OPERATIONS AND PERFORMANCE 1996

NOVA

For Security and Good Return

Contents

Nova Life Insurance Company focuses on collective life assurance and supplementary pension insurance arrangements for corporate management and staff. By specializing in this way, Nova aims to achieve a pioneering standing of major significance on the Finnish insurance market. Nova is a reliable partner and offers its customers competitive insurance benefits.

Nova's key figures .... 4 – 5

Managing Directors' Report....................................... 6 – 7

Healthy growth and profitability .... 8 – 9

Annual Report 1996 .... 10 – 12, 33 – 38

Statement of source and application of funds.......... 14

Profit and loss account............ 15

Balance Sheet .... 16 – 17

Notes on the accounts

- *Accounting principles* ... 18 – 19
- *Notes to the profit and loss account* .... 20 – 22
- *Notes to the balance sheet*.................. 23 – 30
- *Calculation formulas for the key figures* .... 30 – 31

Auditors' report 39

Statement of the Supervisory Board 39

The Sesam system .... 40 – 41

The people behind the performance.......... 42

Nova's key figures

1. *Solvency (FIM million)*

	1996	1995	1994
Solvency margin	1 439	794	470
Minimum solvency margin	358	324	217
Equalization amount	31	28	25
Solvency capital	1 470	823	495
Supplementary insurance fund	261	206	108
KEY FIGURES PERTAINING TO SOLVENCY			
Solvency ratio	117,4	110,7	109,7
Solvency margin ratio	402,0	245,1	216,6
Relative change in solvency capital before distribution of profit %	8,2	8,4	1,3
Return on capital %	12,0	12,3	5,1

2. *Profit (FIM million)*

	1996	1995	1994
PROFIT			
Investment result			
Net investment income	530	563	225
Calculated interest on technical provisions	-318	-269	-144
Investment result	212	294	81
Administrative result	0	29	6
Technical result	14	27	24
Total result	227	349	111
USE OF PROFIT			
Client bonuses	-121	-127	-90
Transfer to supplementary insurance fund	-41	-98	-5
Other reserves	-11	-17	-1
Depreciation on goodwill	-3	-2	0
Taxes	-15	-26	-4
Profit for the financial year	**37**	**78**	**11**

3. *Efficiency*

	1996	1995	1994
Staff	102	94	74
Operating expenses, of premiums written %	5.7	1.7	5.3
Operating expenses, of opening balance %	0.8	0.9	1.0
Expense ratio %	99.8	62.4	86.6

4. *Volume*

	1996	1995	1994
Number of insured	92 700	84 400	65 500
Pensioners	15 500	15 000	11 700
Premiums written, FIM million	948	2 823	781
Claims paid, FIM million	538	541	375
Technical provisions, FIM million	8 745	7 936	5 248
Balance sheet at current values, FIM million	10 298	8 960	5 837
Market share, of total premiums written %	8.0	40.0	20.0
Market share, of group pension insurance premiums written %	54.0	88.0	65.0

5. *Investments at current values (FIM million)*

	1996	%	1995	%	1994	%
Investments in land and buildings						
Hydro power plants	745	7.7	676	7.9	679	13.7
Other	1 097	11.3	1 205	14.0	179	3.6
Shares	2 076	21.4	866	10.1	992	20.0
Bonds	3 991	41.1	3 070	35.7	925	18.7
Debt securities	446	4.6	1 181	13.7	400	8.1
Loans receivable	1 233	12.7	1 426	16.6	1 674	33.8
Other investments	124	1.3	183	2.1	105	2.1
	9 712	100.0	8 607	100.0	4 956	100.0

For calculation formulas, see pp 31-32.

Some 90% of Nova's liabilities comprise long-term pension liabilities. This means the company can pursue a long-range investment policy that ensures a good return in all economic situations.

Nova's official accounts can be viewed at the company's head office, at Bulevardi 7, Helsinki.

The good results of investment operations in 1996 are primarily reflected as an improvement in solvency to the level of the second highest denominated in Finnish markka among all Finnish life insurance companies.

Stable Development Amid Global Change

Kari Stadigh, *Managing Director*

In 1996, premiums written for life insurance companies in Finland exceeded FIM 10 billion for the first time ever, and indeed almost reached FIM 12 billion. This represented a 70% increase on the previous year. The better part, in fact, some 70% of premiums written in the sector, consisted of single endowment insurance premiums.

In accordance with its business idea, Nova Life Insurance Company focuses on supplementary pension arrangements for companies and individuals, where it is the market leader in Finland, especially where group pension insurance is concerned. In 1996, Nova accounted for over 50% of premiums written in voluntary group pension insurance in Finland. Nova also stood out in the provision of supplementary pension coverage for corporate management. Premiums written for Innova voluntary individual pension insurance went up by 48% in 1996, thus increasing the market share in a highly competitive market.

The total number of insured grew by 10% to 92,700.

During 1996, Nova's capital and reserves grew by 58% to FIM 402 million, the solvency margin rose by 80% to FIM 1,439 million and the supplementary insurance fund by 27% to FIM 261 million. 1996 was thus a successful year for Nova.

The bonuses granted by Nova to its insured were among the highest in the sector in 1996. The improvement in solvency, together with the accumulated supplementary insurance fund, makes a solid foundation for maintaining competitive bonuses in the future, too.

90% of Nova's liabilities consist of long-term pension commitments. This allows the company to pursue a long-term investment policy aimed at protecting return on investment from economic fluctuation. The low level of general interest rates and the favourable stock-market trends which have now continued for some time inspire caution, however. When Nova expanded its investments abroad, one of its aims was thus to spread the risks. Nova pursues a conservative policy in its investment strategies. The company is closely following progress towards EMU and preparing for possible market changes.

In 1996, Nova exceeded the aims set for operations by the Board of Directors. Thanks for this are due to both our clients and our entire staff.

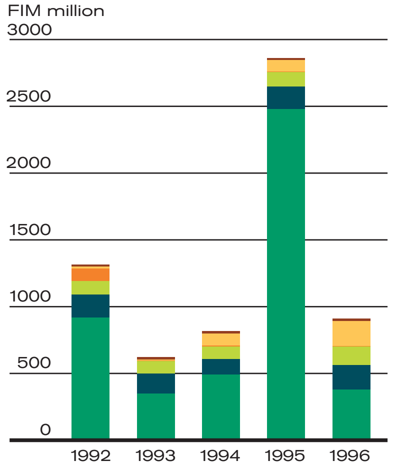
Kari Stadigh

April 1997

The bonuses paid out by Nova to its insured in 1996 were among the highest in the sector. The increase in solvency, combined with the larger supplementary insurance fund, makes a good basis for competitiveness in future, too.

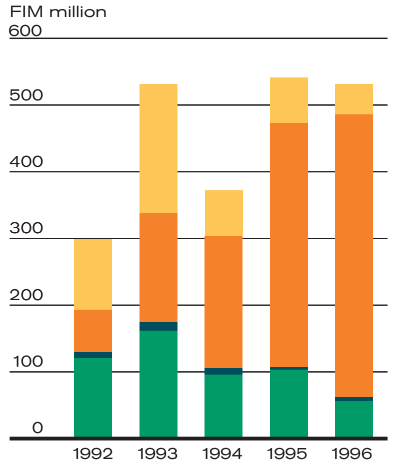
Healthy growth and profitability

Premiums written



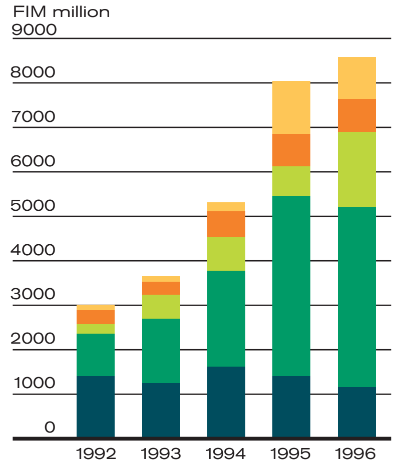
Group life assurance
Life, single premium
Life, annual premium
Innova
Sesam
Supplementary pension

Claims paid



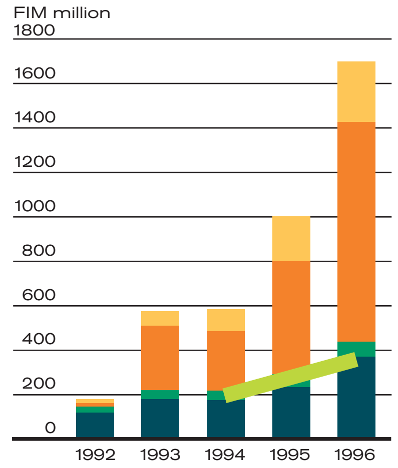
Surrenders
Pension insurance
Employees' Group Life
Life assurance

Investment portfolio at book value



Land and buildings
Hydro power plants
Stocks
Debt securities
Loans

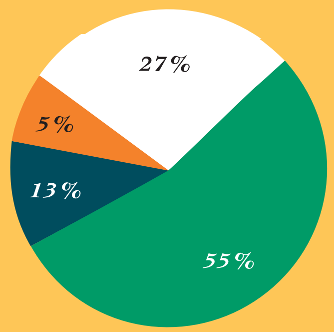
Solvency



Supplementary insurance fund
Valuation differences
Optional reserves
Capital and reserves
Solvency margin minimum

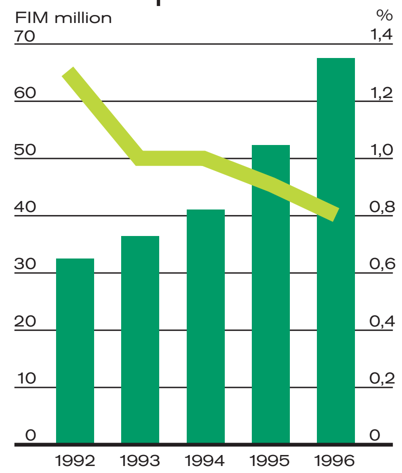
Solvency margin = capital and reserves + optional reserves + valuation differences.

Securities, December 31, 1996



Foreign shares 5 %
Finnish shares 27 %
Foreign debt securities 13 %
Finnish debt securities 55 %

Operating expenses



Total operating expenses
Total operating expenses of total assets %

Premiums written

Premiums written for 1996 came to FIM 948 million, compared with FIM 547 million in 1995, excluding the exceptional sum of FIM 2,275 million arising from the transfer of Savings Banks' Pension Fund liabilities to Nova. During the year under review, pension insurance accounted for FIM 721 million, or 76% of premiums written.

In terms of premiums written, the main insurance types were Novas' supplementary pensions, at FIM 392 million, and Sesam pension insurance, at FIM 185 million. The corresponding figures for the previous year were FIM 2,499 million and 153 million. Premiums written from Innova voluntary individual pension insurance totalled FIM 139 million, compared with 95 million in 1995. Premiums written from individual life assurance came to FIM 202 million, compared with 57 million the previous year. This figure consisted mainly of single premiums from endowment insurance. Premiums written from group life assurance totalled FIM 14 million, compared with 12 million the previous year. Premiums written from employees' group life assurance is determined according to the former market share of life assurance companies. At Nova, the figure went up from FIM 6 million to FIM 9 million in 1996.

Premiums written for 1996 include transfers of liabilities from 14 pension funds and two pension societies to a sum total of FIM 225 million. An insurance portfolio of FIM 1 million which had been the responsibility of Nova in a co-insurance agreement with Verdandi Life Assurance Company was transferred to Verdandi.

Investment

Nova strives to continuously adapt the structure of its investment portfolio to prevailing economic trends. The aim is to protect the benefits insured against inflation in the long term, to ensure a good real return, and to raise the company's capital adequacy level.

In 1996, circumstances were favourable and Nova's investment operations were profitable. During the year, the rise in stock prices and the fall in interest rates greatly promoted growth in Nova's solvency margin and hence better risk tolerance capacity. In 1996, Nova continued to spread the country risk inherent in the investment portfolio, and by year end foreign investments had grown to nearly FIM 1,000 million, or over 10% of the total.

At year end, Nova's total investments had a book value of FIM 8,713 million, an increase of 8% on the previous year. During the financial year, the

proportion of shares in the portfolio was increased. The book value of these shares grew by FIM 923 million, with foreign shares accounting for FIM 256 million. In addition, the proportion of foreign shares was increased around year end by deciding to invest a sum total of about FIM 170 million in European Private Equity funds. The Capital is, however, being committed slowly as the funds make new investments. At the end of 1996, the book value of total share investments was FIM 1,662 million. The total sum of debt securities, FIM 4,028 million, remained more or less at the previous year's level. Foreign bonds were increased by FIM 513 million, however. Finnish interest rate investments favoured

It is Nova's aim to guarantee its insured long-range protection against inflation and a good real return, as well as to augment its own solvency.

long-term bonds. Investment loans decreased by 13% and stood at FIM 1,234 million at year end, while real estate investments totalled FIM 1,665 million. This latter figure includes hydro power plants to a value of FIM 664 million. Power plants accounted for FIM 628 million out of the previous year's total real estate investments, which came to FIM 1,797 million. Short-term deposits stood at FIM 124 million at year end.

Total cash yield from investments - interest, dividends and annual income from real estate - came to FIM 515 million. This was an increase of 5% on the previous year's figure. Interest income from debt securities went up by 17% from FIM 256 million to FIM 291 million. Dividend yield, avoir fiscal included, grew from FIM 30 million in the previous year to FIM 37 million. Interest income from loans fell from FIM 114 million to FIM 94 million due to a decline in total lending. Income from real estate investments after planned depreciation and before realization losses and value adjustments rose from FIM 79 million to FIM 94 million. This was mainly due to the fact that real estate holdings, which had increased considerably the previous year in connection with a transfer of liabilities, now affected investment income for the entire financial year.

Net investment income after value adjustments came to FIM 530 million. The corresponding figure for the previous year was FIM 562 million. During the year under review, the value of real estate investments was adjusted downwards by FIM 133 million. In accordance with the real estate development project, realization losses of FIM 34 million were also recorded in connection with sales of real estate. Bond transactions generated net sales gains of FIM 78 million. The corresponding figure for the previous year was FIM 66 million. Sales of share investments generated net sales gains of FIM 91 million, as in the previous year. A value adjustment of about FIM 52 million on share investments was entered, while FIM 35 million was entered as value re-adjustments in previous years. There were also additional value re-adjustments amounting to FIM 3 million. Value adjustments the previous year came to FIM 42 million, while value re-adjustments totalled FIM 6 million. During the year under review, agreement was reached on the sale in 1997 of a power plant entered under investments in land and buildings, with a book value of FIM 293 million. A revaluation of FIM 38 million was entered for 1996 based on the sales gains from the coming sale. In accordance with the investment strategy approved by the Board of Directors, the company also invested in standardized derivatives.

In terms of real estate investments, the company focused on rental agreements and on taking possession of and developing new properties acquired in liability transfers. During the year under review, all the shares in forest land and eight other real estate holdings were sold, and one new holding was bought. In addition, a few individual shares in housing companies were bought and sold. The most notable new building or major renovation project was the renovation and extension of the former Tampere courts building, now converted into offices.

NOVA LIFE INSURANCE COMPANY LTD

Accounts

1996

Statement of source and application of funds

WORKING CAPITAL FLOW CALCULATION (FIM 1,000)

	Parent Company 1996	Parent Company 1995
Source of funds		
Cash-flow financing		
Profit before interest expenses, extraordinary items, untaxed reserves and tax	62 391	121 589
Adjustment items		
Changes in technical provisions	809 768	2 687 923
Deficit in cover of technical provisions	4 674	-9 990
Value adjustements and revaluation on investments	117 939	83 491
Depreciation	5 037	4 019
	999 809	2 887 032
Capital financing		
Increase in capital and reserves	125 000	0
	125 000	0
Source of funds in total	1 124 809	2 887 032
Application of funds		
Profit distribution		
Tax	14 855	26 237
Dividends	15 000	15 000
Other profit distribution	0	0
	29 855	41 237
Investments		
Increase in investments (net)	732 015	3 489 268
Increase in intangible and tangible assets (net)	3 137	7 083
	735 152	3 496 351
Repayment of capital and loans		
Decrease in long-term liabilities	0	0
Application of funds in total	765 007	3 537 588
Increase/decrease in working capital	359 802	-650 556
Change in working capital		
Change in debtors	36 223	-129 160
Change in cash at bank and in hand	230 366	-44 508
Change in prepayments and accrued income	-27 466	-367 194
Change in deposits received from reinsurers	-594	476
Change in creditors	107 388	-97 368
Change in accruals and deferred income	13 885	-12 802
Increase/decrease in working capital	359 802	- 650 556

Profit and loss account

(FIM 1,000)

	Parent Company 1.1.–31.12. 1996	Parent Company 1.1–31.12. 1995	Group 1.1.–31.12. 1996	Group 1.1.–31.12. 1995
Technical account				
Premiums written				
Premiums written	947 550	2 823 374	947 550	2 823 374
Reinsurers' share	-7 777	-5 078	-7 777	-5 078
	939 773	2 818 296	939 773	2 818 296
Investment income	884 118	775 940	883 912	807 708
Revaluation on investments	38 000	0	38 000	0
Claims incurred				
Claims paid	-538 114	-540 618	-538 114	-540 618
Reinsurers' share	3 459	4 746	3 459	4 746
	-534 655	-535 872	-534 655	-535 872
Change in the provision of claims				
Total change	-331 679	-880 679	-331 679	-880 679
Reinsurers' share	194	-617	194	-617
	-331 485	-881 296	-331 485	-881 296
Claims incurred in total	-866 140	-1 417 168	-866 140	-1 417 168
Change in the gross provision for unearned premiums				
Total change	-480 138	-1 806 377	-481 130	-1 806 377
Portfolio transfers	- 992	0	0	0
Reinsurers' share	1 855	-250	1 855	-250
	-479 275	-1 806 627	-479 275	-1 806 627
Change in deficit in cover of technical provisions	-4 674	9 989	-4 674	9 989
Net operating expenses	-54 023	-42 931	-54 023	-42 931
Investment charges	-392 542	-213 191	-397 511	-247 347
Other technical charges	-446	-319	-446	-319
Technical result	64 791	123 989	59 616	121 601
Non-technical account				
Other expenses				
Depreciation on goodwill	-2 400	-2 400	-2 400	-2 400
Direct taxes on ordinary activities				
Tax for financial year	-13 104	-26 237	-13 104	-26 163
Tax for previous financial years	-1 750	0	-1 750	0
Profit on ordinary activities after tax	47 537	95 352	42 362	93 038
Increase in depreciation difference	-12 170	-15 378	-12 170	-15 378
Increase in optional reserves	1 550	-1 557	-617	-3 402
Minority interest in the profit for the financial year	0	0	1 789	48
Profit for the financial year	36 917	78 417	31 364	74 306

Balance sheet

(FIM 1,000)

	Parent Company 31.12.1996	Parent Company 31.12.1995	Group 31.12.1996	Group 31.12.1995
Assets				
Intangible assets				
Intangible rights	3 860	4 699	3 860	4 699
Goodwill	7 200	9 600	7 200	9 600
	11 060	14 299	11 060	14 299
Investments				
Investments in land and buildings				
Hydro power plants	664 220	628 191	664 220	628 191
Other land and buildings and shares therein	815 365	1 025 741	1 046 814	1 266 651
Loans to group companies	185 236	143 452	0	0
	1 664 821	1 797 384	1 711 034	1 894 842
Other investments				
Stocks and shares	1 662 060	739 122	1 670 337	747 400
Debt securities	4 028 444	3 953 077	4 028 444	3 953 077
Loans guaranteed by mortgages	1 052 051	1 088 702	1 052 051	1 088 702
Other loans	180 951	337 082	180 951	337 082
Deposits	123 966	182 000	123 966	182 000
	7 047 472	6 299 983	7 055 749	6 308 261
Deposits with ceding undertakings	63	914	63	914
Investments in total	8 712 356	8 098 281	8 766 846	8 204 017
Deficit in cover of technical provisions	5 316	9 990	5 316	9 990
Debtors				
From direct insurance operations				
Policyholders	46 901	11 284	46 901	11 284
Other debtors	1 377	771	8 310	10 212
	48 278	12 055	55 211	21 496
Other assets				
Tangible assets				
Equipment	7 664	6 324	7 664	6 324
Cash at bank and in hand	259 687	29 321	259 687	29 321
	267 351	35 645	267 351	35 645
Prepayments and accrued income				
Accrued interest and rent	200 647	183 706	200 647	183 706
Other prepayments and accrued income	53 563	97 970	53 563	97 970
	254 210	281 676	254 210	281 676
Assets	9 298 571	8 451 946	9 359 994	8 567 123

Balance sheet

(FIM 1,000)

	Parent Company		Group	
	31.12.1996	31.12.1995	31.12.1996	31.12.1995
Liabilities				
Capital and reserves				
Restricted				
Share capital	62 500	50 000	62 500	50 000
Reserve fund	177 500	65 000	177 500	65 000
	240 000	115 000	240 000	115 000
Non-restricted				
Profit brought forward	125 038	61 622	128 511	69 204
Profit for the financial year	36 917	78 417	31 364	74 306
	161 955	140 039	159 875	143 510
Capital and reserves in total	401 955	255 039	399 875	258 510
Minority interest	0	0	60 134	61 923
Optional reserves				
Accumulated depreciation difference	28 899	16 730	28 899	16 730
Optional reserves	42 097	43 647	54 494	53 878
	70 996	60 377	83 393	70 608
Technical provisions				
Provision for unearned premiums on life assurance	4 870 420	4 390 282	4 870 420	4 390 282
Reinsurers' share	-5 061	-3 206	-5 061	-3 206
	4 865 359	4 387 076	4 865 359	4 387 076
Life assurance claims outstanding	3 881 030	3 549 351	3 881 030	3 549 351
Reinsurers' share	-990	-796	-990	-796
	3 880 040	3 548 555	3 880 040	3 548 555
Technical provisions in total	8 745 399	7 935 631	8 745 399	7 935 631
Deposits received from reinsurers	1 790	1 196	1 790	1 196
Creditors				
Reinsurance creditors	511	0	511	0
Other creditors				
Sales prices payable	0	110 816	0	110 816
Other creditors	28 063	25 146	19 035	64 698
	28 574	135 962	19 546	175 514
Accruals and deferred income	49 857	63 741	49 857	63 741
Liabilities	9 298 571	8 451 946	9 359 994	8 567 123

Notes on the accounts

ACCOUNTING PRINCIPLES

Provisions and regulations

The accounts have been drawn up in accordance with the amended Accounting Act, Companies Act and Insurance Companies Act, and regulations issued by the insurance supervision authority, the Ministry of Social Affairs and Health.

Current value of investments, valuation principles and accrual

The current value of investments is defined per investment object and the balance sheet items are specified in the notes to the accounts. The current value of securities is determined according to the public quotation on the date of closing the books, if this exists. Otherwise, the acquisition cost or net asset value is used for current value.

As the regulations of the Ministry of Social Affairs and Health permit, debt securities have been entered at acquisition cost when the reason for the decrease is due solely to fluctuation in interest rates. The difference between the par value and purchase price of debt securities is allocated to interest income, and the countervalue is included in the acquisition cost. The matching value items included in acquisition costs are specified in the notes to the accounts.

Stocks and shares classified as investments are shown on the balance sheet at the lower of acquisition cost or current value. Stocks and shares classified as fixed assets are shown at the lower of acquisition cost or current value if the devaluation has been considered permanent. Stocks and shares classified as investments are valued using an average price.

Unrealized appreciation on derivative contracts is entered against profits only if the change in the value of the hedged asset has been booked. If the aim of the derivative contract was other than hedging, only unrealized valuation loss is entered against profits.

The current value of real estate, i.e. the likely realizable value, is defined every year property by property. Properties have been appraised by an external valuer.

Real estate has been entered at purchase price, less planned depreciation, or at the likely realizable value if this is lower. Planned depreciation on investments in real estate is entered from the beginning of 1995 or from the acquisition date if this was later.

Value adjustments, revaluations and value re-adjustments of investments are entered against profits. In the accounts for 1996, the value of a hydro power plant entered under real estate investments has been raised against profits. Value adjustments are entered under investment charges. That part of former value adjustments on investments which has been compensated by a rise in current value is entered against profits as an acquisitions cost.

Depreciation

The acquisition costs of equipment, intangible rights and buildings have been capitalized, and are charged to the profit and loss account as depreciation over the useful life of the asset. The depreciation is determined according to a predefined depreciation plan. The amount is calculated according to the straight-line method, as a percentage of the original purchase price. Depreciation on buildings was begun according to residual values at the end of 1994, at which point remaining useful life was estimated.

Depreciation is calculated according to the following lifespan estimates:

Residential and commercial buildings	*50-60 years*
Hydropower plants	*50-70 years*
Industrial buildings and warehouses	*40 years*
Equipment installed at hydropower plants	*40 years*
Technical equipment in the buildings	*15 years*
Other long-term expenditure	*10 years*
Computers, software, cars	*5 years*
Other equipment	*10 years*
Office machines	*7 years*
Goodwill	*5 years*

In the case of significant basic improvements, the lifespan of properties has been re-estimated. Planned depreciation on real estate is entered under investment charges.

The difference between depreciation based on the Business Taxation Act and planned depreciation has been entered as a separate item in the profit and loss account, and the accrued difference is shown under reserves in the balance sheet.

Total operating expenses and depreciation on both equipment and capitalized IT software are included in profit and loss account items by function. Depreciation related to claims functions is now included under claims incurred. Depreciation related to the acquisition and management of insurance and general administrative costs is included under operating expenses. Depreciation related to investment management is included in investment charges. There is an itemized list depreciations by function in the Notes.

Pension scheme

The employment pension scheme for Nova's personnel is based on pension insurance policies from Pension-Varma and Nova. The premiums are entered in the profit and loss account on an accrual basis.

Deferred tax liability corresponding to optional reserves, depreciation difference and revaluation

The 'investments' item on the balance sheet includes revaluation on assets entered as income in the profit and loss accounts in former years. Corporate tax on this income has been paid. There is not likely to be any tax liability on optional reserves and depreciation difference. The transition reserve and the depreciation difference on the sold hydro power plant will be entered after the accounting period. When the entering covers costs, tax liability is not realized. The applicable corporate tax rate would be 28%.

Foreign currency items

Liabilities denominated in foreign currencies have been converted to Finnish markka according to the middle rates quoted by the Bank of Finland on the day of closing of the books. Investments in foreign currencies have been entered at the exchange rate on the day of acquisition or that on day of closing the books if this was lower. The current value of foreign currency investments was calculated according to the middle rates quoted by the Bank of Finland on the day of the closing of the books.

Consolidated accounts

On December 31, 1996 the Nova Group included the parent company, Nova Life Insurance Co. Ltd., and 57 Finnish housing and real estate companies.

Combined housing and real estate companies have been treated as direct investments in real estate in the consolidated accounts. Depreciation entries made by Group companies which diverge from the Group depreciation plan have been replaced by planned depreciation.

The consolidated accounts have been compiled by combining the profit and loss accounts, balance sheet items, and notes to the accounts produced by the parent company and the 57 subsidiaries. Income and charges from inter-group transactions, receivables and liabilities and mutual share ownership have been eliminated. Minority interest in the profit for the financial year and of capital and reserves is shown as a separate item on the profit and loss account and the balance sheet.

Mutual share ownership has been eliminated by the acquisition method. Consolidated goodwill is allocated entirely to the subsidiaries' asset items within the limits permitted by their current value. Depreciation has been deducted from the amount allocated to buildings in accordance with the depreciation plan.

Notes to the profit and loss account

PARENT COMPANY (FIM 1,000)

	1996	1995
PREMIUMS WRITTEN		
Direct insurance		
Domestic		
Life assurance		
Individual life assurance	201 918	57 386
Employees' group life assurance	9 355	6 302
Other group life assurance	14 222	11 813
Pension insurance		
Individual pension insurance	138 527	94 729
Optional pension insurance	582 766	2 652 106
	946 788	2 822 336
Reinsurance	805	1 067
Gross premiums written	947 593	2 823 403
Credit loss on premiums	-43	-29
Premiums written before reinsurers' share	947 550	2 823 374

	1996	1995
Analysis of premiums written		
Continuous premiums	382 506	283 451
Single premiums	564 282	2 538 885
Total	946 788	2 822 336

	1996	1995
Premiums on policies entitling to a refund	946 788	2 822 336

CLAIMS PAID

	1996	1995
Direct insurance		
Life assurance	61 751	109 174
Pension insurance	413 274	355 041
Surrenders	59 371	76 037
	534 396	540 252
Reinsurance	3 718	366
Total	538 114	540 618

ANALYSIS OF NET INVESTMENT INCOME

(FIM 1,000)

	1996	1995
Investment income		
Income from investments in land and buildings		
Dividens	179	179
Interests received		
Group companies	15 706	7 684
Other	0	0
Other income		
Group companies	104 740	57 045
Other	47 292	54 715
	167 917	119 623
Income from other investments		
Dividends	37 456	30 066
Interest received	413 474	388 733
Other income	1 646	173
	452 576	418 972
Total	620 493	538 595
Value re-adjustments	38 086	5 874
Gains on realization of investments	225 539	231 471
Investment income in total	884 118	775 940
Investment charges		
Expenses on investments in land and buildings	-72 923	-37 207
Expenses on other investments	-10 635	-8 431
Interest paid and other expenses on liabilities	-20 928	-12 066
Total	-104 486	-57 704
Value adjustments on investments	-187 171	-78 555
Planned depreciation on buildings	-5 907	-5 006
Loss on realization of investments	-94 978	-71 926
Investment charges in total	-392 542	-213 191
Revaluation on investments	38 000	0
Net investment income	529 576	562 749
Avoir fiscal tax credit included in income from dividends	8 528	6 975

ANALYSIS OF OPERATING EXPENSES

(FIM 1,000)

	1996	1995
Operating expenses by function		
Claims paid	6 278	5 137
Operating expenses	54 024	42 931
Investment charges	7 688	3 749
Other expenses	0	0
Total	67 990	51 817

	1996	1995
Planned depreciation by function		
Claims paid	409	259
Operating expenses	1 904	1 215
Investment charges	324	146
Total	2 637	1 620

	1996	1995
Staff expenses		
Salaries and fees	21 990	17 826
Monetary value of fringe benefits	865	673
Pension expenses	6 650	3 629
Other indirect staff expenses	2 148	3 079
Total	31 653	25 207
The retirement age of managing director is 65 years and that of other executives 60-65 years.		
Average staff	97	94

	1996	1995
Operating expenses in the profit and loss account		
Insurance policy acquisition costs		
Commissions on direct insurance business	30 397	22 165
Commissions, assumed reinsurance	0	0
Other acquisition costs	0	0
	30 397	22 165
Change in deferred insurance acquisition costs	0	0
Insurance policy management expenses	12 993	11 764
Adminisrative costs	10 633	9 002
Commissions, ceded reinsurance	0	0
Total	54 023	42 931

Notes to the balance sheet

PARENT COMPANY (FIM 1,000)

CURRENT VALUE OF INVESTMENTS AND VALUATION DIFFERENCE

	1996 Remaining acquisition cost	1996 Book value	1996 Current value	1995 Remaining acquisition cost	1995 Book value	1995 Current value
Investments in land and buildings						
Land and buildings	673 955	769 405	851 325	761 061	806 061	855 282
Shares in group companies	633 445	633 445	724 278	770 808	770 808	804 443
Other real estate shares	76 735	76 735	81 886	77 063	77 063	78 571
Loans to group companies	185 236	185 236	185 236	143 452	143 452	143 452
Other investments						
Stocks and shares	1 662 060	1 662 060	2 075 674	739 122	739 122	865 540
Debt securities	4 028 444	4 028 444	4 436 540	3 953 077	3 953 077	4 250 672
Loans guaranteed by mortgages	1 052 051	1 052 051	1 052 051	1 088 702	1 088 702	1 088 702
Other loans	180 951	180 951	180 951	337 082	337 082	337 082
Deposits	123 966	123 966	123 966	182 000	182 000	182 000
Deposits with ceding undertakings	63	63	63	914	914	914
	8 616 906	8 712 356	9 711 970	8 053 281	8 098 281	8 606 658
The remaining acquisition cost of debt securities includes the difference between par value and purchase price, allocated to interest income or its disposals	35 974			20 344		
Book value includes revaluations entered as income		83 000			45 000	
Valuation difference (difference between current value and book value)			999 614			508 377

INVESTMENTS IN LAND AND BUILDINGS

(FIM 1,000)

Changes in land and buildings

	1996 Buildings	1996 Land and water areas and real estate shares	1996 Loans receivable	1995 Buildings	1995 Land and water areas and real estate shares	1995 Loans receivable
Acquisition cost, Jan. 1	257 277	1 436 612	143 452	173 257	533 128	105 051
Increases	57	59 563	72 250	84 019	919 351	72 376
Decreases	0	-134 530	-30 466	0	-15 867	-33 975
Acquisition cost, Dec. 31	257 334	1 361 645	185 236	257 276	1 436 612	143 452
Revaluation, Jan. 1	0	0	0	0	0	0
Increases	0	38 000	0	0	0	0
Decreases	0	0	0	0	0	0
Revaluation, Dec. 31	0	38 000	0	0	0	0
Accumulated depreciation according to plan/value adjustments, Jan. 1	-7 916	-32 040	0	0	0	0
Planned depreciation / value adjustments and value re-adjustments	-27 365	-110 073	0	-7 916	-32 040	0
Decreases	0	0	0		0	0
Accumulated depreciation according to plan/ value adjustments, Dec. 31	-35 281	-142 113	0	-7 916	-32 040	0
Book value after depreciation according to plan/value adjustments, Dec. 31	222 053	1 257 532	185 236	249 360	1 404 572	143 452
Accumulated depreciation in excess of plan, Jan. 1	-15 155			0		
Depreciation above/ below plan	-11 709			-15 155		
Accumulated depreciation in excess of plan, Dec. 31	-26 864			-15 155		
Value of buildings after total depreciation, Dec. 31	195 189			234 205		

Land and buildings used for own activities

	1996	1995
Remaining acquisition costs	3 404	3 404
Book value	3 404	3 404
Current value	2 801	3 404

SHARES IN OTHER COMPANIES

(FIM 1,000)

Investments Stocks and shares

Name of the company	Number	Percentage of shares	Percentage of votes	Par value	Book value 31.12.1996
Aamulehti Corporation	10 000	0.13 %	0.02 %	100	1 374
Ahlstrom Corporation	3 750	0.87 %	0.14 %	3 750	27 750
Asko Oy	176 941	2.51 %	2.51 %	8 997	46 834
Chips Ltd	41 475	1.24 %	0.11 %	414	3 107
Cultor Ltd.	360 668	1.56 %	2.13 %	4 328	52 133
Efore Oy	24 000	8.00 %	8.00 %	240	2 869
Enso Oy	4 329 918	1.39 %	1.13 %	43 299	159 780
Finnair Oy	283 200	0.34 %	0.34 %	1 416	9 340
Finnlines Ltd	279 600	1.46 %	1.42 %	2 796	20 760
Tuomo Halonen Oy	159 100	4.24 %	0.51 %	795	3 605
Hartwall Oy	34 600	0.29 %	0.08 %	173	3 242
Huhtamäki Oy	39 950	0.14 %	0.19 %	799	6 559
Ingman Foods Oy	14 000	1.00 %	1.40 %	280	3 997
Instrumentarium Corporation	256 000	1.27 %	0.91 %	2 560	34 361
Interbank Ltd	1 100 000	9.96 %	9.74 %	11 000	14 500
KCI Konecranes Intl. Oy	55 000	0.37 %	0.37 %	440	6 325
Kemira Oy	699 200	0.55 %	1.54 %	6 992	28 520
Kesko Ltd	423 600	0.46 %		4 236	19 950
Kone Corporation	17 164	0.25 %	0.10 %	858	7 692
KT Datacenter Oy	13 785	0.99 %	0.99 %	275	4 273
UPM-Kymmene Corporation	589 932	0.22 %	0.22 %	5 899	45 759
Lassila & Tikanoja Ltd	180 039	2.83 %	2.83 %	1 800	47 551
Lemminkäinen Oy	78 165	0.48 %	0.48 %	781	2 834
Lännen Tehtaat Oy	270 443	4.20 %	4.20 %	2 704	15 460
Länsivoima Oy	85 000	1.30 %	1.30 %	850	16 153
Merita Bank Ltd	3 565 668	0.43 %	0.30 %	35 656	49 397
Metra Corporation	195 447	0.73 %	0.67 %	3 908	28 162
Neste Group	40 900	0.04 %	0.04 %	409	3 644
Nokia Corporation	709 336	0.24 %	0.44 %	3 546	97 241
Nokian Tyres Limited	50 000	0.50 %	0.50 %	500	3 561
Norvestia Oy	1 082 263	20.50 %	13.56 %	21 645	71 762
Okmetic Ltd	948	3.89 %	3.89 %	948	8 001
Olvi Oy	61 666	3.22 %	0.66 %	616	4 933
Orion Corporation	206 340	0.42 %	0.14 %	2 063	24 661
Outokumpu Oy	193 264	0.16 %	0.16 %	1 932	11 438
Partek Corporation	705 011	1.83 %	1.83 %	7 050	43 640
Pohjola Insurance Company Ltd	143 809	0.35 %	0.06 %	719	9 975
Ponsse Oy	20 000	0.57 %	0.57 %	100	1 394
Rauma Oy	98 800	0.17 %	0.17 %	988	8 362
Rautakirja Oy	25 000	0.39 %	0.46 %	500	4 880
Rautaruukki Oy	499 603	0.42 %	0.42 %	4 996	14 835
Rocla Oy	166 667	4.83 %	4.83 %	833	3 000
Sampo Insurance Company Ltd	133 602	0.86 %	0.86 %	2 672	36 091
Santasalo-JOT Ltd	183 050	2.47 %	2.47 %	1 830	5 751
Sentra Ltd	14 350	1.26 %	0.12 %	143	2 152
Björkboda Lås Oy	1 225	12.25 %	12.25 %	1 225	1 225
Stockmann Oy	80 250	0.56 %	0.09 %	1 605	16 787
Tamfelt Corporation	363 988	5.48 %	3.79 %	3 639	34 223
Tampella Corp.	294 753	0.30 %	0.30 %	1 473	3 684
Tamro Corporation	191 500	0.22 %	0.22 %	1 915	5 508
Tulikivi Oy	136 306	6.06 %	2.87 %	2 726	6 697
Vaahto Group Ltd Oy	42 000	2.92 %	2.92 %	210	2 453
Vaisala Oy	113 500	2.64 %	3.08 %	1 135	30 831
Valmet Corporation	271 500	0.35 %	0.35 %	2 715	17 801
Valtameri Oy	40 220	2.44 %	9.30 %	402	2 595
Werner Söderström Oy	452 100	3.77 %	0. 91 %	4 521	43 550
Other					4 723
					1 187 685

Name of the company	Number	Percentage of shares	Percentage of votes	Par value	Book value 31.12.1996
Investment funds					
Aktia Capital	29 492				4 473
Aktia Interest A	20 000				2 000
Finnmezzanine Rahasto I Ky	10 410				5 205
Finnventure Rahasto II Ky	46				2 300
Finnventure Rahasto I Ky	100				3 884
Gyllenberg Momentum	30 000				15 000
Gyllenberg Small Firm	19 824				10 091
Interbank Vipu	86 206				10 000
Investa Short Term Interest Rate Fund	250 000				10 000
Investa Bond Fund	83 383				3 631
PSP-Kasvuosake	100 000				10 000
Selin Bond Fund	215 155				21 618
Selin Finnish Liquid Assets Fund	100 000				10 000
Other					700
					108 902
Stocks and shares in foreign companies					
Key International Trust, Cayman Islands					50 676
Fokus Banken ASA, Norway					4 841
Norsk Hydro ASA, Norway					25 038
Netcom asa, Norway					3 078
Nycomed ASA, Norway					7 028
Orkla ASA, Norway					5 093
Telefonaktiebolaget LM Ericsson, Sweden					31 449
Motorola Inc., USA					13 197
Vastned Offices/Industrial N.V., The Netherlands					20 073
Roche (Bon), Switzerland					2 387
Novartis SA, Switzerland					2 516
Fresenius Medical Care, Germany					2 755
Metro, Germany					2 223
Siemens, Germany					2 166
Air Liquide, Germany					2 822
Castorama Dubois, France					2 374
Générale Des Eaux, France					2 802
LVMH, France					2 010
Société Générale, France					2 446
Premier Farnell (Ord), France					2 071
Reed International, France					2 523
Reuters Holdings, France					2 752
Vodafone, France					2 018
Canon, Japan					2 203
Fanuc, Japan					2 182
Ito-Yokado, Japan					3 023
Kyocera, Japan					2 310
Amgen, USA					2 525
AT& T Corp., USA					2 043
Mc Donald's, USA					2 558
Wal-Mart Stores, USA					2 194
Stocks and shares in 29 other foreign companies					42 882
					256 258
Warrants					20 660
Total investment assets					1 573 505
Fixed assets					
Stocks and shares					
Insurance Company Sampo Pension Ltd	295	9.83 %	9.83 %	2 950	20 301
Rahastopalvelu RP Oy	2 000	10.00 %	10.00 %	20	20
Unsa Oy	425 930	7.50 %	7.50 %	42 593	42 593
Retro Life Assurance Company Ltd	12 019	17.17 %	17.17 %	1 202	9 193
Nordben Life and Pension Ltd	900 000	14.98 %	15.00 %	50 529	16 000
Other					448
Total fixed assets					88 555

OTHER LOANS

(FIM 1,000)

	1996	1995
Loans specified by security		
Bank guarantee	83 051	141 198
Insurance policy	8 242	8 067
Other guarantee	89 658	187 817
Remaining acquisition cost	180 951	337 082

CHANGES IN INTANGIBLE AND TANGIBLE ASSETS

	1996 Intangible rights	1996 Goodwill	1996 Equipment	1996 Total
Acqusition cost, Jan. 1	4 873	12 000	11 192	28 065
Acquisitions	139	0	3 164	3 303
Sales and disposal	0	0	-2 238	-2 238
Acqusition cost, Dec. 31	5 012	12 000	12 118	29 130
Accumulated depreciation according to plan, Jan. 1	174	2 400	4 867	7 441
Depreciation according to plan	978	2 400	1 659	5 037
Sales and disposal	0	0	-2 072	-2 072
Accumulated depreciation according to plan, Dec. 31	1 152	4 800	4 454	10 406
Acquisition cost after planned depreciation, Dec. 31	3 860	7 200	7 664	18 724
Accumulated depreciation in excess of plan, Jan. 1	6	0	1 569	1 575
Depreciation above/ below plan	24	0	437	461
Accumulated depreciation in excess of plan, Dec. 31	30	0	2 006	2 036
Net expenditure after total depreciation, Dec. 31	3 830	7 200	5 658	16 688

CAPITAL AND RESERVES

	1996	1995
Restricted		
Share capital	62 500	50 000
Reserve fund	177 500	65 000
	240 000	115 000
Non-restricted		
Profit brought forward	61 621	65 956
Profit for 1995 financial year	78 417	10 666
Distribution of dividends	-15 000	-15 000
	63 417	-4 334
Profit for the financial year	36 917	78 417
	161 955	140 039
Total	401 955	255 039

OPTIONAL RESERVES

(FIM 1,000)

	1996	1995
Accumulated depreciation difference		
Intangible assets	29	6
Equipment	2 006	1 569
Land and buildings	26 864	15 155
Total	28 899	16 730
Optional reserves		
Credit loss reserve, Jan. 1	15 797	14 240
Change	-1 550	1 557
Credit loss reserve, Dec. 31	14 247	15 797
Transition reserve, Jan. 1	27 850	27 850
Change	0	0
Transition reserve, Dec. 31	27 850	27 850
Total	42 097	43 647
Optional reserves in total	70 996	60 377

NON-AMORTIZED ACQUISITION COSTS DEDUCTED FROM PROVISION FOR UNEARNED PREMIUMS

	1996	1995
Zillmerization of individual life assurance	910	893
Zillmerization of individual pension insurance	0	0
	910	893

Zillmerization is amortized in 2 to 5 years.

Calculated interest

The following interest rates were used as the basis for calculating technical provisions:

Optional employment pension insurance	4.25 %
Other insurances	4.50 %

The effect of client bonuses and discounts on profit

The effect of index increases granted on profit was FIM 120 million. In addition, FIM 41 million has been reserved for subsequent client bonuses.

AMOUNTS DUE TO OR FROM GROUP COMPANIES

(FIM 1,000)

	1996	1995
Due from		
Investments		
Loans receivable	185 236	143 452
Debtors		
Accounts receivable	1 377	771
Total	186 613	144 223

	1996	1995
Due to		
Creditors		
Accounts payable	13 798	7 360
Total	13 798	7 360

CONTINGENT LIABILITIES

Derivative contracts	1996 Market value	1996 Contract value	1995 Contract value
Interest rate derivatives			
Forward contracts	31 472	4 077 663	568 578
Swap contracts	12 257	208 423	15 600
Currency derivatives			
Options			
Purchased	0	851 983	
Sold	-132	920 320	
Equity derivatives			
Forward contracts	95	66 617	113 344
Options			
Purchased	31 618	108 934	27 820
Sold	-4 120	121 560	37 225

Unrealized appreciations on derivative contracts is entered against profits FIM -5,351 million.

Securities given as collateral for derivatives trading	1996	1995
Book value	60 405	66 647
Market value	76 164	92 488

KEY FIGURES PERTAINING TO SOLVENCY

(FIM 1,000)

	1996	1995
Solvency margin		
Capital and reserves after proposed profit distribution	380 080	240 038
Optional reserves and accumulated depreciation difference	70 996	60 377
Difference between current and book values of investments	999 614	508 377
Acquisition costs and intangibles not entered under expenses	-11 060	-14 299
	1 439 630	794 493
Solvency margin requirement according to chapter 11, section 4, of the Insurance Companies Act	358 256	324 365
Equalization amount for high loss years included in technical provisions	30 614	28 265
Ratio of solvency margin and equalization amount to technical provisions net of reinsurance, less equalization amount *)	17.4 %	10.7 %

*) When calculating the ratio, the supplementary insurance fund was also deducted from technical provisions

Calculation formulas for the key figures

Solvency margin

Refers to the assets in excess of liabilities at current prices, which are available to ensure the company's continuing operations.

The solvency margin, calculation of which is laid down in law, mainly comprises:

Capital and reserves after proposed distribution of profit
+ optional reserves and accumulated depreciation difference
+ valuation difference of assets
+ subordinated loans.

Minimum solvency margin

Refers to the minimum amount of assets in excess of liabilities that a company is required by law to have if it is to continue its operations without being subject to special monitoring.

Equalization amount

Refers to an item under technical provisions required under the solidity requirement which is designed to ensure that technical provisions are adequate even in circumstances where the factors affecting the technical provisions to a major degree fluctuate unfavourably. The supervisory authorities have set down minimum requirements and calculation rules for this item.

Solvency capital

The total of solvency margin and equalization provision.

Supplementary insurance fund

The supplementary insurance fund is an item under technical provisions which should be used for client bonuses or for supplementing technical provisions.

Solvency ratio

Refers to the ratio of the company's assets to its technical provisions. A solvency ratio of 117 means that the company has FIM 1.17 in assets against every FIM 1 owed to clients. The company uses the 'surplus' FIM 0.17 to safeguard the insurance savings lodged with it and to ensure that client bonuses remain at a level which corresponds to its client bonus policy.

Definition:

$$\frac{\textit{100 + 100 x solvency capital}}{\textit{technical provisions less equalization amount and supplementary insurance fund.}}$$

Solvency margin ratio

Refers to the ratio between the company's solvency margin and the statutory minimum solvency margin. A solvency margin ratio of 402% means that the company's solvency margin is 4.02 times the statutory minimum solvency margin according to EU provisions.

Definition:

$$\frac{\textit{100 x solvency margin}}{\textit{minimum solvency margin.}}$$

Change in solvency capital before distribution of profit and client bonuses

Refers to changes in solvency capital during the period under review before distribution of the client bonuses decided on by the company, distribution of profit to shareholders, and taxes. This item does not include any changes in solvency margin arising from new share capital acquired by the company during the period under review.

Relative change in solvency capital before distribution of profit and client bonuses

The change in solvency capital before distribution of profit and client bonuses, relative to the average total of technical provisions and solvency capital during the accounting period.

A figure of 8.2% for this item means that, in addition to the calculated interest and including the change in valuation differences, the company has generated a yield of 8.2% on capital held which can be used at the company's discretion for distribution of profit or improving solvency. In addition, the company's entire total solvency is at its disposal.

Definition:

$$\frac{\textit{Change in solvency capital before distribution of profit and client bonuses}}{\textit{average technical provisions for the period under review other than equalization amount and supplementary insurance fund + solvency capital.}}$$

Total return on assets

This item stands at 12.0%, which means that the company's return on assets, including changes in valuation differences before client bonuses and distribution of profit, was 12.0%.

Definition:

$$\frac{\textit{Change in solvency capital before distribution of profit and client bonuses + calculated interest requirement on technical provisions}}{\textit{average technical provisions for the period under review other than equalization amount and supplementary insurance fund + solvency capital.}}$$

Operating expenses

Operating expenses are expenses for insurance acquisition and management and general administrative expenses; reinsurance commissions are also included in operating expenses. Expenses for claims functions are included under claims incurred and investment function expenses are included under investment charges.

Expense ratio

In the key figures, operating expenses also include the costs for claims functions entered under claims incurred and depreciation on fixed assets. Similarly, premium for expenses includes all loading items.

Definition:

$$\frac{\textit{100 x operating expenses}}{\textit{premium for expenses.}}$$

NOVA

For Security and Good Return

To justify their existence, insurance companies must be prepared to bear their share of responsibility for the future. Nova offers solid support to its customers in their quest for security. Our approach is based on continuity, reliability and sustainable economic development.

Transfer of Savings Banks' Pension Fund

In 1995, the biggest transfer of liabilities in Nova's history so far was carried out: the pension liabilities of the 14,700 people insured with the Savings Banks' Pension Fund, a total of FIM 2,275 million, were transferred to Nova. The principle behind the transfer was that the profit margin on the transfer would be used as the basis for defining client bonuses on the transferred insurance portfolio.

A final assessment of the liability transfer was completed during the year under review. The outcome was more favourable than anticipated: the cover on the liabilities transferred was enough to cover client bonuses fully at the normal 4.25% computed interest rate. It is estimated that the bonuses can be raised for the first time in late 1997 or early 1998, i.e. earlier than previously thought.

International operations

With the revival of the export industry, the number of employment opportunities for Finns abroad has increased. The volume of Nova's international operations has thus risen in proportion. The demand for consultation services also increased considerably. Nova provides its multinational client companies with pooling arrangements through its associate, MIA Office Europe S.C. In spring 1996, Nova bought a 15% share in Nordben Life and Pension Insurance Co. Ltd. from Pension-Varma Mutual Insurance Company. Nordben insures the pension benefits of over 11,000 Nordic expatriates living abroad.

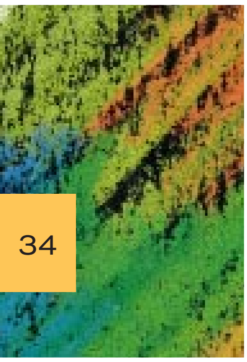
Claims

Claims paid during the year under review totalled FIM 538 million. The corresponding figure for the previous year was FIM 541 million. At year end, the number of pensioners was 15,500.

Claims of FIM 65 million were paid under life assurance policies, a fall of 40% compared with FIM 109 million the previous year. Pension payments totalled FIM 413 million, an increase of 16%. The corresponding figure for the previous year was FIM 355 million. The increase in pensions is largely due to the effects of the liability transfer carried out half-way through the previous year, which is now felt for the whole year. Surrenders accounted for FIM 59 million of paid claims, falling from the previous year's FIM 76 million.

Operating expenses and personnel

The company's total operating expenses increased by 17%, to FIM 68 million. In addition to the operating expenses entry on the profit and loss account, total operating expenses include administrative expenses for both investments and claims paid. In proportion to total assets, total operating expenses remained at the previous year's level, i.e. 0.8%. The entry 'operating expens-



More staff have been recruited to meet the growing need for service arising from business expansion.

es' on the profit and loss account came to FIM 54 million, an increase of 16% on the previous year. Compared with premiums written, operating expenses remained low.

The company employed an average of 97 permanent staff during the year, against 94 the previous year. The staff has been increased in response to the new challenges facing the company and the service demand created by the growing number of insurance contracts.

Some administrative, marketing and investment services were bought from Nova's partnership companies. Various data processing services were purchased from Oy Eläkesysteemi Ab, Octel Oy and Pension-Varma. These expenses are included under operating expenses for the function in question.

Salaries and commissions paid to the Supervisory Board, Board of Directors and the managing director totalled FIM 1,105,081. Salaries and commissions paid to other staff amounted to FIM 20,885,204. The corresponding figures for the previous year were FIM 59,100 and FIM 17,767,178 respectively. Salaries and commissions paid by the Group to the Supervisory Board, Board of Directors, managing director and house managers came to FIM 1,133,326. Other salaries and commissions paid to the staff by the Group totalled FIM 20,921,718.

Financial result and solvency

Profits for 1996, after taxes, reserves and client bonuses, stood at FIM 37 million. Return on investments proved to be good. The maximum depreciation according to the tax legislation, FIM 15 million, was made on investments in hydro power plants. This figure exceeds planned depreciation by FIM 12 million. The credit loss reserve was reduced by FIM 1.6 million to bring it down to the maximum allowed.

In 1996, Nova credited a yield of 6.2-7.4%, depending on the class of insurance, to technical provisions for liabilities other than those of the Savings Banks' Pension Fund. This raised technical provisions by an annual 1.8-2.7% in addition to the calculated interest. FIM 121 million of the profits for 1996 were paid as

The life assurance market in Finland looks sure to expand still further. Insurance saving still accounts for a low percentage of total saving by an international yardstick, so there is plenty of room for growth.

client bonuses, and FIM 40 million were reserved for future client bonuses.

The company's technical provisions stood at FIM 8,745 million at year end, an increase of 10% on the previous year.

Solvency improved considerably during the year under review. In November 1996, the company's share capital was raised from FIM 50 million to FIM 62.5 million. At the same time, the reserve fund was increased, boosting capital and reserves by a total of FIM 125 million. The solvency margin increased by 81% and stood at FIM 1,439 million at year end, FIM 645 million more than the previous year. The difference between the current value and book value of the investment portfolio increased by FIM 493 million. At the end of 1995, the solvency margin represented 10.7% of technical provisions. In 1996 the figure grew to 17.4%. The solvency margin, the technical provisions equalization amount, and the supplementary insurance fund together came to 19.8% of technical provisions at the end of 1996. The corresponding figure for the previous year was 13.0%.

Group structure and ownership

The Nova Life Insurance Co. Group includes 57 Finnish housing and real estate companies as subsidiaries, against 65 in 1995. The Nova Life Insurance Company is owned by Pension-Varma Mutual Insurance Co. Ltd. (50%), Industrial Insurance Company Ltd. (Sampo Group, 25%) and Enterprise Fennia Mutual Insurance Company (25%).

Outlook

It seems clear that the life assurance market in Finland will continue to grow, though not at last year's rate. 1996 was a transitional year in the sector, but as insurance deposits still account for a very small portion of the overall savings market in Finland by international comparison and so far, only a small proportion of the working-age population have invested in voluntary supplementary pension benefits, there is still considerable scope for growth.

Since Nova is a highly specialized company, it will not grow as a consequence of the general market trend. The aim is to maintain the average volume in previous years. Particular attention will be focused on innovativeness and product development in order to retain the position of market leader in group pension insurance. The insurance portfolio for voluntary individual pension insurance, i.e. Innova, is still clearly growing. Once the market situation becomes clearer, Nova endowment insurance will be actively marketed among wider investor target groups than hitherto.

The insurance savings entrusted to Nova will be invested on the pattern of previous years. Particular attention will be focused on progress towards EMU and the risk of increasing inflation. Precautions will also be taken against market changes.

As Finland's basic pension security is mainly tied to trends in the country's own economy, Nova will continue to increase its foreign investments in order to decrease its domestic-market risk.

Decisions soon to be made on restructuring in the field, particularly between Sampo Life, Kaleva and Nova, would greatly clarify and improve Nova's operating conditions, particularly where Nova's supplementary pension insurance and managerial supplementary pension insurance, Sesam, are concerned.

Company administration

The annual general meeting on April 11, 1996 confirmed the membership of the Supervisory Board at 16. Of those in turn to resign, Henrik Höglund, Jouko Kemppi, Eero Lehti, and Juhani Mustamo were re-elected until the AGM in 1999.

Mikael von Frenckell was elected to replace Axel Cedercreutz, who had asked to resign, until the AGM in 1997, the end of his term of office; Jussi Järventaus was elected to replace Kari Heikkilä, who had asked to resign, until the AGM in 1998, the end of his term of office; and Veikko Kasurinen was elected to replace Per-Olof Kreander, who had asked to resign, until the AGM in 1997, the end of his term of office.

Ossi Virolainen was elected chairman of the Supervisory Board, and Matti Ilmari vice-chairman, both acting until the annual general meeting in 1997.

The regular members elected to the Board of Directors until the AGM in 1999 were Kari Elo, Ralf Lehtonen, Jouko K. Leskinen, Paavo Pitkänen, Kari Stadigh and Asko Tanskanen. Matti Niemi, Matti London and Juha Toivola were deputy members.

Paavo Pitkänen was chairman of the Board of Directors. Jouko K. Leskinen was vice-chairman.

Board proposal for disposal of the profit

The non-restricted capital and reserves of the Nova Life Insurance Company, which include a surplus of FIM 36,916,656.93 for the period under review, totalled FIM 161,955,170.52. According to the consolidated financial statements, non-restricted capital and reserves amounted to FIM 159,874,819.73.

The Board proposes that the non-restricted capital and reserves shown in the balance sheet be distributed as follows:

Dividend, 35% on share capital
FIM 21,875,000.00
To the profit and loss account
FIM 140,080,170.52

Helsinki, March 13, 1997

Paavo Pitkänen   Kari Elo   Ralf Lehtonen

Jouko K. Leskinen   Asko Tanskanen

Kari Stadigh
Managing Director

Jorma Leinonen
Deputy managing director
Chief actuary

Auditors' report

To the shareholders of Nova Life Insurance Company

We have audited the books, annual accounts and administration of Nova Life Insurance Company for the financial year of January 1 to December 31, 1996. The annual accounts drawn up by the Board and the managing director include an annual report, a profit and loss account, a balance sheet, and notes to the accounts for the Group and the parent company. On the basis of our audit, we make the following report on the annual accounts and administration.

Risto Järvinen, Authorized Public Accountant, assisted by the co-signatories Per-Olof Johansson and Ritva Saari, has monitored the bookkeeping and administration during the financial year. A separate report on this audit has been submitted.

The audit was performed according to generally accepted auditing standards. The company's books and the accounting principles and presentation of the annual accounts were studied on a sufficient scale to determine that the accounts do not contain any material errors or defects. The audit of the administration confirmed that the Supervisory Board, Board of Directors and managing director have acted in accordance with the provisions of the Insurance Companies Act and the Companies Act.

It is our opinion that the annual accounts were drawn up in accordance with the Accounting Act and other relevant provisions and regulations. The accounts give a true and fair view of the result and financial position of the Group and the parent company, within the meaning of the Accounting Act. We recommend that the annual accounts and consolidated accounts be approved and that the members of the Supervisory Board and the Board of Directors and the managing director be discharged from liability for the financial period under audit. The Board proposal for the disposal of non-restricted capital and reserves is in accordance with the Insurance Companies Act.

Helsinki, March 25, 1997

Risto Järvinen
Authorized Public Accountant

Per-Olof Johansson
Authorized Public Accountant

Ritva Saari
Authorized Public Accountant

Statement of the Supervisory Board

Having examined the annual accounts, the consolidated accounts, and the auditors' report, the Supervisory Board of Nova Life Insurance Company recommends that the accounts be approved, and concurs with the Board proposal for disposal of the profit.

Helsinki, April 8, 1997

Ossi Virolainen, *chairman*

It is becoming increasingly common for company management to supplement statutory pension cover with voluntary pension benefits as part of their corporate policy. Like salaries and fringe benefits, supplementary pension cover is now a common feature of executive employment contracts. Drawing up and documenting a clear contract is in the best interests of both parties involved, as it helps to avoid conflicting interpretations in the future, by which time circumstances may have changed.

Over 800 employers and some 4500 insured are already covered by Nova's Sesam System.

The Sesam arrangement

The section of an executive employment contract which concerns pensions has usually been carefully thought out and couched in an unambiguous written form. Nevertheless, situations may still arise where neither party is entirely sure how an existing contract should be interpreted. Experience of customized solutions for individual companies has shown that it is well worth making sufficiently comprehensive contracts. The most common clause in a contract, in addition to those concerning salary and fringe benefits, is one which states that a person is entitled to "60% pension at the age of 60". A contract clause of this kind may sound clear enough, but in fact it leaves plenty of room for speculation. The following are some of the questions which may arise. The decisions made concerning the various alternatives may have considerable impact on the overall cost level.

How is the agreed 60% calculated?

Is it independent of the duration of the employment relationship or is the total percentage determined according to years of employment. Which pension entitlements are taken into account as part of the overall pension cover?

How is the salary that the pension is based on calculated?

Is the definition of pensionable salary the same as in the Employees' Pensions Act TEL or is it based, for instance, on salary subject to tax withheld at source?

What index is the pension tied to?

The insurance company's own index, the TEL index, or some other agreed index.

What is the procedure if the employment relationship ends before the agreed retirement age?

Does the person concerned receive a paid-up policy right based on past contributions, does he lose his supplementary pension benefits, or is some intermediate solution possible?

What is the procedure if the person in question does not retire at 60?

Does the pension level remain unchanged or does the overall pension cover go up by a so-called deferral increment?

Does the overall cover include benefits in the event of death or disability?

Following the amendments to the Employees' Pensions Act TEL in 1996, early retirement causes a lowering of the amount of pension benefits received. Sesam is a retirement pension by nature. Is there a need to agree on additional cover in case of a crisis?

How is the contract covered, i.e. safeguarded?

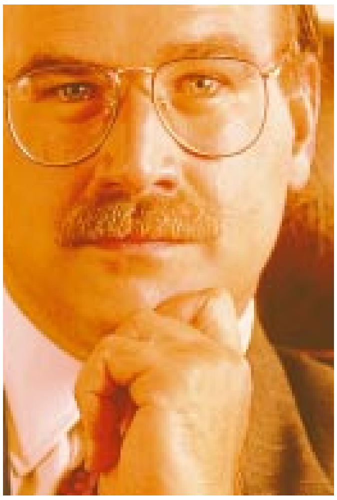
This question is of vital importance should the company's operations cease or its financial status deteriorate.

Nova will be pleased to help you study the significance of these questions more closely.

If you use Nova's services, the costs are then studied in advance. Choosing the right payment method may also reduce the overall costs in the final analysis. Nova's Sesam arrangement makes it possible to pay insurance contributions while the work is being done. Meanwhile, the company does not undertake to pay more than is financially feasible. The system is based on the 'defined contribution' principle.

In a rapidly changing society, we provide the individual service and flexibility needed to support our clients in achieving their goals. Adaptation to new situations requires vision and the ability to respond quickly to change. Companies which look after the individual are successful in their recruitment even when there is a severe shortage of good staff. Sesam has been designed to keep companies dynamic.

The people behind the performance



Supervisory Board

Ossi Virolainen
Deputy Chief Executive
Outokumpu Oy
chairman

Matti Ilmari
Chief Executive Officer
ABB Oy
vice-chairman

Gösta Engman
Director
Rautaruukki Oy

Mikael von Frenckell
Chairman of the Board
Oy Tamfelt Ab

Jan Heikkilä
Managing Director
Oy Matkahuolto Ab

Henrik Höglund
Chief Executive Officer
KWH Group Ltd

Jussi Järventaus
Managing Director
Federation of Finnish Enterprises

Veikko Kasurinen
Senior Vice President and CFO
Alko Group Ltd

Jouko Kemppi
Managing Director
Kemppi Oy

Ari Laakso
Director
Merita Bank

Eero Lehti
Managing Director
Taloustutkimus Oy

Juhani Mustamo
Managing Director
Savon Voima Oy

Pekka Niemi
Managing Director
Kuntoutusyhtymä - Rehab Group

Carl G. Nordman
Managing Director
Aga Oy Ab

Jalo Paananen
Chairman of the Board
Makron Oy

Juhani Pohjolainen
Deputy Managing Director
Enso Oy

Board of Directors

Paavo Pitkänen
Managing Director, Chairman
Pension-Varma Mutual Insurance Company

Jouko K. Leskinen
Chief Executive Officer, vice-chairman
Sampo Insurance Company Ltd

Kari Elo
Managing Director
Enterprise-Fennia Mutual Insurance Company

Ralf Lehtonen
Director
Pension-Varma Mutual Insurance Company

Kari Stadigh
Managing Director
Nova Life Insurance Company Ltd

Asko Tanskanen
Deputy Managing Director
Pension-Varma Mutual Insurance Company

Deputies

Matti London
Deputy Managing Director
Enterprise-Fennia Mutual Insurance Company

Matti Niemi
Deputy Managing Director
Pension-Varma Mutual Insurance Company

Juha Toivola
President
Industrial Insurance Company Ltd

Directors

Kari Stadigh
Managing Director

Jorma Leinonen
Deputy Managing Director, Chief actuary

Lars Bergström
Director

Hannele Relander
Director

Esa Lomma
Director

Timo Hukka
Director

Ulla Kangas
Director

NOVA

For Security and Good Return

Bulevardi 7, FIN-00120 Helsinki, Finland
Telephone +358 9 616 531, telefax +358 9 6165 3333