

MEMORANDUM OF UNDERSTANDING

between

RAHOITUSTARKASTUS IN FINLAND AND
FINANTSINSPEKTSIOON IN ESTONIA

regarding cooperation in the supervision of Nordea Bank Finland Plc's
branch in Estonia

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MEMORANDUM OF UNDERSTANDING

between the Financial Supervision Authority in Finland (hereinafter Rahoitustarkastus) and the Estonian Financial Supervision Authority in Estonia (hereinafter Finantsinspektsioon) regarding cooperation in the joint supervision of the Nordea Bank Finland Plc's branch in Estonia.

The present Memorandum of Understanding regulates the cooperation and responsibilities of the authorities in the banking supervision according to the Directive relating to the taking up and pursuit of the business of credit institution (2000/12/EC) especially as regards the principles and technical instruments for prudential supervision of the branch, reflecting also CEBS Guidelines for co-operation between consolidating and host supervisors

By this Memorandum, the parties lay down the principles and procedures applicable to the supervision of the branch, which is inseparable part of the Bank.

The Memorandum covers the following areas:

1. Structure and operations of the Nordea Bank Finland Plc in broad outline
2. Objectives of the cooperation
3. Supervisory responsibility of individual competent supervisory authority
4. Specific forms of cooperation
5. Crisis management
6. Revision of the Memorandum of Understanding
7. Languages of the Memorandum of Understanding
8. Other conditions

1 Structure and operations of the Nordea Bank Finland Plc in broad outline

Nordea Bank Finland Plc (hereinafter referred to as the "Bank") is a banking company which belongs to the Nordea group and operates in the banking and securities sectors in Finland and through branch in Estonia (hereinafter referred to as the "Branch").

The parent company of Nordea Bank Finland Plc is the Swedish bank Nordea Bank AB (Publ), which has its domicile/is incorporated in Sweden.

The legal structure of the Nordea group is described in an annex to this memorandum.

2 Objectives of the cooperation

By this Memorandum, the parties lay down the principles and procedures for supervision of the Branch. The supervision covers the Bank's various business areas in Estonia in accordance with the business structure of the Bank.

The aim is to guarantee effective and comprehensive supervision of the Bank and to promote financial stability in Estonia.

3 Supervisory responsibility of the individual competent supervisory authority

3.1 Legal supervisory responsibility of Rahoitustarkastus

In line with Directive 2000/12/EC, it is confirmed that Rahoitustarkastus is the home country supervisor of the Bank. The main tasks of the home country supervisor are defined in Article 26 of Directive 2000/12/EC.

Rahoitustarkastus is responsible for the prudential supervision of the Bank and its Branch in Estonia. Prudential supervision of the Branch is subject to cooperation between Rahoitustarkastus and Finantsinspeksioon as stipulated in this document following CEBS's guidelines on effective cooperation.

3.2 Legal supervisory responsibility of Finantsinspeksioon

In line with Directive 2000/12/EC it is confirmed that Finantsinspeksioon is the host country supervisor and its main tasks are defined in Article 27 of the Directive.

Finantsinspeksioon is responsible for the supervision of the liquidity of the Bank's Branch in Estonia.

The supervision of market risks is subject to close cooperation between Rahoitustarkastus and Finantsinspeksioon.

4 Specific forms of cooperation

Rahoitustarkastus and Finantsinspeksioon confirm in unison that the Branch is systemically important for the stability of the financial market in Estonia. For that reason it is important to pay special attention to the deepening of cooperation between authorities. However, this does not affect the legal responsibilities of the parties.

Exchange of information

The cooperation between Rahoitustarkastus and Finantsinspeksioon should aim at ensuring an efficient exchange of information.

The exchange of information should be proportionate and risk-focused to avoid an unnecessary information flow. It should be as spontaneous as possible, allowing any supervisor to take initiative, and it should be provided on a timely basis.

Information shall be regarded as essential to be exchanged in both ways if it could materially influence the assessment of the financial soundness of the Bank's Branch in Estonia or the solidity of the Bank.

Rahoitustarkastus, as the home country supervisor of the Bank, shall provide the Branch's supervisors with all relevant information on the Bank including any possible changes in the plans and strategies of the Bank with regard to its activities on the Estonian market. In order to ascertain the liquidity of the Branch Finantsinspeksioon is entitled to carry out on-site examinations in the Branch.

In addition to this, the supervisory authorities shall, to the extent possible, assist each other in the collection of information from the Branch required by another supervisory authority for the exercise of effective supervision.

Onsite supervision

Upon prior notification of Finantsinspektion, Rahoitustarkastus may verify on-site the correctness of information specified in Directive 2000/12/EC by itself or by using intermediaries designated for this specific purpose.

Finantsinspektion may also check on site the liquidity of the Branch, the correctness of information specified in Directive 2000/12/EC and financial statements.

Risk identification and assessment

Rahoitustarkastus and Finantsinspektion need to fully understand the risks of the Branch. Rahoitustarkastus produces a risk assessment based on its own knowledge and the possible input from Finantsinspektion on risks in the Estonian markets. Rahoitustarkastus communicates an overall assessment of the Bank. Finantsinspektion will send an annual contribution for the annual risk assessment on the Bank.

By the request of Rahoitustarkastus as the home country supervisor, Finantsinspektion shall communicate to Rahoitustarkastus the assessment of market developments which might have influence on the group, liquidity assessment of the Branch and other statutory reporting assessments.

By the request of Finantsinspektion as the host country supervisor, Rahoitustarkastus shall communicate Finantsinspektion for all information necessary to ensure effective supervision of the liquidity of the Branch.

Planning of supervisory actions

Rahoitustarkastus may consider the possibility of requesting Finantsinspektion to undertake work or provide assistance in the supervision of the Branch. Rahoitustarkastus will retain responsibility for the planning on such actions.

If requested by Rahoitustarkastus, Finantsinspektion shall consider whether to undertake work on its behalf. This assistance will not lead to any statutory responsibilities; Rahoitustarkastus will retain full authority and responsibility for supervisory decisions and actions.

Performing supervisory tasks

Rahoitustarkastus collates the findings of Finantsinspektion, draws conclusions and reports the outcome of the work to Finantsinspektion and to the Bank. Finantsinspektion communicates directly with the Bank with the consent of Rahoitustarkastus and independently with the Branch with regard to issues limited to the local importance.

Finantsinspektion will report the findings of any task related to the Branch going beyond the mere local importance to Rahoitustarkastus on a timely basis and in accordance with agreed principles.

Ongoing supervision

Rahoitustarkastus shall report any significant matters that arise during the ongoing supervision of the Branch that may be relevant to Finantsinspeksioon. Rahoitustarkastus shall plan, coordinate and organise possible supervisory actions and communicate these regularly to Finantsinspeksioon.

Contacts with other supervisory authorities

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

Regular meetings

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

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

Other provisions

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

Rahoitustarkastus shall be responsible for updating the organisational chart representing the consolidation group of the Bank and its Branch, representative offices and information on the exercise of the freedom of providing services. The chart shall be submitted to the Estonian supervisory authority annually and whenever a major change occurs.

5 Crisis management

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

Should either of the authorities intend to impose sanctions or take any other substantial action against the Bank or its Branch, the other authority shall be notified of such intention as early as possible to ensure appropriate coordination of such measures, preferably before the action is taken.

The provisions of the Memorandum of Understanding 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 cooperation in the supervision of the Bank and its Branch.

The responsibility of Rahoitustarkastus in the exercise of 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 recognise that the organisational circumstances of both the Bank and its Branch and the supervisory authorities 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 and the language of co-operation shall be English

8 Other conditions

The previous Memorandum of Understanding dealing with the cooperation of banking supervision and dated 20.12.2000 shall be deemed as void.

On behalf of Rahoitustarkastus


Date: Jan. 2, 2006



Kaarlo Jänhär
Director General

On behalf of Finantsinspektsioon

Date: Feb. 2, 2006



Raul Malmstein
Head of the Management Board

