump sum payments under voluntary pension insurance.

Total expenditures amounted to HRK 53.7 million, increasing by 78.0% in comparison with 2008. The largest share of the expenditures, in the amount of HRK 48.4 million, related to expenses arising

from voluntary pension insurance agreements, out of which the amount of HRK 21.7 million was accounted for by payments under voluntary pension insurance, and HRK 26.6 million was made up by changes in technical provisions. Total expenditures rose due to the increase in expenses arising from mandatory pension insurance agreements (a 19.4% growth, from HRK 2.6 million to HRK 3.1 million), and the increase in expenses arising from voluntary pension insurance agreements (a 91.4% increase, from HRK 25.3 million to HRK 48.4 million).

The Company reported pre-tax profit of the accounting period amounting to HRK 2.4 million

Table 5.2 Profit and Loss Account for 2008 and 2009 (in HRK)

No	Description	2008	2009	SHARE (%)		DYNAMICS 2009/2008
				2008	2009	
1	Income from payments of pension companies and lump sum payments - Mandatory pension insurance	2,442,058	2,679,396	8.1%	4.8%	109.7
2	Income from payments of pension companies and lump sum payments - Voluntary pension insurance	22,924,961	43,960,477	75.6%	78.4%	191.8
3	Income from investments - Mandatory pension insurance	145,064	417,986	0.5%	0.7%	288.1
4	Income from investments - Voluntary pension insurance	3,144,225	5,035,763	10.4%	9.0%	160.2
5	Income from investments - the Company's business operations	341,557	606,467	1.1%	1.1%	177.6
6	Income from fees and commission	1,307,026	3,357,728	4.3%	6.0%	256.9
7	Other income	-	39,782		0.1%	-
	Total income	30,304,891	56,097,599	100.0%	100.0%	185.1
8	Expenses arising from pension contracts - Mandatory pension insurance	2,584,365	3,086,002	8.6%	5.7%	119.4
9	Expenses arising from pension contracts - Voluntary pension insurance	25,263,847	48,363,218	83.8%	90.1%	191.4
10	Operating expenses	1,435,866	1,669,063	4.8%	3.1%	116.2
11	Investment expenses - Mandatory pension insurance	-	6,000		0.0%	-
12	Investment expenses - Voluntary pension insurance	623,801	578,007	2.1%	1.1%	92.7
13	Investment expenses - the Company's business operations	257,796	1,536	0.9%	0.0%	0.6
	Total expenditures	30,165,675	53,703,825	100.0%	100.0%	178.0
14	Pre-tax profit or loss of the accounting period	139,216	2,393,774			1,719.5
15	Profit or Loss Tax	84,551	134,762			159.4
16	After-tax profit or loss of the accounting period	54,665	2,259,011			4,132.5

Source: HANFA

and after-tax profit of the accounting period totalling HRK 2.3 million.

As at 31 December 2009, total number of pension agreements concluded amounted to 3,442, out of which 3,224 agreements related to voluntary pension insurance (Pension Pillar 3), and 218 agreements related to mandatory pension insurance (Pension Pillar 2).

Technical provisions of mandatory pension insurance, as at 31 December 2009, totalled HRK 6.0 million while assets invested for their coverage were by HRK 3.0 million higher, i.e.

assets covering technical provisions of mandatory pension insurance reached HRK 9.0 million. Assets covering technical provisions of voluntary pension insurance amounted to HRK 83.4 million, or HRK 4.2 million above total technical provisions, which amounted to HRK 79.2 million.



[6 LEASING

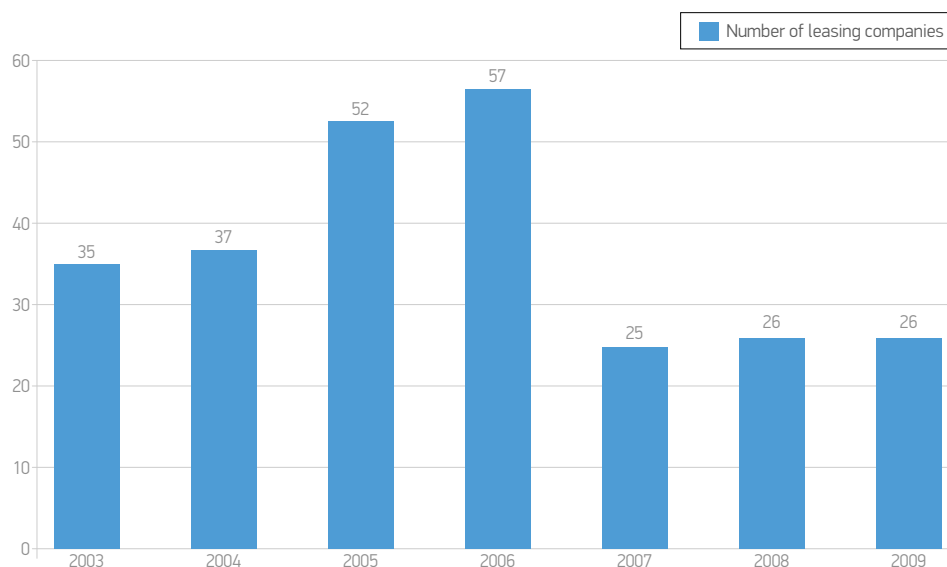
6 LEASING

The Croatian leasing market started developing more intensively in 1997. The Croatian National Bank began collecting data on business operations of leasing companies in 2003, but the Croatian leasing industry had been neither systematically supervised nor legally regulated until the enactment of the Act on the Croatian Financial Services Supervisory Agency (Official Gazette 140/05) and the Leasing Act (Official Gazette 135/06). The Leasing Act, which entered into force on 21

December 2006, regulates the establishment, business operations and supervision of Croatian leasing companies, thus allowing the actual number of leasing companies in Croatia to be defined.

The number of companies registered to carry out leasing operations grew continuously in the period from 2003 to 2006, and then fell significantly in 2007, as a result of the obligation of leasing companies to comply with the provisions of the Leasing Act.

Chart 6.1 Changes in the Number of Leasing Companies in the Republic of Croatia in the 2003-2009 Period



Source: CNB (2003, 2004 and 2005), HANFA (2006, 2007, 2008 and 2009)

Market Description

As at 31 December 2009, there were 26 leasing companies conducting leasing operations in the Republic of Croatia, their number being the same as at the end of 2008. During 2009, the Agency ended, by its decisions, all the procedures initiated on the basis of applications for authorisation submitted by leasing companies that complied with the provisions of the Leasing Act.

In 2009, the Agency adopted a decision withdrawing the authorisation to carry out leasing operations from one leasing company (Central European Leasing d.d.), whereas another leasing company (Alfa Leasing d.o.o.) obtained the Agency's authorisation to conduct leasing operations and commenced operations upon the entry in the court register.

In spite of the decrease in the number of leasing companies in 2007, their assets, i.e. the number and value¹⁵ of newly concluded¹⁶ and active¹⁷ contracts, grew continuously until the end of 2008, thus making the leasing industry an expanding financial

activity. The first consequences of the crisis for the leasing industry in the Republic of Croatia became visible in the last quarter of 2008. The whole 2009 was marked by the spillover effects of the global economic and financial crisis onto the Republic of Croatia, including its leasing industry. Adverse global developments and a plunge in global trade had a strong impact on the level of production in Croatia, too, thus reducing GDP by 2.66% relative to 2008.

The entire leasing industry was marked by a lower volume of business operations in 2009 due to a fall in investments (investment spending) and personal spending, as well as problems with the collection of accounts receivable.

Increased uncertainty in the economy and a collapse in business and consumer optimism negatively affected the Croatian leasing industry, which was reflected in a fall in the number of newly concluded contracts during 2009. The following table presents basic data on the leasing industry by year.

¹⁵ The term "value" relates in operating lease to the value of contracts (the sum of all instalments during a lease period), whereas in finance lease and loans it relates to the financing value of contracts (agreed amount by means of which leasing companies finance lessees/loan users).

¹⁶ Newly concluded contracts are considered to be contracts concluded by leasing companies within a certain period of time or for the purpose of this Report, during the business year.

¹⁷ Active contracts are all lease/loan contracts based on which leasing companies record receivables in their business books.

Table 6.1 Leasing Industry Overview for the Period 31 Dec 2006 – 31 Dec 2009^{18,19}

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	32.4	868
31 Dec 2007	30.3	13.8	39.2	997
31 Dec 2008	35.1	15.5	46.8	1,007
31 Dec 2009	33.6	8.2	47.5	992

Source: HANFA

The value of newly concluded contracts amounted to HRK 8.2 billion, which is decrease of HRK 7.3 billion, or 46.8% relative to 2008.

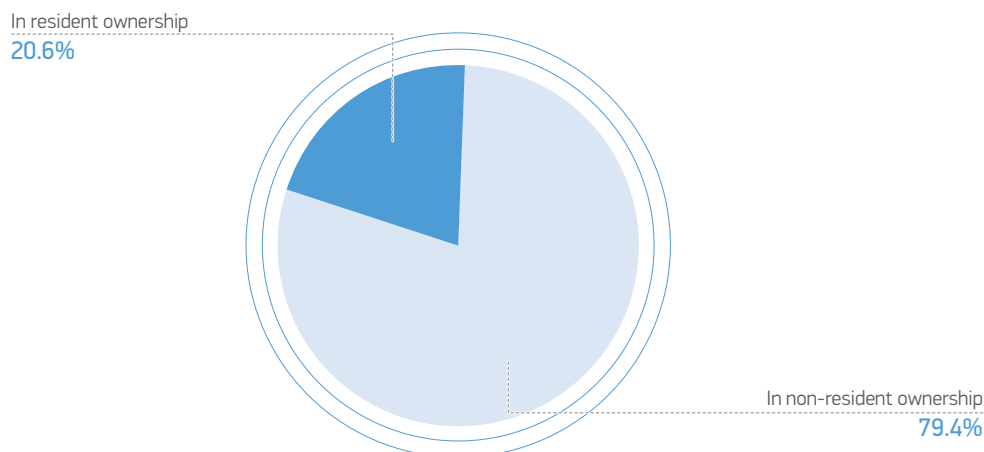
As at 31 December 2009, total assets of the leasing industry stood at HRK 33.6 billion, decreasing by 4.3% compared with the previous year.

Out of the 26 leasing companies, only 5 were in direct ownership of residents²⁰, whereas as many as 21 companies were owned by non-residents²¹. Viewed by indirect²² ownership of subscribed (initial) capital, only three 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, i.e. in the majority ownership of foreign banks and financial institutions or their affiliated companies.

According to the leasing industry aggregate balance sheet, the total reported subscribed (initial) capital of the leasing industry as at 31 December 2009 amounted to HRK 617.5 million, out of which the share of non-resident capital accounted for 79.4% or HRK 490.0 million, whereas a 20.6% share or HRK 127.5 million was made up by initial capital in direct resident ownership.

Chart 6.2 Initial Capital of the Leasing Industry by Capital Origin as at 31 December 2009 (in %)



Source: HANFA

¹⁸ Leasing companies which submitted data to the Agency for the observed periods on the form "Quarterly Report of Leasing Companies" (the TMSI-LD Form), used for the preparation of this Report.

¹⁹ The analysis of business operations by period was conducted on the basis of audited financial statements and statistical data for 2009, and unaudited financial statements and statistical data for the preceding years (2008 and before) collected from the actual number of active leasing companies by periods on the TMSI-LD Form. Certain data (from the portfolio structure and the balance sheet) presented for the years 2007 and 2008 may differ in the Agency's Annual Reports 2007, 2008 and 2009 due to the implementation of the provisions of the Accounting Act (Official Gazette 109/07), Leasing Act (Official Gazette 135/06), International Financial Reporting Standards and due to the actions taken according to 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 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.

²¹ 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.

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

Asset Structure

According to the data from the leasing industry aggregate balance sheet, total assets of the 26 leasing companies as at 31 December 2009 amounted to HRK 33.6 billion, declining by HRK 1.4 billion or 4.1% relative to total assets of the leasing industry reported on the same day in 2008. In the

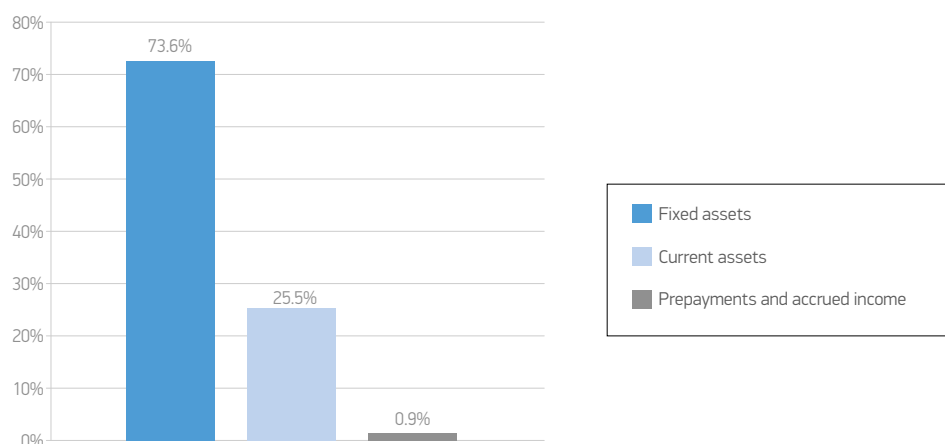
total asset structure, the largest share (73.6%) was accounted for by fixed assets, current assets made up 25.5% of total assets, while prepayments and accrued income comprised a slight 0.9% share.

Table 6.2 Comparative Abbreviated Overview of Leasing Industry Assets in 2008 and 2009 (in HRK)

Description	31 Dec 2008	31 Dec 2009	Index 31 Dec 2009/ 31 Dec 2008	Absolute change 31 Dec 2009/ 31 Dec 2008
FIXED ASSETS	28,394,641,444	24,754,859,931	87.2	-3,639,781,513
Intangible assets	42,174,804	29,451,451	69.8	-12,723,354
Tangible assets	13,065,275,477	10,790,095,513	82.6	-2,275,179,964
Fixed financial assets	2,582,953,427	2,153,950,865	83.4	-429,002,561
Long-term receivables	12,704,237,736	11,781,362,102	92.7	-922,875,634
CURRENT ASSETS	6,454,734,767	8,565,910,564	132.7	2,111,175,797
Inventories	94,751,312	318,651,310	336.3	223,899,997
Short-term receivables	3,597,472,613	4,954,392,693	137.7	1,356,920,080
Current financial assets	2,481,595,882	3,025,517,104	121.9	543,921,222
Cash at bank and in hand	280,914,959	267,349,457	95.2	-13,565,502
Prepayments and accrued income	218,558,546	313,360,756	143.4	94,802,210
TOTAL ASSETS	35,067,934,757	33,634,131,251	95.9	-1,433,803,506

Source: HANFA

Chart 6.3 Leasing Industry Asset Structure as at 31 Dec 2009 (in %)



Source: HANFA

As at 31 December 2009, the largest component of the leasing industry asset structure were finance lease receivables, totalling HRK 16.0 billion, or 47.7% of assets, and recording a HRK 0.6 billion or 3.8% growth compared with the previous year. Tangible assets under operating leases and operating lease receivables amounted to HRK 10.7 billion or 31.8% of assets, decreasing by HRK 2.0 billion or 15.9% relative to 2008. At the same time loans amounted to HRK 3.1 billion or 9.3% of assets with a decrease of HRK 0.8 billion or 19.8% relative to 2008. Other asset items totalled HRK 3.8 billion or 11.3%

of assets, with deposits granted being the largest asset item with a HRK 1.3 billion or 4.0% share. As at 31 December 2009, the share of the top five leasing companies by asset level in total assets declined compared with 2008, pointing to a lower concentration of the leasing industry. As at 31 December 2006 the top five leasing companies accounted for a 58.4% share in total assets of leasing companies, as at 31 December 2007 this share totalled 67.5%, as at 31 December 2008 it reached 68.2%, whereas it dropped to 64.4% as at 31 December 2009.

Table 6.3 Comparative Overview of Assets by Leasing Company in 2008 and 2009 (in HRK)

No.	Company	31 DEC 2008	Share	No.	Company	31 DEC 2009	Share
1	Hypo-Leasing Kroatien d.o.o.	10,712,793,418	30.5%	1	Hypo-Leasing Kroatien d.o.o.	9,419,751,613	28.0%
2	UniCredit Leasing Croatia d.o.o.	4,749,722,482	13.5%	2	UniCredit Leasing Croatia d.o.o.	4,531,247,451	13.5%
3	Erste & Steiermärkische S-Leasing d.o.o.	3,600,684,529	10.3%	3	Erste & Steiermärkische S-Leasing d.o.o.	3,420,857,066	10.2%
4	Raiffeisen Leasing d.o.o.	2,680,206,945	7.6%	4	Raiffeisen Leasing d.o.o.	2,457,680,394	7.3%
5	VB Leasing d.o.o.	2,189,521,402	6.2%	5	VB Leasing d.o.o.	1,827,005,381	5.4%
6	Porsche Leasing d.o.o.	1,633,939,717	4.7%	6	S Immorent Leasing d.o.o.	1,730,380,815	5.1%
7	PBZ-Leasing d.o.o.	1,631,295,746	4.7%	7	PBZ-Leasing d.o.o.	1,660,122,043	4.9%
8	Mercedes-Benz Leasing Hrvatska d.o.o.	1,543,601,108	4.4%	8	Mercedes-Benz Leasing Hrvatska d.o.o.	1,454,357,551	4.3%
9	Optima Leasing d.o.o.	930,259,282	2.7%	9	Porsche Leasing d.o.o.	1,423,646,360	4.2%
10	Euroleasing d.o.o.	875,886,611	2.5%	10	Optima Leasing d.o.o.	877,866,966	2.6%
11	OTP Leasing d.d.	751,054,831	2.1%	11	Euroleasing d.o.o.	781,269,144	2.3%
12	S Immorent Leasing d.o.o.	711,078,513	2.0%	12	OTP Leasing d.d.	727,886,065	2.2%
13	Jadran jahte d.o.o.	697,202,082	2.0%	13	Jadran jahte d.o.o.	659,462,573	2.0%
14	Impuls-Leasing d.o.o.	445,568,691	1.3%	14	Impuls-Leasing d.o.o.	574,899,002	1.7%
15	BKS-Leasing Croatia d.o.o.	399,337,027	1.1%	15	BKS-Leasing Croatia d.o.o.	436,313,669	1.3%
16	Croatia Leasing d.o.o.	362,207,207	1.0%	16	Multiconsult Leasing d.o.o.	312,131,864	0.9%
17	Hypo-Leasing Steiermark d.o.o.	277,475,058	0.8%	17	ALD Automotive d.o.o.	280,372,587	0.8%
18	Multiconsult Leasing d.o.o.	241,496,383	0.7%	18	Croatia Leasing d.o.o.	261,300,539	0.8%
19	ALD Automotive d.o.o.	232,475,707	0.7%	19	Hypo-Leasing Steiermark d.o.o.	247,867,163	0.7%
20	PROleasing d.o.o.	125,321,662	0.4%	20	SG Leasing d.o.o.	187,906,697	0.6%
21	SG Leasing d.o.o.	96,656,324	0.3%	21	PROleasing d.o.o.	115,645,068	0.3%
22	Scania Credit Hrvatska d.o.o.	90,711,768	0.3%	22	Scania Credit Hrvatska d.o.o.	91,506,282	0.3%
23	Austrofin Leasing d.o.o.	68,642,787	0.2%	23	Immoconsult Leasing d.o.o.	56,728,748	0.2%
24	i4next Leasing Croatia d.o.o.	19,509,731	0.1%	24	Austrofin Leasing d.o.o.	54,709,088	0.2%
25	Immoconsult Leasing d.o.o.	744,291	0.002%	25	i4next Leasing Croatia d.o.o.	39,651,691	0.1%
26	Central European Leasing d.d.	541,453	0.002%	26	ALFA Leasing d.o.o.	3,565,431	0.01%
TOTAL		35,067,934,757	100.0%	TOTAL		33,634,131,251	100.0%

Source: HANFA

Liability Structure

The largest share (75.2%) in total reported liabilities of the 26 leasing companies was accounted for by long-term liabilities. Short-term liabilities made up 23.0%, and accruals and deferred income 2.0%

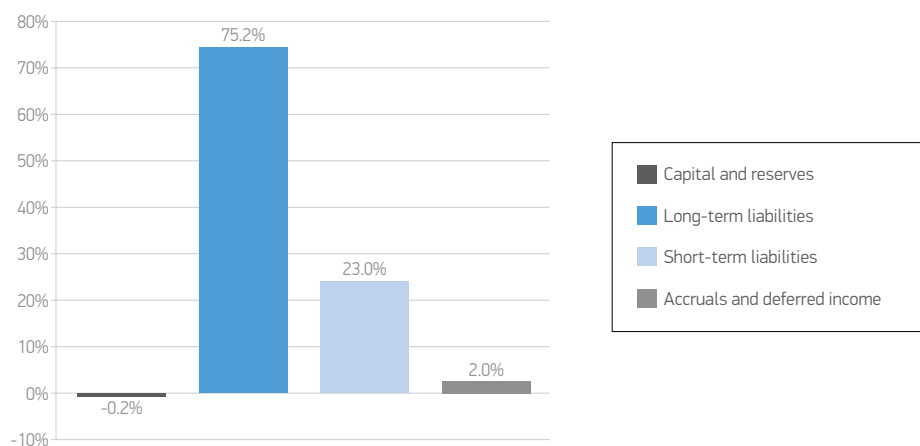
of total liabilities. Capital and reserves bore a negative sign and totalled -0.2% of all liabilities (relating to the loss above the equity value, stated as a liability).

Table 6.4 Comparative Abbreviated Overview of Leasing Industry Liabilities in 2008 and 2009 (in HRK)

Description	31 Dec 2008	31 Dec 2009	Index 31 Dec 2009/ 31 Dec 2008	Absolute change 31 Dec 2009/ 31 Dec 2008
CAPITAL AND RESERVES	72,061,333	-61,922,118	-85.9	-133,983,451
Subscribed capital	401,653,400	617,519,500	153.7	215,866,100
LONG-TERM LIABILITIES	30,174,992,960	25,286,810,425	83.8	-4,888,182,535
SHORT-TERM LIABILITIES	4,091,187,709	7,752,040,911	189.5	3,660,853,202
Accruals and deferred income	729,692,754	657,202,033	90.1	-72,490,722
TOTAL LIABILITIES	35,067,934,757	33,634,131,251	95.9	-1,433,803,506

Source: HANFA

Chart 6.4 Leasing Industry Liability Structure as at 31 Dec 2009 (in %)



Source: HANFA

The largest component of the leasing industry liability structure were liabilities arising from loans from domestic and foreign banks and financial institutions, amounting to HRK 16.8 billion or

49.8% of liabilities, while liabilities to affiliated undertakings totalled HRK 14.1 billion or 41.9% of all liabilities.

Capital and Reserves

Capital and reserves of the leasing industry totalled HRK -61.9 million as at 31 December 2009 (the amount representing the loss above the equity value), decreasing by HRK 134.0 million relative to the same day in 2008, when this item amounted to HRK 72.1 million. Although the subscribed capital grew by HRK 215.9 million (53.7%), and other reserves by HRK 70.6 million (7.2%) in 2009, the decrease in capital and reserves was mainly accounted for by the loss carryforward totalling HRK 312.0 million and reported loss for 2009 amounting to HRK 624.7 million.

Positive amount of capital and reserves, totalling

HRK 728.4 million, was reported by 17 companies, and negative (loss above the equity value), amounting to HRK 790.3 million, by 9 companies. As at 31 December 2009, the largest amount of capital and reserves (HRK 180.8 million) was reported by Raiffeisen Leasing d.o.o., and the greatest loss (HRK 720.4 million) by Hypo-Leasing Kroatien d.o.o.

Subscribed capital of the leasing industry totalled HRK 617.5 million, with the largest share (197.5 million) being accounted for by Hypo-Leasing Kroatien d.o.o.

Table 6.5 Comparative Overview of Capital and Reserves by Leasing Company in 2008 and 2009 (in HRK)

No.	Company	31 Dec 2008	No.	Company	31 Dec 2009
1	Raiffeisen Leasing d.o.o.	164,519,214	1	Raiffeisen Leasing d.o.o.	180,775,568
2	Mercedes-Benz Leasing Hrvatska d.o.o.	98,785,907	2	Mercedes-Benz Leasing Hrvatska d.o.o.	109,543,007
3	PBZ-Leasing d.o.o.	57,992,249	3	Porsche Leasing d.o.o.	102,933,959
4	Porsche Leasing d.o.o.	50,891,023	4	VB Leasing d.o.o.	91,171,314
5	VB Leasing d.o.o.	48,256,532	5	PBZ-Leasing d.o.o.	76,698,725
6	Croatia Leasing d.o.o.	37,609,306	6	UniCredit Leasing Croatia d.o.o.	76,331,762
7	PROleasing d.o.o.	8,348,962	7	Croatia Leasing d.o.o.	38,147,138
8	Euroleasing d.o.o.	5,058,343	8	Jadran jahte d.o.o.	13,345,115
9	BKS-Leasing Croatia d.o.o.	3,949,378	9	PROleasing d.o.o.	8,850,614
10	Optima Leasing d.o.o.	2,684,536	10	Multiconsult Leasing d.o.o.	7,126,245
11	Scania Credit Hrvatska d.o.o.	991,790	11	Optima Leasing d.o.o.	6,971,987
12	OTP Leasing d.d.	516,894	12	OTP Leasing d.d.	6,763,496
13	Austrofin Leasing d.o.o.	453,270	13	ALFA Leasing d.o.o.	3,487,091
14	Immoconsult Leasing d.o.o.	350,346	14	BKS-Leasing Croatia d.o.o.	3,255,814
15	i4next Leasing Croatia d.o.o.	-86,421	15	i4next Leasing Croatia d.o.o.	1,108,796
16	Central European Leasing d.d.	-894,010	16	Austrofin Leasing d.o.o.	962,768
17	ALD Automotive d.o.o.	-2,658,894	17	SG Leasing d.o.o.	891,601
18	SG Leasing d.o.o.	-2,680,244	18	Immoconsult Leasing d.o.o.	-462,932
19	Multiconsult Leasing d.o.o.	-3,933,491	19	Euroleasing d.o.o.	-2,175,891
20	S Immorent Leasing d.o.o.	-4,398,027	20	ALD Automotive d.o.o.	-2,336,926
21	Jadran jahte d.o.o.	-21,867,058	21	Scania Credit Hrvatska d.o.o.	-2,702,970
22	Hypo-Leasing Steiermark d.o.o.	-23,203,077	22	Hypo-Leasing Steiermark d.o.o.	-2,820,233
23	Impuls-Leasing d.o.o.	-28,592,901	23	S Immorent Leasing d.o.o.	-6,479,283
24	Erste & Steiermärkische S-Leasing d.o.o.	-70,813,888	24	Erste & Steiermärkische S-Leasing d.o.o.	-22,245,532
25	UniCredit Leasing Croatia d.o.o.	-109,468,786	25	Impuls-Leasing d.o.o.	-30,699,863
26	Hypo-Leasing Kroatien d.o.o.	-139,749,619	26	Hypo-Leasing Kroatien d.o.o.	-720,363,486
	TOTAL	72,061,333		TOTAL	-61,922,118

Source: HANFA

Table 6.6 Comparative Overview of Subscribed Capital by Leasing Company in 2008 and 2009 (in HRK)

No.	Company	31 Dec 2008	Share	No.	Company	31 Dec 2009	Share
1	Croatia Leasing d.o.o.	90,000,000	22.4%	1	Hypo-Leasing Kroatien d.o.o.	197,479,900	32.0%
2	Porsche Leasing d.o.o.	78,800,000	19.6%	2	Porsche Leasing d.o.o.	78,800,000	12.8%
3	VB Leasing d.o.o.	74,795,000	18.6%	3	VB Leasing d.o.o.	74,795,000	12.1%
4	Mercedes-Benz Leasing Hrvatska d.o.o.	50,500,000	12.6%	4	Mercedes-Benz Leasing Hrvatska d.o.o.	50,500,000	8.2%
5	Raiffeisen Leasing d.o.o.	30,000,000	7.5%	5	Croatia Leasing d.o.o.	38,000,000	6.2%
6	Hypo-Leasing Kroatien d.o.o.	15,462,200	3.8%	6	Jadran jahte d.o.o.	31,000,000	5.0%
7	PBZ-Leasing d.o.o.	15,000,000	3.7%	7	Raiffeisen Leasing d.o.o.	30,000,000	4.9%
8	OTP Leasing d.d.	8,212,000	2.0%	8	UniCredit Leasing Croatia d.o.o.	28,741,800	4.7%
9	PROleasing d.o.o.	7,350,000	1.8%	9	Multiconsult Leasing d.o.o.	19,255,600	3.1%
10	Multiconsult Leasing d.o.o.	3,700,000	0.9%	10	PBZ-Leasing d.o.o.	15,000,000	2.4%
11	SG Leasing d.o.o.	3,617,000	0.9%	11	SG Leasing d.o.o.	14,468,000	2.3%
12	Euroleasing d.o.o.	3,000,000	0.7%	12	OTP Leasing d.d.	8,212,000	1.3%
13	Hypo-Leasing Steiermark d.o.o.	2,533,600	0.6%	13	PROleasing d.o.o.	7,350,000	1.2%
14	ALD Automotive d.o.o.	2,253,000	0.6%	14	ALFA Leasing d.o.o.	3,700,000	0.6%
15	UniCredit Leasing Croatia d.o.o.	2,000,000	0.5%	15	Euroleasing d.o.o.	3,000,000	0.5%
16	BKS-Leasing Croatia d.o.o.	2,000,000	0.5%	16	Hypo-Leasing Steiermark d.o.o.	2,533,600	0.4%
17	Immoconsult Leasing d.o.o.	2,000,000	0.5%	17	ALD Automotive d.o.o.	2,253,000	0.4%
18	Optima Leasing d.o.o.	1,930,600	0.5%	18	BKS-Leasing Croatia d.o.o.	2,000,000	0.3%
19	Impuls-Leasing d.o.o.	1,500,000	0.4%	19	Immoconsult Leasing d.o.o.	2,000,000	0.3%
20	Erste & Steiermärkische S-Leasing d.o.o.	1,000,000	0.2%	20	Optima Leasing d.o.o.	1,930,600	0.3%
21	i4next Leasing Croatia d.o.o.	1,000,000	0.2%	21	Impuls-Leasing d.o.o.	1,500,000	0.2%
22	Scania Credit Hrvatska d.o.o.	1,000,000	0.2%	22	Scania Credit Hrvatska d.o.o.	1,000,000	0.2%
23	Austrofin Leasing d.o.o.	1,000,000	0.2%	23	Erste & Steiermärkische S-Leasing d.o.o.	1,000,000	0.2%
24	Central European Leasing d.d.	1,000,000	0.2%	24	i4next Leasing Croatia d.o.o.	1,000,000	0.2%
25	Jadran jahte d.o.o.	1,000,000	0.2%	25	Austrofin Leasing d.o.o.	1,000,000	0.2%
26	S Immorent Leasing d.o.o.	1,000,000	0.2%	26	S Immorent Leasing d.o.o.	1,000,000	0.2%
TOTAL		401,653,400	100.0%	TOTAL		617,519,500	100.0%

Source: HANFA

Liabilities

Long-term and short-term liabilities as at 31 December 2009 amounted to HRK 33.0 billion and were lower by HRK 1.2 billion or 3.6% compared with the previous year. The leasing industry assets were mainly financed by loans from foreign banks

and financial institutions in the total amount of HRK 15.7 billion. A significant source of financing were also affiliated undertakings, since leasing companies reported liabilities to them in the amount of HRK 14.1 billion. Accruals and deferred

income stood at HRK 0.7 billion. The share of the top five leasing companies by liability level (including accruals and deferred income) in total liabilities at the end of 2009

totalled HRK 22.0 billion or 65.4%. Hypo-Leasing Kroatien d.o.o. reported total liabilities in the amount of HRK 10.1 billion, which made up 30.1% of total liabilities of all active leasing companies.

Table 6.7 Comparative Overview of Total Liabilities by Leasing Company in 2008 and 2009 (in HRK)

No.	Company	31 Dec 2008	Share	No.	Company	31 Dec 2009	Share
1	Hypo-Leasing Kroatien d.o.o.	10,852,543,036	31.0%	1	Hypo-Leasing Kroatien d.o.o.	10,140,115,100	30.1%
2	UniCredit Leasing Croatia d.o.o.	4,859,191,268	13.9%	2	UniCredit Leasing Croatia d.o.o.	4,454,915,689	13.2%
3	Erste & Steiermärkische S-Leasing d.o.o.	3,671,498,418	10.5%	3	Erste & Steiermärkische S-Leasing d.o.o.	3,443,102,597	10.2%
4	Raiffeisen Leasing d.o.o.	2,515,687,731	7.2%	4	Raiffeisen Leasing d.o.o.	2,276,904,826	6.8%
5	VB Leasing d.o.o.	2,141,264,870	6.1%	5	S Immorent Leasing d.o.o.	1,736,860,098	5.2%
6	Porsche Leasing d.o.o.	1,583,048,694	4.5%	6	VB Leasing d.o.o.	1,735,834,067	5.2%
7	PBZ-Leasing d.o.o.	1,573,303,498	4.5%	7	PBZ-Leasing d.o.o.	1,583,423,318	4.7%
8	Mercedes-Benz Leasing Hrvatska d.o.o.	1,444,815,201	4.1%	8	Mercedes-Benz Leasing Hrvatska d.o.o.	1,344,814,544	4.0%
9	Optima Leasing d.o.o.	927,574,746	2.7%	9	Porsche Leasing d.o.o.	1,320,712,401	3.9%
10	Euroleasing d.o.o.	870,828,268	2.5%	10	Optima Leasing d.o.o.	870,894,979	2.6%
11	OTP Leasing d.d.	750,537,937	2.1%	11	Euroleasing d.o.o.	783,445,035	2.3%
12	Jadran jahte d.o.o.	719,069,140	2.1%	12	OTP Leasing d.d.	721,122,569	2.1%
13	S Immorent Leasing d.o.o.	715,476,541	2.0%	13	Jadran jahte d.o.o.	646,117,458	1.9%
14	Impuls-Leasing d.o.o.	474,161,592	1.4%	14	Impuls-Leasing d.o.o.	605,598,865	1.8%
15	BKS-Leasing Croatia d.o.o.	395,387,649	1.1%	15	BKS-Leasing Croatia d.o.o.	433,057,855	1.3%
16	Croatia Leasing d.o.o.	324,597,901	0.9%	16	Multiconsult Leasing d.o.o.	305,005,619	0.9%
17	Hypo-Leasing Steiermark d.o.o.	300,678,135	0.9%	17	ALD Automotive d.o.o.	282,709,513	0.8%
18	Multiconsult Leasing d.o.o.	245,429,873	0.7%	18	Hypo-Leasing Steiermark d.o.o.	250,687,396	0.7%
19	ALD Automotive d.o.o.	235,134,601	0.7%	19	Croatia Leasing d.o.o.	223,153,400	0.7%
20	PROleasing d.o.o.	116,972,701	0.3%	20	SG Leasing d.o.o.	187,015,095	0.6%
21	SG Leasing d.o.o.	99,336,568	0.3%	21	PROleasing d.o.o.	106,794,453	0.3%
22	Scania Credit Hrvatska d.o.o.	89,719,978	0.3%	22	Scania Credit Hrvatska d.o.o.	94,209,252	0.3%
23	Austrofin Leasing d.o.o.	68,189,517	0.2%	23	Immoconsult Leasing d.o.o.	57,191,680	0.2%
24	i4next Leasing Croatia d.o.o.	19,596,152	0.1%	24	Austrofin Leasing d.o.o.	53,746,320	0.2%
25	Central European Leasing d.d.	1,435,463	0.004%	25	i4next Leasing Croatia d.o.o.	38,542,895	0.1%
26	Immoconsult Leasing d.o.o.	393,945	0.001%	26	ALFA Leasing d.o.o.	78,340	0.0002%
TOTAL		34,995,873,423	100.0%	TOTAL		33,696,053,369	100.0%

Source: HANFA

Financial Operating Results

In the period from 1 January to 31 December 2009 the leasing industry recorded a loss after tax totalling HRK 624.7 million and increasing by HRK 169.6 million relative to 2008, when it amounted to HRK 455.1 million. In 2009, profit after tax

amounting to HRK 248.2 million was reported by 15 companies, whereas loss after tax in the amount of HRK 872.9 million was reported by 11 companies.

The negative financial operating result of the

leasing industry in 2009 was mostly caused by the loss recorded by Hypo-Leasing Kroatien d.o.o. Broken down by items, the recorded loss of the industry was mainly accounted for by bad debt, totalling HRK 1.4 billion and increasing by 1.0 billion compared with 2008. The share of Hypo-Leasing Kroatien d.o.o. in this item accounts for HRK 994.3 million. The reported 2008 loss was also affected by negative exchange differences amounting to HRK 255.6 million, while they reach only HRK 0.9 million in 2009. The 2009 structure of revenues and expenditures differs from that in 2008. Interest income recorded

in 2009 stood at HRK 510.3 million, whereas interest expenses reported in 2008 totalled HRK 112.6 million. Income from fees and commissions amounted to HRK 75.8 million, growing by HRK 47.7 million compared with 2008. Income from other revenues and expenditures reached HRK 223.4 million, which is a HRK 208.4 million rise relative to 2008.

As a result, in 2009 the leasing industry recorded profit before provisions for bad debt and before tax totalling HRK 809.6 million.

The largest after-tax profit was reported by Porsche Leasing d.o.o. (HRK 52.0 million or 21.0% of after-

Table 6.8 Comparative Abbreviated Overview of the Profit and Loss Account of the Leasing Industry in 2008 and 2009 (in HRK)

Description	1 Jan-31 Dec 2008	1 Jan-31 Dec 2009	Index 2009/2008	Absolute change 2009/2008
Interest income	1,435,396,641	1,436,602,518	100.1	1,205,877
Interest expenses	1,547,995,661	926,296,158	59.8	-621,699,503
Interest profit/loss	-112,599,020	510,306,360	-453.2	622,905,380
Income from fees and commissions	53,485,347	100,689,519	188.3	47,204,172
Expenses on fees and commissions	25,360,333	24,871,179	98.1	-489,154
Profit/loss from fees and commissions	28,125,014	75,818,339	269.6	47,693,326
Other operating revenues	13,713,448,013	9,068,645,901	66.1	-4,644,802,112
Other operating expenditures	13,698,396,626	8,845,203,941	64.6	-4,853,192,684
Profit/loss from other revenues and expenditures	15,051,387	223,441,960	1,484.5	208,390,572
Profit/loss before tax	-69,422,619	809,566,659	-1,166.1	878,989,278
Provisions for bad debt	352,071,099	1,369,513,780	389.0	1,017,442,681
Profit/loss before income tax	-421,493,718	-559,947,121	132.8	-138,453,403
Income tax	33,659,273	64,782,301	192.5	31,123,028
Profit/loss after income tax	-455,152,992	-624,729,423	137.3	-169,576,431

Source: HANFA

tax profit recorded by all the 15 companies that recorded operating profit). The greatest after-tax loss was reported by Hypo-Leasing Kroatien d.o.o. (HRK 790.8 million, or as much as 90.6% of the loss reported by the remaining 11 companies). The top five leasing companies by reported profit

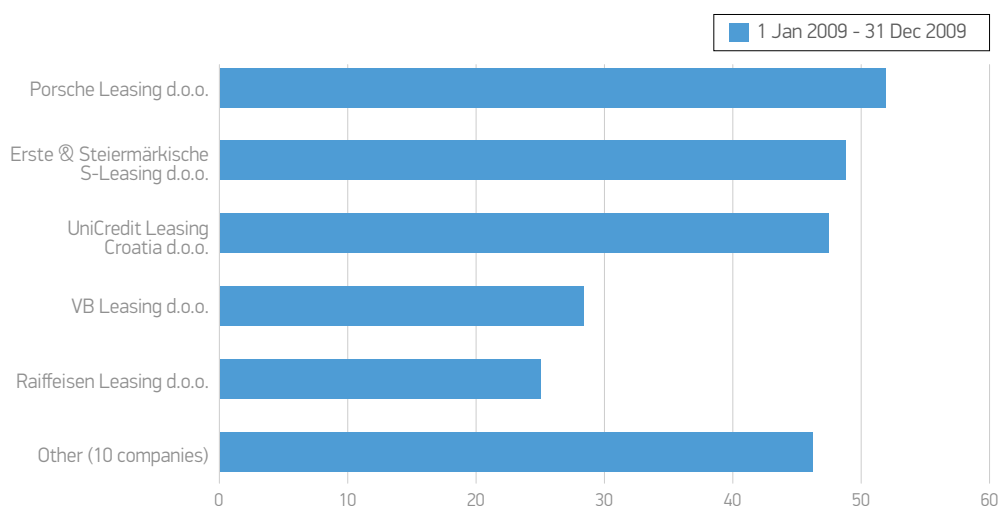
accounted for 81.4% of total reported after-tax profit (of the 15 companies), whereas the top five leasing companies by reported after-tax loss made up 98.5% of the loss recorded by the leasing industry (i.e. the 11 companies that reported loss).

Table 6.9 Comparative Overview of Reported After-Tax Profit by Leasing Company in 2008 and 2009 (in HRK)

No.	Company	1 Jan-31 Dec 2008	Share	No.	Company	1 Jan-31 Dec 2009	Share
1	Raiffeisen Leasing d.o.o.	27,365,736	44.3%	1	Porsche Leasing d.o.o.	52,042,936	21.0%
2	PBZ-Leasing d.o.o.	15,650,511	25.3%	2	Erste & Steiermärkische S-Leasing d.o.o.	48,866,614	19.7%
3	Mercedes-Benz Leasing Hrvatska d.o.o.	12,643,318	20.5%	3	UniCredit Leasing Croatia d.o.o.	47,565,550	19.2%
4	Euroleasing d.o.o.	5,009,156	8.1%	4	VB Leasing d.o.o.	28,374,781	11.4%
5	PROleasing d.o.o.	411,398	0.7%	5	Raiffeisen Leasing d.o.o.	25,041,457	10.1%
6	Optima Leasing d.o.o.	351,832	0.6%	6	PBZ-Leasing d.o.o.	18,706,476	7.5%
7	OTP Leasing d.d.	197,314	0.3%	7	Mercedes-Benz Leasing Hrvatska d.o.o.	11,099,695	4.5%
8	Scania Credit Hrvatska d.o.o.	117,053	0.2%	8	OTP Leasing d.d.	6,246,601	2.5%
				9	Jadran jahte d.o.o.	4,353,546	1.8%
				10	Optima Leasing d.o.o.	2,261,680	0.9%
				11	i4next Leasing Croatia d.o.o.	1,743,340	0.7%
				12	Croatia Leasing d.o.o.	537,832	0.2%
				13	Austrofin Leasing d.o.o.	509,497	0.2%
				14	PROleasing d.o.o.	501,652	0.2%
				15	ALD Automotive d.o.o.	321,967	0.1%
TOTAL		61,746,318	100.0%	TOTAL		248,173,626	100.0%

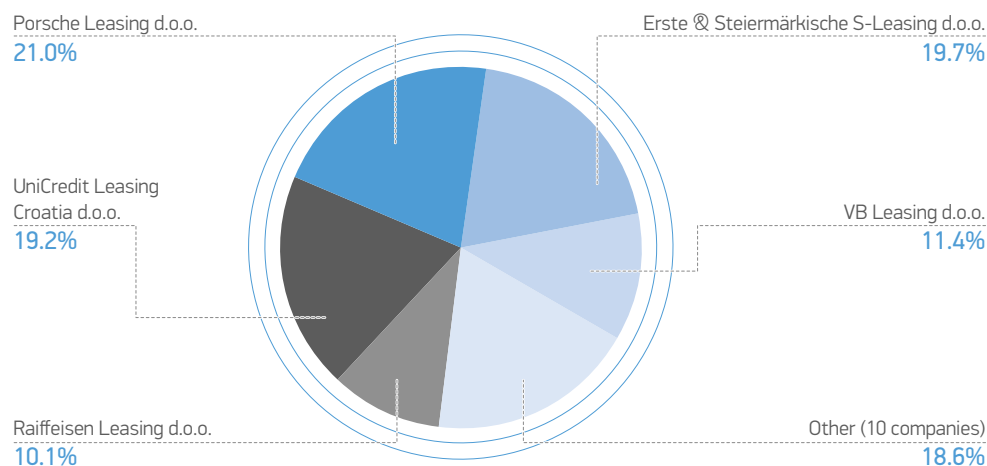
Source: HANFA

Chart 6.5 Top Five Leasing Companies by Reported After-Tax Profit in 2009 (in HRK million)



Source: HANFA

Chart 6.6 Structure of Reported After-Tax Profit by Leasing Company in 2009 (in %)



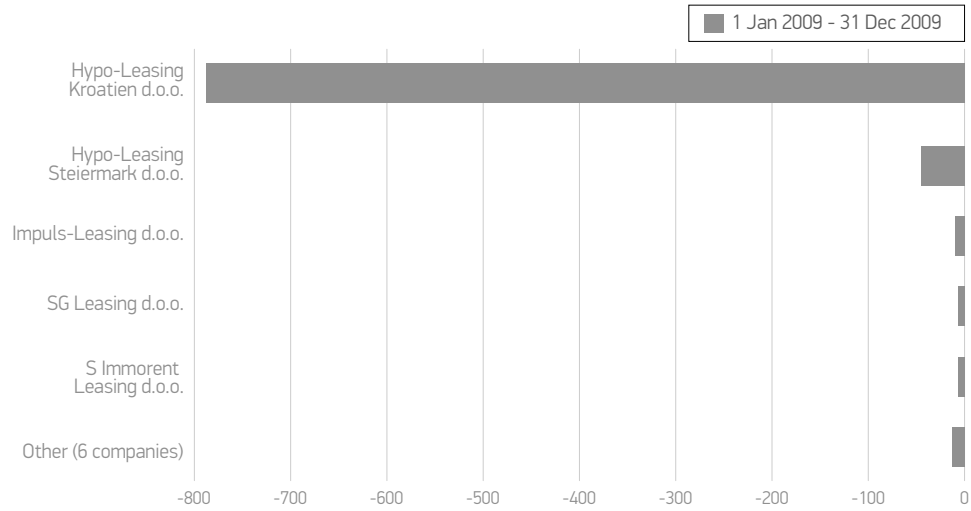
Source: HANFA

Table 6.10 Comparative Overview of Reported After-Tax Loss by Leasing Company in 2008 and 2009 (in HRK)

No.	Company	1 Jan-31 Dec 2008	Share	No.	Company	1 Jan-31 Dec 2009	Share
1	Hypo-Leasing Kroatien d.o.o.	-175,994,100	34.0%	1	Hypo-Leasing Kroatien d.o.o.	-790,844,739	90.6%
2	VB Leasing d.o.o.	-57,415,085	11.1%	2	Hypo-Leasing Steiermark d.o.o.	-45,660,917	5.2%
3	Erste & Steiermärkische S-Leasing d.o.o.	-56,813,388	11.0%	3	Impuls-Leasing d.o.o.	-9,432,431	1.1%
4	Hypo-Leasing Steiermark d.o.o.	-52,319,286	10.1%	4	SG Leasing d.o.o.	-7,279,155	0.8%
5	Porsche Leasing d.o.o.	-50,064,447	9.7%	5	S Immorent Leasing d.o.o.	-6,703,214	0.8%
6	UniCredit Leasing Croatia d.o.o.	-32,664,810	6.3%	6	Multiconsult Leasing d.o.o.	-4,495,864	0.5%
7	Croatia Leasing d.o.o.	-27,493,851	5.3%	7	Scania Credit Hrvatska d.o.o.	-3,540,069	0.4%
8	Impuls-Leasing d.o.o.	-22,611,524	4.4%	8	Euroleasing d.o.o.	-3,226,909	0.4%
9	Jadran jahte d.o.o.	-19,422,564	3.8%	9	Immoconsult Leasing d.o.o.	-813,278	0.1%
10	SG Leasing d.o.o.	-6,296,985	1.2%	10	BKS-Leasing Croatia d.o.o.	-693,564	0.1%
11	Multiconsult Leasing d.o.o.	-5,622,976	1.1%	11	ALFA Leasing d.o.o.	-212,909	0.02%
12	ALD Automotive d.o.o.	-3,081,599	0.6%				
13	BKS-Leasing Croatia d.o.o.	-1,823,205	0.4%				
14	Immoconsult Leasing d.o.o.	-1,645,836	0.3%				
15	Central European Leasing d.d.	-1,396,289	0.3%				
16	i4next Leasing Croatia d.o.o.	-1,108,235	0.2%				
17	Austrofin Leasing d.o.o.	-579,441	0.1%				
18	S Immorent Leasing d.o.o.	-545,691	0.1%				
TOTAL		-516,899,310	100.0%	TOTAL		-872,903,049	100.0%

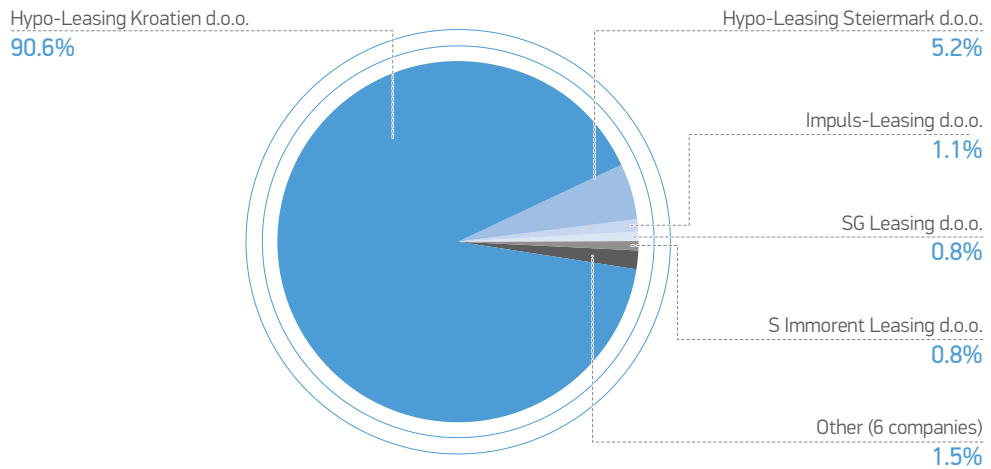
Source: HANFA

Chart 6.7 Top Five Leasing Companies by Reported After-Tax Loss in 2009 (in HRK million)



Source: HANFA

Chart 6.8 Structure of Reported After-Tax Loss by Leasing Company in 2009 (in %)



Source: HANFA

Leasing Industry Portfolio Structure by Periods

In the period from 1 January to 31 December 2009, a total of 31,581 new lease contracts were concluded, which is a decrease of 27,829 contracts or 46.8% relative to the same period

in 2008. The total value of newly concluded contracts amounted to HRK 8.2 billion, falling by HRK 7.3 billion or 46.9% compared with the value of newly concluded contracts in 2008.

Table 6.11 Leasing Industry Portfolio Structure in the Period 31 Dec 2006 – 31 Dec 2009

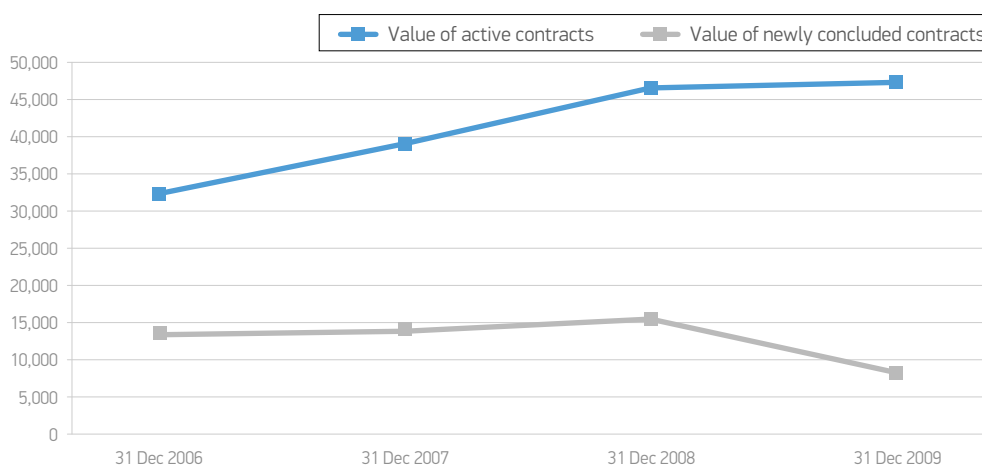
Date/ period from 1 Jan to	Newly concluded contracts in the period			Active contracts as at		
	Number of newly concluded contracts	Value of newly concluded contracts (in HRK)	Average value of newly concluded contracts (in HRK)	Number of active contracts	Value of active contracts (in HRK)	Average value of active contracts (in HRK)
31 Dec 2006	54,344	13,344,148,966	245,550	134,102	32,455,918,910	242,024
31 Dec 2007	55,835	13,816,969,667	247,461	158,407	39,221,948,873	247,602
31 Dec 2008	59,410	15,464,016,902	260,293	177,572	46,770,570,648	263,389
31 Dec 2009	31,581	8,212,234,515	260,037	166,414	47,524,898,525	285,582

Source: HANFA

As at 31 December 2009, there were 166,414 active contracts, i.e. 11,158 or 6.3% fewer contracts compared with the same day of the previous year. On the same day, the financing/

contract value of active contracts of the leasing industry amounted to HRK 47.5 billion, increasing by HRK 0.8 billion or 1.6% compared with the end of 2008.

Chart 6.9 Value of Newly Concluded and Active Contracts in the Period 31 Dec 2006 – 31 Dec 2008 (in HRK million)



Source: HANFA

The share of finance lease in the structure of the number of newly concluded contracts at end-2009 stood at 51.3%, whereas the share of operating lease reached 48.7%. This structure was significantly different in 2008, when the share of finance lease made up 47.1%, and the share of operating lease 52.9% of the total number

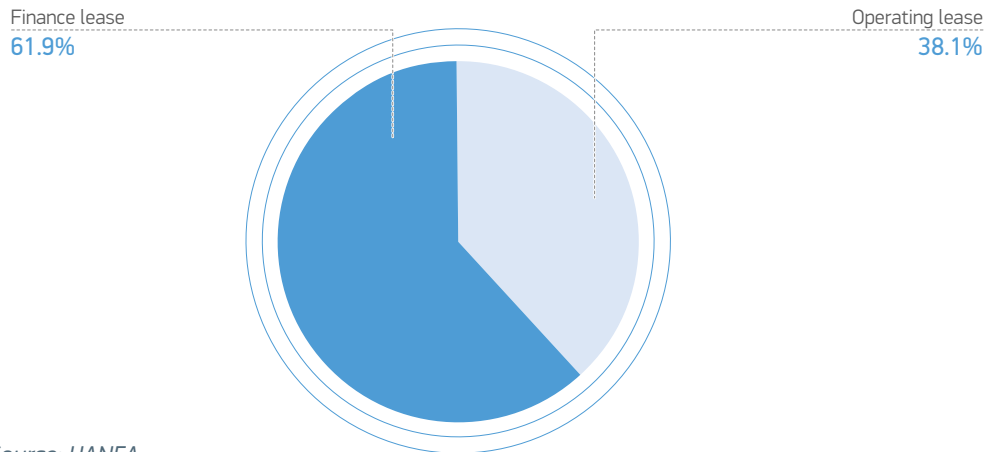
of newly concluded contracts. The structure of the value of newly concluded contracts changed accordingly: the share of finance lease in the total value of newly concluded contracts rose from 56.9% in 2008 to 61.9% in 2009, while the share of operating lease fell from 43.1% to 38.1%.

Table 6.12 Comparative Overview of the Number and Value of Newly Concluded Contracts in the Leasing Industry in 2008 and 2009

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 2008	1 Jan -31 Dec 2009	Index 2009/2008	1 Jan-31 Dec 2008	1 Jan-31 Dec 2009	Index 2009/2008
Operating lease	31,451	15,394	48.9	6,661,610,884	3,126,571,460	46.9
Finance lease	27,959	16,187	57.9	8,802,406,018	5,085,663,055	57.8
TOTAL	59,410	31,581	53.2	15,464,016,902	8,212,234,515	53.1

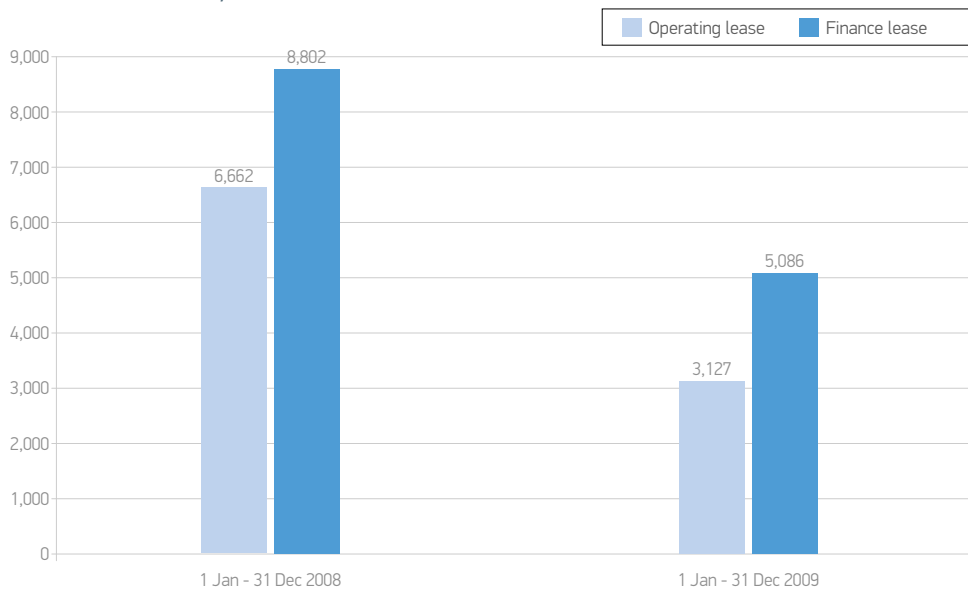
Source: HANFA

Chart 6.10 Structure of the Value of Newly Concluded Contracts in the Leasing Industry in the Period 1 Jan – 31 Dec 2009 (in %)



Source: HANFA

Chart 6.11 Leasing Industry Portfolio Structure – Comparison of Values of Newly Concluded Contracts by Periods (in HRK million)



Source: HANFA

The share of finance lease in the number of active contracts rose from 41.2% as at 31 December 2008 to 44.1% as at 31 December 2009. At the same time, the share of operating lease in the total number of active contracts at the end of 2009 totalled 49.2% and was the same as at the end of the previous year. The share of loans in the total number of active contracts fell from 9.7% at end-2008 to 6.7% at end-2009.

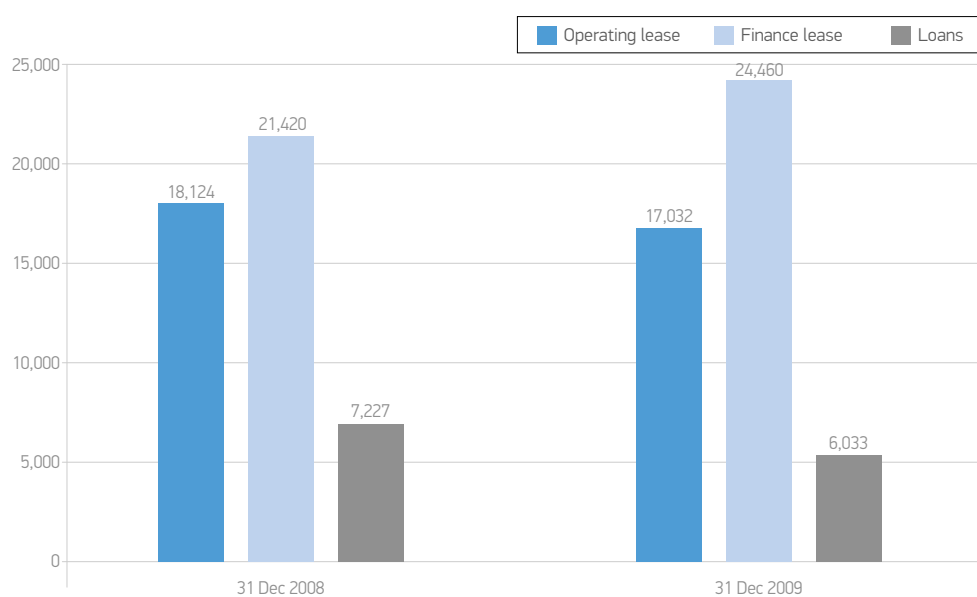
In the financing/contract value of active contracts, the share of finance lease grew from 45.8% as at 31 December 2008 to 51.5% as at 31 December 2009. The share of operating lease amounted to 35.8% at the end of 2009, decreasing relative to the end of 2008, when it stood at 38.8%. The share of loans in the total financing/contract value also declined, from 15.5% in 2008 to 12.7% in 2009.

Table 6.13 Number of Active Contracts in the Leasing Industry in 2008 and 2009

Investment type/ as at	Number of active contracts					
	31 Dec 2008	Share	31 Dec 2009	Share	Index 31 Dec 2009/ 31 Dec 2008	Absolute change
Operating lease	87,279	49.2%	81,886	49.2%	93.8	-5,393
Finance lease	73,080	41.2%	73,438	44.1%	100.5	358
Loans	17,213	9.7%	11,090	6.7%	64.4	-6,123
TOTAL	177,572	100.0%	166,414	100.0%	93.7	-11,158

Source: HANFA

Chart 6.12 Leasing Industry Portfolio Structure – Comparison of Values of Active Contracts as at (in HRK million)



Source: HANFA

Leasing Industry Portfolio Structure by Leased Assets

The largest number and the highest value of newly concluded contracts in 2009 were accounted for by passenger cars, followed by commercial vehicles.

Compared with 2008, in 2009 there was a significant 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 (63%) was recorded by commercial vehicles, while the largest absolute decrease in the number of newly concluded contracts (17,836 contracts or 42.5%) relative to 2008 was accounted for by passenger cars.

The sharpest relative decrease in the value of newly concluded contracts, amounting to 58.2%, was accounted for by vessels, whereas the most significant absolute decrease in the value of newly concluded contracts (as much as HRK 2.6 billion or 46.3%) compared with 2008 was recorded by passenger cars. In the same period, commercial vehicles recorded a fall totalling HRK 1.8 billion or 51.5%, machinery and equipment accounted for a 51.4% or HRK 1.2 billion decline, whereas vessels accounted for a 58.2% or HRK 826.8 million decrease. The slowdown in financing of new contracts in 2009 was also observed in all other leased assets.

Table 6.14 Number of Newly Concluded Contracts in the Leasing Industry by Leased Assets in 2008 and 2009

Leased asset	Number of newly concluded contracts in the period					
	1 Jan-31 Dec 2008	Share	1 Jan-31 Dec 2009	Share	Index 2009/2008	Absolute change
Passenger cars	41,978	70.7%	24,142	76.4%	57.5	-17,836
Commercial vehicles	10,673	18.0%	3,951	12.5%	37.0	-6,722
Machinery and equipment	4,850	8.2%	2,233	7.1%	46.0	-2,617
Plant	22	0.0%	16	0.1%	72.7	-6
Property	438	0.7%	215	0.7%	49.1	-223
Vessels	771	1.3%	325	1.0%	42.2	-446
Other	678	1.1%	699	2.2%	103.1	21
TOTAL	59,410	100.0%	31,581	100.0%	53.2	-27,829

Source: HANFA

Table 6.15 Value of Newly Concluded Contracts in the Leasing Industry by Leased Assets in 2008 and 2009

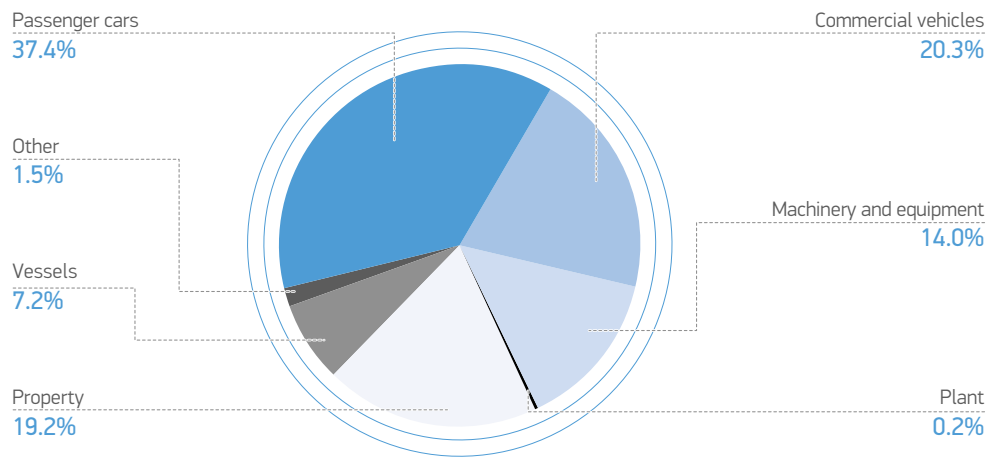
Leased asset	Value of newly concluded contracts in the period					
	1 Jan -31 Dec 2008	Share	1 Jan-31 Dec 2009	Share	Index 2009/2008	Absolute change
Passenger cars	5,720,159,306	37.0%	3,071,728,409	37.4%	53.7	-2,648,430,897
Commercial vehicles	3,442,799,732	22.3%	1,670,307,657	20.3%	48.5	-1,772,492,075
Machinery and equipment	2,370,631,604	15.3%	1,151,245,764	14.0%	48.6	-1,219,385,840
Plant	25,975,315	0.2%	20,080,407	0.2%	77.3	-5,894,908
Property	2,340,566,307	15.1%	1,578,396,991	19.2%	67.4	-762,169,316
Vessels	1,421,728,262	9.2%	594,940,172	7.2%	41.8	-826,788,090
Other	142,156,377	0.9%	125,535,116	1.5%	88.3	-16,621,261
TOTAL	15,464,016,902	100.0%	8,212,234,515	100.0%	53.1	-7,251,782,387

Source: HANFA

The structure of value and the comparison of the structures of the number and value of newly

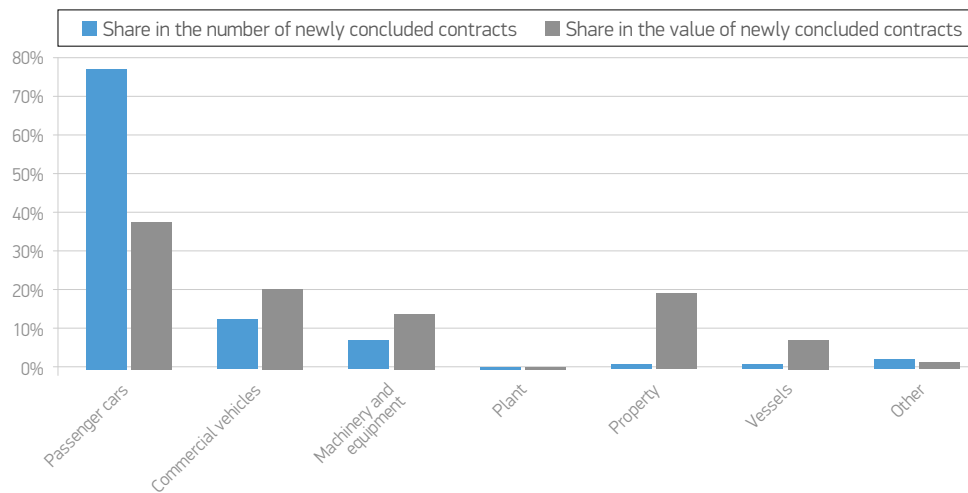
concluded contracts are shown in the following charts:

Chart 6.13 Structure of the Value of Newly Concluded Contracts by Leased Assets in 2009 (in %)



Source: HANFA

Chart 6.14 Comparison of the Structures of the Number and Value of Newly Concluded Contracts by Leased Assets in 2009 (in %)



Source: HANFA

As at 31 December 2009, the largest number of active contracts by leased/loaned assets was accounted for by passenger car lease contracts (117,617 contracts), that made up 70.7% of the total number of active contracts, which is a decrease totalling 7,431 contracts or 5.9%

relative to 31 December 2008. The decrease was mainly caused by a decline in the number of newly concluded car lease contracts, whose number equalled only 57.5% of the number of newly concluded car lease contracts in 2008.

Table 6.16 Number of Active Contracts in the Leasing Industry by Leased/Loaned Assets in 2008 and 2009

Leased/loaned asset	Number of active contracts as at					
	31 Dec 2008	Share	31 Dec 2009	Share	Index 31 Dec 2009/ 31 Dec 2008	Absolute change
Passenger cars	125,048	70.4%	117,617	70.7%	94.1	-7,431
Commercial vehicles	30,856	17.4%	27,837	16.7%	90.2	-3,019
Machinery and equipment	16,540	9.3%	15,948	9.6%	96.4	-592
Plant	69	0.0%	71	0.0%	102.9	2
Property	1,622	0.9%	1,656	1.0%	102.1	34
Vessels	2,238	1.3%	2,068	1.2%	92.4	-170
Other	1,199	0.7%	1,217	0.7%	101.5	18
TOTAL	177,572	100.0%	166,414	100.0%	93.7	-11,158

Source: HANFA

Concentration Indices of the Leasing Industry in the Republic of Croatia

Industry structure is mostly measured by using two indicators, namely:

- Concentration Ratio (CR)
- Herfindahl-Hirschman Index (HHI)

The HHI sums the squared market shares of each leasing company. It is a more complex, but also a more accurate indicator of market power. The maximum HHI value reaches 10,000 in the case of a natural monopoly.

Table 6.17 Market Concentration Measured by Using the HHI

HHI value	Market concentration
from 0 to 1,000	low market concentration
from 1,000 to 1,800	moderate market concentration
from 1,800 to 10,000	high market concentration

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

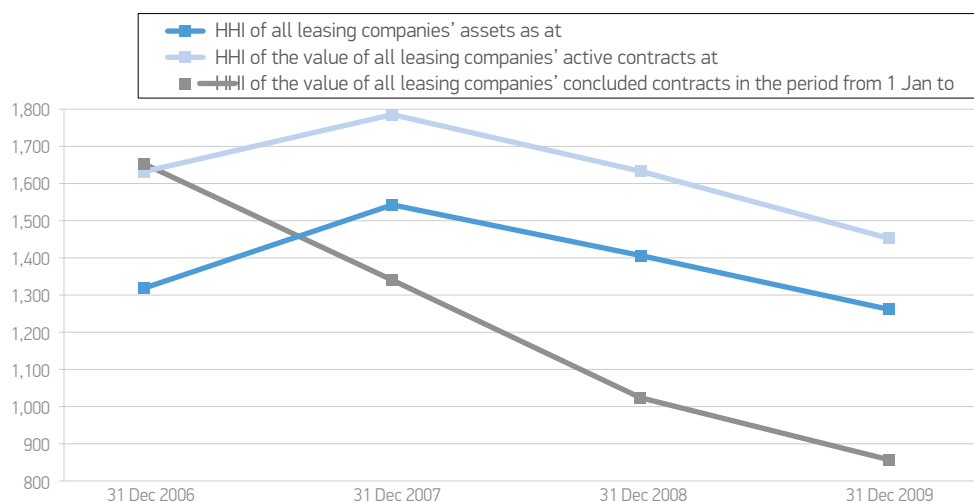
The following table and chart present the HHI of the Croatian leasing industry, showing the concentration of assets and values of active and concluded contracts by periods.

Table 6.18 HHIs of the Leasing Industry by Periods

HHI type/date	31 Dec 2006	31 Dec 2007	31 Dec 2008	31 Dec 2009
HHI of all leasing companies' assets as at	1,325.6	1,551.2	1,414.0	1,268.3
HHI of the value of all leasing companies' active contracts as at	1,641.2	1,795.7	1,642.2	1,460.8
HHI of the value of all leasing companies' concluded contracts in the period from 1 Jan to	1,662.2	1,347.2	1,028.7	861.0

Source: HANFA

Chart 6.15 HHIs of the Leasing Industry by Periods



Source: HANFA

Leasing market concentration, measured by using the HHI, showed a downward trend in 2009 compared with previous periods, which was mainly caused by changes in the structure of market shares by periods (in assets and in values of active and newly concluded contracts) of the

largest leasing companies. 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 value of concluded and active contracts, i.e. total assets of the leasing industry.

Leasing Industry Static Indicators

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 2009, the current ratio of the industry totalled 1.10, showing that the current asset value was by 10.0% higher than the current liability value. This ratio amounted to 1.58 as at 31 December 2008, which testifies to a decrease in liquidity in 2009.

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 2009, it amounted to 0.03, while on the same day of the previous year it stood at 0.07, which is a sign of a decline in short-term liquidity in 2009.

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 2009, this ratio

totalled 0.00, showing that fixed assets of the leasing industry were entirely financed by external sources, i.e. that no fixed assets were financed by own funds in the leasing industry. The same ratio amounted to 0.002 (or 0.2%), testifying to a very low level of coverage in the leasing industry.

Level of Coverage II measures the level of financing of fixed assets by long-term sources²³. This ratio totalled 1.02 for the leasing industry as at 31 December 2009, showing that the value of own funds and long-term liabilities in the leasing industry was higher than fixed assets by 2%. As at 31 December 2008, the ratio amounted to 1.07, which proves that 2009 saw a negative trend in financing of fixed assets of leasing companies by long-term sources.

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 0.00 ratio for the leasing industry as at 31 December 2009 showed that no

²³ It is deemed desirable that fixed assets be entirely financed by long-term sources (ratio = 1).

assets were financed by own funds and testified to a negative trend relative to end-2008, when it totalled 0.002 (meaning that 0.2% of assets were 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 2009, it amounted to 1.00, showing that the entire assets were financed by external funds (leasing industry liabilities were entirely made up by payables). In the previous year, the ratio totalled 0.998 (leasing industry liabilities were almost entirely made up by payables), testifying to a negative trend in 2009.

Activity Ratios

The Total Asset Turnover Ratio shows a company's efficiency at using its in generating revenue, i.e. how many times a year total assets are turned into revenue. A high ratio is considered desirable. The 0.32 ratio as at 31 December 2008 meant that the yearly revenue of the leasing industry was by 68% lower than total assets, which is a decrease compared with end-2008, when the ratio totalled 0.43.

Profitability Ratios

Return on Total Assets (or 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 2009, it reached -1.66%, which was caused by the loss recorded in the leasing industry in 2009. The same ratio totalled -1.20% at end-2008, testifying to a lack of profitability in the leasing industry. The further decrease in asset profitability in 2009 compared with 2008 is a result of a higher rate of increase in reported loss and a lower rate of 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. No comment may be made on the value of the ratio as at 31 December 2009, since both calculation parameters (net profit and capital and reserves) were negative.

The negative ROE value totalling as much as -631.6% as at 31 December 2008 was caused by the after-tax loss recorded in the leasing industry. In other words, the 2008 loss recorded in the leasing industry was 6.3 times higher than the value of capital and reserves.

Regulatory Activities

Legislation and Subordinate Legislation

In addition to the Leasing Act (Official Gazette 135/06), which is a basic legal act regulating the establishment and business operations of leasing companies, as well as the supervisory powers of the Agency, the following subsidiary legislation 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) and the Act on Prevention of Money Laundering and Financing of Terrorism (Official Gazette 87/08).

The adoption of the Ordinance on the level of, time limits for and manner of charging the fee for keeping the register of leased assets (Official Gazette 65/09) meant further development of the regulatory framework for the leasing

industry relating in this case to the established the register of leased assets, kept in electronic format on the website of the Agency. The register is a service to lessors and to the public, which thus has free access to data on detailed characteristics of leased assets and duration of lease agreements.

Apart from the above mentioned Ordinance and the Leasing Act, the following subordinate legislation also comprises the regulatory framework for the leasing market: Ordinance on the content of documentation to be submitted with an application for issuing approval to candidates for the position of a member of the management board of a leasing company (Official Gazette 9/07), Ordinance on the manner of notifying the Croatian Financial Services Supervisory Agency of the disposal of shares or holdings in a leasing company (Official Gazette 11/07), Ordinance on the manner of keeping the register of leased assets (Official Gazette 24/07), Ordinance on the manner of calculating the real

annual interest rate for finance lease agreements (Official Gazette 42/07), Ordinance on the method of calculating the total fee for operating lease agreements (Official Gazette 46/07), Ordinance amending the Ordinance on the manner of keeping the register of leased assets (72/07), Decision on the chart of accounts for leasing companies (Official Gazette 103/07), Instruction for the application of the chart of accounts for leasing companies, Ordinance on modifications to the Ordinance on the manner of notifying the Croatian Financial Services Supervisory Agency of the disposal of shares or holdings in a leasing company (Official Gazette 26/08), Decision on the structure and content of annual financial reports of leasing companies (Official Gazette 29/08) and Ordinance on the content of the report on statutory changes, changes in the initial capital and investments of leasing companies and on the manner of and time limits for reporting to the Croatian Financial Services Supervisory Agency (Official Gazette 71/08).

On the basis of its statutory powers, and at the request of parties to proceedings or persons who have proved their interest in bringing court proceedings, the Agency issued 10 opinions on the implementation of the provisions of the Leasing Act.

Licensing

According to the data from the 2008 Annual Report, the Agency adopted decisions on approval for conducting leasing operations for 13 companies that completed the process of alignment and submitted their reports on the alignment to the Agency, as well as for three companies that, being already established, had already submitted applications for issuing approval for conducting leasing operations and that changed their business operations upon the receipt of the approval.

In 2009, the process of alignment with the provisions of the Leasing Act was completed by leasing companies that on the day of the entry into force of that Act were carrying out leasing operations and were entered in the court register. Therefore, the Agency adopted decisions on issuing approval for conducting leasing operations for three companies that completed the said process of alignment and submitted their reports on the alignment to the Agency (UniCredit Leasing Croatia d.o.o., Zagreb, SCANIA CREDIT HRVATSKA d.o.o., Zagreb and CROATIA LEASING d.o.o., Zagreb), whereas one company that, being already established, had submitted its application for issuing approval for conducting leasing operations and that changed its business operation in the court register upon the receipt of the approval (IMMOCONSULT LEASING d.o.o., Zagreb).

An application for issuing approval for conducting leasing operations was submitted by the establishers of a company that, upon the receipt of the approval, entered its business operations in the court register and commenced leasing operations ALFA LEASING d.o.o., Zagreb).

In 2009, the Agency also adopted a decision revoking the operating licence of a leasing company due to business inactivity and termination of existence of legal requirements prescribed for leasing companies (Central European Leasing d.d., Zagreb).

By issuing decisions on issuing approval for conducting leasing operations to leasing companies, the Agency at the same time issued prior approvals for the appointment of management board members, which is one of the requirements for issuing approval for conducting leasing operations (10 candidates for management board members). In special procedures upon individual requests, it also issued 12 decisions approving the appointment of management board members of leasing companies for the candidates whose application was not submitted along with the application of the company for issuing approval to conduct leasing operations. Apart from these decisions, the Agency issued seven conclusions on the termination of the procedure due to the withdrawal of the application by parties.

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 company, or even less than 10% if the holder has influence on the management of the company (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 2009, the Agency adopted decisions approving the acquisition of qualifying holdings in five companies, whereas applications of two companies were rejected by the Agency's conclusions.

In 2009, the Agency submitted one accusatory motion against a leasing company and its responsible persons due to violations of the provisions of relevant regulations.

On-Site Supervision of Leasing Companies' Business Operations

Within its field of competence, in 2009 the Agency carried out on-site supervision of business operations of leasing companies by analyzing and checking their financial reports in order to examine financial stability of each leasing company and the leasing industry as a whole as well as to examine the alignment of business operations of leasing companies with relevant regulations.

On-site supervision procedures were initiated pursuant to the Act on the Croatian Financial Services Supervisory Agency and the Leasing Act for the purpose of verifying whether the leasing companies conduct their business operations in accordance with the provisions of the Leasing Act and regulations adopted pursuant to it, i.e. in accordance with other laws regulating leasing companies' business operations and regulations adopted pursuant to them.

In 2009, on-site examinations were initiated in 10 leasing companies. The subject of supervision at OTP leasing d.d. was risk management for the year 2008, whereas in five leasing companies (BKS leasing d.o.o., Unicredit leasing d.o.o., Scania Credit Hrvatska d.o.o., Optima leasing d.d. and Impuls leasing d.o.o.) the subject of supervision, apart from risk management, included and the verification of the application of the Act on Prevention of Money Laundering and Financing of Terrorism for the year 2008 and for the period from 1 January 2009 to 30 June 2009, i.e. 30 September 2009. The subject of supervision at Croatia Leasing d.o.o. comprised the entire business operations in 2007 and 2008 and in the period from 1 January 2009 to 30 September 2009 as well as the implementation of the Act on Prevention of Money Laundering and Financing of Terrorism, whereas at Euroleasing d.o.o., the subject of supervision consisted of recognition and measurement, and publication and presentation

of financial assets in 2008. Forming and recording value adjustment for impairment losses in 2008 was the subject of supervision at Hypo Leasing Kroatien d.o.o., while business operations related to a concrete lease agreement constituted the subject of supervision at Mercedes Benz Leasing d.o.o.

Irregularities established during on-site supervision concerned failure to operate pursuant to the Leasing Act and regulations adopted pursuant to it (business organisation and keeping of businesses books, failure to align the general ledger with analytical records, incorrect classification of lease contracts, failure to establish internal audit, failure to apply the chart of accounts for leasing companies, incorrect presentation of the amount of assets, i.e. finance and operating lease and loan receivables) and failure to operate pursuant to the Accounting Act or International Accounting Standards (incorrect calculation of depreciation for lease contracts, acting contrary to IAS related to classification and reclassification of investments, application of fair value estimation techniques, failure to record exchange differences on operating lease agreements with a currency clause, failure to align value adjustment procedures with IAS, unfounded recognition of provisions, financial asset value impairment, separation of revenues and expenditures from one-off gains).

On the basis of supervision procedures carried out in 2009, the Agency drafted 18 Reports on Supervision of Business Operations (of which four were Reports on On-Site Supervision of Business Operations commenced in 2008 – at S Immorent leasing d.o.o., S Immorent leasing Zeta d.o.o., S Immorent leasing Jota d.o.o. and Multiconsult Leasing d.o.o.), based on which it adopted seven decisions ordering the elimination of established violations and irregularities.



FACTORING

7 FACTORING

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 are 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. The legal framework covering the supervision of companies conducting factoring operations is 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 Act on Prevention of Money Laundering and Financing of Terrorism (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 2009, the market in the Republic of Croatia is dominated by domestic factoring (96.1% of total factoring accounts receivable), with accounts receivable purchased being invoices of buyers in the Republic of Croatia, i.e. by recourse factoring (82.6% 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 2009, 15 companies were actively providing factoring services, while as at 31 December 2008 those activities were provided by 13 companies, which testifies to the continuing growing trend in the number of factoring companies. Out of 15 active companies, 4 companies were in direct ownership of non-residents²⁴, whereas 11 companies were in the ownership of residents²⁵.

Fourteen companies were organised as limited liabilities companies, whereas one company was organised as a joint-stock company. As at 31 December 2009, factoring companies had a total of 166 employees.

Table 7.1 Number of Factoring Companies and their Total Assets in 2007, 2008 and 2009 (in HRK)

No	Description	31 December 2007	31 December 2008	31 December 2009
1	Number of active companies	10	13	15
2	Assets as at	4,205,163,605	6,342,888,399	7,006,830,195
3	Absolute change		2,137,724,794	663,941,797
4	Relative change		50.8%	10.5%

Source: HANFA

The Croatian factoring market is highly concentrated due to the fact that the company with the highest assets (Erste factoring d.o.o.) accounted for 63.6 % of the total assets of

factoring companies, whereas the top three companies owning the highest assets (Erste factoring d.o.o., Prvi factor d.o.o. and Raiffeisen factoring d.o.o.) made up 92.1% of total assets.

²⁴ 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.

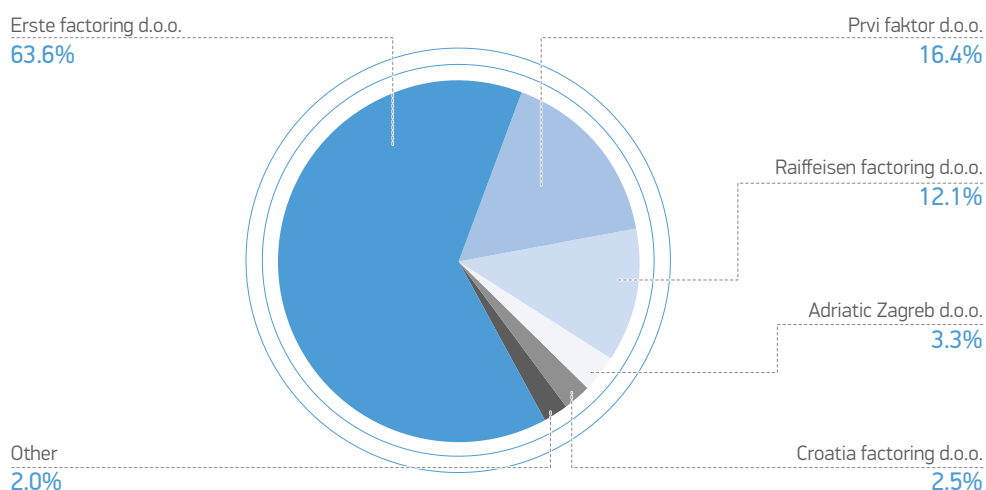
²⁵ Pursuant to the provisions of paragraph 1 Article 3 of the Income Tax Act (Official Gazette 177/04, 90/05, 57/06 and 146/08), residents are legal and natural persons whose residence has been entered in the court register or another register in the Republic of Croatia, or whose place of effective management 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 2008 and 2009 (in HRK)

No	Factoring company	Assets as at 31 Dec 2008	Share	Assets as at 31 Dec 2009	Share	Change	% change
1	Adriatic Zagreb d.o.o.	246,696,393	3.89%	234,647,273	3.35%	-12,049,120	-4.88%
2	Alfa faktor d.o.o.	2,577,203	0.04%	4,434,078	0.06%	1,856,875	72.05%
3	CEI Zagreb d.o.o.	3,181,022	0.05%	4,049,251	0.06%	868,229	27.29%
4	Croatia factoring d.o.o.	214,200,833	3.38%	176,759,913	2.52%	-37,440,920	-17.48%
5	Erste factoring d.o.o.	3,917,854,342	61.77%	4,457,099,939	63.61%	539,245,596	13.76%
6	Eurofakt d.o.o.	0	0.00%	1,474,357	0.02%	1,474,357	
7	Factor Max d.o.o.	12,771,147	0.20%	11,453,257	0.16%	-1,317,890	-10.32%
8	Finea Holding d.o.o.	753,003	0.01%	3,890,679	0.06%	3,137,676	416.69%
9	Finesa faktor d.d.	18,395,510	0.29%	43,845,113	0.63%	25,449,602	138.35%
10	FTC usluge d.o.o.	24,745,430	0.39%	28,694,469	0.41%	3,949,039	15.96%
11	Jasminka d.o.o.	3,753,877	0.06%	7,833,214	0.11%	4,079,337	108.67%
12	Maksimum d.o.o.	0	0.00%	87,345	0.00%	87,345	
13	Prvi faktor d.o.o.	1,240,938,911	19.56%	1,149,603,978	16.41%	-91,334,933	-7.36%
14	Raiffeisen factoring d.o.o.	612,440,721	9.66%	845,501,391	12.07%	233,060,669	38.05%
15	WEIP Perfectus d.o.o.	44,580,006	0.70%	37,455,939	0.53%	-7,124,067	-15.98%
	TOTAL	6,342,888,399	100.00%	7,006,830,195	100.00%	663,941,797	10.47%

Source: HANFA

Chart 7.1 Shares of Factoring Companies in Total Assets of the Factoring Industry as at 31 December 2009 (in %)



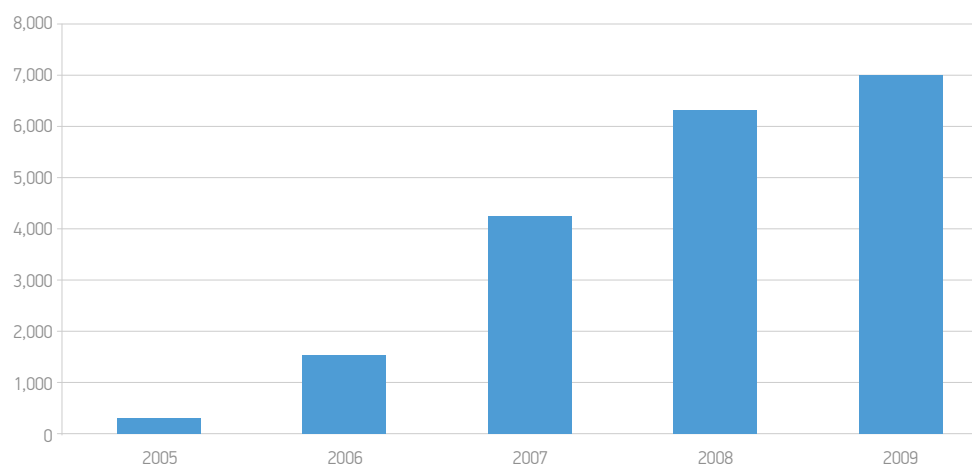
Source: HANFA

Asset Structure

The total assets of all factoring companies were HRK 7.0 billion at 31 December 2009, which is an increase of 10.5% compared with their balance

as at 31 December 2008, when they amounted to HRK 6.3 billion.

Chart 7.2 Aggregate Assets of the Factoring Industry in the 2005-2009 Period (in HRK million)



Source: HANFA

Table 7.3 Aggregate Assets of the Factoring Industry as at 31 December 2008 and 31 December 2009 (in HRK)

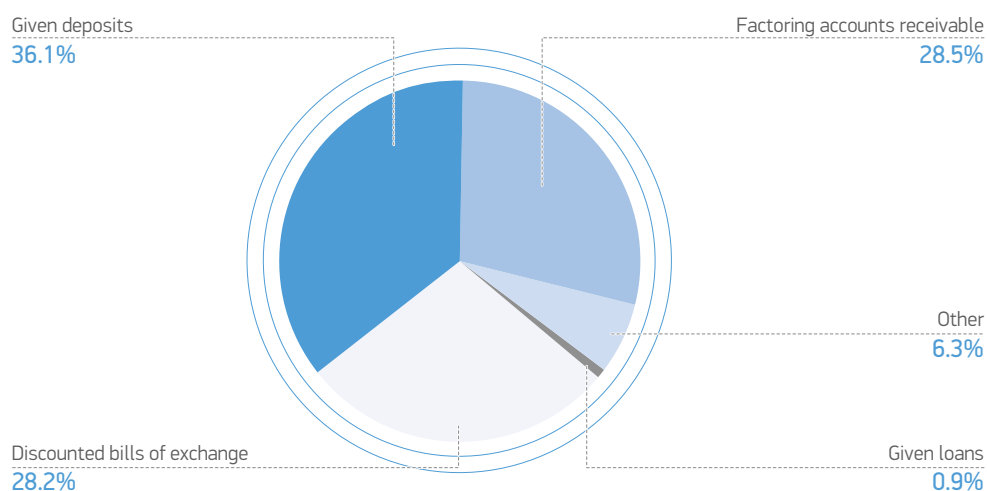
No	ASSETS	As at 31 Dec 2008	Share	As at 31 Dec 2009	Share	2009/2008
1	RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID	0	0.0%	0	0.0%	0.0
2	FIXED ASSETS	5,200,302	0.1%	32,935,895	0.5%	633.3
3	CURRENT ASSETS	6,328,025,335	99.8%	6,956,460,738	99.3%	109.9
4	Factoring accounts receivable	2,162,889,861	34.1%	2,000,330,169	28.5%	92.5
5	Domestic factoring	2,019,527,247	31.8%	1,922,660,335	27.4%	95.2
6	Export factoring	44,329,438	0.7%	15,139,009	0.2%	34.2
7	Import factoring	99,033,176	1.6%	62,530,825	0.9%	63.1
8	Discounted bills of exchange	2,801,022,358	44.2%	1,973,468,098	28.2%	70.5
9	Given loans	30,153,396	0.5%	61,061,067	0.9%	202.5
10	Given deposits	998,095,515	15.7%	2,529,228,190	36.1%	253.4
11	Cash at bank and in hand	57,782,846	0.9%	133,592,827	1.9%	231.2
12	Other current assets	278,081,358	4.4%	258,780,386	3.7%	93.1
13	PREPAYMENTS AND ACCRUED INCOME	9,662,762	0.2%	17,433,562	0.2%	180.4
14	TOTAL ASSETS	6,342,888,399	100.0%	7,006,830,195	100.0%	110.5

Source: HANFA

As at 31 December 2009, the highest share (HRK 2.5 billion or 36.1%) in total assets was accounted for by given deposits, which is an increase of as much as 153.4% compared with 2008. Receivables relating to factoring operations made up 28.5% of total assets, decreasing by 7.5% to HRK 2.0 billion compared with 2008. Factoring receivables mostly related to domestic

factoring, which amounted to HRK 1.9 billion and was by 4.8% lower relative to 2008. Receivables related to discounted bills of exchange totalled HRK 2.0 billion, recording a 29.5% fall compared with 2008. Given loans amounted to 0.9% of total assets, increasing by 102.5% to HRK 61.1 million.

Chart 7.3 Factoring Companies' Asset Structure as at 31 December 2009 (in %)



Source: HANFA

Liability Structure

Factoring companies' assets were mostly financed by loans from foreign banks and

financial institutions (89.4% of total liabilities). As at 31 December 2009, the largest share (57.8%)

Table 7.4 Aggregate Liabilities of the Factoring Industry as at 31 December 2008 and 31 December 2009 (in HRK)

No	Description	31 Dec 2008	Share	31 Dec 2009	Share	2009/2008 change
1	CAPITAL AND RESERVES	150,461,956	2.4%	172,423,877	2.5%	114.6
2	LONG-TERM LIABILITIES	2,316,867,771	36.5%	2,767,550,362	39.5%	119.5
3	Domestic bank and financial institution loans	21,998	0.0%	2,174,679	0.0%	9,885.7
4	Foreign bank and financial institution loans	2,303,044,350	36.3%	2,754,680,350	39.3%	119.6
5	Other long-term liabilities	13,801,423	0.2%	10,695,332	0.2%	77.5
6	SHORT-TERM LIABILITIES	3,860,997,947	60.9%	4,051,968,751	57.8%	104.9
7	Domestic bank and financial institution loans	251,120,627	4.0%	258,596,958	3.7%	103.0
8	Foreign bank and financial institution loans	3,473,819,506	54.8%	3,509,407,867	50.1%	101.0
9	Other short-term liabilities	136,057,814	2.1%	283,963,926	4.1%	208.7
10	ACCRUALS AND DEFERRED INCOME	14,560,725	0.2%	14,887,206	0.2%	102.2
11	TOTAL LIABILITIES	6,342,888,399	100.0%	7,006,830,195	100.0%	110.5

Source: HANFA

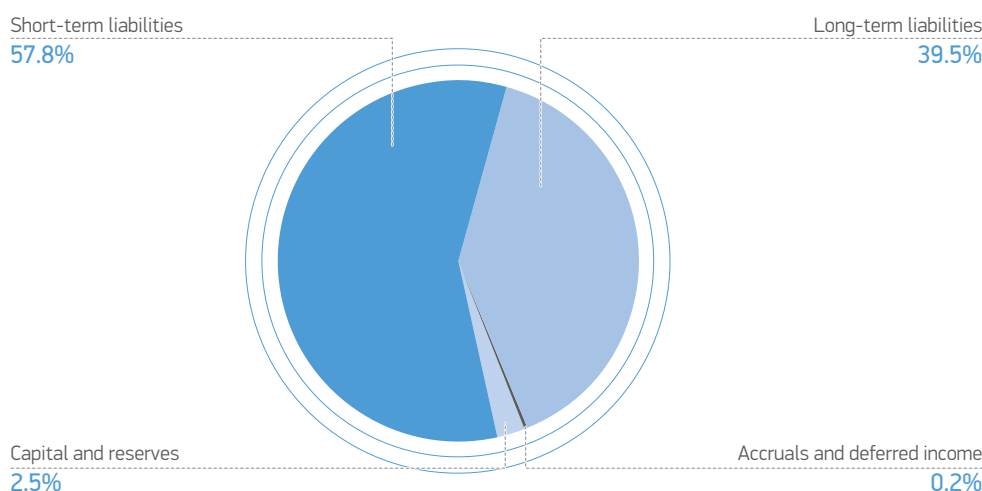
in the liability structure was accounted for by short-term liabilities, which increased by 4.9% to HRK 4.1 billion compared with 2008.

Short-term liabilities were mostly made up by liabilities related to foreign bank and financial institution loans, which increased by 1.0% and amounted to HRK 3.5 billion relative to 2008. They were followed by long-term liabilities with a liability share totalling 39.5%, and rising by

19.5% to HRK 2.8 billion compared with the previous year. Long-term liabilities were almost completely accounted for by liabilities related to foreign bank and financial institution loans, which grew by 19.6% and totalled HRK 2.8 billion in comparison with 2008.

Capital and reserves made up 2.5% of all liabilities, growing by 14.6% to HRK 172.4 million as at 31 December 2009.

Chart 7.4 of Factoring Companies' Liability Structure as at 31 December 2009 (in %)



Source: HANFA

Financial Operating Results

In 2009, factoring companies' net profit amounted to HRK 38.6 million, which is a decrease of 43.1% compared with 2008.

In the period from 1 January to 31 December 2009, total income of factoring companies stood at HRK 885.2 million, while total expenses reached HRK 835.9 million. Out of the 15 factoring companies, 12 ended the 2009 business year with a positive result and reported after-tax profit totalling HRK 39.5 million. In comparison with 2008, when realised profit amounted to HRK 67.9 million, profit recorded by factoring companies which achieved positive financial results decreased by 41.8%. Three factoring companies reported loss to the amount of HRK 896.047.

In the same period, the largest share in total income was made up from interest income (49.4%), with interest income related to discounted bills of exchange comprising a 18.3% share, whereas interest income related to factoring operations made up 17.2% of total income.

The largest share (65.8%) in total expenditures was made up by other operating expenditures (with 15.9% of total operating expenditures being accounted for by expenses on value adjustment for impairment losses), whereas expenses on interest on foreign bank and financial institution loans made up 27.3% of total operating expenditures.

Table 7.5 Aggregate Profit and Loss Account for the Factoring Industry in the 1 Jan – 31 Dec 2008 and 1 Jan – 31 Dec 2009 Periods (in HRK)

PROFIT AND LOSS ACCOUNT	1 Jan-31 Dec 2008	1 Jan-31 Dec 2009	Change 2009/2008
INTEREST INCOME	381,740,706	437,175,597	114.5
Interest income - factoring	145,361,442	152,367,839	104.8
Domestic factoring	134,029,243	147,995,601	110.4
Export factoring	3,067,207	4,277,880	139.5
Import factoring	8,264,992	94,357	1.1
Interest income - discounted bills of exchange	171,394,590	161,843,497	94.4
Interest income - given loans	1,237,639	2,915,890	235.6
Interest income - given deposits	44,171,016	77,779,057	176.1
Other interest income	19,576,020	42,269,315	215.9
INTEREST EXPENSES	266,937,995	246,535,570	92.4
Interest expenses - domestic banks and financial institutions	27,549,628	17,867,209	64.9
Interest expenses - foreign banks and financial institutions	237,429,695	227,900,728	96.0
Other interest expenses	1,958,672	767,633	39.2
INTEREST PROFIT/LOSS	114,802,711	190,640,027	166.1
INCOME FROM FEES AND COMMISSIONS	63,315,143	72,665,680	114.8
EXPENSES ON FEES AND COMMISSIONS	28,140,496	39,582,137	140.7
PROFIT/LOSS FROM FEES AND COMMISSIONS	35,174,648	33,083,544	94.1
OTHER OPERATING REVENUES	436,095,958	375,311,642	86.1
OTHER OPERATING EXPENDITURES	496,577,709	549,774,315	110.7
Services expenses	23,898,073	44,456,676	186.0
Employee expenses	27,439,172	32,446,140	118.2
"Expenses on value adjustment for impairment losses"	38,409,710	132,633,204	345.3
Other operating expenditures	406,908,234	340,238,295	83.6
PROFIT/LOSS FROM OTHER REVENUES AND EXPENDITURES	-60,481,751	-174,462,673	288.5
PROFIT/LOSS BEFORE INCOME TAX	89,495,608	49,260,898	55.0
Income tax	21,605,978	10,639,880	49.2
PROFIT/LOSS AFTER INCOME TAX	67,889,630	38,621,019	56.9

Source: HANFA

Compared to 2008, net profit from interest increased by 66.1% in 2009, amounting to HRK 190.6 million as at 31 December 2009, while income from fees and commissions decreased

by 5.9%, totalling HRK 33.1 million. At the same time, loss from other revenues and expenditures reached HRK 174.5 million, which is by 188.5% more than in 2008.

Table 7.6 Factoring Companies with their Shares in Profit of the Industry in 2009 (in HRK)

No	Company	Profit after tax	Share %
1	Erste factoring d.o.o.	20,333,176	51.5%
2	Prvi faktor d.o.o.	10,228,858	25.9%
3	Adriatic Zagreb d.o.o.	4,363,623	11.0%
4	Factor Max d.o.o.	1,196,599	3.0%
5	Croatia factoring d.o.o.	1,145,218	2.9%
6	FTC usluge d.o.o.	1,000,630	2.5%
7	WEIP perfectus d.o.o.	585,150	1.5%
8	Raiffeisen factoring d.o.o.	285,740	0.7%
9	CEI Zagreb d.o.o.	213,914	0.5%
10	Finea Holding d.o.o.	153,614	0.4%
11	Jasminka d.o.o.	9,132	0.0%
12	Maksimum d.o.o.	1,412	0.0%
TOTAL PROFIT		39,517,066	100.0%

Source: HANFA

Erste factoring d.o.o. accounted for a 51.5 % share in total profit of the factoring industry, followed by Prvi faktor d.o.o. with a 25.9% share, whereas the share of Adriatic Zagreb d.o.o. reached 11.0%.

Those three companies made up 88.4% of total profit of the factoring industry. The remaining nine factoring companies which reported profit accounted for 11.6% of the total profit.

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 2009.

In the period from 1 January to 31 December 2009, factoring companies purchased invoices under factoring agreements in the amount of HRK 5.6 billion, at the same time purchasing bills of exchange under agreements involving discounting bills of exchange in the amount of HRK 4.8 billion.

Factoring Industry Operating Indicators

Liquidity Ratios

The Current Ratio is the ratio of current assets to current liabilities. As at 31 December 2009, the current ratio amounted to 1.71, showing that the current asset value was by 71% higher than the current liability value. This ratio totalled 1.64 as at 31 December 2008, which testifies to a slight increase in liquidity in 2009.

The Quick Ratio is the ratio of cash to current liabilities. As at 31 December 2009, the quick ratio amounted to 0.03, while as at 31 December 2008 it totalled 0.01, which points to improvement in short-term liquidity in 2009.

Debt Indicators

The Self-Financing Ratio shows the share of own assets in total assets. As at 31 December 2009, it reached 0.025, showing that the assets of factoring companies were financed by 2.5% of own capital. This ratio totalled 0.024 at 31 December 2008.

The Debt Ratio shows the share of external assets in total assets. As at 31 December 2009, it stood at 0.975, showing that factoring companies' assets were financed by 97.5% of external assets. The ratio totalled 0.976 as at 31 December 2008.

Profitability Ratios

Return on Total Assets (or Return on Assets – ROA) is a ratio that measures a company's gross profit against its total assets, and it totalled 0.7 % as at 31 December 2009. This ratio reached

1.41% as at 31 December 2008, showing a decrease in asset profitability in 2009.

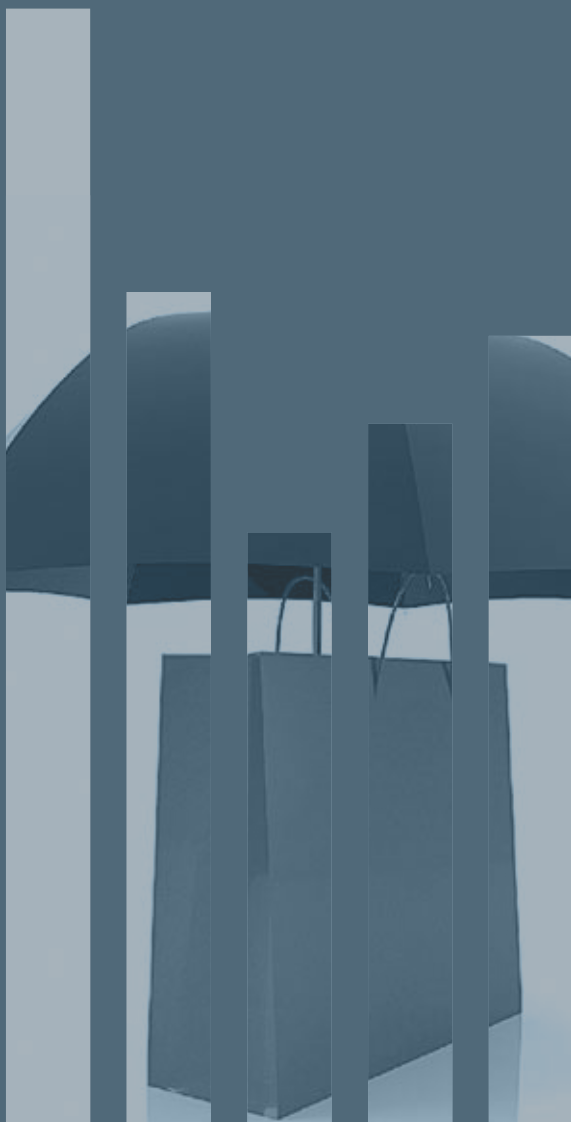
Return on Equity (ROE) is a ratio that measures a company's net profit against the shareholder's equity, i.e. it is a calculated rate of return on equity. As at 31 December 2009, it totalled 22.4%. The same ratio amounted to 45.12% as at 31 December 2008, which testifies to a decrease in return on equity in 2009.

Factoring companies' external debt totalled EUR 858 million, accounting for a share of around 2.0% in total external debt of the Republic of Croatia. (According to the Croatian National Bank, external debt amounted to EUR 43.1 billion as at 31 December 2009.)

On-Site Supervision of Factoring Companies

Within its competence, the Agency initiated on-site supervision of Erste factoring d.o.o. in 2009, with the aim of determining the financial stability of the company and the factoring industry, and for the purpose of ensuring that the company conducts its business operations in accordance with the relevant legal framework.

The supervision procedure was initiated on the basis of the Act on the Croatian Financial Services Supervisory Agency, and it covered complete 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 Act on Prevention of Money Laundry and Financing of Terrorism.



[8 COOPERATION AND
CONSUMER PROTECTION

8 COOPERATION AND CONSUMER PROTECTION

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

According to Articles 16 – 18 of the Act on the Croatian Financial Services Supervisory Agency (Official Gazette 140/05), throughout 2009 the Agency continued its activities with the aim of improving the cooperation with domestic and foreign supervisory and regulatory institutions whose scope of activities and jurisdiction are linked to the supervision of financial services and financial markets. The purpose of these activities is the effective exchange of information and development of cooperation between the Agency and aforementioned institutions.

According to the Agreement on Cooperation, signed by the Agency and the Croatian National Bank in September 2006, which defines the content and manner of mutual cooperation of the two institutions, the signatories formed the Working Committee for Financial System Supervision, which aims at coordinating procedures and activities of the signatories to the Agreement. The Committee has six members, three from each signatory, and convenes at least once every quarter in order to assess the current status of the financial system and discuss issues related to effective regulation and supervision conduct with regard to financial institutions and financial groups.

During 2009, the Agency also cooperated with other domestic institutions, primarily with the Ministry of finance, Ministry of Foreign Affairs and European Integration, Ministry of the Interior, Ministry of Economy, Labour and Entrepreneurship, State Attorney's Office and Croatian Competition Agency.

In line with the recommendations from the European Commission document Peer Assessment on Financial Services, in June 2009 the Agency signed the Cooperation Agreement with the Ministry of Finance, which enhances the cooperation with the aim of promoting and maintaining the stability of the financial system. Along with the Croatian National Bank and Ministry of Finance, the Agency is also a signatory to the Memorandum of Understanding for Managing the Financial Crisis, which was signed in November 2009. The purpose of the Memorandum is to insure a better interinstitutional cooperation in the time of financial crises.

Having recognised an increased international

activity on financial services markets, as well as the need for mutual cooperation between the relevant supervisory bodies for the purpose of enhancing the effectiveness in enforcement of laws falling within their competence, the Agency signed the following Memorandums of Understanding:

- in the field of insurance supervision: with the Insurance Supervision Agency of the Republic of Montenegro,
- in the field of securities market supervision: with the Securities Market Agency of the Republic of Slovenia.

During 2009, the Agency maintained steady contacts and cooperation regarding numerous issues, both with supervisory authorities with which the Agency had signed a Memorandum of Understanding, as well as with other similar foreign institutions. Within this context, an initiative was launched to sign a Memorandum of Understanding with the insurance supervisory authorities in Bosnia and Herzegovina and the Republic of Macedonia, as well as with the securities supervisory authority in Ukraine.

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 Organization of Securities Commissions) and IAIS (International Association of Insurance Supervisors). The Agency is at the same time an active member of the Emerging Markets Committee and the European Regional Committee within IOSCO.

Within the framework of its IOSCO-related activities, after having successfully completed the verification process in 2009, the Agency signed the Multilateral Memorandum of Understanding. The Memorandum serves as a basis for cooperation and exchange of information with all the signatories to the agreement, and IOSCO has announced its intention to include all the countries of the world in its membership.

The Agency is also a member of the Capital Market Regulatory and Supervisory Consultative Group, which was established on 30 May 2001

in Warsaw, and has a current membership of twenty supervisory bodies of the countries in the region.

In the course of 2009, the Agency took an active part in the preparation of the Croatian Trade Policy Review, produced within the framework of a WTO mission to Croatia.

Prevention of Money Laundering and Terrorist Financing

The Agency continued carrying out measures from the Action Plan for the Prevention of Money Laundering and Terrorist Financing. Within the framework of those measures, the Agency had a consultative role in the activities of the Office for the Prevention of Money Laundering and Terrorist Financing related to drafting the Ordinance on implementation of the Anti Money Laundering and Terrorist Financing Act.

Furthermore, in cooperation with the Croatian Chamber of Economy (CCE) and organizations of supervised entities, the Lists of Indicators were created at CCE for each organisation, and then distributed to every entity supervised by the Agency.

In January 2009, the Agency organized workshops for its supervised entities relating to the new Anti Money Laundering and Terrorist Financing Act. In order to raise the awareness of entities obliged to report on potential money laundering activities, the Agency created guidelines for all report submitters falling within its scope of competence.

At the 29th Plenary Meeting held from 16 to 20 March 2009, representatives of the Agency, together with permanent members of the Croatian delegation, presented the progress report to the MONEYVAL Committee (Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism).

Along with the CNB, the Agency participated in a workshop which was held with the aim of exchanging experiences of the supervisors from both institutions. The participants presented their methodologies used when carrying out their supervisory activities.

The Agency continued to cooperate successfully with all institutions within the Interinstitutional Working Group on the Prevention of Money Laundering and Terrorist Financing.

In order to ensure complete supervision in the field of prevention of money laundering and terrorist financing, the Agency continued to educate its

supervisory staff, also organising four seminars related to the supervision in the area of money laundering and terrorist financing prevention for its supervised entities.

Activities of the Agency Related to the EU Accession Negotiations

The Agency participates in the negotiating process relating to three chapters, namely: Chapter 4 – Free Movement of Capital, Chapter 6 – Company Law and Chapter 9 – Financial Services.

Representatives of the Agency took part in the technical meeting held on 8 May 2009 at the European Commission, DG Internal Market and Services, discussing the alignment of the Croatian Insurance Act and the Mandatory and Voluntary Pension Funds Act.

With regard to the alignment of the Croatian legislation with the *acquis communautaire*, the Agency carried out fully its obligations for 2009, defined in the National Programme for the Accession of the Republic of Croatia to the European Union for 2009. The Agency was also involved in the preparation of the regular annual National Programme for the Accession of the Republic of Croatia to the European Union for 2009, with regard to Chapter 9 – Financial Service, which contains activities related to the alignment of the Croatian legislation with the *acquis* during 2009.

The negotiations related to Chapter 9 – Financial services were successfully completed in 2009.

After having participated in the preparation of the Self-Assessment Report for Drafting the Regular Report of the European Commission on Croatia's Progress towards Accession to the EU (Self-Assessment Report), Agency employees also participated in the update of the document – the Follow-up Self-Assessment, for the 2009 period. The said documents relate to carrying out priorities listed in the Accession Partnership, i.e. to the improvements and progress made by the Republic of Croatia in the alignment of its legislation, including the progress related to the obligations arising from the EU accession negotiations process.

The Agency also took part in the preparation of documents for meetings of the Sub-Committee on Economic and Financial Affairs and Statistics, held on 7 May 2009 in Zagreb, and the Sub-Committee on Internal Market and Competition held in Brussels on 6 May 2009, in accordance with Stabilisation and Association Agreement between European Communities and their Member States and the Republic of Croatia.

Consumer Protection

One of the Agency's principles, defined in Article 14 of the Act on the Croatian Financial Services Supervision Agency, refers to reporting to consumers, which includes raising awareness of benefits and risks related to various types of investments and financial activities. The Agency monitors, analyses and carries out consumer protection measures, and receives complaints and inquiries from consumers related to the provisions of acts falling within the Agency's competence, as well as of the new Consumer Protection Act (the part relating to financial market services), adopted by the Croatian Parliament on 13 July 2007.

According to Article 123 of the Consumer Protection Act (Official Gazette 79/07), the Government of the Republic of Croatia establishes the National Consumer Protection Council as its advisory body and appoints its members. One of the members of the National Consumer Protection Council, which is one of the major consumer protection policy makers, is an employee of the Agency. The Agency is involved in the drafting of the National Consumer Protection Programme, as well as of the annual report on the implementation of measures specified in the National Consumer Protection Programme for the previous year. The National Consumer Protection Council takes part in the creation of the consumer protection policy and it reports to the Government on cases of violations of good business practices. In 2009, the Agency was again involved in the work of the National Consumer Protection Council.

During 2009, the Agency also cooperated with World Bank representatives in drafting of the Report on Consumer Protection and Financial Literacy in the Republic of Croatia.

With the aim of raising the level of financial education, the Agency published the educational manual "Insurance Market", also available on the website of the Agency.

In 2009, the Agency received a total of 101 consumer complaints regarding the conduct of supervised entities, which are presented in the following table.

In September 2009, the Agency began to publish all final court decisions regarding misdemeanour and administrative proceedings in which the Agency is a party to, with the aim of encouraging more effective functioning of the financial market and informing the general public. For that purpose the court decisions are published in their entirety, with the exception of the information related to personal data of the parties and their representatives involved, which are made illegible in order to prevent their personal rights. In the course of this procedure, the Agency follows the principles of anonymisation defined in the Instruction on the process of anonymisation of court decisions and the Rules on the anonymisation of court decisions by the Supreme Court of the Republic of Croatia.

The Agency will continuously update the list of court decisions on its website, which will ensure fast and economical access to the information which may be of interest to financial service users, investors and general public.

Table 8.1 Consumer Complaints

Supervised entities	Complaints
Insurance companies:	
Euroherc osiguranje d.d.	11
Jadransko osiguranje d.d.	8
Croatia osiguranje d.d.	5
Triglav osiguranje d.d.	4
HOK osiguranje d.d.	3
Kvarner Vienna Insurance Group	3
Merkur osiguranje d.d.	3
Agram life d.d.	2
Allianz Zagreb d.d.	2
Basler osiguranje Zagreb d.d.	2
Velebit osiguranje d.d.	2
Grawe Hrvatska d.d.	2
Generali osiguranje d.d.	1
Sunce osiguranje d.d.	1
Helios osiguranje d.d.	1
Osiguranje Zagreb d.d.	1
UNIQA osiguranje d.d.	1
Insurance agencies:	
AWD d.o.o. za zastupanje u osiguranju	1
CORIS Zastupanje d.o.o.	1
OVB Allfinanz Croatia d.o.o.	1
FINVEST d.o.o.	1
Leasing companies:	
Porsche leasing d.o.o.	1
Pension companies:	
AZ d.o.o. društvo za upravljanje obveznim mirovinskim fondom	2
Raiffeisen mirovinsko društvo za upravljanje dobrovoljnim mirovinskim fondovima d.o.o.	1
Investment fund management companies:	
Aureus Invest d.o.o.	1
Jadran Invest d.o.o.	1
Terra Invest d.o.o.	1
KD Grupa	1
Raiffeisen Invest d.o.o.	1
PBZ Invest d.o.o.	1
Mediterraninvest d.o.o.	1
Pension insurance companies:	
Raiffeisen MOD	5
Investment firms:	
Dionica Brod d.o.o.	4
Argus vrijednosnice d.o.o.	2
Antea brokeri d.o.o.	1
Abacus brokeri d.d.	1
Hita vrijednosnice d.d.	1
Interkapital vrijednosni papiri d.o.o.	1
Credit institutions:	
Raiffeisenbank Austria d.d.	1
Vaba banka d.d.	1
Hrvatska poštanska banka d.d.	1
Partner banka d.d.	1
Issuers:	
Trgocentar d.d.	1
Ceste d.d.	1
BADEL 1862 d.d.	1
Slobodna Dalmacija d.d.	2
Hotel Esplanade d.d.	1
Proficio d.d.	3
Mlinar d.d. Križevci	1
IPK Zavod za ekonomiku, projektiranje i programiranje razvoja d.d.	1
Hoteli Zadar d.d.	1
Kamensko d.d.	1
Other:	
Croatian Insurance Bureau	1
Central Clearing and Depository Company	1
Total	101

Source: HANFA

Education and Examination Programme for Obtaining the Permit or Licence to Conduct Activities of a Broker and Investment Advisor

Pursuant to Article 24, paragraph 4 of 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, investment advisor, certified pension fund manager and certified pension insurance manager (Official Gazette 5/09 and 30/09), the Agency organizes and carries out the education programme and examinations for obtaining the licence to conduct activities of a broker and investment advisor. In 2009, the Agency organised education programme for brokers, lasting for 60 hours, and for investment advisers, lasting for 80 hours. The education programme was attended by 100 candidates.

The examination of professional knowledge needed to carry out activities of a broker consisted of the following six 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 examination of professional knowledge needed to carry out activities of an investment advisor consisted of the following eight 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.

Only those persons who have passed the broker examination may take the investment advisor examination. Those persons who passed the broker examination before 2009 must take the investment advisor examination comprising all eight courses, while the persons who passed the examination in line with the new programme, i.e. in 2009, take the examination which consists of two courses: economic policy and portfolio theory.

A total of 173 candidates sat for the broker examination during the first examination term. The examination consisted of 50 questions from 6 courses. The candidates were considered to have passed the examination provided that their score was at least 60% in each course.

Out of the total number of candidates that took the examination, 48 of them, or 27.7%, passed, while the remaining 125 candidates failed.

A second examination term was organised for candidates who failed the examination. In the second examination term, out of 84 candidates that took the examination, 34 of them, or 42.9%, passed, while 48 candidates failed.

A total of 114 candidates sat for the investment advisor examination in the first examination term, with 41 candidates having passed broker examination according to the old programme and 73 candidates having passed that examination based on the new program from 2009 (2 course examination).

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 41 candidates, 11 of them, or 26.83%, passed, while the remaining 30 candidates failed.

The candidates which had to pass only two courses had the exam which consisted of 20 questions divided in two courses. Out of the total of 73 candidates which wrote the exam, 69 of them, or 94.52% passed the exam successfully, while the remaining 4 candidates did not.

A total of 30 candidates attended the second examination term for investment advisors, with 26 candidates taking the 8-course examination and 4 candidates taking the 2-course examination. Thirteen candidates, or 43.3%, passed the examination successfully.

The total success rate on both first and second examination term for brokers was 48.6%, while the success rate for the investment advisor was 81.6%.

The following table presents success rates in the first and second examination term for both examinations.

Table 8.2 Results of Examinations for Obtaining the Licence to Conduct Broker and Investment Advisor Activities

	BROKER	SCORE	INVESTMENT ADVISOR	SCORE
	candidates	%	candidates	%
FIRST TERM				
Total attendance	173		114	
Passed	48	27.70%	80	70.20%
Failed	125	72.30%	34	29.80%
SECOND TERM				
Total attendance	84		30	
Passed	36	42.90%	13	43.30%
Failed	48	57.10%	17	56.70%
SCORE - TOTAL	84	48.60%	93	81.60%

Source: HANFA

Employee Education

The Agency continuously educates its employees by ensuring their attendance at seminars, workshops and conferences related to the financial sector. In 2009, the Agency's employees participated in the following seminars:

- CESR Conference 2009, Paris
- IOSCO Conference 2009, Tel Aviv
- Croatian Money Market Conference, Opatija
- Workshop on Challenges of Collective Investment Business in CEE, Budapest
- Zagreb Stock Exchange, Split
- Insurance Forum, Opatija
- Croatian Economic Policy in 2010, Opatija
- IOSCO – Meeting of the Emerging Markets Committee, Bucharest
- FSA International Meeting, London
- "Internal Audit and Control" Workshop, Poreč
- Forensic Accounting, Zagreb
- Company Law in Practice, Zagreb
- New Regulation of General Administrative Procedure and Modernization of Croatian Administration, Zagreb
- Lawyer's Conference, Opatija
- 17th Workshop on Processing and Liquidation of Vehicle Damage, Opatija
- Reclassifying Financial Assets, Zagreb
- Sub-Committee on Internal Market and Competition, Brussels
- Croatian Association of Accountants and Financial Professionals Symposium, Opatija
- "Available for Sale", Financial Asset Workshop, Zagreb
- Insurance Supervision Course, Ljubljana
- Regional REPARIS Event, Vienna
- IFRS-CFRS with the Application of Tax Code, Mura
- 2009 Enforcement and Oversight Conference for Countries from Central and Eastern Europe and Caucasus, Bucharest
- Capital Market Development – New Legislation, Belgrade
- Montenegro Forum, Miločer
- Internal Models within the Solvency II Framework, Dublin
- Solvency II, Zagreb
- 29th Planetary Meeting of MONEYVAL, Strasbourg.



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FINANCIAL REPORT OF THE AGENCY

9 FINANCIAL REPORT OF THE AGENCY

Pursuant to Article 20 of the Act on the Croatian Financial Services Supervisory Agency (Official Gazette 140/05), 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.

In 2009, the Agency was financed by fees charged for services provided and by fees from assets and revenue of supervised entities. The Agency did not use budgetary funds to finance its operations.

In the previous year, the Agency reported an income of HRK 42.2 million, most of which (HRK 40.6 million) was generated through fees from assets and revenue of supervised entities and fees for provision of services falling within the Agency's scope of activity. Total expenses amounted to HRK 32.2 million, out of which gross salaries for employees accounted for 71.5%, and the remaining expenses for 28.5%.

The type and level of fees paid to the Agency by supervised entities are regulated by the Ordinance on the calculation, level and charging of fees paid to the Croatian Financial Services Supervisory Agency for the year 2009 (Official Gazette 155/08), and Ordinance on the type and level of fees and administrative charges of the Croatian Financial Services Supervisory Agency (Official Gazette, 155/08). These ordinances were adopted pursuant to Article 20 of the Act on the Croatian Financial Services Supervisory Agency.

As at 31 December 2009, total assets of the Agency amounted to HRK 38.21 million, with fixed assets totalling HRK 5.62 million, and current assets amounting to HRK 32.59 million.

Over the previous year, the Agency's operations were financed exclusively by own funds, obtained from supervised entities. As at 31 December 2009, reported liabilities totalled HRK 2.3 million, and were mostly made up by calculated salaries and contributions for staff, and, to a smaller extent, by obligations to suppliers.

Table 9.1 Balance Sheet of the Agency for 2009 (in HRK)

ASSETS	
Fixed assets	5,621,207
Current assets	32,597,222
TOTAL ASSETS	38,218,429
LIABILITIES	
Sources of finance	35,895,347
Liabilities	2,323,082
TOTAL LIABILITIES	38,218,429

Source: HANFA

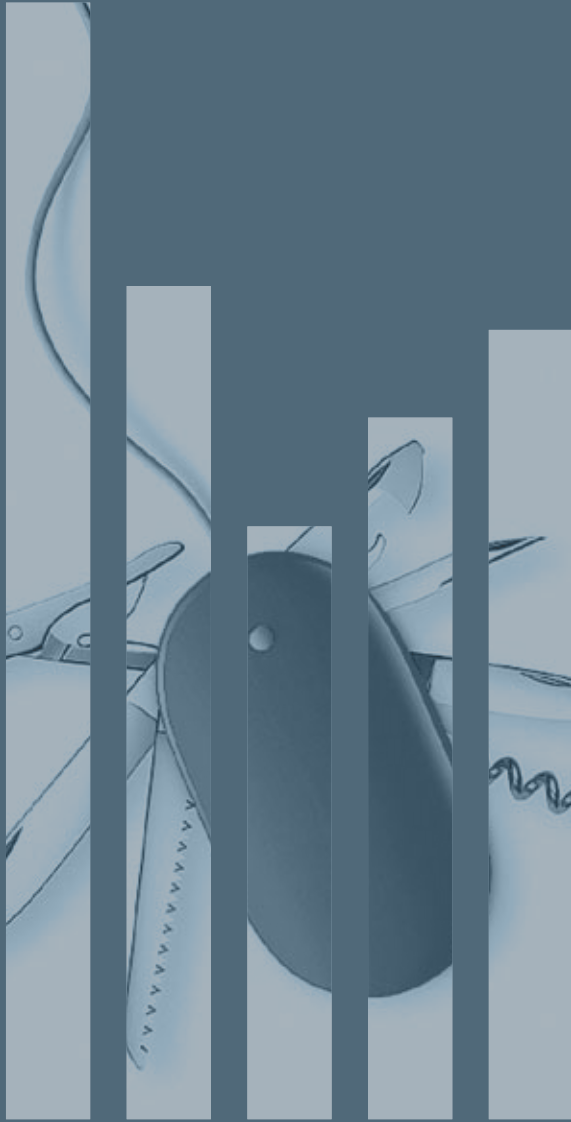
Table 9.2 Income and Expenditure Account of the Agency for 2009 (in HRK)

INCOME	42,286,702
Income from membership and other fees	40,663,350
Other income	1,623,352
EXPENDITURE	32,218,162
Material costs and depreciation	8,744,343
Staff costs	23,066,040
Other expenses	407,779
EXPENDITURE - INCOME	10,068,540

Source: HANFA

The Agency, as a non-profit organisation, recorded a surplus of income over expenditure of the current year amounting to HRK 10.06 million. Pursuant to a decision of the Management Bo-

ard of the Agency, the surplus of income will be used to cover the expenses of the 2010 business operations.



[10] APPENDIX

Statistical Overview

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

	2005	2006	2007	2008	2009
Open-end investment funds	56	72	100	126	130
- with public offering	56	62	83	98	103
Cash	13	15	15	17	20
Bond	15	14	14	14	10
Balanced	15	18	18	19	20
Equity	13	15	36	48	53
- with private offering		9	16	26	25
Cash				1	3
Bond		1	1	1	1
Balanced		6	6	9	10
Equity		2	9	15	11
- Open-end venture capital funds		1	1	2	2
Closed-end investment funds	6	7	9	11	10
- with public offering	4	4	4	4	4
- with public offering with investments into real estate	2	3	5	7	6

Source: HANFA

Note: Two closed-end investment funds (real estate) which ceased to operate in 2009 were deleted from the register in January 2010, and are therefore included in the total number of funds for 2009.

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

	2005	2006	2007	2008	2009
Open-end investment funds	8,834,460	16,038,989	30,056,247	9,890,231	12,034,941
- with public offering	8,834,460	15,719,074	29,017,625	9,322,244	11,406,884
Cash	4,660,176	4,274,744	4,140,206	3,907,382	6,044,826
Bond	1,451,489	1,138,589	674,073	510,977	554,761
Balanced	2,011,603	5,994,698	10,022,402	2,150,291	1,929,278
Equity	711,193	4,311,043	14,180,944	2,753,595	2,878,020
- with private offering		319,915	1,038,621	567,986	628,057
Cash				8,398	84,803
Bond		78,927	103,466	78,269	82,192
Balanced		163,908	276,994	150,697	149,317
Equity		77,079	658,162	330,623	311,745
- Open-end venture capital funds					
Closed-end investment funds	1,537,356	2,443,431	3,682,360	1,895,576	1,840,765
- with public offering	1,493,316	2,280,197	3,299,808	1,298,848	1,309,651
- with public offering (real estate)	44,040	163,235	382,552	596,729	531,114

Source: HANFA

Table A3: Investment Structure of Open-End Investment Funds with Public Offering as at 31 December 2009 (in HRK thousand)

Type of assets	Cash	Bond	Balanced	Equity	Total
Cash	273,236	32,090	47,883	101,966	455,175
Receivables	378,099	20,342	55,740	23,411	477,592
Securities and deposits	5,574,249	545,662	1,901,598	2,820,005	10,841,515
Domestic	5,574,249	485,338	1,175,028	1,353,577	8,588,192
Shares and GDRs	0	0	461,172	890,144	1,351,316
Government bonds	109,514	137,813	144,267	26,605	418,199
Municipal bonds	898	421	3,031	0	4,349
Corporate bonds	54,362	69,496	226,270	112,257	462,386
Closed-end investment funds	0	0	3,426	2,450	5,877
Open-end investment funds	22,320	8,931	54,345	49,103	134,699
Short-term securities	2,225,334	185,354	141,446	25,226	2,577,361
Deposits	3,161,821	83,324	141,070	247,791	3,634,005
Foreign	0	60,324	726,570	1,466,428	2,253,323
Shares	0	0	364,089	1,125,411	1,489,500
Government bonds	0	27,303	71,634	21,390	120,327
Municipal bonds	0	0	0	0	0
Corporate bonds	0	27,176	79,341	51,372	157,890
Closed-end investment funds	0	0	10,550	26,341	36,891
Open-end investment funds	0	5,845	200,958	241,913	448,716
Short-term securities	0	0	0	0	0
Deposits	0	0	0	0	0
Other assets	0	0	0	0	0
TOTAL ASSETS	6,225,584	598,095	2,005,220	2,945,383	11,774,282
TOTAL LIABILITIES	180,759	43,333	75,943	67,363	367,398
Net Assets	6,044,826	554,761	1,929,278	2,878,020	11,406,884
DERIVATIVES	1,366	70	453	1,386	3,274
REPURCHASE AGREEMENTS	367,339	10,607	-6,544	4,490	375,893

Source: HANFA

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

	2005	2006	2007	2008	2009
Mandatory pension funds	4	4	4	4	4
Open-end voluntary pension funds	6	6	6	6	6
Closed-end voluntary pension funds	8	10	12	15	15
Total	18	20	22	25	25

Source: HANFA

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

	2005	2006	2007	2008	2009
Mandatory pension funds	1,248,931	1,322,010	1,395,693	1,475,729	1,522,149
Open-end voluntary pension funds	51,121	75,161	103,923	127,738	146,410
Closed-end voluntary pension funds	5336	10,633	11,943	17,285	17,733
Total	1,305,388	1,407,804	1,511,559	1,620,752	1,686,292

Source: HANFA

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

	2005	2006	2007	2008	2009
Mandatory pension funds	11,714,215	15,919,423	21,001,886	22,590,933	29,264,636
Open-end voluntary pension funds	206,269	397,335	692,810	799,665	1,144,809
Closed-end voluntary pension funds	7,682	60,303	119,082	148,378	218,343
Total	11,928,166	16,377,061	21,813,778	23,538,977	30,627,788

Source: HANFA

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

Type of assets	2005	2006	2007	2008	2009
DOMESTIC ASSETS	10,673,953	14,588,033	20,297,532	20,920,792	26,572,709
Securities and deposits	10,294,567	14,313,666	19,947,365	20,633,823	26,181,820
Shares and GDRs	333,484	851,845	3,127,776	2,529,825	3,909,073
Government bonds	8,709,190	11,447,577	13,484,885	15,937,982	16,716,518
Municipal bonds	60,016	62,810	76,277	81,448	79,044
Corporate bonds	442,878	476,121	451,259	732,269	1,108,541
Closed-end investment funds	0	0	0	56,909	69,272
Open-end investment funds	258,985	1,147,996	2,543,021	373,285	1,031,757
Short-term securities	163,563	11,682	21,792	290,562	2,025,358
Deposits	326,450	315,635	242,354	631,543	1,242,256
Cash	148,781	138,521	232,527	265,500	375,189
Receivables	230,604	135,845	117,641	21,470	15,700
FOREIGN ASSETS	1,318,030	1,456,965	904,867	1,696,084	2,790,856
Shares and GDRs	134,902	218,338	689,226	481,446	763,268
Government bonds	208,561	232,649	0	307,489	1,253,393
Municipal bonds	0	0	0	0	0
Corporate bonds	52,765	183,122	42,114	475,845	60,764
Closed-end investment funds	0	0	0	0	0
Open-end investment funds	921,801	822,855	173,527	431,303	713,432
Short-term securities	0	0	0	0	0
Deposits	0	0	0	0	0
TOTAL ASSETS	11,991,983	16,044,997	21,202,399	22,616,876	29,363,566
Net assets	11,714,215	15,919,423	21,001,886	22,590,933	29,264,636

Source: HANFA

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

Type of assets	2005	2006	2007	2008	2009
DOMESTIC ASSETS	198,645	392,823	687,823	744,502	981,424
Securities and deposits	186,430	376,158	648,184	727,049	962,589
Shares and GDRs	5,227	32,619	161,645	108,508	175,224
Government bonds	153,251	212,871	313,900	362,484	332,125
Municipal bonds	3,113	1,788	553	4,213	6,702
Corporate bonds	10,600	51,753	9,978	82,256	126,170
Closed-end investment funds	0	0	0	3,061	3,283
Open-end investment funds	13,384	50,457	144,684	9,031	102,878
Short-term securities	49	0	0	66,323	143,136
Deposits	805	26,669	17,424	91,172	73,071
Cash	12,212	14,623	38,956	17,290	15,778
Receivables	4	2,042	683	164	3,057
FOREIGN ASSETS	11,905	22,818	28,501	60,173	167,962
Shares and GDRs	0	1,889	12,886	16,359	63,878
Government bonds	0	0	699	32,786	55,403
Municipal bonds	0	0	0	0	0
Corporate bonds	0	0	0	0	11,156
Closed-end investment funds	0	0	0	0	0
Open-end investment funds	11,905	20,930	14,916	11,027	37,526
Short-term securities	0	0	0	0	0
Deposits	0	0	0	0	0
TOTAL ASSETS	210,550	415,641	716,324	804,675	1,149,386
Net assets	206,269	397,335	692,810	799,665	1,144,809

Source: HANFA

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

Type of assets	2005	2006	2007	2008	2009
DOMESTIC ASSETS	20,545	59,099	118,447	140,654	199,109
Securities and deposits	17,744	55,322	111,222	128,886	196,308
Shares and GDRs	302	3,852	23,649	11,803	20,880
Government bonds	14,385	30,115	41,643	60,146	53,846
Municipal bonds	346	252	133	94	243
Corporate bonds	558	5,725	6,693	12,370	19,222
Closed-end investment funds	0	0	0	0	0
Open-end investment funds	1,953	13,490	30,999	8,427	27,531
Short-term securities	0	0	209	18,654	50,529
Deposits	200	1,887	7,896	17,391	24,056
Cash	2,102	3,438	6,359	8,971	2,363
Receivables	700	339	867	2,798	438
FOREIGN ASSETS	1,039	2,506	3,403	9,997	19,599
Shares and GDRs	0	0	2,262	1,863	11,926
Government bonds	0	0	0	7,035	5,459
Municipal bonds	0	0	0	0	0
Corporate bonds	0	0	0	0	1,159
Closed-end investment funds	0	0	0	0	0
Open-end investment funds	1,039	2,506	1,140	1,099	1,055
Short-term securities	0	0	0	0	0
Deposits	0	0	0	0	0
TOTAL ASSETS	21,584	61,604	121,850	150,651	218,707
Net assets	21,511	60,303	119,082	148,378	218,343

Source: HANFA

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

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

Source: HANFA

- data in columns 2 to 4 and 6 to 8 are taken from the Capital Adequacy Form (CA) pursuant to the Ordinance on the manner of calculating the required solvency margin (capital adequacy) of insurance companies (Official Gazette 112/2006)
- data in columns 5 and 9 depend on the fulfilment of criteria referred to in previous 3 columns
- IC=initial capital (Article 19 of the Insurance Act); GF=guarantee fund (Article 100 of the Insurance Act); C=capital (Article 94 of the Insurance Act); SM=solvency margin (Article 98 and 99 of the Insurance Act)

Table C2: Guarantee Fund to Solvency Margin Ratio of Insurance and Reinsurance Companies as at 31 December 2009 (in HRK thousand)

INSURANCE AND REINSURANCE COMPANIES	GUARANTEE FUND (Article 100 of the Insurance Act)		SOLVENCY MARGIN (Articles 98 and 99 of the Insurance Act)		1/3 SOLVENCY MARGIN		SOLVENCY MARGIN DEVIATION(>=1/3)	
	Life	Non-life	Life	Non-life	Life	Non-life	Life	Non-life
1	2	3	4	5	6	7	8 (2-6)	9 (3-7)
Agram životno osiguranje d.d.	122,407		46,214		15,405		107,002	
Allianz Zagreb d.d.	143,820	176,464	63,775	101,793	21,258	33,931	122,562	142,533
Basler osiguranje d.d.		27,337		4,664		1,555		25,782
Basler osiguranje Zagreb d.d.	164,165	67,015	54,897	31,995	18,299	10,665	145,866	56,350
Basler životno osiguranje d.d.	36,201		12,562		4,187		32,013	
Cardif osiguranje d.d.		29,117		6,390		2,130		26,986
Cosmopolitan Life VIG d.d.	41,658		20,667		6,889		34,769	
Croatia osiguranje d.d.	126,051	848,447	78,208	373,137	26,069	124,379	99,982	724,068
Croatia zdravstveno osiguranje d.d.		48,618		16,827		5,609		43,009
Erste VIG osiguranje d.d.	48,918		10,430		3,477		45,441	
Euroherc osiguranje d.d.		315,624		163,396		54,465		261,158
Generali osiguranje d.d.	27,732	30,546	20,798	22,640	6,933	7,547	20,799	22,999
Grawe Hrvatska d.d.	119,176	53,366	78,172	23,403	26,057	7,801	93,118	45,565
Helios VIG d.d.	59,973	26,465	14,994	8,217	4,998	2,739	54,975	23,727
HOK osiguranje d.d.		24,336		26,739		8,913		15,423
Jadransko osiguranje d.d.		178,504		107,395		35,798		142,706
KD životno osiguranje d.d.	24,946		625		208		24,738	
Kvarner VIG d.d.	45,807	49,259	31,101	43,078	10,367	14,359	35,440	34,899
Merkur osiguranje d.d.	108,161	25,856	66,556	3,355	22,185	1,118	85,976	24,737
Societe Generale d.d.	37,675		2,145		715		36,960	
Sunce osiguranje d.d.		54,303		31,782		10,594		43,709
Triglav osiguranje d.d.	34,797	58,822	12,045	52,782	4,015	17,594	30,782	41,228
Uniqa osiguranje d.d.	32,903	24,882	14,587	9,649	4,862	3,216	28,040	21,665
Velebit osiguranje d.d.		26,260		7,455		2,485		23,774
Velebit životno osiguranje d.d.	43,863		953		318		43,546	
Victoria osiguranje d.d.		30,261		19		6		30,255
Victoria životno osiguranje d.d.	37,561		384		128		37,433	
Allianz reosiguranje d.d.		23,820		384		128		23,692
Croatia Lloyd d.d.		207,054		45,149		15,050		192,004

Source: HANFA

Table C3: Capital to Solvency Margin Ratio of Insurance and Reinsurance Companies as at 31 December 2009 (in HRK thousand)

INSURANCE AND REINSURANCE COMPANIES	CAPITAL (Article 94 of the Insurance Act)		SOLVENCY MARGIN (Articles 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.	120,392		46,214		74,177	
Allianz Zagreb d.d.	143,820	148,964	63,775	101,793	80,045	47,171
Basler osiguranje d.d.		27,337		4,664		22,673
Basler osiguranje Zagreb d.d.	164,165	63,696	54,897	31,995	109,268	31,700
Basler životno osiguranje d.d.	36,201		12,562		23,638	
Cardif osiguranje d.d.		29,117		6,390		22,726
Cosmopolitan Life VIG d.d.	41,658		20,667		20,990	
Croatia osiguranje d.d.	126,051	450,313	78,208	373,137	47,843	77,176
Croatia zdravstveno osiguranje d.d.		48,618		16,827		31,791
Erste VIG osiguranje d.d.	48,918		10,430		38,488	
Euroherc osiguranje d.d.		315,624		163,396		152,228
Generali osiguranje d.d.	27,732	30,546	20,798	22,640	6,934	7,905
Grawe Hrvatska d.d.	119,176	53,366	78,172	23,403	41,003	29,963
Helios VIG d.d.	59,973	26,465	14,994	8,217	44,979	18,249
HOK osiguranje d.d.		24,336		26,739		-2,403
Jadransko osiguranje d.d.		178,504		107,395		71,109
KD životno osiguranje d.d.	24,946		625		24,321	
Kvarner VIG d.d.	45,757	47,517	31,101	43,078	14,656	4,439
Merkur osiguranje d.d.	105,925	25,856	66,556	3,355	39,369	22,501
Societe Generale d.d.	37,675		2,145		35,530	
Sunce osiguranje d.d.		54,303		31,782		22,521
Triglav osiguranje d.d.	34,797	58,822	12,045	52,782	22,752	6,040
Uniqa osiguranje d.d.	32,903	24,882	14,587	9,649	18,316	15,233
Velebit osiguranje d.d.		26,260		7,455		18,804
Velebit životno osiguranje d.d.	43,863		953		42,910	
Victoria osiguranje d.d.		30,261		19		30,242
Victoria životno osiguranje d.d.	37,561		384		37,177	
Allianz reosiguranje d.d.		23,820		384		23,436
Croatia Lloyd d.d.		65,072		45,149		19,923

Source: HANFA

Table C4: Basic Insurance-Technical Indicators

No.	INSURANCE AND REINSURANCE COMPANIES	CLAIMS RATIO (%)		EXPENSE RATIO (%)		COMBINED RATIO (%)		RETURN ON INVESTMENT (%)		DEBT RATIO		ROE (%)		ROA (%)	
		2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1	Agram životno osiguranje d.d.	78.43	85.16	17.81	17.09	96.24	102.25	5.04	4.12	0.83	0.80	39.09	15.82	4.90	2.72
2	Allianz Zagreb d.d.	64.57	66.23	36.39	44.66	100.97	110.89	0.52	6.32	0.87	0.86	5.61	12.52	0.67	1.55
3	Basler osiguranje d.d.	41.80	27.58	65.16	72.63	106.96	100.20	-3.19	3.83	0.66	0.64	-11.92	0.04	-4.56	0.01
4	Basler osiguranje Zagreb d.d.	79.76	78.59	46.87	45.79	126.62	124.38	0.70	3.06	0.94	0.92	-44.75	-19.57	-4.82	-2.02
5	Basler životno osiguranje d.d.	38.81	47.97	56.08	68.23	94.89	116.20	-0.66	4.96	0.77	0.78	9.63	-1.91	1.99	-0.43
6	Cardif osiguranje d.d.	59.64	53.30	59.87	63.02	119.51	116.31	-7.23	3.76	0.35	0.55	-16.89	-8.77	-13.20	-4.28
7	Cosmopolitan Life VIG d.d.	59.59	152.77	51.96	42.64	111.55	195.41	-3.66	5.11	0.88	0.88	-30.46	-61.33	-5.39	-18.99
8	Croatia osiguranje d.d.	68.67	68.23	38.19	44.87	106.86	113.11	2.25	6.67	0.84	0.80	5.91	4.75	0.91	0.91
9	Croatia zdravstveno osiguranje d.d.	51.54	60.28	38.43	38.09	89.97	98.37	3.21	5.24	0.67	0.56	9.93	9.05	2.99	3.66
10	Erste VIG osiguranje d.d.	72.87	72.81	37.84	30.00	110.71	102.81	4.75	0.18	0.85	0.80	1.97	0.03	0.30	0.01
11	Euroherc osiguranje d.d.	64.11	57.33	35.72	42.57	99.82	99.90	3.47	3.70	0.65	0.67	7.01	7.52	2.31	2.33
12	Generali osiguranje d.d.	47.55	58.43	64.52	68.51	112.07	126.94	-5.43	4.45	0.89	0.91	-46.18	-32.76	-9.38	-4.55
13	Grave Hrvatska d.d.	81.41	84.18	37.28	36.39	118.69	120.57	5.07	4.47	0.93	0.91	27.89	15.18	1.54	1.16
14	Helios VIG d.d.	96.66	99.74	64.82	59.93	161.47	159.66	3.11	5.38	0.92	0.86	-39.69	-19.40	-5.51	-3.48
15	HOK osiguranje d.d.	50.34	69.47	28.16	35.94	78.50	105.40	-6.34	5.21	0.82	0.87	0.61	-22.78	0.11	-3.83
16	Jadransko osiguranje d.d.	65.59	50.98	33.75	45.28	99.35	96.26	3.16	1.04	0.57	0.59	5.69	5.93	2.31	2.31
17	KD životno osiguranje d.d.	15.73	22.89	1,009.32	296.83	1,025.05	319.72	-7.85	7.66	0.09	0.12	-26.19	-22.16	-32.36	-25.15
18	Kvamer VIG d.d.	63.84	67.17	53.39	53.95	117.22	121.11	3.62	4.57	0.92	0.93	-21.52	-16.81	-2.19	-1.34
19	Merkur osiguranje d.d.	74.32	86.21	28.02	27.91	102.34	114.12	-0.03	4.00	0.93	0.91	0.83	18.25	0.06	1.46
20	Societe Generale d.d.		51.69		68.56		120.26		1.79		0.23		-6.73		-5.54
21	Sunce osiguranje d.d.	80.79	75.72	23.39	26.85	104.19	102.57	2.15	5.23	0.65	0.67	11.43	12.65	3.57	3.75
22	Triglav osiguranje d.d.	69.77	86.64	40.89	51.46	110.66	138.10	-6.41	3.48	0.90	0.93	-37.52	-64.03	-6.03	-12.48
23	Uniqqa osiguranje d.d.	74.57	76.77	67.81	57.72	142.38	134.49	1.95	4.57	0.94	0.90	5.64	4.02	0.33	0.37
24	Velebit osiguranje d.d.	77.54	77.26	80.96	77.11	158.50	154.37	4.70	5.15	0.44	0.73	-27.96	-40.92	-21.90	-18.62
25	Velebit životno osiguranje d.d.	85.29	70.61	172.60	141.12	257.90	211.73	4.53	2.96	0.17	0.26	-15.49	-17.40	-15.12	-15.66
26	Victoria osiguranje d.d.		69.75		4,101.66		4,171.41		6.73		0.04		-6.77		-7.00
27	Victoria životno osiguranje d.d.	79.74	96.50	702.58	22.05	782.32	118.56	3.13	8.11	0.04	0.47	-12.30	-4.92	-13.40	-2.77
28	Allianz reosiguranje d.d.	-45.94	35.69	1,144.61	1,320.28	1,098.67	1,355.97	3.91	5.73	0.18	0.09	1.03	0.17	0.83	0.16
29	Croatia Lloyd d.d.	80.55	96.35	34.65	36.04	115.21	132.39	0.75	7.41	0.69	0.70	19.20	12.19	5.00	3.27
	TOTAL	68.42	69.77	39.38	44.50	107.80	114.27	1.88	4.83	0.82	0.81	0.30	0.12	0.05	0.02

Source: HANFA

Table C5: Operating Expenses (business expenditures) to Earned Premium Ratio in Non-Life Insurance (in HRK thousand)

INSURANCE AND REINSURANCE COMPANIES	EARNED PREMIUM		OPERATING EXPENSES		OPERATING EXPENSES AND EARNED PREMIUM RATIO	
	1 Jan 2008 - 31 Dec 2008	1 Jan 2009 - 31 Dec 2009	1 Jan 2008 - 31 Dec 2008	1 Jan 2009 - 31 Dec 2009	1 Jan 2008 - 31 Dec 2008	1 Jan 2009 - 31 Dec 2009
1	2	3	4	5	6 (4/2)	7 (5/3)
Agram životno osiguranje d.d.						
Allianz Zagreb d.d.	565,541	560,278	232,793	236,991	41.2%	42.3%
Basler osiguranje d.d.	18,896	19,408	14,389	16,273	76.1%	83.8%
Basler osiguranje Zagreb d.d.	202,107	166,293	90,018	87,330	44.5%	52.5%
Basler životno osiguranje d.d.						
Cardif osiguranje d.d.	25,205	35,502	15,090	22,372	59.9%	63.0%
Cosmopolitan Life VIG d.d.						
Croatia osiguranje d.d.	2,409,221	2,294,843	895,227	945,759	37.2%	41.2%
Croatia zdravstveno osiguranje d.d.	80,574	98,522	34,045	36,952	42.3%	37.5%
Erste VIG osiguranje d.d.						
Euroherc osiguranje d.d.	1,011,881	1,027,497	325,252	348,840	32.1%	34.0%
Generali osiguranje d.d.	120,568	124,708	63,666	75,376	52.8%	60.4%
Grawe Hrvatska d.d.	115,104	109,889	56,131	58,121	48.8%	52.9%
Helios VIG d.d.	54,410	40,252	33,298	21,420	61.2%	53.2%
HOK osiguranje d.d.	66,657	116,213	28,103	47,731	42.2%	41.1%
Jadransko osiguranje d.d.	644,327	653,894	206,692	252,536	32.1%	38.6%
KD životno osiguranje d.d.						
Kvarner VIG d.d.	221,664	232,598	103,411	107,279	46.7%	46.1%
Merkur osiguranje d.d.	16,717	16,279	12,251	12,442	73.3%	76.4%
Societe Generale d.d.						
Sunce osiguranje d.d.	161,119	176,600	38,917	41,899	24.2%	23.7%
Triglav osiguranje d.d.	244,510	236,893	100,726	120,794	41.2%	51.0%
Uniqa osiguranje d.d.	36,047	42,835	51,825	56,467	143.8%	131.8%
Velebit osiguranje d.d.	13,565	32,302	23,478	27,199	173.1%	84.2%
Velebit životno osiguranje d.d.						
Victoria osiguranje d.d.		31		4,340		13879.5%
Victoria životno osiguranje d.d.						
Allianz reosiguranje d.d.	138	110	1,885	2,199	1370.1%	1993.4%
Croatia Lloyd d.d.	155,448	183,398	62,908	64,257	40.5%	35.0%
TOTAL insurance companies	6,008,112	5,984,837	2,325,313	2,520,118	38.7%	42.1%
TOTAL reinsurance companies	155,585	183,509	64,794	66,456	41.6%	36.2%
TOTAL	6,163,697	6,168,346	2,390,107	2,586,574	38.8%	41.9%

Source: HANFA

Table C6: Claims Incurred in Non-Life Insurance in Gross Amounts (in HRK thousand)

INSURANCE AND REINSURANCE COMPANIES	CLAIMS PAID, GROSS AMOUNT		CHANGES IN CLAIMS PROVISIONS, GROSS AMOUNT		TOTAL EXPENDITURES FOR CLAIMS INCURRED	
	1 Jan 2008 - 31 Dec 2008	1 Jan 2009 - 31 Dec 2009	1 Jan 2008 - 31 Dec 2008	1 Jan 2009 - 31 Dec 2009	1 Jan 2008 - 31 Dec 2008	1 Jan 2009 - 31 Dec 2009
1	2	3	4	5	6 (2+4)	7 (3+5)
Agram životno osiguranje d.d.						
Allianz Zagreb d.d.	294,347	304,548	67,297	29,962	361,644	334,510
Basler osiguranje d.d.	4,982	5,595	3,816	340	8,797	5,934
Basler osiguranje Zagreb d.d.	134,191	120,699	-6,917	-16,083	127,274	104,616
Basler životno osiguranje d.d.						
Cardif osiguranje d.d.	95	507	1,372	3,345	1,467	3,852
Cosmopolitan Life VIG d.d.						
Croatia osiguranje d.d.	1,807,677	1,824,236	88,827	-79,182	1,896,504	1,745,054
Croatia zdravstveno osiguranje d.d.	42,496	61,892	-967	-2,504	41,529	59,388
Erste VIG osiguranje d.d.						
Euroherc osiguranje d.d.	525,282	452,113	125,934	145,590	651,216	597,702
Generali osiguranje d.d.	54,104	69,352	23,367	19,989	77,471	89,341
Grawe Hrvatska d.d.	68,782	70,160	13,484	9,261	82,266	79,421
Helios VIG d.d.	58,803	37,153	-7,279	-11,078	51,524	26,074
HOK osiguranje d.d.	15,200	35,117	19,674	45,342	34,874	80,460
Jadransko osiguranje d.d.	354,910	290,818	67,497	42,530	422,407	333,348
KD životno osiguranje d.d.						
Kvarner VIG d.d.	172,290	175,026	20,481	13,822	192,771	188,848
Merkur osiguranje d.d.	12,247	12,059	3,641	571	15,888	12,630
Societe Generale d.d.						
Sunce osiguranje d.d.	120,436	127,738	-751	6,513	119,685	134,251
Triglav osiguranje d.d.	184,226	186,733	10,099	19,829	194,326	206,561
Uniqa osiguranje d.d.	53,840	62,464	29,484	-10,597	83,324	51,866
Velebit osiguranje d.d.	5,363	13,387	8,073	18,006	13,436	31,393
Velebit životno osiguranje d.d.						
Victoria osiguranje d.d.				28		28
Victoria životno osiguranje d.d.						
Allianz reosiguranje d.d.	1,088	905	-195	371	893	1,276
Croatia Lloyd d.d.	287,070	302,868	21,477	11,745	308,547	314,613
TOTAL insurance companies	3,909,271	3,849,595	467,133	235,683	4,376,404	4,085,278
TOTAL reinsurance companies	288,159	303,773	21,282	12,116	309,440	315,889
TOTAL	4,197,430	4,153,369	488,415	247,799	4,685,845	4,401,167

Source: HANFA

Table C7: Operating Expenses to Earned Premium Ratio – Life Assurance (in HRK thousand)

INSURANCE AND REINSURANCE COMPANIES	EARNED PREMIUM		OPERATING EXPENSES		OPERATING EXPENSES AND EARNED PREMIUM RATIO	
	1 Jan 2008 - 31 Dec 2008	1 Jan 2009 - 31 Dec 2009	1 Jan 2008 - 31 Dec 2008	1 Jan 2009 - 31 Dec 2009	1 Jan 2008 - 31 Dec 2008	1 Jan 2009 - 31 Dec 2009
1	2	3	4	5	6 (4/2)	7 (5/3)
Agram životno osiguranje d.d.	234,230	227,684	41,219	38,894	17.6%	17.1%
Allianz Zagreb d.d.	420,567	331,688	123,138	123,665	29.3%	37.3%
Basler osiguranje d.d.						
Basler osiguranje Zagreb d.d.	197,779	179,620	78,794	63,355	39.8%	35.3%
Basler životno osiguranje d.d.	62,941	48,324	33,888	31,751	53.8%	65.7%
Cardif osiguranje d.d.						
Cosmopolitan Life VIG d.d.	80,297	85,387	41,713	35,801	51.9%	41.9%
Croatia osiguranje d.d.	363,607	355,994	118,353	121,384	32.5%	34.1%
Croatia zdravstveno osiguranje d.d.						
Erste VIG osiguranje d.d.	74,084	87,526	27,958	26,153	37.7%	29.9%
Euroherc osiguranje d.d.						
Generali osiguranje d.d.	125,840	102,998	100,117	76,157	79.6%	73.9%
Grawe Hrvatska d.d.	265,137	255,488	83,794	69,808	31.6%	27.3%
Helios VIG d.d.	49,555	52,865	22,807	26,571	46.0%	50.3%
HOK osiguranje d.d.						
Jadransko osiguranje d.d.						
KD životno osiguranje d.d.	804	4,220	8,065	12,489	1003.5%	296.0%
Kvarner VIG d.d.	147,631	157,896	89,126	90,487	60.4%	57.3%
Merkur osiguranje d.d.	257,906	254,256	64,240	62,543	24.9%	24.6%
Societe Generale d.d.		17,684		12,125		68.6%
Sunce osiguranje d.d.						
Triglav osiguranje d.d.	80,729	81,334	25,748	22,929	31.9%	28.2%
Uniqa osiguranje d.d.	80,687	107,444	28,807	30,592	35.7%	28.5%
Velebit osiguranje d.d.						
Velebit životno osiguranje d.d.	7,834	9,688	13,492	13,694	172.2%	141.4%
Victoria osiguranje d.d.						
Victoria životno osiguranje d.d.	979	31,155	6,877	6,843	702.5%	22.0%
Allianz reosiguranje d.d.						
Croatia Lloyd d.d.						
TOTAL insurance companies	2,450,607	2,391,251	908,134	865,242	37.1%	36.2%
TOTAL reinsurance companies						
TOTAL	2,450,607	2,391,251	908,134	865,242	37.1%	36.2%

Source: HANFA

Table C8: Claims Incurred in Life Assurance in Gross Amounts (in HRK thousand)

INSURANCE AND REINSURANCE COMPANIES	CLAIMS PAID, GROSS AMOUNT		CHANGES IN CLAIM PROVISIONS, GROSS AMOUNT		TOTAL CLAIMS, GROSS AMOUNT	
	1 Jan 2008 - 31 Dec 2008	1 Jan 2009 - 31 Dec 2009	1 Jan 2008 - 31 Dec 2008	1 Jan 2009 - 31 Dec 2009	1 Jan 2008 - 31 Dec 2008	1 Jan 2009 - 31 Dec 2009
1	2	3	4	5	6 (2+4)	7 (3+5)
Agram životno osiguranje d.d.	42,341	89,879	1,190	93	43,532	89,972
Allianz Zagreb d.d.	58,876	99,475	936	-44	59,812	99,431
Basler osiguranje d.d.						
Basler osiguranje Zagreb d.d.	82,884	141,568	-667	-1,731	82,216	139,837
Basler životno osiguranje d.d.	4,442	7,941	967	709	5,409	8,650
Cardif osiguranje d.d.						
Cosmopolitan Life VIG d.d.	4,001	8,835	470	3,447	4,471	12,282
Croatia osiguranje d.d.	182,870	176,716	-2,033	2,651	180,837	179,367
Croatia zdravstveno osiguranje d.d.						
Erste VIG osiguranje d.d.	5,709	12,757	162	-55	5,872	12,702
Euroherc osiguranje d.d.						
Generali osiguranje d.d.	18,184	17,819	-312	-1,902	17,873	15,918
Grawe Hrvatska d.d.	109,554	139,696	1,981	1,160	111,535	140,856
Helios VIG d.d.	39,008	52,754	-670	-2,257	38,338	50,496
HOK osiguranje d.d.						
Jadransko osiguranje d.d.						
KD životno osiguranje d.d.	6	21	34	179	40	200
Kvarner VIG d.d.	31,909	54,830	1,343	1,235	33,252	56,065
Merkur osiguranje d.d.	69,688	86,747	3,403	1,054	73,091	87,801
Societe Generale d.d.		44		537		582
Sunce osiguranje d.d.						
Triglav osiguranje d.d.	23,673	22,676	-664	-2,232	23,009	20,444
Uniqa osiguranje d.d.	9,448	16,633	-194	644	9,254	17,277
Velebit osiguranje d.d.						
Velebit životno osiguranje d.d.		2,844	538	-398	538	2,446
Victoria osiguranje d.d.						
Victoria životno osiguranje d.d.		20				20
Allianz reosiguranje d.d.						
Croatia Lloyd d.d.						
TOTAL insurance companies	682,594	931,253	6,483	3,090	689,077	934,343
TOTAL reinsurance companies						
TOTAL	682,594	931,253	6,483	3,090	689,077	934,343

Source: HANFA

Table C9: Overview of Gross Written Premium (in HRK thousand)

INSURANCE AND REINSURANCE COMPANIES	LIFE ASSURANCE		Share in premium of all companies in %		NON-LIFE INSURANCE		Share in premium of all companies in %		TOTAL		Share in premium of all companies in %		
	1 Jan 2008 - 31 Dec 2008	1 Jan 2009 - 31 Dec 2009	Index 2009/2008	1 Jan 2008 - 31 Dec 2008	1 Jan 2009 - 31 Dec 2009	Index 2009/2008	1 Jan 2008 - 31 Dec 2008	1 Jan 2009 - 31 Dec 2009	Index 2009/2008	1 Jan 2008 - 31 Dec 2008	1 Jan 2009 - 31 Dec 2009	Index 2009/2008	
	2	3	4 (3/2)	5	6	7	8	9 (8/7)	10	11	12 (2+7)	13 (3+8)	14 (13/12)
1													
Agram životno osiguranje d.d.	235,856	227,755	966	93	92				0.0	0.0	235,856	227,755	966
Allianz Zagreb d.d.	423,964	336,532	794	16.7	13.5	697,106	649,245	93.1	9.8	94	1,121,070	985,777	87.9
Basler osiguranje d.d.				0.0	0.0	27,326	28,190	103.2	0.4	0.4	27,326	28,190	103.2
Basler osiguranje Zagreb d.d.	197,892	179,211	906	7.8	7.2	198,984	191,684	96.3	2.8	2.8	396,875	370,895	93.5
Basler životno osiguranje d.d.	64,702	49,818	77.0	2.5	2.0				0.0	0.0	64,702	49,818	77.0
Cardif osiguranje d.d.				0.0	0.0	25,205	35,502	140.9	0.4	0.5	25,205	35,502	140.9
Cosmopolitan Life VIG d.d.	82,190	87,443	106.4	3.2	3.5				0.0	0.0	82,190	87,443	106.4
Croatia osiguranje d.d.	363,697	356,410	98.0	14.3	14.3	2,880,265	2,673,076	92.8	40.4	38.6	3,243,961	3,029,486	93.4
Croatia zdravstveno osiguranje d.d.				0.0	0.0	88,600	97,007	109.5	1.2	1.4	88,600	97,007	109.5
Erste VIG osiguranje d.d.	75,267	88,820	118.0	3.0	3.6				0.0	0.0	75,267	88,820	118.0
Euroherc osiguranje d.d.				0.0	0.0	1,086,568	1,043,612	96.0	15.2	15.1	1,086,568	1,043,612	96.0
Generali osiguranje d.d.	127,461	106,425	83.5	5.0	4.3	138,983	165,629	119.2	1.9	2.4	266,443	272,054	102.1
Grawe Hrvatska d.d.	267,070	259,009	97.0	10.5	10.4	165,787	157,419	95.0	2.3	2.3	432,857	416,428	96.2
Helios VIG d.d.	51,353	52,805	102.8	2.0	2.1	63,471	46,991	74.0	0.9	0.7	114,823	99,796	86.9
HOK osiguranje d.d.				0.0	0.0	105,058	145,128	138.1	1.5	2.1	105,058	145,128	138.1
Jadransko osiguranje d.d.				0.0	0.0	680,209	661,051	97.2	9.5	9.6	680,209	661,051	97.2
KD životno osiguranje d.d.	812	4,246	522.7	0.0	0.2				0.0	0.0	812	4,246	522.7
Kvarner VIG d.d.	206,030	214,029	103.9	8.1	8.6	334,449	326,507	97.6	4.7	4.7	540,479	540,536	100.0
Merkur osiguranje d.d.	267,484	264,198	98.8	10.5	10.6	29,222	31,740	108.6	0.4	0.5	296,706	295,938	99.7
Societe Generale d.d.		17,701		0.0	0.7				0.0	0.0		17,701	
Sunce osiguranje d.d.				0.0	0.0	186,307	180,803	97.0	2.6	2.6	186,307	180,803	97.0
Triglav osiguranje d.d.	80,776	81,409	100.8	3.2	3.3	297,084	318,681	107.3	4.2	4.6	377,860	400,089	105.9
Unica osiguranje d.d.	92,295	121,792	132.0	3.6	4.9	91,272	112,578	123.3	1.3	1.6	183,567	234,370	127.7
Velebit osiguranje d.d.				0.0	0.0	38,468	51,818	134.7	0.5	0.7	38,468	51,818	134.7
Velebit životno osiguranje d.d.	7,948	9,913	124.7	0.3	0.4				0.0	0.0	7,948	9,913	124.7
Victoria osiguranje d.d.				0.0	0.0		131		0.0	0.0		131	
Victoria životno osiguranje d.d.	979	31,158	3,181.6	0.0	1.3				0.0	0.0	979	31,158	3,181.6
Allianz reosiguranje d.d.						3,577	2,026	56.6	0.7	0.4	3,577	2,026	56.6
Croatia Lloyd d.d.						481,792	482,164	100.1	99.3	99.6	481,792	482,164	100.1
TOTAL insurance companies	2,545,775	2,488,675	97.8	100.0	100.0	7,134,366	6,916,790	97.0	100.0	100.0	9,680,141	9,405,465	97.2
TOTAL reinsurance companies				0.0	0.0	485,369	484,190	99.8	100.0	100.0	485,369	484,190	99.8
TOTAL	2,545,775	2,488,675	97.8	0.0	0.0	7,619,735	7,400,980	97.1	0.0	0.0	10,165,510	9,889,655	97.3

Source: HANFA

- Share for each insurance company is calculated as the share of total written premium of insurance companies, while the share of each reinsurance company is calculated as the share of total written premium of reinsurance companies.

Table C10: Operating Results of Insurance and Reinsurance (in HRK thousand)

INSURANCE AND REINSURANCE COMPANIES	Life		Non-life		Total		Total
	1 Jan 2008 - 31 Dec 2008	1 Jan 2009 - 31 Dec 2009	1 Jan 2008 - 31 Dec 2008	1 Jan 2009 - 31 Dec 2009	1 Jan 2008 - 31 Dec 2008	1 Jan 2009 - 31 Dec 2009	Index 2009/2008
1	2	3	4	5	6 (2+4)	7 (3+5)	8
Agram životno osiguranje d.d.	51,823	32,136			51,823	32,136	62.0
Allianz Zagreb d.d.	3,408	2,421	13,115	40,544	16,523	42,964	260.0
Basler osiguranje d.d.			-3,374	11	-3,374	11	-0.3
Basler osiguranje Zagreb d.d.	-73,829	6,485	-6,973	-43,773	-80,802	-37,288	46.1
Basler životno osiguranje d.d.	3,043	-729			3,043	-729	-23.9
Cardif osiguranje d.d.			-6,388	-2,855	-6,388	-2,855	44.7
Cosmopolitan Life VIG d.d.	-11,415	-66,505			-11,415	-66,505	582.6
Croatia osiguranje d.d.	945	5,264	63,966	64,427	64,911	69,690	107.4
Croatia zdravstveno osiguranje d.d.			3,115	4,480	3,115	4,480	143.8
Erste VIG osiguranje d.d.	515	16			515	16	3.0
Euroherc osiguranje d.d.			54,390	59,637	54,390	59,637	109.6
Generali osiguranje d.d.	-40,008	-11,503	-16,462	-19,779	-56,470	-31,282	55.4
Grawe Hrvatska d.d.	20,358	16,970	12,405	9,367	32,763	26,338	80.4
Helios VIG d.d.	-22,341	-18,375	-8,962	-2,709	-31,303	-21,084	67.4
HOK osiguranje d.d.			140	-7,677	140	-7,677	-5,473.2
Jadransko osiguranje d.d.			36,755	37,802	36,755	37,802	102.8
KD životno osiguranje d.d.	-9,618	-7,267			-9,618	-7,267	75.6
Kvarner VIG d.d.	-15,875	-1,333	-14,881	-19,398	-30,756	-20,732	67.4
Merkur osiguranje d.d.	1,585	21,644	-760	3,223	824	24,867	3,016.3
Societe Generale d.d.		-2,756				-2,756	
Sunce osiguranje d.d.			12,774	13,650	12,774	13,650	106.9
Triglav osiguranje d.d.	-4,282	-6,778	-43,274	-98,986	-47,557	-105,764	222.4
Uniq osiguranje d.d.	344	1,844	2,707	678	3,051	2,522	82.7
Velebit osiguranje d.d.			-17,564	-18,522	-17,564	-18,522	105.5
Velebit životno osiguranje d.d.	-9,829	-9,330			-9,829	-9,330	94.9
Victoria osiguranje d.d.				-2,232		-2,232	
Victoria životno osiguranje d.d.	-5,463	-1,961			-5,463	-1,961	35.9
Allianz reosiguranje d.d.			237	41	237	41	17.4
Croatia Lloyd d.d.			43,607	28,099	43,607	28,099	64.4
TOTAL insurance companies	-110,640	-39,759	80,728	17,887	-29,912	-21,872	73.1
TOTAL reinsurance companies			43,844	28,140	43,844	28,140	64.2
TOTAL	-110,640	-39,759	124,572	46,027	13,932	6,268	45.0

Source: HANFA

Table C1.1: 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			PREMIUM REFUNDS REGARDLESS OF RESULT (BONUS AND DISCOUNTS), net amount			EQUALISATION RESERVES, net amount			OTHER TECHNICAL PROVISIONS, net amount			
	31 Dec 2008	31 Dec 2009	31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2008	31 Dec 2009
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15								
Agram životno osiguranje d.d.	808,469	912,368	4,787	4,671	786,469	890,391	17,212	17,306														
Allianz Zagreb d.d.	1,646,126	1,822,286	278,854	256,670	969,143	1,136,879	396,897	427,678	1,104	940												
Basler osiguranje d.d.	39,325	39,552	12,390	12,799			26,935	26,753														
Basler osiguranje Zagreb d.d.	1,495,157	1,516,587	88,894	95,542	1,178,937	1,202,018	227,326	219,026														
Basler životno osiguranje d.d.	108,007	123,583	96	95	106,169	121,258	1,742	2,230														
Cardif osiguranje d.d.	15,509	33,923			14,117	29,186	1,392	4,737														
Cosmopolitan Life VIG d.d.	173,400	295,188	211	182	172,038	290,585	1,152	4,421														
Croatia osiguranje d.d.	5,308,279	5,280,252	1,093,320	994,695	1,497,392	1,636,179	2,703,367	2,634,978														
Croatia zdravstveno osiguranje d.d.	66,000	61,522	46,790	44,817			10,347	7,843	8,862	8,862												
Eriste VIG osiguranje d.d.	137,638	188,555	-49	3	136,827	187,909	861	643														
Euroherc osiguranje d.d.	1,307,050	1,455,707	558,341	555,697			748,710	900,010														
Generali osiguranje d.d.	464,603	517,725	63,127	62,795	335,751	382,223	59,700	72,707														
Grawe Hrvatska d.d.	1,859,835	1,956,841	69,383	68,560	1,633,661	1,726,189	151,349	162,091														
Helios VIG d.d.	448,610	447,551	25,171	20,766	343,494	351,963	79,812	74,608														
HOK osiguranje d.d.	84,949	148,423	51,200	68,979			33,748	79,443														
Jadransko osiguranje d.d.	780,348	817,623	337,077	331,225			443,272	486,358														
KD životno osiguranje d.d.	51	317	4	14	13	92	34	211														
Kvarner VIG d.d.	738,774	821,459	117,454	129,696	454,248	507,755	164,612	180,694														
Merkur osiguranje d.d.	1,326,505	1,461,263	10,122	10,424	1,237,079	1,370,567	79,261	80,233														
Societe Generale d.d.		9,097				8,560		537														
Sunce osiguranje d.d.	187,754	194,845	80,308	78,523			107,333	116,241	112	81												
Triglav osiguranje d.d.	509,270	577,272	131,480	140,411	148,894	187,056	226,921	243,827														
Uniq osiguranje d.d.	218,713	307,122	24,514	32,448	174,166	251,203	20,033	23,295														
Velebit osiguranje d.d.	22,053	43,033	15,784	21,986			6,269	21,047														
Velebit životno osiguranje d.d.	9,528	13,716	18	40	9,195	13,595	314	80														
Victoria osiguranje d.d.		96		75				22														
Victoria životno osiguranje d.d.	781	4,445			781	4,445																
Allianz reosiguranje d.d.	288	227	51	20			237	207														
Croatia Lloyd d.d.	399,186	410,594	59,771	56,761			315,930	326,127	168	197												
TOTAL insurance companies	17,756,735	19,050,351	3,009,276	2,931,112	9,198,374	10,298,053	5,508,598	5,787,020	10,078	10,060	512	740	29,897	23,366								
TOTAL reinsurance companies	399,473	410,821	59,822	56,781			316,167	326,333	168	197	512	740	23,316	27,510								
TOTAL	18,156,209	19,461,172	3,069,098	2,987,893	9,198,374	10,298,053	5,824,765	6,113,353	10,247	10,257	512	740	53,214	50,876								

Source: HANFA

Table C12: Profit and Loss Account of Insurance and Reinsurance Companies (in HRK thousand)

No.	Position mark	Description of position	1 Jan 2008 - 31 Dec 2008			1 Jan 2009 - 31 Dec 2009		
			Life	Non-life	Total	Life	Non-life	Total
1	2	3	4	5	6 (4+5)	7	8	9 (7+8)
001	I	Earned premiums	2,450,607	6,163,697	8,614,305	2,391,251	6,168,346	8,559,597
010	II	Income from investments	645,550	490,144	1,135,675	778,988	750,323	1,529,310
024	III	Income from fees and commissions	32,120	240,711	272,831	22,900	198,388	221,288
025	IV	Other insurance-technical income, net of reinsurance	34,580	156,977	191,556	7,445	54,819	62,264
026	V	Other income	8,720	85,951	94,671	7,219	82,712	89,931
027	VI	Expenses for insured events, net	-673,217	-4,023,867	-4,697,084	-912,188	-3,852,882	-4,765,070
036	VII	Changes in other technical provisions, net of reinsurance (+/-)	-1,109,219	-13,220	-1,122,439	-1,078,243	-19,326	-1,097,569
044	VIII	Changes in technical provisions of life assurance when insurer bears the investment risk, net of reinsurance (+/-)	-74,203		-74,203	-109,329		-109,329
051	X	Expenses for premium returns (bonuses and discounts), net of reinsurance	-908,134	-2,390,107	-3,298,241	-865,242	-2,586,574	-3,451,816
060	XI	Business expenditures (costs for operating activities), net	-470,187	-302,196	-772,383	-236,915	-267,198	-504,113
067	XII	Investment costs	-11,530	-200,452	-211,982	-15,781	-366,214	-381,994
070	XIII	Other technical expenses, net of reinsurance	-21,781	-24,145	-45,926	-3,973	-26,899	-30,872
071	XIV	Other expenses, including time adjustments	-96,714	181,514	84,800	-13,869	135,485	121,616
072	XV	Profit or loss for the accounting period before tax (+/-)	-13,926	-56,942	-70,868	-25,889	-89,458	-115,347
075	XVI	Profit/loss tax	-110,640	124,572	13,932	-39,759	46,027	6,268
085	1	Profit or loss for the accounting period after tax (+/-)	3,182,652	7,145,653	10,328,305	3,205,398	7,256,206	10,461,603
086	2	TOTAL INCOME	-3,293,292	-7,021,081	-10,314,373	-3,245,157	-7,210,178	-10,455,335
		TOTAL EXPENDITURES						
		Overview of income and expenditures by source of assets						
		Income from investing capital						
		Income from investing mathematical provisions	34,223	87,740	121,963	51,636	135,772	187,408
		Income from investing other technical provisions	601,006	819	601,825	681,016	1,880	682,897
		Total income from investments	9138	401,585	410,723	23,942	612,670	636,612
		Expenditures from investing capital	644,366	490,144	1,134,511	756,594	750,323	1,506,917
		Expenditures from investing mathematical provisions	-72,086	-53,527	-125,614	-28,798	-82,035	-110,833
		Expenditures from investing other technical provisions	-315,097	-51	-315,148	-196,643	-717	-197,359
		Total expenditures from investments	-19,463	-248,618	-268,081	-10,686	-184,446	-195,132
			-406,646	-302,196	-708,842	-236,126	-267,198	-503,324

Source: HANFA

Table C13: Insurance and Reinsurance Companies' Total Assets (in HRK thousand)

INSURANCE AND REINSURANCE COMPANIES	31 Dec 2008			Share in assets of all companies	31 Dec 2009			Share in assets of all companies	Index 2009/2008
	Life	Non-life	Total		Life	Non-life	Total		
1	2	3	4 (2+3)	5	6	7	8 (6+7)	9	10
Agram životno osiguranje d.d.	1,057,637		1,057,637	4.1%	1,179,868		1,179,868	4.2%	111.6
Allianz Zagreb d.d.	1,458,748	1,023,878	2,482,626	9.7%	1,674,022	1,094,377	2,768,399	9.9%	111.5
Basler osiguranje d.d.		73,956	73,956	0.3%		76,515	76,515	0.3%	103.5
Basler osiguranje Zagreb d.d.	1,280,725	396,680	1,677,405	6.5%	1,429,943	420,587	1,850,531	6.6%	110.3
Basler životno osiguranje d.d.	152,832		152,832	0.6%	167,660		167,660	0.6%	109.7
Cardif osiguranje d.d.		48,379	48,379	0.2%		66,695	66,695	0.2%	137.9
Cosmopolitan Life VIG d.d.	211,658		211,658	0.8%	350,245		350,245	1.3%	165.5
Croatia osiguranje d.d.	1,688,137	5,456,129	7,144,267	27.8%	1,878,564	5,756,538	7,635,102	27.3%	106.9
Croatia zdravstveno osiguranje d.d.		104,167	104,167	0.4%		122,387	122,387	0.4%	117.5
Erste VIG osiguranje d.d.	172,381		172,381	0.7%	246,829		246,829	0.9%	143.2
Euroherc osiguranje d.d.		2,354,079	2,354,079	9.2%		2,556,871	2,556,871	9.2%	108.6
Generali osiguranje d.d.	401,717	200,433	602,150	2.3%	435,208	252,827	688,035	2.5%	114.3
Grawe Hrvatska d.d.	1,789,928	343,014	2,132,942	8.3%	1,922,012	354,202	2,276,214	8.2%	106.7
Helios VIG d.d.	374,191	193,630	567,821	2.2%	429,983	176,185	606,169	2.2%	106.8
HOK osiguranje d.d.		127,762	127,762	0.5%		200,212	200,212	0.7%	156.7
Jadransko osiguranje d.d.		1,591,514	1,591,514	6.2%		1,637,530	1,637,530	5.9%	102.9
KD životno osiguranje d.d.	29,720		29,720	0.1%	28,897		28,897	0.1%	97.2
Kvarner VIG d.d.	873,248	530,047	1,403,295	5.5%	1,014,605	531,118	1,545,723	5.5%	110.1
Merkur osiguranje d.d.	1,406,663	80,548	1,487,212	5.8%	1,614,101	91,906	1,706,007	6.1%	114.7
Societe Generale d.d.				0.0%	49,739		49,739	0.2%	
Sunce osiguranje d.d.		358,260	358,260	1.4%		364,203	364,203	1.3%	101.7
Triglav osiguranje d.d.	238,961	550,125	789,086	3.1%	293,627	553,688	847,315	3.0%	107.4
Uniqa osiguranje d.d.	469,840	464,909	934,749	3.6%	467,983	218,624	686,607	2.5%	73.5
Velebit osiguranje d.d.		80,206	80,206	0.3%		99,491	99,491	0.4%	124.0
Velebit životno osiguranje d.d.	64,984		64,984	0.3%	59,582		59,582	0.2%	91.7
Victoria osiguranje d.d.				0.0%		31,897	31,897	0.1%	
Victoria životno osiguranje d.d.	40,767		40,767	0.2%	70,904		70,904	0.3%	173.9
Allianz reosiguranje d.d.		28,474	28,474	3.2%		26,218	26,218	3.0%	92.1
Croatia Lloyd d.d.		872,193	872,193	96.8%		859,693	859,693	97.0%	98.6
TOTAL insurance companies	11,712,137	13,977,717	25,689,853	100.0%	13,313,772	14,605,855	27,919,627	100.0%	108.7
TOTAL reinsurance companies		900,667	900,667	100.0%		885,911	885,911	100.0%	98.4
TOTAL	11,712,137	14,878,383	26,590,520	0.0%	13,313,772	15,491,766	28,805,538	0.0%	108.3

Source: HANFA

- Asset share for each insurance company is calculated as the share of total assets of insurance companies, while the asset share of each reinsurance company is calculated as the share of total assets of reinsurance companies.

Table D1: Total Assets of Leasing Companies (in HRK thousand)

Description / Date	31 Dec 2007	31 Dec 2008	31 Dec 2009
RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID	0	0	0
LONG TERM ASSETS (fixed assets)	26,919,867	28,394,641	24,754,860
INTANGIBLE ASSETS	23,924	42,175	29,451
TANGIBLE ASSETS	11,294,451	13,065,275	10,790,096
Tangible assets in preparation (investments in progress)	416,586	437,625	165,865
Tangible assets given under operating lease	10,657,341	12,401,515	10,386,727
in that assets given under operating lease to non-residents	3,528	3,903	3,219
Passenger cars	6,101,477	6,548,946	5,506,917
Commercial (load and transport) vehicles	958,493	1,514,208	1,625,828
Machines and equipment	1,940,583	1,896,704	982,696
Plants	15,031	4,955	3,280
Real estate	682,381	919,584	887,009
Vessels	899,830	1,403,005	1,279,520
Other	59,545	114,113	101,476
Other tangible assets	220,525	226,136	237,503
LONG-TERM FINANCIAL ASSETS	4,500,081	2,582,953	2,153,951
Investments in subsidiaries, associates and joint ventures	79,659	43,087	521,796
Long term loans given to related persons	64,161	35,010	1,245
Investment in long-term securities	113,547	117,945	130,396
Long term loans	4,228,665	2,374,983	1,490,683
Long term deposits	509	2,270	1,948
Other financial assets	13,541	9,659	7,883
LONG-TERM RECEIVABLES	11,101,410	12,704,238	11,781,362
Receivables under finance lease	11,096,492	12,698,668	11,777,660
Receivables from related persons	0	0	1,011
Other receivables	4,919	5,569	2,691
SHORT-TERM ASSETS	3,230,570	6,454,735	8,565,911
INVENTORY	96,778	94,751	318,651
SHORT-TERM RECEIVABLES	1,799,019	3,597,473	4,954,393
Receivables under operating lease	230,809	297,901	295,001
Receivables under financial lease	778,345	2,747,631	4,252,780
Receivables from related persons	19,901	42,108	43,077
State and other institutions receivables	90,254	124,011	84,743
Other receivables	679,710	385,822	278,791
SHORT-TERM FINANCIAL ASSETS	959,289	2,481,596	3,025,517
Investments in subsidiaries, associates and joint ventures	0	0	0
Investments in securities	102,244	99,775	5,000
Given loans	466,127	1,477,125	1,625,818
Given deposits	382,160	886,544	1,345,356
Other assets	8,758	18,153	49,344
CASH AT BANK AND IN HAND	375,485	280,915	267,349
PREPAYMENTS AND ACCRUED INCOME	153,428	218,559	313,361
TOTAL ASSETS	30,303,865	35,067,935	33,634,131
Off-balance sheet items	760,153	933,584	1,608,624

Source: HANFA

Table D2: Total Liabilities of Leasing Companies (in HRK thousand)

Description / Date	31 Dec 2007	31 Dec 2008	31 Dec 2009
CAPITAL AND RESERVES	766,772	72,061	-61,922
Subscribed capital	428,756	401,653	617,520
in that owned by non-residents	285,055	258,846	490,033
Revaluation reserves	7	-3,353	-3,353
Other reserves	280,760	190,001	260,638
Retained profit/transferred loss	142,880	-61,087	-311,997
Profit/loss for the year	-85,632	-455,153	-624,729
LONG-TERM LIABILITIES	25,551,999	30,174,993	25,286,810
Liabilities towards related companies	11,792,640	14,434,677	12,182,559
Foreign bank and financial institutions loans	11,250,672	13,188,240	10,785,162
Domestic bank and financial institutions loans	932,971	751,336	826,521
Liabilities for advances, deposits and guarantees in respect of lease	1,571,480	1,790,231	1,460,177
Liabilities for issued securities	0	1,806	0
Other long-term liabilities	4,236	8,703	32,391
SHORT-TERM LIABILITIES	3,369,447	4,091,188	7,752,041
Liabilities towards related companies	1,597,011	542,386	1,901,433
Foreign bank and financial institutions loans	372,398	2,514,163	4,925,443
Domestic bank and financial institutions loans	605,699	463,943	220,349
Liabilities for advances, deposits and guarantees in respect of lease	0	0	0
Liabilities for issued securities	356,263	311,858	432,099
Other short-term liabilities	438,077	258,838	272,717
ACCRUALS AND DEFERRED INCOME	615,648	729,693	657,202
TOTAL LIABILITIES	30,303,865	35,067,935	33,634,131
Off-balance sheet items	760,153	933,584	1,608,624

Source: HANFA

Table D3: Leasing Companies' Profit and Loss Account (in HRK thousand)

Description	1 Jan 2007 - 31 Dec 2007	1 Jan 2008 - 31 Dec 2008	1 Jan 2009 - 31 Dec 2009
INTEREST INCOME	1,176,081	1,435,397	1,436,603
Interest income - finance lease	777,043	1,065,499	1,081,648
Interest income - given loans	359,606	302,542	217,056
Other interest income	39,432	67,356	137,898
INTEREST EXPENDITURE	1,164,578	1,547,996	926,296
Interest expenditure for credits from domestic banks	57,112	45,432	37,396
Interest expenditure for credits from foreign banks	1,075,060	1,465,432	850,545
Other interest expenditure	32,406	37,132	38,355
PROFIT/LOSS FROM INTEREST	11,503	-112,599	510,306
PROFIT FROM COMMISSIONS AND FEES	35,570	53,485	100,690
EXPENDITURE FOR COMMISSIONS AND FEES	19,492	25,360	24,871
PROFIT/LOSS FROM COMMISSIONS AND FEES	16,078	28,125	75,818
OTHER BUSINESS INCOME	11,794,800	13,713,448	9,068,646
Income realised from operating lease	3,098,051	3,132,521	3,186,354
Income from reimbursable expenses and damage on assets in operating lease	164,577	222,672	273,606
Profit from sale of assets from operating lease	81,831	130,335	153,384
Income from sale of assets from finance lease	26,199	29,557	87,611
Income from "sale" on the basis of finance lease	7,476,882	8,039,985	4,399,989
Profit from sale of other assets	987	4,478	5,019
Positive exchange rate differentials	493,984	1,830,692	721,090
Other income	452,290	323,207	241,594
OTHER BUSINESS EXPENDITURE	11,500,352	13,698,397	8,845,204
Expense for depreciation of assets in operating lease	1,860,319	2,284,995	2,369,602
Expense for depreciation of other assets	30,617	30,957	29,415
Reimbursable expenses and damage on assets in operating lease	149,506	204,047	287,198
Loss from sale of assets from operating lease	135,793	200,797	193,995
Expense for purchase of assets for finance lease	7,510,222	8,064,558	4,457,185
Loss from sale of other assets	723	2,324	8,515
Staff expenses	234,784	256,506	239,006
Overheads and administrative business expenses	292,969	300,602	281,456
Negative exchange rate differentials	442,038	2,086,276	721,949
Other expenditure	843,381	267,335	256,882
PROFIT/LOSS FROM OTHER INCOME AND EXPENDITURE	294,449	15,051	223,442
PROFIT/LOSS BEFORE VALUE ADJUSTMENT EXPENSES FOR LOSSES FROM IMPAIRMENT	322,029	-69,423	809,567
Value adjustment expenses for losses from impairment	318,392	352,071	1,369,514
PROFIT/LOSS BEFORE PROFIT TAX	3,638	-421,494	-559,947
Profit tax	89,270	33,659	64,782
PROFIT/LOSS AFTER PROFIT TAX	-85,632	-455,153	-624,729

Source: HANFA

Table D4: Structure of Active Lease Contracts by Type and by Leased/Loaned Asset

	As at:	31 Dec 2007		31 Dec 2008		31 Dec 2009	
	Description	Number of active contracts	Active contracts' value (in HRK thousand)	Number of active contracts	Active contracts' value (in HRK thousand)	Number of active contracts	Active contracts' value (in HRK thousand)
Operating lease	TOTAL	76,615	14,763,766	87,279	18,123,753	81,886	17,031,735
	Passenger cars	63,334	8,151,690	73,712	9,956,572	69,050	9,525,699
	Commercial vehicles	9,275	2,103,244	8,690	2,426,411	8,039	2,467,326
	Machines and equip.	2,986	2,367,200	3,601	2,648,653	3,452	1,910,401
	Plants	14	22,119	21	35,379	18	43,390
	Real estate	107	797,820	115	1,084,618	100	1,049,115
	Vessels	721	1,209,500	936	1,850,416	947	1,960,896
	Other	178	112,192	204	121,703	280	74,909
	TOTAL	61,795	16,664,831	73,080	21,420,135	73,438	24,459,816
Finance lease	Passenger cars	34,615	4,543,497	41,535	5,676,494	42,372	5,734,645
	Commercial vehicles	15,692	4,427,536	18,224	5,832,597	17,349	5,629,777
	Machines and equip.	9,254	3,977,177	10,618	4,734,272	10,942	6,083,596
	Plants	38	32,280	38	25,293	45	27,637
	Real estate	701	2,844,969	860	4,015,285	1,004	5,786,730
	Vessels	836	611,974	892	823,676	844	863,257
	Other	659	227,399	913	312,517	882	334,174
		TOTAL	19,997	7,793,352	17,213	7,226,683	11,090
Loans	Passenger cars	11,637	1,152,555	9,801	1,011,500	6,195	655,156
	Commercial vehicles	4,495	965,227	3,942	846,591	2,449	548,290
	Machines and equip.	2,565	1,132,509	2,321	1,033,286	1,554	797,329
	Plants	12	7,064	10	6,558	8	5,924
	Real estate	725	3,877,154	647	3,751,256	552	3,571,470
	Vessels	472	361,251	410	319,338	277	240,127
	Other	91	297,591	82	258,154	55	215,050
		TOTAL	158,407	39,221,949	177,572	46,770,571	166,414
TOTAL	Passenger cars	109,586	13,847,742	125,048	16,644,566	117,617	15,915,501
	Commercial vehicles	29,462	7,496,006	30,856	9,105,600	27,837	8,645,393
	Machines and equip.	14,805	7,476,887	16,540	8,416,210	15,948	8,791,326
	Plants	64	61,464	69	67,231	71	76,951
	Real estate	1,533	7,519,943	1,622	8,851,160	1,656	10,407,315
	Vessels	2,029	2,182,725	2,238	2,993,430	2,068	3,064,281
	Other	928	637,182	1,199	692,374	1,217	624,132

Source: HANFA

Table D5: Structure of Newly Concluded Lease Contracts by Type and by Leased/Loaned Asset

As at:	31 Dec 2007		31 Dec 2008		31 Dec 2009	
	Description	Number of newly concluded lease contracts	Value of newly concluded lease contracts in (HRK thousand)	Number of newly concluded lease contracts	Value of newly concluded lease contracts in (HRK thousand)	Number of newly concluded lease contracts
TOTAL	31,010	6,286,393	31,451	6,661,611	15,394	3,126,571
Operating lease						
Passenger cars	27,059	3,559,020	25,562	3,394,470	13,686	1,777,611
Commercial vehicles	2,562	644,019	4,168	1,059,838	1,059	710,595
Machines and equip.	832	1,222,013	1,224	649,058	342	228,941
Plants	9	25,531	11	18,982	3	10,211
Real estate	13	196,642	18	496,299	4	11,328
Vessels	331	590,281	402	1,024,746	169	375,727
Other	204	48,888	66	182,16	131	12,158
TOTAL	24,825	7,530,576	27,959	8,802,406	16,187	5,085,663
Finance lease						
Passenger cars	14,140	1,966,176	16,416	2,325,689	10,456	1,294,117
Commercial vehicles	6,073	1,863,353	6,505	2,382,962	2,892	959,713
Machines and equip.	3,476	1,715,359	3,626	1,721,573	1,891	922,305
Plants	16	7,841	11	6,993	13	9,869
Real estate	352	1,609,339	420	1,844,267	211	1,567,069
Vessels	361	242,532	369	396,982	156	219,213
Other	407	125,976	612	123,940	568	113,377
TOTAL	55,835	13,816,970	59,410	15,464,017	31,581	8,212,235
Loans						
Passenger cars	41,199	5,525,197	41,978	5,720,159	24,142	3,071,728
Commercial vehicles	8,635	2,507,372	10,673	3,442,800	3,951	1,670,308
Machines and equip.	4,308	2,937,373	4,850	2,370,632	2,233	1,151,246
Plants	25	33,372	22	25,975	16	20,080
Real estate	365	1,805,981	438	2,340,566	215	1,578,397
Vessels	692	832,813	771	1,421,728	325	594,940
Other	611	174,864	678	142,156	699	125,535

Source: HANFA

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