

MARKET PROFILE CROATIA

2026

OTP Bank
Global Securities Services



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CROATIA



MARKET INFORMATION

Key figures

Local currency	Euro (EUR)
Market GDP (Sep 2025)	USD 103,90 bn
Market capitalisation (Dec 2025)	EUR 55,37 bn
Number of listed companies (Dec 2025)	83
Stock Exchange turnover (2025)	EUR 865,84 mln
EU membership	Yes
Euro zone	Yes (from 01.01.2023.)

Local Time

In wintertime	GMT+1
In summertime	GMT+2
Daylight Saving Time	same time as in EU countries

Credit Ratings

Agency	Rating	Outlook	Date
S&P	A-	Positive	Sep 16 2024
Fitch	A-	Stable	Sep 23 2024
Moody's	A3	Stable	Nov 11 2024

MARKET PARTICIPANTS

Market Regulator – Croatian National Bank (CNB)

The Croatian National Bank (CNB) is the central bank of Croatia and an integral part of the Eurosystem and the European System of Central Banks. The primary objective of the CNB is maintaining price stability and the stability of the financial system as a whole.

The key functions of CNB are:

- managing domestic and external liquidity
- implementing foreign exchange and monetary policies
- issuing banknotes
- approving and issuing banking licences
- supervising the banking sector
- coordinate with EU all activities aimed at resolving crisis events in the non-banking sector

CNB is allowed to invest its international reserves in bonds traded on the secondary market. Nevertheless, the CNB is not allowed to finance the public sector directly, but can invest in securities with an investment-grade rating affirmed by at least two internationally recognised rating agencies.

Internet website: <https://www.hnb.hr/>

Stock Exchange

Zagrebačka Burza or the Zagreb Stock Exchange (ZSE) is the only stock exchange in Croatia following the merger between the ZSE and the Varazdin Stock Exchange (VSE) on 19 March 2007. Securities traded in the market include equities, government and corporate bonds, and certificates.

Securities (stocks and bonds) are traded on the Zagreb Stock Exchange via the Xetra T7 electronic trading system.

The Vienna Stock Exchange operates the trading system for the ZSE as well as supplying a service and system package. The package includes real-time trading surveillance and data dissemination for the Croatian market, index calculation, downstream systems and specific database solutions and interfaces.

ZSE is a full member of the Federation of European Securities Exchanges (FESE).

Internet website: <http://www.zse.hr>

Apart from regulated market ZSE manages also with Progress Market , that is a multilateral trading facility in Croatia and Slovenia, intended for small and medium enterprises (for SME Growth Market)

Progress' internet website: <https://progress.market/>

Central Depositories and Safekeeping

Središnje klirinško depozitarno društvo, dioničko društvo (SKDD d.d. - the Central Depository & Clearing Company Inc) previously known as Središnja Depozitarna Agencija d.d. (SDA), the Croatian Central Depository Agency Inc.

The SKDD d.d. is the sole depository in Croatia after the Croatian National Bank (CNB) and the Ministry of Finance transferred their Treasury Notes and Treasury Bills services, respectively, to SKDD d.d. All T-bill transactions are conducted off-exchange on an OTC basis between primary dealers. All T-bills are held in dematerialised form. SKDD d.d. provides depository, clearing and settlement services for equities (common and preferred shares), corporate bonds, Treasury Notes and bills, discount instruments and units in an open-end investment fund listed on the regulated market in Croatia. Financial instruments held with SKDD are dematerialised within SKDD d.d. and settled by book-entry.

Following the HANFA approval of the CSDR licence to the SKDD on **10 February 2022**, Settlement Discipline Regime (SDR) was implemented on 14. February 2022.

Consequently, SDR penalty mechanism becomes applicable in the Croatian market, except the buy-in process that is postponed in all member countries of EU/EEA.

On 11 September 2023 SKDD outsourced its settlement function to T2S.

Internet website: <http://www.skdd.hr>

Clearing House / CCP

SKDD-CCP was enforced on January 03, 2022 and was established to provide the services of the central counterparty in accordance with Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 On OTC derivatives, central counterparties and trade repositories.

Central counterparties (CCP) mediate between other counterparties in the financial market and ensure the successful settlement of obligations arising from transactions.

SKDD-CCP in the process of Novation becomes a buyer to every seller and a seller to every buyer and thus ensures the settlement of transactions and reduces the systemic risk of the market.

System of multilateral netting of obligations provided by SKDD-CCP, with the application of risk-adjusted risk mitigation through financial collateral (Margin and Guarantee Fund), reduces the possible impact of default of one or more market participants, even in extreme market conditions, on other participants which may result in financial instability of the system.

Except in terms of stability, SKDD-CCP opens the development possibilities of the market through the perspective of introducing new products, which contributes to a positive impact on the overall activity and efficiency of the financial system of the Republic of Croatia.

There are two types of members in SKDD-CCP:

- GCM (General Clearing Member)
- CM (Clearing Member)

GCM (General Clearing Member) is a member that can perform clearing in the clearing system for:

- transactions concluded on the market,
- transactions of the NCM (non-clearing member) with which it entered into the clearing agreement
- novated transactions accepted in the Transfer procedure, by which the rights and obligations from the Novated transaction are transferred between the members

This type of membership is used by the Member that will perform clearing for his transactions and for transactions that the NCM with which GCM has entered into the clearing agreement, i.e. NCM's Indirect Clients, have concluded on the Market. It can also use the functionality of the Transfer of rights and obligations from Novated Transaction.

GCM's collateral: Allocation of funds for its share in the Guarantee fund and for each NCM with which it has a clearing agreement. Allocation of funds for the Margin for each of its position accounts and for each position account of the NCM with which it entered into the clearing agreement. Allocation of funds for meeting the obligation for increasing the Margin Value for each of its position accounts and for each position account of the NCM with which it entered into the clearing agreement.

CM (Clearing Member) is a member that can perform clearing in the clearing system for:

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- transactions concluded on the market,
 - Novated Transactions accepted in the Transfer procedure, by which the rights and obligations from the Novated transaction are transferred between the members

This type of membership is used by the Member that will perform clearing only for his transactions. It can also use the functionality of the Transfer of rights and obligations from Novated Transaction.

CM' collateral: Allocation of funds for its share in the Guarantee fund. Allocation of funds for Margin for each of its position accounts. Allocation of funds for meeting the obligation for increasing the Margin Value for each of its position accounts.

NCM (Non Clearing Member) is a legal entity that is a client of GCM, which provides Indirect clearing services for its Indirect Clients and which has entered into an Indirect Clearing Agreement with the SKDD-CCP and GCM.

NCM is not a Member and cannot independently clear its own transactions or transactions of its Indirect Clients concluded on the Market, cannot perform Transfer of rights and obligations from Novated Transaction and cannot clear Novated Transactions accepted in the Transfer procedure, but this is done for him by GCM on the basis of an concluded Indirect Clearing Agreement. All rights and obligations form the transactions concluded by the NCM and its Indirect Clients on the Market, are considered, in regards to SKDD-CCP, for the purposes of the Clearing, rights and obligations of GCM.

This type of service is used by legal entities that do not have the necessary infrastructure to perform clearing activities through one of the types of membership in SKDD-CCP.

NCM's collateral: Allocation of funds for the NCM's share in the Guarantee fund is made by GCM. Allocation of funds for Margin for each NCM's position account is made by GCM.

Allocation of funds for meeting the obligation for increasing the Margin Value for each NCM's position account is made by GCM.

CCP internet website: <https://www.skdd-ccp.hr> .

TRADING AND SETTLEMENT

Trading environment

Zagrebačka Burza or the Zagreb Stock Exchange (ZSE) is the only stock exchange in Croatia following the merger between the ZSE and the Varaždin Stock Exchange (VSE) on 19 March 2007. Securities traded in the market include equities, government and corporate bonds, and certificates.

Securities (stocks and bonds) are traded on the Zagreb Stock Exchange via the Xetra T7 electronic trading system.

The Vienna Stock Exchange operates the trading system for the ZSE as well as supplying a service and system package. The package includes real-time trading surveillance and data dissemination for the Croatian market, index calculation, downstream systems and specific database solutions and interfaces.

ZSE manages two markets: the Regulated Market and an MTF called Progress.

SEE Link

SEE Link is a joint stock company founded by the Zagreb, Macedonian and Bulgarian Stock Exchanges with the aim of creating a regional infrastructure that will enable the trading of companies listed on all three of the markets. SEE Link became fully operational at the end of March 2016 and has since added the Belgrade Stock Exchange (BELEX), the Ljubljana Stock Exchange (LJSE), Banja Luka Stock Exchange (BLSE) and the Sarajevo Stock Exchange (SASE) to its list of active members.

The system supports common and preferred shares, government bonds, and subscription rights and the first two years of membership will not be charged.

SEE Link has two blue chip equity indices, SEE LinX and SEE LinX EWI. The indices are composed of the 18 most actively traded regional companies listed on seven of its participating exchanges: 5 from Zagreb Stock Exchange, 3 from Bulgarian Stock Exchange, 2 from Macedonian Stock Exchange, 2 from Belgrade Stock Exchange, 4 from Ljubljana Stock Exchange, 1 from Banja Luka Stock Exchange and 1 from Sarajevo Stock Exchange. Both indices have the same constituents. SEELinX index is a market capitalisation weighted index adjusted for the free-float of each constituent, while SEELinX EWI is an equally weighted index with the same constituents.

ZSE Trading Hours

Continuous Trading

All securities except less liquid stocks and structured products are traded in trading procedure "Continuous Trading".

Session	Duration
Pre-Trading	08:00 - 09:00
Main-Trading:	
Opening Auction	09:00 - 09:30 ⁽¹⁾
Continuous Trading	09:30 ⁽²⁾ - 12:00
Intraday Auction	12:00 - 12:10 ⁽¹⁾
Continuous Trading	12:10 ⁽²⁾ - 15:55
Closing Auction	15:55 - 16:00 ⁽¹⁾
Trade-at-Close	16:00 ⁽³⁾ – 16:10
Post-Trading	16:10 - 16:25

Low Liquidity Trading

Session	Duration
Pre-Trading	08:00 - 09:00
Main-Trading:	
Opening Auction	09:00 - 11:00 ⁽¹⁾
Continuous Trading	11:00 ⁽²⁾ - 12:00
Intraday Auction	12:00 - 14:00 ⁽¹⁾
Continuous Trading	14:00 ⁽²⁾ - 15:00
Closing Auction	15:00 - 16:00 ⁽¹⁾
Trade-at-Close	16:00 ⁽³⁾ - 16:10
Post-Trading	16:10 - 16:25

Continuous Auction

The "Continuous Auction" trading procedure is intended for structured products.

Session	Duration
Pre-Trading	08:00 - 09:00

Main-Trading	09:00 - 16:00
Post-Trading	16:00 - 16:25

(1) earliest end (the opening auction and closing auction end with variable end which may take 15 seconds at most. Variable end is determined randomly for each instrument).

(2) earliest start

(3) earliest start. Trade-at-Close is initiated only for financial instruments that were traded during the Closing Auction, and if the Volatility Interruption, where applicable, has concluded by 16:10.

Settlement cycle on the ZSE is T+2 for all types of securities.

OTC Market

OTC trades can be reported to the Exchange by the Exchange members and other resident institutional investors.

Payment Systems

Payment operations in the Republic of Croatia are carried out through 3 payment systems: TARGET-HR, EuroNCS and EuroNCSInst.

The functioning of payment operations in the Republic of Croatia is regulated by a series of acts, which include: Payment System Act, Electronic Money Act, Act on the Implementation of EU Regulations Governing Payment Systems, Act on Settlement Finality in Payment and Financial Instruments Settlement Systems, as well as other EU regulations.

TARGET-HR is the component of TARGET system operated by the Croatian National Bank and determined as “the system” in accordance with Article 5, paragraph (1) of the Act on Settlement Finality in Payment and Financial Instruments Settlement Systems.

On 20 March 2023, a new consolidated T2-T2S platform was established on the level of the Eurosystem, as well as a new system called TARGET, which optimised liquidity management in both technical and functional aspects in all the TARGET Services, replacing the current TARGET2 system.

TARGET-HR replaced the national component of the TARGET2-HR system which became operational on 1 February 2016.

EuroNCS clears payment transactions initiated according to the European Payment Council scheme for the execution of SEPA credit transfers and SEPA direct debits. SEPA is the Single Euro Payments Area.

The EuroNCS payment system became operational on 6 June 2016 in accordance with the National SEPA Migration Plan. It cleared SEPA credit transfer payment transactions in

euro and, after the introduction of the euro as the national currency in RH, it also starts clearing SEPA direct debits in euro.

The Financial Agency (FINA), as the system owner and operating manager, is responsible for the implementation, the setting up and operational management of the EuroNCS payments infrastructure.

EuroNCSInst is a payment system for the execution of payment transactions in euro, between the payer and the payee, in almost real time (SEPA instant credit transfer). The SEPA instant credit transfer is a credit transfer that is executed in a very short period (in almost real time, in just a few seconds) – 24 hours a day, 7 days a week and 365 days a year (24/7/365). The Financial Agency (FINA) is the owner and operator of the EuroNCSInst payment system.

Settlement

DVP Level

Following the migration to T2S, securities and cash transfers are settled on a simultaneous, integrated Delivery-versus-Payment basis in the CSD.

BIS Models

SKDD (Trade-for-trade): Model 1 - Gross transfer of securities and funds.

Settlement in T2S is on a gross basis, although T2S may include technical netting in its optimisation procedures, either on the securities side or cash side or both. T2S accepts netted instructions from CCPs.

As part of the CSDR harmonisation process, SKDD introduced a tolerance level for cash settlement amounts (EUR 2 for a settlement amount of up to EUR 100,000 and EUR 25 for a settlement amount over EUR 100,000).

SKDD introduced a hold and release mechanism on 2 January 2025. The hold and release mechanism is a result of SKDD not meeting the exemption conditions prescribed in Article 12 of the regulatory technical standards (RTS) on settlement discipline. The condition not met relates to the annual rate of settlement fails by value which should be 0.5% and has reached 0.62% in 2023.

SKDD introduced an optional partial settlement on 1 July 2025. The new functionality

allows for partial settlement of transactions if both parties agree to it by setting the required settlement transaction condition indicator (STCO).

Partial settlement is available within the T2S settlement day either during the NTS (2nd batch) and during the five partial settlement windows of the DTS at 8.00am, 10.00am, 12.00pm, 2.00pm and 3.30pm.

Over-the-counter (OTC) trades

Treasury bills are traded over-the-counter (OTC) through local banks. OTC trading may also be used for bonds and commercial papers.

BIS Model for OTC trades is Model 1 – Gross transfer of securities

Obligatory OTC transaction reporting introduced as of 12 July 2013 for financial instruments listed on the regulated market in Croatia has been abolished for non-resident investors by the amendments to the Capital Market Act effective as of 1 January 2014.

Guarantee schemes

The Capital Market Act introduced a new investor protection scheme implemented and supervised by the HANFA in the form of an Investor Protection Fund. The Fund assets are used to pay out secured claims held by retail clients of the Fund Member unable to fulfil its obligations (in the case of bankruptcy or when HANFA decides that there it is likely that the Fund Member will not be able to fulfil its obligations in the near future).

Membership of the Fund is obligatory for:

- an investment firm authorised to hold client's funds and/or financial instruments
- a credit institution providing investment services and/or carrying out investment activities on the basis of an authorisation by the regulator.
- a management company of an open end investment fund with a public offer if it provides investment services of portfolio management and investment advice.

Claims covered by the Fund are:

- monetary claims in euros and currencies of Member States owed by a Fund Member to a retail client or belonging to a retail client, and which are held on behalf of the client in connection with investment services agreed with him (except claims covered by the law regulating the protection of deposits in credit institutions and claims arising out of

transactions in connection with which a criminal conviction has been obtained for money laundering)

- financial instruments belonging to a client of a Fund Member and held by him, administered or managed on behalf of the client in connection with investment services agreed with him.

Claims are covered up to the maximum of EUR 20.000,00 per a client of a Fund Member.

Buy-Ins

A buy-in practice is in place, but only for CCP trades. The participant member has to deliver the short position by the end of the first settlement cycle on the third business day after the intended settlement date (i.e. by 8.30am on SD+3) before the CCP initiates a buy-in.

SKDD-CCP charges a fixed fee of EUR 165.90 for initiation of the buy-in procedure. Moreover, participants are charged 0.5% fee per day for failure to deliver securities by settlement date, calculated on the total collateral value withheld in the market participant's buy-in account.

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MARKET INSTRUMENTS

The Croatian stock market is open to both foreign and local investors. Registered shares, bonds and T-bills are dematerialized (book entry only). All securities are denominated in EUR.

Foreign investors seeking to trade in Croatia must obtain an OIB (Personal Identification Number) from the Tax Administration, the administrative organisation within the Ministry of Finance. In order to comply with the provisions of the Law on OIB, SKDD regulates the opening of domestic and foreign clients accounts. Only the OIB is considered to be a valid tax number, OIB is not currently required to open omnibus custody account with SKDD.

Under the new ZSE Rules, the issuer of a listed instrument on the regular market will be required to provide information on dividends, general meetings and results of such meetings. And the issuer of a structured product will be obliged to provide information on changes of their characteristics and/or credit ratings.

Following an opinion from the Croatian National Bank (HNB) as final confirmation of the interpretation of Article 20 of the Credit Institutions Act, shares of any local credit institution must be safekept in a custody account under the name of the final beneficiary at the depository. Thus, holders or investors interested in acquiring these securities will have to open segregated beneficial owner accounts at the depository for which is necessary to obtain a personal identification number (OIB) from the local tax authorities.

Type of instruments

Equity instruments

- Shares
- Depositary receipts

Debt instruments

- Bonds
 - Corporate Bonds
 - Municipal Bonds
 - State Bonds
- Money Market Instruments

ETFs

Structured Products

- Turbo certificates
- Index certificates

Securities Identification

ISIN is the standard code for identification of securities in Croatia. Central Depository and Clearing Company Inc. (SKDD) of Croatia is responsible for allocating the ISIN numbers and they are member of the ANNA (Association of National Numbering Agencies).

TARGET2-SECURITIES IN CROATIA

The Croatian CDCC, SKDD is connected to T2S platform from October 11, 2023.

The most important amendments related to the CDCC migration to T2S system are as follows:

- the introduction of a new account structure – the transaction custody account does not have an impact on clients, because the names and numbers of the accounts in the CDCC system as well as in OTP bank's books remain unchanged;
- introduction of maintenance fee for equity and ETF positions on transaction accounts for CDCC Participants (custodians)– 0,006% on yearly basis, based on the assets valuation per last known market prices on the last working day in the month and introduction of maintenance fee for debt positions on transaction accounts for CDCC Participants (custodians)– 0,004% on yearly basis, based on the assets valuation per nominal value on the last working day in the month;
- adjustment of SWIFT settlement instructions with domestic securities by adding following mandatory fields:
 - :95P::ACOW – it is necessary to enter the OTP Bank's BIC for custody services OTPVHR20CUS (BIC of the CDCC member who sends the swift message). This becomes a mandatory STP field.
 - :97A::SAFE – – it is necessary to enter only the custody account number the client has opened in SKDD with OTP banka d.d.
 - :95P::DEAG or REAG - BIC of the counterparty mandatory and not short name.

SKDD introduced a hold and release mechanism on 2 January 2025. The hold and release mechanism is a result of SKDD not meeting the exemption conditions prescribed in Article 12 of the regulatory technical standards (RTS) on settlement discipline. The condition not met relates to the annual rate of settlement fails by value which should be

0.5% and has reached 0.62% in 2023.

SKDD introduced an optional partial settlement on 1 July 2025. The new functionality allows for partial settlement of transactions if both parties agree to it by setting the required settlement transaction condition indicator (STCO).

Partial settlement is available within the T2S settlement day either during the NTS (2nd batch) and during the five partial settlement windows of the DTS at 8.00am, 10.00am, 12.00pm, 2.00pm and 3.30pm.

ANTI-MONEY LAUNDERING REQUIREMENTS

As an EU member state, Croatia has implemented the EU AML directives (incl.2015/849) and is fully compliant on the prevention of the use of the financial system for the purposes of money laundering or terrorism financing.

The Act on the Prevention and Combating of Money Laundering and Terrorist Financing contains the detailed rules of the “Know Your Customer” procedures. Prior to establishing a business relationship, service providers shall apply due diligence measures for identifying the customer, the customer’s agent, proxy or other authorized representative and verifying their identity.

DISCLOSURE REQUIREMENTS FOR INVESTORS

According to article 482 of the Capital Market Act, when a natural person or a legal entity directly or indirectly reaches, exceeds or falls below the thresholds of 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of the total voting rights of a joint stock company registered in the Republic of Croatia, they shall notify the issuer and HANFA.

The disclosure report has to be presented to the regulator (HANFA) and to the Issuer of shares within two (2) trading days:

- from the day the investor found out or could have found out about acquiring, releasing or having voting rights;
- or found out about the issuer’s public announcement of changes in number of issued shares and other financial instruments such as futures, options, forwards, CFDs, swaps or any other agreements which have equivalent economic effect and give same rights to holder as stock ownership or the right to acquire stocks or changes in number of voting rights.

It is considered that the investor has found out or could have found out about acquiring, releasing or having voting rights latest within two (2) trading days from the day of transaction.

The Capital Market Act sets penalty for non or late disclosure in the amount that is a multiple of 1.000, which may not be less than 5% of the total revenue generated by the legal entity in the year in which the violation was committed, determined on the basis of the annual financial statements of the legal entity for that year.

If the amount of the fine is less than EUR 66.360,00, the legal entity will be penalized with a fine in the amount of EUR 66.360,00 to EUR 132.720,00.

Likewise, the responsible person of the legal entity will also be fined in the amount of EUR 66.360,00 to EUR 663.610,00.

For individual person, penalty is set in the amount of EUR 132.720,00 to EUR 2.000.000,00.

Threshold reporting is an obligation of the final beneficial owners. In the case of omnibus accounts, custodians monitor the thresholds for each client under the omnibus account and notify the client in the case of reaching, exceeding or falling below the legally defined thresholds on the best effort basis. Usually, the clients are notified when the assets are near to reach the threshold. Following the custodian's notification, clients can report to HANFA by themselves, or the custodian can report to HANFA on behalf and in the name of the client, provided a PoA is in place.

In addition, under Croatian regulations, an investor, who acquires 25% or more of a publicly listed company, is obliged to make a public tender offer to all shareholders.

According to the Credit Institutions Act and Insurance Act respectively, special approval is required for acquiring ownership rights.

Namely:

- when acquiring more than 10% (or qualifying holding of 20%, 30% or 50%) of shares in local credit institutions, foreign or domestic investors must get an approval from the Croatian National Bank (CNB).
- when acquiring more than 10% and further qualifying holding of 20%, 30% (33% - option valid for EU Member State residents only) or 50% in domestic insurance and

investment company, in stock exchange or depository agency, an approval must be obtained from Croatian Financial Services Supervisory Agency (HANFA).

The amendments to the foreign exchange law, published on 14 December 2006, abolished all restrictions on foreign investors investing in T-Bills issued by the Croatian Ministry of Finance and CNB-Notes, both in the primary and the secondary market.

Foreign investors seeking to trade in Croatia must obtain an OIB (Personal Identification Number) from the Tax Administration, the administrative organisation within the Ministry of Finance. In order to comply with the provisions of the Law on OIB, SKDD regulates the opening of domestic and foreign clients accounts. Only the OIB is considered to be a valid tax number, OIB is not currently required to open omnibus custody account with SKDD.

Under the new ZSE Rules, the issuer of a listed instrument on the regular market will be required to provide information on dividends, general meetings and results of such meetings. And the issuer of a structured product will be obliged to provide information on changes of their characteristics and/or credit ratings.

Following an opinion from the Croatian National Bank (HNB) as final confirmation of the interpretation of Article 20 of the Credit Institutions Act, shares of any local credit institution must be safekept in a custody account under the name of the final beneficiary at the depository. Thus, holders or investors interested in acquiring these securities will have to open segregated beneficial owner accounts at the depository for which is necessary to obtain a personal identification number (OIB) from the local tax authorities.

Nominee concept

There is legal recognition of 'nominee' ownership in Croatian law under the Article 80 of the Capital Market Act (65/18). The person whose name is in the register of shareholders is the legal owner.

Any person in Croatia, who provides nominee services pursuant to foreign laws on a professional basis to another person on whose behalf he acts, becomes an AML obliged person and is required to perform customer due diligence measures when establishing a business relationship. This include identification of a customer, verification of

identification and ongoing monitoring of the business relationship ensuring up-to-date information on the customer.

Shareholder Rights Directive II (SRD II)

The aim of Shareholder Rights Directive II is to establish rules promoting the exercise of shareholder rights at general meetings of companies with registered offices in the EU and the shares of which are admitted to trading on a regulated market in the EU.

The 2017 revision (Directive (EU) 2017/828) aims to encourage long-term shareholder engagement to ensure that decisions are made for the long-term stability of a company and take into account environmental and social issues.

SRD II allows individual member states to apply a de minimis threshold for shareholdings which can be the subject of shareholder identification requests. The maximum threshold cannot exceed 0.5% of an Issuer's shares. In Croatia a threshold is not implemented.

SRD II has been transposed into Croatian law in 2019 with effective date January 01, 2021.

The revised directive:

- facilitates shareholder identification and information flows between the shareholders and the company;
- improves the oversight of directors' remuneration;
- regulates related party transactions; and
- introduces greater transparency

PROXY VOTING

The majority of annual general meetings (AGM) in Croatia take place between April and August. Companies are required to announce annual meetings in the Official Gazette of the Republic of Croatia at least 30 days prior to the event and include details on the meeting type (ordinary or extraordinary), meeting date, meeting location, meeting time, meeting agenda.

Issuers listed in the official market must submit any resolutions passed at the AGM to the Exchange by the opening of the market on the next trading day. The Companies Act also stipulates that the AGM results should be published on the company's website no later than 7 days after the AGM took place, for companies that are listed on the regulated

market.

Positions are not blocked prior to the meeting.

Record date is set 21 days prior to the AGM, unless otherwise indicated by the issuer's Articles of Association. Entitlement is based on holdings on record date. In order to exercise voting rights, physical attendance is required, either by the shareholders themselves or by proxy, although the law allows for the possibility of remote voting. Partial and split voting are permitted.

Companies Act introduced the possibility to vote via a proxy card or electronically. These options, however, need to be contained within the company's statute.

The use of electronic voting is only permitted if:

1. Communication is carried out in real time at the time of the general assembly;
2. Communication is both-ways;
3. Shareholders are enabled to vote during or prior to the general assembly, and that their physical presence is not required at the place of the assembly;
4. The identification of shareholders, security of electronic communication, and non-tampering of votes cast is ensured.

Even though there is a legal basis to cast votes via a proxy card or electronically, this is not a market practice. As a result, physical presence of a shareholder or shareholder's representative at a meeting is required.

Local custodians may represent a foreign investor, but a Power of Attorney (POA) is required. The PoA should be given in written form and is commonly applicable only for that specific general meeting. Nevertheless, the proxy can be given a general POA, applicable until withdrawn. In such a case, the custodian is obliged to indicate to the client every year that POA might be withdrawn.

TAXATION

Withholding Tax

Dividend payments for foreign legal entities are subject to 10% withholding tax and 25% for investors based in non-cooperative tax jurisdictions. Interest payments for investors based in non-cooperative tax jurisdictions (except for interest from bonds) are subject to 25% withholding tax while foreign legal entities have full tax exemption.

The Croatian parliament adopted a bill amending the Corporate Income Tax Act on 25 November 2014, whereby withholding tax on dividends and shares in profit paid to foreign legal entities from profits realised before 29 February 2012 is abolished, unless it was realised in the period between 1 January 2001 and 31 December 2004.

For investors based in non-cooperative tax jurisdictions, a higher withholding tax (WHT) rate of 25% applies to dividends and interest - except for interest from bonds - when the following conditions are met:

- The income is paid to investors based in a country that is included in the EU list of non-cooperative tax jurisdictions;
- There is no tax treaty in place between Croatia and the country that the investor is based in.

The standard tax rates applied for Croatian instruments are:

Tax rates in Croatia from 01.01.2024.:	
Dividend income	
Foreign legal entities	10%
Private Individual (domestic and foreign)	12%
Interest income	
Legal entities and private individuals (domestic and foreign)	not subject to withholding tax over interest payments; 0%
Exemption for dividend and interest	25%, for investors based in non-cooperative tax jurisdictions (except for interest from bonds), not having a Double Taxation Treaty with Croatia
Capital Gains	

Private Individual (domestic and foreign)	12%
Stamp Duty	no
VAT	not applied on financial services but on safekeeping services is

Tax Reclaim

Application of DTT tax rates would be possible either by relief at source or by tax refunds within 3 years counting from the end of the year in which the payment was executed, after tax payment has been made.

In case that the country of Investor's origin has a ratified Double Taxation Treaty in place with Croatia then the provisions of the DTT will prevail. This means that the withholding rate will be applied in the amount specified in DTT. The deduction at source can be applied only if the official "Application for tax relief or tax refund for dividends under the agreement for the avoidance of double taxation" has been duly executed and presented to the domestic tax payer (i.e. legal entity that pays out dividends or interests or to SKDD, if the SKDD executes the income payment) at least one day prior to the dividend payment date. The relevant tax authority in the country of the Investor's origin must authorise the Application.

If pursuant to the treaty, the non-resident is exempt from tax payment, instead of the application, a certificate of residency can be submitted to the issuer.

In case that the DTT rate has not been applied at source then the reclaim is possible. The procedure for this is the same as for reclaim at source and Investor must submit duly executed Request to Croatian Tax Administration.

GLOSSARY OF ABBREVIATIONS

AGM	Annual General Meeting
AML	Anti-Money Laundering
ANNA	Association of National Numbering Agencies
BELEX	Belgrade Stock Exchange
BLSE	Banja Luka Stock Exchange
CCP	Central Counterparty
CM	Clearing Member
CNB	Croatian National Bank
DTT	Double Taxation Treaty
EMIR	European Market Infrastructure Regulation
Euro NCS	Euro National Clearing System
Euro NCS Inst	Euro National Clearing System Instant
FESE	European Securities Exchanges
FINA	Financial Agency
GCM	General Clearing Member
HANFA	Croatian Financial Services Supervisory Agency
LJSE	Ljubljana Stock Exchange
MTF	Multilateral Trading Facility
NCM	Non-Clearing Member
OIB	Personal Identification Number
OTC	Over-the-counter
POA	Power of Attorney
SASE	Sarajevo Stock Exchange
SEPA	Single Euro Payments Area
SKDD	Central Depository & Clearing Company
SRD II	Shareholder Rights Directive II
TARGET-HR	Trans-European Automated Real-time Gross Settlement Express Transfer System Hrvatska
VSE	Varaždin Stock Exchange
ZSE	Zagreb Stock Exchange
WHT	Withholding tax

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