



Annual Report

2024



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Croatian Financial Services Supervisory Agency

Address: Franje Račkoga 6, 10000 Zagreb

Telephone: +385 1 6173 200

Fax: +385 1 4811 406

WEB: www.hanfa.hr

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FOREWORD

How did the financial services sector fare in 2024? Without much thought, I can say: extremely successfully. This is true both for us regulators and for entities under our supervision. All the more given that the previous year was very demanding, with numerous challenges and obstacles that we have overcome together, which I am very proud of.

Despite geopolitical instabilities and growing global uncertainty, the Croatian economy grew strongly, by 3.9%, spurred by low unemployment and robust wage growth, which led to an increase in personal consumption, again the largest driver of growth. Although inflation continued to slow down over the year, inflationary pressures mounted in the last quarter, pushing up inflation to a relatively high level of 4.5%, twice as high as the euro area average. Positive economic developments also contributed to the upgrading of Croatia's credit rating to A- level, which was confirmed by all three leading credit rating agencies. Although credit rating improvement did not have a significant effect on government bond yields in the short term, over the long term it will reduce the risk of public debt financing and, indirectly, systemic risks in the financial services sector.

Positive economic developments were also reflected in the excellent performance of companies in the financial sector. The strong growth in the capital market that started last year continued, with CROBEX rising by 26% and exceeding 3,000 points in October, for the first time since 2008. This growth was primarily the result of good business performance of issuers, but also increased investor demand. CROBIS also grew, by 4%, spurred by the ECB's interest rate cuts and the improved fiscal outlook. The issuance of "national" bonds and treasury bills again attracted the interest of small investors: around EUR 3.8bn was raised in a total of six issues, which reinforced the development of the domestic capital market and provided citizens with a safe alternative to bank savings.



Institutional investors also recorded excellent results in 2024. Pension funds' assets went up by 14.8% and reached EUR 24.7bn. This increase reflects favourable market factors, an increase in the number of members and higher contributions due to wage growth. At the same time, the sector's resilience was boosted by investment diversification, further driven by legislative amendments that entered into force at the beginning of the year and expanded investment opportunities to also include the so-called "alternative investment classes". Portfolio resilience is also strengthened by introducing clear criteria for sustainable and responsible risk management, which will serve as additional safeguard for funds and facilitate the payment of pensions to members in the long term. The importance of UCITS grew strongly in 2024. Their net assets increased by 41.0% and stood at EUR 3.2bn at the end of the year, the highest level in the past five years. The resilience of the insurance sector was even more boosted by increased capitalisation, which stood at 232% at the end of 2024, measured by the SCR ratio. Such results confirm that regulatory stability and a responsible investment policy bring tangible benefits for all – for fund members and insured persons, as well as for the long-term sustainability of the financial system as a whole.

During 2024, Hanfa was actively involved in the preparation and implementation of the EU-level regulations DORA and MiCA. By cooperating with national and European regulatory authorities, education and building of the legislative framework, we have prepared the market for their consistent application. The DORA Regulation introduces high standards for digital operational resilience of financial institutions. It implies not only detection and prevention, but also a rapid recovery from serious cyber threats. While imposing additional operational requirements, it provides an opportunity to strengthen the security, resilience and trust of clients. For us regulators, the DORA Regulation implies a broader competence and imposes a new level of responsibility in the supervisory processes, in which we will, for the first time, supervise not only supervised entities, but also their relations with third-party service providers. The MiCA Regulation further expands the supervisory responsibility of regulators and provides the first comprehensive legal framework for the regulation of the market in crypto-assets. It focuses on legal certainty, investor protection and the stability of the financial system in the area that has so far been only partially regulated or not regulated at all, laying down rules for issuers and service providers, which entail mandatory licensing and supervision. I am convinced that the implementation of these regulations is not only a regulatory obligation, but also an opportunity for us to jointly lay the foundation for a safer, more transparent and innovation-friendly financial system, prepared to respond to the challenges of the digital era ahead. Hanfa will continue to be a reliable partner in this process, consistent in its supervisory tasks, while providing support to the development of modern financial services for the benefit of markets and citizens.

Hanfa also made an important contribution to enhancing the confidence and attractiveness of the domestic capital market by participating in the drafting of the new Corporate Governance Code and the Strategic Framework for Capital Market

Development in the Republic of Croatia. The Code was introduced for the purpose of harmonization with the OECD/G20 international standards and EU requirements. Its provisions foster accountability, transparency and ethics, safeguarding the interests of shareholders and enhancing investor confidence. Croatia's efforts to become an emerging market, thus attracting large global investments and facilitating access to capital for domestic enterprises, have been translated into actual objectives in the Strategic Framework for Capital Market Development in the Republic of Croatia. The Framework is based on five strategic directions: strengthening regional integration, digitalisation, improving corporate governance, increasing liquidity and developing new investment instruments. I believe that this is crucial for building a strong, modern and internationally recognised capital market that will create opportunities for domestic enterprises to grow and provide greater benefits for all citizens.

During the year, we carried out numerous on-site and off-site inspections and exercises with financial sector participants. We continued to pay special attention to education and financial literacy of citizens. In 2024, we organised or participated in more than 100 educational events, with almost 4,300 participants, and further 3,000 participants who followed the events on-line. Compared with the previous year, we increased the number of activities by 28%, while the number of participants went up by 9%. This points to a growing interest of citizens, who are aware that financial literacy is not only an added value, but a necessary skill. In times of increasingly complex financial products, rapid digitalisation and greater personal responsibility for own financial security, education is becoming essential to protect citizens and strengthen the resilience of the system.

The period ahead brings us many challenges, but also opportunities. Digital transformation, climate risks, new regulatory frameworks and rapid changes in markets require proactivity, adaptability and collective action from all participants. Against this background, Hanfa remains committed to its mandate: ensuring a stable, transparent and sustainable financial system, where protection of financial services users is at the heart of all activities. Our aim is to create a regulatory framework that does not hamper development, but stimulates it in a responsible manner, over the long term and based on trust. I believe that through our joint efforts, dialogue and professionalism, we can successfully respond to all the challenges ahead and contribute to strengthening the financial system for the benefit of all its participants.



Ante Žigman
President of Hanfa Board



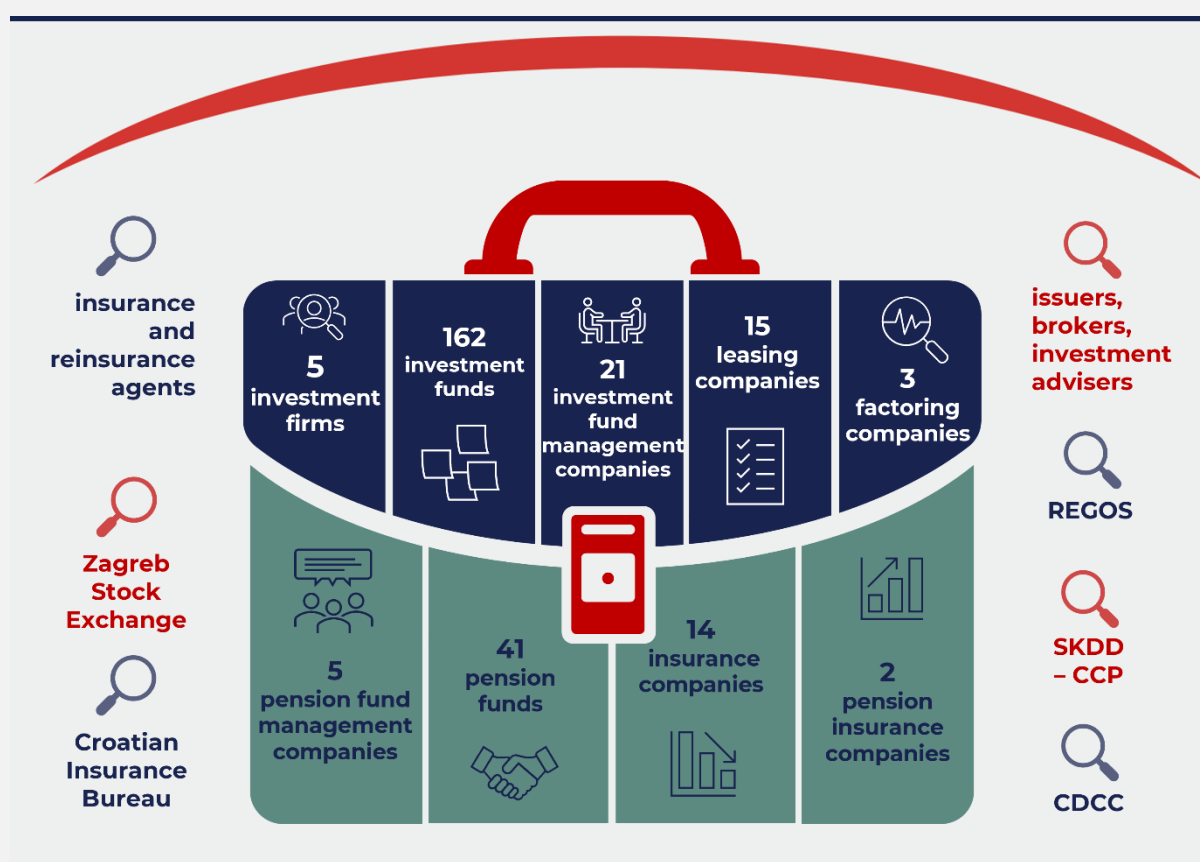
Members of Hanfa Board (from left to right):

Tomislav Ridzak, Anamarija Staničić, Ante Žigman (Board President), Jurica Jednačak and Antun Palarić

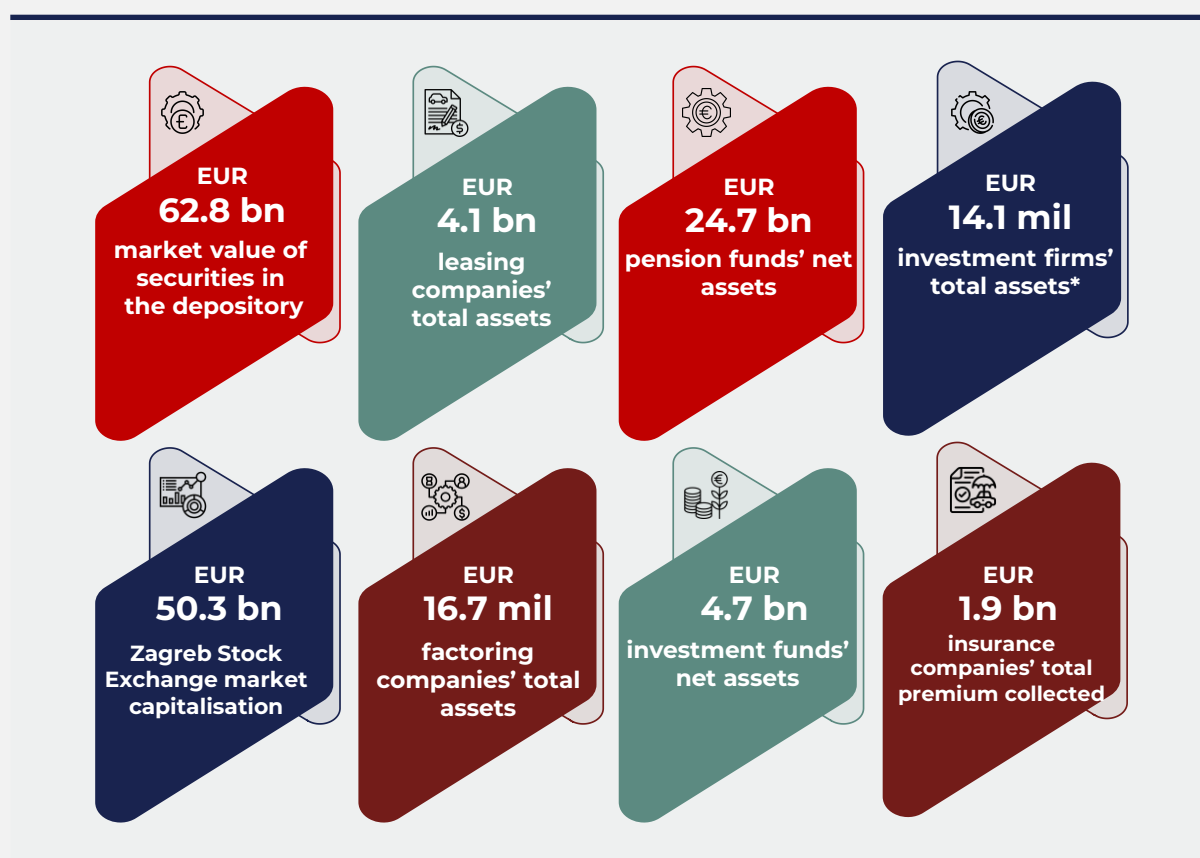
HANFA IN FIGURES

1 HANFA IN FIGURES

Figure 1 Supervised entities



Source: Hanfa

Figure 2 Financial overview

Note: *unrevised data as at 31 December 2024

Source: Hanfa

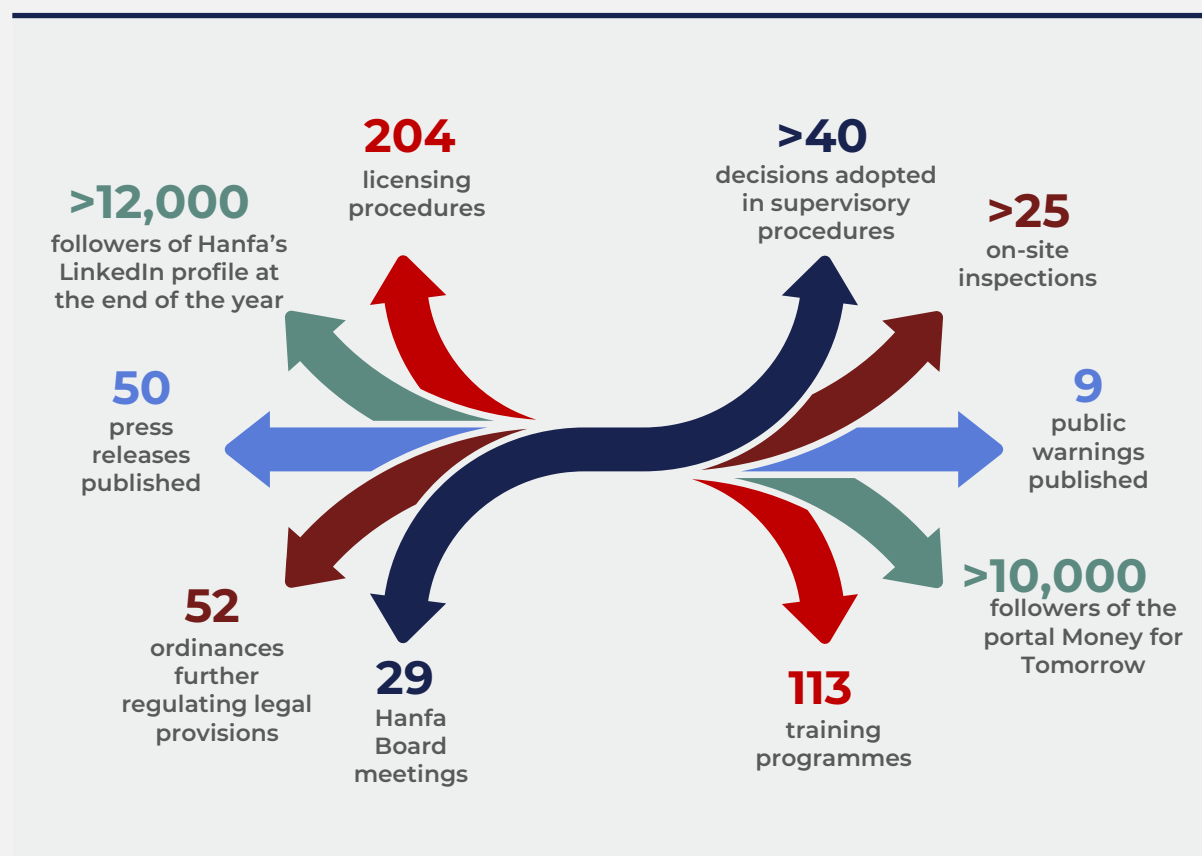
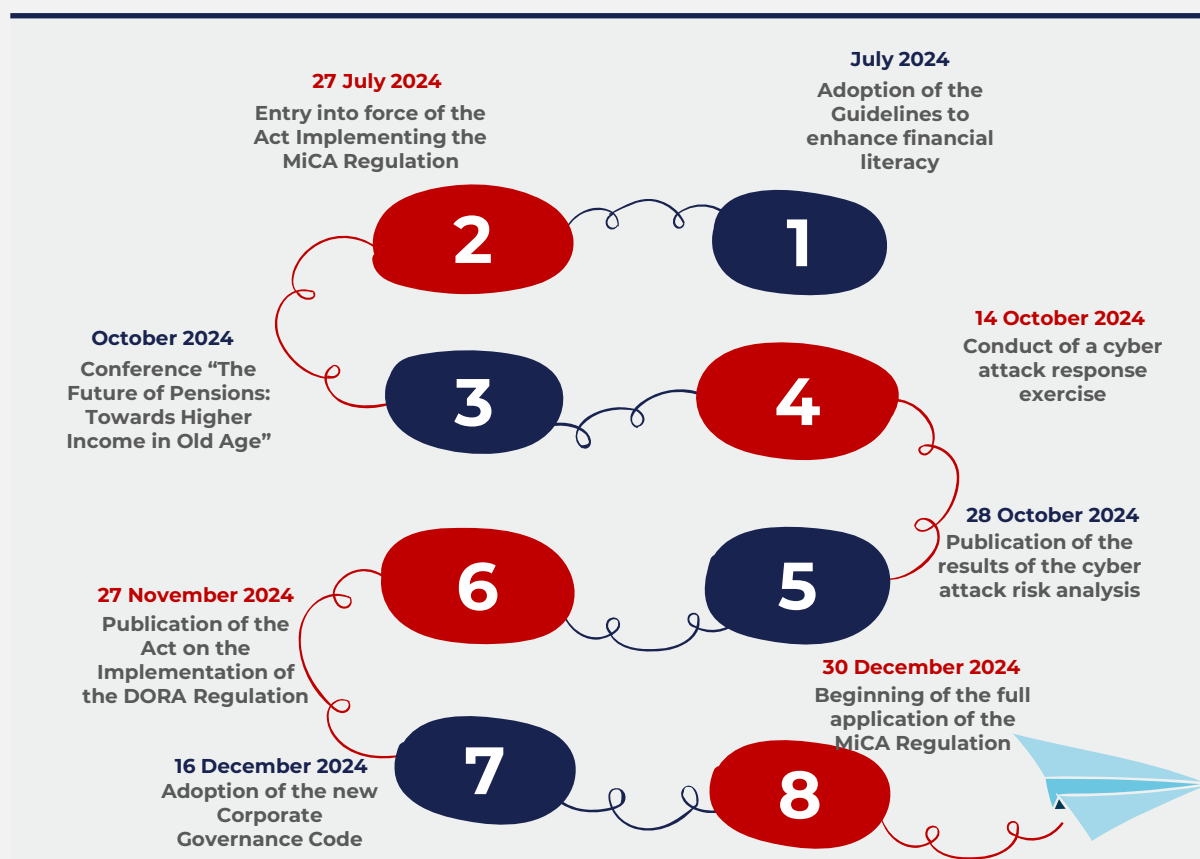
Figure 3 Hanfa's activities**Source:** Hanfa

Figure 4 Important dates

Source: Hanfa

TRENDS IN THE FINANCIAL SERVICES SECTOR

2 TRENDS IN THE FINANCIAL SERVICES SECTOR

The domestic economy continues to record positive growth rates and a decline in inflation rate despite geopolitical tensions and global uncertainties. Growing personal consumption spurred by a robust labour market and the rise in gross investments contributed the most to economic expansion. Favourable economic conditions also had a positive effect on public debt and credit rating, which continued to improve from the previous years. Positive developments in global financial markets also impacted the domestic capital market, with CROBEX surging by 26% during the year and continuing its positive trends from the year before. Against the backdrop of favourable market developments, institutional investors more exposed to stock markets, such as pension and investment funds, recorded an increase in both returns and total assets. As a result, the assets of the financial services sector rose by 14.7%, with total assets standing at EUR 40.4bn at the end of the year.

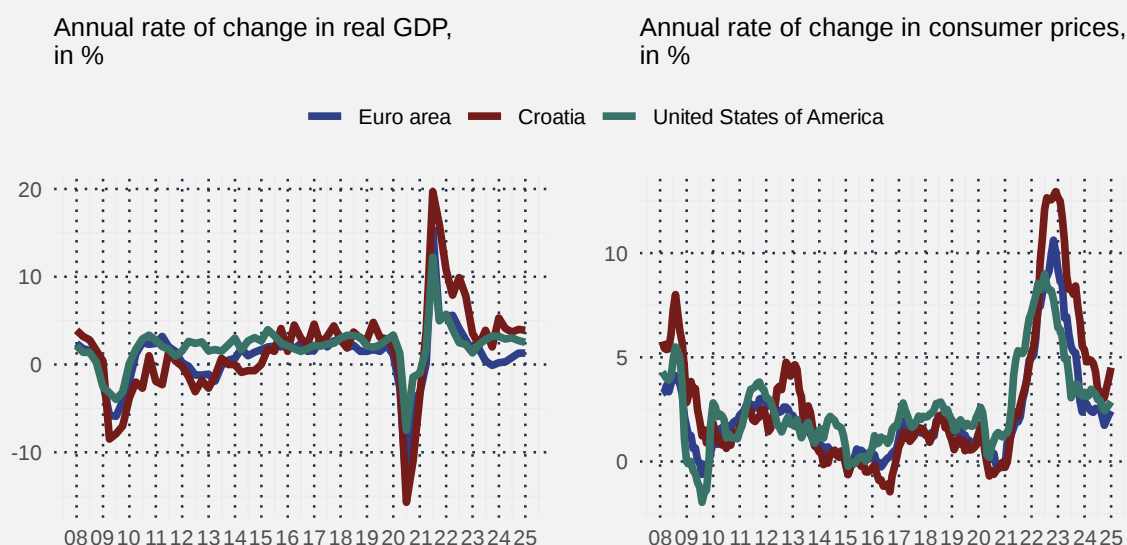
2.1 Macroeconomic developments and capital market

The domestic economy recorded a strong growth of 3.9% in 2024, up by 0.6 p.p. from the previous year. Inflation continued to abate in 2024 and stood at 4% on an annual level. The historically low unemployment rate of 5% at the end of the year and real net wage growth of 10.5% again stimulated the growth in personal consumption, which was the main determinant of economic growth in 2024 along with the rise in gross investments. Despite the negative contribution of net exports due to subdued foreign demand and import growth, the domestic economy continued to grow dynamically, and was among the fastest growing economies in Europe for the fourth consecutive year. In contrast to the domestic economy, euro area countries witnessed subdued growth of 0.9% in 2024 (an increase of 0.5 p.p. from 2023), reflecting a weak recovery amid elevated geopolitical tensions and sluggish foreign demand.

Despite an increase in expenditures, general government public finances remained stable on the back of a surge in economic activity and higher budget revenues. The noticeable increase in expenditures, of 12.6%, was partly offset by the rise in income, of 8.9%, which resulted in a budget deficit of EUR 2.03bn (2.4% of GDP) at end-2024. Although public debt increased by 2.1% in nominal terms, its share in GDP fell to 57.6%, down by 4.3 p.p. from the year before. Thus, for the first time since 2010, the public debt-to-GDP ratio fell below the 60% threshold prescribed by the Maastricht criteria. Favourable macroeconomic indicators and sustainable public debt management had a positive effect on financing conditions, that is, on long-term government bond yields, which stood at 3.1% at the end of the year, down by 30 b.p. from the levels recorded at end-2023. This continued the convergence of yields towards that of other euro area

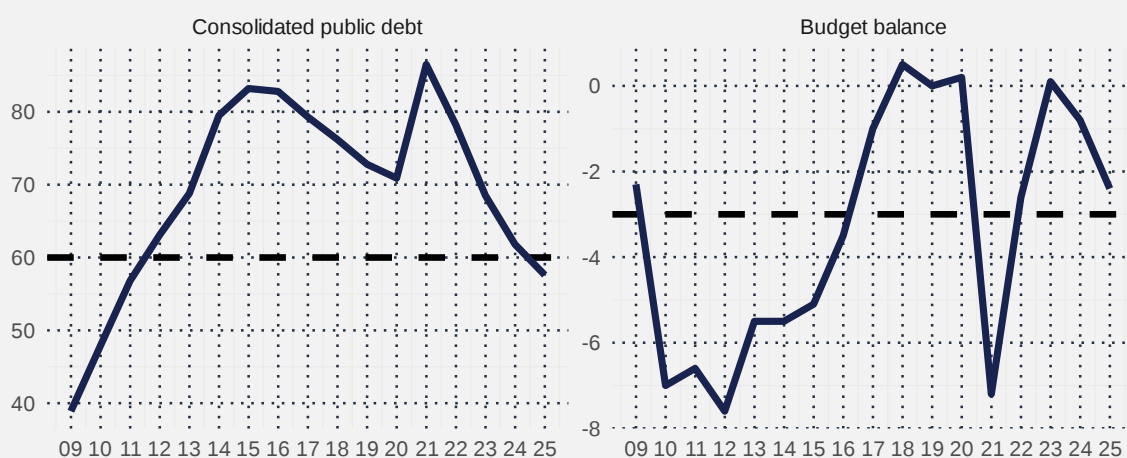
countries, which, together with other positive macroeconomic indicators, pushed Croatia's credit rating up to its highest historical levels¹.

Figure 2.1 Annual rates of change in real GDP and inflation



Sources: Eurostat, St. Louis Fed

Figure 2.2 Indicators of general government debt and finance situation in % of nominal GDP



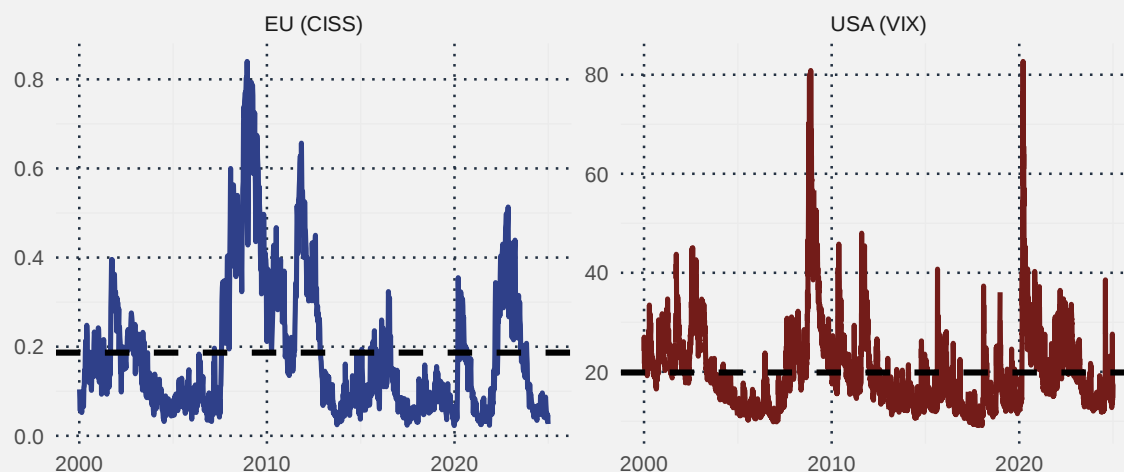
Note: The highlighted lines indicate public debt and budget balance levels defined in the convergence criteria under the Maastricht Treaty.
Source: Eurostat

Leading central banks started to pursue an expansionary monetary policy in mid-2024, reducing benchmark interest rates and continuing the process of asset reduction. Interest rate cuts, the avoidance of recession and the growing enthusiasm regarding technology companies boosted investor optimism, which stood at very high levels in 2024. Investor optimism and low market volatility contributed to the reduction of financial stress in 2024 (Figure 2.3) and had a positive impact on market valuations.

¹ All three leading credit rating agencies upgraded Croatia's credit rating to A- or A3.

Most classes of financial assets had solid returns in 2024, especially risky asset classes such as cryptocurrencies, but also traditional sectors such as banks, insurance and technology companies.

Figure 2.3 EU and US financial market volatility indices



Note: Horizontal dotted lines denote the average of the values shown.
Sources: ECB, St. Louis Fed

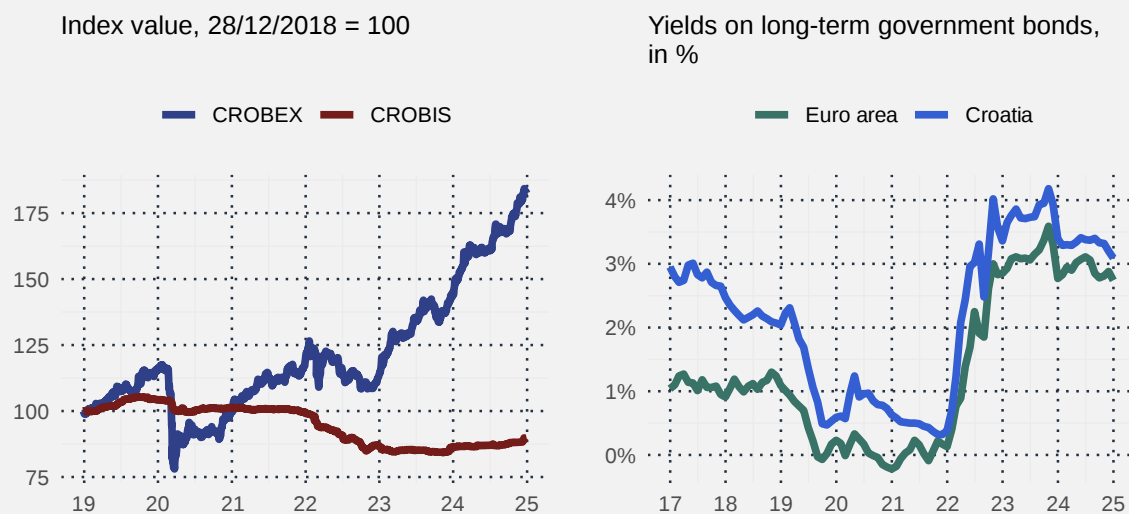
Positive investor sentiment and valuation growth in international financial markets spilled over to the domestic stock market, which hit record highs in 2024 (Figure 2.4). After a strong growth of 28% in 2023, the CROBEX stock index rose by further 26% in 2024, exceeding the level of 3,000 points for the first time since 2008. The CROBIS bond index also grew, by 4% in 2024, owing to the ECB's benchmark interest rate cuts and stable public finances.

The activity on the domestic capital market surged in 2024, so that the total Zagreb Stock Exchange (ZSE) turnover reached EUR 459.4m, up by 23.6% from the year before (Figure 2.5). The most traded were stocks, with a turnover of EUR 386.4m (an increase of 26.7%). Regular bond turnover declined by 7.5% (to EUR 47.1m). Exchange-traded funds (ETFs) again saw a strong growth in turnover, of 61.6%, reaching EUR 25.95m in 2024. Their share in total turnover thus reached 7.3%, indicating their growing importance for market liquidity.

At the end of 2024, there were 78 stocks listed on the ZSE, nine stocks less than in the year before², which continued the years-long downward trend in listed issues. The market capitalisation of removed stocks amounted to EUR 280.7m, that is, almost 0.7% of total market capitalisation at the end of 2023. Despite the absence of new listings, the market capitalisation of stocks grew by 26.3% in 2024, driven by the increase in valuation, and stood at EUR 28.9bn at the end of the year.

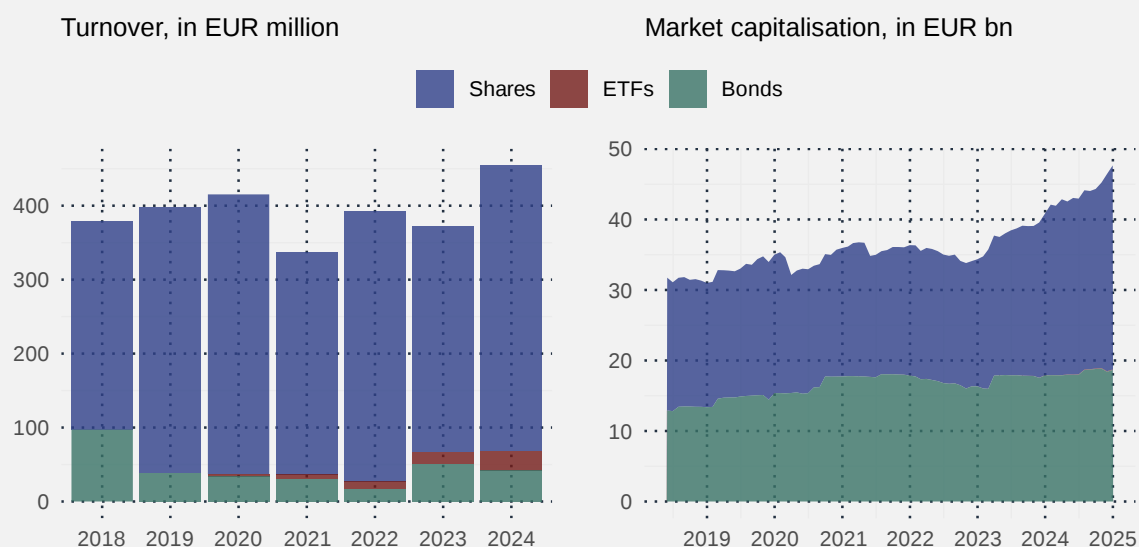
² Seven stocks were removed from trading on the Regular Market, while two stocks were removed from trading on the Official Market.

Figure 2.4 Movements in the ZSE stock and bond index and in yields on long-term government bonds



Sources: Eurostat, Zagreb Stock Exchange

Figure 2.5 Turnover and market capitalisation on the ZSE



Source: Zagreb Stock Exchange

A total of 35 bond issues with market capitalisation of EUR 21.3bn were listed on the bond market, which is an increase of 19.3% from the year before. Three bond issues (one corporate bond and two government bonds) were admitted to the Official Market, while three bond issues were removed from trading in 2024. The Ministry of Finance continued to issue government bonds for institutional and retail investors. July saw the issuance of the second “national” bond with a maturity of three years, in which 6,457

individuals invested EUR 158m³. In addition, five T-bills with maturities of 91 and 364 days were issued, in which 123.5 thousand citizens invested a total of EUR 3.7bn.

The ETF segment was further expanded in mid-2024 by including a fund that invests in Romanian government bonds with a maturity of five to ten years. This is the fifth ETF in the domestic market. The growing attractiveness of ETFs is confirmed by market capitalisation, which grew by 211% in 2024 and stood at EUR 73.4m at the end of the year.

2.2 Investment services

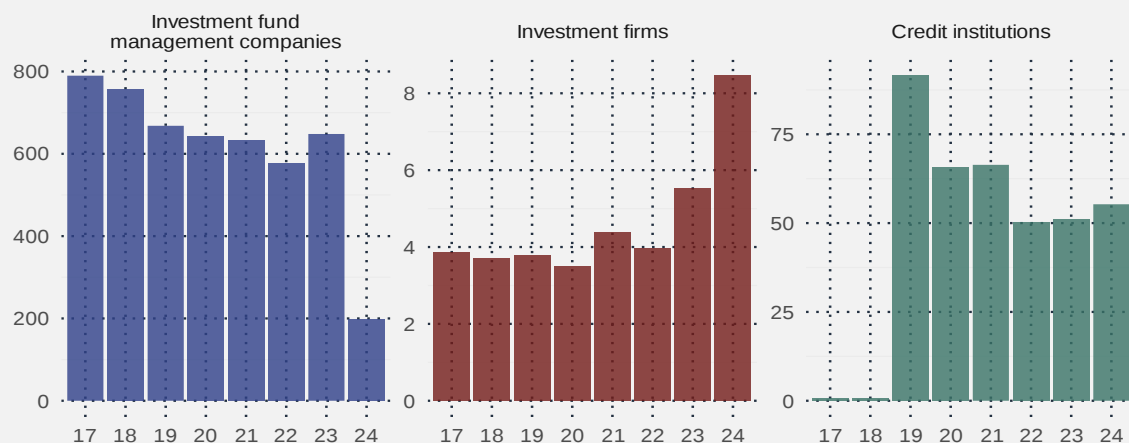
2.2.1 Investment services providers

At the end of 2024, investment services in the Republic of Croatia were provided by 21 financial institutions, of which there were four fund management companies, six investment firms and 11 credit institutions, two management companies less and one investment firm more than in the year before. The total value of investment services providers' assets under management went down by 62.9% and stood at EUR 261.6m at the end of 2024 (Figure 2.6). Investment fund management companies recorded the sharpest fall (of 69.5%) and managed assets worth EUR 197.9m at the end of 2024. The assets of credit institutions increased by 8.5% (EUR 55.3m), while those of investment firms went up by 52.9% (EUR 8.5m) from 2023.

In 2024, investment services providers generated a total of EUR 148.2m in net income (Figure 2.7), a 7.3% decrease from the previous year. The bulk of income came from credit institutions (95.8% or EUR 142.0m), while investment firms and investment fund management companies accounted for 3.3% (EUR 4.9m) and 0.9% (EUR 1.3m), respectively, of total net income. The most significant source of income of credit institutions in 2024 was net income from dealing on own account (94.5% of total income), while the most significant income item of other investment services providers was related to brokerage services (43.7% of total income). Net income of credit institutions from dealing on own account dropped by 10.0% (to EUR 120.5m), while brokerage services by other financial services providers decreased by 3.8% (to EUR 3.7m) from the year before.

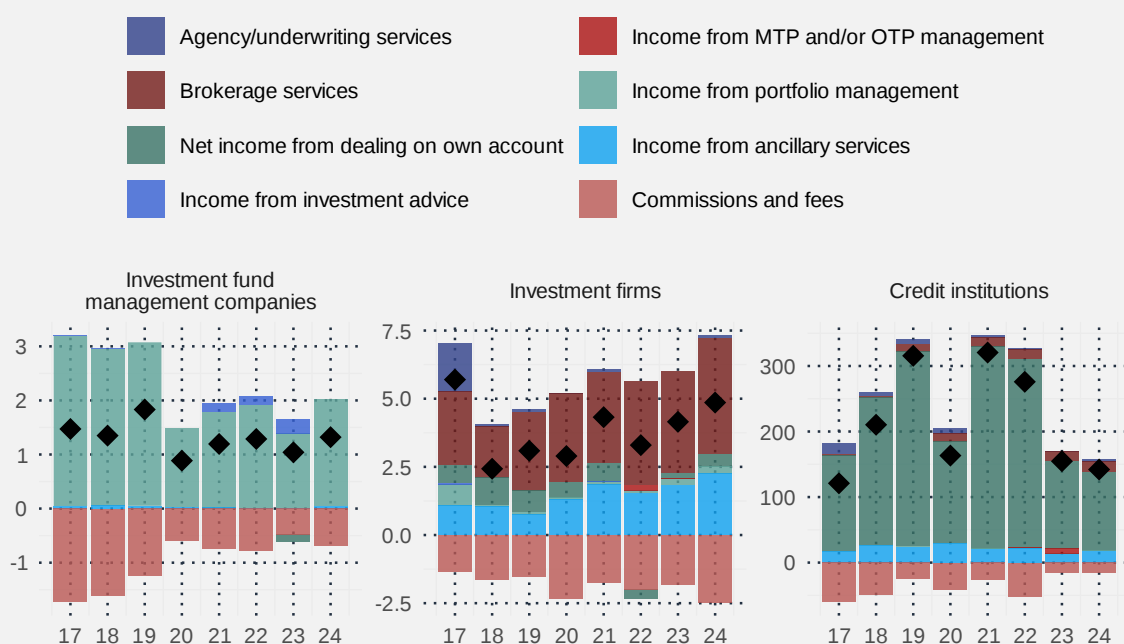
³ This was accompanied by the issuance of one domestic bond worth EUR 1.25bn in nominal terms and one international bond worth EUR 1.5bn, with the aim of refinancing previous liabilities.

Figure 2.6 Value of investment services providers' assets under management
In EUR million



Source: Hanfa

Figure 2.7 Investment services providers' income and expenditure by type of service
In EUR million



Note: The highlighted dots indicate investment services providers' net income in the year observed.
Source: Hanfa

2.2.2 Investment funds

Open-ended investment funds with public offering

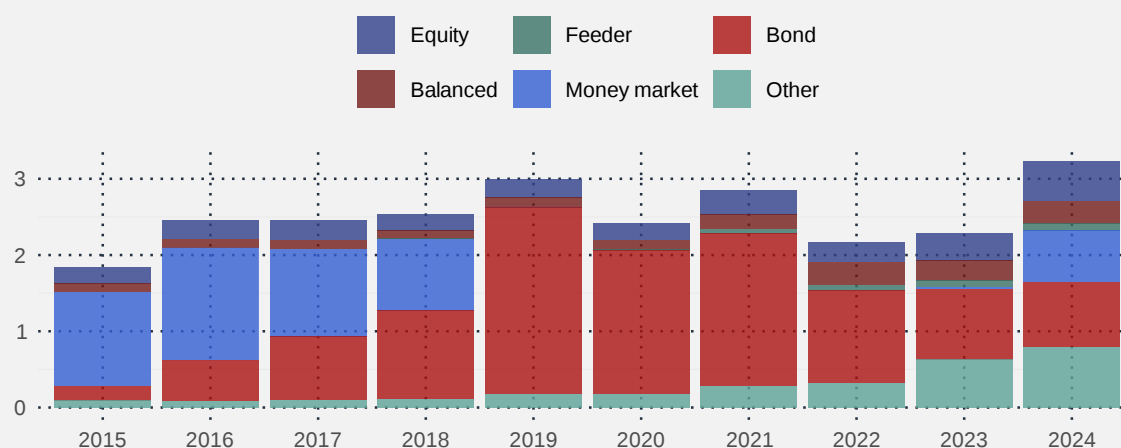
At the end of 2024, there were 117 open-ended investment funds with public offering (hereinafter: UCITS) operating on the domestic market. The value of UCITS' net assets grew by 41.0% in 2024 and reached EUR 3.2bn at the end of the year, the highest level

since 2019 (Figure 2.8). This was due to the creation of new types of funds and a positive net inflow of funds, as well as the growth in the value of assets. However, not all types of funds went up: bond funds recorded a fall of 8.1% (to EUR 0.85bn), primarily because investors switched to other low-risk types of funds, such as money market funds and target-date funds. Money market funds witnessed the strongest growth in net assets, which reached EUR 0.67bn or 20.9% of the total UCITS' net assets at the end of 2024. They were followed by equity funds with a growth of 44.1% (to EUR 0.52bn), and other funds, with a growth of 26.2% (to EUR 0.8bn). Moderate growth was recorded by feeder funds (16.9%, to EUR 0.09bn) and balanced funds (9.9%, to EUR 0.29bn).

The structure of UCITS investments remained broadly unchanged in 2024 (Figure 2.10). It was dominated by bonds (46.2%), followed by cash and deposits (17.7%), stocks (15.9%), other investments (13.1%) and investment fund units (7.1%). Money market instruments and deposits grew the most annually (by 11.1 p.p. and 5.2 p.p., respectively), while the share of bonds decreased (by 12.7 p.p.), falling to below 50.0% of total investments. Investments in investment funds, cash and other assets also decreased (by 1.7 p.p., 1.1 p.p. and 0.9 p.p., respectively). These developments were due to the establishment of a large number of money market funds and the migration of investors from bond to money market funds.

Figure 2.8 Net assets of UCITS

In EUR bn

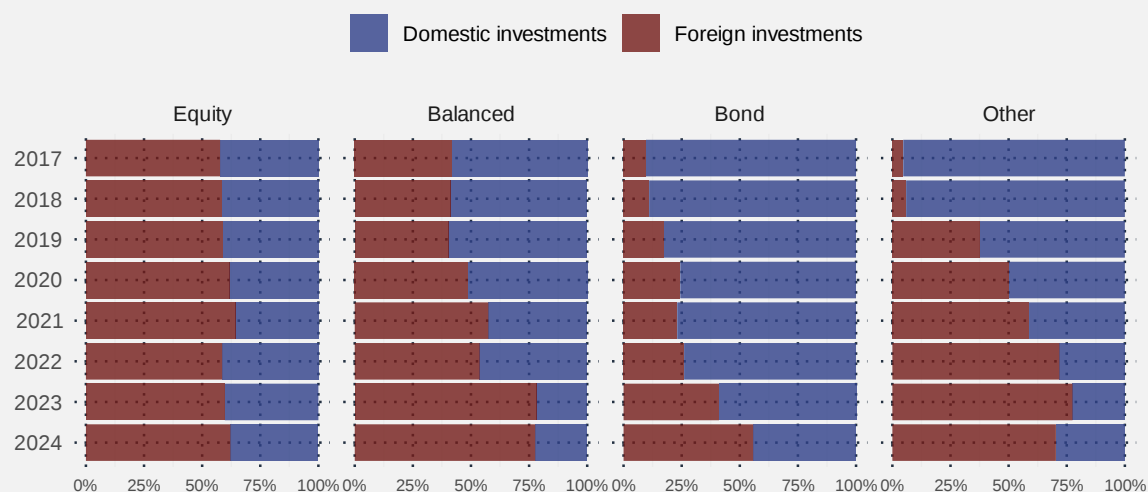


Note: Due to the entry into force of the Money Market Funds Regulation, the majority of money market funds reregistered in early 2019 and continued operating as short-term bond funds.

Source: Hanfa

Figure 2.9 Asset structure of UCITS by domicile

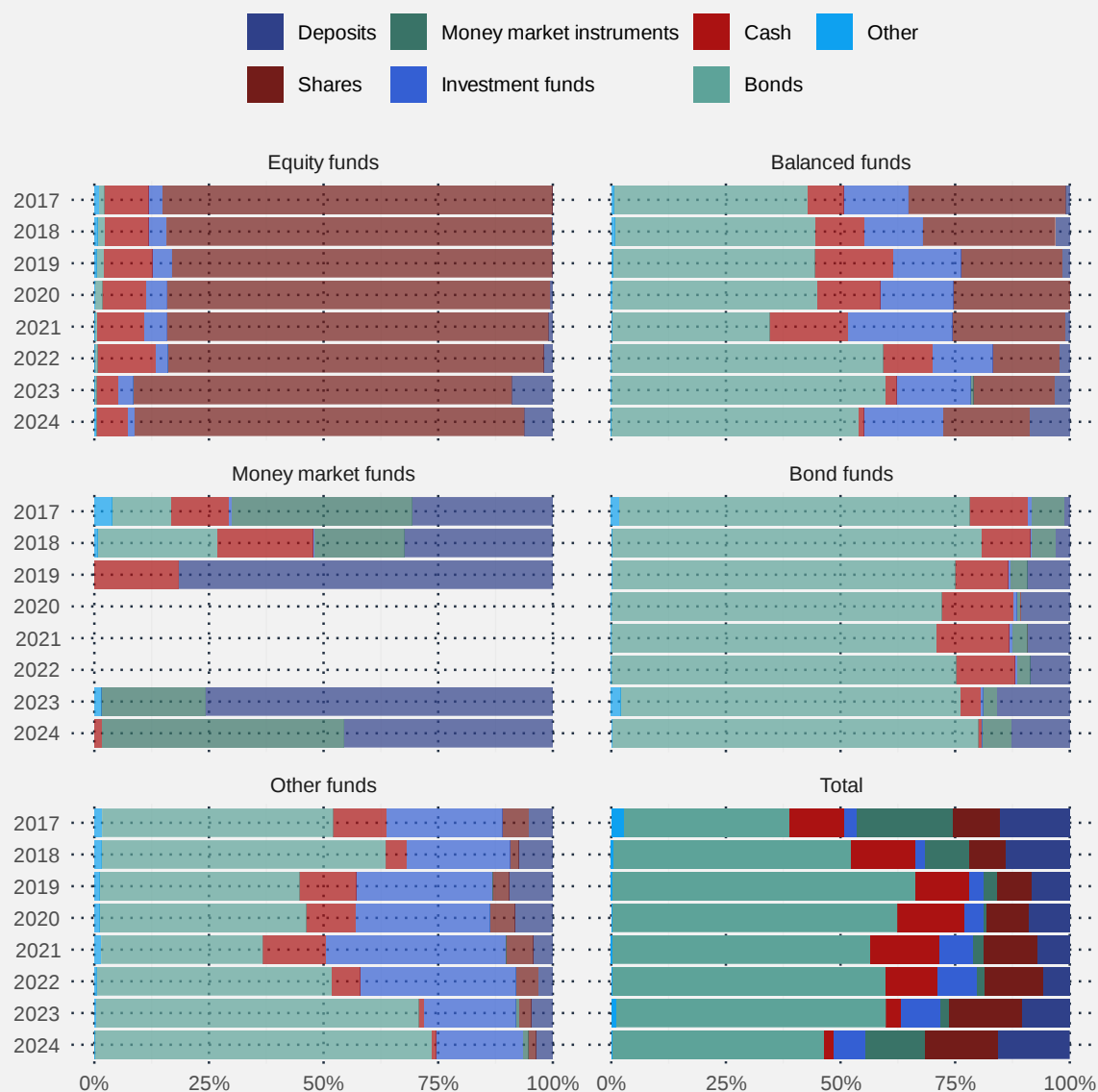
In %



Source: Hanfa

In 2024, most of the funds increased their foreign investments (Figure 2.9), thus continuing the years-long upward trend in cross-border exposure. The share of foreign investments grew in almost all fund categories, with the largest increase seen in bond funds (of 14.7 p.p.) and equity funds (of 2.4 p.p.). A drop in the share of foreign investments was recorded in balanced funds (of 0.4 p.p.) and other funds (of 7.1 p.p.). Greater portfolio diversification provides more stability to the sector in searching for competitive returns and also reduces the risk of exposure concentration given their dominant exposure to government bonds.

Figure 2.10 Asset structure of UCITS by investment type
In % of total assets

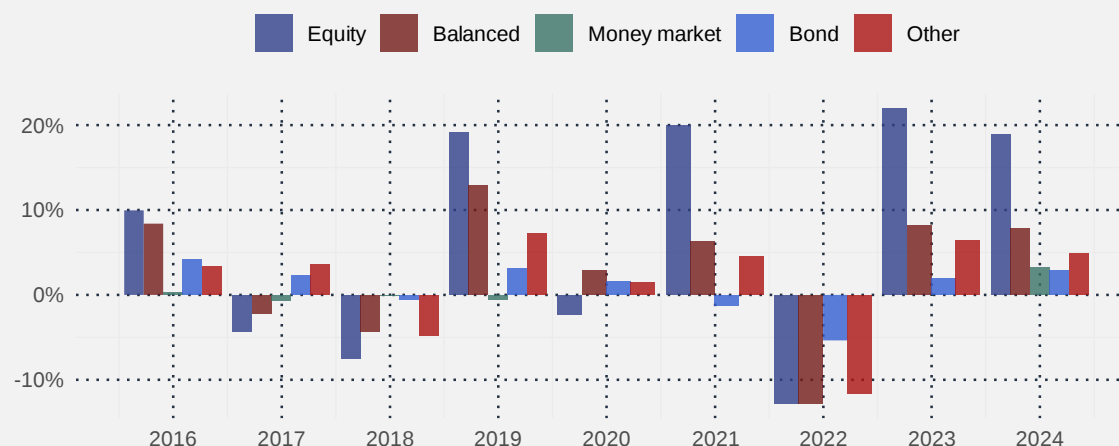


Note: Following the entry into force of the Money Market Funds Regulation, in 2020, all of the 21 money market funds operating in the Republic of Croatia operated as short-term bond funds or were classified into the "other" category.
Source: Hanfa

Favourable market developments in 2024, primarily in the domestic stock and bond markets, had a positive impact on returns of all types of investment funds (Figure 2.11). The highest returns were recorded by equity funds (17.6%), while balanced funds and feeder funds also witnessed solid results (7.8% and 7.6%, respectively). Returns of other funds, money market funds and bond funds stood at 3.9%, 3.3% and 2.4%, respectively. Favourable results in 2024 point to the continuation of the trend observed in the previous two years, which positively contributed to the strong growth of net payments and the overall sector growth in 2024.

Figure 2.11 Average annual returns by fund type

In %



Note: The figures show the average returns weighted by the share in net assets of an individual fund in total net assets of the observed category.

Source: Hanfa

Table 2.1: Assets of AIFs by type

In EUR thousand

Alternative investment funds	2023	Share	2024	Share	Absolute change	Relative change
Public offering	23,480	2.2%	27,904	2.1%	4,424	18.8%
Open-ended	3,247	0.3%	3,098	0.2%	-148	-4.6%
Closed-ended	20,234	1.9%	24,806	1.8%	4,572	22.6%
Basic (non-real estate)	20,234	1.9%	24,806	1.8%	4,572	22.6%
Private offering	1,051,002	97.8%	1,325,744	97.9%	274,742	26.1%
Open-ended	727,907	67.7%	827,156	61.1%	99,249	13.6%
Basic (non-real estate)	55,088	5.1%	67,851	5.0%	12,763	23.2%
Special	672,819	62.6%	759,305	56.1%	86,486	12.9%
Hedge fund	188,988	17.6%	232,700	17.2%	43,712	23.1%
Multi asset	458,649	42.7%	478,313	35.3%	19,664	-
Venture capital	15,146	1.4%	19,098	1.4%	3,953	26.1%
Risk capital	0	0.0%	0	0.0%	0	-
Specialised AIF	426	0.0%	500	0.0%	74	17.5%
For real estate investments	0	0.0%	2,371	0.2%	2,371	-
For sovereign debt investments	8,150	0.8%	5,270	0.4%	-2,880	-35.3%
For equity investments	1,461	0.1%	21,052	1.6%	19,591	1341.1%
Closed-ended	323,095	30.1%	498,588	36.8%	175,493	54.3%
Basic	285,091	26.5%	444,593	32.8%	159,502	55.9%
Special (venture capital)	38,004	3.5%	53,995	4.0%	15,991	42.1%
Total	1,074,482	100.0%	1,353,648	100.0%	279,166	26.0%

Source: Hanfa

Alternative investment funds

At the end of 2024, there were 44 active alternative investment funds (hereinafter: AIFs), of which 41 AIFs with private and three AIFs with public offering. In 2024, total net assets of AIFs grew by 25.3%, to EUR 1.35bn. AIFs with private offering accounted for 97.9% of total net assets of AIFs (their assets grew by 25.8% on an annual basis), while the remaining 2.1% of net assets was accounted for by AIFs with public offering (their assets increased by 4.6% on an annual basis).

Fund established under special act

Net assets of the Fund for Croatian Homeland War Veterans and Members of their Families amounted to EUR 217.3m at end-2024, up by 48.4% relative to 2023. The price of its units went up by 50.4% year-on-year, amounting to EUR 124.5 as at 31 December 2023.

Investment fund management companies

In 2024, there were 24 licensed fund management companies. Twenty-three of these licensed companies managed 162 investment funds. Five of these companies managed UCITS only, 15 companies managed AIFs only, while four companies managed both AIFs and UCITS. Total assets of investment fund management companies stood at EUR 46.7m at the end of 2024, up by 35.7% from the year before. In 2024, their net profit amounted to EUR 16.0m, up by 87.9% from 2023.

2.3 Pension system

2.3.1 Mandatory pension funds (MPFs)

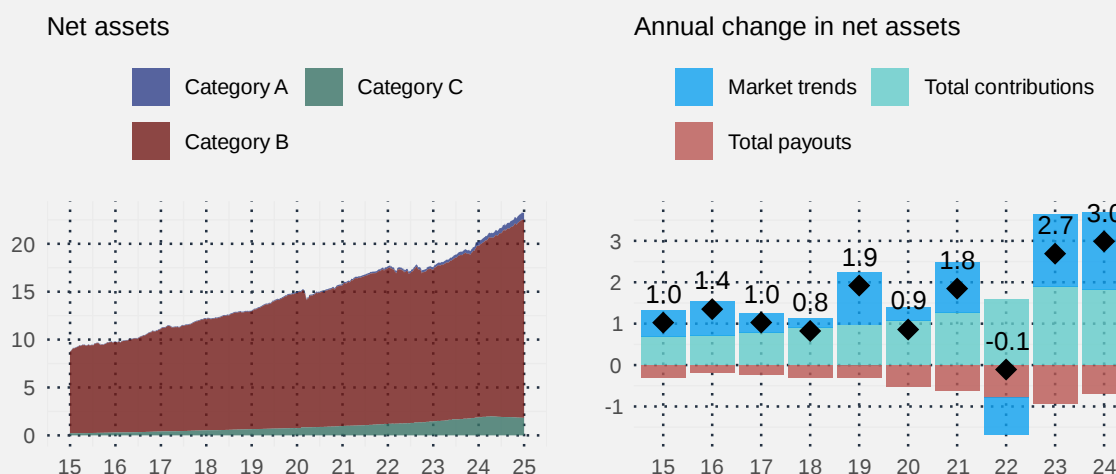
At the end of 2024, there were 12 mandatory pension funds (hereinafter: (MPFs) in Croatia, with net assets standing at EUR 23.2bn (27.1% of GDP), 14.8% more than the year before (Figure 2.12). The growth in pension fund assets is the result of favourable market developments and increased payments by members, which reached EUR 1.5bn in 2024 (up by 20.7% from 2023). The largest increase in net assets was recorded by category A funds (of 76.6% or EUR 319.8m), primarily due to inflows of funds of new members. Category B, which accounts for the bulk of the assets of MPFs (89.0%), rose by 15.0% (EUR 2.7bn). The assets of category C fell slightly, by 1.7% (EUR 32.0m), primarily due to reduced payments associated with legislative amendments from April 2024 abolishing the automatic transfer of fund members to a category C fund five years prior to retirement.

The structure of MPFs investments remained relatively unchanged in 2024, with a continued slight decrease in the share of bond investments and an increase in the share of stocks and investment fund units in total investments. Bonds have remained the most significant form of investment (Figure 2.13), with a share of 61.5% in total assets at the end of 2024 (a decrease of 1.5 p.p. from 2023), while stocks accounted for 23.1% (an increase of 0.5 p.p. from 2023). Investments in investment funds remained stable at 10.5% (a decline of 0.2 p.p.), while deposits increased to 3.7% (growing by 1.1 p.p.). Investments in the remaining asset categories (money market instruments, cash and

other) accounted for 2.10% at the end of 2024 (an increase of 0.5 p.p.). The investment structure of the MPFs is largely affected by legal limits, especially as far as investments in different asset classes are concerned. In order to provide more flexibility to pension fund managers and to facilitate their adjustment to changing market circumstances in which they operate, the legislative amendments that entered into force in 2024 have further expanded the investment opportunities of pension funds. Depending on the category, investment opportunities were expanded to include investments in new forms of assets such as real estate, unlisted mortgage bonds and equity securities traded on multilateral trading platforms. Category C funds have been allowed to invest in highly liquid and low-risk stocks and ETFs. Restrictions on existing investments concerning the share of individual asset classes or individual issuers have also been relaxed.

Figure 2.12 Net assets, total contributions, payouts and market trends recorded by MPFs

In EUR bn



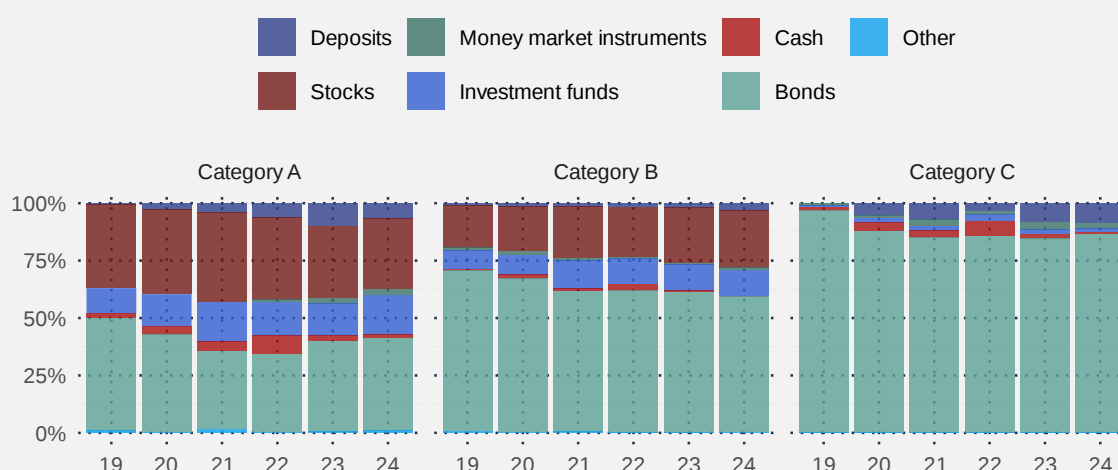
Source: Hanfa

The number of MPF members reached 2.3 million at the end of 2024, which is an increase of 85.2 thousand (3.8%) over the year. The number of members in category A grew by 109.7 thousand (32.3%), while the fall in the number of category B members slowed down to 18.1 thousand (1.0%). Category C funds also recorded a decline in the number of members (of 6.4 thousand). In view of the relatively low share of personal transfers between funds, these developments resulted from the provisions of the Mandatory Pension Funds Act,⁴ according to which any members who fail to select their fund category themselves in the process of entering the pension system are allocated automatically to one of category A funds. The fall in the number of category C members is directly linked to the abolishment of the automatic transfer of members to category C funds five years prior to retirement.

⁴ Legislative changes provide for the procedure according to which any new members who fail to select their pension fund on their own within 30 days following their employment are allocated automatically to one of the four category A funds ([Official Gazette, No 115/18](#)).

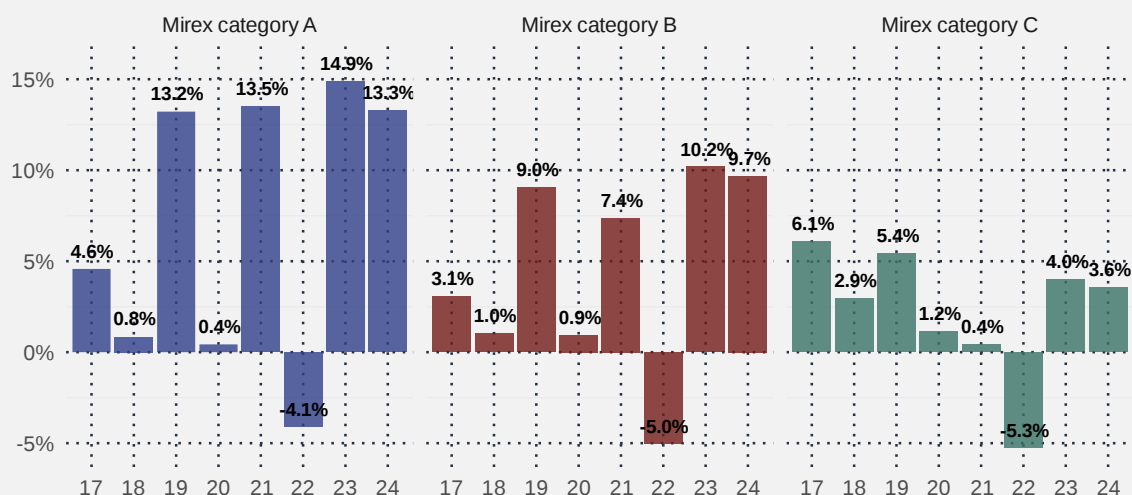
Positive MPF rates of return continued in 2024, driven by excellent performance in financial markets, with all three categories of MPFs generating positive annual returns (Figure 2.14). Stock markets grew faster than bond markets, so that category A funds generated the largest return of 13.3%, while category B and C funds generated returns of 9.7% and 3.6%, respectively.

Figure 2.13 Mandatory pension funds' asset structure by investment type
In % of total assets



Note: Item 'Other' comprises derivatives, receivables, real estate, shares in limited liability companies and other assets.
Source: Hanfa

Figure 2.14 Mandatory pension funds' annual rates of return
In %



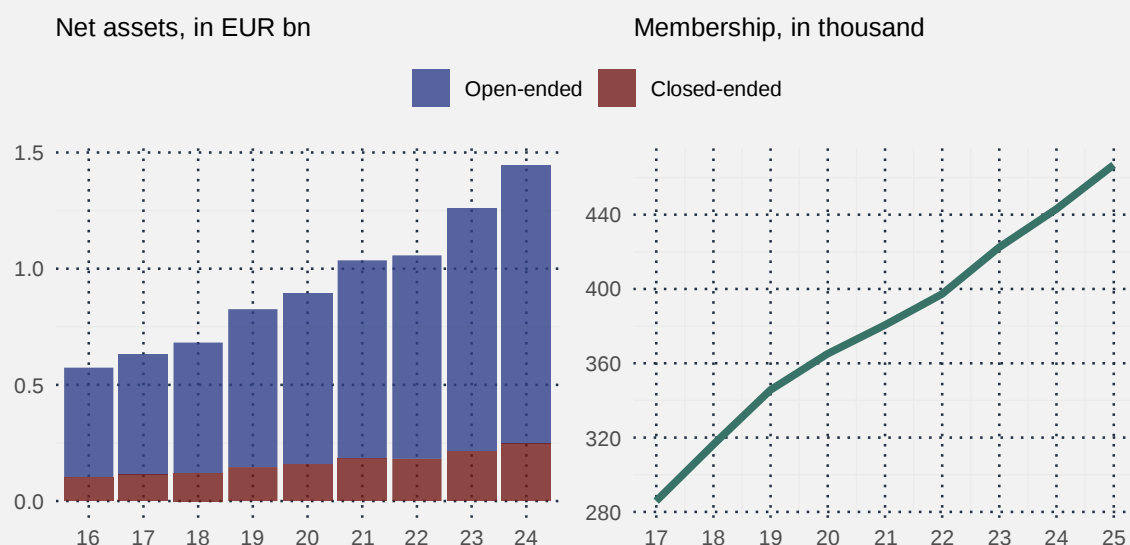
Source: Hanfa

2.3.2 Voluntary pension funds (VPFs)

The number of voluntary pension funds (hereinafter: VPFs) remained unchanged in 2024. At the end of 2024, there were 29 VPFs operating in Croatia, of which eight were

of an open-ended type (hereinafter: OVPFs) and 21 were of a closed-ended type (hereinafter: CVPFs).

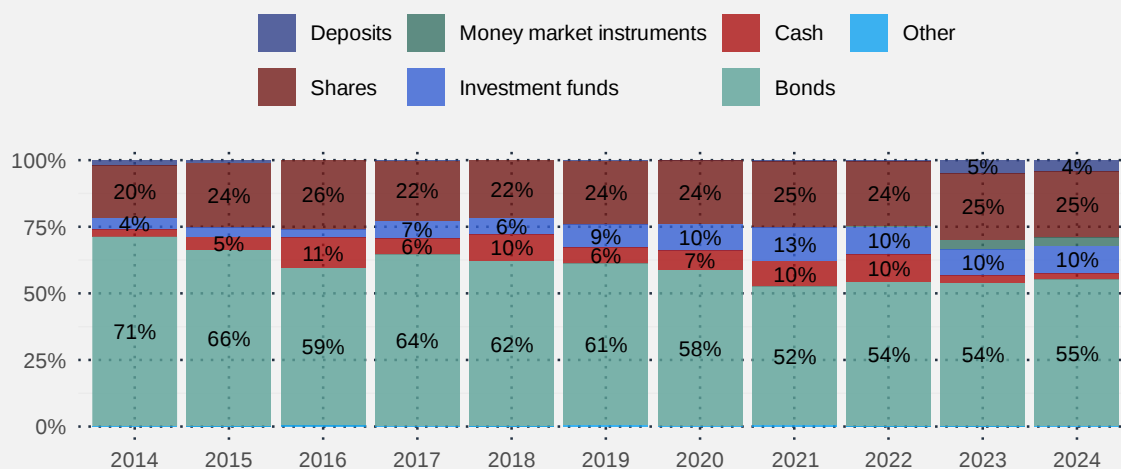
Figure 2.15 Voluntary pension funds' net assets and membership



Source: Hanfa

Figure 2.16 Voluntary pension funds' investment structure

In % of total assets



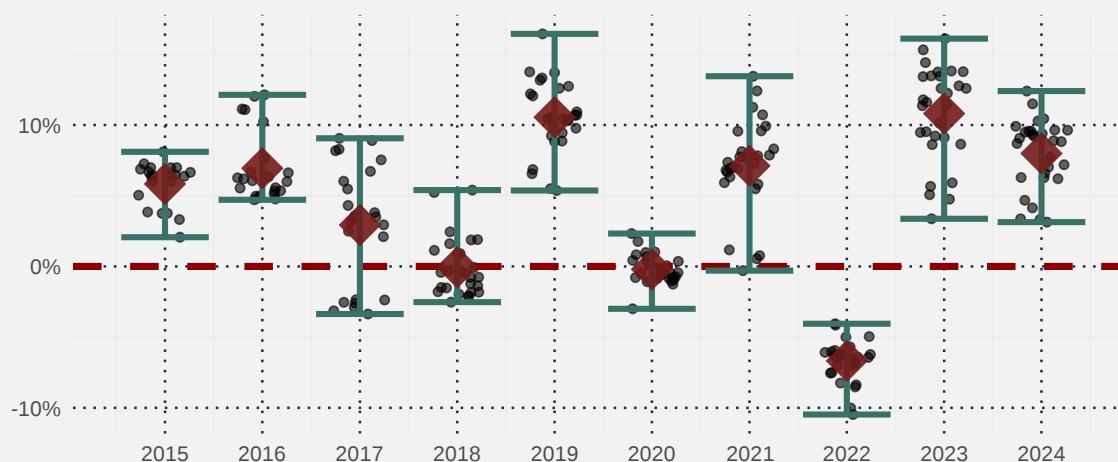
Note: Item 'Other' comprises derivatives, receivables, real estate, shares in limited liability companies and other assets.
Source: Hanfa

Market growth and positive net payments in 2024 had a favourable impact on the assets of VPFs, which reached EUR 1.4bn at the end of the year (an increase of 14.8% from 2023). Of this amount, OVPFs accounted for EUR 1.2bn, while CVPFs accounted for EUR 247.0m (Figure 2.15). The number of VPF members continued to grow and reached 466.8 thousand at the end of the year, up by 23.8 thousand or 5.4% from the previous year. The number of OVPF and CVPF members rose by 22.8 thousand (5.8%) and 926 (1.9%), respectively.

At end-2024, the VPF investment structure was dominated by bonds (55.1%), shares (24.8%) and investment funds (10.2%) (Figure 2.16). Relative to 2023, investments in bonds and investment funds went up (by 1.4 p.p. and 0.2 p.p., respectively), while the share of deposits, cash, money market instruments and shares declined (by 0.6 p.p., 0.4 p.p., 0.3 p.p. and 0.2 p.p., respectively). Following good performance in 2023, all VPFs generated positive returns in 2024 as well, ranging between 3.1% and 12.4%, with an average return of 8.0% (Figure 2.17).

Figure 2.17 Voluntary pension funds' annual rates of return

In %



Note: The chart shows average annual rates of return and the range of rates of return of voluntary pension funds in the year observed. The dots indicate annual rates of return of individual voluntary pension funds.
Source: Hanfa

2.3.3 Pension companies

In 2024, the assets of 12 mandatory and 29 voluntary pension funds were managed by five pension companies. Three of them managed both mandatory and voluntary pension funds, while one of them managed only mandatory pension funds, and one of them managed only voluntary pension funds.

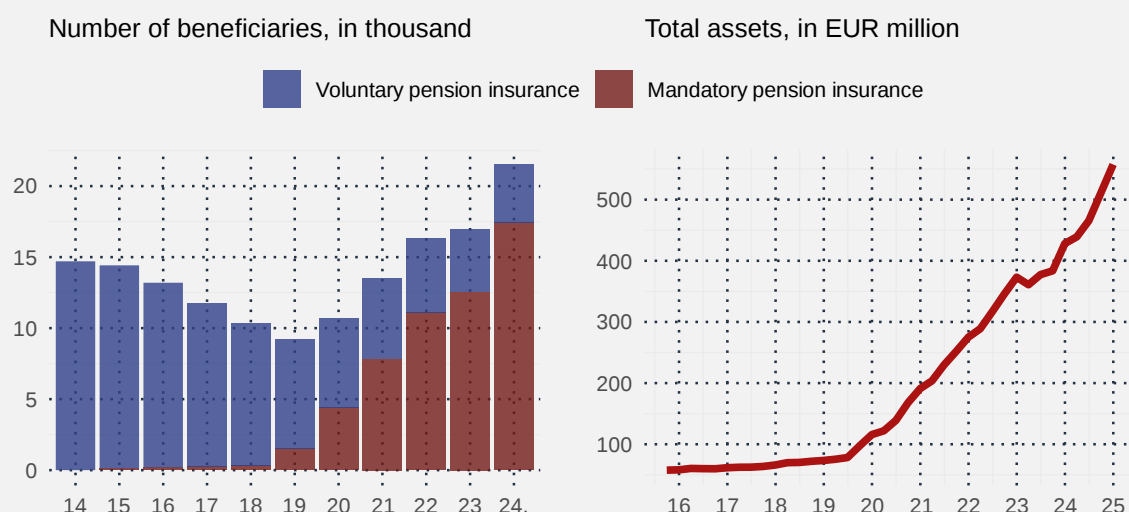
The net result of fund management stood at EUR 41.2m in 2024, down by 3.7% from the year before. Income from management edged up by 0.7%, while expenditure from management went up by 7.9%. Net profit amounted to a total of EUR 21.8m, down by 6.3% from 2023. The decrease in the profit of pension companies resulted from amendments to the Mandatory Pension Funds Act that entered into force in 2024, abolishing the MPF entry fee and continuing the reduction in the rate of VPF management fee.⁵

⁵ In accordance with these amendments, the management fee is set at a maximum of 0.25% annually of the total assets minus financial liabilities of a pension fund in 2024, followed by a maximum of 0.24% in 2025, 0.23% in 2026, 0.22% in 2027, 0.21% in 2028 and 0.20% in 2029 and onwards ([Official Gazette, No 156/23](#)).

2.3.4 Pension insurance companies (PICs)

In 2024, there were two pension insurance companies in Croatia (hereinafter: PICs). Their total assets rose by 30.2% from the year before and stood at EUR 557.5m at the end of 2024. The rise was due to the annual increase in the number of PIC beneficiaries, of 21.5%, with their number reaching 21.5 thousand at end-2024 (Figure 2.18). The number of mandatory pension insurance beneficiaries increased by 30.9% (to 17.4 thousand), while the number of voluntary pension insurance beneficiaries declined by 6.6% (to 4.1 thousand). The growth in the number of mandatory pension insurance beneficiaries and the simultaneous fall in the number of voluntary pension insurance beneficiaries were partly a result of legislative changes made in 2019⁶, which introduced voluntary pension savings payout options via pension funds and life insurance companies, but also via combined payouts, which were used by a significant share of the members.

Figure 2.18 Number of pension insurance beneficiaries and pension insurance companies' assets



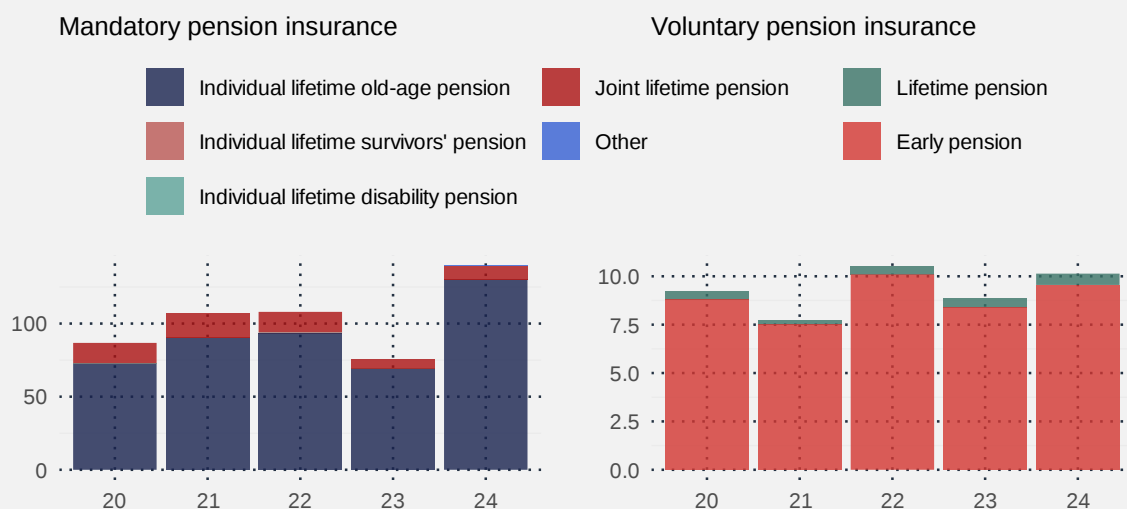
Source: Hanfa

Payments to PICs reached EUR 149.6m in 2024, up by 77.3% from 2023. The bulk of payments (86.9% of total payments) was accounted for by individual lifetime old-age pension, followed by payments to temporary pension scheme (6.4%) and payments to joint lifetime pension scheme (6.1%), while payments to other types of pension schemes accounted for less than 1% of total payments. Payments for lifetime pension, individual lifetime disability pension and individual lifetime survivors' pension accounted for 0.4%, 0.2% and 0.1%, respectively, of total payments (Figure 2.19).

Total PICs investments stood at EUR 503.8m (90.4% of total assets) at end-2024, rising by 28.2% from the year before. In 2024, PICs reported a net profit of EUR 1.9m, further strengthening their capitalisation, which, similar to last year, was well above regulatory requirements.

⁶ [Official Gazette, No 115/18](#)

Figure 2.19 Payments to pension insurance companies by type of pension scheme
In EUR million



Source: Hanfa

2.4 Insurance

The number of insurance companies remained unchanged in 2024; there were 14 insurance companies operating in Croatia at the end of the year: two companies dealing with life insurance only, four companies dealing with non-life insurance only and eight composite insurance companies.

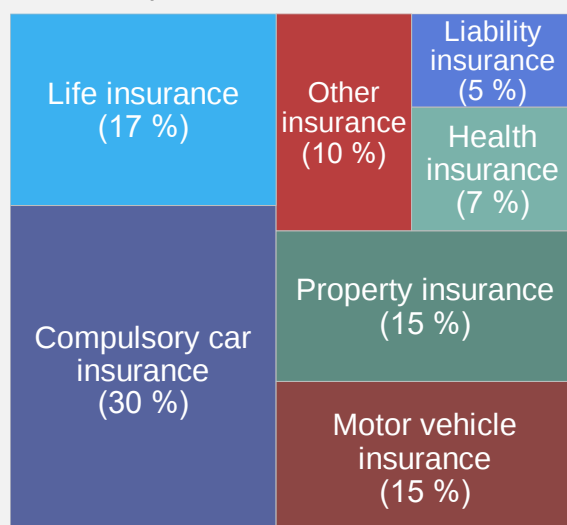
Insurance companies' total premium collected stood at EUR 1.9bn in 2024, up by 9.9% from 2023. The largest contribution came from non-life insurance premium, which rose by 11.2% and stood at almost EUR 1.6bn. The rise in non-life insurance premium largely came from motor vehicle liability insurance, motor vehicle insurance and property insurance, which jointly accounted for 73.3% of total non-life insurance premium in 2024. The collected life insurance premium also rose, by 4.2% (to EUR 0.3bn), primarily due to a significant increase in unit-linked insurance premium (of 23.0%). As a result, its share in the total life insurance premium reached 21.0%.

Claims settled amounted to EUR 1.3bn in 2024, rising by 8.2% from the year before. In the non-life insurance segment, claims settled amounted to EUR 0.8bn (an increase by 10.5%), which primarily came from motor vehicle liability insurance, motor vehicle insurance and health insurance. In the life insurance segment, claims reached EUR 0.4bn, which is an increase of 4.2% from end-2023.

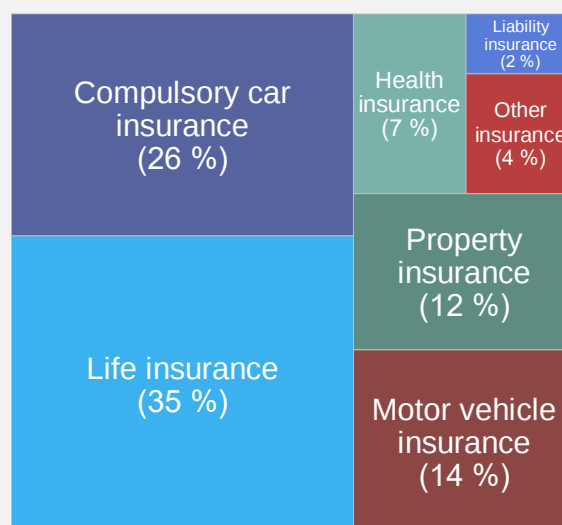
Gross profit of insurance companies stood at EUR 163.1m in 2024, up by 17.1% from the previous year. Profit in the non-life insurance segment went up by 45.8% owing to a surge in income from insurance contracts and net investment results. The life insurance segment witnessed a decline in profit, of 15.4%, largely due to the rise in net financial expenses on insurance contracts and (passive) reinsurance.

Figure 2.20 Structure of premium collected and claims settled in 2024

Collected premium



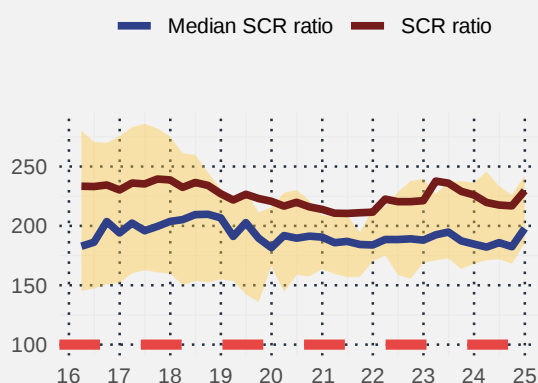
Claims settled



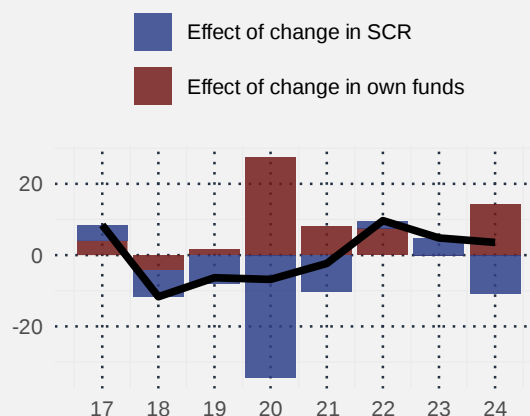
Source: Hanfa

Figure 2.21 Solvency of insurance companies

Total and median SCR ratios, in %



Annual change in SCR ratios, in percentage points



Note: The highlighted area in the left-hand chart denotes the interquartile range of the SCR ratio by companies. The highlighted line in the right-hand chart denotes a percentage change in the SCR ratio.

Source: Hanfa

Total assets of insurance companies stood at EUR 6.0bn at end-2024, up by 2.2% from 2023. The value of investments, which accounted for 85.2% of total assets, rose by 2.7% in 2024 under the influence of positive developments in financial markets. On the liabilities side, liabilities under insurance contracts and capital and reserves, accounting for 61.8% and 30.5% of total liabilities, respectively, witnessed a growth of 1.3% and 4.1%, respectively, from the levels recorded in 2023.

In 2024, the capitalisation of insurance companies measured by the solvency ratio (hereinafter: SCR ratio) was continuously at levels above the regulatory minimum (Figure 2.21). The aggregate SCR ratio ended the year at 229.6% (an increase of 3.6 p.p.

from end-2023), while the median SCR ratio stood at 197.9% (an increase of 13.2 p.p. from end-2023).

Croatian Insurance Bureau

At end-2024, consolidated total assets of the Croatian Insurance Bureau (hereinafter: Bureau) stood at EUR 1.8m, its liabilities amounted to EUR 912.8 thousand, while sources of financing were EUR 923.3 thousand. The Bureau's income totalled EUR 1.7m, increasing by 1.9% from the previous year, and was primarily made up of income from its members from operating expenses. The Bureau's total expenditure amounted to EUR 1.6m, down by 1.3% from the end of 2023, and was dominated by functional expenditures, which rose by 2.0% and stood at EUR 625.7 thousand in 2024. At end-2024, total assets of the Guarantee Fund amounted to EUR 3.7m, rising by 19.6% from the previous year.

Croatian Nuclear Insurance and Reinsurance Pool, EIG

At end-2024, the founding members of the Croatian Nuclear Insurance and Reinsurance Pool (hereinafter: Croatian Nuclear POOL) included Allianz Hrvatska d.d., Croatia osiguranje d.d., Generali osiguranje d.d. and Triglav osiguranje d.d. At end-2024, funds available to the Croatian Nuclear POOL totalled EUR 10.1m. The investment structure saw a rise in the share of cash in 2024 (from 87.7% to 94.0%), while the share of bonds declined (from 12.3% to 6.0%). Total technical provisions ended the year at EUR 9.9m, up by 2.7% from the year before. Gross profit stood at EUR 7.5 thousand at the end of 2024.

2.5 Non-bank financing

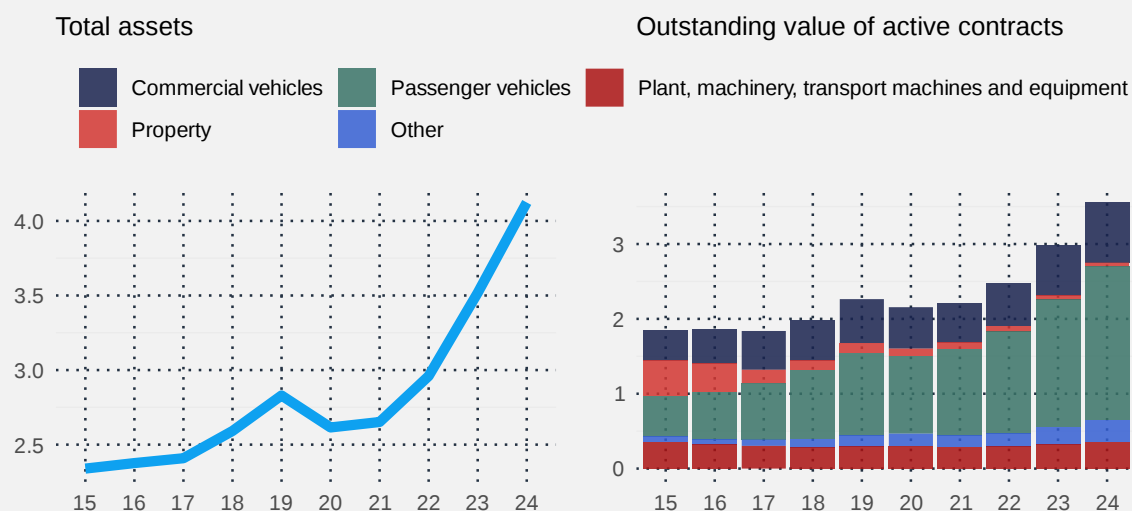
2.5.1 Leasing companies

Thanks to favourable economic trends, leasing companies' operations continued to show excellent results in 2024. The number of leasing companies remained unchanged. Thus, at end-2024 there were still 15 leasing companies operating in Croatia. Total assets amounted to EUR 4.1bn at end-2024, rising by 17.4% from the year before. Finance lease receivables stood at EUR 3.1bn at the end of 2024 (an increase of 19.2% on an annual basis). Leasing companies' primary sources of financing were still loans and credits from foreign institutions, which rose by 17.8% on an annual basis and ended the year at EUR 3.0bn. Total liabilities reached EUR 3.6bn. The profitability of leasing companies, that is, return on their average assets, decreased from 2023 and stood at 1.7%, although their profit rose by 8.3%, to EUR 70.2m in absolute terms. In 2024, the value of newly concluded contracts rose by 13.0%, and stood at EUR 2.0bn, driven by the increase in finance and operating lease (of 15.0% and 3.2%, respectively), which was partly also due to the higher prices of leased assets, but also to the rise in demand for lease, reflected in a growing number of newly concluded contracts (9.0%). The value and the number of active contracts also went up: the value of active contracts stood at EUR 3.6bn (a rise of 18.8%), while the number of contracts reached 182.5 thousand (an increase of 5.4%) at end-2024. The structure of contracts in terms of leased assets is dominated by passenger cars and commercial vehicles, which

accounted for 80.3% of the total value of active contracts at end-2024. The largest lease users were non-financial corporations active in the tourism sector, which accounted for 28.8% of the value of active contracts at end-2024.

Figure 2.22 Leasing companies' assets and value of their active contracts

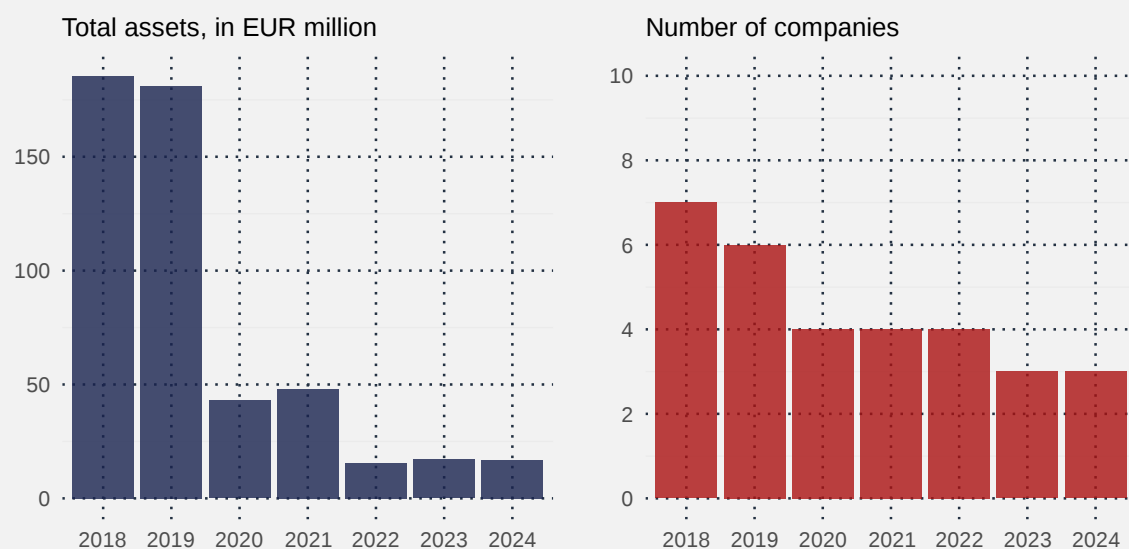
In EUR bn



Source: Hanfa

2.5.2 Factoring companies

Figure 2.23 Number of factoring companies and their assets



Source: Hanfa

At end-2024, there were three factoring companies operating in Croatia, meaning that the number of active companies in this segment remained unchanged throughout the year, with one new company starting with operations, while one company had its authorisation revoked. The total assets of factoring companies decreased by 2.1% from

2023 and stood at EUR 16.7m. The volume of transactions amounted to EUR 82.8m in 2024, down by 13.1% on an annual basis. The largest share was accounted for by regular factoring transactions with a share of 87.5% in the total amount of transactions, while reverse factoring accounted for the remaining 12.5%. Factoring companies' receivables rose by 21.5% and amounted to EUR 12.2m at the end of 2024, with regular factoring accounting for 85.0%, and reverse factoring for 15.0% in total receivables. Factoring companies reported a net profit of EUR 377 thousand at end-2024, down by 61% from 2023.

SUPERVISORY ACTIVITIES

3 SUPERVISORY ACTIVITIES

In accordance with its legal powers, Hanfa supervises entities operating in capital market, insurance, leasing, factoring and pension and investment funds sectors. Its supervisory activities include ongoing monitoring of the operations of supervised entities, risk analysis and on-site inspections. The supervision is aimed at ensuring the legality, stability and transparency of financial institutions' operations and protecting financial services users. Hanfa takes preventive measures to remedy any irregularities and, where necessary, takes corrective measures and imposes supervisory measures. Hanfa's activities are guided by the principles of professionalism, objectivity, proportionality and transparency. Because of its supervisory activities, Hanfa plays a key role in preserving the stability and integrity of the financial market in the Republic of Croatia.

3.1 Microprudential supervision

3.1.1 Capital market

Supervision of capital market infrastructure

Pursuant to the Capital Market Act⁷ (hereinafter: CMA), Hanfa is authorised to conduct supervision of the market infrastructure comprising Central Depository & Clearing Company Inc. (hereinafter: CDCC) as the central securities depository, SKDD-CCP Smart Clear d.d. (hereinafter: SKDD-CCP) as the central counterparty and the Zagreb Stock Exchange (hereinafter: ZSE) as the operator of the regulated market and the multilateral trading platform in the Republic of Croatia.

CDCC and the supervision of the Investor Protection Fund

Hanfa carries out continuous supervision of the CDCC by conducting on-site and off-site inspections. In 2024, Hanfa carried out off-site supervision by analysing financial statements and supervisory reports regularly submitted to it by the CDCC, as well as by analysing additional data and information submitted at Hanfa's request. In addition, Hanfa carries out continuous off-site inspections of monthly and annual reports by the CDCC on settlement fails, in accordance with Delegated Regulation (EU) 2018/1229⁸.

Within the scope of its ongoing off-site supervision, Hanfa monitors reports on internalised settlements⁹ by analysing volumes, values, rates of failed settlements,

⁷ Official Gazette, No [65/18](#), [17/20](#), [83/21](#), [151/22](#) and [85/24](#)

⁸ [Commission Delegated Regulation \(EU\) 2018/1229](#) of 25 May 2018 supplementing [Regulation \(EU\) No 909/2014](#) of the European Parliament and of the Council with regard to regulatory technical standards on settlement discipline, OJ L 230

⁹ Pursuant to the definition in Article 2(1)(11) of [Regulation 909/2014](#) of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on

types of financial instruments and types of transactions settled outside the settlement system operated by the central depository. These analyses serve as a basis for the assessment of risks reported to ESMA via quarterly reports.

Hanfa also carried out a comprehensive analysis of the operations of the Investor Protection Fund (hereinafter: Fund) operated by the CDCC (hereinafter: Operator). Pursuant to Article 264 of the CMA, the Fund Operator shall prepare semi-annual and annual financial statements for the Fund in accordance with accounting regulations. In 2024, Hanfa carried out an off-site inspection regarding the responsibility of the Fund Operator to prepare and approve annual financial statements for 2024. Within the scope of the off-site inspection of the Fund Operator, Hanfa also analysed the submitted data on anonymised lists of clients of Fund's members and the amount of secured claims. The off-site inspection of the Fund Operator revealed no irregularities or deficiencies which would require the imposition of supervisory measures.

Investor Protection Fund

Investor Protection Fund is a special entity that has been established to protect investors' claims where a member of the Fund (e.g. an investment firm or a credit institution) is unable to pay cash or financial instruments to its clients. Membership in the Fund is mandatory for certain investment firms, credit institutions and investment fund management companies.

SKDD – CCP

Pursuant to Article 21 of EMIR¹⁰, in 2024 Hanfa carried out a review procedure and assessed the risks and the compliance of SKDD-CCP with EMIR and other related regulations in the previous year. Following the completion of this procedure, SKDD-CCP was issued several recommendations with a view to further improving internal organisational mechanisms, protocols and rules. As part of this procedure, Hanfa also assessed SKDD-CCP's risk by individual risk categories¹¹. In December 2024, Hanfa started a new cycle of review and evaluation of SKDD-CCP for 2024. It also initiated an *ex-officio* regular on-site inspection of SKDD-CCP. The inspection focused on the operation of SKDD-CCP and the activities referred to in Article 535 of the CMA, with reference to the clearing system referred to in Article 536, in accordance with the provisions of EMIR, for the period from 1 January 2024 to the date of inspection

central securities depositories and amending Directives [98/26/EC](#) and [2014/65/EU](#) and [Regulation \(EU\) No 236/2012](#), OJ L 257 (hereinafter: CSDR), "settlement internaliser" means any institution, including one authorised in accordance with [Directive 2013/36/EU](#) of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms or [Directive 2014/65/EU](#) of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments, which executes transfer orders on behalf of clients or on its own account other than through a securities settlement system. Pursuant to Article 9 of the [CSDR](#), settlement internalisers report to Hanfa, as the competent authority of their place of establishment, on a quarterly basis the aggregated volume and value of all securities transactions that they settle outside the securities settlement system, while Hanfa is obligated to inform ESMA thereof.

¹⁰ [Regulation \(EU\) 648/2012](#) of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories, OJ L 201 (hereinafter: EMIR)

¹¹ The process involved business risk, operational risk, governance risk, liquidity risk, investment risk, deep dive of the structure of members of SKDD-CCP and prudential requirements.

completion. With the entry into application of Regulation (EU) 2021/23¹² (hereinafter: CCP RRR), SKDD-CCP has become obliged to draw up a recovery plan in accordance with the mentioned regulation. The purpose of the recovery plan for central counterparties is to ensure that these institutions put in place effective measures to recover from financial distress. The recovery plan should identify a series of future events that may lead to serious financial problems and test the effectiveness of recovery measures and the adequacy of indicators in the plan. The aim is to ensure the sustainability and stability of central counterparties in the event of financial distress, so that they can continue to perform their key functions and mitigate the risk of systemic disruptions in the financial system. Following the inspection carried out in accordance with the CCP RRR and EMIR, Hanfa issued a Decision in November 2024, informing SKDD-CCP of deficiencies in the Recovery Plan of June 2024. Deficiencies were identified in the process of Recovery Plan assessment carried out by the college of supervisors of SKDD-CCP¹³, and were included in the joint decision of the college of supervisors from October 2024.

In the Decision, SKDD-CCP is instructed to remedy all deficiencies in the Recovery Plan, and to comply with and implement all recommendations by the time of the next regular annual update of the Recovery Plan in accordance with Article 9(9), that is, when submitting the updated/revised version of the Recovery Plan that SKDD-CCP is obliged to submit to Hanfa in July 2025.

During 2024, Hanfa continuously supervised the implementation of recommendations contained in the Decision on the licensing of SKDD-CCP issued in 2021, with regard to the modifications of the models and parameters of SKDD-CCP related to risk management and the calculation of fees, contributions to the default fund and collateral requirements. Also, the process of validating the modifications of the risk management model parameters was completed in 2024, while Hanfa also monitored the compliance with the recommendations issued by ESMA and Hanfa.

During 2024, Hanfa analysed the proposed amendments to the rules of operation within the scope of the Clearing Rules of SKDD-CCP, including the Rules on Collateral and Procedures in Case of Breach of Clearing Rules and the Exclusion of a Member. No illegalities were found.

The college of supervisors of SKDD-CCP (with the CNB, ESMA and ECB as members) held two meetings in 2024. During the meetings, the participants analysed the annual risk assessment of SKDD-CCP, updated the Recovery Plan, assessed the implementation of recommendations from licensing and significant changes to the risk management model and exchanged opinions and recommendations on the adoption of final decisions and on possible supervisory activities.

¹² **Regulation (EU) 2021/23** of the European Parliament and of the Council of 16 December 2020 on a framework for the recovery and resolution of central counterparties, OJ L 22

¹³ The college of supervisors of SKDD-CCP was established in accordance with Article 18 of **EMIR** by a written agreement of 16 August 2021. The members of the college of supervisors of SKDD-CCP include Hanfa, the CNB, the ECB and the president or independent member of ESMA CCP Supervisory Committee referred to in Article 24a paragraph (2) items (a) and (b). The list of the members of the college of supervisors of SKDD-CCP is updated after each change and published on Hanfa's website.

Hanfa was designated as the resolution authority of SKDD-CCP, which led to the establishment of a dedicated organisational unit – the Resolution Office¹⁴, in charge for establishing, managing and chairing the resolution college of SKDD-CCP. Appointed employees of the Capital Market Supervision Division participate in the work of the college and are in charge of supervising the central counterparty and the members of its clearing system.

Within the scope of the supervision of the post-trading part of the market infrastructure, Hanfa continuously monitors and oversees any changes to the price lists of the CDCC and SKDD-CCP and approves the annual cost of the operator of the Investor Protection Fund.

Zagreb Stock Exchange

In addition to the regulated market, the ZSE also operates the Progress Market, a multilateral trading platform intended for small and medium-sized enterprises, imposing more relaxed transparency requirements for the issuers, albeit with a higher investment risk. Pursuant to the provisions of the CMA, Hanfa is authorised to carry out off-site and on-site inspection of the ZSE. In 2024, Hanfa carried out continuous off-site supervision of the ZSE by analysing financial, supervisory and statistical reports and additional documents and information with the aim of monitoring the operation of the stock exchange and timely identifying risks and irregularities. Hanfa also supervised changes to the ZSE Price List. In addition, Hanfa carried out an off-site inspection of the ZSE trading stop system, consisting of volatility management mechanisms and mechanisms for stopping and suspending trading, with both systems being calibrated according to static and dynamic limits of price changes. Within the scope of the off-site inspection of the ZSE trading conditions, Hanfa issued an opinion stating that any extension of the cross request trading functionality to include new financial instruments (such as bonds and ETFs) necessitates the adjustment of the time frame for entering orders and taking into account the characteristics of trading in that financial instrument, while the minimum value of orders is to remain unchanged. As a result, the ZSE provided Hanfa with a proposal for amendments to the Exchange Rules in part setting out that, in addition to trading in stocks, the cross request functionality also applies to trading in bonds and ETFs with the aim of ensuring transparency and safeguarding the integrity of the capital market. Also, following ESMA's opinion on pre-trade transparency, Hanfa made a recommendation to the ZSE that, in line with ESMA's opinion, it is necessary to apply rules for block transactions when executing large scale transactions and that the market operator must define a minimum amount of orders that can be aggregated in block transactions. Accordingly, the ZSE amended

¹⁴ The Act Implementing [Regulation \(EU\) 2021/23](#) on a framework for the recovery and resolution of central counterparties ([Official Gazette, No 119/22](#)), designated Hanfa as the resolution authority of SKDD-CCP. Hanfa has a dedicated organisational unit, the Resolution Office, in charge of the activities of the resolution authority of SKDD-CCP in accordance with the [CCP RRR](#). In 2023, the resolution authority of SKDD-CCP drew up a list of members of the resolution college established pursuant to the [CCP RRR](#). Steps were taken to conclude a written agreement on the establishment of the resolution college of SKDD-CCP. The [CCP RRR](#) requires that when a resolution authority designated under the national law of a Member State is entrusted with other functions, it is incumbent on such a resolution authority to put in place adequate structural arrangements to separate resolution functions from other functions in order to avoid conflicts of interest between the functions entrusted to the resolution authority under the [CCP RRR](#) and any other functions entrusted to that authority.

the Trading Manual, raising the threshold for the minimum value of orders in block transactions from EUR 270,000.00 to EUR 300,000.00.

Pursuant to the provisions of Commission delegated regulations (EU) 2017/567¹⁵, 2017/587¹⁶ and 2017/588¹⁷ on transparency requirements for equity instruments, in 2024 Hanfa carried out transparency checks on equity securities¹⁸ admitted to the regulated market of the ZSE. Consequently, ESMA was provided with calculation validations, with minor corrections.

Due to the increased intensity of T-bill purchases by issuers on the ZSE in 2024, Hanfa carried out a horizontal inspection of trading of all companies that engaged in own share buybacks in the period under review. One of the results of the inspection was the publication of a guidance for managing own share buyback programmes for issuers using the safe harbour option referred to in Article 5 of the Market Abuse Regulation¹⁹ and the accompanying RTS 2016/1052²⁰.

As the competent authority for enforcing the Market Abuse Regulation, Hanfa also supervises and safeguards the integrity of the capital market and ensures the prevention of market abuse. In line with its powers under the Market Abuse Regulation, Hanfa carries out regular inspections of trading and also receives reports of suspicious transactions and orders that are required to be submitted by the market operator and investment firms operating on the trading venue, the so-called STOR reports (Suspicious Transaction and Order Reports). In 2024, Hanfa received 12 STOR reports, of which four were submitted due to suspicions of insider dealing, and the remaining eight concerned suspicions of market manipulation. Hanfa established that in eight cases there were no elements of market manipulation, while in two cases Hanfa filed criminal charges to the State Attorney's Office in line with its powers under Article 522 of the CMA. In one case, Hanfa issued a decision imposing a supervisory measure, while one case is still pending.

¹⁵ **Commission Delegated Regulation (EU) 2017/567** supplementing **Regulation (EU) No 600/2014** of the European Parliament and of the Council with regard to definitions, transparency, portfolio compression and supervisory measures on product intervention and positions, OJ L 87

¹⁶ **Commission Delegated Regulation (EU) 2017/587** supplementing **Regulation (EU) No 600/2014** of the European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards on transparency requirements for trading venues and investment firms in respect of shares, depositary receipts, exchange-traded funds, certificates and other similar financial instruments and on transaction execution obligations in respect of certain shares on a trading venue or by a systematic internaliser, OJ L 87

¹⁷ **Commission Delegated Regulation (EU) 2017/588** supplementing **Directive 2014/65/EU** of the European Parliament and of the Council with regard to regulatory technical standards on the tick size regime for shares, depositary receipts and exchange-traded funds, OJ L 87

¹⁸ The checks included calculations related to liquidity classification, transparency thresholds and the estimation of the range of price shifts.

¹⁹ **Regulation (EU) No 596/2014** of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing **Directive 2003/6/EC** of the European Parliament and of the Council and Commission Directives **2003/124/EC**, **2003/125/EC** and **2004/72/EC**, OJ L 173

²⁰ **Commission Delegated Regulation (EU) 2016/1052** of 8 March 2016 supplementing **Regulation (EU) No 596/2014** of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buy-back programmes and stabilisation measures, OJ L 173

In order to educate the entities responsible for filing suspicious transaction and order reports²¹ and to improve the quality of the received STOR reports, Hanfa's employees held a workshop for industry representatives in the Croatian Chamber of Economy in September 2024.

During 2024, Hanfa regularly reported to ESMA about temporary suspensions of trading and/or removal from trading of equity financial instruments admitted to the regulated market and the supervisory activities carried out, and submitted information on net short positions and the duration-adjusted amount of issued sovereign debt instruments.

Strategic Framework for Capital Market Development in the Republic of Croatia

With the aim of developing the Croatian capital market, Hanfa and the Ministry of Finance, with the assistance of the European Bank for Reconstruction and Development (hereinafter: EBRD), were in 2024 intensively engaged on the preparation of the Strategic Framework for Capital Market Development in the Republic of Croatia.

The aim of this initiative was to involve relevant market stakeholders, in the form of a working group, to identify, assess and outline specific strategic leverages and initiatives in a structured document that would serve as a framework for the national strategy.

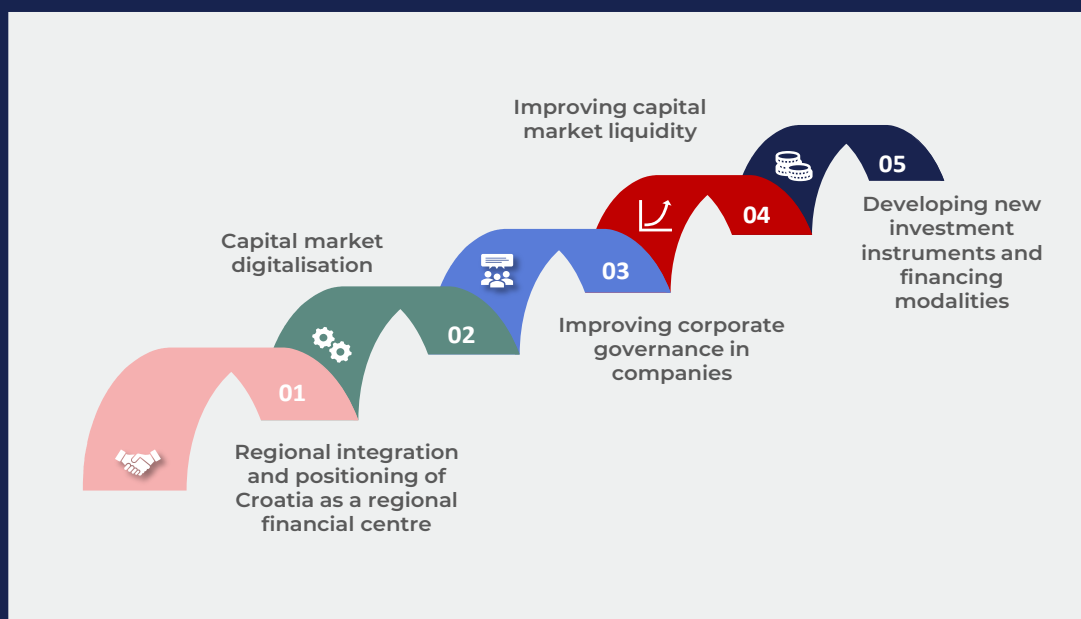
Ultimately, the initiative resulted in the definition of five key strategic leverages:

1. regional integration of the national market and positioning of Croatia as a regional financial centre;
2. capital market digitalisation;
3. improving corporate governance in companies;
4. improving capital market liquidity; and
5. developing new investment instruments and financing modalities.

The improved reputation of the Republic of Croatia, strengthened by the highest credit rating in the region, was recognised as a crucial moment for creating regional integration and positioning of Croatia as a regional financial centre. Regional integration makes it possible to preserve the advantages of independent operation of individual markets, while providing a single access point for trading, settlement and market information. Such integration enables institutional investors to perceive these markets as a single region, thereby increasing their perceived size and attractiveness and boosting the potential for significant investment inflows. At the same time, it creates room for significant improvements in post-trading by establishing links with other depositories in the region.

²¹ Entities obliged to file STOR reports include market operators and investment firms that are obligated to comply with Article 16(1) of the [**Market Misuse Regulation**](#).

Figure 3.1 Key strategic leverages of the framework for capital market development in the Republic of Croatia



Source: Hanfa

In order to keep up with modern digital demands and benefits of digitalisation, financial markets have been forced to become digitalised in order to remain competitive. Digital tools contribute significantly to speeding up and streamlining of processes and efficiency, increasing transparency and ensuring better analytical possibilities. Guided by the many benefits of digitalisation, the Strategic Framework proposes to set up information platforms that would enable:

- on-line on-boarding of investors, which would make it much easier for investors to access markets;
- e-voting – simplified participation of investors in general meetings of companies without physical presence;
- simplification and digitalisation of the process of preparing and approving prospectuses;
- e-learning, etc.

One of the key challenges faced by companies operating in less developed markets, such as the Croatian market, is the lack of compliance with international best practices in corporate governance, without which companies can face difficulties in gaining trust and credibility needed to access international capital. This, in turn, hampers their growth and reduces competitiveness on the global level. Hanfa contributes significantly to this end and will continue to do so through the Corporate Governance Code and the Annual Report on Corporate Governance (hereinafter: ARCG). ARCG analyses the compliance of companies whose shares are admitted to the regulated market with international best practices in corporate governance and is an important tool for monitoring progress and challenges in the area of corporate

governance in Croatia. Strong corporate governance has many benefits, as can be seen in successful examples from other countries such as Romania and Lithuania, where enhanced corporate governance resulted in partial public offerings by state-owned enterprises, significantly increasing market activity and investor interest. Companies could also benefit through incentives aimed at improving corporate governance, such as IPO funds, incentive schemes and initiatives to attract companies to the Prime Market. In addition, companies can be encouraged to participate in the capital market by a more active role of the CBRD through various options and possibilities to procure funding sources to stimulate market participation, such as the European Investment Fund, private equity funds, etc.

An active, deep and liquid capital market in Croatia depends on attracting retail investors (including non-financial corporations) to the capital market. The Strategic Framework suggests that the participation and activities of retail investors be stimulated by a series of measures such as mandatory invitations to retail investors to participate in initial public offerings (before the issues are offered to institutional investors) or by introducing investment accounts characterised by a favourable tax treatment for retail investors. In addition, market liquidity can also be improved through government bond markets by introducing primary dealers, that is, financial institutions authorized for the purchase of government securities directly from the government during the offering period.

The last leverage, that is the development of new investment instruments and financing modalities, includes alternative sources of financing for start-up companies, strengthening of private equity funds, supporting the listing of companies through an initial public offering and similar support schemes. Also, programmes aimed at small and medium-sized enterprises and pooling of financing for local and regional self-government units are part of initiatives aimed at supporting the supply of securities in the capital markets in Croatia. As the market continues to develop, support to additional products, such as green securities, ETFs, specialised funds, etc., will also be considered.

The five strategic leverages are complemented by a horizontal initiative to be implemented throughout the Strategic Framework implementation period. It involves the optimisation of the Croatian legislative framework and the continuous monitoring of its competitiveness and effectiveness. Legislative adjustments need to be made on an ongoing basis to ensure certainty and reduce excess regulation, all with the aim of keeping Croatia's legal framework competitive, as simple as possible, and aligned with the *acquis communautaire* and relevant EU standards.

At its session held on 26 March 2025, the Government of the Republic of Croatia adopted a Conclusion on endorsing the Strategic Framework for Capital Market Development 2025 – 2030 and the corresponding Action Plan for 2025 – 2026.

In line with the Government Conclusion, Hanfa will continue implementing measures from the Strategic Framework in cooperation with the Ministry of Finance and other stakeholders, with an emphasis on modernising the market, encouraging investments and strengthening the competitiveness of the Croatian financial sector.

In 2024, Hanfa carried out a number of preparatory activities with the aim of implementing the objectives from the Strategic Framework, and it will intensify its work in this regard in the coming period.

These activities will include, *inter alia*:

- proposals for regulatory relief, on top of the minimum requirements applicable in the EU (the so-called gold plating);
- exploring regulatory options to increase liquidity on the ZSE;
- boosting capital market liquidity;
- considering options for regional market expansion and integration;
- upgrading the digital infrastructure by establishing an electronic application for prospectus approval;
- harmonizing the implementation of corporate actions in the Croatian market with EU standards;
- exploring the experience of IPO funds in other EU countries, etc.

Finally, the Strategic Framework aims to build a more dynamic and resilient capital market in Croatia by addressing existing shortcomings in liquidity, market depth and investment opportunities. During the five-year period of implementation of the Strategic Framework, the aim is to guide Croatia towards emerging market classification and attract international investment and capital. The aim is also to position Croatia on the regional and global financial scene and put it in the focus of a wider international investment community.

3.1.2 Supervision of issuers

As the capital market supervisory authority, Hanfa conducts off-site supervision of issuers with regard to the disclosure of regulated information and financial statements. In addition, Hanfa regularly conducts educational activities and communicates directly with the issuers. Thus, in May 2024 Hanfa held a virtual training session on market abuse, non-financial reporting, results of the analysis of the implementation of the European Single Electronic Format (ESEF) taxonomy and results of the previous inspections. In cooperation with the ZSE and the CDCC, in June 2024 Hanfa held a training course for issuers focused on sustainability reporting, improvement of corporate governance, implementation of the strategy for the development of capital market and transaction accounts and registering issuer meetings via the CDCC. In October 2024, Hanfa held the second independent training course in person about own share buybacks and sustainability reporting.

Timely and efficient disclosure of information regarding their scope, content and compliance with the applicable legal framework makes it possible to establish an effective process of managing regulated information. This enhances issuer transparency, enabling investors to make an informed decision on investing in securities.

In 2024, as part of its supervisory activities related to issuers, Hanfa continuously monitored the publication of regulated information of issuers on the ZSE, the Central Storage of Regulated Information and other public platforms and analysed the completeness, timeliness and adequate labelling and signing of the published regulated information²². In this regard, in 2024, Hanfa carried out 187 off-site inspections regarding the handling of regulated information. Of that number, 104 were focused on the disclosure of regulated information, 33 were related to notifications about the acquisition and/or disposal of issuers' shares by persons with managerial responsibilities in accordance with the Market Abuse Regulation, 25 were related to notifications about the acquisition and/or disposal of own shares of issuers, and 25 to notifications about changes in voting rights. Following the inspections, Hanfa issued one decision due to non-compliance of the handling of inside information with the Market Abuse Regulation.

In response to identified irregularities, four off-site inspections were initiated concerning the process for handling regulated and inside information of issuers. The irregularities found concerned the keeping of a list of insiders and their notification²³ and notifying persons with managerial responsibilities about their obligations. The irregularities found were remedied by the issuers during the inspection. Hanfa also initiated six off-site inspections regarding the handling of regulated information (e.g. issuers' disclosures) and two off-site inspections concerning transactions of persons with managerial responsibilities (trading in a lock-up period²⁴).

In 2024, Hanfa also issued two decisions on prospectuses: one regarding the admission of shares to the regulated market and the other concerning the admission of bonds to the regulated market of sustainable bonds.

The CMA sets out special cases where legal entities proposing to offer securities to the public or admit them to trading on the regulated market are not obliged to publish a prospectus. A total of 78 applications were received in 2024 about the use of exemption from the obligation to publish a prospectus for the issuance and/or admission of shares or bonds to the regulated market. The exemptions were most often used in the cases of share issues addressed to fewer than 150 natural persons per Member State, other than qualified investors.

During 2024, Hanfa regularly monitored the publication of issuers' financial statements, including quarterly, semi-annual and annual financial statements. In accordance with ESMA Guidelines on enforcement of financial information of 23

²² Pursuant to the Ordinance on the contents, form and manner of submitting regulated information to the Croatian Financial Services Supervisory Agency and to the Officially Appointed Mechanism of Regulated Information ([Official Gazette, No 12/23](#))

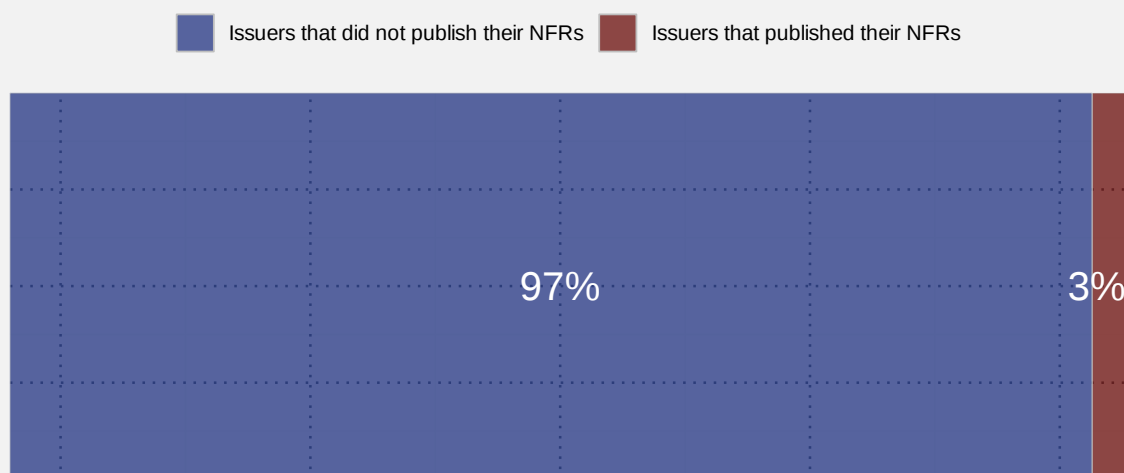
²³ Pursuant to the provisions of Article 18(2) of the [Market Misuse Regulation](#)

²⁴ Pursuant to Article 18(11) of the [Market Misuse Regulation](#)

November 2020, a total of seven issuers were selected for a full-scope examination. At end-2024, three examinations were completed, three issuers were still under examination, while the examination of one issuer had not been initiated. The irregularities found within the scope of the examination of financial statements concerned incomplete application of the International Financial Reporting Standards (hereinafter: IFRS) and the International Accounting Standards (hereinafter: IAS)²⁵. Certain irregularities were also observed in the labelling of individual positions of the annual financial statements in ESEF format.

Hanfa is also authorized to collect, process and publicly disclose information on issuers' compliance with the Corporate Governance Code (hereinafter: Code), adopted by Hanfa and the ZSE in 2019. The analysis of the results presented in the Annual Report on Corporate Governance 2023 has shown that the overall compliance of issuers with the Code improved from previous years, which was particularly visible in the "Remuneration of board members" section. Despite improvements, the progress in ensuring compliance has slowed down concerning most chapters of the Code in 2023, while the acceleration of progress was observed in the "Shareholders and the general meeting" section.

Figure 3.2 Publication of the non-financial report for 2024



Note: Entities subject to NFR requirements may either publish the NFR themselves or the reports may be published by their parent companies, which is considered to be equivalent to their own publication.

Source: Hanfa

Within the scope of the Annual Report on Corporate Governance, Hanfa also analysed the disclosures of non-financial reports for 2023, including the preparation and the content of the disclosure of issuers' non-financial reports and compliance of the disclosed indicators with the Taxonomy Regulation²⁶. The analysis has shown that 97% of issuers fulfilled this obligation (Figure 1).

²⁵ Irregularities largely concerned: IAS 1 Presentation of Financial Statements, IAS 7 Statement of Cash Flows and IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

²⁶ [Regulation \(EU\) 2020/852](#) of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending [Regulation \(EU\) 2019/2088](#), OJ L 198

In 2024, Hanfa approved two applications for the approval to publish a bid for the takeover of joint-stock companies and one application for the approval to publish a voluntary bid for the takeover of joint-stock companies. In accordance with the provisions of the Act on the Takeover of Joint-Stock Companies²⁷ laying down exemptions from the obligation to announce a takeover bid, four notifications of exemption were received.

Corporate Governance Code

In December 2024, Hanfa and the ZSE adopted the amended Corporate Governance Code (hereinafter: Code), drafted in 2019 in cooperation with the European Bank for Reconstruction and Development. The new Code applies as of 1 January 2025 to companies with securities admitted to the regulated market.

The amendments to the Code reflect adjustments due to changes in the regulatory framework at EU level and Croatia's efforts to become a full member of the Organisation for Economic Co-operation and Development (hereinafter: OECD), whose principles constitute an international benchmark for corporate governance. The revised G20/OECD Principles of Corporate Governance were published on 8 June 2023 in response to the rapid development of capital markets, climate transition and new corporate governance practices concerning sustainability and resilience.

One of the preconditions for joining the OECD is aligning the national corporate governance framework with the G20/OECD Principles of Corporate Governance, that is, implementing recommendations concerning corporate governance issued during the accession process. This was implemented through amendments to the Companies Act²⁸, which entered into force at the end of 2024, and through amendments to the Code, whereby the corporate governance standards in Croatia became fully aligned with the highest internationally recognised standards, laying the foundations for their implementation by the companies to which the Code applies.

The fundamental purpose of the Code is to promote effective and responsible governance in companies whose shares are admitted to the regulated market. This includes both day-to-day decision-making and a clear definition of the company's purpose, vision and strategy, as well as an assessment of the impact of operations on the environment, shareholders, employees and other relevant stakeholders. When adopting their strategy and business plans, management bodies must consider the impact of proposed decisions on stakeholders, the environment and society as a whole. Such responsible conduct of business is a prerequisite for long-term sustainable success and resilience of the company.

²⁷ Official Gazette, [No 109/07](#), [36/09](#), [108/12](#), [90/13](#), [99/13](#), [148/13](#)

²⁸ [Official Gazette, No 136/24](#)

The Code stipulates that the management and supervisory boards must agree on and adopt policies covering the management of the company's impact on the environment and community, the protection of human, child and labour rights, in particular of persons with disabilities, fostering of work-life balance, preventing and sanctioning any form of discrimination and corruption, and protecting persons who report irregularities. The Code recommends the publication of these policies on the company's website in order to ensure transparency towards all stakeholders.

Figure 3.3 The most important amendments to the Corporate Governance Code



Source: Hanfa

The Companies Act was also amended for the purpose of transposing Directive (EU) 2022/2381 of the European Parliament and of the Council of 23 November 2022 on improving the gender balance among directors of listed companies and related measures, which has also been incorporated in the Code's recommendations.

The Code stipulates that when appointing members of the management and supervisory boards, account should be taken of a balanced representation of both genders, eliminating any form of discrimination. The supervisory board is required to establish formal and publicly available procedures for appointments and selection of senior management, by applying objective criteria and giving preference to a candidate of the under-represented sex in case of equal qualifications. The Code also promotes gender balance in senior management, with a representation of under-represented sex of at least 40% in the supervisory board or in the supervisory and management boards together.

If a company fails to meet this requirement, it must provide explanation in the annual report and set out a plan and time limits for meeting this requirement, which must not exceed two years.

With a view to strengthening the role of shareholders and protecting their rights, such as participating and voting at the general meeting, the Code allows participation and voting at the general meeting either in person or remotely, by proxy or by electronic communication. The rapid development of digital technologies has enabled new modalities of holding general meetings. However, organising and holding general meetings by using electronic communication is a major challenge for companies, as they must rely on external technological solutions which must be adapted to allow the identification of shareholders, and as they must ensure the reliability and security of electronic communication.

Another level of protecting shareholders, as well as potential investors, relates to the reporting and availability of information on the company's operations. The amended Code puts particular emphasis on the importance of transparency relating to conflicts of interest and transactions with related parties within the company and the group, the establishment of appropriate intra-group controls, especially as regards the responsibility of the members of the management boards of companies in the group with regard to the parent company, the existence of shareholder agreements and information on the obligations undertaken by the company by way of agreements, which, in case of agreement breaches, may restrict management board and shareholder rights or require changes in the company's operations, as well as information on the likelihood of such events materialising. All this information can be crucial in making investment decisions, and their availability is one of the key elements of the Code.

In the course of 2025, companies subject to the Code will align their operations, policies, internal control and risk management systems with the new recommendations contained in the Code and report their compliance to Hanfa. Hanfa will then inform the public about the implementation of the new Code recommendations in its Annual Report on Corporate Governance.

3.1.3 Investment services

On-site supervision of investment fund management companies

In 2024, Hanfa carried out an on-site inspection of the operations of one credit institution concerning the performance of depositary functions for UCITS and AIFs (hereinafter: depositary) with the aim of verifying the legality of the credit institution's operations as regards the safekeeping and recording of the fund's assets, carrying out control functions and monitoring cash flow.

The inspection did not reveal any serious breaches of laws and other regulations governing the work of the depositary, even though some irregularities and deficiencies

were identified, mainly relating to contractual documentation and internal acts, as well as ambiguities in the process of assessing the country's regulatory and legal framework and custody risk. There was also room for improvement in the performance of the depositary's control functions, in particular with regard to prescribing criteria for the size of the fund's assets, defining the risk profile and implementing periodic controls of the initial entry of investment limitations for funds into the appropriate applications used by the depositary. At the level of all depositary functions, Hanfa observed the need to improve internal acts to cover all regulatory requirements in a comprehensive and structured manner, to enable effective and clear internal behaviour and ensure the continuity in the performance of the depositary's functions.

Based on the report on inspection findings, Hanfa issued recommendations to the depositary to improve internal acts and introduce additional records with a view to improving its operations in the aforementioned activities. Upon receipt of the report, the depositary complied with Hanfa's recommendations, and a decision was issued about its completion.

In 2024, Hanfa also completed the on-site inspection of one investment firm started in the second half of 2023 concerning its activities as a depositary of AIFs. Similar to the previously described inspection, this inspection focused on the safekeeping and recording of assets, carrying out control functions and monitoring cash flow. The inspection found illegalities, irregularities and deficiencies in the depositary's internal procedures, inadequate systematisation of jobs, the depositary's conduct in the case of identified illegalities and/or irregularities in the operations of the AIFMs, as well as in the depositary's contractual documentation. The depositary remedied all the illegalities, irregularities and deficiencies within the time limit for providing response to the report on inspection findings, and in 2024 Hanfa issued a decision on the completion of this on-site inspection.

Off-site inspection of suitability assessment of qualified investors in AIFs with private offering

At the beginning of 2024, Hanfa completed an off-site inspection of the proper conduct of AIFMs in carrying out the suitability assessment of qualified investors in AIFs with private offering, as well as internal procedures and questionnaires used in this assessment. The inspection included examination of internal procedures and completed suitability assessments, compliance with the requirements for a qualified investor in accordance with the Alternative Investment Funds Act²⁹ (hereinafter: AIFA) and subordinate legislation on a sample of 15 AIFs with private offering managed by the same number of individual AIFMs.

The inspection of two AIFMs revealed irregularities and deficiencies in the suitability reports and their delivery to the investor – the reports contained no clear indication of whether the investor was classified as a professional investor, a professional investor upon request or a qualified investor. In addition, the inspection found irregularities and deficiencies in internal procedures of eight AIFMs, necessitating certain corrections.

²⁹ Official Gazette, No [21/18](#), [126/19](#), [110/21](#), [83/23](#), [152/24](#)

The companies were issued recommendations for improving the suitability reports and updating their internal acts.

Off-site inspection – control of the rules of AIFs with private offering

In 2024, Hanfa started and completed an off-site inspection of the compliance of AIF rules with the provisions of the AIFA as regards the definition of content, disclosure and delegation of depositary safe-keeping functions to a third party and the disclosure of fees directly charged by the AIFM to AIF investors. The inspection was carried out on a sample of nine AIFs with private offering, managed by nine different AIFMs.

The inspections identified irregularities and deficiencies in the rules of funds relating to the failure to regulate the safe-keeping activities delegated to a third party and failure to state the consequences of a concluded contractual relationship, failure to identify the persons allowed to invest in the fund and failure to describe the duties of the depositary, auditors and other service providers. Upon receipt of the findings of this inspection, the companies made corrections to the AIF rules.

Off-site inspections – control of compliance with investment limitations for UCITS set out in laws, subordinate legislation and prospectuses

In 2024, Hanfa completed an off-site inspection, started in 2023, of the compliance with investment limitations for UCITS set out in laws, subordinate legislation and prospectuses. The inspection involved examining the compliance of investment limitations for management companies when investing for the account of managed UCITS with investment limitations set out in the Act on Open-Ended Investment Funds with Public Offering³⁰, the Ordinance on permitted investments and additional investment limitations relating to UCITS³¹ and UCITS prospectuses.

The inspection found breaches of investment limitations laid down in the Act on Open-Ended Investment Funds with Public Offering in seven companies, which related to investments in deposits of a credit institution, stocks of a single issuer or failure to meet the floor of the required number of securities in the UCITS portfolio. After receiving responses from the management companies, Hanfa considered that these were minor, non-systemic and rare errors, so that no administrative procedure had been opened.

³⁰ Official Gazette, No [44/16](#), [126/19](#), [110/21](#), [76/22](#), [152/24](#)

³¹ Official Gazette, No [110/16](#)

Nevertheless, certain illegalities, irregularities and deficiencies were found in one management company concerning the process of controlling investment limitations on fund assets. For this reason, Hanfa imposed a special supervisory measure to the credit institution engaged in performing depositary functions, seeking that the internal audit function carry out an examination and an assessment of the adequacy and effectiveness of the process of controlling fund investment limitations set out in laws, subordinate legislation and prospectuses. The credit institution also received a warning for illegalities and irregularities found in the course of inspection. Following the receipt of the supervisory measure and the warning, the credit institution complied with the imposed measures and Hanfa issued a decision on the elimination of illegalities and irregularities set out in the report on the off-site inspection.

Peer group

A group of similar firms (by industry, size, business model, geographical location or financial characteristics), used as a basis for comparison in the valuation of a company, that is, in a peer analysis. The financial results of a firm are compared with those of similar firms, the so-called peer group, by observing different indicators such as profitability, growth and indebtedness and many other multipliers.

In 2024, Hanfa launched and completed another off-site inspection on the same matter, which found minor irregularities in three management companies, which were subsequently remedied by the entities in question.

Off-site inspection – examination of the valuation with a focus on the valuation of inactive securities and assets valued at amortised cost

In 2024, Hanfa completed an off-site inspection of management companies concerning the determination of the net value of UCITS assets in accordance with the provisions of the Ordinance on determination of the net asset value and the unit price of UCITS³², relating to the valuation of securities traded on active and inactive markets.

With regard to the selected sample of management companies, Hanfa found room for improvement in the assessment of inactive securities, concerning the adequacy of the peer group and the valuation documentation. A recommendation was issued to one management company to improve the valuation model for bonds traded on the active market.

³² Official Gazette, No [128/17](#), [114/18](#), [124/19](#), [2/20](#) and [155/22](#)

Hanfa reported the results to the Association of Investment Fund Management Companies of the Croatian Chamber of Economy and invited the companies to review the adequacy of the selected peer groups and to ensure better documentation of the valuation process.

Off-site inspection – examination of target-date funds

At the end of 2024, Hanfa launched an off-site inspection of target-date UCITS. The inspection was aimed at examining the alignment of the investment structure with the maturity of funds, that is, checking whether investment limitations concerning maturity, as set out in the prospectus, were complied with. The inspection also focused on the alignment of the funds' characteristics and investments with publicly disclosed information in the funds' prospectuses and the examination of the internal process of designing and managing this type of product. The inspection covered five companies managing target-date UCITS, and the findings of the inspection will be prepared in the upcoming period.

In 2024, Hanfa carried out an off-site inspection of a management company and target-date funds under its management. The inspection focused on the product governance process and the adequacy of promotional content relating to these funds. The inspection found irregularities and deficiencies in the key stages of the process of new product introduction, which the management company was obligated to define internally in its policies. The deficiencies related to the unclear delineation of the processes, activities and responsibilities of participants depending on whether the company acted solely as a manufacturer or as a manufacturer and distributor of the product, imprecise delineation of mandatory assessment elements, lack of a measurable system for processing the relevant criteria and assessment elements and product monitoring, as well as the absence of specific mandatory criteria, activities and deadlines for their completion.

ESG reporting (Environmental, Social and Governance Reporting)

Disclosure of information on the environment, society and corporate governance. As with all disclosures, the purpose of the reporting is to shed light on the company's ESG activities, while at the same time improving investor transparency and encouraging other organisations to do the same.

Target-date funds

These funds have a pre-determined duration or maturity, with the fund's investment strategy changing in such a way that, as maturity date approaches, the investments in riskier asset classes are gradually replaced by investing in more conservative financial instruments with the aim of preserving the raised funds and earned capital.

Off-site inspection – examination of UCITS investments with a focus on the adequacy of assets and compliance of investment strategy with the fund names

During 2024, Hanfa completed an off-site inspection of management companies concerning investments for the account of UCITS under management, as regards the alignment of investment limitations with the Rules of operation of investment fund management companies and the Methodology for the categorisation of open-ended investment funds with public offering. The inspection also examined whether the fund's name referred to a particular strategy and certain investment limitations that should be respected and defined in the fund's prospectus.

The inspection covered all management companies. For certain funds, investments were found to be inconsistent with the suggestive name of the UCITS which refers to a determinant (e.g. geographical determinant). Three management companies remedied certain observed inconsistencies during the inspection by aligning the name of the fund with the investment strategy or by better defining investment limitations and strategy in the fund's prospectus (e.g. the geographical region) in order to avoid confusion or potential misinterpretations by investors.

Rules of operation of investment fund management companies

An act adopted by the Association of Investment Fund Management Companies of the Croatian Chamber of Economy, with the aim of promoting the development and raising the general level of operation, professionalism and professional performance of investment fund management activities in accordance with economic and professional principles and in line with good business practice and morals, in order to ensure efficient protection and behaviour in the market.

Hanfa informed the Association of Investment Fund Management Companies of the Croatian Chamber of Economy about the results of this inspection, and management companies were invited to act diligently, honestly, in accordance with professional rules and in the best interest of UCITS and investors in UCITS as regards this aspect of their operations. The companies were advised that their promotional content should be consistent and truthful when presenting information on the UCITS, and that no terms should be used that might give a false impression about the UCITS and mislead investors.

Off-site inspection of a company's handling of received applications for the issuance of UCITS units

In late 2024, Hanfa completed an *ad hoc* off-site inspection of a management company concerning the received applications for the issuance of units in an open-ended feeder investment fund with public offering under its management, which was launched after receiving a complaint from one of the fund investors.

The inspection found that, in the matter at hand, the company acted contrary to the provisions of the UCITS prospectus and that natural persons were not allowed to issue units in the fund concerned directly through that company, while the prospectus provided for a possibility to apply for the issuance of units directly in the company, regardless of whether the applicant was a natural person or a legal entity. Also, the company did not provide, through the relevant internal acts, for the possibility of

applying for the issuance of units to natural persons directly in the company, and the company failed to put in place adequate mechanisms for monitoring and controlling the distribution of the fund's units in accordance with its prospectus. In addition, the information on the company's website was not consistent with the fund's prospectus and the updated internal acts.

Due to the irregularities found, the management company was issued a warning. The irregularities were subsequently remedied by the company.

Common supervisory action on sustainability disclosures and the integration of sustainability risk

In 2024, Hanfa carried out a Common Supervisory Action on Sustainability Risks and Disclosures (hereinafter: CSA), agreed at the level of the Investment Management Standing Committee (IMSC) at ESMA and carried out by all competent authorities of Member States. Specifically, the EU set the review of ESG disclosures as one of the Union strategic supervisory priorities (USSP), to be carried out by ESMA. The CSA examined the compliance of management companies and AIFMs with the legislative framework on sustainable finance.

The purpose of this common supervisory action is to achieve supervisory convergence in the area of sustainability risks and disclosures through a coordinated approach of EU/EEA national competent authorities and to address risks arising from incorrect and misleading disclosures, as well as other entity or product-level issues that might lead to greenwashing practices.

This supervisory exercise has highlighted the necessity of a comprehensive upgrade of the ESG processes in companies, in particular as regards the adequate alignment with the legislative framework concerning the integration of sustainability risks, entity-level disclosures, disclosures and documentation related to financial products and the improvement of conflict of interest policies, as well as remuneration policies related to the integration of sustainability risks, internal processes across supervisory entities' control functions in relation to the risk of greenwashing and engagement policies. ESMA will publish the Final Report on this CSA for 2023 and 2024 with the full results of the exercise.

Off-site inspection of the transparency of adverse sustainability impacts at entity level

In 2024, Hanfa carried out the inspection in accordance with Regulation (EU) 2019/2088³³ (hereinafter: SFDR) and Commission Delegated Regulation (EU) 2022/1288³⁴ (hereinafter: Delegated SFDR). To be more precise, the European supervisory authorities consider and analyse the scope of voluntary disclosures in

³³ **Regulation (EU) 2019/2088** of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, OJ L 317

³⁴ **Commission Delegated Regulation (EU) 2022/1288** of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of 'do no significant harm', specifying the content, methodologies and presentation of the information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports, OJ L 196

accordance with the relevant provisions of the SFDR, which serves as a basis for the preparation of a report. Thus, they published their third annual report on disclosing principal adverse impacts under that Regulation. The report contains an assessment of disclosures on principal adverse impacts under the SFDR, both at company and product level. The aim of these disclosures is to show the negative impact of financial institutions' investments on the environment and society and to present actions that asset managers take to mitigate this impact. The key findings for the overall EU market show some progress, namely that financial institutions have improved the availability of their PAI disclosures (Principal Adverse Impact Disclosures), but that further efforts are still needed to achieve full compliance.

The report also contains recommendations to national competent authorities for the harmonisation of supervisory practices, an overview of good and bad practices regarding positions, clarity and complexity of disclosures based on data collected by national competent authorities, and recommendations to the European Commission for a comprehensive review of the SFDR. In order to provide the European competent authorities with the necessary information, Hanfa carried out an analysis of disclosures in accordance with the relevant provisions of the SFDR and Delegated SFDR. The results of this off-site inspection showed the need for further refinements, improvements and alignment with the framework set out in the SFDR, in particular by improving the visibility and availability of disclosures on entities' websites, the need to improve the PAI disclosures and the need for a more detailed explanation of the methodologies used for selecting, identifying and assessing indicators, as well as the need to clarify deviations in methodologies and data sources used.

Other ongoing off-site inspections

Within the scope of a regular off-site inspection in 2023 concerning the alignment of key information documents for packaged retail and insurance-based investment products with the provisions of the Act Implementing Regulation (EU) No 1286/2014³⁵ and accompanying Commission Delegated Regulation (EU) 2017/653³⁶, in early 2024, Hanfa notified all management companies of the necessary improvements to the mandatory content of key information documents, to which the companies concerned provided their feedback. Hanfa stressed that it would continue to monitor closely the fulfilment of obligations stipulated by the above-mentioned regulations, within the scope of its competences.

In 2024, Hanfa also carried out other ongoing off-site inspections of annual financial statements of UCITS management companies and UCITS, AIFMs, AIFs and investment firms. Off-site inspections involved examining the annual updates and material amendments of prospectuses and rules of UCITS and AIFs. Hanfa also performed a regular annual inspection of key information documents for UCITS investors, which are

³⁵ Official Gazette, No **112/18** and **123/23**

³⁶ **Commission Delegated Regulation (EU) 2017/653** of 8 March 2017 supplementing Regulation (EU) No 1286/2014 of the European Parliament and of the Council on key information documents for packaged retail and insurance-based investment products (PRIIPs) by laying down regulatory technical standards with regard to the presentation, content, review and revision of key information documents and the conditions for fulfilling the requirement to provide such documents, and its subsequent amendments (2018/997, 2019/1866, 2021/2268, 2022/957, 2022/1666)

to be prepared and updated by management companies on an annual basis and published on their websites.

Off-site inspection of the distribution of UCITS units

Based on the information collected during the ongoing inspection process, in 2024 Hanfa carried out an off-site inspection of a credit institution concerning the distribution of units of an UCITS. Certain illegalities and irregularities were found in the product governance process, suitability and adequacy assessment, notification to investors of changes to the key information document (KID) and periodic suitability assessments and delivery of documentation to investors. Hanfa issued a decision addressed to the credit institution, ordering the elimination of identified illegalities and irregularities, with a warning for the identified illegalities and irregularities, which were eliminated by the credit institution by the time the decision was issued. The credit institution complied with the supervisory measure and eliminated the remaining illegalities, following which Hanfa issued a decision on the completion of the procedure.

Off-site inspection of transactional investor accounts

During 2024, Hanfa carried out an off-site inspection concerning the opening and managing of transactional investor accounts with the CDCC. The inspection involved four investment firms and two credit institutions providing the mentioned services.

The inspection was aimed at identifying the services that the supervised entities provided and the scope of these services and the manner in which pre-contractual information was provided to investors, inspecting the process of concluding a contract for the provision of the service concerned and examining how supervised entities inform investors about the costs and charges associated with the service.

Transactional investor account

This is a securities transactional account with securities positions held by a client whose identity is individually determined. Positions are held by participants in their own name and for the account of clients. Assets on the transactional investor account are generally not the participant's assets and are kept separately from the participant's assets.

The inspection found that two supervised entities failed to include in their contractual documentation a clear description of the type and scope of services they provide for transactional investor accounts. Also, two supervised entities offered the possibility of concluding agreements to open a transactional account by telephone, which is not in line with the provisions of Delegated Regulation (EU) 2017/565³⁷. Two supervised

³⁷ **Commission Delegated Regulation (EU) 2017/565** of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive, OJ L 87

entities lacked an internal act concerning the provision of the service of opening and maintaining a transactional investor account for a client, while one supervised entity failed to inform clients on corporate actions related to financial instruments held in transactional investor accounts, which was in breach of the provisions of the Companies Act³⁸. The supervised entities remedied all the irregularities and deficiencies during the inspection.

Off-site inspection of an investment firm's marketing communication

In 2024, Hanfa launched an off-site inspection of an investment firm due to irregularities and illegalities identified within the scope of the Common Supervisory Action coordinated by ESMA. Hanfa found that the investment firm failed to put in place the necessary processes and procedures for preparing, publishing and controlling marketing communication, which was a reason for an off-site inspection.

The primary objective of the obligations imposed on supervised entities providing investment services concerning marketing communication and promotional content is to ensure the adequacy, accuracy and quality of the information provided to investors, so as not to mislead them. Before issuing of a decision on supervisory measures, the investment firm managed to bring its operations in compliance in the area concerned and remedied the identified illegalities and irregularities. In 2024, Hanfa issued a decision on the completion of the inspection and ended the inspection concerned.

Common supervisory actions

In 2024, Hanfa participated in two common supervisory actions coordinated by ESMA. The first supervisory action concerned controls that supervised entities providing investment services through algorithmic trading must conduct prior to

Algorithmic trading

Algorithmic trading is trading in financial instruments in such a way that a computer algorithm automatically determines individual parameters of orders (opening of orders, placing orders, price, volume, managing orders), with limited or no human intervention.

Sustainability preferences

Sustainability preferences mean a client's or a potential client's decision about whether to include any of the following financial instrument in their investment, and the extent to which they will be included in their investment:

(a) a financial instrument for which a client or a potential client has determined that a minimum portion is to be invested in environmentally sustainable investments as defined in Article 2(1) of Regulation (EU) 2020/852 of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment;

(b) a financial instrument for which a client or a potential client has determined that a minimum portion is to be invested in sustainable investments as defined in Article 2(17) of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector;

(c) a financial instrument that takes into account principal adverse impacts on sustainability factors, where qualitative or quantitative elements demonstrating this are determined by the client or the potential client.

³⁸ Official Gazette, No [111/1993](#), [34/1999](#), [121/1999](#), [52/2000](#), [118/2003](#), [107/2007](#), [146/2008](#), [137/2009](#), [111/2012](#), [125/2011](#), [68/2013](#), [110/2015](#), [40/2019](#), [34/2022](#), [114/2022](#), [18/2023](#), [130/2023](#), [136/2024](#)

trading (hereinafter: pre-trade controls). The second supervisory action concerned the inclusion of sustainability in the suitability assessment and product governance under MiFID II³⁹.

The common supervisory action relating to pre-trade controls started in 2024 and comprised two main phases. In the first phase of the action, the aim was to identify the scope of algorithmic trading, the investment services where algorithmic trading is applied and the associated risks. The exercise covered 12 supervised entities, of which seven credit institutions and five investment firms, which met ESMA's sample formation requirements. The second phase involved a detailed analysis of pre-trade controls carried out in one credit institution using algorithmic trading. Certain deficiencies were identified in mandatory internal acts and the supervised entity was ordered to improve and update them.

As of 2024, Hanfa also participates in the common supervisory action relating to the inclusion of sustainability in the suitability assessment and product governance under MiFID II. The exercise covered the operations of six credit institutions authorised by Hanfa to provide investment services and perform investment activities, which met ESMA's selection criteria for this exercise. The aim of the exercise was to review internal policies, processes and procedures relating to the integration of sustainability into requirements for suitability assessment and product governance and their alignment with the MiFID II regulatory framework. The first phase of the exercise involved the collection of data from selected supervised entities by using the prepared, uniform forms, as well as internal acts providing for suitability assessment, with a particular focus on the integration of sustainability into these assessments.

In the second phase, Hanfa will request and examine samples of clients that were subject to credit institutions' suitability assessments in the observed period, as well as investment products that the selected credit institutions in the sample distribute, including data on target markets, with a special focus on products with sustainability characteristics. The exercise will continue in 2025 and it will be completed within the set time limits.

3.1.4 Pension savings

On-site inspections of pension companies and a credit institution

In 2024, Hanfa completed two on-site inspections of pension companies and pension funds, and one on-site inspection of a credit institution.

In 2024, Hanfa completed an on-site inspection of a pension company and pension funds under its management, started in 2022. The inspection found that the pension company had implemented all Hanfa's supervisory measures and recommendations and eliminated all illegalities and irregularities which largely related to the investment process and investment of pension funds' assets and deficiencies in the investment process documentation. This led to the conclusion of the regular on-site inspection.

³⁹ **Directive 2014/65/EU** of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, OJ L 173

In addition, 2024 saw the completion of another on-site inspection of a pension company and associated pension funds, started in 2023. The inspection revealed certain illegalities, irregularities and deficiencies in the investment process, which were eliminated by the pension company in the course of the inspection, so there was no need for further actions and the inspection was closed.

An on-site inspection of the depositary functions of a credit institution found no illegalities, albeit irregularities and deficiencies were detected, primarily concerning internal procedures and contracts on the performance of depositary functions. It was also observed that the depositary's control functions required improvements, so that Hanfa issued recommendations in this regard to the depositary. These recommendations were fully implemented in the course of the inspection and the institution remedied all the irregularities and deficiencies. As a result, there was no need for further action and a decision was issued on the completion of the on-site inspection.

In the last quarter of 2024, Hanfa launched a regular on-site inspection of a pension company and the associated pension funds. The inspection focused on the investment process and the analysis of investments of pension funds' assets on a selected sample, the inclusion and efficiency of control functions in the investment process and the procedures for receiving and handling of complaints from pension fund members. The inspection is expected to be completed in 2025.

Off-site inspection of pension companies' reports on activities aimed at increasing the level of financial literacy in 2023

Hanfa carried out an off-site inspection that examined the compliance of pension companies' activities relating to the strengthening of citizens' financial literacy with the provisions of the Mandatory Pension Funds Act⁴⁰, Voluntary Pension Funds Act⁴¹ and the Guidelines for pension companies on increasing the level of financial literacy of citizens of the Republic of Croatia aimed at improving, developing and harmonising the conduct of pension companies. Having analysed the mentioned reports, Hanfa sent a circular to the Association of Pension Companies and Pension Insurance Companies, with recommendations to pension companies to improve the activities in question (hereinafter: Circular). The recommendations provided instructions to

Suitability assessment

Supervised entities that provide investment advice services and/or portfolio management services are required to assess whether the service and financial instruments are suitable for the client and, in particular, whether they are in line with the client's willingness to take risk and the client's ability to bear losses. The assessment must include the following criteria:

- 1) the transaction must conform to the client's investment objectives, including sustainability preferences;*
- 2) the client must be able to bear investment risks arising from the transaction; and*
- 3) the client's knowledge and experience must be sufficient to understand the risks associated with the service received.*

⁴⁰ Official Gazette, No [19/14](#), [93/15](#), [64/18](#), [115/18](#), [58/20](#), [156/23](#)

⁴¹ Official Gazette, No [19/14](#), [29/18](#), [115/18](#), [156/23](#), [52/25](#)

pension companies on the activities that cannot be regarded as investment in financial literacy, relating to the sponsoring of conferences, seminars, culture and sports events and the holding of press conferences. In the Circular, Hanfa also advised pension companies to include in their future reports a quantification of the relation between the implemented activities and citizens' interest in pension funds. Recommendations were also made for a clearer presentation of costs, with the need to differentiate costs of activities carried out independently from the costs of activities implemented through the Association of Pension Companies and Pension Insurance Companies, with an indication of the full cost of each educational activity. In conclusion, pension companies were recommended that, when carrying out activities to raise the level of citizens' financial literacy, they should pay additional attention to the quality of the content of educational activities and the way of communication towards the target groups of citizens, and to continue with transparent reporting on the activities carried out. A letter was sent to one pension company with additional recommendations to improve the quality of activities and reporting in relation to projects aimed at investing in financial literacy.

Off-site inspection concerning the monitoring of the liquidity of mandatory pension funds and examination of liquidity reports for the first half of 2024

In 2024, Hanfa carried out an off-site inspection concerning the monitoring of the liquidity of all mandatory pension funds by analysing the Report on the liquidity of assets and the coverage of liabilities of a mandatory pension fund (hereinafter: Report) for the first half of 2024.

Pursuant to Article 7 of the Ordinance on annual, quarterly and other reports of mandatory pension funds⁴², pension companies are required to submit the said Report at least twice a year and exceptionally at Hanfa's request. In doing so, they should comply with Hanfa's Instruction on completing the supervisory report on the liquidity of assets and the coverage of liabilities of a mandatory pension fund (hereinafter: Instruction). The purpose of the Report is to assess whether the mandatory pension fund is able to cover future liabilities by available liquid assets, where a pension company may use its own estimates to assess market liquidity in future periods. Estimates are calculated for a one-year and a three-year period under six predefined scenarios. The initial scenario envisages normal market conditions without adverse impacts, while other scenarios assume adverse events such as: a decline in market liquidity of all relevant classes of assets, the rise in the returns of debt securities, the fall in the value of the equity portfolio, significant exits of members of mandatory pension funds and a combination of these events that adversely affect the assets and liabilities of mandatory pension funds.

The liquidity ratios calculated by pension companies were compared with Hanfa's internal calculations at the level of each mandatory pension fund. The results of the analysis showed that mandatory pension funds of all categories should be able to meet their liabilities in an orderly manner in the observed period.

⁴² Official Gazette, No [2/20](#), [98/20](#), [24/21](#), [146/22](#), [62/24](#)

Hanfa reviewed the Report and the internal procedures of pension companies required to prepare the Report. The review revealed non-compliance of one pension company with the applicable legal provisions, which was remedied by the pension company as instructed by Hanfa. In two pension companies, deficiencies were identified in completing the Report. The pension companies were sent letters with instructions on how to prepare the Report in order to ensure uniformity and comparability of reports in future periods.

With regard to funds under management of one pension company, the Report was not in compliance with the Instruction. The company was sent recommendations for aligning the activities and internal procedures with the Instruction, within a set time limit, while the compliance check will be performed within the scope of an off-site inspection focused on liquidity monitoring and the review of the liquidity report in the forthcoming period.

Sustainable finance

A process of considering and taking into account environmental, social and governance (ESG) factors when making investment decisions.

Off-site inspection of the compliance of pension funds' statutes and prospectuses with the legal provisions on sustainable finance

This off-site inspection focused on examining the compliance of the founding acts of mandatory and voluntary pension funds with the changes in relevant laws in the area of sustainable finance. More precisely, the SFDR lays down new sustainability disclosure requirements for financial market participants. In accordance with the SFDR, recent amendments to the Mandatory Pension Funds Act and the Voluntary Pension Funds Act lay down that pension funds must include certain information on sustainable investments in statutes and prospectuses of funds under management.

A review of the statutes of mandatory pension funds and prospectuses of voluntary pension funds, in particular the parts related to the management of sustainability risks and the consideration of environmental, social and governance factors, found that all pension companies had updated these acts to align them with the applicable legal provisions.

Other ongoing off-site inspections

In 2024, Hanfa also carried out ongoing off-site inspections that covered the operation of pension companies and pension funds, relating to pension fund investments in transferable securities not admitted to the regulated market, reviews of reports on complaints by pension fund members, reviews of the audited annual financial statements of pension companies and funds, monitoring capital requirements applicable to pension companies and a review of the Mandatory Pension Funds Report for the Croatian Parliament and the report prepared by the Central Registry of Affiliates for the Government of the Republic of Croatia. The inspections found no illegalities, so there was no need to impose supervisory measures.

New investment framework for mandatory pension funds

Amendments to the legislative framework for mandatory pension funds from November 2023, which entered into force on 1 January 2024, expanded investment opportunities for mandatory pension funds by introducing new, so-called “alternative investment classes”. The amendments aim at increasing the returns and improving the diversification of the assets of fund members.

For the first time, pension funds are allowed to invest directly in real estate, under clearly defined conditions:

- investments are only in office buildings with stable cash flows;
- real estate must be in the territory of Croatia, the EU or OECD member countries;
- a valuation must be made by an independent external valuer, containing data on any mortgage encumbrances and a statement that the real estate can be disposed of within a short period at the appraised value;
- additional organisational requirements have been prescribed for companies investing in such assets, including additional transparency requirements.

In addition, indirect investment in real estate through real estate investment funds (AIFs) is also possible.

Investments in premium covered (mortgage) bonds is also allowed, even if they are not admitted to the regulated market. These are debt securities that are safer than other bonds; they can be issued only by EU credit institutions and are based on mortgage-backed loans. This gives funds a new possibility of exposure to the housing loan market, with a high level of investor protection and fostering the development of the domestic covered bond market.

Up to now, pension funds have only been allowed to invest in stocks admitted to regulated markets (e.g. stock exchange). The new act introduces the possibility to also invest in transferable securities traded on multilateral trading facilities (MTFs). This creates room for investments in smaller, often fast-growing companies, listed on MTFs, which provides a boost to the domestic entrepreneurial scene and increases portfolio diversification.

The alternative classes also include investments in holdings and equity securities offered via crowdfunding platforms, enabling funds to participate in early development stages of domestic small and medium-sized enterprises.

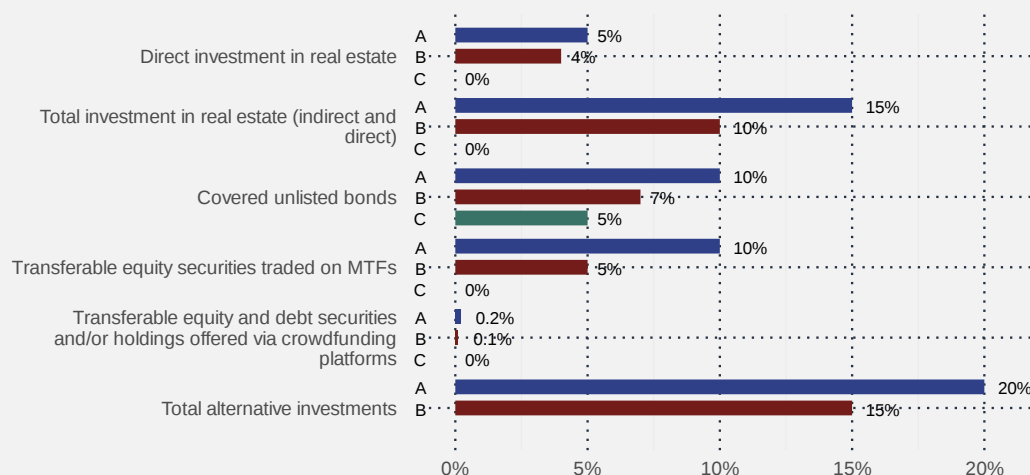
New legislative amendments are another step forward in the development of the Croatian pension system. The broadening of the investment framework to include real estate, mortgage bonds, MTFs and crowdfunding platforms:

- allows a higher yield potential;
- increases portfolio resilience through diversification; and
- introduces clear criteria for sustainable and responsible risk management.

Funds are thus provided with an additional tool to ensure stable and long-term pensions for their members, in line with trends in the financial sector.

Figure 3.4 Limits on MPF investments in alternative investment classes

In % of the net asset value of pension fund's assets, per fund category



Source: Official Gazette, No 19/14, 93/15, 64/18, 115/18, 58/20, 156/23, Articles 126, 126a and 126b

3.1.5 Insurance

In 2024, Hanfa carried out a total of 12 inspections of the operations of insurance companies, that is, three on-site inspections and nine off-site inspections. In addition, in 2024 Hanfa monitored follow-ups to supervisory measures imposed in the previous years.

On-site inspections in 2024 covered the following areas:

- consumer protection and the protection of the common good in providing insurance distribution services;
- handling and settlement of claims;
- processing of complaints and objections from interested parties;
- promotional activities;
- management system, including the product oversight and management system;
- reporting system;
- capital management measures and policies;
- valuation and validation of the best estimate of technical provisions;
- cyber security and outsourcing management.

Off-site inspections in 2024 covered the following areas:

- compliance of insurance distributors with the obligation to submit financial statements and statistical reports in a timely manner;
- compliance with the obligations under the Act on Compulsory Traffic Insurance;
- handling and settlement of claims;

- product oversight and management system;
- review of the justification for a capital add-on and the amount of the capital add-on.

Following the inspections carried out in 2024 and the supervisory activities carried out in previous years, in 2024 Hanfa issued 14 decisions. Seven decisions concerned the completion of inspections, three decisions related to the imposition of supervisory measures, while four decisions concerned the withdrawal of authorisations for insurance distributors – insurance intermediaries.

Other supervisory activities

Having analysed the results based on the Instruction on the requirements for the oversight and governance of credit protection insurance products from 2023, in 2024 Hanfa carried out an additional comparative analysis of credit protection insurance products. The analysis involved an overview of general and specific insurance terms, the insurance product information document (IPID) and data on distribution channels and contracted commissions. The aim of this supervisory activity was to encourage insurers to improve their credit protection insurance products, prevent the risk of damage to consumers and take timely measures to oversee and manage products, taking into account the complexities and characteristics of the products, the target market, consumer requests and needs, and the associated risk of damage to consumers.

During 2024, Hanfa also carried out a horizontal analysis of the handling of claims under motor vehicle insurance (comprehensive insurance) in all insurers providing this type of insurance. The analysis involved verifying the procedures and mechanisms in place for handling claims with a focus on meeting the time limits defined in the applicable regulations.

Furthermore, in order to encourage and raise awareness of the importance of sustainable finance and to monitor the compliance of insurance and pension insurance companies with sustainability-related regulations⁴³, Hanfa continued to review sustainability-related disclosures on companies' websites in 2024. In addition, the annual Principal Adverse Impact Statements (PAI)⁴⁴ were regularly analysed. In this regard, in 2024 Hanfa continued to provide support and guidance to supervised entities through circulars and regular responses to the received queries, in light of the fact that sustainability regulations are relatively new and are still being developed.

⁴³ **Taxonomy Regulation** – Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending **Regulation (EU) 2019/2088**, OJ L 198, **Commission Delegated Regulation (EU) 2022/1288** of 6 April 2022 supplementing **Regulation (EU) 2019/2088** of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of 'do no significant harm', specifying the content, methodologies and presentation of the information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports, OJ L 196

⁴⁴ A statement on due diligence policies regarding principal adverse impacts of investment decisions on sustainability factors, to be disclosed by companies by 30 June each year, containing information for the period from 1 January to 31 December of the preceding year.

Following significant changes in financial reporting resulting from the application of the new international financial reporting standards (IFRS 9 and IFRS 17) as of 1 January 2023, significant changes were introduced in reporting for the purposes of Solvency II⁴⁵. Although the new reporting rules have been applicable from 31 December 2023, the first reports were received in 2024, when a significant portion of the activities focused on the mentioned amendments was also carried out. In 2024, Hanfa also performed its continuous reviews and analyses of regular financial, supervisory and other reports prepared by insurance companies, pension insurance companies, the Bureau, the Croatian Nuclear POOL, insurance companies from other Member States providing insurance and reinsurance services in the Republic of Croatia through their branches and persons authorised to perform insurance distribution and/or reinsurance distribution activities.

During 2024, Hanfa continued with activities aimed at improving the own risk and solvency assessment process (hereinafter: ORSA) and ORSA reports by insurance companies. In this regard, Hanfa held meetings with representatives of insurance companies, with a special focus on the analysis of climate change risks that companies carried out within the scope of ORSA.

Application of IFRS 17

From the beginning of 2023, all insurance companies and pension insurance companies in Croatia apply the new international standard IFRS 17 Insurance Contracts. The new standard has led to changes in the structure of liabilities, as well as income and expenditure of insurance companies and pension insurance companies. During 2024, Hanfa analysed audited annual accounts prepared for the first time under IFRS 17, with a focus on the main effects of its application, market indicators and measurement methods. The analysis covered basic indicators relating to the application of IFRS 17, grouping of insurance contracts, approaches to the valuation of insurance contract liabilities, discounting of insurance contract liabilities and impacts on the result of insurance contracts.

Grouping of insurance contracts

Under IFRS 17, insurance contracts are grouped according to the similarity of risk and how they are managed in the context of pricing, processing of claims and cost allocation. Portfolios of insurance contracts are further divided into insurance contract groups (ICG). Most companies use a simplified approach in defining ICGs and rely on business lines or types of insurance with additional division depending on specific characteristics of the portfolio and the insurance company itself.

⁴⁵ [Commission Implementing Regulation \(EU\) 2023/894](#) of 4 April 2023 laying down implementing technical standards for the application of [Directive 2009/138/EC](#) of the European Parliament and the Council with regard to the templates for the submission by insurance and reinsurance undertakings to their supervisory authorities of information necessary for their supervision and repealing Implementing Regulation (EU) 2015/2450, OJ L 120

Under IFRS 17, insurance contracts are grouped within a portfolio into a minimum of three groups:

- onerous contracts, where expected losses are recognised immediately in the Profit and Loss Account (P&L);
- contracts without a significant risk of becoming onerous at initial recognition;
- other contracts.

According to data from domestic insurers, approximately 93.4% of income is accounted for by other contracts, 2.8% by contracts without a significant risk of becoming onerous, and 3.8% by onerous contracts.

Valuation of insurance contract liabilities

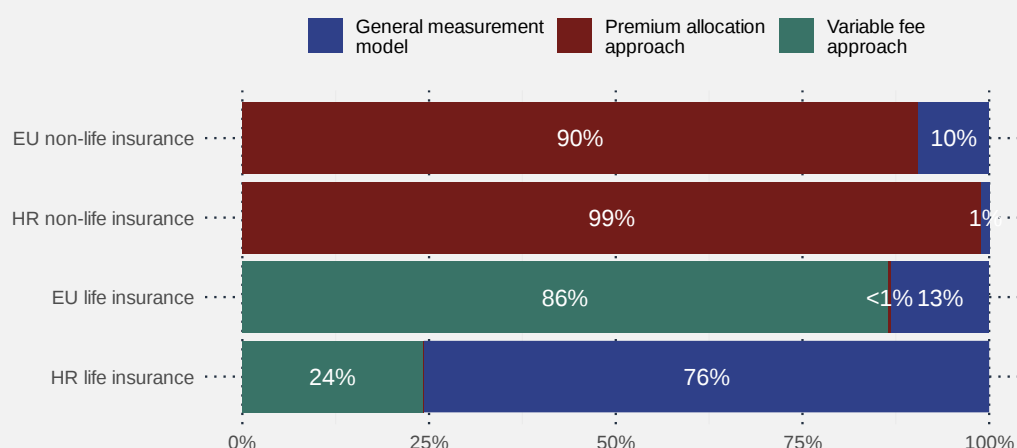
The focus of IFRS 17 is on the valuation of insurance contract liabilities, taking into account the long-term nature of insurance, as well as uncertainties regarding the timing and amounts, by applying the following measurement models:

- General Measurement Model (GMM);
- Variable Fee Approach (VFA); and
- Premium Allocation Approach (PAA).

Most non-life insurance portfolios (98.9%) of domestic insurers are valued by applying the premium allocation approach (PAA), while most life insurance portfolios (75.7%) are, as expected, valued by applying the general measurement model (GMM) (Figure 3.5).

Figure 3.5 Valuation of insurance contract liabilities

In % of total liabilities



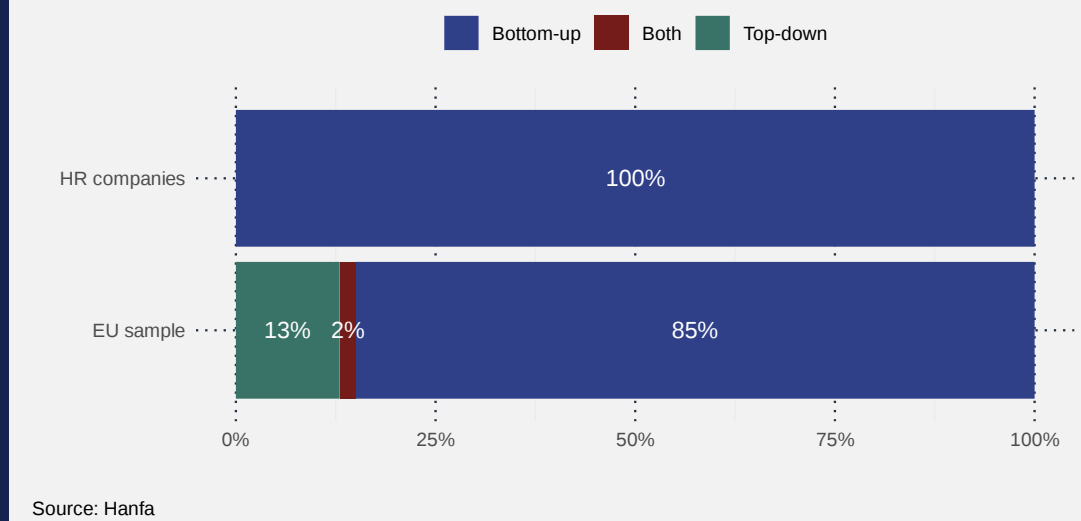
Source: Hanfa

Discounting of insurance contract liabilities

Under IFRS 17, discounting is applied to future cash flows to reflect the time value of cash and financial risks not included in the estimated cash flows. This adjustment allows obligations under insurance contracts to be recognised at present value. The discounting rate must be consistent with the characteristics of the cash flows of liabilities (e.g. currency, maturity, liquidity). A top-down or a bottom-up approach can be used, depending on the availability of market data and characteristics of liabilities.

Figure 3.6 Approach to discount rate derivation

In % of insurance companies



All insurance companies in the Republic of Croatia apply the bottom-up approach (risk-free rate⁴⁶ + illiquidity adjustment) to determine the discount curve for the purpose of valuing insurance contract liabilities.

Income from insurance contracts

The recognition of income under IFRS 17 differs from previous accounting standards and aims to provide more transparency (explicit expected profit/loss presentation) and consistency.

Income is recognised over time, based on expectations, that is, assumptions, and the amount is proportionate to the service provided in the observed period. Insurance premium is no longer a measure of income under insurance contracts.

OCI option

IFRS 17 allows insurers to decide whether the impact of changes in economic/financial assumptions will be accounted for through P&L or through other comprehensive income (OCI). This option can also be used at individual portfolio level.

⁴⁶ Risk-free rate (RFR)

As a rule, insurance companies in the Republic of Croatia use the OCI option when applying the general measurement model (GMM) and when using the premium allocation approach (PAA).

Supervisory activities in cooperation with EIOPA and other national supervisory authorities

In 2024, Hanfa's employees participated in the colleges of supervisors of eight groups (affiliated insurance and reinsurance companies and insurance or mixed financial holdings) to which insurance companies with registered offices in the Republic of Croatia belong. They participated in ten regular meetings of colleges of supervisors of groups organised by competent supervisory authorities of Member States, with the aim of exchanging information and data on insurance companies belonging to an insurance group and pursuing insurance business in other Member States. In addition, Hanfa's employees also attended a joint college of supervisors of groups on the occasion of the 20th anniversary of colleges, focusing on the three pillars of group supervision: cooperation, exchange of information and common tools such as jointly coordinated analyses and supervision.

During 2024, Hanfa participated in a stress testing exercise conducted by EIOPA on a regular basis to assess the resilience of the European insurance industry to adverse financial and economic conditions. A total of 48 insurance companies from 20 Member States participated in the stress testing exercise.

Hanfa also participated in EIOPA's exercise relating to the application of EIOPA's Opinion on the use of climate change scenarios in ORSA for 2023 (Questionnaire on the monitoring exercise on the application of the EIOPA's Opinion; hereinafter: Opinion). The exercise was aimed at gathering information on how companies apply the Opinion. Insurance companies were invited to fill in the questionnaire related to the climate change risk analysis and climate change risk scenarios, with additional questions in the area of biodiversity and nature-related risks.

In 2024, Hanfa participated in the review of data and of the draft light review of EIOPA's Nat Cat dashboard⁴⁷, showing the level of insurance protection and vulnerability of European countries to natural catastrophes (dashboard on insurance protection gap for natural catastrophes). Every year, EIOPA conducts a light review covering simple updates, while every five years it conducts a thorough review and update of scores. Greece, Italy, Romania and Croatia (in 2023 Croatia was in the third place) have the largest insurance protection gap for natural catastrophes.

The Nat Cat dashboard

The Nat Cat dashboard provides an overview of historical and current insurance protection gaps for natural catastrophes by using modelling, expert judgment and information on the functioning of insurance against natural catastrophes in each country.

⁴⁷ [EIOPA Dashboard on insurance protection gap for natural catastrophes](#), publicly available on EIOPA's website

3.1.6 Non-bank financing

Leasing

In 2024, Hanfa carried out two on-site inspections of leasing companies, relating to credit risk management, with a focus on the process of approving and concluding lease contracts. The inspection examined the adequacy of policies and procedures for approving leasing transactions and their application, as well as other processes through which companies manage credit risk. Hanfa subsequently issued decisions on the completion of the inspections, after establishing that the irregularities mentioned in the reports were remedied.

In the first half of 2024, Hanfa concluded its supervisory activities for all active leasing companies, relating to value adjustments for receivables under finance and operating lease contracts, and issued a decision on the completion of the most recent ongoing inspection in this area.

During 2024, Hanfa issued two decisions ordering companies to remedy illegalities and irregularities linked to applicable interest rates under finance lease contracts concluded with consumers. Hanfa examined the compliance of leasing companies' internal acts and contractual provisions with the Consumer Credit Act⁴⁸, the calculation of lease instalments, the adjustment of interest rates with changes in the reference interest rate, the application of the maximum permitted interest rate prescribed by the Consumer Credit Act and the provision of information to lessees about changes in interest rates. As Hanfa had already issued one decision on this subject matter at the end of 2023, in 2024 Hanfa issued decisions on the completion of three inspections concerning the applicable interest rate under finance lease contracts concluded with consumers. The inspections found illegalities and irregularities relating to the incorrect calculation of lease instalments and non-compliance with the Consumer Credit Act in respect of exceeding the maximum permitted interest rate.

At end-2024, Hanfa started supervisory activities with regard to one leasing company in relation to the process of granting leasing placements, with a special focus on the financing of second-hand vehicles. Further activities within the scope of this inspection will continue in the period ahead.

In the course of the year, Hanfa carried out ongoing off-site inspections, including the inspection of financial statements, additional reports and other reports that leasing companies regularly submit to Hanfa.

Factoring

In 2024, Hanfa carried out an on-site inspection of a company concerning the company's compliance with the provisions of the Factoring Act⁴⁹ with regard to carrying out activities, risk management and financial reporting and the application of the Anti-Money Laundering and Terrorist Financing Act⁵⁰ (hereinafter: AMLTFA) and

⁴⁸ Official Gazette, No [75/09](#), [112/12](#), [143/13](#), [147/13](#), [9/15](#), [78/15](#), [102/15](#), [52/16](#), [128/22](#), [156/23](#)

⁴⁹ Official Gazette, No [94/14](#), [85/15](#), [41/16](#)

⁵⁰ Official Gazette, No [108/17](#), [39/19](#), [151/22](#)

the Restrictive Measures Act⁵¹. The inspection found illegalities and irregularities with regard to carrying out factoring activities (concerning reverse factoring and claims management activities), management of concentration risk, bookkeeping and reporting to Hanfa, and the prevention of money laundering and terrorist financing. The inspection was suspended as Hanfa initiated another procedure and issued a decision revoking the company's authorisation to perform factoring activities.

Another inspection with the same subject matter was launched at the end of 2024 and it is to be finalised in the coming period.

In 2024, Hanfa continued its supervisory activities regarding potential performance of factoring tasks without Hanfa's authorisation and followed up on complaints associated with such cases.

Hanfa also continued with its supervisory activities concerning the inspection of the operation of digital platforms for buying and selling receivables and regularly examined financial statements, as well as additional reports and other reports that factoring companies submit to Hanfa.

3.1.7 Prevention of money laundering and terrorist financing

The prevention of money laundering and terrorist financing is one of the priorities of financial supervision in the Republic of Croatia as well as a global challenge. The consequences of such crimes not only threaten international security, but directly undermine financial stability and confidence in the financial system. In Croatia, this area is regulated by the AMLTFA, the implementation of which is supervised by Hanfa in its supervised entities. Hanfa takes a risk-based approach in its supervisory work, which allows for a more efficient management of supervisory resources, while ensuring a greater focus on entities and activities that pose a higher risk of money laundering and terrorist financing.

To ensure the consistency and quality of such an approach, Hanfa has developed its own risk assessment model, i.e. a risk dashboard, which is regularly updated in line with market and regulatory changes. Accordingly, a total of 90 AMLTF inspections were carried out in 2024, 81 of which were off-site and nine on-site (Figure 3.7). All on-site inspections carried out showed that entities were aware of the importance of the prevention of money laundering and terrorist financing. All on-site inspections carried out and measures adopted by Hanfa aimed at improving both organisational conditions in the segment of AMLTF and the manner of carrying out due diligence, linking of transactions, reporting of suspicious transactions, etc. All supervised entities complied with the imposed measures without delay. On-site inspections covered various types of entities, including fund management companies, insurance companies, investment firms, but also an increasingly important segment of virtual asset service providers.

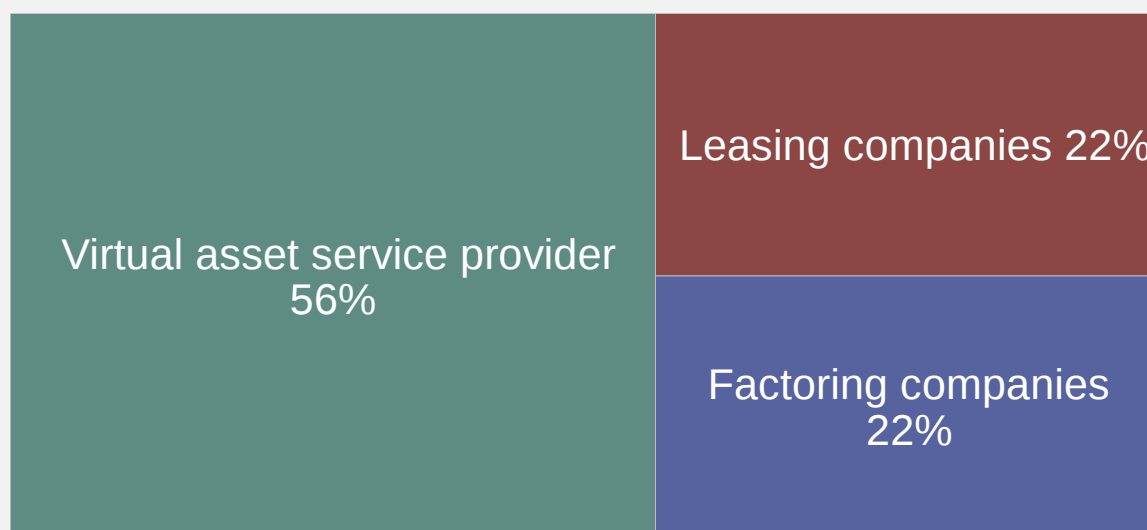
A significant step forward in the supervision of this market segment was achieved by the amendments to the AMLTFA that entered into force on 1 January 2023, introducing a mandatory registration regime for virtual asset service providers, in line with the

⁵¹ [Official Gazette, No 133/23](#)

international standards set by the Financial Action Task Force (FATF). This has allowed for more transparency and better supervision, and has reduced legal uncertainty and strengthened the protection of virtual asset market participants. To this end, two subordinate regulations have also been adopted, laying down the manner of keeping a register and criteria for assessing the good repute of natural persons in virtual asset service providers. Pursuant to these regulations, Hanfa collects data that enable ongoing market monitoring and risk assessment. By end-2024, Hanfa received 23 applications for registration in the register of virtual asset service providers. Registration was approved for 17 companies, while six companies were refused registration. This confirmed consistency in the application of regulatory requirements and the importance of substantive verification of applicant entities. The most common reasons for refusal were non-compliance with the law, the absence of risk management mechanisms and inadequate anti-money laundering procedures.

Figure 3.7 On-site inspections in 2024

In %



Source: Hanfa

To further protect citizens, Hanfa published several warnings to the public during the year, calling for caution when dealing with unregistered companies. It was pointed out that companies not registered in Hanfa's register provided virtual asset services without adequate authorisation, exposing citizens to higher risk of fraud, loss of funds and legal uncertainty.

To increase the level of understanding of regulatory requirements and obligations, Hanfa held a number of training events targeting supervised entities from different sectors. Particular interest was expressed for workshops dealing with financial sanctions, with a significant emphasis on compliance with financial sanctions arising from the international obligations of the Republic of Croatia, in particular those to the European Union and the United Nations. Some training events were held independently, and some were held in cooperation with the Croatian Chamber of Economy. Practical examples and structured lectures provided participants with useful information on how to properly observe legal obligations in their daily operations.

A special training module was dedicated to virtual asset service providers. During the workshops, all obligations arising from the AMLTFA and the Restrictive Measures Act were clarified to the participants, including potential operational risks arising from non-compliance with the legal framework.

At international level, Hanfa continued to actively participate in the work of supervisory colleges and expert groups at EU level in 2024. This cooperation is an important part of building regulatory resilience, enabling the exchange of knowledge and experience with colleagues from other supervisory authorities, the alignment of practices and joint work to address the challenges that are increasingly common in a cross-border context.

3.2 Macprudential supervision

During 2024, Hanfa continued to monitor, analyse and identify systemic risks in the financial services sector on an ongoing basis, with the aim of maintaining financial system stability and protecting market participants. The Macroprudential Risk Scanner and Financial Stability were the main channels of informing the public on the results of analyses conducted, trends in financial markets and potential challenges for financial security. In addition to standard risk assessments, these publications also analysed current topics, which further strengthened Hanfa's role in the macroprudential supervision and a timely identification of systemic risks.

One of the topics addressed in 2024 was the importance and long-term challenges of pension systems⁵². The analysis showed that there are different forms of pension systems in many EU countries and that there is no universal construction model for this essential element of social policy. Although pension funds are an important element of the total economy, the financial system, as well as individual financial plans of citizens, voluntary participation rates remain relatively modest, with marked differences across jurisdictions. In order to increase the sustainability of pension systems and ensure an adequate level of retirement benefits, it is necessary to raise awareness of long-term risks and continue to improve financial literacy. While there is no perfectly designed pension system that would fully eliminate all existing challenges, increasing the relevance and resilience of 2nd and 3rd pillars can help address some vulnerabilities, while ensuring that individual capitalised savings plans are sufficiently flexible in both investment and user contexts.

The publications also analysed the operations of target-date funds⁵³, which have been present in the domestic market since 2022 and which have in the meantime become an increasingly represented category of UCITS in the domestic market. These are relatively conservative funds that predominantly invest in bonds and compete with standard bond funds that are traditionally preferred by investors in the domestic market. The analysis has shown that while they appear at first sight to be low-risk given the conservative investment structure and relatively high exit fees, they still carry

⁵² See Box 1 Strengthening pension systems for future generations: the path to long-term resilience in the Macroprudential Risk Scanner No 10, available at the following [link](#).

⁵³ See Box 1 Target-date fund – safe returns or silent risk? in the Macroprudential Risk Scanner No 11, available at the following [link](#).

certain risks (such as credit risk and liquidity risk), which may spill over to the rest of the market in the event of sudden investor withdrawals and a drop in investment value.

As in previous years, in 2024 Hanfa continued to analyse the risks associated with potential excessive use of leverage by alternative investment funds in accordance with Article 25 of Directive 2011/61/EU⁵⁴ and Guidelines on Article 25 of Directive 2011/61/ EU. The analysis of data for end-2023 has shown that no fund had excessively used leverage, which would have affected the build-up of systemic risks, risk of market disruption or risks to long-term economic growth. Therefore, no leverage limits were imposed and the results of the analysis were also reported to ESMA.

A regular annual assessment of systemically important institutions in the financial services sector was also carried out in 2024 and the results were communicated internally to the Risk Committee. Hanfa's representatives continued to cooperate with domestic and European macroprudential policy makers through participation in the Financial Stability Council and European Systemic Risk Board (ESRB) working groups. Cooperation with other macroprudential policy makers is of utmost importance, allowing for harmonisation of regulatory approaches, timely exchange of information and coordinated action in case of financial shocks or crisis situations. Such cooperation strengthens the resilience of the financial system at national level, but also contributes to the stability of the European financial space, as financial markets are increasingly interlinked.

⁵⁴ **Directive 2011/61/EU** of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/ 2009 and (EU) No 1095/2010, OJ L 174/1

NORMATIVE ACTIVITIES

4 NORMATIVE ACTIVITIES

In view of the intense regulatory activities at EU level, Hanfa participated actively in several working groups in 2024 on the drafting of legislative proposals in the area of capital markets, investment funds, audit, credit institutions, as well as laws on the implementation of various regulations governing jurisdiction, supervisory measures, misdemeanours, etc., such as the acts on the implementation of the MiCA⁵⁵ and DORA regulations⁵⁶.

In this context, in 2024 Hanfa Board adopted 52 ordinances⁵⁷, five guidelines, one decision and four official positions with the aim of further clarifying the legal provisions and achieving a better understanding of the application of the relevant regulations.

4.1 Capital market and investment services

4.1.1 Legislative activities

At the end of July 2024, the Act Amending the Capital Market Act⁵⁸ entered into force. Differences from the previous act primarily relate to further alignment of the Croatian capital market regulatory framework with the provisions of the CSDR⁵⁹ and the DORA regulations. Further amendments were made to the Transparency Directive⁶⁰ (amended by the CSRD⁶¹) to ensure that companies whose securities are admitted to trading on a regulated market in the EU, including third-country issuers, are covered by the same sustainability reporting requirements, which have now been transposed into the Act Amending the Capital Market Act. The Act also includes the necessary references to all sustainability reporting requirements in annual financial statements. Transparency is enhanced by introducing an obligation for issuers to produce and

⁵⁵ **Regulation (EU) 2023/1114** of the European Parliament and of the Council of 31 May 2023 on markets in crypto-assets, and amending Regulations (EU) No 1093/2010 and (EU) No 1095/2010 and Directives 2013/36/EU and (EU) 2019/1937, OJ L 150

⁵⁶ **Regulation (EU) 2022/2554** of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector and amending Regulations **(EC) No 1060/2009**, **(EU) No 648/2012**, **(EU) No 600/2014**, **(EU) No 909/2014** and **(EU) 2016/1011**, OJ L 333

⁵⁷ The list of ordinances adopted by Hanfa in 2024 is provided in the Appendix.

⁵⁸ **Official Gazette, No 85/24**

⁵⁹ **Regulation (EU) 2023/2845** of the European Parliament and of the Council of 13 December 2023 amending **Regulation (EU) No 909/2014** as regards settlement discipline, cross-border provision of services, supervisory cooperation, provision of banking-type ancillary services and requirements for third-country central securities depositories and amending **Regulation (EU) No 236/2012**, OJ L 2023/2845

⁶⁰ **Directive 2004/109/EC** of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending **Directive 2001/34/EC**, OJ L 390

⁶¹ **Directive (EU) 2022/2464** of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting, OJ L 322

publish sustainability reports. The Act also provides for the application of the DORA Regulation to investment firms and market operators as of 17 January 2025. It lays down stricter rules on ICT risk for investment firms and trading venues engaged in algorithmic trading, while less detailed requirements apply to data reporting services and trade repositories. As for the application of the CSDR, approval is now required for the acquisition of a qualifying holding in a central depository, while in the past an approval was needed only for the acquisition of a controlling share.

In order to apply the CSDR, the Act Amending the Act Implementing Regulation (EU) No 909/2014⁶² was also published in the Official Gazette in December 2024. The Act aims to reduce compliance costs and regulatory burdens for central depositories, as well as to facilitate their cross-border operations by enhancing cross-border supervision. It also transposes the new definition of the designated central depository⁶³, defines additional competences of Hanfa and the CNB and amends the misdemeanour provisions in response to amendments to the normative part of Regulation (EU) No 909/2014⁶⁴.

Digital operational resilience in the financial sector

The financial sector is increasingly reliant on digital technologies, information systems and IT service providers. Given the increasingly more frequent and sophisticated cyber threats, it has become necessary to establish a single regulatory framework that would ensure a high level of digital operational resilience for all financial entities in the EU⁶⁵. The DORA Regulation was adopted to that end.

In the Republic of Croatia, the application of the DORA Regulation is ensured by the Act implementing Regulation (EU) 2022/2554 on digital operational resilience for the financial sector⁶⁶ (hereinafter: the Act on the Implementation of the DORA Regulation), which was adopted with a view to ensuring its effective application and defining the competences of national supervisory authorities.

⁶² The Act Amending the Act Implementing [Regulation \(EU\) No 909/2014](#) of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives [98/26/EC](#) and [2014/65/EU](#) and [Regulation \(EU\) No 236/2012](#) ([Official Gazette, No 152/24](#))

⁶³ Following the amendments, a central depository can now provide banking-type ancillary services to another CSD, which has not been possible so far.

⁶⁴ [Regulation \(EU\) No 909/2014](#) of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives [98/26/EC](#) and [2014/65/EU](#) and [Regulation \(EU\) No 236/2012](#), OJ L 257

⁶⁵ [Regulation \(EU\) 2022/2554](#) of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector and amending Regulations [\(EC\) No 1060/2009](#), [\(EU\) No 648/2012](#), [\(EU\) No 600/2014](#), [\(EU\) No 909/2014](#) and [\(EU\) No 2016/1011](#) (OJ L 333, 27.12.2022)

⁶⁶ [Official Gazette, No 136/24](#)

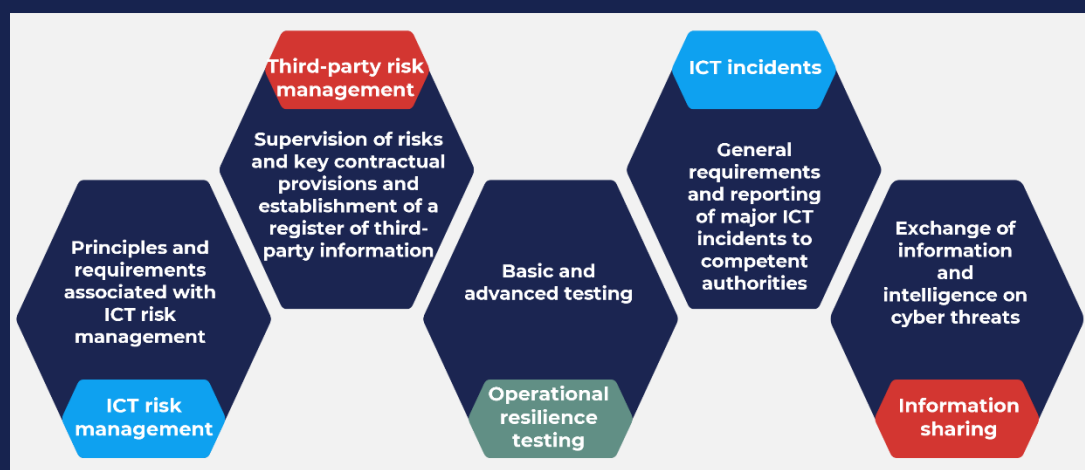
What is the DORA Regulation and to which entities it applies?

The DORA Regulation establishes, for the first time, uniform rules at EU level for all financial market participants and it relates to credit institutions, insurers, investment firms, fund management companies, market infrastructures, crypto-asset service providers and a number of other financial and ancillary entities. In view of the significance of mandatory pension funds for the financial system of the Republic of Croatia, the Act on the Implementation of the DORA Regulation extends the application of the Regulation to pension companies managing mandatory pension funds.

Objectives of the DORA Regulation and the main scope of its application

The DORA Regulation aims to ensure that all financial entities in the EU, regardless of their size, type of business or technical development, are able to timely detect, prevent, contain and effectively recover from incidents related to information and communication technology (hereinafter: ICT). The incidents, such as cyber attacks, disruption of information systems or misuse of data, can have serious consequences, not only for individual institutions but also for the overall stability of the financial system.

Figure 4.1 Scope of the DORA Regulation



Source: Hanfa

To achieve this objective, the DORA Regulation lays down a set of binding requirements grouped into four core areas:

1 ICT risk management

Financial entities must establish a systematic and comprehensive ICT risk management framework, meaning that IT management is no longer a technical issue but an integral part of strategic governance and corporate risk management.

This includes, *inter alia*, the assessment and classification of information assets, the regular identification of vulnerabilities and threats (e.g. security gaps, legacy systems), the establishment of procedures for prevention,

detection and response to incidents, business continuity and disaster recovery plans, and the involvement of management bodies (e.g. management board) in ICT decision-making.

All this implies the reorganisation of internal procedures and significant investment in management capacities in the ICT sector.

2 Digital resilience testing

The DORA Regulation introduces an obligation for regular technical and operational testing of the information infrastructure, which aims to detect system vulnerabilities before an actual attack or failure occurs.

The tests include internal assessments of security controls, vulnerability scanning, attack simulation (e.g. phishing penetration testing), as well as threat-led penetration testing of large and critical entities that mimics the actual methods of sophisticated cyber attacks.

Such tests allow supervised entities not to react only when an incident occurs, but to proactively improve their security mechanisms.

3 Reporting on ICT-related incidents

The DORA Regulation establishes a single framework for the classification, reporting and analysis of ICT-related incidents. Entities need to develop rapid incident detection mechanisms, keep records of any significant ICT issues, report significant incidents to the competent authorities within 24 hours of detection and submit complementary reports analysing the causes of disruption and providing a recovery plan.

This requirement increases the transparency and timely response of supervisory authorities, but also encourages the entities themselves to be better prepared and act faster. At EU level, the data collected will help to create a broader picture of the scale and frequency of digital threats.

4 Risk management by ICT third-party service providers

As a large number of financial entities use external suppliers for ICT services, including cloud services, application development, security solutions and infrastructure maintenance, the DORA Regulation strongly emphasises the importance of managing these relationships.

In essence, it is stipulated that contractual arrangements with third parties must contain clear security and operational requirements, while entities retain the right of oversight of external providers and must carry out risk assessments related to ICT outsourcing.

In particular, joint European supervision of critical ICT service providers (e.g. leading cloud service providers such as AWS, Azure or Google Cloud) is also required.

This approach aims to avoid a situation where problems with a single provider create systemic distortions at the level of several financial institutions at the same time.

These four areas of the DORA Regulation constitute a common safety minimum that each financial entity in the EU must reach, regardless of its size, technological maturity or resources.

By harmonising practices and obligations, the DORA Regulation lays the groundwork for a more resilient, integrated and safer European financial sector, capable of addressing the increasingly complex challenges of the digital age.

Act on the Implementation of the DORA Regulation

The Act on the Implementation of the DORA Regulation defines the competent authorities for implementation and supervision, sanctions for non-compliance with the obligations laid down in the Regulation, and cooperation mechanisms between supervisory authorities.

Together with the CNB, Hanfa is the competent national authority responsible for the implementation of the DORA Regulation. Within its competence, Hanfa examines supervised entities' compliance with the obligations laid down in the Regulation, assesses ICT risk management systems, receives and analyses ICT-related incident reports and takes supervisory and corrective measures, including the imposition of sanctions, where necessary.

Hanfa also plays an active role in aligning domestic supervisory practices with the European regulatory guidelines developed by ESMA, EIOPA, EBA and other institutions within the European System of Financial Supervision.

Impact on supervised entities

For entities supervised by Hanfa, the DORA Regulation provides a new layer of obligations, but also an opportunity to increase resilience, investor confidence and competitiveness. Key changes for these entities include:

- formalisation and standardisation of ICT governance, including policies, business continuity plans and risk assessments;
- the obligation to report critical ICT-related incidents in a timely manner, with defined deadlines and content of the reports;
- conducting regular digital resilience testing, including threat-led penetration testing for large or critical entities;
- a more detailed management of relations with ICT third-party service providers, in addition to contractual obligations, monitoring and controllability of their services.

The implementation of the DORA Regulation requires organisational and technical adjustments, particularly for smaller entities; to facilitate this process, Hanfa acted proactively through training and communication with entities in 2024.

The DORA Regulation represents a significant step forward in building a more resilient financial system at EU level. For Hanfa, its implementation means strengthening the regulatory role in the digital field and upgrading the supervisory processes. For supervised entities, the DORA Regulation is an obligation, but also an opportunity to improve their ICT capabilities, protect themselves against cyber risks and strengthen their business in the long term.

In the coming period, Hanfa will continue to work systematically to educate markets, support supervised entities and ensure a uniform and proportionate application of the DORA Regulation in the non-bank financial sector.

4.1.2 By-laws

In May 2024, Hanfa adopted the Ordinance amending the Ordinance on insolvency proceedings and resolution of the central depository⁶⁷. The most important amendments relate to temporary bans on payments into and out of an institution's account following the adoption of a decision on the submission of a proposal for initiating insolvency proceedings against an institution, and for the purpose of alignment with changes in the payment system operated by the central bank, i.e. the rules of operation of the TARGET-HR system.

In September 2024, Hanfa issued an official position⁶⁸ on the situation in which an issuer simultaneously adopts and implements two own share buyback programmes, the execution of which would be carried out by different regulated investment firms. In the official position, Hanfa takes the view that such an approach is not disputable if the issuer of the securities complies with all the obligations imposed by the provisions of the Market Abuse Regulation⁶⁹ and conduct of business rules laid down by the CMA.

4.2 Investment funds

4.2.1 Legislative activities

On 24 December 2024, the following were published in the Official Gazette:

- Act Amending the Alternative Investment Funds Act⁷⁰; and the
- Act Amending the Act on Open-Ended Investment Funds with Public Offering⁷¹.

The most significant amendments to the Alternative Investment Funds Act relate to:

- **changes related to ICT risk management**, which require the application of DORA requirements to a large AIFM in part of organisational requirements and ICT risk management. Hanfa shall adopt a by-law to specify the measures and

⁶⁷ [Official Gazette, No 65/24](#)

⁶⁸ [CLASS: 008-02/21-03/01](#), File No: 326-01-70- 72-24-14 of 23 September 2024

⁶⁹ This includes, in particular, the establishment of arrangements, measures and protocols demonstrating the legitimacy of behaviour within the meaning of Article 9(1) of the Market Abuse Regulation, and then the provisions of Article 11 of the Market Abuse Regulation related to market investigation.

⁷⁰ [Official Gazette, No 152/24](#)

⁷¹ [Official Gazette, No 152/24](#)

procedures that small and medium-sized AIFMs are required to put in place in respect of the network and information systems they manage for the purpose of achieving digital operational resilience;

- **amendments to the national regime for the distribution of third-country AIFs**, which enable AIFMs from the Republic of Croatia and other Member States to distribute to professional investors in the Republic of Croatia the units of third-country AIFs they manage, in compliance with the conditions laid down by law;
- **changes to the national regime for the performance of the business of third-country AIFMs in the Republic of Croatia**, specifying the conditions for establishing a branch and the documentation and information to be provided to Hanfa with the application for authorisation of a branch, the reasons for refusing the application for authorisation of a branch, as well as the grounds for revocation of the authorisation of a branch of the third-country AIFM, and the conditions to be met by the person who will be responsible for the management of the branch of the third-country AIFM;
- **operation of an AIFM depository**: in order to achieve an adequate level of protection for the investors of AIFs marketed to retail investors, provisions are laid down governing the authorisation of an investment firm to perform the depository functions, the application for such authorisation, the content of the application and the treatment of that application.

The most significant amendments to the Act on Open-Ended Investment Funds with Public Offering relate to:

- **changes related to ICT risk management**, which require the application of DORA requirements to management companies in the part of the network and information systems they manage to achieve digital operational resilience;
- **operation of a UCITS depository**: the Act provides that investment firms established in the Republic of Croatia or another Member State having branches in the Republic of Croatia may also act as UCITS depositories. In order to ensure the protection of UCITS investors, which are mainly retail investors, the Act lays down new provisions governing the authorisation of an investment firm to perform the depository functions, the submission of applications for such authorisation, the content of the application and the treatment of the application, as well as the power of Hanfa to further specify those provisions by means of a by-law. The Act introduces specific supervisory measures that Hanfa may impose on the depository, which are necessary to fill a legal vacuum in part of the specific supervisory measures that may be imposed on the depository, in order to ensure the efficient achievement of the purpose of oversight of the depository and an adequate level of investor protection.

4.2.2 By-laws

At its meeting of 23 July 2024, Hanfa Board adopted the ordinances on determining the net asset value of AIF and UCITS and the price of AIF and UCITS units.⁷² Given the large number of amendments to the ordinances in question, for optimisation purposes, all amendments have been consolidated into one ordinance for UCITS and one ordinance for AIFs. In addition, harmonisation was made with the latest amendments to the ordinance on the valuation of pension funds in the part relating to the calculation of NAV on weekends (repealing the obligation to calculate NAV for Saturdays and Sundays, unless they fall on the last day of the month) and an adjustment in the part relating to the application of the reference exchange rate of the European Central Bank instead of the CNB midpoint exchange rate, as there were certain differences with respect to pension funds.

4.3 Pension system

4.3.1 Legislative activities

Directive (EU) 2022/2556⁷³ introduces a number of amendments necessary to ensure legal clarity and consistency in relation to digital operational resilience requirements. The provision of its Article 8 amended Article 21(5) of the IORP II⁷⁴ Directive, which imposes an obligation on Member States to apply the DORA Regulation to institutions for occupational retirement provision when setting up network and information systems. The amendments to the Voluntary Pension Funds Act⁷⁵ and the Act on Pension Insurance Companies⁷⁶ implement Directive 2022/2556 in view of the importance of ICT risk management in the business of pension insurance companies and extend the obligation to apply the DORA Regulation to their entire business.

4.3.2 By-laws

Following amendments to pension laws adopted in 2023⁷⁷, in 2024, Hanfa prepared drafts, conducted a public consultation and adopted 45 ordinances, four guidelines and one decision.

⁷² Ordinance on determining the net asset value of AIF and the price of AIF units ([Official Gazette, No 89/24](#)) and Ordinance on determining the net asset value of UCITS and the price of UCITS units ([Official Gazette, No 89/24](#))

⁷³ [Directive \(EU\) 2022/2556](#) of the European Parliament and of the Council of 14 December 2022 amending Directives [2009/65/EC](#), [2009/138/EC](#), [2011/61/EU](#), [2013/36/EU](#), [2014/59/EU](#), [2014/65/EU](#), [\(EU\) 2015/2366](#) and [\(EU\) 2016/2341](#) as regards digital operational resilience for the financial sector, OJ L 333

⁷⁴ [Directive \(EU\) 2016/2341](#) of the European Parliament and of the Council of 14 December 2016 on the activities and supervision of institutions for occupational retirement provision (IORPs), OJ L 354

⁷⁵ Act Amending the Voluntary Pension Funds Act ([Official Gazette, No 52/25](#))

⁷⁶ Act Amending the Act on Pension Insurance Companies ([Official Gazette, No 52/25](#))

⁷⁷ Act Amending the Mandatory Pension Funds Act ([Official Gazette, No 156/23](#)), Act Amending the Voluntary Pension Funds Act ([Official Gazette, No 156/23](#)) and Act Amending the Act on Pension Insurance Companies ([Official Gazette, No 156/23](#))

In the field of voluntary and mandatory pension funds, Hanfa adopted ordinances on the issuance of authorisation and the acquisition of a qualifying holding in a mandatory or voluntary pension fund management company⁷⁸. The ordinances specify their scope by regulating, in addition to the application for authorisation of a pension company, the content of the pension company's business plan and the additional documentation and information to be attached to the application for an extension of a pension company's authorisation. They also specify the documentation accompanying the application for an increase in a qualifying holding in a pension company.

Hanfa has also adopted ordinances amending the ordinances on the requirements for membership in management and supervisory boards of mandatory and voluntary pension fund management companies.⁷⁹ The amendments to these ordinances extend their scope by providing that they also regulate the justified reasons why Hanfa may grant authorisation for a mandate shorter than required. In addition, the professional qualifications required to perform the function of a member of the management board of a pension company were also regulated in more detail.

The ordinances amending the ordinances on determining the net asset value of voluntary pension funds and the price of voluntary pension fund units and the value of accounting units of mandatory pension funds⁸⁰ remove the obligation to calculate the value of the net assets and of the accounting unit of pension funds for Saturdays and Sundays⁸¹ and regulate the conversion into the euro equivalent of assets acquired in foreign currency and subsequent measurement of pension funds' assets and liabilities denominated in foreign currency. Also, the amendments introduce the provisions related to real estate investments of pension funds.

Amendments to the Ordinance on marketing and other information for members of voluntary pension funds⁸² relate to the method of providing Hanfa with promotional content and specification of the content of the quarterly report on the fund's investment structure. The amendments to the ordinances on marketing and other information for members of mandatory pension funds⁸³ concern the additional regulation of the data and information to be included in the pension company's website, in particular as regards the structure of the pension fund's investments and

⁷⁸ Ordinance on the issuance of authorisation and the acquisition of a qualifying holding in a mandatory pension fund management company ([Official Gazette, No 51/24](#)) and Ordinance on the issuance of authorisation and the acquisition of a qualifying holding in a voluntary pension fund management company ([Official Gazette, No 51/24](#))

⁷⁹ Ordinance amending the Ordinance on the requirements for membership in management and supervisory boards of mandatory pension fund management companies ([Official Gazette, No 51/24](#)) and Ordinance amending the Ordinance on the requirements for membership in management and supervisory boards of voluntary pension fund management companies ([Official Gazette, No 51/24](#))

⁸⁰ Ordinance amending the Ordinance on determining the net asset value and the value of accounting units of mandatory pension funds ([Official Gazette, No 51/24](#)) and Ordinance amending the Ordinance on determining the net asset value of voluntary pension funds and the price of voluntary pension fund units ([Official Gazette, No 51/24](#))

⁸¹ By way of exception, the value of the net assets and the price of fund's units or of the pension fund's accounting unit is always calculated for the last day of a month on the next working day.

⁸² Ordinance amending the Ordinance on marketing and other information for members of voluntary pension funds ([Official Gazette, No 70/24](#))

⁸³ Ordinance amending the Ordinance on marketing, informative prospectus and other information for members of mandatory pension funds ([Official Gazette, No 52/24](#))

indications of the percentage share of transferable securities in the net assets of the pension fund.

The ordinances relating to the capital and technical provisions of pension companies⁸⁴ now have new names: “Ordinance on the capital and technical provisions of pension companies managing voluntary pension funds” and the “Ordinance on the capital of pension companies managing mandatory pension funds”.

In 2024, Hanfa adopted new ordinances on permitted investments and additional investment limitations relating to pension funds⁸⁵ and pension insurance companies⁸⁶, in line with the liberalisation of permitted investments and investment limitations for mandatory and voluntary pension funds, as well as permitted investments and investment limitations on assets to cover the pension insurance company's technical provisions.

The Ordinance on organisational requirements for pension companies managing mandatory pension funds⁸⁷ imposes additional requirements on companies managing mandatory pension funds in order to ensure the proper and efficient operation and to minimise business risk, bearing in mind cyber risks and their management, the risks of underlying assets and the methods chosen to estimate the risks associated with transactions in derivative instruments for each pension fund managed by a pension company.

Amendments to the Ordinance on organisational requirements for pension companies managing voluntary pension funds⁸⁸ extend the existing requirements and include additional rules with regard to cyber risk management, the identification of the counterparty and the limits in the Act on Voluntary Pension Funds that a pension company may apply to a central counterparty, as well as the criteria according to which assets covering technical provisions for voluntary pension insurance can be considered to achieve an equivalent level of protection to individual segregation within the meaning of the Act. It also regulates the content and delivery of audit reports on compliance with risk management rules and the state of the information system and the adequacy of information system management, as well as the reasons why Hanfa may refuse the audit firm's assessment.

⁸⁴ Ordinance amending the Ordinance on the capital of pension companies managing mandatory pension funds ([Official Gazette, No 52/24](#)) and Ordinance amending the Ordinance on the capital and technical provisions of pension companies managing voluntary pension funds ([Official Gazette, No 52/24](#))

⁸⁵ Ordinance on permitted investments and additional investment limitations relating to mandatory pension funds ([Official Gazette, No 152/24](#)) and Ordinance on permitted investments and additional investment limitations relating to voluntary pension funds ([Official Gazette, No 152/24](#))

⁸⁶ Ordinance on permitted investments and investment limits relating to assets covering technical provisions of pension insurance companies ([Official Gazette, No 152/24](#))

⁸⁷ [Official Gazette, No 152/24](#)

⁸⁸ Ordinance amending the Ordinance on organisational requirements for pension companies managing voluntary pension funds ([Official Gazette, No 70/24](#)).

The ordinances on sustainability reporting for pension companies and mandatory pension funds⁸⁹ and for pension insurance companies and mandatory pension insurance schemes⁹⁰ specify the following:

- the content and presentation of the information in relation to the principle of 'do no significant harm';
- the content, methodologies and presentation of the information in relation to sustainability indicators and adverse sustainability impacts;
- the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives;
- the content and presentation of the information in relation to the promotion of environmental or social characteristics or sustainable investment objective in annual financial statements.

In addition, Hanfa adopted five more ordinances:

- Ordinance amending the Ordinance on requirements to be met in order to be entitled to receive retirement benefits arising from voluntary pension insurance, on register of members, and on cancellation of payments into and out of voluntary pension funds⁹¹;
- Ordinance on costs to be covered by the assets of voluntary pension funds and on the manner and contents of the calculation of voluntary pension funds' total cost indicators⁹²;
- Ordinance on the minimum content of the notification on informative pension calculation⁹³;
- Ordinance amending the Ordinance on the treatment of mandatory pension funds' members by the Central Register of Insured Persons and pension companies⁹⁴; and
- Ordinance on the structure and contents of mandatory pension funds' activity report submitted to the Croatian Parliament⁹⁵, adopted with a view to ensuring the uniform compilation and presentation of data for mandatory pension funds and for the purpose of transparency and facilitating comparison between the operation of individual pension funds managed by different pension companies.

Hanfa also adopted a number of ordinances in the field of pension insurance companies, such as the Ordinance on minimum standards applied in the process of calculating technical provisions of the pension insurance company⁹⁶ and the

⁸⁹ Ordinance on sustainability reporting for pension companies and mandatory pension funds ([Official Gazette, No 141/24](#))

⁹⁰ Ordinance on sustainability reporting for pension insurance companies and mandatory pension insurance schemes ([Official Gazette, No 141/24](#))

⁹¹ [Official Gazette, No 52/24](#)

⁹² [Official Gazette, No 105/24](#)

⁹³ [Official Gazette, No 152/24](#)

⁹⁴ [Official Gazette, No 152/24](#)

⁹⁵ [Official Gazette, No 152/24](#)

⁹⁶ [Official Gazette, No 20/24](#)

Ordinance on the structure and contents of financial statements and additional reports of pension insurance companies⁹⁷.

Furthermore, the Ordinance on regular reports and content of the notification relating to proposed unit amounts of pensions and payments guaranteed to defined beneficiaries of pension insurance companies⁹⁸ stipulates the content of the regular reports submitted by pension insurance companies to Hanfa, as well as the content of the notification to be submitted to Hanfa prior to the intended application of new or amended unit amounts of pensions and guaranteed payments, and the method and time limits of such reporting. Provisions on the obligation to report regularly in respect of the conclusion of derivative contracts (ISDA reporting) were added to the Ordinance, as well as provisions regarding profit distribution notifications. The provision regarding reporting in part of the change in the capital structure has been further specified.

The Ordinance on organisational requirements of pension insurance companies⁹⁹ was adopted in view of the amended provisions of the Act on Pension Insurance Companies in the part related to cyber risks and cyber risk management, conflicts of interest and conflict of interest management. In addition, changes were made to the internal organisational structure and division into a front/middle/back office in line with OECD recommendations.

The amendments to the Ordinance on the calculation basis and manner of charging the asset management fee¹⁰⁰ relate to the fact that the Ordinance now also includes an asset management fee to cover emergency reserves. The level of the fee is laid down in the Act on Pension Insurance Companies, while the basis for calculating that fee and the manner of its collection are laid down in the same way as for the fee for the management of assets used to cover technical provisions.

Hanfa has also adopted the Ordinance on the minimum content of the recovery plan of pension insurance companies¹⁰¹, which prescribes in more detail the minimum content of the recovery plan referred to in Article 82a of the Act on Pension Insurance Companies.

Amendments to the Ordinance on audit in pension insurance companies¹⁰² were made in the light of Article 100f of the Act on Pension Insurance Companies, which introduces an audit of the information system for the purposes of Hanfa, whereas the amendments to the Ordinance on the partial lump sum payment made to the old-age and early old-age basic pension beneficiaries¹⁰³ relate to a change in the level of the partial lump sum payment – instead of “15%”, it now amounts to “up to 20% of the total remittances received from the mandatory pension fund for the payment of the pension prior to its reduction for the fee paid to the pension insurance company”.

⁹⁷ [Official Gazette, No 152/24](#)

⁹⁸ [Official Gazette, No 145/24](#)

⁹⁹ [Official Gazette, No 145/24](#)

¹⁰⁰ [Official Gazette, No 145/24](#)

¹⁰¹ [Official Gazette, No 145/24](#)

¹⁰² [Official Gazette, No 131/24](#)

¹⁰³ [Official Gazette, No 121/24](#)

The Ordinance amending the Ordinance on the requirements for professional training and examination of professional knowledge required to perform duties of a certified actuary¹⁰⁴ was adopted in view of the Decision of the Croatian Actuarial Association amending and supplementing the Plan and programme of additional exams of 21 December 2022. Successful passing of two additional exams organised by Hanfa has become necessary as evidence of specialist training in the field of actuarial science.

The adoption of the Ordinance on the contents of the application for taking over a pension insurance company's pension contracts portfolio¹⁰⁵ is based on amendments to the Act on Pension Insurance Companies, in so far as it stipulates that Hanfa shall prescribe in an ordinance the said content and documentation to be submitted with such an application.

The Ordinance amending the Ordinance on the requirements for membership in management and supervisory boards of pension insurance companies¹⁰⁶ now prescribes the content of the application and the necessary documentation for granting approval to perform the function of a member of the supervisory board of an insurance company. Provisions governing the reasons for Hanfa's approval for performance of the function of a member of the management board of an insurance company for a shorter period than specified in the application have been introduced.

Amendments to the Ordinance on the requirements for performing a key function in a pension insurance company¹⁰⁷ introduce an obligation to provide evidence of compliance with the conditions set out in Article 54 of the Act on Pension Insurance Companies when a decision is adopted to appoint an actuarial function holder.

The adoption of the Ordinance on marketing activities and website of pension insurance companies¹⁰⁸ introduces an obligation to provide marketing information indicating or referring to data and/or calculations of a calculator for informative pension calculation to Hanfa for the purpose of obtaining approval for its publication. It also introduces an obligation to publish data in line with the guidelines for the production of informative pension calculations and guidelines to strengthen financial literacy of citizens, as well as the obligation to publish data on the costs charged from assets covering technical provisions managed by a pension insurance company.

The Ordinance on pension insurance companies' pension scheme distribution¹⁰⁹ specifies evidence demonstrating that a person has not been convicted of a misdemeanour or crime, has not been subject to investigation or criminal proceedings for crimes specified under law and the condition of fluent knowledge of the Croatian language for distributors of pension insurance companies' pension schemes. It also prescribes in more detail the documentation demonstrating that the pension insurance company has ensured that the persons making the distribution are aware

¹⁰⁴ Ordinance amending the Ordinance on the requirements for professional training and examination of professional knowledge required to perform duties of a certified actuary ([Official Gazette, No 128/24](#))

¹⁰⁵ [Official Gazette, No 121/24](#)

¹⁰⁶ [Official Gazette, No 121/24](#)

¹⁰⁷ [Official Gazette, No 121/24](#)

¹⁰⁸ [Official Gazette, No 121/24](#)

¹⁰⁹ [Official Gazette, No 121/24](#)

of the extent of the documentation and information which they are required to provide to pension beneficiaries.

The adoption of the Ordinance on the valuation of assets of pension insurance companies¹¹⁰ introduced an additional article concerning the treatment of documentation used in the valuation procedures. Articles were also introduced relating to the valuation of investments in derivative financial instruments, as well as the obligation to prescribe an internal act relating to impairment and expected credit losses. The article on the valuation of investment in real estate was amended and criteria for the appointment of a qualified valuer of financial assets and/or real estate were laid down.

In addition to the above-mentioned legal acts, Hanfa also adopted ordinances concerning the obligations of providers and distributors of a pan-European Personal Pension Product (PEPP). It adopted the Ordinance on the form and content of additional information needed to supervise PEPP providers¹¹¹, the Ordinance on the submission of complaints about the work of PEPP providers and distributors and actions of the Croatian Financial Services Supervisory Agency following received complaints,¹¹² and the Ordinance on the content of an application for registration of a PEPP¹¹³.

In addition to the mentioned regulations, Hanfa adopted the following guidelines and a decision:

- Guidelines for making informative pension calculations within mandatory pension insurance system based on individual capitalised savings¹¹⁴, which regulate the principles that pension insurance companies should follow when they draw up, at the request of a member of a mandatory pension fund, an informative calculation of the pension from the mandatory pension insurance based on individual capitalised savings referred to in Article 112(11) of the Act on Pension Insurance Companies. The purpose of the Guidelines is to ensure the uniform conduct of pension insurance companies, namely to establish uniform and established business practices when drawing up informative pension calculations with a view to enhancing the quality of information provided to fund members with less than a year to exercising pension rights;
- Guidelines for pension companies and pension insurance companies on increasing the level of financial literacy of Croatian citizens,¹¹⁵ aimed at improving, developing and harmonising the existing conduct and business practices of pension companies and pension insurance companies related to information and financial literacy of existing and future pension fund members or potential pension beneficiaries and pension beneficiaries, as well as the general public, with regard to individual capitalised savings. The Guidelines also

¹¹⁰ [Official Gazette, No 152/24](#)

¹¹¹ [Official Gazette, No 51/24](#)

¹¹² [Official Gazette, No 51/24](#)

¹¹³ [Official Gazette, No 51/24](#)

¹¹⁴ Guidelines for making informative pension calculations within mandatory pension insurance system based on individual capitalised savings, [CLASS: 011-01/24-11/02](#), File No: 326-01-70- 72-24-1 of 28 June 2024

¹¹⁵ [CLASS: 011-01/24-03/05](#), File No: 326-01-70- 72-24-1 of 23 July 2024

aim to achieve greater public presence and visibility for pension companies, pension funds and pension insurance companies and concepts related to their operations, which is necessary to effectively strengthen financial literacy;

- Guidelines on appropriate safeguards against the risk of failure of issuers to include recently issued transferable securities and money market instruments in a regulated market¹¹⁶;
- Guidelines on crowdfunding platforms¹¹⁷, by which Hanfa informs pension companies about crowdfunding platforms where transferable equity and debt securities and holdings can be acquired on behalf of mandatory pension funds.

The Decision amending the Decision on the form, content and deadlines for reporting of the Central Registry of Affiliates¹¹⁸ amends the following:

- Report on insured persons/members of mandatory pension funds MPF-15: Membership information;
- Report MPF-18: Daily reporting/membership statistics as of 1 January 2023;
- Report MPF-26: Daily data on the fluctuation of membership;

and adds a new report MPF-20b: Changes in membership due to simultaneous change of category and company.

4.4 Insurance

4.4.1 Legislative activities

During 2024, Hanfa participated in the drafting of the Act Amending the Insurance Act¹¹⁹, also for the purpose of implementing Directive (EU) 2022/2556¹²⁰, which amends the Solvency II Directive¹²¹ in the segment of ICT risk. As a result, the provisions of Article 92(1)(4) of the Insurance Act¹²² had to be amended in order to achieve harmonisation with EU legislation on ICT risk management of insurance companies.

4.4.2 By-laws

Following the amendments to the Act on Compulsory Traffic Insurance,¹²³ which have been applicable since 28 December 2023 and which transpose Directive 2021/2118¹²⁴ into Croatian law, Hanfa adopted the following two ordinances in 2024:

¹¹⁶ **CLASS: 011-01/24-03/06**, File No: 326-01-70-72-24-1 of 4 September 2024

¹¹⁷ **CLASS: 011-01/24-03/07**, File No: 326-01-70-72-24-1 of 4 September 2024

¹¹⁸ **Official Gazette, No 89/24**

¹¹⁹ **Official Gazette, No 152/24**

¹²⁰ **Directive (EU) 2022/2556** of the European Parliament and of the Council of 14 December 2022 amending Directives **2009/65/EC**, **2009/138/EC**, **2011/61/EU**, **2013/36/EU**, **2014/59/EU**, **2014/65/EU**, **(EU) 2015/2366** and **(EU) 2016/2341**, OJ L 333/153

¹²¹ **Directive 2009/138/EC** of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), OJ L 335/1

¹²² Official Gazette, No **30/15**, **112/18**, **63/20**, **133/20**, **151/22**, **152/24**

¹²³ Act Amending the Act on Compulsory Traffic Insurance (**Official Gazette, No 155/23**)

¹²⁴ **Directive (EU) 2021/2118** of the European Parliament and of the Council of 24 November 2021 amending **Directive 2009/103/EC** relating to insurance against civil liability in respect of the use of motor vehicles, and the enforcement of the obligation to insure against such liability, OJ L 430

- Ordinance on the method of calculation and time limits for paying contributions and on the manner of keeping and using assets intended for the liabilities of the Guarantee Fund¹²⁵; and
- Ordinance on the procedure for handling claims of injured persons in traffic¹²⁶.

The Ordinance on the method of calculation and time limits for paying contributions and on the manner of keeping and using assets intended for the liabilities of the Guarantee Fund lays down:

- the method of calculating contributions;
- time limits for paying contributions;
- the manner of keeping assets intended for the liabilities of the Guarantee Fund;
- the use of assets intended for the liabilities of the Guarantee Fund; and
- the method of and time limits for reporting to Hanfa on the balance of assets intended for liabilities of the Guarantee Fund;

whereas the Ordinance on the procedure for handling claims of injured persons in traffic regulates the obligations of the responsible insurer in the procedure for handling claims of injured persons in relation to:

- the manner of handling claims;
- the content of the reasoned offer and the reasoned reply;
- the recording of claims;
- informing the injured person of the responsible insurer's obligations and the necessary information in the procedure for handling claims.

In November 2024, Hanfa also adopted an official position on the interpretation of the Insurance Act with regard to the issues of insurance and reinsurance distribution at the company's request¹²⁷.

4.5 Other normative activities

4.5.1 Legislative activities

In order to ensure the uniform conduct of undertakings and the unambiguous application of financial reporting standards, the Act on Amendments to the Accounting Act¹²⁸ lays down the rule to be applied if, during the business year, there is a change in indicators that have an impact on the application of financial reporting standards. The amendments aim to enable the ongoing keeping of business books which are also the basis for drawing up annual financial statements. In addition, a rule is laid down under which, if during a business year the indicators for classifying which, *inter alia*, affect the sustainability reporting obligation are changed, the indicators in force on the day immediately preceding the first day of that business year are to be used for the purposes of sustainability reporting.

¹²⁵ [Official Gazette, No 74/24](#)

¹²⁶ [Official Gazette, No 79/24](#)

¹²⁷ [CLASS: 008-02/21-03/01](#), File No: 326-01-70- 72-24-15 of 22 November 2024

¹²⁸ [Official Gazette, No 145/24](#)

The Act on Amendments to the Audit Act¹²⁹ prescribes a one-year postponement of the application of the new continuous professional development model in the part of statutory audit and other audit services. The postponement to 1 January 2026 was made in order to prepare the entire system in the simplest way for the application of the new model introduced by the amendments from early 2024.

The Act on Amendments to the Credit Institutions Act¹³⁰ prescribes that a credit institution has to obtain a prior approval to provide crypto-asset services. The amendments grant Hanfa the power to issue a prior non-binding opinion on the fulfilment of the conditions of the MiCA Regulation.

In order to reduce the regulatory burden for liquidation entities, the Act on Amendments to the Act on the Resolution of Credit Institutions and Investment Firms¹³¹ lays down a new general rule under which resolution authorities (the CNB and Hanfa) do not need to determine the minimum requirement for own funds and eligible liabilities (MREL) for such entities. It also retains the possibility for the resolution authority to determine the MREL for liquidation entities in certain exceptional cases, i.e. to set a requirement exceeding the loss absorption amount, where necessary to safeguard financial stability or prevent potential contagion to the financial system.

The Act on the Implementation of the DORA Regulation ensures the implementation of this Regulation within the legal framework of the Republic of Croatia by empowering the CNB and Hanfa for its implementation. This includes the powers to exercise supervision over compliance with the provisions of the DORA Regulation and the Act, and the power to impose supervisory measures in case they are breached. The Act also lays down misdemeanour provisions for breaches of its provisions and the provisions of the DORA Regulation.

The Act Implementing Regulation (EU) 2023/1114 on Markets in Crypto-Assets¹³² assigns the powers of competent authorities prescribed by the MiCA Regulation to the CNB and Hanfa. The division of competences is regulated by the Act in such a way that the CNB carries out all the tasks of the supervisory authority relating to the issuance of asset-referenced tokens (ARTs) and e-money tokens (EMTs), while Hanfa supervises the issuance of other types of crypto-assets, issues authorisations and supervises the business of crypto-asset service providers and carries out activities related to the prevention of crypto-asset market abuse. Both competent authorities have been given all the necessary powers to supervise compliance and to submit

White Paper

A white paper is a mandatory document that issuers of crypto-assets must notify to the competent authority and make public before the offer to the public or admission to trading of crypto-assets. It contains general information on the issuer, the project to be financed, the offer to the public, the rights and obligations attached to crypto-assets, the underlying technology used and the related risks. The competent authority takes note of the white paper but does not approve it.

¹²⁹ [Official Gazette, No 85/24](#)

¹³⁰ [Official Gazette, No 145/24](#)

¹³¹ [Official Gazette, No 145/24](#)

¹³² [Official Gazette, No 85/24](#)

indictments in case of breaches of MiCA provisions. In addition to the general rules set out in the MiCA Regulation, the Act also specifies responsible persons from whom a crypto-asset holder will be able to claim compensation for the damage suffered as a result of inaccurate or incomplete, unclear or misleading information in the crypto-asset white paper. Also defined are the time limits within which compensation may be claimed, limitation periods and the rights of current holders of certain types of crypto-assets. The liability regime for the information provided in the crypto-asset white paper is largely based on a prospectus liability regime when offering securities to the public under the CMA, with differences arising from differences between the prospectus for a public offer of securities and the crypto-asset white paper. As regards authorisation of crypto-asset service providers, the Act lays down the conditions for authorisation, the conditions for membership in the management board of a crypto-asset service provider and the conditions for holders of qualifying holdings. In addition to the requirements defined in the MiCA Regulation, the Act lays down additional operating conditions for crypto-asset service providers in the presentation of client information, personnel requirements for the provision of individual services and the drawing up of business documentation, and supervisory and financial reporting. As regards issuers of asset-referenced tokens other than credit institutions, the Act regulates additional conditions for their operation in view of the supervisory powers of the CNB, which is under the Act responsible for deciding on the issuance and revocation of authorisation of issuers of asset-referenced tokens. As regards supervision, the Act regulates in more detail the powers of supervision and imposition of supervisory measures by Hanfa and the CNB, as well as their powers regarding the persons required to apply these provisions that are not supervised entities (primarily investors in the context of the prohibition of crypto-asset market abuse). It is important that supervisory authorities cooperate with each other and exchange data and information necessary for the supervisory process and inform each other of any irregularities and illegalities they identify in the course of supervision and of the measures imposed to ensure their elimination, where such findings and measures imposed are relevant to the work of another authority competent for supervision. The CNB and Hanfa have broad powers to submit indictments for misdemeanours under the MiCA Regulation and the act on its implementation. It is noteworthy that liability for misdemeanours is also laid down for those entities which, without authorisation, carry out activities regulated by this legislative package. The MiCA Regulation provides different dates of application for the specific areas it regulates. It is particularly important to highlight two key provisions: the obligation of issuers of crypto-assets other than EMTs or ARTs to draw up, publish and notify to the regulator a white paper concerning the tokens offered or admitted to trading after 30 December 2024, which means that crypto-assets currently offered on the market are not subject to these obligations and that increased caution is warranted when investing in such assets. A crypto-asset service provider may obtain authorisation from Hanfa at the earliest on 30 December 2024; from that date it becomes subject to all rules on the provision of crypto-asset services. Companies that currently provide crypto-asset services under the AMLTFA may continue to provide those services beyond 30 December 2024 under the same conditions as before, without applying the rules under the MiCA Regulation, but no later than June 2026. If they wish to continue to provide those services after that date, they will have to obtain authorisation and comply with all requirements under the MiCA Regulation and the Act. Crypto-asset

services may also be provided by investment firms and credit institutions (as well as certain other regulated financial sector entities) under the conditions laid down in the MiCA Regulation, and after having completed the notification procedure with Hanfa. Consequently, during the transitional period, consumers will not be able to benefit from all the regulatory and supervisory safeguards provided by the MiCA Regulation and the Act Implementing the MiCA Regulation, so that beyond 30 December, additional caution will also be warranted as regards investment.

4.5.2 By-laws

In the Ordinance on the calculation, amount and charging of fees paid to the Croatian Financial Services Supervisory Agency for the year 2024,¹³³ Hanfa lays down supervision fees paid by Hanfa's new supervised entities, that is, crowdfunding service providers and credit institutions providing crowdfunding services, as well as the issuers of covered bonds.

The Ordinance amending the Ordinance on temporary bans in the case of a proposal to initiate insolvency proceedings against a central counterparty and on the conditions for determining the conversion rate and carrying out a simplified reduction in the initial capital or withdrawal of existing shares or other instruments of ownership in the resolution of the central counterparty¹³⁴ changes the provisions that primarily concern temporary bans following the adoption of a decision on the submission of a proposal for initiating insolvency proceedings against an institution (in terms of temporary bans on payments into and out of an institution's account). The amendments relate to the alignment with changes in the payment system operated by the central bank, i.e. the rules of operation of the TARGET-HR system.

Under the Restrictive Measures Act¹³⁵, obliged entities are required to adopt written policies, controls and procedures for the implementation of restrictive measures, implement them in practice, and regularly review and update them at least once a year. Pursuant to this Act, in order to harmonise the scope and content of the policies, controls and procedures for the implementation of restrictive measures for its supervised entities, Hanfa has adopted Guidelines on internal policies, controls and procedures for implementing restrictive measures¹³⁶, which define in more detail Hanfa's supervisory expectations regarding the integration of the obligation to apply restrictive measures into the internal processes of supervised entities. This includes, *inter alia*, clear and uniform expectations regarding:

- roles of the management and supervisory board of supervised entities in integrating the policies, controls and procedures for implementing restrictive measures into their internal control systems;
- appointments and scope of tasks of the person in charge of compliance with restrictive measures;

¹³³ [Official Gazette, No 157/23](#)

¹³⁴ [Official Gazette, No 65/24](#)

¹³⁵ [Official Gazette, No 133/23](#)

¹³⁶ [CLASS: 011-01/24-01/02, File No: 326-01-70-72-24-1](#) of 4 June 2024

- risk factors to be taken into account when assessing exposure to restrictive measures;
- assessing the effectiveness of policies, controls and procedures for implementing restrictive measures;
- professional education and training of employees in relation to restrictive measures.

In addition, HANFA adopted two official positions:

- on the application of measures to facilitate repayment under the Consumer Credit Act to the financial lease contracts concluded with customers;¹³⁷ and
- on leasing companies' outsourced business processes¹³⁸.

4.5.3 Resolution

In 2024, Hanfa, in cooperation with the resolution college for SKDD-CCP Smart Clear d.d., as the central counterparty, established at the end of 2023 under the CCP RRR Regulation, prepared a first draft resolution plan for that institution. The process for the adoption of this plan, which lasts four months and entails a joint decision of the members of the resolution college with voting rights, started at the end of 2024.

Hanfa adopted two amendments to the ordinances in the area of insolvency proceedings and resolution of the central counterparty and the central depository. The Ordinance amending the Ordinance on temporary bans in the case of a proposal to initiate insolvency proceedings against a central counterparty and on the conditions for determining the conversion rate and carrying out a simplified reduction in the initial capital or withdrawal of existing shares or other instruments of ownership in the resolution of the central counterparty further specifies the provisions concerning temporary bans following the adoption of a decision on the submission of a proposal for initiating insolvency proceedings against a central counterparty (e.g. bans on payments into and out of its account). These amendments have been aligned with changes in the payment system operated by the central bank, i.e. the rules of operation of the TARGET-HR system and the operation of the T2S Dedicated Cash Account (TS2 DCA) in accordance with the relevant guidelines of the European Central Bank¹³⁹. Emphasis was placed on the rules applicable to the settlement of transactions in financial instruments on a delivery-versus-payment basis in central bank money¹⁴⁰ and on the procedure for recovering available cash in the event of the insolvency of the CCP.

¹³⁷ **CLASS: 008-02/21-03/01**, File No: 326-01-70-72-24-12 of 23 April 2024

¹³⁸ **CLASS: 008-02/21-03/01**, File No: 326-01-70-72-24-13 of 28 June 2024

¹³⁹ These are Guideline **ECB/2012/27** of 5 December 2012 on a Trans-European Automated Real-time Gross settlement Express Transfer system (TARGET2) and Guideline of the European Central Bank **ECB/2019/30** of 4 October 2019.

¹⁴⁰ The conduct of settlement procedures has been aligned with the prescribed rules of operation of the payment system from the funds that the CCP (and members of the clearing systems operated

The Ordinance amending the Ordinance on insolvency proceedings and resolution of the central depository¹⁴¹ further regulates temporary bans on payments into and out of the account of the central depository following the submission of a proposal for initiating insolvency proceedings, which have also been aligned with changes in the payment system and the operation of the T2S account in the TARGET-HR system. The focus is on the protection of transactions accepted and irrevocable before the initiation of insolvency proceedings, as well as on the rules on the recovery of funds from the payment system.

In 2024, Hanfa also prescribed the first obligation for a central depository to submit to Hanfa by 30 April 2025 the key information needed to draw up the resolution plan as at 31 December 2024. In addition, compliance has been achieved with the provisions of the BRRD II Directive¹⁴², which removes the obligation to submit the resolution plan for the central depository to the Ministry of Finance for prior opinion.

At European level, Hanfa is actively involved in the work of the ESMA CCP Resolution Committee and the EIOPA IRRD¹⁴³ Project Group, in which Hanfa's representative operates an internal sub-group for legal matters, which is working on the development of regulatory technical standards and guidelines under the IRRD.

by the CCP whose accepted and irrevocable transactions are being settled) have set aside for these purposes prior to the initiation of insolvency proceedings against the CCP in accordance with the requirements of the platform enabling delivery-versus-payment transactions in central bank money and the requirements of the payment system operated by the central bank.

¹⁴¹ [Official Gazette, No 65/24](#)

¹⁴² [Directive \(EU\) 2019/879](#) of the European Parliament and of the Council of 20 May 2019 amending [Directive 2014/59/EU](#) as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and [Directive 98/26/EC](#), OJ L 150

¹⁴³ [Directive \(EU\) 2025/1](#) of the European Parliament and of the Council of 27 November 2024 establishing a framework for the recovery and resolution of insurance and reinsurance undertakings and amending Directives [2002/47/EC](#), [2004/25/EC](#), [2007/36/EC](#), [2014/59/EU](#) and [\(EU\) 2017/1132](#) and Regulations [\(EU\) No 1094/2010](#), [\(EU\) No 648/2012](#), [\(EU\) No 806/2014](#) and [\(EU\) No 2017/1129](#), OJ L 2025/1

LICENSING AND TRAINING

5 LICENSING AND TRAINING

In licensing procedures Hanfa verifies the compliance with the prescribed requirements for issuing authorisations and approvals in accordance with the relevant regulations.

The conditions that Hanfa checks with regard to establishing companies relate to regulatory and organisational requirements, while when licensing members of the management and supervisory board of supervised entities, it checks the good reputation and integrity of candidates, their work experience, expertise and other requirements laid down in legislation and subordinate legislation. In the procedures of a change in ownership of entities supervised by Hanfa or a change of holders of qualifying holdings, the good reputation, financial condition and transparent origin of funds for financing the intended acquisition are checked.

By holding examinations for authorisation for insurance distribution and issuing the certificate of passing the examination in the field of capital markets, pension funds and pension insurance companies, Hanfa takes care of the adequate licensing and competence of persons operating in this field.

5.1 Licensing

In 2024, Hanfa carried out 204 licensing procedures, which involved the issuance of approvals to acquire a qualifying holding, authorisations, approvals to perform the function of a management board member and a supervisory board member, approvals to perform activities of a certified actuary and authorisations to pursue insurance and reinsurance distribution business, as well as procedures determining the termination of a licence.

The largest number of licensing applications related to applications for authorisations to pursue insurance and/or reinsurance distribution business (92), of which the majority of authorisations were issued to insurance representation crafts to pursue insurance distribution business (61).

5.1.1 Capital market

In 2024, Hanfa issued four approvals to perform the function of a member of the management board of an investment firm and one approval to a new investment firm for the investment activity of dealing on own account, while one investment firm was authorised to provide additional activities on the basis of the provisions of the law governing the capital market. In a joint procedure, when authorising a new investment firm, one approval for the direct acquisition of a qualifying holding and nine approvals

for the indirect acquisition of a qualifying holding were granted. In 2024, one prior approval was granted to a credit institution for the provision of investment services pursuant to the provisions of the law governing the capital market.

5.1.2 Investments

In 2024, Hanfa granted one authorisation to an alternative investment fund management company in the medium-sized AIFM category, which was granted to an existing AIFM that had already possessed authorisation in the large AIFM category. One procedure for the authorisation of a small AIFM was terminated.

15 new prospectuses for UCITS and three substantive changes to existing ones were also approved in 2024. Newly-established funds raised over EUR 560m in net assets in the course of the year, the majority of which were collected in money market funds.

In the course of 2024, Hanfa also issued 14 approvals to perform the function of a member of the management board of an investment fund's management company, four of which were issued with respect to the performance of the function of a member of the UCITS management company's management board, seven with respect to the performance of the function of a member of the AIFM management board and three with respect to the performance of the function of a member of the UCITS and AIF management company's management board. In one case, the procedure relating to the issuance of approval to perform the function of a member of an AIFM management board was terminated.

In 2024, one investment fund management company's authorisation to carry out the activities of setting up and managing an alternative investment fund was revoked as a result of its voluntary cessation of activities. In addition, the authorisation to carry out the activities of setting up and managing an alternative investment fund and carrying out ancillary portfolio management and investment advice activities of one investment fund management company was revoked as a result of its voluntary cessation of activities.

Also, Hanfa issued an approval to one investment fund management company to delegate internal audit tasks to a third party in 2024.

5.1.3 Pension system

One approval was issued in 2024 to perform the function of a member of the pension company's management board, as well as two approvals to perform the function of a member of the pension company's supervisory board,

In line with the amendments to the Act on Pension Insurance Companies, which impose the obligation to license members of pension insurance companies' supervisory boards, Hanfa also issued one approval in 2024 to perform the function of a member of the supervisory board of a pension insurance company.

5.1.4 Insurance

During 2024, ten approvals were issued to members of insurance companies' management boards, 15 approvals to members of insurance companies' supervisory boards and one approval to perform the activities of a certified actuary in an insurance company. In addition, in 2024 Hanfa issued an approval to a company from Luxembourg for the indirect acquisition of a qualifying holding in the amount of 10% to 19.99% of the initial capital and voting rights in a domestic insurance company. The largest number of authorisations (92) related to the segment of insurance and/or reinsurance distribution, of which the majority went to insurance representation crafts (61). Also, in the segment of insurance and/or reinsurance distribution, Hanfa issued 21 decisions on the termination of authorisation to pursue insurance and/or reinsurance distribution business.

5.1.5 Non-bank financing

Leasing and factoring companies

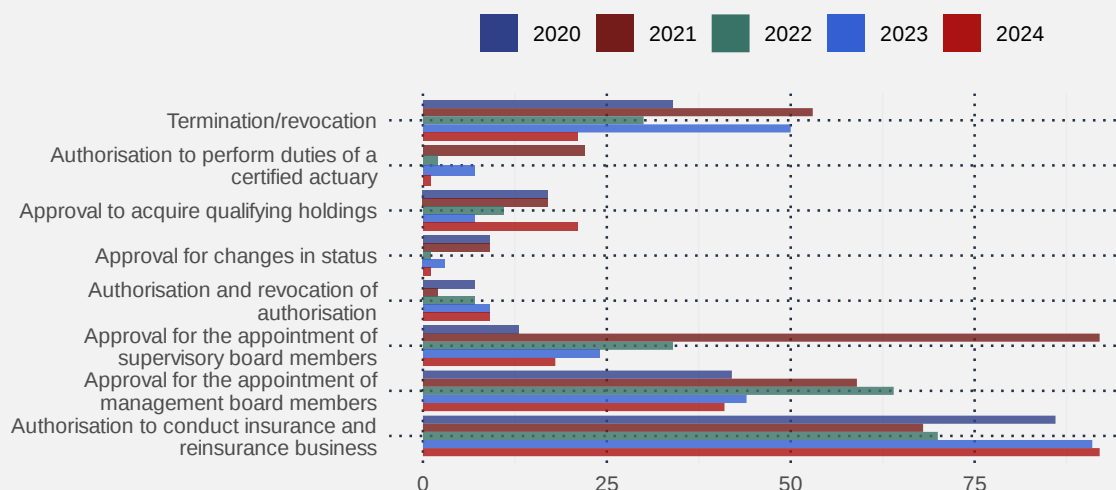
In 2024, Hanfa adopted nine decisions on issuing approvals to perform the function of a member of the leasing company's management board. In separate procedures, Hanfa also issued two approvals to a company from Luxembourg for the indirect acquisition of a qualifying holding in the amount of 100% of the initial capital and voting rights in two domestic leasing companies. Hanfa also issued an approval to a company from Slovenia for the indirect acquisition of a qualifying holding in the amount of 100% of the initial capital and voting rights in a domestic leasing company.

Furthermore, in a joint procedure, Hanfa also granted an authorisation to pursue factoring business to a newly-established factoring company, as well as the approval to the founders, a company having its registered office in Ireland and a company having its registered office in Croatia and their beneficial owners, for the acquisition of qualifying holdings in the newly-established factoring company, and two approvals to perform the function of its management board member. The same factoring company received in 2024 another approval for the performance of the function of a management board member. On the other hand, the authorisation of a factoring company to pursue factoring business was revoked as the company decided to cease operating.

5.1.6 Crowdfunding

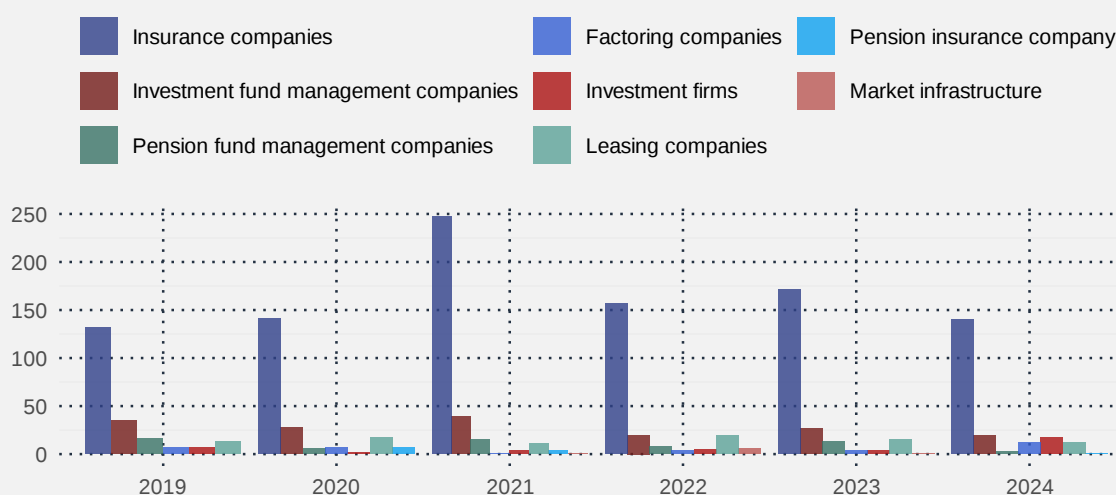
In 2024, one authorisation procedure for the provision of crowdfunding services, which was launched in 2023, was terminated.

Figure 5.1 Licensing procedures by type of procedure
Number of procedures



Source: Hanfa

Figure 5.2 Licensing procedures by industry
Number of procedures



Source: Hanfa

5.2 Examinations and professional training

5.2.1 Examinations in the area of capital market, pension funds and pension insurance companies

In 2024, Hanfa organised nine examination cycles related to the examination of knowledge and acquisition of qualifications needed to provide information on investment products and services, carry out brokerage activities and provide investment advice services, perform the function of a certified pension fund manager and manage pension insurance companies. The examinations were carried out in a

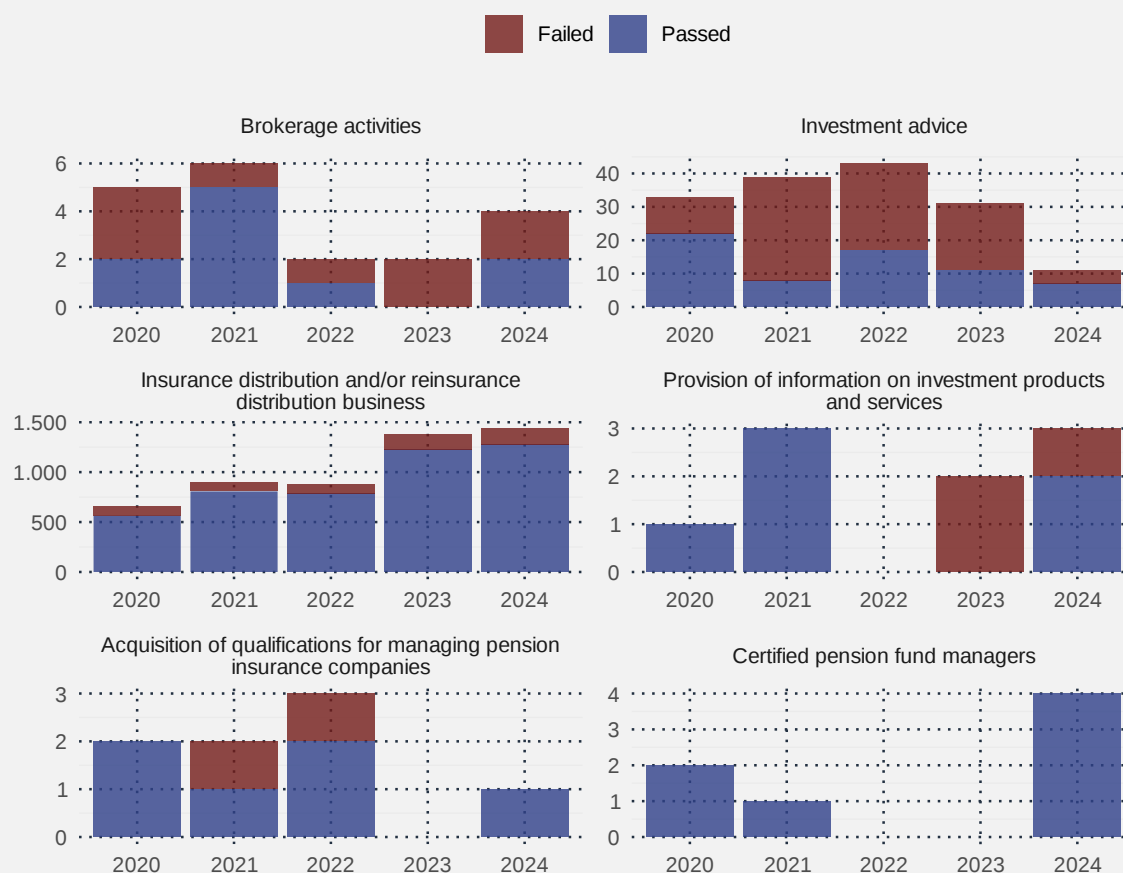
digital format on a continuous two-month basis and they were taken by 23 applicants, of whom 16 (70%) passed.

5.2.2 Examinations of professional knowledge required in order to pursue insurance and/or reinsurance distribution activities and ongoing professional training for distributors

In 2024, examinations were taken by a total of 1,439 candidates, which is an increase of 4% from the previous year. Examinations are held online on a weekly basis and involve the examination of knowledge with respect to the selected insurance group, category of insurance intermediaries and ancillary intermediaries, and insurance or reinsurance products the intermediary intends to distribute.

As insurance and/or reinsurance distributors' expertise, in addition to passing the examination, also entails maintaining the required level of knowledge and competence of distributors throughout the entire period of pursuing insurance and/or reinsurance business, Hanfa continued in 2024 to regularly monitor the compliance with the distributor's obligations related to ongoing professional training, which is required to retain a licence.

Figure 5.3 Examination results by type of examination



Source: Hanfa

CONSUMER PROTECTION AND IMPROVEMENT OF FINANCIAL LITERACY

6 CONSUMER PROTECTION AND IMPROVEMENT OF FINANCIAL LITERACY

Hanfa plays an important role in safeguarding the stability of the financial system and supervising the legality of supervised entities' operations. In order to achieve these objectives, it is essential to build mutual trust among all market participants. In this context, open and transparent communication with financial services users and the public at large plays a major role. Although the protection of the rights and interests of consumers is primarily carried out through supervisory activities, continued education and the promotion of financial literacy also play an important role. In this respect, Hanfa handles consumer complaints, publishes educational content and warnings, and organises educational activities, both directly and online via social media.

6.1 Consumer protection

Consumer protection is one of Hanfa's principal objectives. To this end, it regularly carries out a number of related activities, including, among other things, the handling of complaints and other statements made by users of financial services. Hanfa regularly receives complaints from financial services users and other interested persons within all areas of its competence, processes them and responds in writing to each of them within 30 days. Complaints and other queries may be submitted to Hanfa in writing directly (by personal delivery or stated orally on the record), by post, e-mail and by means of a form published on Hanfa's website. When dealing with complaints, the drafting of the reply to the claimant is preceded by a detailed analysis of the allegations made in the complaint, where appropriate, requesting the observations of the supervised entity mentioned in the complaint and carrying out any other action to identify allegations made in the complaint, which may vary depending on the circumstances of the case. Allegations made in a complaint may sometimes point to the existence of certain systemic problems or deficiencies in business processes of a supervised entity so that the obtained findings may be useful to Hanfa in the performance of supervisory and other activities in the field of consumer protection.

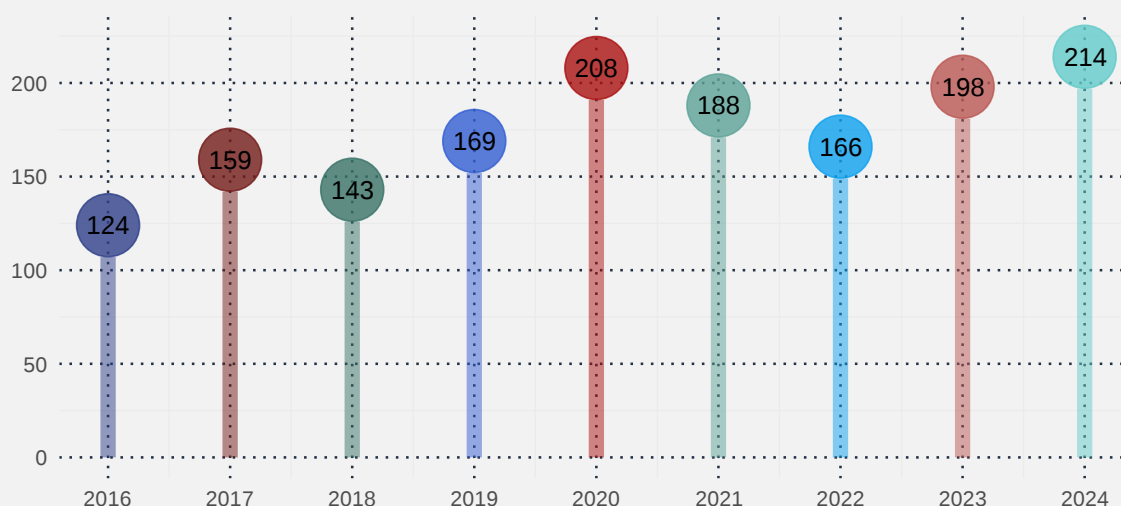
A total of 214 complaints were received in 2024, the highest number since 2016 (Figure 6.1).

In addition to complaints, Hanfa regularly receives and responds to various queries from financial services users by e-mail (potrosaci@hanfa.hr) and via a consumer hotline. These are usually simple queries or other forms of communication that do not require further action by Hanfa because they are not within its area of competence. In 2024, the number of queries outside Hanfa's competence or not requiring further action grew substantially, to 405 at the end of the year, up by 37% from the end of 2023.

As in previous years, the largest number of complaints related to insurance (Figure 6.2). As much as 119, or 56% of the total number of complaints received, concerned the area of insurance, an increase of 3 percentage points from 2023. Of these, 114 complaints concerned insurance companies and the remaining five concerned other insurance market operators (e.g. insurance distributors, an authorised claims-handling representative and the Bureau). As the insurance sector offers a wide range of services, it is understandable that this market segment gives rise to the highest number of complaints.

Figure 6.1 Number of complaints received during the year

Number of complaints



Source: Hanfa

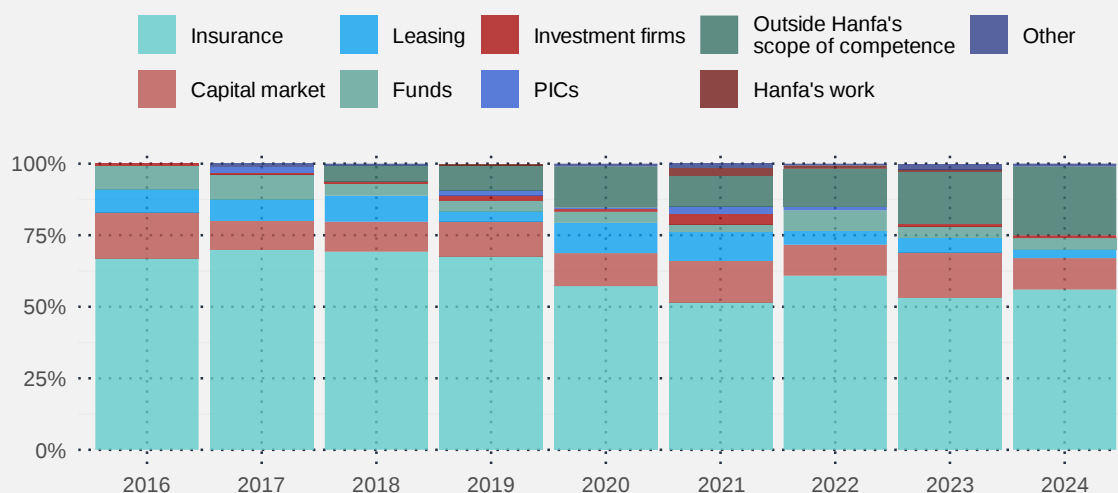
In 2024, there was also an increase in the number of complaints concerning entities that do not fall within competence of Hanfa. In 2024, as many as 51 such complaints were received (24% of the total), a significant increase compared to previous years¹⁴⁴. These complaints referred mostly to the conduct of banks in relation to the provision of banking services, the conduct of companies engaged in the purchase of due receivables, telecommunication companies or other companies that are not supervised by Hanfa. There is also a visible increase in the number of complaints related to various online frauds, especially in the segment of investment services. In 2024, Hanfa received one complaint in the area of prevention of money laundering and terrorist financing, but it did not concern the area falling within its competence. The submitter was informed about the field of Hanfa's competence for entities providing virtual currency trading services and was referred to operating terms and conditions, which normally contain provisions on the settlement of disputes.

In 2024, 24 complaints received (11% of the total) concerned the capital market, which is a significant decrease from 2023, when 31 complaints in this segment of the financial services sector were received. There was also a decrease in the number of complaints in the field of leasing, from nine in 2023 to seven in 2024. The complaints mainly concerned the conduct of leasing companies after the return of the vehicle in the part

¹⁴⁴ In 2022, 22 such complaints were received (13% of the total), while in 2023, there were 35 (18%).

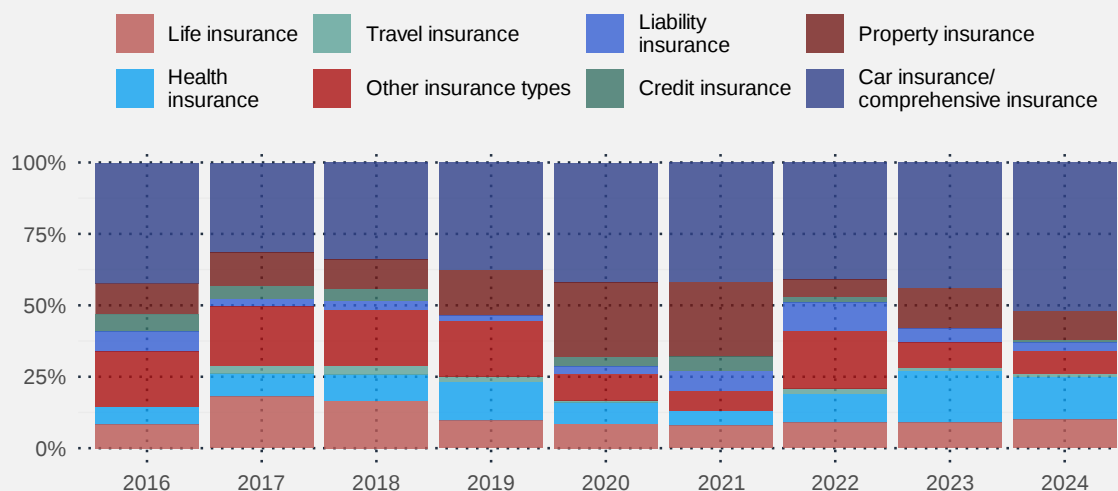
of charging the leasing instalments, the charging of warnings and the possibility of early repayment of the leasing contract. No complaints were received in 2024 concerning the business of factoring companies.

Figure 6.2 Structure of financial services users' complaints submitted to Hanfa
In % of the total number of complaints received



Source: Hanfa

Figure 6.3 Structure of insurance-related complaints by type of insurance
In % of the total number of complaints received



Source: Hanfa

Four complaints received related to the operation of investment and pension funds in 2024. Among complaints concerning investment funds, three related to the same fund, but no irregularities were identified. Complaints on the operation of pension funds mainly concerned matters outside the responsibility of Hanfa. As in 2023, three received complaints related to the operation of investment firms. One of them concerned a pension insurance company, namely the ambiguity in company's

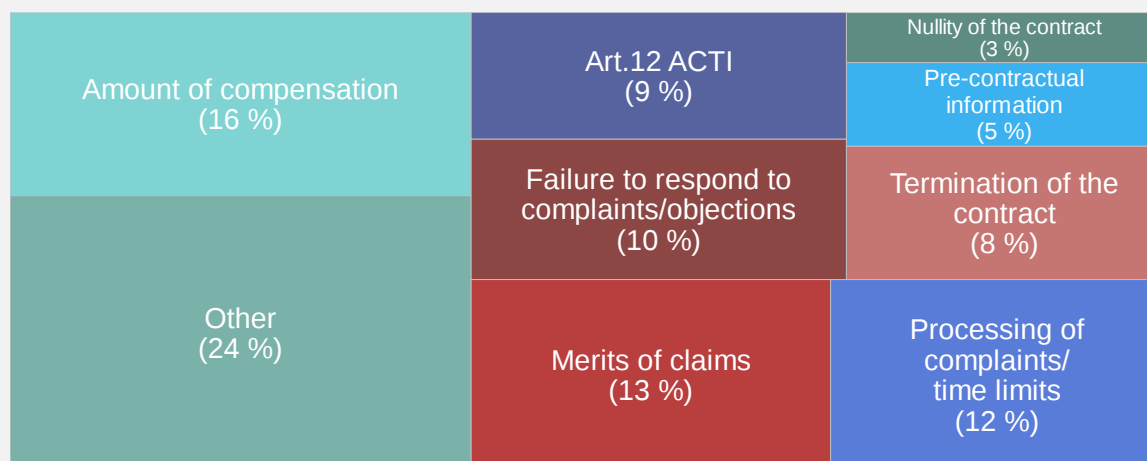
monthly notifications of pensions from the second pillar. No complaint concerning Hanfa's work was received in 2024.

In 2024, the largest number of insurance-related complaints again concerned car insurance (Figure 6.3), which accounted for 52% of the total number of complaints, an increase of 8 percentage points from 2023. More than half of the complaints concerning car insurance (43) related to compulsory motor vehicle liability insurance, whereas 16 complaints related to comprehensive insurance. Most of the cases related to the merits of claims, the amount of compensation and the conduct while handling claims, for example in accordance with Article 12 of the Act on Compulsory Traffic Insurance¹⁴⁵. In 2024, 11 complaints related to property insurance, slightly less than in 2023. The number of complaints in the field of voluntary health insurance held steady at 17 in 2024, while 12 complaints related to life insurance, a slight increase from 2023.

Around one third of all complaints in 2024 concerned dissatisfaction with the decision on the merits of the claim or the amount of compensation. More specifically, 15 complaints concerned the merits of claims and 18 concerned the amount of compensation. A significant number of users were dissatisfied with both claims-handling operations and the speed at which claims were processed. In contrast to 2023, when only three complaints were received regarding the conduct of companies under Article 12 of the Act on Compulsory Traffic Insurance, as many as ten of them were received in 2024. However, there were no grounds for initiating misdemeanour proceedings in any case. In 2024, nine complaints related to the termination of the contract, which is a decrease compared to 2023, when there were 12.

Figure 6.4 Structure of insurance-related complaints by subject and reason

In % of the total number of insurance-related complaints received in 2024



Note: Article 12 of the Act on Compulsory Traffic Insurance (ACTI) provides, among other things, that an insurer shall, within 60 days of receipt of a claim, determine the merits of the claim and amount of compensation and deliver a written and reasoned decision on the claim to the injured party.
Source: Hanfa

All complaints received in 2024 were handled in such a way that Hanfa either provided a reply to submitters or reported that the subject of complaint was not within its area

¹⁴⁵ Article 12 of the Act on Compulsory Traffic Insurance (Official Gazette, No [151/05](#), [36/09](#), [75/09](#), [76/13](#), [152/14](#), [155/23](#))

of competence. The exceptions are anonymous complaints, where, due to anonymity, no answer can be made.

In addition to the records of complaints received, Hanfa also keeps and analyses records of identified deficiencies in the actions of supervised entities related to the handling of complaints. These deficiencies relate not only to illegalities in the work of companies, but also to various deficiencies showing that there may be room for improvement in the actions of supervised entities. These records are also used as a basis for adopting plans of Hanfa's supervisory actions and other corrective or preventive activities, for example for addressing recommendations to supervised entities, publishing educational/informative texts, etc.

In the insurance segment, out of a total of 119 complaints received in 2024, 36 (30% of the total) led to identification of certain irregularities, illegalities or deficiencies. Of these, 35 complaints concerned deficiencies in actions of insurance companies and one complaint related to a representative for processing foreign claims. The share of deficiencies identified per company is proportionate to its market share. In terms of their substance, the largest number of identified deficiencies in 2024 related to the processing of claims under the Act on Compulsory Traffic Insurance¹⁴⁶ (7), the failure to respond to complaints/objections from interested parties (6) and the conduct contrary to the provisions of the Civil Obligations Act¹⁴⁷ (5).

In 2024, three on-site inspections of insurance companies were carried out regarding the process of responding to complaints and objections pursuant to Article 378 of the Insurance Act. Illegalities and irregularities were identified in all three on-site inspections and decisions for their elimination were adopted. Those decisions also contained warnings to the companies on account of certain minor illegalities and irregularities which could not be eliminated because of their nature and the passage of time. By the end of 2024, one company complied with Hanfa's orders, so that a decision on the completion of the supervisory procedure was adopted, while two supervisory procedures were still ongoing.

In 2023, following an anonymous complaint, Hanfa carried out an on-site inspection of one insurance distributor. It was established that the distributor acted in breach of the Insurance Act and that conditions for revocation of the licence for insurance distribution and removal from Hanfa's register had been met. However, due to the initiation of bankruptcy proceedings against a distributor, a decision to suspend the supervisory procedure was adopted. In 2024, the inspection of the distributor as a natural person continued, leading to the adoption of a decision on his removal from Hanfa's Register of authorised insurance agents, insurance and/or reinsurance brokers and ancillary insurance intermediaries.

In 2024, in accordance with the provisions of the Insurance Act, Hanfa analysed the conduct of all life insurance companies regarding the notification of policyholders about the capitalisation of life insurance policies. It was established that some companies acted in full compliance with the provisions of the Insurance Act and provided policyholders with all necessary information regarding changes in

¹⁴⁶ Official Gazette, No [151/05](#), [36/09](#), [75/09](#), [76/13](#), [152/14](#), [155/23](#)

¹⁴⁷ Official Gazette, No [35/05](#), [41/08](#), [125/11](#), [78/15](#), [29/18](#), [126/21](#), [114/22](#), [156/22](#), [155/23](#)

capitalisation policy. To companies in which irregularities were detected, recommendations were made to improve their actions and processes and comply with legal provisions; the companies took recommendations into account and notified Hanfa accordingly.

During 2024, Hanfa also addressed four individual recommendations to insurance companies, which related to deficiencies in pre-contractual information, handling claims and clarity and transparency of insurance conditions.

On the basis of a complaint, Hanfa verified the allegations regarding insurance distribution, operating conditions, product formation and the use of internal applications of a company distributing insurance products. An examination of the company's internal acts related to insurance distribution and remuneration of employees in the distribution network was also carried out, as well as an examination of the use of the company's internal application. The documentation and information available did not support the allegations made in the complaint, but the company was recommended to improve the content of the internal act governing the use of internal applications.

In 2024, Hanfa published on its website the text on insurance contracts concluded as collateral for a loan, in particular as regards whether to continue to pay the premium even after the loan repayment. These are contracts on insurance of property (most frequently real estate) or life that are used as collateral for orderly repayment of bank loans and specific credit protection insurance (CPI) contracts. In the course of its activities, Hanfa established that uncertainties often arise between policyholders, insurance companies and banks, and noted that repayment of the loan does not necessarily imply automatic termination of obligations under insurance contracts.

Hanfa also regularly issues warnings aimed at financial services users in order to raise their awareness and protect them from potential fraud, especially from foreign companies that offer investment services in the RC market without authorisation from Hanfa. Hanfa's website also features warnings on fake e-mails in which persons allege to be Hanfa's employees and send a fake memo and logo and request payments on the basis of non-existent tax debts. Hanfa notes that such e-mails are fake and that its employees never send e-mails of such or similar content to citizens. Other published warnings focused on various forms of fraud ranging from fake investments in the capital market, investments in virtual assets, shares and similar financial products, misleading use of financial concepts such as "fund" or "founder fund" by certain entities other than financial institutions, to suspicious advertisements on social media calling on individuals to invest in shares outside legally regulated channels, i.e. firms authorised to provide investment services and perform investment activities.

With the aim of informing consumers and the general public about the risks that users of insurance services may face, Hanfa published an overview of the main risks to which insurance services users may be exposed in 2024. The risks are ranked according to the probability of occurrence and the potential impact on consumers. Data were collected by means of survey questionnaires submitted by all insurance companies, expert estimates of Hanfa's employees and a consumer survey, with responses from all sources being treated as equally important. In 2024, no risk was assessed as having a

very high probability of occurrence and/or a very high impact on insurance services users. This means that no difficulties were identified which could constitute significant threats to the interests of insurance services users. External factors and behavioural aspects were identified as the main sources of risk (high risk) for insurance services users. External factors include geopolitical and macroeconomic uncertainty, slow and inefficient enforcement of legal protection of consumers, digitalisation of finance and related digital data security. Behavioural aspects relate to an insufficient and inadequate level of financial literacy, as well as consumer distrust of financial services providers, insufficient level of contractual liability and underestimation of the probability of individual risks occurring. The risk that increased from the previous year in terms of both materialisation and impact is related to the behaviour of the distribution network; distributors are often insufficiently familiar with the products or offer inappropriate insurance products, and there are difficulties in receiving pre-contractual information. Business processes and behaviour of insurance companies were assessed as moderate risk, while the risk associated with sustainable financing was again recognised as a risk of the relatively lowest level, both in terms of probability of materialisation and impact.

6.2 Educational activities

The rapid digitalisation of the financial sector has made financial products increasingly complex and more risky for users, while making them increasingly available to the general public. In such an environment, financial literacy, the ability to make informed decisions and manage money responsibly, becomes a key prerequisite for consumer protection, especially in the context of digital finance. Recognising the importance of financial education, Hanfa has been registering an increase in the number of educational activities carried out, both in physical and digital format, for the fifth year in a row. During 2024, Hanfa organised or took part in a total of 113 educational events, in which almost 4,300 persons participated directly (Figure 6.5), while 3,000 persons participated in Hanfa's educational activities indirectly, mainly by following the recordings of lectures published on Hanfa's YouTube channel. Compared to the previous year, the number of activities held in 2024 increased by 28% and the number of participants by 9%. This clearly indicates that Hanfa's educational activities have intensified, but also the growing interest of citizens in financial literacy topics and the need for continuous learning, in order to navigate easier through the dynamic and increasingly challenging financial environment.

In 2024, Hanfa also participated in the marking of significant international events dedicated to financial literacy or within its area of competence. As usually, the largest number of activities were carried out in the framework of the World and European Money Week, which was again a key international event for the promotion of financial education. To broaden its outreach and enhance cooperation, Hanfa launched an open call for partners in educational activities this year, which is regularly announced in early January. This resulted in a number of cooperation projects, notably with associations, schools and universities. In addition, Hanfa continued its activities within the operational working group for monitoring the implementation of measures and activities under the Action Plan for the Improvement of Financial Literacy, coordinated

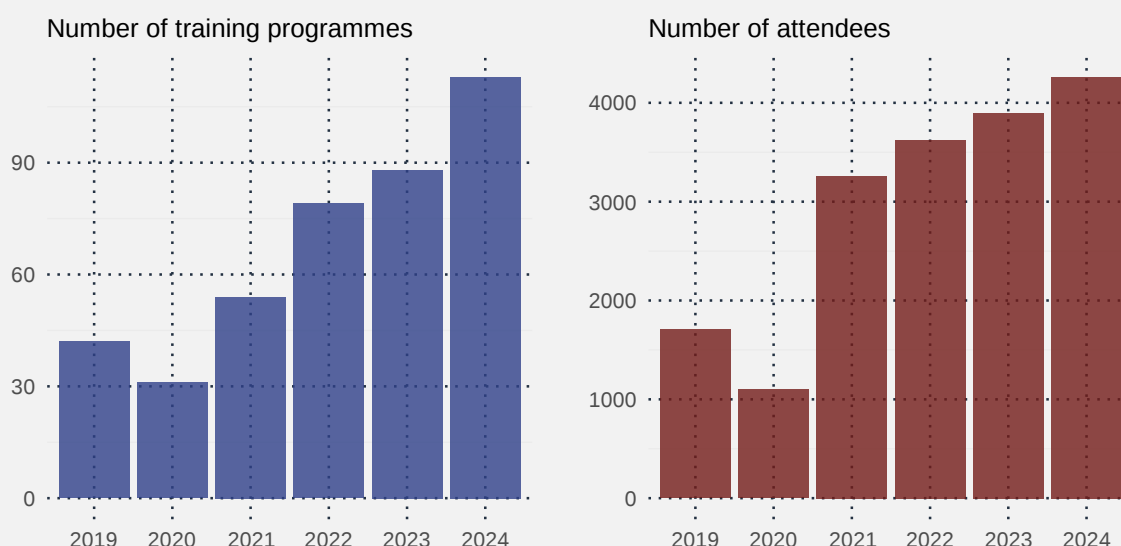
by the Ministry of Finance, contributing additionally to coordinated action at the national level and strengthening inter-institutional cooperation. In view of the growing importance of financial literacy, and digital financial literacy in particular, Hanfa, the CNB and the Ministry of Finance launched in 2024 a two-year project financed through the technical assistance facility of DG REFORM of the European Commission. The programme is titled “Improving the use of financial services through enhanced digital financial literacy in Croatia” and its objective is to improve the digital financial literacy of Croatian citizens.

Hanfa is also actively involved in the work of the National Consumer Protection Council, confirming its role as an important stakeholder not only in strengthening the financial literacy of individuals, but also in general consumer protection.

Digital financial literacy

Digital financial literacy is the ability to understand and effectively use digital tools and services for personal finance management. This includes the knowledge, skills and behaviours needed to make informed financial decisions in the digital environment.

Figure 6.5 Training programmes held by Hanfa and number of attendees



Source: Hanfa

Most surveys suggest that young people continuously achieve below-average results in financial literacy. This is why Hanfa directs a significant part of its educational activities to the young through cooperation with schools. In 2024, two thirds of all educational activities were carried out in cooperation with primary and secondary schools, with a particularly pronounced increase in cooperation with primary schools, where the number of activities increased by as much as 2.5 times from 2023. This is the result of Hanfa’s strategic decision to focus more on the financial education of younger pupils, so that they gain fundamental financial knowledge and skills from a very young age. A major contribution to this came from a board game “Desitudo”, which Hanfa developed with the aim of fostering financial learning through game and interactive experience.

In 2024, as part of the dissemination of digital educational content, Hanfa launched a competition for primary schools titled “Digital content for digital finance”. The Dugave Primary School, which won the competition, was awarded an interactive screen, which further enhanced its ability to implement modern forms of teaching. A competition for secondary schools was also launched, under the name “Finances can also be green” It called for videos on the topic of sustainable financial behaviour and green investments. The winning video made by the pupils of the Bjelovar Technical School was published on Hanfa’s website and YouTube channel and the school was awarded an interactive screen.

These competitions helped raise awareness among pupils about key aspects of modern finance, with a focus on digital financial literacy and sustainable and responsible money management.

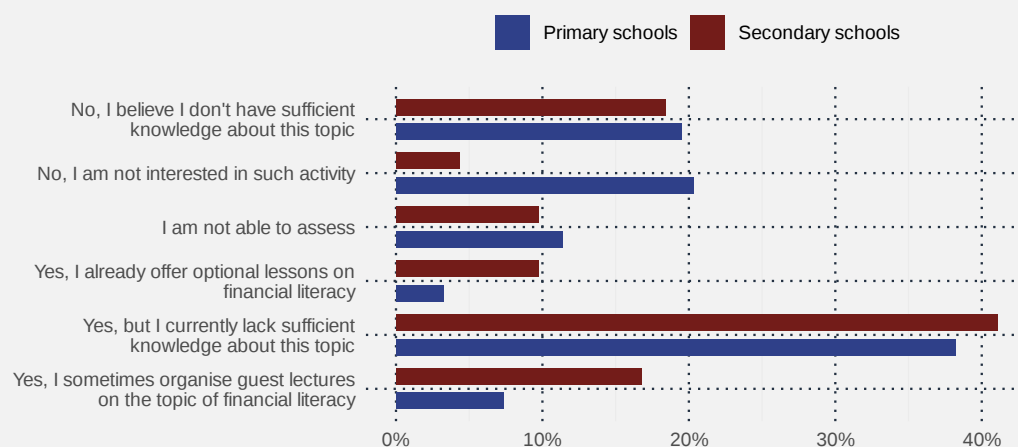
Financial literacy of teachers

Teachers play a key role in fostering financial literacy among children and young people, but what is their own degree of financial literacy and ability to transfer such knowledge to pupils? A survey carried out by Hanfa in 2024 among 308 educational staff, 123 of whom are primary school teachers and 185 secondary school teachers, provides an answer to these important questions.

The survey questionnaire included questions on the interest to engage in educational activities in the area of financial literacy and the examination of financial knowledge, behaviour and attitude towards money.

Figure 6.6 Interest for an optional school course on financial literacy

In %



Source: Hanfa

The results show that the majority of teachers believe that financial literacy should become an integral part of the school curriculum, agreed by as much as 87% of high school teachers and 70% of primary school teachers. While 10% of high school teachers and 3% of primary school teachers are already offering optional lessons in this field, many survey participants reported their readiness

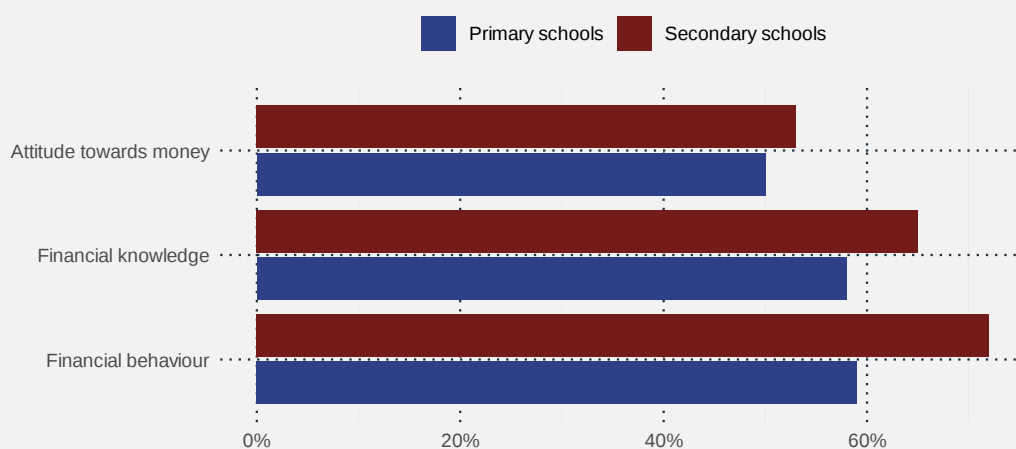
to participate in similar activities; 41% and 38% of secondary and primary school teachers, respectively, expressed their willingness to do so, but pointed out their current lack of knowledge and preparations. In addition, another 17% and 7% of secondary and primary school teachers, respectively, occasionally organise guest lectures on finance. On the other hand, 20% of primary and 4% of secondary school teachers state that they have no interest in providing financial education in schools.

Data on the actual level of financial literacy show that secondary school teachers achieve slightly better results than teachers in primary schools. The average level of financial knowledge is 65% for secondary school teachers and 58% for primary school teachers. As regards financial behaviour, which implies responsible money management, saving and planning, secondary school teachers again showed better results than their primary school colleagues, (72% vs. 59%). Attitude towards money, which measures attitudes and the emotional relationship with finance, shows the lowest difference among the two groups, 53% and 50% for secondary and primary school teachers, respectively.

Their overall financial literacy corresponds to the results of the general adult population in Croatia from the 2023 survey conducted by Hanfa and the CNB. The overall financial literacy level of Croatian citizens stood at 62% at that time, with individuals showing better results as regards the level of knowledge (70%) than behaviour (59%) and attitude towards money (54%). Therefore, primary and secondary school teachers have a slightly lower level of knowledge on average but a higher level of financial behaviour compared to the general population. However, there is still room for improvement, particularly in terms of understanding key concepts such as a compound interest rate calculation, which is understood by only 38% and 27% of secondary and primary school teachers, respectively.

Figure 6.7 Components of financial literacy of teachers

In %



Source: Hanfa

Around 40% of respondents save for retirement outside the mandatory pension scheme, which is a positive indicator of long-term financial planning. However, 10% of respondents consider it acceptable that credit card debt is not fully repaid (in cases where a minimum amount is paid), indicating an insufficient understanding of the cost of borrowing and the importance of meeting obligations in a timely manner.

The survey results clearly indicate the great potential and interest of teachers to work on financial literacy, but also the need for systematic education and support. Investing in their knowledge and tools would create a strong foundation for a financially responsible society of the future in which schools would play an active role in the development of vital financial skills.

Along with cooperation with primary and secondary schools, Hanfa continues to develop educational activities for students, aware of the importance of involving young people in discussions and research on contemporary financial topics. For the fourth year in a row, Hanfa conducted the call for students titled “Hanfa Annual Award for students for the best scientific and expert papers”, which fosters students’ research interest and a deeper understanding of financial topics. The three most successful works were rewarded with monetary prizes. The competition for 2025 was also announced, with the aim of further strengthening cooperation with higher education institutions and developing young people’s scientific and research skills, primarily in the field of finance. During 2024, Hanfa also organised two student conferences: “Investment in Crypto-Assets – Opportunities and Challenges”, in cooperation with the Croatian Association for Blockchain and Cryptocurrency and “Crypto Market: Opportunities and Challenges”, in cooperation with the Faculty of Economics in Rijeka. These conferences provided students with an opportunity to train and exchange views on current topics shaping the modern financial market, with a particular focus on digital forms of investment. On the occasion of the World and European Money Week, Hanfa, in cooperation with the CNB, traditionally organised a student debate on the topic of “Financial fraud in digital finance”. Students from the Zagreb School of Economics and Management participated in the debate and analysed the most common forms of financial fraud, particularly those related to digital channels and the cryptomarket. This form of activity enables students to develop critical thinking and raises awareness of the risks they face in the digital financial environment.

All these activities are part of Hanfa’s broader strategic efforts to enhance digital financial literacy, especially among young people. In the current digital environment, where young people are increasingly exposed to risks, Hanfa aims to provide them with knowledge and tools to manage their finances safely and responsibly.

In 2024, Hanfa continued to invest in financial education, with a particular focus on strengthening the education of teachers in the field of financial literacy. As part of teachers’ professional development, a total of six lectures were held, designed to support their professional development. In addition, Hanfa actively participated in a two-day State Professional Meeting for Educational Staff in February, which gathered some 400 teachers in two lectures. Through such events, Hanfa has continuously

contributed to raising the level of financial literacy of educational staff, providing them with specific tools and information to successfully integrate financial topics into the teaching process.

Hanfa also organised ten online lectures open to all interested parties, covering diverse and current topics¹⁴⁸.

The online lectures attracted more than 160 participants. In addition, their recordings, available at Hanfa's YouTube channel, attracted more than 1,200 views by the end of 2024.

Particular interest was aroused by the lecture on financial influencers, "finfluencers", which opened important questions about the impact of social media on financial behaviour, in particular, among

young people. As more and more individuals, especially from younger generations, look for financial advice online, it is essential to develop critical thinking and financial literacy in order to recognise the distinction between reliable information and potentially harmful advice.

Over the year Hanfa published a series of educational texts, warnings and short videos on its website, the Internet portal Money for Tomorrow and social media, continuing to expand the availability of verified financial information.

In the course of the educational activities in cooperation with secondary schools, Hanfa surveys the financial literacy of secondary school pupils on a regular basis. In 2024, the survey questionnaire was completed by 333 pupils, of which 62% were female pupils and 38% were male pupils, with their average age being 16.7 years. On average, pupils gave the correct answer to only 37% of the questions on financial knowledge. Interestingly, pupils themselves assessed their level of knowledge as being much higher than the actual knowledge of financial terms. They performed better as regards financial behaviour, which implies responsible money management (60%), while attitude towards money, which reflects the emotional and value relationship with money was estimated at 43%. Most pupils are rarely informed about financial topics, with Internet, parents and school being their usual sources of information.

In 2024, Hanfa conducted a financial literacy survey among primary school pupils; 326 pupils from all grades participated in the survey, of which 58% were female pupils and 42% were male pupils, and their average age was 12¹⁴⁹. In contrast with secondary school pupils, primary school pupils performed better in financial knowledge (75%)

Who are finfluencers?

The term "finfluencer" (financial influencer) refers to a person who shares advice, opinions and information on financial topics such as investment, saving, budgeting, cryptocurrencies or personal finance via social media and thereby influences the financial behaviour of their audience.

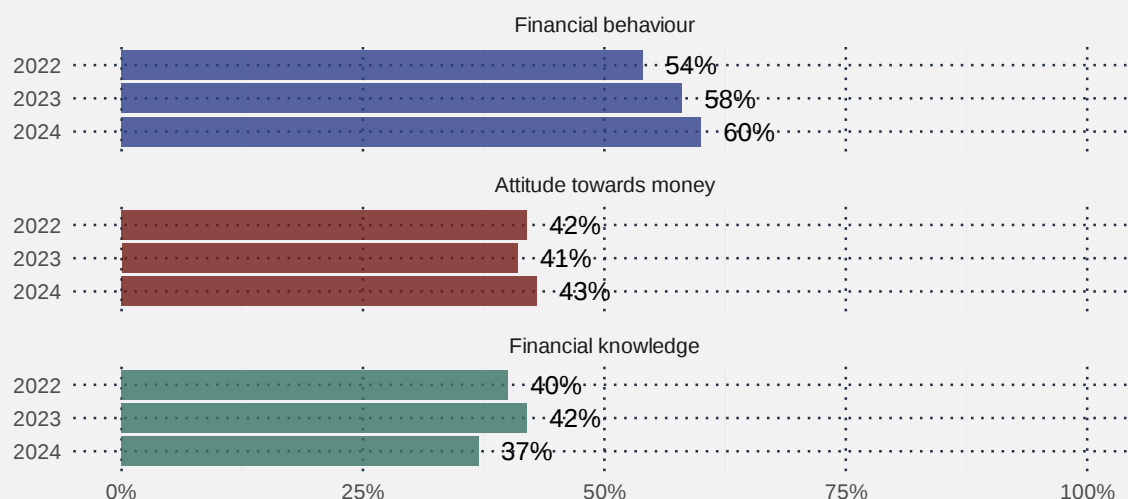
Although finfluencers may be financial experts, they may also be persons without formal knowledge, so it is important to critically assess the accuracy and reliability of the content they publish.

¹⁴⁸ Some of the topics addressed included: From hashtag to financial advice: Who are financial influencers?; Consumer protection in insurance; Fraud in financial and cryptomarkets; What does the new MiCA Regulation bring to consumers?; Psychology of money management: understanding monetary personality, and other relevant topics in the area of financial literacy.

¹⁴⁹ By age structure, the distribution of participants is as follows: 10% of respondents attend grades 1 to 4, 39% are in grades 5 and 6 and 51% were in grades 7 and 8.

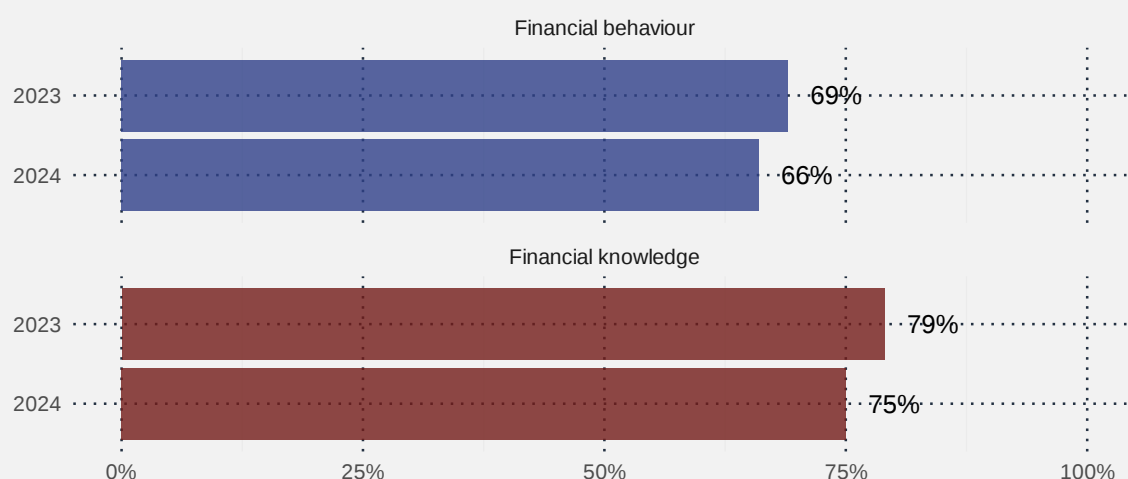
than in financial behaviour (66%). However, it should be borne in mind that the questions were age appropriate. In terms of content, questions for secondary school pupils were more demanding and broader. The results show that primary school pupils are least aware of the concept of the budget and the difference between saving and investment. When shopping, they mostly think about whether they have enough money for the purchase and they compare prices less often, which suggests that there is room for further development of consumer awareness.

Figure 6.8 Assessment of financial literacy of secondary school pupils, by components



Source: Hanfa

Figure 6.9 Assessment of the financial literacy of primary school pupils, by components



Note: For primary school pupils measured are only the levels of financial knowledge and financial behaviour.
Source: Hanfa

The results of the financial literacy survey, for both pupils and teachers, point to the need not only to continue but also to intensify educational activities. In particular, it is encouraging that teachers show great interest in the topic of financial literacy, as well

as the willingness to focus on it regularly. To provide them further support, it is important to continue with teacher training activities and provide concrete assistance in the design and implementation of teaching content. The survey results also highlighted the need to produce high-quality and applicable educational material that could be used in the classroom.

In view of all the above, Hanfa plans to step up activities aimed at education of teachers and the development of educational content for pupils, which would be easily applicable in the school environment. Special emphasis will be placed on digital financial literacy, which is becoming increasingly important in the context of modern forms of consumption and financial decision-making.

One of the objectives of Hanfa's activities is to encourage individuals to inform themselves appropriately, compare available services, avoid fraud and make informed and responsible financial decisions before entering into financial contracts.

COMMUNICATION ACTIVITIES

7 COMMUNICATION ACTIVITIES

Communication and public relations have been recognised as an important component of Hanfa's activities, and the goals of its communication strategy have been aligned with its long-term objectives. In addition to maintaining the continuity of timely information and communication with its supervised entities, Hanfa also continued to inform citizens in a timely manner with the aim of providing continuous financial education and raising the level of financial literacy. All communication activities and efforts aim to inform the general public about the work, decision-making and decisions rendered by Hanfa and ultimately to raise the general level of knowledge about financial services.

Given that financial market participants pay close attention to any disclosure and decision made by the regulator, its position gives Hanfa great significance in daily communication on the financial services market. For this reason, Hanfa communicates continuously, professionally and in a timely manner to all categories of the public with the aim of fostering sustainable development and the protection of the financial system and its participants and users, as well as long-term economic development of the Republic of Croatia.

7.1 Communication activities in 2024

Hanfa continued with intensive and strategically focused communication activities in 2024 in line with its mission of preserving financial system stability, ensuring consumer protection and promoting the sustainable development of financial services markets. It aligned its communication efforts with long-term objectives through four key areas: information to the general public, education, consultation with the interested public and consumer protection.

Hanfa continued to transparently report on the decisions adopted at the meetings of Hanfa Board, while separate explanations and releases were published in respect of decisions of particular interest to the market and the general public.

A particular focus in communication activities in 2024 was put on current regulatory topics such as the adoption of a legal framework for markets in crypto-assets, strengthening the digital resilience of the financial sector and the adoption of a national capital market strategy.

Hanfa actively communicated all its conclusions through Hanfa's Council: from the need to strengthen protection against natural disasters and the implementation of the DORA and the CSRD, to legislative changes in the fund industry and ESG commitments and initiatives, including the establishment of ESG indices. Particular

emphasis was placed on adapting legislation to new market circumstances and strengthening the resilience of the financial sector.

Financial education remains one of the priorities of communication activities. Hanfa was actively involved in a large number of public events dedicated to consumer education, some of which it co-organised with other branch associations and state institutions, while some public events it organised on its own.

The educational board game “Desitudo”, developed by Hanfa in cooperation with primary school pupils from the island of Hvar, has been presented to the public and brought the main financial topics closer to pupils. A promotional video has also been developed for the presentation of the game, showing how children can learn about finance in an easy and entertaining way. The publication of educational materials and warnings for citizens also continued, particularly in relation to risks in the crypto-asset market and other contemporary financial threats.

A number of traditional publications and reports were also published in 2024: Consumer Risk Dashboard, the new issue of Financial Stability, a publication on complaints of financial services users, two issues of the Macroprudential Risk Scanner, the Annual Report on Corporate Governance and two issues of the regulatory bulletin focused on capital markets.

In 2024, Hanfa continued to promote market transparency and awareness by publishing key statistics on a regular basis. Monthly publications such as the Monthly Report and the Standard Presentation Format and other statistics available on the website provide a simple and timely insight into financial market developments. Such information allows users – whether professional market participants, analysts, journalists or members of the public – to better understand the market and make informed decisions. Regular and consistent publication of statistics is of multiple importance for Hanfa: in addition to contributing to transparency and trust in the regulatory framework, statistics are the basis for its supervisory and regulatory role.

Along with traditional communication channels, Hanfa used digital campaigns to bring financial topics closer to the general public in an easily accessible way. Over the past year, it presented a campaign on investments and communicated to the public, through a series of educational articles, the basic information needed to make informed investment decisions, and warned of possible fraud.

In 2024, Hanfa's activities in communication with the market were further strengthened through several major conferences that brought together domestic and international experts. In partnership with OECD and EIOPA, Hanfa organised a conference in October titled “The Future of Pensions: Towards Higher Income in Old Age”, where the challenges of the pension system, demographic trends and opportunities to increase voluntary pension savings were discussed. In late October, Hanfa organised the conference titled “DORA and Digital Resilience: Where We Are and What We Are Striving for”, focused on implementation of the DORA Regulation. The conference brought together experts in the field of cybersecurity, financial institutions and regulators to discuss challenges and strategies to strengthen the digital resilience of the financial sector. In November Hanfa organised the traditional

conference titled “Corporate Governance: Standards that Shape the Future”, presenting revised principles of the G20 and OECD and the results of the Annual Corporate Governance Report for 2023. At the conference, awards were presented to best companies – issuers of securities listed on the Zagreb Stock Exchange, which further encouraged the implementation of high corporate governance standards.

In addition to the presentations and workshops held at public events, Hanfa regularly communicates its opinions and positions to the business community, the financial market and consumers through social media. Hanfa’s LinkedIn community had more than 12,000 followers at the end of 2024, while its Facebook site of the educational portal Money for Tomorrow was followed by more than 10,000 people. Over the year, Hanfa sent to the media about 50 press releases and around 10 educational video materials.

7.2 Access to information

As a public authority, Hanfa provides regular and timely access to all information laid down in the Act on the Right to Access Information¹⁵⁰ in an easily searchable manner and in a machine readable format.

In 2024, Hanfa received eight requests for access to information. Of that number, five requests were handled within the legal deadline by providing the submitters with the requested information, one request was granted in part, notifications were issued with respect to two requests, one request was refused and one was suspended. Two requests transferred from 2023 were dealt with in 2024.

Hanfa’s website continues to provide all relevant data regarding its activities and scope of competence. Particularly significant are decisions adopted at Board meetings important for the financial public, information on tasks carried out by Hanfa, and information on its internal structure with names and contact data of persons in managerial positions. Hanfa regularly publishes and updates regulations governing its scope of activity, registers, templates and data bases. It continuously publishes information on all its vacancy notices and related recruitment procedure results. Also published are Hanfa’s plans: strategic plan, public procurement plan, revenue and expenditure plan, annual plan of normative activities, and data on Hanfa’s donations and sponsorships. Finally, Hanfa publishes all the required information concerning the right to access information, along with relevant templates for submitting requests.

Taking account of its legal obligations referred to in the Act on the Right to Access Information, Hanfa submitted its 2024 Report on the implementation of the Act on the Right to Access Information to the Information Commissioner within the legal deadline, and the Report will form an integral part of the 2024 Annual Report of the Information Commissioner. It was also published on Hanfa’s website.

¹⁵⁰ Official Gazette, No [25/13](#), [85/15](#), [69/22](#)

INTERNATIONAL COOPERATION

8 INTERNATIONAL COOPERATION

In addition to activities related to the Croatian financial services sector, Hanfa achieves its regulatory objectives at international level. These activities involve Hanfa's membership in EU supervisory authorities, such as ESMA and EIOPA, as well as participation in the work of the ESRB and cooperation with global organisations like IAIS, IOSCO, IOPs and many others. Timely and effective cooperation between regulators within the EU and globally is becoming increasingly important for preserving the stability of the financial system, the proper functioning of markets and investor protection. In addition, Hanfa is involved in various forms of technical cooperation under the auspices of the European Commission as both a recipient and a provider of technical assistance and establishes numerous bilateral cooperation arrangements with other supervisory institutions.

8.1 Participation in the work of supervisory authorities and organisations

8.1.1 ESMA – European Securities and Markets Authority

As defined in ESMA's multi-annual Programming Document, in the course of 2024, ESMA and national supervisory authorities worked together on issues of further direction and possible revision of the sustainable finance legislative framework, further developing a regulatory package focusing on the implementation of the MiCA Regulation, an initiative on enhancing capital markets in the EU, establishing a supervisory framework for digital and cyber security, enhancing the quality of data governance and drafting of legislation related to the functioning of market infrastructure, with a particular focus on central counterparties (CCPs). Cooperation was also achieved in the harmonisation of supervisory standards and in the formulation of regulatory policies.

In the area of sustainable finance, the focus was on the publication of the Final Report on Greenwashing¹⁵¹, drafted on the basis of a mandate received from the European Commission. While the Progress Report provided an overview of identified undesirable sustainability practices by participants in value chains (issuers, fund managers, investment firms, benchmark providers) and recommendations for their prevention, the Final Report focused on the supervisory practices of national supervisory authorities, ESMA and the European Commission and made recommendations with a view to achieving supervisory convergence. Both reports aimed to raise the quality of business practices to ensure adequate investor protection.

¹⁵¹ The document is available at the following [link](#).

In addition to these reports, ESMA, in cooperation with EIOPA and EBA, issued a Joint ESAs Opinion¹⁵² on the assessment of the SFDR following a call by the Commission at the end of 2023. National supervisory authorities also took an active role in preparation of the opinion, providing their comments. The proposals aimed towards simplifying the current legislative framework and designing a more robust and credible disclosure system. In addition to the Joint Opinion, ESMA, in cooperation with national supervisory authorities, prepared an Opinion on the functioning of the Sustainable Finance Framework¹⁵³, which addresses other regulations governing sustainability matters, such as the EU Taxonomy Regulation and MiFID. Apart from simplifying the general framework, the proposals suggest considering and addressing the issue of overlapping regulations, inconsistency of provisions and definitions, and introducing a product categorisation system based on the use of more robust criteria and quantitative data. Both the joint and autonomous ESMA opinions suggest the introduction of two to three categories of financial products (sustainable product category and transition product category), using quantitative criteria. Also, ESMA and national supervisory authorities made the necessary preparations for the entry into effect of the CSRD, which entailed the development of guidelines for supervisory authorities on the review of corporate sustainability reporting disclosures. The European Supervisory Authorities, in cooperation with national authorities, also published a report on principal adverse impact disclosures under the Sustainable Finance Disclosure Regulation¹⁵⁴ to assess the implementation of the related legislative framework and highlight good and poor disclosure practices on principal adverse impacts.

Within the scope of the MiCA Regulation, in the course of 2024 ESMA, in cooperation with national supervisory authorities, as well as EIOPA and EBA, prepared several sets of regulatory and implementing technical standards as well as guidelines and sets of questions and answers¹⁵⁵ to facilitate and clarify how the relevant provisions are to be applied by market participants. Hanfa regularly informed market participants about this matter through its website and in direct communication with them.

In the same way, Hanfa in 2024 cooperated with ESMA and the other European Supervisory Authorities in drafting relevant legislation related to the application of the DORA Regulation.

With regard to capital markets, in spring 2024 ESMA initiated the preparation of a position paper¹⁵⁶ on the establishment of more efficient and attractive capital markets in the EU. In addition to providing comments and proposals to the draft opinion, Hanfa actively participated in discussions on further development of capital markets in the EU, pointing to the importance of their balanced development, rather than focusing solely on market centralisation and consolidation, which is an approach that could lead

¹⁵² The document is available at the following [link](#).

¹⁵³ The Opinion is available at the following [link](#).

¹⁵⁴ The Report is available at the following [link](#).

¹⁵⁵ The sets of questions and answers concerned: the licensing procedure, organisational requirements, conflicts of interest, filing complaints, classifying crypto-assets as a financial instrument, regulating suitability issues when providing advice and providing portfolio management services.

¹⁵⁶ The position paper is available at the following [link](#).

to an oligopoly and effectively reduce the degree of investor protection and result in an outflow of available financial resources and investments from Central and Eastern Europe towards existing EU financial centres.

In the second half of 2024, there was intensive communication on the transition to the T+1 settlement cycle in the EU, which should contribute to the attractiveness of EU capital markets¹⁵⁷ by speeding up transaction clearing, which would in turn reduce settlement risk, increase liquidity and strengthen investor confidence. Hanfa's employees were also active in ESMA's capital market committees, including the mentioned process of shortening the settlement cycle, by providing comments and informing market participants with a view to their timely preparation.

As for post-trade infrastructure, in the meetings of ESMA's Board of Supervisors (BoS), in which the President of Hanfa Board also takes part, and in the corresponding operational committees, of which Hanfa's employees are members, there were plenty activities concerning the implementation of EMIR 3¹⁵⁸. The activities included a number of issues such as active account requirements (AAR), reporting obligations, obligations concerning new clearing thresholds methodologies, establishment of a central database for licensing, extension or expansion of existing licences, significant changes to CCP models, annual reviews and on-site inspections, and steering of colleges of supervisors between national supervisors and ESMA.

In view of the accelerated development of digital finance, the efficient and timely use and management of the market data collected is becoming increasingly important. ESMA has therefore launched, in cooperation with national supervisory authorities, the Supervisory Technology (SupTech) network, within which representatives of national supervisory authorities and ESMA will cooperate on the development and use of application solutions aimed at carrying out effective supervision and on the timely response to circumstances that may destabilise markets.

Cooperation between ESMA and national supervisory authorities also continued in the area of investor protection through the preparation and publication of several warnings and public statements, aimed at raising citizens' awareness of the risks associated with investments in crypto-assets, as well as the emergence of new forms of investment communication via social media networks¹⁵⁹ by inclusion of "influencers" and the use of artificial intelligence¹⁶⁰ when providing investment services to individuals.

Hanfa informed the wider community of all these activities, as well as numerous others, through its digital publication Capital Markets Bulletin.

In 2024, Hanfa's representatives actively participated and voted in six meetings of the ESMA's Board of Supervisors and in 120 electronic voting procedures. Hanfa's

¹⁵⁷ The US has already moved to such a settlement cycle, while the UK and Switzerland are preparing for transition to the T+1 settlement cycle.

¹⁵⁸ **Regulation (EU) 2024/2987** of the European Parliament and of the Council of 27 November 2024 amending Regulations (EU) No 648/2012, (EU) No 575/2013 and (EU) 2017/1131 as regards measures to mitigate excessive exposures to third-country central counterparties and improve the efficiency of Union clearing markets, OJ L 2024/2987

¹⁵⁹ The document is available at the following [link](#).

¹⁶⁰ The document is available at the following [link](#).

employees cooperated with ESMA and other national supervisory authorities within 30 ESMA groups and subgroups.

In cooperation with national supervisory authorities, ESMA also carried out a review of the functioning of many of its (sub-)groups in which their employees are involved, with a view to improving the organisational structure introduced in early 2023.

8.1.2 EIOPA – European Insurance and Occupational Pensions Authority

During 2024, EIOPA worked closely with national competent authorities, European institutions and other stakeholders to ensure the long-term stability of the sector, support sustainable growth and strengthen preparedness to address emerging threats and risks, in particular those related to sustainable finance, digital transformation and supervisory convergence.

In the area **of sustainable finance**, during 2024 EIOPA worked to integrate sustainability risks into the prudential framework and supervisory practices, to tackle greenwashing and to strengthen resilience to natural disasters. Key initiatives included the launch of the Disaster Data Centre, the (re)assessment of capital requirements for natural disasters under Solvency II and the adoption of a proposal on the prudential treatment of sustainability risks. Hanfa, in cooperation with EIOPA and national supervisory authorities, improved cross-sectoral scenario analysis, which enabled the establishment of a European system for managing natural catastrophe risks and promoting global supervisory convergence, as well as the publication of the Advice to the European Commission on greenwashing risks and the Opinion on sustainability claims¹⁶¹.

The activities of Hanfa, EIOPA and national supervisory authorities in the area of **digital transformation** included monitoring new trends in insurance, conducting a cyber risk materialisation exercise to improve systemic risk assessment within the framework of the European Systemic Risk Assessment Framework (SRAF), and promoting knowledge sharing to improve supervisory efficiency and effectiveness. Hanfa's employees actively participated in preparations for key EU legislation, such as the Artificial Intelligence Act, the Digital Operational Resilience Act (DORA) and the Single European Access Point (ESAP), as well as in the work with the European Commission and other European Supervisory Authorities at the EU Supervisory Digital Finance Academy (EU SDFA). Significant efforts were made to reduce regulatory burden by prioritising the implementation of new rules on AI, ensuring compliance with sector-specific legislation and facilitating supervisory convergence through targeted guidance on non-high-risk AI use cases.

Throughout the year, continuous efforts were made to improve **supervisory convergence** and consumer protection and to address risks to consumers through the support provided by EIOPA's platforms for cross-border cooperation and active mutual cooperation. Continuous efforts were made to build an effective and consistent level of supervision across the EU; this included the adoption of the EIOPA's supervisory convergence plan with a comprehensive set of objectives and activities. Supervisory

¹⁶¹ The document is available at the following [link](#).

statements, opinions, expert reviews and other tools (such as EIOPA's manual) were adopted to support the day-to-day supervision by national competent authorities.

Analytical reports on cross-border activities, reports by colleges of supervisors, reports on comparative studies, the performance of internal models and reports on data completeness and quality were produced on a regular basis. It should be noted that key reports and information on the risk-free interest rate were published in due time. The Risk Dashboard was published on a quarterly basis, while the smart use of data and the improvement of SupTech systems were continuously promoted.

Preservation of financial stability in the EU insurance and pension sectors by means of **monitoring risks and vulnerabilities** was also kept in focus. Also disclosed were information on assessed risks faced by insurance companies and institutions for occupational retirement provision (IORPs).

Attention was placed on the impact of inflation on markets and consumers, climate change risks, and the threats and risks of accelerated digitalisation, in particular cyber attacks. Numerous stress tests were carried out, as well as the tests of the impact of geopolitical risks on the capital and liquidity of companies.

Hanfa, in cooperation with EIOPA and national supervisory authorities, continuously worked on high-quality advice and policies, with a focus on proportionality in legislation. Activities included updates to the Solvency II Directive, working to reduce the regulatory burden of L2 and L3 measures by reducing guidance, simplifying templates, reducing reporting frequency and improving proportionality by adjusting materiality thresholds. An active contribution was made to the implementation of the IRRD Directive, which includes new responsibilities, the development of technical standards and guidelines and other ongoing tasks, such as the establishment of a resolution committee or participation in resolution colleges.

Furthermore, continued engagement was invested in supporting legislative processes, including FiDA (Financial Data Access Framework) and Retail Investment Strategy (RIS). At international level, Hanfa took part in initiatives such as the Eastern Cooperation Conference, supporting the Balkan countries in adapting insurance business to EU standards and contributing to global standards through IAIS tasks.

In 2024, Hanfa's senior representatives and operational experts participated in seven meetings of the Board of Supervisors, five meetings of the Management Board, six meetings of the Risks and Financial Stability Steering Committee, eight meetings of the Policy Steering Committee, seven meetings of the Supervisory Steering Committee, four meetings of the Digital Finance Steering Committee, and numerous meetings of other expert working bodies and expert networks of EIOPA.

In 2024, Hanfa participated in 159 written procedures of EIOPA's steering committees.

8.1.3 EBA – European Banking Authority

During 2024, Hanfa continued to participate in the drafting of a discussion paper on the revision of the legislative framework for prudential requirements for investment

firms,¹⁶² prepared jointly by ESMA and EBA committees. After consideration, the paper was finalised and prepared for approval by the relevant authorities, including the EBA's Standing Committee on Regulation and Policies (SCRePOL) and the EBA Standing Committee on Reporting, Data Analysis and Transparency (SCReDAT). The document addressed key issues, including the harmonisation of existing prudential requirements, the analysis of the methodology for assessing prudential requirements, and the identification of risks not covered by the current framework. Consideration was also given to the implications of the adoption of the new EU banking package (CRD VI and CRR 3) on trading books, the fundamental review of the trading book (FRTB) and credit valuation adjustment (CVA). The document also examines extending the application of prudential requirements to crowdfunding and crypto-asset service providers, as well as consistency with UCITS, AIFM and MiFID framework. Following the publication of the discussion paper, the comments were received by 3 September 2024, after which EBA and ESMA were to prepare a joint report covering a general assessment of the provisions of Regulation (EU)¹⁶³ 2019/2033 and Directive (EU) 2019/2034¹⁶⁴ and their interaction with other regulations.

Hanfa also participated in the preparation of materials for the meetings of the EBA Board of Supervisors, as well as in the written procedures of that Board. Active participation enabled Hanfa to present the views and suggestions, which were used to finalise the guidelines and other key documents.

In the context of its supervisory activities, Hanfa contributed to the process of adopting the EBA Guidelines on the application of the group capital test for investment firm groups¹⁶⁵, which ensure a uniform approach to the application of the EU-wide group capital test and give instructions to competent authorities for assessing the fulfilment of the conditions for exemption in the application of this test.

The most recent statistics relating to the prudential requirements for investment firms in Croatia were collected on the basis of EBA Guidelines and cover key aspects such as own funds, capital requirements, supervisory measures and administrative sanctions. The data are disclosed on the basis of aggregate information, while respecting the principles of confidentiality and data protection of investment firms. In particular, Directive (EU) 2019/2034 requires competent authorities to publish certain information in order for the internal capital market to function as efficiently as possible and to provide EU citizens with an adequate level of transparency of information. The information disclosed should allow for a meaningful comparison of the approaches adopted by the competent authorities of individual Member States. Accordingly, information from all competent authorities should be published in a common format, regularly updated and accessible at a single electronic location.

¹⁶² The document is available at the following [link](#).

¹⁶³ **Regulation (EU) 2019/2033** of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms and amending Regulations **(EU) No 1093/2010**, **(EU) No 575/2013**, **(EU) No 600/2014** and **(EU) No 806/2014**, OJ L 314

¹⁶⁴ **Directive (EU) 2019/2034** of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms and amending Directives **2002/87/EC**, **2009/65/EC**, **2011/61/EU**, **2013/36/EU**, **2014/59/EU** and **2014/65/EU** (Text with EEA relevance), OJ L 173

¹⁶⁵ The Guidelines are available at the following [link](#).

8.1.4 ESRB – European Systemic Risk Board

During 2024, Hanfa continued its fruitful cooperation with the ESRB. At regular quarterly meetings of ESRB committees and working groups, Hanfa's representatives participated in discussions on the main vulnerabilities and risks to financial stability, macroprudential policies and measures, current economic and market developments and their potential implications for the financial system.

In line with the assessed degree of risk, the ESRB did not adopt any new recommendations or warnings relevant to the operation of the domestic financial services sector in 2024. In March 2024, issued was a compliance assessment with the Recommendation on identifying legal persons¹⁶⁶, in which the ESRB recommended that competent authorities continue to pursue and systematise their efforts to promote the adoption and use of a global legal entity identifier (LEI) system for all parties to financial transactions. According to the published report¹⁶⁷, Hanfa was assessed as being fully compliant with the recommendation. In the middle of the year, issued was an assessment of compliance with the Recommendation on a pan-European systemic cyber incident coordination framework for relevant authorities¹⁶⁸, the main objective of which was to establish a structured and coherent cooperation mechanism among the relevant national and European authorities to enable a swift, effective and coordinated response to cyber incidents that could have cross-border and systemic implications for financial stability within the EU. Under recommendation B, which is applicable to Croatia, each Member State among their relevant national authorities should designate a main contact point for coordination and information exchange. According to published compliance assessments,¹⁶⁹ Croatia was assessed as fully compliant with that recommendation as well.

As the ESRB is in charge of developing stress scenarios for regular stress tests conducted by the European Supervisory Authorities within their fields of competence, two stress scenarios were finalised in 2024, with Hanfa's representatives actively participating in this process through written procedures and discussions at the meetings. A stress scenario was developed for the insurance sector stress test performed by EIOPA and a stress scenario for ESMA's stress testing of money market funds. All scenarios were adjusted to capture the business models and risk profiles of the different types of financial institutions covered by the stress testing exercise.

Hanfa's representatives also participated in other activities of the ESRB, including filling in the questionnaire on risks to financial stability, participating in discussions and communicating through written procedures. The President of Hanfa Board attended ESRB General Board meetings, while Hanfa's employees participated in meetings of its Advisory Technical Committee and Analysis Working Group.

¹⁶⁶ [ESRB/2020/12](#)

¹⁶⁷ The compliance report is available at the following [link](#).

¹⁶⁸ [ESRB/2021/17](#)

¹⁶⁹ The compliance report is available at the following [link](#).

8.1.5 IAIS – International Association of Insurance Supervisors

As the supervisory authority for the insurance market, Hanfa is a member of the International Association of Insurance Supervisors (hereinafter: IAIS) and participates in all major activities of this organisation. IAIS has over 200 members and is a key organisation in developing and controlling the application of international standards for the regulatory framework and supervision of insurance markets. The President of Hanfa Board is a member of the IAIS Executive Committee for the CEET region (Central and Eastern Europe and Transcaucasia), as well as of the Macropprudential Committee, the Budget Committee and the Implementation and Assessment Committee.

On an annual basis, Hanfa participates in the Global Monitoring Exercise – Sector-Wide Monitoring, providing required qualitative and quantitative data on the Croatian insurance and reinsurance market. It also regularly participates in activities associated with analysis of the implementation of the IAIS Insurance Core Principles (ICPs), as well as individual surveys of supervisory practices. One such survey was carried out in 2024 and related to operational resilience.

8.1.6 IOPS – International Organisation of Pension Supervisors

As a full member of the International Organisation of Pension Supervisors (hereinafter: IOPS), Hanfa participates in all regular activities of the organisation, including meetings of the Technical Committee, the Annual General Meeting and international seminars and workshops at which current topics related to capitalised pension systems are discussed and experience and best practices of IOPS members are exchanged. The IOPS currently has 96 full members and associated members and observers.

In the last year, Hanfa's representative was elected for the second time as a member of the Executive Committee of the IOPS for a two-year term of office, from 2025 to 2026. A representative of Hanfa Board attends meetings of the Executive Committee, which is in charge of implementing the IOPS work programme. The Executive Committee has 15 members with voting rights, which are also full IOPS members coming from various jurisdictions.

8.1.7 IOSCO – International Organisation of Securities Commissions

The International Organisation of Securities Commissions (Hereinafter: IOSCO) is a global organisation bringing together more than one hundred national competent authorities responsible for the supervision of financial markets and securities. IOSCO develops, implements and promotes compliance with internationally recognised standards for financial market regulation and cooperates with other international organisations. By providing quality technical support and education, it helps members achieve the objectives of improving investor protection, ensuring fair and efficient markets and promoting financial stability by mitigating systemic risks.

Hanfa Board members participated in the work of IOSCO by attending the meetings of the Presidents Committee, the Growth and Emerging Markets Committee and the European Regional Committee, as well as through participation in written procedures of these committees. They also took part in the work of the Financial Innovation

Network and in the Multilateral Memorandum of Understanding (hereinafter: MMoU) Monitoring Group. The MMoU sets an international standard for cross-border cooperation and provides regulators with tools to fight cross-border fraud and irregularities that can weaken markets and undermine investor confidence. In line with the MMoU, Hanfa continuously exchanged information with other supervisory authorities throughout the year to assist in the conduct of supervisory activities.

8.1.8 OECD – Organisation for Economic Co-operation and Development

In 2024, Hanfa was highly engaged in the accession process of the Republic of Croatia to the Organisation for Economic Co-operation and Development (hereinafter: OECD). The activities included participation in meetings of committees and other working bodies of the OECD, where Hanfa was represented by members of its Board and employees. Activities in 2024 mainly concerned cooperation with the relevant competent authorities of the Republic of Croatia and the OECD Secretariat on addressing the recommendations of the Investment Committee and the Corporate Governance Committee.

8.1.8.1 Investment Committee

Following a letter from the Chair of the Investment Committee in which the Republic of Croatia received a number of recommendations regarding the conduct under the Code of Liberalisation of Capital Movements and the Code of Liberalisation of Current Invisible Operations (hereinafter: OECD Liberalisation Codes) and the development of an Action Plan for follow-up to recommendations, Hanfa worked closely with the relevant ministries on the preparation of legislative amendments necessary to comply with the recommendations.

As a result amendments were made in 2024 to the Act on Alternative Investment Funds, the Act on Voluntary Pension Funds and the Insurance Act following recommendations of the Investment Committee with a view to further liberalisation and alignment with the OECD Liberalisation Codes.

8.1.8.2 Corporate Governance Committee

In 2024, Hanfa undertook activities following a letter from the Chair of the Corporate Governance Committee in which recommendations were made to the Republic of Croatia with a view to further aligning the legislative framework on corporate governance with best market practices. Based on these recommendations, Hanfa participated in the work of the Working Group on Amendments to the Companies Act as the basic act regulating corporate governance for companies listed on the regulated market, established by the Ministry of Justice, Administration and Digital Transformation for the purpose of implementing the given recommendations. The OECD recommendations addressed a number of important issues with a view to aligning Croatian legislation with international best practices. The recommendations highlighted the need to establish a clear and harmonised framework for approving and reviewing the appropriateness of related party transactions, as well as their periodic disclosure in the company's annual financial statements and other reports. It was also recommended to establish a process of registration and disclosure of

shareholder agreements and conditions to ensure compliance with such rules, to provide further guidance for group supervision and the holding of remote shareholders' meetings within corporate governance, as well as to foster the independence of the boards by harmonising binding and non-binding provisions in order to achieve a better composition of the boards and to ensure better disclosure of their composition with respect to independent board members. The recommendations were implemented through amendments to the Companies Act, which were adopted and published in the Official Gazette on 27 November 2024.

Furthermore, together with the Zagreb Stock Exchange, Hanfa amended the provisions of the Corporate Governance Code. The amended Code reflects changes in Croatian and EU law, the amended G20/OECD Principles on Corporate Governance, as well as significant progress made in understanding factors and practices that contribute to good governance. Particular attention was paid to improving the management of transactions with related parties, the publication of shareholder agreements, the holding of virtual assemblies, as well as the strengthening of the independence and transparency of supervisory boards. The amendments also include improvements in the areas of inclusive working environment, equality, prevention of discrimination, conflict of interest management, responsible business conduct and risk management policies. To that end, new recommendations were proposed relating to the viability and resilience of the issuer with regard to responsible business conduct, risk and opportunities management, remuneration policies, a balanced representation of both genders on the supervisory board, management board and senior management, the independence of the supervisory board and its committees, the reporting of irregularities and any discrimination, the protection of children's rights and the rights of persons with disabilities, and the reconciliation of private and professional life. All proposed amendments to the Corporate Governance Code are aimed at improving the above areas of governance practices, taking into account the existing legislative and regulatory framework, the existing level of compliance of issuers in these areas and the expected regulatory changes at EU level. The amended Corporate Governance Code applies from 1 January 2025, with issuers being required to report on their compliance and their corporate governance practices for the first time for the financial year starting on 1 January 2025.

In relation to the Committee's recommendation on the development of a strategic framework for the capital market to support access to capital market finance, Hanfa participated as a partner in the project to develop a strategic framework for capital markets development in the Republic of Croatia in 2025 – 2030 and the Action Plan for 2025 – 2030, headed by the Ministry of Finance. The aim of the project was to engage relevant market participants, organised in the working group for the preparation of the proposal for a strategic framework for the development of the capital market in the Republic of Croatia, in order to identify, assess and define specific strategic directions and related initiatives in an integrated strategy document that would serve as a national strategic framework.

Hanfa, as coordinator, regularly reported to the OECD Secretariat on the progress of the follow-up to the recommendations.

In addition to activities related to the process of Croatia's accession to the OECD, members of Hanfa's Board and employees participated regularly in the meetings of committees and other working bodies of the OECD dealing with issues falling within Hanfa's competence, that is the Financial Markets Committee, the Corporate Governance Committee, the Private Pensions and Insurance Committee, the Working Group on Private Pensions and the Advisory Working Group on the OECD Liberalisation Codes.

8.2 Technical international cooperation, bilateral international cooperation and exchange of information

Hanfa's experts regularly participate in EU technical assistance programmes aimed at strengthening institutional capacity and harmonising the legislation of candidate countries for full EU membership.

Last year's activities focused on the TAIEX (Technical Assistance and Information Exchange) programme dedicated to short-term technical assistance, including workshops, study visits and expert missions for representatives of institutions responsible for the supervision of financial services in Montenegro and North Macedonia in the areas of capital markets, investment funds, investment firms, insurance markets and systemic risks.

Hanfa was also selected to implement the Twinning Light project which is to provide technical assistance to the Capital Market Commission of Montenegro in developing a code of corporate governance and strengthening the administrative capacity to exercise supervision of issuers of securities listed on a regulated market. The implementation of the project is foreseen in 2025.

In addition to participating in EU technical assistance programmes, Hanfa cooperates with peer institutions of other countries also on a bilateral basis. In 2024, Hanfa concluded a bilateral agreement on technical cooperation with the Agency for Supervision of Fully Funded Pension Insurance of the Republic of North Macedonia with the aim of exchanging knowledge, experience and good practices in the supervision of pension funds.

The implementation of a joint Hanfa and CNB project "Implementation of regulations and supervisory practices regarding market behaviour", aimed at strengthening institutions' capacity in the area of consumer protection, was completed in 2024 under the Technical Support Instrument.

The implementation of the multinational project "Sustainable finance – enhancing supervisory capacities" was also completed in the second half of the year. Along with Hanfa, the project involved the national supervisory authorities of Malta, Poland and Romania, which received support for the design, development and implementation of reforms. All this contributes to the convergence of supervisory practices in the EU, market transparency and the prevention of greenwashing, and supports the development of green finance. Hanfa achieved the objective of improving its expertise and capacity in the area of sustainable finance.

The implementation of the EU Supervisory Digital Finance Academy (EU-SDFA) project, which aims to ensure the transfer of knowledge to Member States' supervisory authorities on new technologies in the area of financial services, the development of supervisory tools and information on the development of the regulatory framework, continued. The EU SDFA project was organised in cooperation with ESMA, EIOPA and EBA and the Florence School of Banking, the European University Institute (FBF-EUI). The project should be completed in mid-2025.

In 2024, Hanfa launched the implementation of two other projects approved under the Technical Support Instrument: the joint project of the Ministry of Finance, the CNB and Hanfa titled “Enhancing the use of financial services through increased digital financial literacy”, and a multinational project “Enhancing the capacity for licensing, supervision, recovery and resolution of central counterparties – CCPs”. The latter project is being implemented jointly with the national supervisory authorities of Greece, Poland, Portugal and Romania, which contributes to the cooperation and exchange of experience and best practices among the national supervisory authorities of all five participating Member States.

In the new cycle of the Technical Support Instrument, Hanfa applied for the new cycle of the project “EU Supervisory Digital Finance Academy (EU-SDFA)”. The project has been approved and its implementation is scheduled for the second half of 2025.

JUDICIAL PROCEEDINGS

9 JUDICIAL PROCEEDINGS

Hanfa regularly participates in misdemeanour proceedings as an authorised prosecutor and as a defendant in administrative disputes upon lawsuits filed against its administrative acts. Hanfa, as an authorised prosecutor, brings indictments to the Zagreb Municipal Misdemeanour Court (as the competent court) and to the Financial Inspectorate of the Ministry of Finance of the Republic of Croatia. Hanfa's employees actively participate in these proceedings by attending hearings, preparing statements and carrying out any other actions in accordance with legal powers.

The procedures carried out by Hanfa within its competence are regulated by the General Administrative Procedure Act,¹⁷⁰ unless otherwise provided for in special regulations. As a body governed by public law, Hanfa conducts administrative procedures in one instance, so its acts adopted in these proceedings may be the subject of administrative disputes, in which Hanfa is actively involved as a party.

In the event of a criminal offence that is prosecuted *ex officio*, Hanfa files criminal charges to the competent State Attorney's Office in accordance with criminal procedure regulations.

9.1 Misdemeanour proceedings

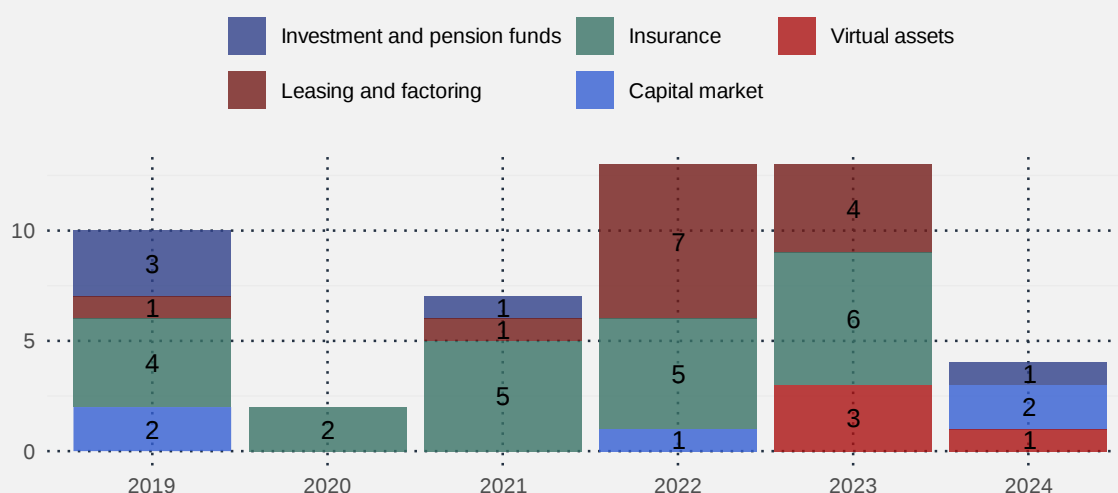
During 2024, Hanfa filed four indictments. Three of them were brought to the Zagreb Municipal Misdemeanour Court and one was brought to the Financial Inspectorate of the Ministry of Finance of the Republic of Croatia. The proceedings resulted from Hanfa's supervisory activities, and related to irregularities and illegalities established in the regulatory area of the capital market, the operation of investment funds and the prevention of money laundering and terrorist financing. The submission of indictments is a further step within the framework of Hanfa's legal powers aimed at ensuring the legality, transparency and stability of the financial system of the Republic of Croatia.

Since its establishment on 1 January 2006 until 31 December 2024, Hanfa filed a total of 533 indictments serving as a basis for initiating misdemeanour proceedings. Before 2018, as many as 54% of the misdemeanour proceedings were suspended due to limitation periods. However, a significant decline in such cases was observed between 2018 and the end of 2024, reflecting the continuous advancement of institutional capacity and the improvement of the quality of Hanfa's conduct. This was also supported by a more systematic application of the alternative dispute resolution institute, namely the possibility of negotiation between the authorised prosecutor and

¹⁷⁰ Official Gazette, No [47/09](#), [110/21](#)

the accused person on the recognition of guilt and the determination of the type and level of sanctions in accordance with the provisions of the Misdemeanour Act¹⁷¹. This legal option is based on the fundamental principles of procedural efficiency and economy, as well as the practice promoting the use of alternative forms of resolution of court proceedings. The application of this institute resulted in a gradual and steady increase in the number of cases resolved amicably, with a total of 24 final rulings being passed between 2014 and 2024 on the basis of an agreement, with the positive trend continuing in 2024.

Figure 9.1 Overview of misdemeanour proceedings by sectors from 2019 to 2024
Number of misdemeanour proceedings by sectors

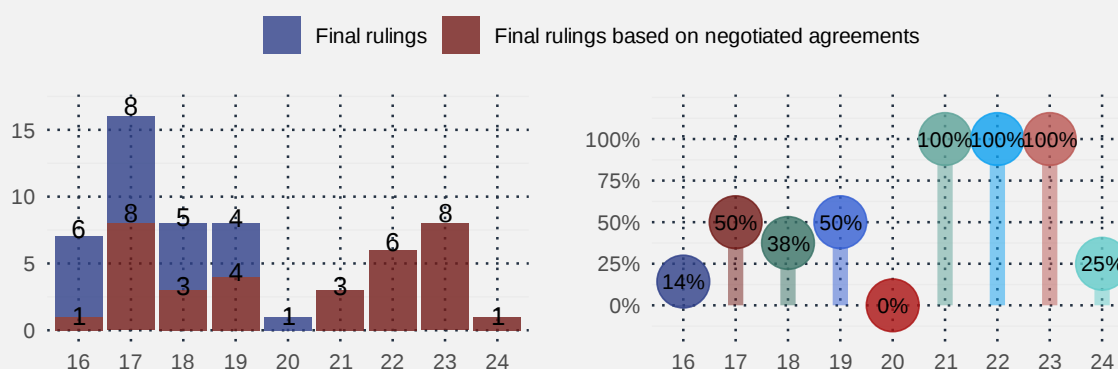


Source: Hanfa

Figure 9.2 Final rulings and indictments in the period from 2016 to end-2024

Number of final rulings based on negotiated agreements

Share of final rulings based on negotiated agreements, in % of the total number of indictments



Note: Final rulings based on negotiated agreements for the year 2016 include an agreement concluded and confirmed that year, for which the indictment was filed in 2012, before negotiation between an authorised prosecutor and a defendant was provided for by the Misdemeanour Act.
Source: Hanfa

¹⁷¹ Official Gazette, No [107/07](#), [39/13](#), [157/13](#), [110/15](#), [70/17](#), [118/18](#), [114/22](#)

9.1.1 Capital market

During 2024, Hanfa submitted two indictments in the area of capital market. One misdemeanour procedure was initiated against an issuer who had failed to submit to Hanfa an application for approval to publish a takeover bid within the time limit prescribed by the Act on the Takeover of Joint-Stock Companies. The second misdemeanour procedure was initiated against a natural person, for a total of four infringements, involving late reporting of changes in voting rights and on personal transactions in the issuer's shares, in breach of the provisions of the Capital Market Act and the Market Abuse Regulation. The proceedings are still pending.

9.1.2 Investment funds

Hanfa filed an indictment against an alternative investment fund management company and its responsible persons for breaches of the provisions of the Alternative Investment Funds Act because the own funds of the company were below the minimum level laid down in Article 26, paragraph (2) of the Act, which means that the company acted contrary to the obligation to maintain an adequate level of capital in accordance with Article 13 of Regulation (EU) 2019/2033.

9.1.3 Prevention of money laundering and terrorist financing

In 2024, Hanfa initiated misdemeanour proceedings before the Financial Inspectorate of the Ministry of Finance of the Republic of Croatia against a legal person engaged in the provision of services of exchange of virtual and fiat currencies and custodian wallets and its responsible persons for breaches of AML/CFT provisions. The proceedings refer to the failure of the legal person to act within the set time limit in accordance with Hanfa's decision adopted in the course of supervision, and the failure to comply with the legal obligation to notify the Office for the Prevention of Money Laundering and Terrorist Financing of the appointment of an authorised person for the prevention of money laundering and terrorist financing.

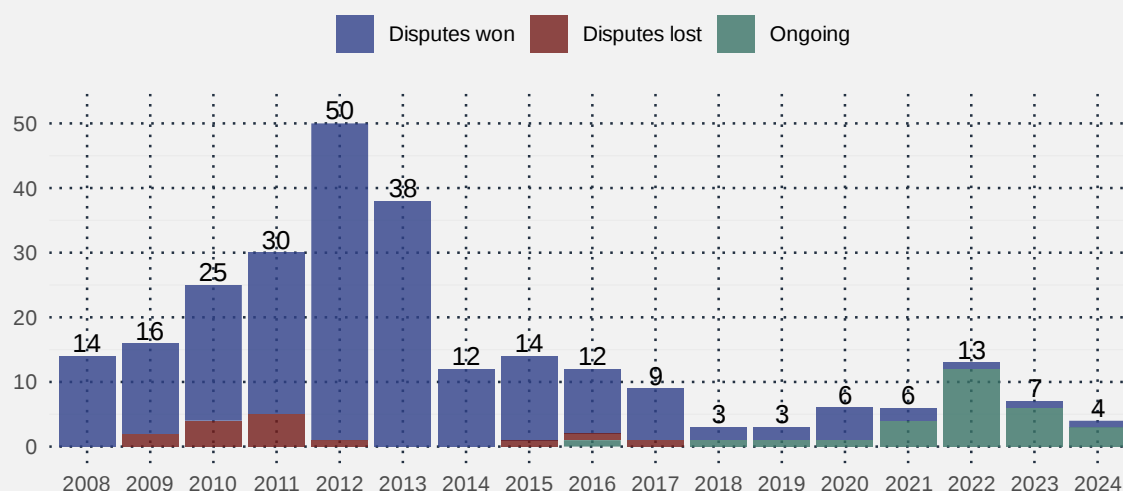
9.2 Administrative disputes

Four administrative disputes were initiated in 2024, two of which related to insurance, one related to leasing and the last one, relating to the capital market, concerned the application of the provisions of the Act on the Takeover of Joint-Stock Companies. An administrative dispute challenging the assessment of the fulfilment of the conditions of good repute and professional conduct for the performance of the duties of a member of the leasing company's management board was suspended as a result of the withdrawal of the action. The administrative dispute initiated in connection with an enforcement order issued in the field of insurance was closed in the same manner, since the action was also withdrawn in that procedure. The remaining two administrative procedures, the first relating to the imposition of a capital add-on measure under the Insurance Act, and the second relating to the obligation to publish a bid for the takeover of a joint-stock company, are still pending before the Administrative Court in Zagreb.

Pursuant to the Administrative Disputes Act¹⁷², Hanfa provided responses to the complaints and submitted relevant files to the court. In the context of the proceedings at issue, Hanfa's representatives regularly prepared reports and participated in the hearings before the competent court.

Figure 9.3 Outcomes of administrative disputes

Number of disputes by type of outcome



Source: Hanfa

9.3 Criminal charges

In accordance with its legal powers, Hanfa is obliged to notify the competent State Attorney's Office without delay when it establishes, in the framework of supervision or other activities, facts indicating that there are reasonable grounds to suspect that a criminal offence that is prosecuted *ex officio* has been committed. In doing so, Hanfa as a supervisory authority actively contributes to strengthening the integrity of the financial system and to the timely detection of irregularities that may have criminal consequences.

Since its establishment on 1 January 2006 until 31 December 2024, Hanfa filed 52 criminal charges with the competent State Attorney.

9.4 Debt recovery actions

In the Ordinance on the calculation, amount and charging of fees paid to the Croatian Financial Services Supervisory Agency for the year 2022¹⁷³ and 2023¹⁷⁴ Hanfa specified the entities subject to fees and the amount of fees payable to Hanfa. In order to collect its claims for unpaid fees, Hanfa initiated enforcement proceedings against one supervised entity in the course of 2023. This resulted in the opening of bankruptcy

¹⁷² Official Gazette, No [20/10](#), [143/12](#), [152/14](#), [94/16](#), [29/17](#), [110/21](#)

¹⁷³ Official Gazette, No [144/21](#)

¹⁷⁴ Official Gazette, No [155/22](#)

proceedings before the Commercial Court of Osijek in 2024. The proceedings are still pending.

HANFA'S BUSINESS OPERATIONS

10 HANFA'S BUSINESS OPERATIONS

The work of Hanfa is managed by the Board, which is competent for five divisions and ten offices. The Office of the Secretary General plays a key role in providing operational support to the business and covers areas of work such as information technology, general and administrative services, finance and accounting, and human resources. Support is obtained through the continuous improvement of internal processes, procedures and acts which define the manner of operation and guide the execution of tasks. Particular emphasis is placed on the digitalisation of business and the automation of activities and data management, which boosts efficiency and transparency of operations.

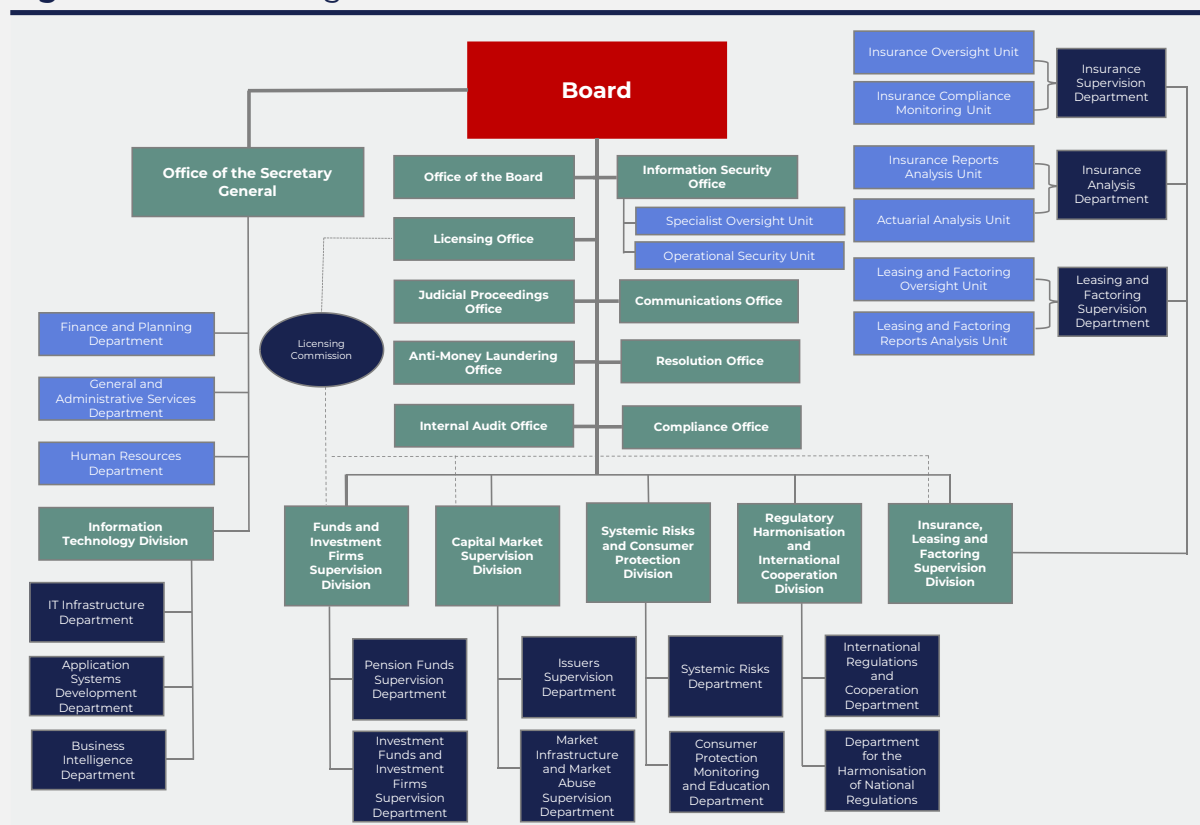
10.1 Internal organisational structure and human resources

The work of Hanfa for the term of office until 6 February 2024 was steered by the Board consisting of Ante Žigman (President), Tomislav Ridzak, Jurica Jednačak, Ilijana Jeleč and Antun Palarić. Upon expiry of the term of office, under the Decision of the Croatian Parliament (Class: 021-04/24-07/3), on 7 February 2024, the new Board was appointed, consisting of Ante Žigman (President), Tomislav Ridzak, Jurica Jednačak, Anamarija Staničić and Antun Palarić.

In 2024, Hanfa Board held 33 meetings and adopted 837 decisions. The meetings were held regularly and all decisions necessary for the smooth functioning of the financial system were taken in a timely manner.

Hanfa's Council is an advisory body, consisting of nine members. Three members are appointed by the Government of the Republic of Croatia and five by representatives of supervised entities' associations at the Croatian Chamber of Economy. The President of Hanfa Board is a member of the Council by virtue of his office. The Council provides opinions and expert and scientific advice for the purpose of developing Hanfa's supervisory practice. Together with the President of Hanfa Board Ante Žigman, Council members in 2024 were Kristijan Buk (President of the Council), Ivana Gažić, Josip Glavaš, Klaudija Karabuva Vidas, Ivana Ravlić Ivanović, Davor Tomašković, Ivana Žepić and Novka Simić. Amalija Jurin was appointed member of the Council, replacing Novka Simić, under the Decision of the Government of the Republic of Croatia of 27 November 2024 on the dismissal and appointment of some of the members of Hanfa Council. The Council held four meetings in 2024: on 25 March, 15 July, 14 October and 17 December.

The number of Hanfa's employees rose by 9% from the previous year and stood at 206 at the end of the year. Of that number, 97% of employees were in permanent employment, while only pensioners and trainees had fixed-term contracts. The proportion of male employees increased from 30% to 33%. The average age of employees reached 45 years, a slight increase from the previous year.

Figure 10.1 Hanfa's organisational structure as at 31 December 2024

Source: Hanfa

In 2024, the internal organisational structure and the systematisation of jobs were changed. In addition to changes in the structure, updates were made to the lists of jobs within individual organisational units, job descriptions and conditions for hiring in individual positions. The Information Technology Division was set up within the Office of the Secretary General, covering the existing Information Technology Department and the Application Systems Development Department. The Business Intelligence Department was established at the end of the year. The aim of these changes is to manage Hanfa's information technology more efficiently and, through the subsequently established Business Intelligence Department, to strengthen data analysis capacities, improve data management and develop advanced analytical processes.

The analysis of the requirements imposed on Hanfa by the supervisory obligations under the DORA Regulation and the obligations under the Cyber Security Act¹⁷⁵ identified the need to form two departments within the Information Security Office. The Specialist Oversight Unit is responsible for developing supervisory practices, conducting supervision and harmonising the convergence processes of EU supervisory practices for digital operational resilience. The Operational Security Unit is responsible for risk oversight and control of operational processes that establish, maintain and

¹⁷⁵ **Official Gazette, No 14/24**

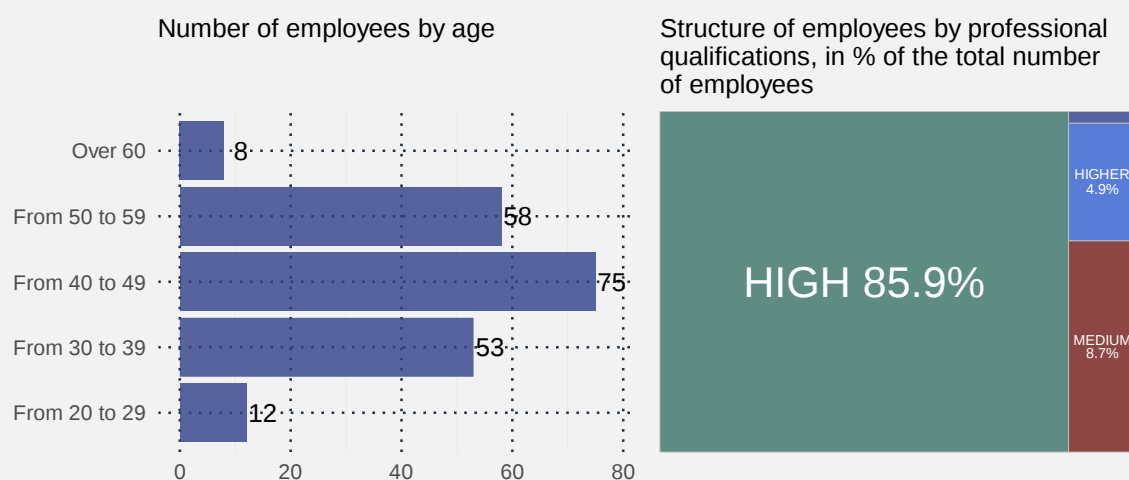
supervise orderly operations, management of change risks and handling of cyber security incidents.

The Investment Funds and Investment Firms Supervision Department within the Funds and Investment Firms Supervision Division was restructured so that two organisational units were set up: the Investment Funds Supervision Department and the Department for Supervision of Investment and Crypto-Asset Service Providers. This division was made in response to the needs arising from the Act implementing Regulation (EU) 2023/1114 on Markets in Crypto-Assets, under which Hanfa, together with the CNB, is empowered to supervise the market in crypto-assets. In addition to the supervision of firms providing investment services in accordance with the Capital Market Act, under the MiCA Regulation, the Department for Supervision of Investment and Crypto-Asset Service Providers is also responsible for supervising the business of crypto-asset service providers (CASPs), as well as for the notification of white papers for crypto-assets other than asset-referenced tokens or e-money tokens. The Investment Funds Supervision Department oversees exclusively the operations of UCITS and AIFs and the companies that manage them.

Based on a student traineeship competition, nine students in economics were given an opportunity to learn about activities carried out within individual organisational units.

Individual internal acts were updated to bring the regulation of processes more in line with actual business needs. As a result of a change in the labour monitoring and evaluation procedure, a new Ordinance on monitoring the performance of Hanfa's employees was adopted. The Ordinance on the work of Hanfa, the Ordinance on teleworking and the Ordinance on wages and other remuneration of Hanfa's employees were also amended.

Figure 10.2 Structure of Hanfa's employees at the end of 2024



Note: LOW – low qualifications (completed primary school), MEDIUM – medium qualifications (completed secondary school), HIGHER – higher qualifications (study programmes of 180 to 240 ECTS credits), HIGH – high qualifications (study programmes of a minimum of 300 ECTS credits).

Source: Hanfa

10.2 Internal audit

The internal audit is carried out according to a plan that takes into account the requirements of the system of financial management and control and the requirements of Hanfa's operations, in line with the importance, risks and other relevant parameters of business processes. In 2024, the Internal Audit Office carried out internal audits in the areas of IT business processes, accounting and financial reporting, checks of transactions in financial instruments by employees of the Compliance Office and their family members, as well as tasks related to the processing of complaints and consumer protection, and the conduct of off-site and on-site inspection procedures.

10.3 Information security at Hanfa

In 2024, Hanfa participated in the work of the European Supervisory Authorities' Joint Committee Sub-Committee on Digital Operational Resilience (JC SC DOR), which prepared proposals for Regulatory Technical Standards (RTS) and Implementing Technical Standards (ITS) in order to fully finalise the regulatory framework provided for in the DORA Regulation, which was to come into force on 17 January 2025. Within its area of competence for the supervision of financial services markets in the Republic of Croatia, Hanfa prepared its own supervisory processes within the scope of the DORA Regulation through a number of activities. In May and June, a self-assessment was carried out by all entities subject to supervision under the DORA Regulation and by crypto-asset service providers registered in the Republic of Croatia. The self-assessment included information on the adequacy of the ICT risk management process and the plans and activities related to compliance with the requirements of the DORA Regulation in the period until its application in January 2025.

In September and October, Hanfa, with expert support from a company specialised in the organisation of cyber security exercises, prepared and conducted the first table-top cyber attack response exercise. The exercise lasted for one business day and involved 11 entities supervised by Hanfa, which independently carried out the processes of detection, analysis, impact limitation and crisis communication during an incident at levels from operational ICT experts to management board members. This created valuable experiences and enabled subsequent analyses and useful insights for the improvement of the security incident response process.

Table-top exercise

A table-top exercise is a form of simulation in which participants jointly analyse and address a pre-designed crisis scenario through a structured discussion. The aim of the exercise is not to physically conduct activities, but rather to check readiness, efficiency of procedures and decision-making capacity in emergency situations. Such exercises are often used by institutions and organisations to test responses to security threats, technical incidents or other types of crisis events.

Hanfa notified the public and supervised entities of these topics at the conference titled "DORA and Digital Resilience: Where We Are and What We Are Striving for" held

on 28 October 2024, where supervised entities discussed the challenges of cyber security through a panel discussion with representatives of the Croatian Academic and Research Network – CARNET, Ministry of the Interior of the Republic of Croatia and Faculty of Electrical Engineering and Computing in Zagreb. The conference also discussed the external framework of ICT risk exposure, both in relation to cyber threats and trends, and the visibility of Hanfa's supervised entities.

Hanfa also participated in the preparations for the adoption and implementation of the new Cyber Security Act and the Act on the Implementation of the DORA Regulation. The CARNET PiXi Platform was designated for supervised entities to report major ICT-related incidents and it was further adapted for the purpose of the DORA Regulation in cooperation between CARNET, the CNB and Hanfa.

The Information Security Office carried out supervision of information systems of individual supervised entities independently and in cooperation with the Insurance, Leasing and Factoring Supervision Division in order to assess compliance with cyber security regulations and standards.

10.4 Hanfa's information systems

In 2024, Hanfa continued to strengthen its digital transformation by setting up a modern, stable and secure information system that reliably supports the achievement of Hanfa's strategic objectives and enables effective supervision of financial markets in an increasingly dynamic digital environment.

During 2024, Hanfa continued its intensive investments in the area of information technology with the aim of ensuring the preconditions for meeting legal obligations arising from the new Cyber Security Act and compliance with regulatory and technological requirements at national and European levels.

In view of the growing cyber security requirements, a number of activities and measures were carried out throughout the year, as well as strategic investments aimed at enhancing security and improving and modernising Hanfa's information system.

In order to manage information technology more effectively, organisational consolidation was implemented through the establishment of a single Information Technology Division, which brings together the functions of the former Information Technology Department and the Application Systems Development Department. A Business Intelligence Department was also set up within the newly created division in order to strengthen analytical capacities, improve data management and develop advanced analytical processes. This further supports Hanfa's strategic focus on enhancing the quality and utilisation of data in supervisory and operational processes.

As regards the development of application solutions, the development and maintenance of key applications supporting the supervisory, operational and internal functions of Hanfa continued. In addition to functional improvements of the existing systems, activities to prepare new applications have been started and migration to a more modern, scalable and secure technological platform is planned.

10.5 Hanfa's financial operations

In 2024, Hanfa kept business books in accordance with the regulations governing financial operations and accounting of non-profit organisations. These regulations include the Act on Financial Operations and Accounting of Non-Profit Organisations¹⁷⁶, the Ordinance on non-profit accounting and the accounting plan¹⁷⁷, the Ordinance on reporting in non-profit accounting and the Register of non-profit organisations¹⁷⁸ and the Ordinance on the financial management and control system, and the preparation and execution of financial plans of non-profit organisations¹⁷⁹.

As at 31 December 2024, Hanfa's total assets amounted to EUR 4.6m, growing by 7.1% from the end of 2023. The increase was largely due to the rise in non-financial assets, of 16.8%, while the amount of financial assets grew by 4.9% from the previous year. The structure of liabilities also changed from 2023 so that own sources decreased by 4.9% and liabilities increased by 36.6%, with the own resources-to-liabilities ratio standing at 63/37 in favour of own sources in 2024.

Table 10.1 Hanfa's balance sheet as at 31 December 2024

In EUR thousand

Assets	Amount	Share in assets
Non-financial assets	929.8	20.3%
Financial assets	3,658.3	79.7%
Total assets	4,588.1	
Liabilities	Amount	Share in liabilities
Liabilities	1,690.4	36.8%
Own sources	2,897.8	63.2%
Total liabilities	4,588.1	

Note: Hanfa's detailed balance sheet is provided on its website.

Source: Hanfa

Cash at bank and in hand and deposits with banks accounted for the largest shares in Hanfa's financial assets, 59.0% and 32.8%, respectively. The rest of the financial assets concerned security deposits, receivables from employees, receivables for remuneration refunded, receivables for advance payments and prepayments, which amounted to 8.2% of financial assets in 2024. The structure of non-financial assets comprised 63.6% of intangible assets, which included licenses and other rights. The

¹⁷⁶ Official Gazette, No [121/14](#), [114/22](#)

¹⁷⁷ Official Gazette, No [1/15](#), [25/17](#), [96/18](#), [103/18](#), [134/22](#)

¹⁷⁸ Official Gazette, No [31/15](#), [67/17](#), [115/18](#), [21/21](#)

¹⁷⁹ Official Gazette, No [119/15](#), [134/22](#)

remaining part of non-financial assets consisted of buildings, equipment and furniture. Investments in computer programmes increased by 11.0% from 2023.

Liabilities for expenditures accounted for 95.5% of total liabilities in 2024. Liabilities for employees and liabilities for material expenses and other liabilities stood at 74.1% and 21.4%, respectively, of total liabilities. The remaining liabilities related to accrued expenses and deferred income. Own sources comprised operating sources and surplus income over expenditure, which amounted to EUR 313.4 thousand in 2024 and was transferred into the state budget of the Republic of Croatia.

10.5.1 Income

Hanfa's total income amounted to EUR 13.9m in 2024, an increase of 11.0% from the year before. The most significant source of income was income received under special regulations, comprising income received from fees from assets and income of supervised entities, fees charged for the provision of services within Hanfa's competence and other income received under special regulations. This income accounted for 99.6% (EUR 13.87m) of Hanfa's total income. The remaining EUR 58.8 thousand of income consisted of income from assets, income from donations and other income.

Table 10.2 Summary of income realised in 2024

In EUR thousand

Total income	13,930.8
Income received under special regulations	13,872.0
Income received under the Ordinance on the calculation, amount and charges of fees paid to Hanfa in 2024	13,216.3
Income generated under the Ordinance on the type and amount of fees paid to Hanfa	621.7
Other income received under special regulations	34.0
Income from assets	37.3
Income from donations	0.1
Other income	21.4

Source: Hanfa

The largest share of income received under special regulations in 2024, 94.9%, was accounted for by income made on the basis of the Ordinance on the calculation, amount and charging of fees paid to the Croatian Financial Services Supervisory Agency for the year 2024¹⁸⁰, which grew by 16.0% from 2023. The increase in the income item is a result of the increase in the fees paid to Hanfa under the aforementioned Ordinance, caused by the increase in the fee calculation base, reflected in the increase in the assets and income of supervised entities. The most important item in that

¹⁸⁰ Official Gazette, No [157/23](#) and [79/24](#)

category was income from pension fund management companies, which amounted to EUR 8m.

Table 10.3 Income from fees generated in 2024

In EUR thousand

Income received under the Ordinance on the calculation, amount and charging of fees paid to Hanfa in 2024	Amount	Share in total income
Income from pension fund management companies	8,031.3	60.77%
Income from insurance companies and reinsurance companies	1,436.1	10.87%
Income from investment fund management companies	1,159.9	8.78%
Income from investment fund management companies	798.8	6.04%
Income from leasing companies	717.0	5.43%
Income from issuers	526.4	3.98%
Income from the Central Depository and Clearing Company	189.4	1.43%
Income from insurance distributors and reinsurance distributors	95.3	0.72%
Income from pension insurance companies	124.5	0.94%
Income from the Zagreb Stock Exchange	76.0	0.57%
Income from companies managing funds established under special regulations	46.5	0.35%
Income from the central counterparty	11.9	0.09%
Income from factoring companies	3.3	0.03%
Total	13,216.3	100.00%
Income generated under the Ordinance on the type and amount of fees paid to Hanfa	Amount	Share in total income
Income generated under the Act on the Takeover of Joint-Stock Companies	166.6	26.80%
Income generated under the Insurance Act	245.8	39.54%
Income generated under the Act on Open-Ended Investment Funds with Public	35.6	5.73%
Income generated under the Alternative Investment Funds Act	26.4	4.25%
Income generated under the Capital Market Act	47.4	7.62%
Income from the maintenance of the Register of Leased Assets	11.5	1.86%
Income generated under the Mandatory Pension Funds Act	12.1	1.95%
Income generated under the Leasing Act	17.8	2.86%
Income generated under the Act on Hanfa (issuance of opinions and copies)	13.7	2.20%
Income from fees charged for the training organised for brokers, investment advisers, certified pension fund managers, certified pension insurance company managers	8.6	1.39%
Income generated under the Act implementing EMIR	0.2	0.03%
Income generated under the Factoring Act	35.8	5.77%
Income generated under the Act on Pension Insurance Companies	0.0	0.00%
Total	621.7	100.00%

Source: Hanfa

Income generated under the Ordinance on the calculation, amount and charging of fees paid to the Croatian Financial Services Supervisory Agency¹⁸¹ amounted to EUR 621.7 thousand, a decrease of 43.8% from 2023. This was mainly due to a decrease in the share of income generated under the Act on the Takeover of Joint-Stock Companies, which stood at EUR 166.6 thousand in 2024, accounting for 26.8% of all income under the said ordinances. A significant part of income in that category was income realised pursuant to the Insurance Act and arising from the examination of professional knowledge and issuance of authorisations and licences to pursue insurance and reinsurance distribution business. This income amounted to EUR 245.8

¹⁸¹ [Official Gazette, No 26/19](#)

thousand in 2024, which was 39.5% of the total income generated under the ordinances.

10.5.2 Expenditure

Hanfa's expenditure is recognised on the basis of the accrual principle, that is, in the reporting period when it was incurred, regardless of the time of its payment.

Hanfa's total expenditure amounted to EUR 13.6m in 2024, an increase of 12.5% from 2023. Employee expenses accounted for the largest share of total expenditure (63.0%) in 2024, growing by 12.6% from the previous year.

Material expenditure amounted to EUR 4.6m, up by 13.0% from 2023. The largest share of material expenditure related to expenditure on services, 18.4% of total expenditure, including costs of renting business premises, current and investment maintenance services, telephone, postal and transport services, utilities, promotion and information services, intellectual services and other services. In 2024, expenditure on computer services amounted to 15.7% of expenditure on services. A significant share of material expenditure was accounted for by other material expenditure, of EUR 1.3m, which included membership fees to European and international bodies (ESMA, EIOPA, IAIS, IOSCO, IOPS, etc.), representation expenses and insurance premiums.

Table 10.4 Summary of expenditure realised in 2024

In EUR thousand

Total expenses	13,617.4
Employee expenses	8,576.7
Material expenditure	4,567.2
Costs for employees	495.8
Costs for external staff	35.1
Expenditure on services	2,500.2
Expenditures on materials and energy	231.8
Other material expenditure	1,304.4
Depreciation expenditure	286.2
Financial expenditure	12.7
Donations	15.6
Other expenses	159.0

Source: Hanfa

Depreciation expenditure was 2.7% higher in 2024 than in the previous year due to larger acquisitions of new assets and investments in the information system, accounting for 2.1% of total expenditure. Donations amounted to EUR 15.6 thousand, decreasing by 17.1% from 2023, and included donations to institutions and natural persons, as well as scholarships paid to students. A decrease in donations from the previous year is the result of a lower cost of scholarships, as some students completed

their studies. In 2024, following a competition for primary school pupils titled “Digital content for digital finance”, the Dugave Primary School was awarded an interactive screen. On the occasion of the World Money Week, a competition titled “Finances can also be green” was launched for secondary school pupils, and an interactive screen was awarded to the winning school, the Bjelovar Technical School.

Other expenses, accounting for 1.2% of total expenditure, grew by 23.0% from the preceding year. They included fines for failure to meet the employment quota for persons with disabilities, net book value and other expenses for fixed assets, tax on road motor vehicles, fee refunds from previous years, voluntary pension insurance premiums and other unspecified expenses.

In accordance with the Act on Financial Operations and Accounting of Non-Profit Organisations, an external audit of Hanfa's 2024 financial statements was carried out, and the Independent Auditor's Report was published on Hanfa's website.

STATISTICAL OVERVIEW OF INDUSTRIES

11 STATISTICAL OVERVIEW OF INDUSTRIES

11.1 Investment funds

Open-ended investment funds with public offering – UCITS

Investment funds - UCITS

	2019	2020	2021	2022	2023	2024
Number of funds	96	96	93	100	108	117
Net assets, in EUR thousand	2,996,499	2,417,699	2,855,179	2,165,751	2,288,781	3,227,926

Issuance and redemption of units in UCITS

In EUR thousand

	2019	2020	2021	2022	2023	2024
Issuance of units	1,526,082	1,171,994	1,387,582	1,019,540	1,629,813	1,762,164
Redemption of units	1,259,075	1,823,878	989,611	1,475,401	1,640,999	964,501

Asset structure of equity UCITS per asset type

In EUR thousand

	2019	2020	2021	2022	2023	2024
Cash	25,478	21,237	33,073	33,365	16,950	28,463
Shares	200,906	186,193	269,944	215,771	300,822	445,995
Bonds	3,856	3,658	1,843	1,819	1,726	1,008
Investment funds	10,561	10,002	16,165	6,852	12,110	14,453
Money market instruments	0	0	0	133	145	0
Deposits	181	1,327	2,920	5,023	32,476	32,485

Asset structure of balanced UCITS per asset type

In EUR thousand

	2019	2020	2021	2022	2023	2024
Cash	22,690	17,639	33,721	18,692	6,401	3,543
Shares	29,336	32,711	48,669	32,797	47,653	55,559
Bonds	58,264	57,394	68,073	52,444	160,312	158,874
Investment funds	19,406	20,542	45,038	31,177	43,364	50,890
Money market instruments	0	0	0	0	1,768	0
Deposits	2,052	0	1,925	6,582	8,729	25,834

Asset structure of bond UCITS per asset type

In EUR thousand

	2019	2020	2021	2022	2023	2024
Cash	296,304	304,237	322,504	170,590	41,427	6,502
Shares	0	1,742	3,391	10,221	0	0
Bonds	1,912,402	1,406,927	1,440,558	1,039,305	697,692	683,602
Investment funds	11,566	15,116	15,941	13,658	4,839	1,062
Money market instruments	91,955	15,810	64,313	35,233	29,595	54,045
Deposits	238,592	208,327	186,150	104,966	148,996	109,057

Asset structure of money market UCITS per asset type

In EUR thousand

	2019	2020	2021	2022	2023	2024
Cash	197	0	0	0	1	11,287
Shares	0	0	0	0	0	0
Bonds	0	0	0	0	0	0
Investment funds	0	0	0	0	0	0
Money market instruments	0	0	0	0	5,521	356,210
Deposits	876	0	0	0	18,462	307,600

Asset structure of other UCITS per asset type

In EUR thousand

	2019	2020	2021	2022	2023	2024
Cash	23,053	21,178	46,486	22,607	6,192	6,794
Shares	6,710	10,804	20,829	19,349	18,244	15,237
Bonds	81,211	90,375	141,329	225,457	519,715	669,992
Investment funds	53,413	44,035	82,412	65,802	63,866	76,184
Money market instruments	0	27	40	465	5,398	9,393
Deposits	17,703	16,504	15,101	12,548	33,583	32,976

Alternative investment funds – AIFs**Investment funds - AIF**

	2019	2020	2021	2022	2023	2024
Number of funds	36	38	34	39	41	44
Net assets, in EUR thousand	593,889	625,407	693,196	686,309	1,074,482	1,353,648

Investment firms**Investment firms**

	2019	2020	2021	2022	2023	2024
Number of firms	7	6	6	5	5	6
Portfolio management, in HRK thousand	3,067	3,492	4,388	3,959	5,531	8,458
Custody of financial instruments, in EUR thousand	140,060	241,898	581,120	659,670	977,785	1,090,632

11.2 Pension funds

Mandatory pension funds

Mandatory pension funds

	2019	2020	2021	2022	2023	2024
Number of funds	12	12	12	12	12	12
Number of fund members	2,010,403	2,057,391	2,111,192	2,179,051	2,248,825	2,333,992
Category A	25,453	83,448	150,266	233,445	320,273	430,000
Category B	1,948,510	1,925,328	1,899,623	1,865,378	1,827,332	1,809,206
Category C	36,440	48,615	61,303	80,228	101,220	94,786
Net assets, in EUR thousand	14,944,337	15,803,047	17,650,040	17,542,566	20,233,301	23,220,445
Total contributions, in EUR thousand	10,602,678	11,509,131	12,498,732	13,592,485	14,848,092	16,364,031
Total payments, in EUR thousand	-1,231,711	-1,431,943	-1,678,874	-1,960,854	-2,260,060	-2,658,427

MIREX values

	2019	2020	2021	2022	2023	2024
Mirex A	152.3	153.0	173.7	166.5	191.3	216.7
Mirex B	265.2	267.7	287.4	272.9	300.7	329.9
Mirex C	136.0	137.5	138.1	130.9	136.1	140.9

Asset structure of category A MPFs by investment type

In EUR thousand

	2019	2020	2021	2022	2023	2024
Cash	2,084	4,685	8,409	20,835	9,580	11,534
Shares	40,486	48,295	74,935	91,761	130,146	228,072
Bonds	54,626	55,454	65,632	86,895	164,928	298,277
Investment funds	12,885	18,562	33,177	37,368	58,384	127,393
Money market instruments	0	0	0	3,101	10,851	17,850
Deposits	664	3,557	8,017	15,662	41,755	49,137

Asset structure of category B MPFs by investment type

In EUR thousand

	2019	2020	2021	2022	2023	2024
Cash	108,900	269,507	199,866	431,359	95,729	62,108
Shares	2,595,473	2,873,173	3,661,505	3,451,850	4,370,703	5,140,301
Bonds	9,895,183	9,871,192	9,990,630	9,808,964	10,994,737	12,227,322
Investment funds	1,139,143	1,268,108	2,001,896	1,777,452	2,071,720	2,279,357
Money market instruments	186,563	234,221	143,334	120,492	79,457	253,348
Deposits	154,626	215,349	234,396	250,779	337,318	659,295

Asset structure of category C MPFs by investment type

In EUR thousand

	2019	2020	2021	2022	2023	2024
Cash	11,372	35,157	36,485	93,064	35,671	15,586
Shares	0	0	0	0	0	0
Bonds	729,952	848,645	1,013,341	1,232,780	1,577,580	1,586,465
Investment funds	4,422	17,842	24,558	43,148	34,808	31,241
Money market instruments	7,429	10,612	31,853	20,004	62,328	44,556
Deposits	0	52,692	85,143	50,107	153,983	157,635

Open-ended voluntary pension funds**Open-ended voluntary pension funds**

	2019	2020	2021	2022	2023	2024
Number of funds	8	8	8	8	8	8
Number of fund members	320,533	335,327	351,266	374,760	394,363	417,183
Net assets of funds, in EUR thousand	679,470	735,652	852,153	875,608	1,045,123	1,199,456
Total contributions during the year, in EUR thousand	96,508	95,386	105,030	112,566	122,893	135,556
Total payments during the year, in EUR thousand	-32,297	-32,851	-34,194	-37,432	-40,342	-47,522

Annual returns of OVPFs

	2019	2020	2021	2022	2023	2024
AZ Benefit ODMF	6.56%	-0.44%	0.55%	-6.53%	5.07%	4.14%
AZ Profit ODMF	10.45%	-1.26%	7.03%	-6.33%	12.59%	8.89%
Croatia osiguranje ODMF	12.20%	0.39%	5.92%	-7.55%	10.14%	11.50%
Croatia osiguranje 1000 A ODMF	13.76%	0.82%	7.69%	-10.47%	12.60%	3.13%
Croatia osiguranje 1000 C ODMF	5.37%	1.76%	0.76%	-4.05%	3.37%	7.72%
Erste Plavi Expert ODMF	12.60%	-3.00%	11.26%	-4.16%	13.42%	10.44%
Erste Plavi Protect ODMF	6.85%	0.42%	-0.30%	-6.44%	4.75%	3.32%
Raiffeisen ODMF	8.86%	-1.04%	8.12%	-4.99%	8.62%	3.36%

Asset structure of OVPFs by investment type

In EUR thousand

	2019	2020	2021	2022	2023	2024
Cash	42,311	56,249	81,140	94,189	28,661	28,894
Shares	161,412	175,064	212,246	210,396	259,761	294,121
Bonds	421,688	442,152	456,875	479,572	568,904	672,363
Investment funds	56,687	62,655	98,649	83,519	102,286	118,511
Money market instruments	0	0	0	3,951	29,478	32,009
Deposits	1,699	1,858	4,645	5,638	57,731	56,160

Closed-ended voluntary pension funds**Closed-ended voluntary pension funds**

	2019	2020	2021	2022	2023	2024
Number of funds	20	20	20	21	21	21
Number of fund members	44,569	45,228	46,001	47,718	48,683	49,609
Net assets, in EUR thousand	146,220	159,012	183,712	181,597	215,102	247,009
Total contributions during the year, in EUR	20,528	17,558	18,927	17,895	18,509	21,436
Total payments during the year, in EUR th	-4,971	-5,246	-6,524	-7,571	-7,123	-8,945

Asset structure of CVPFs by investment type

In EUR thousand

	2019	2020	2021	2022	2023	2024
Cash	8,885	10,916	18,691	15,970	6,300	4,962
Shares	37,240	39,673	47,621	46,212	56,946	66,149
Bonds	84,360	85,197	85,597	95,578	109,937	126,971
Investment funds	15,618	26,538	31,731	24,069	23,310	28,819
Money market instruments	0	0	0	0	14,759	14,613
Deposits	565	0	0	0	4,064	5,569

11.3 Insurance companies**Insurance**

	2019	2020	2021	2022	2023	2024
Number of insurance and reinsurance companies	16	15	15	15	14	14
Gross written premiums, in EUR thousand	1,391,964	1,391,144	1,558,675	1,633,669	1,749,382	1,922,938
Claims settled, gross amounts, in EUR thousand	793,188	869,171	972,868	1,024,107	1,163,501	1,259,193

* The amounts for 2019 – 2021 relate to the gross written premium, while the amounts for 2022 – 2024 relate to the premium collected.

Gross written premium by insurance classes

In EUR thousand

Code	Insurance class	2023	Share	2024	Share	Change
01	Personal accident insurance	75,315	4.31%	77,432	4.03%	2.81%
02	Health insurance	112,272	6.42%	131,315	6.83%	16.96%
03	Insurance of land motor vehicles	259,293	14.82%	296,758	15.43%	14.45%
04	Insurance of railway rolling stock	663	0.04%	900	0.05%	35.69%
05	Insurance of aircraft	2,029	0.12%	1,694	0.09%	-16.53%
06	Insurance of vessels	31,817	1.82%	30,865	1.61%	-2.99%
07	Insurance of goods in transit	6,897	0.39%	6,367	0.33%	-7.69%
08	Insurance against fire and natural disasters	128,929	7.37%	146,111	7.60%	13.33%
09	Other property insurance lines	141,293	8.08%	148,174	7.71%	4.87%
10	Motor vehicle liability insurance	507,283	29.00%	572,941	29.80%	12.94%
11	Aircraft liability insurance	1,043	0.06%	929	0.05%	-10.87%
12	Insurance against liability arising out of the use of vessels	6,210	0.35%	6,319	0.33%	1.76%
13	Other liability insurance lines	83,490	4.77%	92,065	4.79%	10.27%
14	Credit insurance	19,152	1.09%	19,399	1.01%	1.29%
15	Suretyship insurance	1,383	0.08%	1,607	0.08%	16.22%
16	Insurance against miscellaneous financial losses	26,647	1.52%	28,035	1.46%	5.21%
17	Legal expenses insurance	475	0.03%	435	0.02%	-8.52%
18	Travel insurance	23,647	1.35%	26,491	1.38%	12.03%
19	Life insurance	246,605	14.10%	246,480	12.82%	-0.05%
20	Annuity insurance	1,845	0.11%	965	0.05%	-47.70%
21	Supplementary insurance linked with life insurance	15,601	0.89%	17,091	0.89%	9.55%
22	Marriage and birth insurance	368	0.02%	322	0.02%	-12.42%
23	Life or annuity insurance where the investment risk is borne by the policyholder	57,124	3.27%	70,244	3.65%	22.97%
24	Tontines	0	0.00%	0	0.00%	
25	Insurance with paid-up sum assured	0	0.00%	0	0.00%	
Total non-life insurance (classes 01 – 18)		1,427,838	81.62%	1,587,836	82.57%	11.21%
Total life insurance (classes 19 – 25)		321,544	18.38%	335,102	17.43%	4.22%
Total (classes 01 – 25)		1,749,382	100.00%	1,922,938	100.00%	9.92%

11.4 Leasing companies

Leasing companies

	2019	2020	2021	2022	2023	2024
Number of leasing companies	14	15	15	15	15	15
Leasing companies' assets, in EUR thousand	2,829,732	2,615,199	2,651,731	2,961,890	3,517,710	4,123,927
Number of newly concluded contracts (from 1 January to 31 December)						
Operating lease	14,853	10,392	10,983	11,530	16,815	15,524
Finance lease	50,600	30,033	39,130	42,438	46,000	52,960
Total	65,453	40,425	50,113	53,968	62,815	68,484
Number of newly concluded contracts, in EUR thousand (from 1 January to 31 December)						
Operating lease	217,720	165,466	171,163	189,359	294,560	303,995
Finance lease	1,133,922	708,240	908,552	1,207,343	1,477,281	1,709,164
Total	1,351,641	873,706	1,079,715	1,396,703	1,771,841	2,013,159
Number of active contracts						
Operating lease	43,399	39,582	38,409	36,585	38,304	38,173
Finance lease	106,438	106,679	113,893	121,622	131,356	144,342
Loans	25	24	17	6	7	3
Total	149,862	146,285	152,319	158,213	169,667	182,518
Value of active contracts, in EUR thousand						
Operating lease	347,218	322,681	315,284	320,297	412,595	481,947
Finance lease	1,916,266	1,834,678	1,895,173	2,156,922	2,579,746	3,074,514
Loans	75	44	0	0	0	0
Total	2,263,558	2,157,404	2,210,457	2,477,219	2,992,341	3,556,461

11.5 Factoring companies

Factoring companies

	2019	2020	2021	2022	2023	2024
Number of factoring companies	6	4	4	4	3	3
Factoring companies' assets, in EUR thousand	180,903	42,997	48,143	31,632	17,112	16,750
Transaction volume, in EUR thousand (from 1 January to 31 December)						
Factoring	248,167	104,005	98,239	67,958	82,578	72,468
Factoring including discounting of bills of exchange	28,333	11,335	11,081	2,392	2,500	0
Reverse factoring	136,598	16,547	14,598	6,359	10,223	10,345
Total	413,098	131,887	123,918	76,710	95,301	82,813
Receivables, in EUR thousand						
Factoring	60,011	15,394	19,134	7,690	8,153	10,401
Factoring including discounting of bills of exchange	8,358	3,242	1,875	737	0	0
Reverse factoring	49,097	5,488	4,890	932	1,921	1,838
Total	117,466	24,123	25,899	9,359	10,074	12,239

APPENDICES



12 APPENDICES

Appendix 1 List of ordinances adopted in 2024

Ordinances adopted under the Capital Market Act

1. Ordinance amending the Ordinance on insolvency proceedings and resolution of the central depository ([**Official Gazette, No 65/2024**](#))

Ordinances adopted under the Act on Open-Ended Investment Funds with Public Offering

1. Ordinance on determining the net asset value of UCITS and the price of UCITS units ([**Official Gazette, No 89/2024**](#))

Ordinances adopted under the Alternative Investment Funds Act

1. Ordinance on determining the net asset value of AIF and the price of AIF units ([**Official Gazette, No 89/2024**](#))

Ordinances adopted under the Act Implementing Regulation (EU) 2021/23 on a framework for the recovery and resolution of central counterparties

1. Ordinance amending the Ordinance on temporary bans in the case of a proposal to initiate insolvency proceedings against a central counterparty and on the conditions for determining the conversion rate and carrying out a simplified reduction in the initial capital or withdrawal of existing shares or other instruments of ownership in the resolution of the central counterparty ([**Official Gazette, No 65/2024**](#))

Ordinances adopted under the Mandatory Pension Funds Act

1. Ordinance on the issuance of authorisation and the acquisition of a qualifying holding in a mandatory pension fund management company ([**Official Gazette, No 51/2024**](#))
2. Ordinance amending the Ordinance on the requirements for membership in management and supervisory boards of mandatory pension fund management companies ([**Official Gazette, No 51/2024**](#))
3. Ordinance amending the Ordinance on determining the net asset value and the value of accounting units of mandatory pension funds ([**Official Gazette, No 51/2024**](#))
4. Ordinance amending the Ordinance on annual, quarterly and other reports of mandatory pension funds ([**Official Gazette, No 62/2024**](#))

5. Ordinance amending the Ordinance on marketing, informative prospectus and other information for members of mandatory pension funds ([**Official Gazette, No 52/2024**](#))
6. Ordinance amending the Ordinance on the structure and contents of financial reports and other reports of pension companies managing mandatory pension funds ([**Official Gazette, No 52/2024**](#))
7. Ordinance amending the Ordinance on the capital of pension companies managing mandatory pension funds ([**Official Gazette, No 52/2024**](#))
8. Ordinance on permitted investments and additional investment limitations relating to mandatory pension funds ([**Official Gazette, No 152/2024**](#))
9. Ordinance on organisational requirements for pension companies managing mandatory pension funds ([**Official Gazette, No 152/2024**](#))
10. Ordinance on sustainability reporting for pension companies and mandatory pension funds ([**Official Gazette, No 141/2024**](#))
11. Ordinance on costs to be covered by the assets of mandatory pension funds and on the manner and contents of the calculation of mandatory pension funds' total cost indicators ([**Official Gazette, No 105/2024**](#))
12. Ordinance on the minimum content of the notification on informative pension calculation ([**Official Gazette, No 152/2024**](#))
13. Ordinance amending the Ordinance on the treatment of mandatory pension funds' members by the Central Register of Insured Persons and pension companies ([**Official Gazette, No 152/2024**](#))
14. Ordinance on the structure and contents of mandatory pension funds' activity report submitted to the Croatian Parliament ([**Official Gazette, No 152/2024**](#))

Ordinances adopted under the Voluntary Pension Funds Act

1. Ordinance on the issuance of authorisation and the acquisition of a qualifying holding in a voluntary pension fund management company ([**Official Gazette, No 51/2024**](#))
2. Ordinance amending the Ordinance on the requirements for membership in management and supervisory boards of voluntary pension fund management companies ([**Official Gazette, No 51/2024**](#))
3. Ordinance amending the Ordinance on determining the net asset value of voluntary pension funds and the price of voluntary pension fund units ([**Official Gazette, No 51/2024**](#))
4. Ordinance amending the Ordinance on annual, semi-annual and other reports of voluntary pension funds ([**Official Gazette, No 62/2024**](#))
5. Ordinance amending the Ordinance on marketing and other information for members of voluntary pension funds ([**Official Gazette, No 70/2024**](#))

6. Ordinance amending the Ordinance on the structure and contents of financial reports and other reports of pension companies managing voluntary pension funds ([Official Gazette, No 52/2024](#))
7. Ordinance amending the Ordinance on the capital and technical provisions of pension companies managing voluntary pension funds ([Official Gazette, No 52/2024](#))
8. Ordinance amending the Ordinance on requirements to be met in order to be entitled to receive retirement benefits arising from voluntary pension insurance, on register of members, and on cancellation of payments into and out of voluntary pension funds ([Official Gazette, No 52/2024](#))
9. Ordinance on permitted investments and additional investment limitations relating to voluntary pension funds ([Official Gazette, No 152/2024](#))
10. Ordinance amending the Ordinance on organisational requirements for pension companies managing voluntary pension funds ([Official Gazette, No 70/2024](#))
11. Ordinance on costs to be covered by the assets of voluntary pension funds and on the manner and contents of the calculation of voluntary pension funds' total cost indicators ([Official Gazette, No 105/2024](#))

Ordinances adopted under the Act on Pension Insurance Companies

1. Ordinance on permitted investments and investment limits relating to assets covering technical provisions of pension insurance companies ([Official Gazette, No 152/2024](#))
2. Ordinance on sustainability reporting for pension insurance companies and mandatory pension insurance schemes ([Official Gazette, No 141/2024](#))
3. Ordinance on minimum standards applied in the process of calculating technical provisions of the pension insurance company ([Official Gazette, No 20/2024](#))
4. Ordinance on the structure and contents of financial statements and additional reports of pension insurance companies ([Official Gazette, No 152/2024](#))
5. Ordinance on regular reports and content of the notification relating to proposed unit amounts of pensions and payments guaranteed to defined beneficiaries of pension insurance companies ([Official Gazette, No 145/2024](#))
6. Ordinance on organisational requirements of pension insurance companies ([Official Gazette, No 145/2024](#))
7. Ordinance on the calculation basis and manner of charging the asset management fee ([Official Gazette, No 145/2024](#))
8. Ordinance on the minimum content of the recovery plan of pension insurance companies ([Official Gazette, No 145/2024](#))

9. Ordinance on audit in pension insurance companies ([Official Gazette, No 131/2024](#))
10. Ordinance on the partial lump sum payment made to the old-age and early old-age basic pension beneficiaries ([Official Gazette, No 121/2024](#))
11. Ordinance amending the Ordinance on the requirements for professional training and examination of professional knowledge required to perform duties of a certified actuary ([Official Gazette, No 128/2024](#))
12. Ordinance on the contents of the application for taking over a pension insurance company's pension contracts portfolio ([Official Gazette, No 121/2024](#))
13. Ordinance amending the Ordinance on the requirements for membership in management and supervisory boards of pension insurance companies ([Official Gazette, No 121/2024](#))
14. Ordinance amending the Ordinance on the requirements for performing a key function in a pension insurance company ([Official Gazette, No 121/2024](#))
15. Ordinance on marketing activities and website of pension insurance companies ([Official Gazette, No 121/2024](#))
16. Ordinance on pension insurance companies' pension scheme distribution ([Official Gazette, No 121/2024](#))
17. Ordinance on the valuation of assets of pension insurance companies ([Official Gazette, No 152/2024](#))

Ordinances adopted under the Act on Compulsory Traffic Insurance

1. Ordinance on the method of calculation and time limits for paying contributions and on the manner of keeping and using assets intended for the liabilities of the Guarantee Fund ([Official Gazette, No 74/2024](#))
2. Ordinance on the procedure for handling claims of injured persons in traffic ([Official Gazette, No 79/2024](#))

Ordinances adopted under the Act Implementing Regulation (EU) 2019/1238 on a pan-European Personal Pension Product (PEPP)

1. Ordinance on the form and content of additional information needed to supervise PEPP providers ([Official Gazette, No 51/2024](#))
2. Ordinance on the submission of complaints about the work of PEPP providers and distributors and actions of the Croatian Financial Services Supervisory Agency following received complaints ([Official Gazette, No 51/2024](#))
3. Ordinance on the content of an application for registration of a PEPP ([Official Gazette, No 51/2024](#))

Ordinances adopted under the Act on the Croatian Financial Services Supervisory Agency

1. Ordinance on the calculation, amount and charging of fees paid to the Croatian Financial Services Supervisory Agency for the year 2024 (**Official Gazette, No 157/2023**)

Appendix 2 Hanfa's financial operations

Hanfa's balance sheet as at 31 December 2024

In EUR thousand

Account from the Chart of Accounts	ITEM	ADP	As at 1 January	As at 31 December	Index (5/4)
1	2	3	4	5	6
ASSETS					
	ASSETS (ADP 002+074)	1	4,284	4,588	107
0	Non-financial assets (ADP 003+018+047+051+055+064)	2	796	930	117
01	Non-produced fixed assets (ADP 004+008-017)	3	11	3	24
011	Tangible assets - natural resources (ADP 005 to 007)	4	0	0 -	
0111	Land	5	0	0 -	
0112	Mineral resources	6	0	0 -	
0113	Other tangible assets (natural resources)	7	0	0 -	
012	Intangible assets (ADP 009 to 016)	8	598	592	99
0121	Patents	9	0	0 -	
0122	Concessions	10	0	0 -	
0123	Licences	11	424	417	99
0124	Other rights	12	174	174	100
0125	Goodwill	13	0	0 -	
0126	Formation expenses	14	0	0 -	
0127	Research and development	15	0	0 -	
0128	Other intangible assets	16	0	0 -	
019	Value adjustment for non-produced fixed assets	17	587	589	100
02	Produced fixed assets (ADP 019+023+031+034+039+042-046)	18	781	923	118
021	Buildings (ADP 020 to 022)	19	473	473	100
0211	Houses	20	0	0 -	
0212	Commercial buildings	21	458	458	100
0213	Other buildings	22	15	15	100
022	Plant and equipment	23	1,746	1,985	114
0221	Office equipment and furniture	24	1,570	1,812	115
0222	Telecommunications equipment	25	67	97	145
0223	Maintenance and security equipment	26	83	49	60
0224	Medical and laboratory equipment	27	0	0 -	
0225	Instruments and machines	28	9	9	100
0226	Sports and musical equipment	29	0	0 -	
0227	Machines and equipment for other purposes	30	18	18	100
023	Means of transportation (ADP 032+033)	31	36	36	100
0231	Means of road transportation	32	36	36	100
0232	Other means of transportation	33	0	0 -	

024	Books, artwork and other exhibits (ADP 035 to 038)	34	20	20	100
0241	Library books	35	0	0	-
0242	Works of art (in galleries, museums etc.)	36	20	20	100
0243	Museum exhibits and objects of natural rarities	37	0	0	-
0244	Other exhibits	38	0	0	-
025	Growing crops and live stock (ADP 040+041)	39	0	0	-
0251	Growing crops	40	0	0	-
0252	Live stock	41	0	0	-
026	Intangible produced assets (ADP 043 to 045)	42	941	1,045	111
0261	Software investments	43	941	1,045	111
0262	Works of art, literary and scientific works	44	0	0	-
0263	Other intangible produced assets	45	0	0	-
029	Value adjustment for produced fixed assets	46	2,436	2,636	108
03	Precious metals and other valuables (ADP 048)	47	0	0	-
031	Precious metals and other valuables (ADP 049+050)	48	0	0	-
0311	Precious metals and precious stones	49	0	0	-
0312	Archived books, works of art and similar valuables	50	0	0	-
04	Small inventory (ADP 052+053-054)	51	0	0	-
041	Small inventory on stock	52	0	0	-
042	Small inventory in use	53	135	129	95
049	Value adjustment for small inventory	54	135	129	95
05	Non-financial assets - work in progress (ADP 056 to 059+062+063)	55	0	0	-
051	Buildings - work in progress	56	0	0	-
052	Plant and equipment - work in progress	57	0	0	-
053	Means of transportation - work in progress	58	0	0	-
054	Growing crops and livestock - work in progress (ADP 060+061)	59	0	0	-
0541	Growing crops - work in progress	60	0	0	-
0542	Live stock - work in progress	61	0	0	-
055	Other intangible produced assets - work in progress	62	0	0	-
056	Other intangible assets - work in progress	63	0	0	-
06	Produced current assets (ADP 065+070+073)	64	4	5	105
061	Inventories for the pursuit of activities (ADP 066 to 069)	65	4	5	105
0611	Inventories for redistribution	66	0	0	-
0612	Materials inventory for regular needs	67	4	5	105
0613	Spare parts inventory	68	0	0	-
0614	Materials inventory for special needs	69	0	0	-
062	Production and products	70	0	0	-
0621	Production in progress	71	0	0	-
0622	Finished goods	72	0	0	-
063	Goods for resale	73	0	0	-

1	Financial assets (ADP 075 +083+100+105+125+133+142)	74	3,487	3,658	105
11	Cash at bank and in hand	75	2,078	2,158	104
111	Cash at bank (ADP 077 to 079)	76	2,078	2,158	104
1111	Cash in the account with domestic commercial banks	77	2,078	2,158	104
1112	Cash in the account with foreign commercial banks	78	0	0 -	
1113	Interim account	79	0	0 -	
112	Cash reserved	80	0	0 -	
113	Cash in hand	81	0	1	1,209
114	Securities in hand	82	0	0 -	
12	Deposits, guarantee deposits, employee receivables and receivables for prepaid taxes, and other (ADP 084+087+088+089+095)	83	1,191	1,287	108
121	Deposits with banks and other financial institutions (ADP 085+086)	84	1,100	1,200	109
1211	Deposits with domestic banks and other financial institutions	85	1,100	1,200	109
1212	Deposits with foreign banks and other financial institutions	86	0	0 -	
122	Guarantee deposits	87	80	80	100
123	Employee receivables	88	1	1	108
124	Receivables for prepaid taxes and contributions (ADP 090 to 094)	89	0	0	0
1241	Receivables for prepaid taxes	90	0	0	0
1242	Value-added tax receivables	91	0	0 -	
1243	Receivables for prepaid duties and customs duties	92	0	0 -	
1244	Receivables for prepaid other taxes	93	0	0 -	
1245	Receivables for prepaid contributions	94	0	0	0
129	Other receivables (ADP 096 to 099)	95	9	6	65
1291	Receivables for refundable benefits	96	7	3	47
1292	Receivables for damages	97	0	0 -	
1293	Receivables for advance payments	98	3	2	79
1294	Other receivables	99	0	1	2,787
13	Loans (ADP101+102+103-104)	100	0	0 -	
131	Loans to citizens and households	101	0	0 -	
132	Loans to legal entities engaged in entrepreneurial activity	102	0	0 -	
133	Loans to other entities	103	0	0 -	
139	Impairment of loan receivables	104	0	0 -	
14	Securities (ADP 106 +109+112+115+118+121-124)	105	0	0 -	
141	Cheques (ADP 107+108)	106	0	0 -	
1411	Cheques – domestic	107	0	0 -	
1412	Cheques – foreign	108	0	0 -	
142	Commercial papers and treasury bills (ADP 110+111)	109	0	0 -	
1421	Commercial papers and treasury bills – domestic	110	0	0 -	
1422	Commercial papers and treasury bills – foreign	111	0	0 -	
143	Bills of exchange (ADP 113+114)	112	0	0 -	
1431	Bills of exchange – domestic	113	0	0 -	

1432	Bills of exchange – foreign	114	0	0 -	
144	Bonds (ADP 116+117)	115	0	0 -	
1441	Bonds – domestic	116	0	0 -	
1442	Bonds – foreign	117	0	0 -	
145	Options and other financial derivatives (ADP 119+120)	118	0	0 -	
1451	Options and other financial derivatives – domestic	119	0	0 -	
1452	Options and other financial derivatives – foreign	120	0	0 -	
146	Other securities (ADP 122+123)	121	0	0 -	
1461	Other domestic securities	122	0	0 -	
1462	Other foreign securities	123	0	0 -	
149	Value adjustment for securities	124	0	0 -	
15	Shares and participations in equity (ADP 126+129-132)	125	0	0 -	
151	Shares and participations in equity of banks and other financial institutions (ADP 127+128)	126	0	0 -	
1511	Shares and participations in equity of domestic banks and other financial institutions	127	0	0 -	
1512	Shares and participations in equity of foreign banks and other financial institutions	128	0	0 -	
152	Shares and participations in equity of companies (ADP 130+131)	129	0	0 -	
1521	Shares and participations in equity of domestic companies	130	0	0 -	
1522	Shares and participations in equity of foreign companies	131	0	0 -	
159	Value adjustment for shares and participations in equity	132	0	0 -	
16	Income receivables (ADP 134 to 137+140-141)	133	0	0 -	
161	Customer receivables	134	0	0 -	
162	Receivables for membership fees and membership contributions	135	0	0 -	
163	Receivables for income under special regulations	136	0	0 -	
164	Receivables for income from assets (ADP 138+139)	137	0	0 -	
1641	Receivables for income from financial assets	138	0	0 -	
1642	Receivables for income from non-financial assets	139	0	0 -	
165	Other receivables	140	0	0 -	
169	Value adjustment for receivables	141	0	0 -	
19	Prepayments and accrued income (ADP 143+144)	142	218	213	98
191	Prepayments	143	218	213	98
192	Accrued income	144	0	0 -	

LIABILITIES AND OWN SOURCES

	Liabilities and own sources (ADP 146+195)	145	4,284	4,588	107
2	Liabilities (ADP 147+174+182+190)	146	1,237	1,690	137
24	Liabilities for expenditures (ADP 148+156+164+168+169+170)	147	1,213	1,614	133
241	Liabilities for employees (ADP 149 to 155)	148	915	1,253	137
2411	Liabilities for salaries – net	149	292	349	120
2412	Liabilities for salary compensations – net	150	36	50	139
2413	Liabilities for salaries in kind – net	151	0	0 -	
2414	Liabilities for tax and surtax on salaries	152	57	72	126
2415	Liabilities for contributions from salaries	153	96	118	122

2416	Liabilities for contributions on salaries	154	72	89
2417	Other liabilities for employees	155	362	576
242	Liabilities for material expenses (ADP 157 to 163)	156	252	320
2421	Costs for employees	157	9	8
2422	Remuneration for members of representative and executive bodies, committees etc.	158	0	0
2423	Remuneration for volunteers	159	0	0
2424	Costs for external staff	160	0	0
2425	Liabilities towards domestic suppliers	161	160	252
2426	Liabilities towards foreign suppliers	162	80	56
2429	Other liabilities for financing operating expenses	163	3	5
244	Liabilities for financial expenses (ADP 165 to 167)	164	0	0
2441	Liabilities for interest on issued securities	165	0	0
2442	Liabilities for interest on credits and loans received	166	0	0
2443	Liabilities for other financial expenses	167	0	0
245	Liabilities for financial aid funds collected	168	0	0
246	Liabilities for penalties and damages	169	0	0
249	Other liabilities (ADP 171 to 173)	170	46	42
2491	Liabilities for taxes	171	0	0
2492	Liabilities for value-added tax	172	2	1
2493	Liabilities for prepayments, deposits, caution money received and other liabilities	173	44	40
25	Liabilities for securities (ADP 175+178-181)	174	0	0
251	Liabilities for cheques (ADP 176+177)	175	0	0
2511	Liabilities for cheques – domestic	176	0	0
2512	Liabilities for cheques – foreign	177	0	0
252	Liabilities for bills of exchange (ADP 179+180)	178	0	0
2521	Liabilities for bills of exchange – domestic	179	0	0
2522	Liabilities for bills of exchange – foreign	180	0	0
259	Value adjustment for securities liabilities	181	0	0
26	Liabilities for credits and loans (ADP 183+186-189)	182	0	0
261	Liabilities for bank credits and credits from other creditors (ADP 184+185)	183	0	0
2611	Liabilities for domestic credits	184	0	0
2612	Liabilities for foreign credits	185	0	0
262	Liabilities for commodity and other loans (ADP 187+188)	186	0	0
2621	Liabilities for domestic loans	187	0	0
2622	Liabilities for foreign loans	188	0	0
269	Value adjustment for liabilities for credits and loans	189	0	0
29	Accrued expenses and deferred income	190	24	76

291	Accrued expenses	191	24	76	312
292	Deferred income (ADP 193+194)	192	0	0	-
2921	Accrued income	193	0	0	-
2922	Deferred income	194	0	0	-
5	Own sources (ADP 196+199-200)	195	3,046	2,898	95
51	Own sources (ADP 197+198)	196	282	275	98
511	Own sources	197	282	275	98
512	Revaluation reserves	198	0	0	-
5221	Excess of income	199	2,765	2,622	95
5222	Income deficit	200	0	0	-
OFF-BALANCE SHEET ITEMS					
61	Off-balance sheet items – assets	201	189	163	86
62	Off-balance sheet items – liabilities	202	189	163	86

Statement of Hanfa's income and expenditure for the period from 1 January 2024 to 31 December 2024

In EUR
thousand

Account from the Chart of Accounts	ITEM	ADP	Realised in the previous year	Realised in the reporting period	Index (5/4)
1	2	3	4	5	6
INCOME					
3	INCOME (ADP 002 +005+008+011+024+040+049)	1	12,555.62	13,930.84	111
31	Income from the sale of goods and provision of services	2	-	-	-
3111	Income from the sale of goods	3	-	-	-
3112	Income from the provision of services	4	-	-	-
32	Income from membership fees and membership contributions	5	-	-	-
3211	Membership fees	6	-	-	-
3212	Membership contributions	7	-	-	-
33	Income under special regulations (ADP 009+010)	8	12,473.96	13,872.00	111
3311	Income under special regulations from the state budget	9	-	-	-
3312	Income under special regulations from other sources	10	12,473.96	13,872.00	111
34	Income from assets (ADP 012+021)	11	11.19	37.28	333
341	Income from financial assets (ADP 013 to 020)	12	11.19	37.28	333
3411	Interest income from loans granted	13	-	-	-
3412	Income from interest on securities	14	-	-	-
3413	Interest on time deposits and demand deposits	15	7.63	35.82	470
3414	Income from default interest	16	-	-	-
3415	Income from positive exchange rate differences	17	3.55	1.46	41
3416	Dividend income	18	-	-	-
3417	Income from profits of companies, banks and other financial institutions under special regulations	19	-	-	-
3418	Other income from financial assets	20	0.01	-	0
342	Income from non-financial assets (ADP 022+023)	21	-	-	-
3421	Income from leases and rents	22	-	-	-
3422	Other income from non-financial assets	23	-	-	-
35	Income from donations (ADP 025+030+033+036+037)	24	0.19	0.14	71
351	Income from donations from the budget (ADP 026 to 029)	25	-	-	-
3511	Income from donations from the state budget	26	-	-	-
3512	Income from donations from bodies of local and regional self-government	27	-	-	-
3513	Income from donations from the state budget for EU projects	28	-	-	-
3514	Income from donations from bodies of local and regional self-government for EU projects	29	-	-	-
352	Income from foreign governments and international organisations (ADP 031+032)	30	-	-	-
3521	Income from foreign governments and international organisations	31	-	-	-
3522	Income from EU institutions and bodies	32	-	-	-
353	Income from companies and other legal persons (ADP 034+035)	33	0.19	0.14	71
3531	Income from companies and other legal persons	34	0.19	0.14	71
3532	Income from companies and other legal persons for EU projects	35	-	-	-
354	Income from citizens and households	36	-	-	-
355	Other income from donations (ADP 038+039)	37	-	-	-
3551	Other income from donations	38	-	-	-
3552	Other income from donations for EU projects	39	-	-	-
36	Other income (ADP 041+044+045)	40	70.28	21.42	30
361	Income from damages and refunds (ADP 042+043)	41	35.10	17.80	51
3611	Income from damages	42	10.00	-	0
3612	Income from refunds	43	25.10	17.80	71
362	Income from the sale of fixed assets	44	1.74	2.56	147
363	Other income (ADP 046 to 048)	45	33.44	1.05	3
3631	Liability write-off	46	0.14	0.00	1
3632	Receivables written off	47	-	-	-
3633	Other income	48	33.30	1.05	3
37	Income from related non-profit organisations (ADP 050 to 053)	49	-	-	-
3711	Current income from related non-profit organisations	50	-	-	-
3712	Capital income from related non-profit organisations	51	-	-	-
3713	Current income from related non-profit organisations for EU projects	52	-	-	-
3714	Capital income from related non-profit organisations for EU projects	53	-	-	-

EXPENDITURE					
4	EXPENSES (ADP 055 +067+108+109+120+128+139)	54	12,099.84	13,617.41	113
41	Employee expenses (ADP 056+061+062)	55	7,620.02	8,576.67	113
411	Salaries (ADP 057 to 060)	56	5,562.86	6,512.32	117
4111	Salaries for regular work	57	5,492.52	6,387.10	116
4112	Salaries in kind	58	58.84	73.80	125
4113	Salaries for overtime work	59	11.50	51.42	447
4114	Salaries for extraordinary working conditions	60	-	-	-
412	Other employee expenses	61	1,210.78	1,086.48	90
413	Contributions on salaries (ADP 063 to 066)	62	846.38	977.86	116
4131	Contributions for health insurance	63	846.38	977.86	116
4132	Employment contributions	64	-	-	-
4133	Pension insurance contributions paid by the employer	65	-	-	-
4134	Special contributions for stimulating employment of people with disabilities	66	-	-	-
42	Material expenses (ADP 068+072+077+082+087+097+102)	67	4,042.66	4,567.18	113
421	Employees' costs (ADP 069 to 071)	68	571.65	489.13	86
4211	Business trips	69	338.30	292.61	86
4212	Travel, field and separate maintenance allowance	70	131.99	120.22	91
4213	Employees' professional training	71	101.36	76.30	75
422	Remuneration for members of representative and executive bodies, committees etc. (ADP 073 to 076)	72	8.30	6.64	80
4221	Remuneration for regular activities	73	8.30	6.64	80
4222	Business travel costs	74	-	-	-
4223	Other costs	75	-	-	-
4224	Other remuneration	76	-	-	-
423	Remuneration to volunteers (ADP 078 to 081)	77	-	-	-
4231	Remuneration for regular operations	78	-	-	-
4232	Business travel costs	79	-	-	-
4233	Other costs	80	-	-	-
4234	Other remuneration	81	-	-	-
424	Remuneration to external staff (ADP 083 to 086)	82	22.79	35.08	154
4241	Remuneration for regular activities	83	21.11	33.50	159
4242	Business travel costs	84	1.68	1.58	94
4243	Other costs	85	-	-	-
4244	Other remuneration	86	-	-	-
425	Expenses for services (ADP 088 to 096)	87	1,883.90	2,500.18	133
4251	Telephone, postal and transport services	88	102.02	106.34	104
4252	Daily and investment maintenance services	89	351.24	414.26	118
4253	Promotional and information services	90	67.83	95.46	141
4254	Public utility services	91	153.67	159.06	104
4255	Leases and rents	92	696.90	760.91	109
4256	Health care and veterinary services	93	22.33	15.93	71
4257	Intellectual and personal services	94	110.65	168.35	152
4258	IT services	95	42.09	391.99	931
4259	Other services	96	337.15	387.90	115
426	Expenses for material and energy (ADP 098 to 101)	97	291.98	231.76	79
4261	Stationery and other material expenses	98	100.13	105.72	106
4262	Raw materials and consumables	99	-	-	-
4263	Energy	100	185.71	119.86	65
4264	Small inventory and car tires	101	6.14	6.18	101
429	Other material expenses (ADP 103 to 107)	102	1,264.04	1,304.39	103
4291	Insurance premiums	103	16.85	16.30	97
4292	Representation	104	74.49	65.33	88
4293	Membership fees	105	1,170.74	1,221.28	104
4294	Participation fees	106	1.97	1.49	76
4295	Other material expenditure	107	-	-	-
43	Depreciation expenditure	108	278.77	286.24	103
44	Financial expenses (ADP 110+111+115)	109	10.21	12.65	124
441	Interest on securities issued	110	-	-	-
442	Interest on credits and loans received (ADP 112 to 114)	111	-	-	-
4421	Interest on credits received from banks and other creditors	112	-	-	-
4422	Interest on received commodity and other loans	113	-	-	-
4423	Interest on approved, unconsumed credits and loans	114	-	-	-
443	Other financial expenses (ADP 116 to 119)	115	10.21	12.65	124
4431	Banking and payment system services	116	7.84	7.69	98
4432	Negative exchange rate differences and currency clause	117	2.32	4.96	214
4433	Default interest	118	0.04	0.01	17
4434	Other material expenditure	119	-	-	-
45	Donations (ADP 121+125)	120	18.87	15.64	83
451	Current donations (ADP 122 to 124)	121	18.87	15.64	83

4511	Current donations	122	3.54	3.79	107
4512	Scholarships	123	15.33	11.85	77
4513	Current donations from EU funds	124	-	-	-
452	Capital donations (ADP 126+127)	125	-	-	-
4521	Capital donations	126	-	-	-
4522	Capital donations from EU funds	127	-	-	-
46	Other expenses (ADP 129+134)	128	129.31	159.02	123
461	Fines, penalties and indemnities (ADP 130 to 133)	129	-	-	-
4611	Compensation for financial losses given to legal and natural persons	130	-	-	-
4612	Penalties, storage charges and other	131	-	-	-
4613	Indemnities for employees	132	-	-	-
4614	Agreed fines and other compensations for damage	133	-	-	-
462	Other financial expenses (ADP 135 to 138)	134	129.31	159.02	123
4621	Net book value and other expenses for retired and disposed fixed assets	135	0.45	0.95	212
4622	Receivables written off	136	0.04	-	0
4623	Expenses for other tax levies	137	0.87	0.75	87
4624	Other expenses	138	127.95	157.32	123
47	Expenses for the funding of related non-profit organisations (ADP 140 to 143)	139	-	-	-
4711	Current expenses for the funding of related non-profit organisations	140	-	-	-
4712	Capital expenses for the funding of related non-profit organisations	141	-	-	-
4713	Current expenses for the funding of related non-profit organisations for EU projects	142	-	-	-
4714	Capital expenses for the funding of related non-profit organisations for EU projects	143	-	-	-
	Production and finished goods inventory at the beginning of the period	144	-	-	-
	Production and finished goods inventory at the end of the period	145	-	-	-
	Increase in production and finished goods inventory (ADP 145-144)	146	-	-	-
	Decrease in production and finished goods inventory (ADP 144-145)	147	-	-	-
	TOTAL EXPENSES (ADP 054-146 or 054+147)	148	12,099.84	13,617.41	113
	EXCESS OF INCOME (ADP 001-148)	149	455.78	313.43	69
	DEFICIENCY OF INCOME (ADP 148-001)	150	-	-	-
5221	Excess of income – transferred	151	2,308.94	2,308.94	100
5222	Income deficit – transferred	152	-	-	-
	Income tax liabilities	153	-	-	-
	Surplus income available in the following period (ADP 149+151-150-152-153)	154	2,764.72	2,622.36	95
	Deficit of income for the coverage in the following period (AOP 150+152-149-151+153)	155	-	-	-
Additional data					
11	Cash at the beginning of the year	156	2,955.89	2,078.44	70
11-payables	Total inflows of cash at bank and in hand	157	16,069.44	16,630.31	103
11-receivables	Total outflows of cash at bank and in hand	158	16,946.90	16,550.59	98
11	Cash at the end of the period (ADP 156+157-158)	159	2,078.44	2,158.16	104
	Average number of employees at the end of the reporting period (whole number)	160	0.20	0.20	99
	Average number of employees' working hours (whole number)	161	0.19	0.19	99
	Number of volunteers	162	-	-	-
	Number of volunteered hours	163	-	-	-
Value of realised investments in fixed assets					
051	Buildings - work in progress	164	-	-	-
052	Plant and equipment - work in progress	165	141.47	320.94	227
053	Means of transportation - work in progress	166	-	-	-
054	Growing crops and livestock - work in progress (ADP)	167	-	-	-
055	Other intangible produced assets - work in progress	168	57.98	105.77	182
056	Other intangible assets - work in progress	169	6.14	6.18	101
Value of realised investments in fixed assets					
	Inventories	170	4.37	4.58	105
	Control sum (ADP 160 to 170)	171	210.35	437.85	208

