

# Market Profile January 2018 Croatia



## Global Securities Services

Life is full of ups and downs.  
We're there for both.





# Contents

1. OVERVIEW	4
2. REGULATION AND SUPERVISION	6
3. TRADING	7
4. CLEARING	8
5. SETTLEMENT	10
6. PAYMENT SYSTEM	13
7. SECURITIES LENDING	14
8. CORPORATE ACTIONS	15
9. PROXY VOTING	16
10. INCOME COLLECTION	17
11. TAXATION	18
12. DISCLOSURE REQUIREMENTS	19
13. ACCOUNT MANAGEMENT	20
14. DISCLAIMERS	21

# 1. OVERVIEW

## 1.1 Geopolitical Data

Time Zone:	GMT + 1	
Daylight Saving Time:	NO	
Currency:	Kuna (HRK)	
Banking Holidays:	<a href="#">link</a>	
EU Membership:	YES	
Schengen Zone:	NO	

## 1.2 G30 Compliance

Trade comparison by T+1 for direct market participants	YES
Trade comparison for indirect participants	YES
Central securities depository	YES
Trade netting system	YES
Delivery vs. payment	YES
Same day funds	YES
Rolling settlement T+2	YES
Securities lending and borrowing	YES
ISIN	YES

## 1.3 Country Ratings

Rating Agency	Issuer Default Rating Foreign Currency, LT	Outlook
Fitch	BB	Stable
Moody's	Ba2	Stable
Standard & Poor's	BB	Positive

## 1.4 Political Overview

Croatia is a parliamentary, democratic republic and a member of the European Union since 2013.

The President, directly elected to serve a five-year term, is the head of state and the commander in chief of the Croatian armed forces. The Government, the main executive power of Croatia, is headed by the Prime Minister. The executive branch is responsible for proposing legislation and a budget, executing the laws, and guiding the foreign and internal policies. The parliament is a unicameral legislative body. Its representatives are elected for a 4-year term. Croatia has a three-tiered, independent judicial system governed by the Constitution of Croatia and national legislation.

Latest general elections were held on 11 September 2016. The Government was formed in October 2016 by centre right HDZ (with Prime Minister Plenković) that entered to an agreement again with the third largest block after the elections – MOST (the coalition composed of independent lists). However, just before the local government elections in May 2017, coalition was dissolved, by dismissal of ministers from MOST quota, after disputes escalating with crisis in Agrokor, the largest domestic company. Government was reshuffled with MOST being replaced with small HNS (former opposition party, liberals, 'till then partners with left center SDP, largest opposition party), just after local elections. They manage to maintain small but so far stable majority in parliament. HNS is insisting on educational reform as major goal of their participation in government.

Ms Kolinda Grabar Kitarović, the first female president of Croatia, has an expiring mandate in 2020. Ms Grabar Kitarović was a former Deputy General Secretary of NATO with a number of positions in the HDZ and with a vast experience in Croatian diplomatic and government positions.

### 1.5 Economic Overview

Croatian economy maintains solid growth pace spread over most of sectors, rebuffing risks emerged with fallout in Agrokor, largest domestic employer. However, two components should be emphasized: growth is based on strong domestic private consumption and export performance in both goods and services (tourism), seizing benefits of strong growth in EU. Year-to-date, 1Q-3Q, performance is at 3% annual pace in line with expectations. Strong exports of goods and growth in employment and wages create therefore solid foundation to growth in 2018 and 2019. It is encouraging that the eurozone and CEE-EU enjoy solid growth outlook. Previous year was disappointing in terms of investments growth with Agrokor faltering and EU funds' absorption below public expectations. Growth projections remain at 2.8% for both 2018 and 2019 reflecting two major risks. First, creditors' agreement in Agrokor is pending. It should result with restructuring process in Agrokor that certainly can result with optimization in holding's companies including employment redundancy resolution. It may also affect large suppliers' network. It may additionally slow down private consumption that will miss tax stimulus from 2017. Second important factor is level of potential GDP growth that is notably lower than in other CEE-EU peers (estimated at 1.4% vs. 3.3%). To perform continuously at levels above it, economy needs exogenous stimulus that eventually may come for Croatia through significantly accelerated EU funds' absorption while pending tax stimulus fades.

Croatian external position is expected to start to deteriorate slowly in 2018/2019 in terms of CA surplus. Namely, as domestic demand contribution to GDP evolves, large imports dependence of the local economy is expected to result in faster growth of imports regardless of solid performance of exports and tourism revenues. However, combined with capital inflows (EU funding and FDI's) surplus should be sustained in medium term. It also supports extended external debt decline. External debt indicators' improvement is not separated from other debt metrics. Even more, we see both private debt and public debt improvements. The former was very much linked with developments in banking sector where CHF loan conversion episode and accelerated NPL disposal activities cut significantly debt of both companies and individuals bringing private debt levels below macroeconomic imbalances threshold. However, this story is to continue as Croatian economy is still operating with high debt compared to CEE-EU peers.

There is also a list of reforms that have to be conducted but in the light of presented Eurostrategy of the authorities (government and central bank). They aim for a euro adoption for Croatia hinting so far only one target – by 2020 to enter ERM II. It will require strong dedication towards fulfilling budget targets and further public debt cuts well below 80% in next couple of years to confirm their commitment to the goal. Public debt and budget deficit targets are on that line. However, beside those metrics (SGP targets beside public debt are more/less within eligible range) there is a lot of effort ahead in institutional convergence for Croatia. This includes at least two areas: judicial reform in terms of commercial law segment and public administration reform, so far only hinted.

## 2. REGULATION AND SUPERVISION

### 2.1 Regulatory/Supervisory Bodies

Supervision of financial markets is carried out by the following institutions:

- **Financial Supervision Authority:**  
The Croatian Financial Services Supervisory Agency (HANFA) is an independent legal entity with public authorities that supervises the operations of exchange, CSD, authorised companies, issuers, UCITS and AIF, managing companies, insurance companies and other market participants. The HANFA organises, undertakes and supervises measures to guarantee the effective operations of the financial market, orders measures to eliminate unlawfulness or irregularities, issues or suspends licenses and permits, starts initiatives for the adoption of laws and regulations and performs other tasks within its authority.
- **National Bank:**  
The Croatian National Bank (CNB) is the central bank of the Republic of Croatia. It enjoys operational autonomy and independence and is accountable to the Croatian Parliament. CNB is fully owned by the state, which guarantees its obligations. It has a legal structure, but it is not entered into the register of companies.  
The primary objective of CNB is to achieve and maintain price stability. The CNB oversees the financial sector and it supports the economic policy of the Republic of Croatia, acting in accordance with the principles of an open market economy and free competition.
- **Ministry of Finance:**  
The Ministry of Finance, within its competence, is authorised to ensure direct implementation of laws, by enacting regulations, through administrative supervision and other administrative works. The Ministry of Finance is responsible for the preparation and implementation of the Government's fiscal policy, and along with the Croatian National Bank, is empowered to harmonise monetary and fiscal policies and their instruments. One of the most important tasks of the Ministry is the preparation of the State Budget, as well as the management of budget revenues and expenditures.

### 2.2 Key Market Regulations

Below you will find a list of the key market regulations. For a complete list with up to date information on the acts please refer to the GSS Website (<http://gss.unicreditgroup.eu>) or contact your local GSS Relationship Manager.

Regulation	Main Focus
Capital Market Law	Introduced EU standards in the Croatian capital market, regulating exchange operations, the securities depository, CCP and the rights and obligations of market participants.
Companies Law	Defines types of companies, organisations and management structures, and the liabilities and mergers process.
Foreign Exchange Law	Determines dealings between residents and non-residents in foreign and local currency.
Takeover Law	Framework for takeover of joint-stock companies, including conditions for mandatory and voluntary takeover offers.
Settlement Finality Law	Introduced EU standards with regard to settlement finality and consequences of the opening of insolvency proceedings.

### 2.3 Self-regulatory Organisations

On the Croatian market there are several market associations that promote and influence the Capital Market such as the Croatian Banking Association, Custody Bank's Association and Chambers of Economy.

## 3. TRADING

### 3.1 Commonly Traded Instruments

EQUITIES	MONEY MARKET INSTRUMENTS
<input checked="" type="checkbox"/> ordinary shares	<input type="checkbox"/> certificate of deposits
<input checked="" type="checkbox"/> preferred shares	<input checked="" type="checkbox"/> commercial papers
<input type="checkbox"/> employee shares	<input checked="" type="checkbox"/> REPO transactions
<input type="checkbox"/> interest bearing shares	
GOVERNMENT DEBT	CORPORATE DEBT
<input checked="" type="checkbox"/> government bonds	<input checked="" type="checkbox"/> corporate bonds
<input type="checkbox"/> treasury bonds	<input type="checkbox"/> mortgage bonds
<input checked="" type="checkbox"/> treasury bills	<input type="checkbox"/> convertible bonds
<input type="checkbox"/> treasury notes	<input type="checkbox"/> exchangeable bonds
<input checked="" type="checkbox"/> municipal bonds	
DERIVATIVES	OTHER INSTRUMENTS
<input type="checkbox"/> options	<input checked="" type="checkbox"/> exchange traded funds
<input type="checkbox"/> futures	<input type="checkbox"/> investment funds
<input type="checkbox"/> warrants	<input type="checkbox"/> eurobonds funds
	<input type="checkbox"/> depositary receipts
	<input type="checkbox"/> commodities

### 3.2 Zagreb Stock Exchange – ZSE

<b>Legal name</b>	Zagreb Stock Exchange
<b>Website</b>	<a href="http://www.zse.hr">http://www.zse.hr</a>
<b>Ownership structure</b>	8.47% Addiko Bank d.d./PBZ CO OMF 5.98% Addiko Bank d.d./ICAM outfox Macro Income 5.42% Investco d.o.o. 5.18% Zagrebacka banka d.d./ European Bank for Reconstruction and Development 4.92% Addiko Bank d.d./SZAIF d.d. 4.18% Chromos Agro d.d. 3.86% Euro jezici d.o.o. 3.77% HPB d.d./Auctor d.o.o. 3.30% Erste & Steiermarkische Bank d.d. 54.92% Others
<b>Trading members</b>	Investment companies, credit institutions Following types of membership are available: Direct membership, remote membership and membership with limited access
<b>Traded instruments</b>	Equities, bonds, treasury bills, commercial papers, structured products
<b>Traded method</b>	Continuous, order driven electronic trading system with automated matching of orders - OMX X-Stream electronic trading system. It serves for matching transactions (both in the order-book and outside). The system supports all types of orders.

<b>Settlement agent</b>	Central Depository and Clearing Company Inc. (CDCC)
<b>Clearing agent</b>	Central Depository and Clearing Company Inc. (CDCC)
<b>Trading hours</b>	Equity market            from 09:00 to 16:30 Bond market                from 09:00 to 16:30 Commercial papers        from 09:00 to 16:30
<b>Settlement cycle</b>	T+2    Equity market T+2    Bond market T+2    Commercial papers
<b>Indices</b>	CROBEX, CROBEX10, CROBIS, CROBIStr, CROBEXindustrija, CROBEXkonstrukt, CROBEXnutris, CROBEXplus, CROBEXtransport, CROBEXturist, CROBEXtr
<b>Number of listed instruments</b>	149    Equities 40     Bonds 0     Other
<b>Annual trading turnover</b>	EUR 398 million
<b>Annual number of transactions</b>	181 thousand
<b>Domestic market capitalisation</b>	EUR 31.48 billion
<b>Main index annual change</b>	CROBEX -7.62%

### 3.3 OTC Trading

OTC trading is usually done with T-bills and bonds. However, it is also possible with other financial instruments on a bilateral basis. Settlement of OTC trading with dematerialised securities is performed in the CDCC system.



## 4. CLEARING

---

### 4.1 Central Depository and Clearing Company - CDCC

<b>Legal name</b>	Central Depository and Clearing Company
<b>Website</b>	<a href="http://www.skdd.hr">http://www.skdd.hr</a>
<b>Ownership structure</b>	<p>52.69% Financial agency (FINA)</p> <p>39.15% Republic of Croatia</p> <p>8.16% Other market participants</p>
<b>Clearing members</b>	<p>Investment companies, credit institutions</p> <p>Following types of membership are available:</p> <p>Direct membership</p>
<b>Scope of services</b>	<p>Central Depository and Clearing Company is a sole agency on the market responsible for securities clearing and depository services.</p> <p>Currently, the CDCC can be considered CCP for trades settling in a contractual settlement method.</p> <p>SKDD-CCP Smart Clear Inc. was incorporated in 2013 with the purpose of creating a central counterparty assuming the responsibilities for clearing of transactions with financial instruments executed on exchange.</p> <p>The scope of its business activities has been defined in line with the European Market Infrastructure Regulation (EMIR). As part of the licensing procedure to provide CCP services and following the Conclusion from Croatian Financial Services Supervisory Agency (HANFA), SKDD-CCP must submit complete documentation to HANFA who will assess whether the application is complete and decide whether authorisation has been granted or refused. Consequently, go-live date will depend on timelines and activities undertaken by HANFA.</p>
<b>Risk model</b>	<p>In a contractual settlement, the original trade is replaced through "novation", by which CDCC is inserted between the counterparties and thus CDCC becomes counterparty to all transactions. CDCC guarantees the settlement on a net basis for both securities and cash. In the event of a member's failure to fulfil its obligations, CDCC will initiate a buy-in process, for a market participant with a short security position or a sell-out process for a market participant with a debit cash balance respectively.</p> <p>CDCC will continue to guarantee the settlement in Croatia exclusively with the participants' assets from the Guarantee fund until the contractual settlement method is available, while SKDD-CCP Smart Clear Inc. will guarantee that with its own capital.</p>

## 5. SETTLEMENT

---

### 5.1 Central Depository and Clearing Company - CDCC

Legal name	Central Depository and Clearing Company
17f-7 eligibility	YES
Website	<a href="http://www.skdd.hr">http://www.skdd.hr</a>
Ownership structure	<p>52.69% Financial agency (FINA)</p> <p>39.15% Republic of Croatia</p> <p>8.16% Other market participants</p>
Scope of services	<p>The CDCC is performing the following activities:</p> <ul style="list-style-type: none"> <li>● Operating the central depository of dematerialised securities;</li> <li>● Operating the central register of financial instruments;</li> <li>● Operating the clearing and settlement system of transactions executed on or outside a regulated market or an MTF;</li> <li>● Services related to corporate actions of the issuers of dematerialised securities;</li> <li>● Safekeeping of securities related to the takeover of joint stock companies,</li> <li>● Activities related to payments and other returns from dematerialised securities;</li> <li>● Determination of a unique identification mark of a dematerialised security;</li> <li>● Activities of the operator of the Investors Protection Fund;</li> <li>● Other activities related to transactions with dematerialised securities or other financial instruments.</li> </ul>
Accounts held	<p>With the CDCC a custodian can open three types of safekeeping custody accounts:</p> <ul style="list-style-type: none"> <li>● An omnibus account: If securities are held on an omnibus account the identity of the person(s) for whose account securities are held, is known only to the custodian. Omnibus accounts can be opened for more clients or for another custodian bank;</li> <li>● Account in the name (segregated): Identity of the investor for whose account securities are safe-kept on account in the name is uniquely determined. An investor can open only one account in the name with the same custodian bank. The owner of assets on account in the name is the investor for whose account custodian is safekeeping the assets;</li> <li>● A numbered account: The identity of the person holding assets on a numbered account is known only to the custodian.</li> </ul> <p>The client can select which type of account a custodian will open with the CDCC.</p>
Eligible instruments	All dematerialised securities issued in the Republic of Croatia.
Level of dematerialisation	Fully dematerialised

## Stock Exchange Settlement

All Stock Exchange trades data is automatically inserted into the CDCC system at the end of every trading day. Settlement in the CDCC system will occur on T+2.

The CDCC provides three types of settlement: Contractual Settlement, Trade for Trade Settlement and Substitution Settlement.

Contractual Settlement is the default clearing and settlement method for all stock exchange trades meeting the following criteria:

- The trade settles against payment;
- The total amount of the trade is lower than HRK 10 million;
- The trade is matched in the CDCC system by the end of SD-1;
- Equity recorded on at least 100 accounts in CDCC or has a minimum 10% publicly traded shares;
- Any debt security recorded on at least 20 accounts in CDCC or has a minimum of HRK 15 million nominal value;
- Any stock or debt security traded during the last 66 working days and complies with other prescribed trading requirements.

The list of securities meeting the above mentioned requirements is available on the official CDCC webpage every working day before 8:45 CET.

On SD-1 at the latest, a client sends settlement instructions to the local custodian. When trade pre-matching is done, both parties authorise trade ID in the CDCC.

On SD, local custodian initiates payment to the CDCC by 11:00 CET. A client has to provide funds by 9:30 CET in favour of its cash account (due to a discrepancy in market deadlines, it can be required that clients provide funds on SD-1). In case of securities sell, securities have to be available on the custodian's CDCC securities account on SD by 8:30 CET.

Securities and/or cash are credited to the custodian's account with the CDCC on SD by 13:00 CET at the latest.

In Trade for Trade Settlement each trade is cleared and settled individually, directly between the original counterparties of the trade. The CDCC system has the batch process every half-hour, from 8:00 to 16:00 CET which allows for transactions fulfilling settlement conditions (both securities and cash are simultaneously available) to be settled in a real time.

Trade for Trade Settlement may be both against and free of payment.

The CDCC acts as an intermediary in the exchange of securities for cash on settlement date, but does not guarantee the settlement. In the event that the selling broker fails to deliver securities on the settlement date, the CDCC will not pay the funds received from the buying broker.

## OTC Settlement

OTC Settlement with dematerialised securities is performed through the CDCC system. Market participants, members of the CDCC, will enter OTC transaction in the CDCC and trade will settle in an agreed settlement method (Contractual Settlement, Trade for Trade Settlement). The settlement may be both against and free of payment.

A client needs to send instructions to the local custodian, for Contractual Settlement on SD-1 at the latest, and the trade will settle in line with agreed settlement method.

Treasury bills and bonds are usually traded OTC through local banks and settled in the CDCC.

OTC transaction reporting is obligatory for resident investors until the end of trading day when the OTC transaction was executed or by the beginning of the next trading day if OTC transaction was executed after the closure of ZSE's trading session.

<b>Settlement Protection</b>	<p>The Guarantee Fund provides protection to investors for securities that are in the CDCC and meet the Contractual Settlement criteria.</p> <p>In Contractual Settlement, the original trade is replaced through "novation", by way of which the CDCC is 'inserted' between the counterparties and thus the CDCC becomes counterparty to all transactions. CDCC guarantees the trade settlement on a net basis for both securities and cash.</p> <p>Members of CDCC's Contractual Settlement System are required to contribute to the Guarantee Fund.</p>
<b>Investor Protection</b>	<p>The Investor Protection Fund has been introduced to achieve protection of clients' claims for Fund Members, when a Fund Member is not able to pay and/or repay the client in case of:</p> <ul style="list-style-type: none"><li>● Bankruptcy proceedings initiated against the Fund Member, or;</li><li>● HANFA determinates that a Fund Member is unable to meet its obligations towards its clients and there are no prospects that it will be able to do so in the near future.</li></ul> <p>Clients' claims will be covered up to a maximum of HRK 150,000.00 per client of a Fund Member. Credit institutions, investment firms, financial institutions, insurance undertakings, etc. are not considered clients in relation to the Investor Protection Fund.</p>
<b>Identified Risk</b>	None

## 6. PAYMENT SYSTEM

---

### 6.1 General Information

Payment operations in the Republic of Croatia are carried out through four payment systems:

- Croatian Large Value Payment System (CLVPS),
- National Clearing System (NCS),
- TARGET2 and
- EuroNCS.

The Croatian Large Value Payment System (CLVPS) is an interbank payment system for the settlement of HRK payment transactions among its participants. The CLVPS operates as an RTGS (Real Time Gross Settlement System) in which payment transactions are settled in real time on a gross basis. The CLVPS became operative in 1999, and the CNB is its owner and operational manager. The CLVPS participants are the CNB, credit institutions (banks and savings banks) with the head office in the Republic of Croatia which have been granted authorisation from the CNB, the Croatian Bank for Reconstruction and Development as well as the Central Depository Agency (CDA).

The National Clearing System (NCS) is an interbank payment system for the clearing of funds transfer orders between its participants based on a multilateral net principle. The NCS is a payment system that enables the clearing of HRK payment transactions among all of its participants. It became operative in 2001.

The TARGET2 is a payment system for the settlement of payment transactions in euro in real time on a gross basis. TARGET2-HR national component was launched on 1 February 2016.

The EuroNCS is a payment system for the clearing of SEPA credit transfers in euro. It became operational on 6 June 2016.

### 6.2 Limitations, Deadlines, Cut-off times

Payment transactions in CLVPS are settled during a settlement day in accordance with the Work Schedule for the CLVPS. The CLVPS is open on each business day, except the days laid down by the act governing public holidays, memorial days and non-working days in the Republic of Croatia. A settlement day in the CLVPS starts at 7:30 CET and lasts until 17:30 CET (regular business) on the current business day. The CNB (as a bank - settlement agent) settles the final net positions in the clearing accounts of direct participants in the National Clearing System (NCS) at the end of a clearing day in the NCS through the CLVPS across the participants' accounts and the NCS clearing account.

The clearing of interbank payment transactions in the NCS is ongoing in four cycles and is determined by the Work Schedule for Clearing through the NCS, which is issued by the Financial Agency, subject to prior approval by the CNB. A clearing day starts at 18:30 CET on the previous business day and ends at 16:00 CET on the current business day. Payment transactions are cleared in the NCS up to the amount of funds available in the direct participants' clearing accounts. The CNB sets a limit up to the amount of funds allocated by the direct participant to the account with the CNB. Transactions for which a direct participant does not have sufficient funds are recorded in the payment queue, which the direct participant can manage. If funds for clearing (raising the limit or funds received from other direct participants in the clearing) are not ensured by the end of the day, transactions are returned to the participant that submitted the transaction as non-executed.

Payment transactions in TARGET2-HR national component are settled during a settlement day in accordance with the Work Schedule for the TARGET2-HR. TARGET2-HR is open on each business day, except New Year, Good Friday, Easter Monday, International Labour Day, Christmas Day and St Stephen's Day. A settlement day in the TARGET2-HR starts at 7:00 CET and lasts until 17:00 CET (regular business) on the current business day. The CNB (as a bank - settlement agent) settles the final net positions in the clearing accounts of direct participants in the EuroNCS, at the end of a clearing day in the EuroNCS, through the TARGET2-HR across the participants' accounts and the EuroNCS clearing account.

The clearing of interbank payment transactions in the EuroNCS is ongoing in four cycles and is determined by the Work Schedule for Clearing through the EuroNCS, which is issued by the Financial Agency, subject to prior approval by the CNB. A clearing day starts at 8:00 CET on a business day and ends at 17:00 CET on the current business day.

## 7. SECURITIES LENDING

---

### 7.1 Securities Lending

Stock lending/borrowing is introduced through the CDCC as a centralised service on the market from 1 January 2012, but it is still not practiced on the market.

The Capital Market Law determines that any client has to give their consent in writing as a general consent for a certain type of transactions involving use of their financial instruments or special consent for a specific use of their financial instruments.

### 7.2 Short Selling

Short selling is not forbidden. ZSE Rules determine that short selling is possible for securities accepted in the CDCC securities lending system.

## 8. CORPORATE ACTIONS

### 8.1 Common Corporate Action Events

MANDATORY EVENTS	VOLUNTARY EVENTS
<input type="checkbox"/> bonus issue	<input checked="" type="checkbox"/> dividend option
<input checked="" type="checkbox"/> cash	<input checked="" type="checkbox"/> dividend
<input type="checkbox"/> early	<input checked="" type="checkbox"/> exchange
<input checked="" type="checkbox"/> interest payment	<input checked="" type="checkbox"/> priority issue
<input checked="" type="checkbox"/> maturity	<input type="checkbox"/> repurchase offer
<input checked="" type="checkbox"/> maturity (final)	<input checked="" type="checkbox"/> reverse stock split
<input checked="" type="checkbox"/> merger	<input checked="" type="checkbox"/> Shareholders meeting
<input checked="" type="checkbox"/> pari-passu	<input checked="" type="checkbox"/> spin-off
<input checked="" type="checkbox"/> partial redemption	<input checked="" type="checkbox"/> stock split
<input type="checkbox"/> rights issue	
<input checked="" type="checkbox"/> stock dividend	
<input checked="" type="checkbox"/> tender offer	

### 8.2 Dating Conventions

Securities holders' entitlements are based on settled position on record date. A general rule regarding the time frames for the ex, record or pay date does not exist on the market.

Income collection:

Ex-date is always fixed as one working days before the record date. Dividend entitlement is based on settled position on the record date defined by the issuer, but pursuant to the Companies Law, 30 days following the AGM's approval at the latest. Dividend payment has to be executed 60 days following the approval at the AGM at the latest. For T-bills record date and ex-date are set one day prior to the payment date. Payment is on actual basis.

Proxy voting:

Record-date is, by law, set 21 days prior to the general meeting date or in line with the Articles of the Association and company status. Issuers usually require shareholders to declare their participation in the AGM six days prior to the meeting.

Tender offers:

Tender offer itself lasts for 28 days. Record date is set as the last day of tender offer period. Ex-date is fixed as one working day before the record date. The offeror, by law, has 14 days to execute the payment, following the conclusion of tender offer period.

### 8.3 Sources of C/A Information

HANFA website registrar (officially appointed mechanism for the central storage of regulated information) as the official source of corporate action information on Croatian market, as well as websites of Zagreb Stock Exchange, Narodne Novine (the Official Gazette of the Republic of Croatia), CDCC, companies' bulletins (if available), press and other media are used for capture of corporate action information. Standard practice is to contact the issuer directly for the confirmation of details of announced corporate action.

The issuers of listed securities are obliged to inform, immediately and without delay, HANFA who acts as the officially appointed mechanism for the central storage of regulated information, regulated market (Zagreb Stock Exchange) and mass media about corporate event in progress. The issuers of securities listed on the ZSE Prime Market are obliged to deliver to the ZSE and post on its website a calendar of corporate actions for the entire year, including a dividend payment date, as well as any change in the calendar as soon as it occurs.

### 8.4 Local C/A Specifics

N/A

## 9. PROXY VOTING

---

### 9.1 General Characteristics

Shareholders application for participation at the AGM has to be submitted six days prior to the AGM at the latest, if a shorter deadline is not determined by the company's Articles of Association. Shareholders eligibility to participate in a meeting is based on settled position as of the record date, which is determined by the company.

### 9.2 Announcement

According to the Companies Law, every issuer must publish an announcement of a general meeting at least 30 days before its occurrence.

### 9.3 Voting Process

For executing proxy voting only instruction is required from the client.

The client is informed about forthcoming Annual General Meeting immediately via SWIFT including all relevant dates and cut-off times for sending proxy voting instructions.

Securities are not blocked prior to the AGM. Voting on a partial holding is possible. Re-registration is not required.

In most cases, issuers require the Attendance Notice and Power of Attorney issued by the custodian bank. If there would be any specific requirements from the issuer, the client would be informed immediately. Attendance notice and POA usually have to be submitted to the company six days prior to the AGM at the latest, if a shorter deadline is not determined.



## 10. INCOME COLLECTION

---

### 10.1 Dividend payments

After a decision on dividend payment has been adopted and confirmed at the AGM, the company has to pay out dividends within the next 60 days. For each dividend payment, a tax ID number (OIB) has to be provided.

<b>Announcements</b>	Companies announce dividend payment dates via ZSE, HANFA, CDCC and other media.
<b>Dating Conventions</b>	The general rule regarding timeframes for the ex, record or payment dates does not exist on the market. The issuer of securities determines the record date and payment date.
<b>Payment Execution</b>	<p>The payment date varies between companies, but it has to occur 60 days from the AGM at the latest.</p> <p>The issuing company can use the CDCC as a paying agent or it can pay out dividends directly to shareholders.</p> <p>In both cases, dividends are paid via electronic transfer on the local custodian's cash account and with the same value date transferred on behalf of the client's cash account with local custodian. Payment is executed on an actual basis.</p>

### 10.2 Interest & Maturity Payments

Most bonds issued on the market have semi-annual interest payments. For government bonds CDCC is a default paying agent. The issuer of corporate bonds can use the CDCC as a paying agent or it can pay out interest directly to the bondholders' cash accounts.

<b>Announcements</b>	All information about fixed income and money market instruments including payment dates within the instrument lifecycle are provided in the issuing prospectus. This information is also available within the CDCC system.
<b>Dating Conventions</b>	<p>For bonds record date is usually one day prior to the payment date and ex-date is one day prior to the record date.</p> <p>For T-bills record date and ex-date are one day prior to the payment date.</p>
<b>Payment Execution</b>	<p>Interest &amp; maturity payments are calculated on ISMA 99 normal (actual/actual) basis and are mostly paid semi-annually.</p> <p>Interest and maturity funds are paid by electronic transfer on the local custodian's cash account and with the same value date transferred on behalf of the client's cash account with local custodian. Payment is executed on an actual basis.</p>

# 11. TAXATION

---

## 11.1 Withholding Tax

Withholding tax on dividends is payable for non-resident legal entities/individuals and resident individuals.

Dividend payment can be executed only when a tax ID number (OIB) is provided. Also, other relevant information has to be available (CDCC account number, type of investor, investor's address and residency, gross dividend) that would be provided to the tax authorities and the paying agent/issuer upon their request.

Withholding tax on interest is payable for resident and non-resident individuals and non-resident legal entities.

Interests on bonds are tax exempt, regardless of the issuer or type of the bond.

Tax Rates	Type of Income	Tax Rate
	Dividend	12%
	Interest on bonds	0%
	Other interest – individuals (both resident and non-resident)	12%
	Other interest – non-resident legal entities	15%

**Relief at Source** Apart from a tax ID number (OIB), "Application for tax relief or tax refund for dividends under the agreement for the avoidance of double taxation" form has to be submitted prior to each dividend payment.

**Tax Reliefs** Tax relief is possible in accordance with DTT provisions.

## 11.2 Capital Gains Tax

Capital gains tax payable for resident and non-resident individuals has been in force as of 1 January 2016 and is applicable to holding periods under two years.

**Tax Rates** 12%

**Relief at Source** N/A

**Tax Reliefs** N/A

## 11.3 Stamp Duty

No Stamp Duty is applicable.

**Tax Rates** N/A

**Tax Reliefs** N/A

## 11.4 Other Taxes

No other taxes are applicable for non-resident investors.

## 11.5 Tax Reclamation Process

A tax refund is possible within a period of three years after a tax payment has been made using the form "Application for tax relief or tax refund for dividends under the agreement for the avoidance of double taxation".

## 11.6 Double Taxation Treaties

Due to the amount of data, for the most up to date DTTs please refer to our website: <http://gss.unicreditgroup.eu>

DTTs are listed in the /DOCUMENTS section.

## 12. DISCLOSURE REQUIREMENTS

### 12.1 Obligations for Issuers

- An issuer of securities which is admitted to trading on an organised market is obligated to publish annual, semi-annual and quarterly financial reports.
- Upon receiving a disclosure reporting notification, the issuer is obligated to publish the received information within three trading days.
- The issuer is obligated to publish information about changes in the number of shares or voting rights at the end of the month in which the changes have occurred.
- The issuer that acquires or disposes their own shares has to announce to the public number of its own shares within four trading days from the acquisition or disposal.
- Furthermore, the public has to be informed by the issuer of every change in the rights deriving from the shares, including the change in rights from derivatives that give the right to buy underlying shares.
- An issuer of debt securities is obligated to ensure that all information necessary for securities holders to fulfil their rights is publically announced especially related to conditions of debt and interest rate.

### 12.2 Obligations for Investors

Disclosure reporting is an obligation for an investor which, directly or indirectly, acquires, exceeds or falls below the thresholds of 5%, 10%, 15%, 20%, 25%, 30%, 50%, and 75% of the voting rights in a certain issue. The disclosure report has to be submitted to the regulator (HANFA) and the issuer of the shares within four trading days:

- From the day the investor has found out or could have found out about the acquiring, releasing or possibility of exercising the voting rights, or
- From the day the investor has found out about the issuer's public announcement of changes in the number of issued shares or changes in the number of voting rights.

It is considered that the investor has found out or could have found out about the acquiring, releasing or possibility of exercising the voting rights at the latest within two trading days from the day of transaction.

Special permits are required for acquiring shares (10%) of local credit institutions, insurance companies, investment companies, stock exchange and central depository and clearing company.

An investor (resident or non-resident) is obliged to publish a takeover offer when acquiring directly or indirectly, by himself or acting in concert, voting shares of the company, which together with the shares the investor already possesses, exceeds a threshold of 25% of total voting shares.

### 12.3 Violation Consequences

Failure to comply with the disclosure reporting requirements in the market may lead to penalties (fines) and suspension of voting rights for securities whose acquisition resulted in disclosure reporting obligation.

A person, who acquires a qualifying holding contrary to the law, will not be able to exercise voting rights attached to the shares or holdings acquired in that manner. Moreover, in case the shares of credit institutions, investment companies, stock exchange or CDCC are acquired without the regulators' approval, the regulator will order that the shares or holdings so acquired are sold.

Failure to comply with the takeover obligations in the market will lead to penalties (fines).

## 13. ACCOUNT MANAGEMENT

---

### 13.1 Common Account Structures

Commonly used account structures would be to open as many accounts in custodian bank's books as required (segregated or omnibus, proprietary or client). With the CDCC the most commonly used is the custody omnibus account.

Note that for dividend payments local tax ID (OIB) number and identification details are required for securities safekept on an omnibus account at the CDCC level.

When shares of a local credit institution, central depository and clearing company and stock exchange are held in a custody accounts, it should be a segregated account at the CDCC level.

#### Segregated Accounts

In custodian's books each client can open as many accounts as required to segregate assets. The CDCC assets can be safekept in an omnibus account, an account in the name (segregated) or numbered account.

If opening a custody account in the name with the CDCC, the owner of assets is the investor for whose account custodian is safekeeping the assets. Identity of the investor for whose account securities are safekept on account in the name is uniquely determined. Tax ID number (OIB) is required in order to open account in the name at the CDCC level. An investor can open only one account in the name with the same custodian bank.

#### Nominee / Omnibus Accounts

Omnibus accounts can be opened in custodian's books and with the CDCC.

In accordance with CDCC rules, omnibus custody accounts can be opened for more clients or for another custodian bank. If securities are held on an omnibus account, the identity of person(s) for whose account securities are held is known only to the custodian.

### 13.2 KYC/AML Requirements

Croatia has established laws and regulations designed to prevent money laundering and terrorist financing. This is primarily known as the Anti Money Laundering and Terrorist Financing Law and its subordinate acts. Zagrebacka banka is applying Know Your Client policy, Client Identification Guidelines and Client Eligibility Guidelines. When establishing a relationship with a client, the Bank undertakes a detailed background check on a client. This process is not only related to establish the true identity of the client, but also to find out all the other necessary details such as authorised personnel, nature of client's business, beneficial owners and the expected scope of activity.

## 14. DISCLAIMERS

This publication is presented to you by:  
 Corporate & Investment Banking  
 Zagrebačka Banka d.d.  
 Trg bana Josipa Jelačića 10  
 10 000 Zagreb  
 Croatia ("UniCredit")

The information in this publication is based on carefully selected sources believed to be reliable, however the information contained in this document has not been independently verified. Except in the case of fraudulent misrepresentation, no representation or warranty (express or implied) is made by UniCredit or by any of its officers, employees, affiliates or agents as to the accuracy, completeness or sufficiency of this document and no responsibility or liability is accepted by such persons for any loss whatsoever arising from or in connection with use of or reliance on this document and such liability is expressly disclaimed. Any opinions herein reflect our judgement at the date hereof and are subject to change without notice. UniCredit is under no obligation to keep current the information contained in this publication. Any reports provided herein are provided for general information purposes only and cannot substitute the obtaining of independent financial, legal and tax advice. Receivers of this publication should obtain the advice of their banker/broker/advisors about any investments/product/activity concerned prior to evaluating them. Recipients of this document are solely responsible for making their own independent appraisal of and investigations into the products, investments and transactions herein referred to. UniCredit is not responsible for providing legal, tax, accounting, or other specialist advice and recipients of this document should make its own arrangements accordingly. Nothing in this publication is intended to create contractual obligations, nor can it be construed as an offer, solicitation or recommendation for the purchase or sale of any security or investment whatsoever.

Distribution of this document or information contained in this document to any person other than an original recipient (or to such recipient's advisors) is prohibited. Reproduction of this document, in whole or in part, or disclosure of any of its contents, without prior written consent of UniCredit, is prohibited. This document should be read in its entirety, it remains the property of UniCredit and on request must be returned and any copies destroyed.

This document shall not create any form of fiduciary or adviser/client relationship and UniCredit may only be regarded by you as acting on your behalf as following the execution of an engagement letter on mutually satisfactory terms.

UniCredit is a member of the UniCredit Group of companies ("UniCredit Group"). Any member of the UniCredit Group, together with their directors, officers and employees may have traded for their own account as principal, underwritten an issue or have a long or short position in any instrument mentioned in this material or related instrument.

Any projection, forecast, estimate or other "forward-looking" statement in this document is for illustrative purposes only and is not a reliable indicator of future performance. Actual events or conditions may differ materially from assumptions and some risks and uncertainties may not have been taken into account. The document may include information related to past performance or simulated past performance. Past performance or simulated past performance is not a reliable indicator of future performance. No representation or warranty is made, and no liability is accepted, by UniCredit or by any of its officers, employees, affiliates or agents in respect of the achievability or reasonableness of any forward-looking statements contained in this document.

This publication is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation.

UniCredit may be solicited in the course of its involvement in the transaction contemplated herein, by other investment clients to provide other services. Furthermore, UniCredit may allocate securities to its own proprietary book or to any member of UniCredit Group. This represents a potential conflict of interest. UniCredit has internal arrangements designed to ensure that it will give unbiased and full advice to its clients including valuation and pricing of a securities issue and has internal systems, controls and procedures to identify and to manage potential conflicts of interest.

If this presentation has been sent to you in electronic form, you are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither UniCredit nor any of its holding companies, subsidiaries, associated undertakings or controlling persons, respective directors, officers, partners, employees, advisors, agents and/or representatives accept any liability or responsibility whatsoever in respect of any difference between the document sent to you in electronic format and the original version prepared by UniCredit. This publication is a financial promotion within the scope of the rules of Consob.

Corporate & Investment Banking of UniCredit consists of UniCredit Bank AG, Munich, UniCredit Bank Austria AG, Vienna, UniCredit S.p.A., Rome and other members of the UniCredit. UniCredit Group and its subsidiaries are subject to regulation by the European Central Bank. In addition UniCredit Bank AG is regulated by the Federal Financial Supervisory Authority (BaFin), UniCredit Bank Austria AG is regulated by the Austrian Financial Market Authority (FMA) and UniCredit S.p.A. is regulated by both the Banca d'Italia and the Commissione Nazionale per le Società e la Borsa (CONSOB).

UniCredit S.p.A. - joint stock company - with the Registered Office in Rome: Via Alessandro Specchi, 16 - 00186 Roma, the Head Office in Milan: Piazza Gae Aulenti 3 - Tower A - 20154 Milano. Fiscal Code, VAT number and Registration number with the Company Register of Rome: 00348170101 - Registered in the Register of Banking Groups and Parent Company of the UniCredit Banking Group, with. cod. 02008.1; Cod. ABI 02008.1 - Member of the National Interbank Deposit Guarantee Fund and of the National Compensation Fund

### Note to UK Residents:

In the United Kingdom, this publication is being communicated on a confidential basis only to clients of Corporate & Investment Banking of UniCredit (acting through UniCredit Bank AG, London Branch) who (i) have professional experience in matters relating to investments being investment professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 ("FPO"); and/or (ii) are falling within Article 49(2) (a) – (d) ("high net worth companies, unincorporated associations etc.") of the FPO (or, to the extent that this publication relates to an unregulated collective scheme, to professional investors as defined in Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 and/or (iii) to whom it may be lawful to communicate it, other than private investors (all such persons being referred to as "Relevant Persons"). This publication is only directed at Relevant Persons and any investment or investment activity to which this publication relates is only available to Relevant Persons or will be engaged in only with Relevant Persons. Solicitations resulting from this publication will only be responded to if the person concerned is a Relevant Person. Other persons should not rely or act upon this publication or any of its contents.

The information provided herein (including any report set out herein) does not constitute a solicitation to buy or an offer to sell any securities. The information in this publication is based on carefully selected sources believed to be reliable but we do not make any representation as to its accuracy or completeness. Any opinions herein reflect our judgement at the date hereof and are subject to change without notice.

We and/or any other entity of Corporate & Investment Banking of UniCredit may from time to time with respect to securities mentioned in this publication (i) take a long or short position and buy or sell such securities; (ii) act as investment bankers and/or commercial bankers for issuers of such securities; (iii) be represented on the board of any issuers of such securities; (iv) engage in "market making" of such securities; (v) have a consulting relationship with any issuer. Any investments discussed or recommended in any report provided herein may be unsuitable for investors depending on their specific investment objectives and financial position. Any information provided herein is provided for general information purposes only and cannot substitute the obtaining of independent financial advice.

UniCredit Bank AG London Branch, Moor House, 120 London Wall, London, EC2Y 5ET, is subject to regulation by the European Central Bank (ECB) and is authorised by Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) and subject to limited regulation by the Financial Conduct Authority and Prudential Regulation Authority. Details about the extent of our regulation by the Financial Conduct Authority and Prudential Regulation Authority are available from us on request.

Notwithstanding the above, if this publication relates to securities subject to the Prospectus Directive (2005) it is sent to you on the basis that you are a Qualified Investor for the purposes of the directive or any relevant implementing legislation of a European Economic Area ("EEA") Member State which has implemented the Prospectus Directive and it must not be given to any person who is not a Qualified Investor. By being in receipt of this publication you undertake that you will only offer or sell the securities described in this publication in circumstances which do not require the production of a prospectus under Article 3 of the Prospectus Directive or any relevant implementing legislation of an EEA Member State which has implemented the Prospectus Directive.

**Note to US Residents:**

The information provided herein or contained in any report provided herein is intended solely for institutional clients of Corporate & Investment Banking of UniCredit acting through UniCredit Bank AG, New York Branch and UniCredit Capital Markets LLC (together "UniCredit") in the United States, and may not be used or relied upon by any other person for any purpose. It does not constitute a solicitation to buy or an offer to sell any securities under the Securities Act of 1933, as amended, or under any other US federal or state securities laws, rules or regulations. Investments in securities discussed herein may be unsuitable for investors, depending on their specific investment objectives, risk tolerance and financial position.

In jurisdictions where UniCredit is not registered or licensed to trade in securities, commodities or other financial products, any transaction may be effected only in accordance with applicable laws and legislation, which may vary from jurisdiction to jurisdiction and may require that a transaction be made in accordance with applicable exemptions from registration or licensing requirements.

All information contained herein is based on carefully selected sources believed to be reliable, but UniCredit makes no representations as to its accuracy or completeness. Any opinions contained herein reflect UniCredit's judgement as of the original date of publication, without regard to the date on which you may receive such information, and are subject to change without notice.

UniCredit may have issued other reports that are inconsistent with, and reach different conclusions from, the information presented in any report provided herein. Those reports reflect the different assumptions, views and analytical methods of the analysts who prepared them. Past performance should not be taken as an indication or guarantee of further performance, and no representation or warranty, express or implied, is made regarding future performance.

We and/or any other entity of Corporate & Investment Banking of UniCredit may from time to time, with respect to any securities discussed herein: (i) take a long or short position and buy or sell such securities; (ii) act as investment and/or commercial bankers for issuers of such securities; (iii) be represented on the board of such issuers; (iv) engage in "market-making" of such securities; and (v) act as a paid consultant or adviser to any issuer.

The information contained in any report provided herein may include forward-looking statements within the meaning of US federal securities laws that are subject to risks and uncertainties. Factors that could cause a company's actual results and financial condition to differ from its expectations include, without limitation: Political uncertainty, changes in economic conditions that adversely affect the level of demand for the company's products or services, changes in foreign exchange markets, changes in international and domestic financial markets, competitive environments and other factors relating to the foregoing. All forward-looking statements contained in this report are qualified in their entirety by this cautionary statement.

UEFA and its affiliates, member associations and sponsors (excluding UniCredit and UniCredit Bank AG) do not endorse, approve or recommend the Product and accept no liability or responsibility whatsoever in relation thereto.

**Corporate & Investment Banking**

Zagrebačka Banka d.d.  
as of 31 January, 2018

Zagrebačka Banka d.d.  
Corporate & Investment Banking  
[www.zaba.hr](http://www.zaba.hr)

Trg bana Josipa Jelačića 10  
10 000 Zagreb  
Croatia

Life is full of ups and downs.  
We're there for both.

