

MEMORANDUM OF UNDERSTANDING
BETWEEN
THE FEDERAL FINANCIAL SUPERVISORY AUTHORITY
AND
THE CROATIAN NATIONAL BANK
IN THE FIELD OF BANKING SUPERVISION

1. The Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, hereinafter "BaFin") and the Croatian National Bank (hereinafter "CNB"), (both hereinafter referred to jointly as "the Authorities" and each "an Authority") express their willingness to cooperate on the basis of reciprocity as well as mutual trust and understanding and agree to base their co-operation in the field of supervision of Authorised Institutions on the principles and procedures outlined in this Memorandum of Understanding, in order to facilitate the performance of the Authorities' respective duties and to promote the adequate functioning of Authorised Institutions in Germany and/or in Croatia, according to their national legislation. Nothing in this Memorandum of Understanding will require either of the Authorities to provide information or assistance the disclosure or provision of which is restricted or prohibited by law or to act in any manner which is restricted or prohibited by law.

2. As the central body in accordance with the law on a single financial services supervisory authority ("Gesetz über die Bundesanstalt für Finanzdienstleistungsaufsicht"), the German Banking Act ("KWG") and other special laws, the BaFin is entrusted with the supervision of banks, insurance companies and investment firms in Germany. As an independent superior federal authority within the purview of the Federal Ministry of Finance, the BaFin forms a part of the direct federal administration. Exercising its sovereign functions, according to section 7 of KWG, the BaFin closely cooperates with the Deutsche Bundesbank in carrying out the supervision of banks and investment firms. The Deutsche Bundesbank is entrusted with the ongoing monitoring of banks and investment firms. The BaFin and the Deutsche Bundesbank are hereinafter jointly referred to as "German Banking Supervisors".

3. The CNB is the central bank of the Republic of Croatia (Croatia). As provided by the 2008 CNB Act (Zakon o Hrvatskoj narodnoj banci) and the 2002 Banking Act (Zakon o bankama), the CNB is responsible for the supervision of banks, savings banks, building societies and foreign bank branches on an individual basis and banking groups on the basis of consolidated financial statements and prudential reports. The CNB is not responsible for the supervision of insurance companies, pension and investment funds. The CNB regulates banking transactions and sets the standards for the stability and safety of the banking system in Croatia.

4. For the purposes of this Memorandum of Understanding, the concepts mentioned below will have the following meaning:

"Authorised Institution(s)": In Germany, an institution which is subject to BaFin supervision pursuant to section 1 subsections 1 and 1a of KWG, and in Croatia, institutions authorised under Articles 2 and 2a of the 2002 Banking Act and a building society established in accordance with the Act on Saving with a Building Society and Government Incentive to Saving with a Building Society, supervised by the CNB.

"Cross-Border Establishment(s)": A branch, a subsidiary, or a representative office of an Authorised Institution incorporated within the jurisdiction of one of the Authorities

and operating in the jurisdiction of the other Authority.

“Branch”: An organisational unit of an Authorised Institution incorporated in Germany or in Croatia and operating in the respective other country.

“Subsidiary”: An Authorised Institution incorporated in Germany or in Croatia, which is controlled by an Authorised Parent Institution in the respective other country.

“Authorised Parent Institution(s)”: A legal entity, which has a Cross-Border Establishment located in Croatia or in Germany, respectively.

"Home Supervisor": The Authority located in Germany or in Croatia, respectively, responsible for the supervision on a consolidated basis of an Authorised Institution.

"Host Supervisor": The Authority located in Germany or in Croatia, respectively, in which country an Authorised Institution is authorised to carry out banking activities through its Cross-Border Establishment.

“On-site Inspections”: The official inspections carried out at a Cross-Border Establishment by the Home Supervisor, through duly authorised auditors and/or examiners commissioned by the Home Supervisor.

Information regarding Authorised Institutions

5. The German Banking Supervisors and the CNB intend to co-operate in the supervision of Cross-Border Establishments of Authorised Institutions. The scope of co-operation encompasses the authorisation process (both issuance and revocation) as well as the ongoing supervision of Cross-Border Establishments. The German Banking Supervisors and the CNB intend upon specific request to share information in respect of Cross-Border Establishments which will enable or assist the recipient in the exercise of its supervisory functions. The BaFin will pass on information received from the CNB to the Deutsche Bundesbank, having regard to the domestic allocation of responsibility for the supervision of Authorised Institutions in Germany, on the basis that the Deutsche Bundesbank will preserve the confidentiality of the information and will not disclose it without the prior written consent of the CNB to third parties and otherwise in accordance with the provisions of this Memorandum of Understanding. The Authority or, as the case may be, the Deutsche Bundesbank providing the information referred to in this paragraph may attach conditions to any such disclosure of information prohibiting any further disclosure of such information without the prior consent of the provider.

Licensing

6. If an Authorised Institution based in one of the two jurisdictions applies to the Authority of the other jurisdiction to establish a Branch, the latter will inform the Home

Supervisor without delay. If the adequacy of home supervision is a statutory prerequisite which the Host Supervisor needs to address in the licensing procedure, the Host Supervisor will contact the Home Supervisor to settle any questions in this regard.

7. The Home Supervisor intends to inform the Host Supervisor whether the applicant is fully subject to and complies with the domestic banking regulation, and whether it is expected in the light of its administrative structure and internal control to run the Cross-Border Establishment in an orderly and proper manner. The Home Supervisor intends to disclose any piece of available information to the Host Supervisor which might give rise to doubts as to the fitness and properness of the prospective managers of the Cross- Border Establishment.

Co-operation concerning owner control

8. The Authorities intend to consult before granting authorisation to a Subsidiary of an Authorised Institution authorised in the other jurisdiction or assessing any acquisition of a holding in a domestic Authorised Institution through an Authorised Institution licensed in the jurisdiction of the other Authority. In order to verify declarations made by Authorised Institutions or Cross-Border Establishments regarding ownership issues, the Authorities intend to exchange information available to them.

Ongoing supervision and corrective action

9. The German Banking Supervisors and the CNB will endeavour to inform each other, in good time and to the extent reasonable, about any event which has the potential to endanger the stability of Authorised Institutions having Cross-Border Establishments in the respective other jurisdiction. They will also endeavour to notify each other of administrative penalties which they have imposed or any other action which they have taken in respect of such a Cross-Border Establishment as Host Supervisor or on the Authorised Parent Institution as Home Supervisor if such information in their judgement is likely to be important to the other Authority to assist that other Authority in the exercise of its functions.

10. The German Banking Supervisors and the CNB intend to discuss with each other any significant information on Authorised Institutions having Cross-Border Establishments in the other jurisdiction which is likely to be relevant to the recipient to assist that other recipient in the exercise of its functions. Relevant matters are in particular: concerns about the financial soundness of an Authorised Institution (failure to meet capital adequacy or other financial requirements, significant losses, rapid decline in profits or a deterioration in profitability), concerns relating to compliance or control procedures, concerns arising from supervisory visits, prudential interviews or reports from and communications with an Authorised Institution or other regulatory body (subject to obtaining any necessary consent from any such regulatory body), concerns arising from late or inaccurate prudential returns and concerns relating to supervisory arrangements in third countries (subject to obtaining any necessary consent

from any relevant third country regulatory body).

11. Representatives of the German Banking Supervisors and the CNB will endeavour to convene ad-hoc meetings to promote the resolution of supervisory problems concerning a Cross-Border Establishment in the respective other jurisdiction, whenever either side reasonably requests so on the basis that it has a material supervisory concern.

Financial Crime

12. The Authorities intend to co-operate closely when they identify suspected financial crime activities in supervised Authorised Institutions. For the purposes of this Memorandum of Understanding, financial crimes include in particular: money laundering, financing of terrorism and all violations of law on financial markets. This also includes unauthorised banking or financial services business. The Authorities will endeavour to share information on financial crime concerning the respective Authorised Institutions which carry out cross-border activities in the other jurisdiction or which could affect the other jurisdiction. They may pass on this information, with prior written consent received from the providing Authority and subject to any conditions which may be attached to that consent, for regulatory or law enforcement purposes to relevant regulatory or law enforcement authorities in their jurisdiction.

Crisis situations

13. The German Banking Supervisors and the CNB intend to inform each other without delay if they learn of an incipient crisis relating to any Authorised Institution supervised by either of them which has Cross-Border Establishments in the respective other jurisdiction.

On-site Inspections

14. The Authorities agree that co-operation is particularly useful in assisting each other in carrying out On-site Inspections of Cross-Border Establishments. The Authorities will provide full support to each other in such inspections, notwithstanding that the Home Supervisor shall regulate on its own the relations with Cross-Border Establishments in respect of the access of the auditors and/or examiners for the purpose of On-site Inspections. In this regard, an Authority will not impede the other Authority's free access to such Cross-Border Establishment.

15. The Authorities will notify each other at least three months in advance of any planned On-site Inspection, giving details of the names of the auditors and/or examiners, the purpose of the inspection and its expected duration.

16. The Authorities may accompany any such On-site Inspection carried out by the Authorities themselves or the auditors and/or examiners commissioned by the

Authorities. In case where the legislation of the Host Supervisor requires that prior approval should be obtained for the conduct of On-site Inspection, the auditors and/or examiners commissioned by the Authorities will obtain such a prior approval.

17. The Authorities will keep each other informed of the results of inspections to the extent reasonable and in a timely manner. If an Authorised Parent Institution in the home country has been examined along with its Cross-Border Establishments, the Home Supervisor will provide the Host Supervisor with a summary report on the findings which bear relevance to the Cross-Border Establishment.

18. If a Cross-Border Establishment has been subjected to an on-site inspection, the Host Supervisor will provide the Home Supervisor with a summary report on the findings that bear relevance to the Authorised Parent Institution.

Professional secrecy

19. Compliance with the obligation of professional secrecy and confidentiality by all employees of an Authority as well as auditors and/or examiners commissioned by it who receive confidential information from the other Authority in the course of their activities is a necessary condition for a successful co-operation between the Authorities. The Authorities agree that any confidential information shared through these arrangements will be used only for lawful supervisory purposes.

20. The Authorities will maintain the confidentiality of all information received through these arrangements from each other and will not disclose any such information other than as necessary to carry out their supervisory responsibilities without first obtaining the prior written consent of the other Authority and then only in accordance with the conditions (if any) attached by the providing Authority.

21. Each Authority will, if it receives any legally enforceable demand for information received from the other Authority or acquired in the course of an On-site Inspection in the other Authority's jurisdiction pursuant to which it is obliged by law to disclose such information (notwithstanding any other provision of this Memorandum of Understanding), promptly notify the other Authority and will co-operate in seeking to preserve so far as legally possible the confidentiality of such information.

22. The BaFin will pass on the information received from the CNB to the Deutsche Bundesbank to the extent that such information is of significance for the performance of the functions of the Deutsche Bundesbank as outlined in Section 7 of KWG, on the basis that the Deutsche Bundesbank will only use the information for lawful supervisory purposes and will not disclose the information to any other person without the prior written consent of the CNB.

Technical arrangements

23. In order to enhance the quality of co-operation, representatives of the German Banking Supervisors and the CNB will endeavour to convene periodically to discuss issues concerning Authorised Institutions which maintain Cross-Border Establishments within their respective jurisdictions. In these meetings they will also review the effectiveness of these arrangements.

24. Written requests will be addressed to the Head of International Policy/Affairs, in the case of the BaFin, the Central Office, in the case of the Deutsche Bundesbank and to the Executive Director of Prudential Regulation and Bank Supervision Area, in the case of the CNB.

25. The Authorities will endeavour to ensure that they provide each other with the relevant lists of licensed and Authorised Institutions which they have authorised. They will also endeavour to advise each other upon request on any aspect of their regulatory systems and notify any major change in their domestic rules and regulations within their jurisdiction which is likely to have a significant bearing on the activities of Cross-Border Establishments.

26. The co-operation and assistance in accordance with this Memorandum of Understanding is intended to continue until the expiration of 30 days after either Authority gives written notice to the other Authority of its intention to discontinue co-operation and assistance. If either Authority gives such notice, the Authorities will nevertheless endeavour to continue cooperation and assistance in accordance with this Memorandum of Understanding with respect to all requests for assistance that were made before the effective date of notification until the requesting Authority withdraws the matter for which assistance was requested. In the event of termination of this Memorandum of Understanding, information obtained under this Memorandum of Understanding will continue to be treated confidentially.

27. This Memorandum of Understanding will enter into force as of the date of the last signature and will remain in existence until either party notifies the other in writing of its wish to revise or amend it or withdraw from this Memorandum of Understanding. Thirty days' notice of any such action will be given.

28. This Memorandum of Understanding will be modified by the Authorities' mutual consent. The modifications will be formalised in writing specifying the date they will come into force.

29. This Memorandum of Understanding is a statement of intent and does not, and is not intended to, create any legally binding obligations. No provision of this Memorandum of Understanding is intended to give rise to the right on the part of any person, entity or governmental authority, directly or indirectly, to obtain any information or to challenge the execution of a request for information under this

Memorandum of Understanding.

30. Without prejudice to paragraph 29. above, the Authorities acknowledge their mutual intention that provision of, or requests for, information under this Memorandum of Understanding may be denied (a) where compliance would require the BaFin or the CNB to act in a manner that would violate applicable law or any agreement entered into before the date of this Memorandum of Understanding, (b) on grounds of public interest or national security or (c) when compliance with a request for provision of information would interfere with an ongoing investigation in circumstances where the prejudice to the investigation is likely to outweigh the adverse effects of denying the information.

31. Any difference derived from the interpretation or application of the provisions of this Memorandum of Understanding will be solved by the Authorities in common agreement.

32. This Memorandum of Understanding is signed in duplicate in the English language.

Signatures

For the
Bundesanstalt für
Finanzdienstleistungsaufsicht

Jochen Sanio
President

Dated 19 November 2008

For the
Croatian National Bank

Željko Rohatinski
Governor

Dated 5 November 2008