

MEMORANDUM OF UNDERSTANDING

between

FINANCIAL SUPERVISION AUTHORITY OF FINLAND (RAHOITUSTARKASTUS)

AND

ESTONIAN FINANCIAL SUPERVISION AUTHORITY
(FINANTSINSPEKTSIOON)

regarding co-operation in the supervision of the Sampo Bank Group

24 March 2006

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MEMORANDUM OF UNDERSTANDING

Between Financial Supervision Authority in Finland (hereinafter "Rahoitustarkastus"), and the Estonian Financial Supervision Authority (hereinafter "Finantsinspektsioon") regarding co-operation in the joint supervision of financial institutions belonging to Sampo Bank Group in Estonia and supervised by the above-mentioned authorities. The Estonian and Finnish Supervisory Authorities jointly are later on also referred to as "Parties")

By this Memorandum, the Parties lay down the principles and procedures applicable to the supervision.

The present Memorandum of Understanding regulates only the co-operation and responsibilities of the Supervisory Authorities in the supervisory activities as provided for in the Directive of the European Parliament and of the Council relating to the taking up and pursuit of the business of credit institutions (2000/12/EC).

The Memorandum also reflects CEBS Guidelines for co-operation between consolidating and host supervisors.

The Memorandum covers the following areas:

1. Structure and operations of the Sampo Group in broad outline
2. Objectives of the Memorandum of Understanding
3. Supervisory responsibility of individual supervisory authorities
4. Contents and form of supervision
5. Crisis management
6. Revision of the Memorandum of Understanding
7. Languages of the Memorandum of Understanding
8. Other conditions

In addition to the present Memorandum of Understanding, there are other Memoranda of Understanding and co-operation agreements concerning the Sampo group or its subgroups between supervisory authorities.

1 Structure and operations of the Sampo Group in broad outline

The Sampo Group is a financial conglomerate active in banking, insurance and investment services in the Nordic countries and the Baltic States.

Sampo plc in Finland is the parent company of the Sampo Group.

The legal structure of the Sampo Group is described in an annex to this Memorandum.

2 Objectives of the Memorandum of Understanding

By this Memorandum, the parties lay down the principles and procedures for supervision of credit institutions and other financial institutions belonging to the Sampo Bank Group in Estonia.

The aim is to guarantee effective and comprehensive supervision.

The parties shall endeavor to develop close co-operation in order to achieve effective supervision and minimize the possibilities of regulatory and supervisory overlaps as well as gaps. It is important that the parties work to ensure for their part a joint risk assessment of the Sampo Bank Group and also the whole Sampo Group.

3 Supervisory responsibility of individual competent supervisory authorities

3.1 Supervisory responsibility of Rahoitustarkastus

Consolidating supervisor

In line with Directive 2000/12/EC, Rahoitustarkastus is the consolidating supervisor and thus responsible for the co-ordination and exercise of consolidating supervision concerning Sampo Bank Group.

3.2 Supervisory responsibility of Finantsinspektsioon

Finantsinspektsioon, acting as the host supervisor, conducts daily supervision over the activities and solvency of the entities of the Sampo Bank Group in Estonia on a solo and sub-consolidated basis over the fulfillment of capital requirements, corporate governance, internal control and risk profile monitoring utilizing thereby its supervisory powers, i.e. both off-site and on-site methods as provided for in the Estonian Credit Institutions Act.

4 Contents and form of supervision

4.1 Contents

The contents of co-operation and exchange of information between the competent authorities have been laid down in Directive 2000/12/EC.

4.2 Form

The parties confirm in unison that the Estonian subsidiaries of Sampo Bank plc are systemically important for the stability of the financial market in Estonia and for the financial soundness of the whole Sampo Group as well. For that reason it is important to pay special attention to the deepening of the co-operation between authorities.

4.3 Exchange of information

The co-operation between Rahoitustarkastus and Finantsinspektsioon aims at ensuring an

efficient exchange of information.

The exchange of information should be proportionate and risk-focused in order to avoid an unnecessary information flow. It should be as spontaneous as possible, allowing both authorities to take initiative, and information should always be provided on a timely basis.

Information shall be regarded as essential if it could materially influence the assessment of the financial soundness of the subsidiaries in Estonia or the solidity of Sampo Bank Group.

The parties shall, to the extent possible, assist each other in the collection of information from Sampo Bank Group required by the other party for the exercise of adequate supervision, including inter alia the anti-money laundering issues.

4.4 Risk identification and assessment

The parties shall, each for its part, ensure that a risk assessment of Sampo Bank Group is undertaken annually. The risk assessment shall provide the basis for proactive supervision of Sampo Bank Group and, if possible, be undertaken using the method employed by Rahoitustarkastus.

Each authority shall itself be responsible for the evaluation and production of relevant information to serve as a basis for the risk assessment.

The risk assessment of Sampo Bank Group shall contain an analysis of all the substantial risks pertaining to the group.

In the analysis, particular attention shall be focused on

- corporate governance and organization
- the risk profile and monitoring and control within substantial risk areas
- capital requirements and capital allocation in respect of risks and companies within the group
- transactions and exposures within the group and their importance
- financial contingency through access to liquidity and extra capital.

The risk assessment shall include proposals for supervisory measures to be carried out in the coming year and an assessment of capital adequacy.

4.5 Consolidation of supervision

The parties should endeavor to coordinate in so far as possible the on-site inspections of the supervised entities in Estonia. In planning on-site inspections, account should be taken of the individual circumstances of the companies concerned so that a general view of Sampo Bank Group as a whole can be reached.

4.6 Performing supervisory tasks

Rahoitustarkastus collates the findings of the supervisory authorities on bank group level,

draws conclusions and, if deemed necessary, reports the outcome of the work to Finantsinspeksioon and to Sampo Bank Group.

Finantsinspeksioon will report the findings of any task to Rahoitustarkastus on a timely basis and in accordance with the mutually approved principles.

When planning an on-site examination in the entities of Sampo Bank Group in Estonia the Parties shall make a notice to the other party of it, at least 30 days beforehand indicating the names of the examiners as well as the commencement, duration and subject matter of the on-site examination. In case of emergency shorter notice period will be acceptable. Such a notice shall not be made when an on-site examination by the host country is planned to be strictly limited to the local affairs of the entity only.

The results of the on-site inspections carried out by Finantsinspeksioon shall be circulated and/or discussed by the supervisory authorities, especially in cases the issues investigated or revealed during the on-site examinations go beyond the local matters of the entities of the Sampo Bank Group in Estonia.

4.7 Ongoing supervision

Rahoitustarkastus shall report any significant matters of mutual interest, which arise during the ongoing supervision of Sampo Bank Group that may be relevant to Finantsinspeksioon. Rahoitustarkastus shall plan, co-ordinate and organize possible supervisory actions and communicate these regularly to Finantsinspeksioon.

4.8 Contacts with other supervisory authorities

Rahoitustarkastus is responsible for the maintenance of contacts and correspondence with the supervisory authorities which fall outside the scope of the present Memorandum concerning the matters reviewed.

4.9 Regular meetings

The parties strive to arrange annual meetings for intensifying their co-operation and ensuring an efficient exchange of information.

Rahoitustarkastus will present to Finantsinspeksioon the annual risk assessment after it has been finalized.

4.10 Other provisions

Rahoitustarkastus and Finantsinspeksioon shall be responsible for compiling a list of contact persons handling issues related to Sampo Bank Group. The list shall indicate names, telephone and fax numbers, e-mail addresses and areas of responsibility.

Rahoitustarkastus shall be responsible for updating the organizational chart representing the companies in Sampo Bank Group. The chart shall be submitted to Finantsinspeksioon annually and whenever a major change occurs.

5 Crisis management

The parties shall immediately notify the other party of any material events affecting the Sampo Bank Group or its subsidiaries in any way that they become aware of, such as an imminent crisis.

Should either party intend to impose sanctions or take any other substantial action against Sampo Bank Group or its subsidiaries, the other party shall be notified of such intention as early as possible to ensure appropriate co-ordination of such measures, preferably before the action is taken.

The provisions of the Memoranda of Understanding 2003 and 2005 on high-level principles of co-operation between the banking supervisors and central banks and ministries of finance of the European Union in crisis management situations shall also apply to co-operation in the supervision of Sampo Bank Group and its subsidiaries.

The responsibility of Rahoitustarkastus in the exercise the supervision also comprises coordination of the collection and provision of relevant or essential information both on a continuous basis and in crisis situations, including the provision of information which is important for another competent authority's exercise of supervisory responsibilities under the sectoral rules.

6 Revision of the Memorandum of Understanding

The parties recognize that the organizational circumstances of both Sampo Bank Group and the supervisory authorities as well may change and that such changes may necessitate modification of the present Memorandum. Similarly, the Memorandum may have to be revised to account for new legislation, or for any other reason.

7 Languages of the Memorandum of Understanding

This Memorandum of Understanding is drafted in English.

24 March 2006

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On behalf of Rahoitustarkastus

On behalf of Finantsinspeksioon


Kaarlo Jännäri
Director-General


Raul Malmstein
Chairman of the Management Board