



Third Quarter 2004  
Vital Forsikring ASA

# Third Quarter Report 2004

In the first nine months of 2004 Vital Forsikring ASA and Vital Link AS (Vital), which together represent the life insurance and pension business of DnB NOR, reinforced their position as Norway's largest company in the area of pension saving and life insurance with total assets of NOK 172 billion.

Premium income in the first nine months of the year totalled NOK 16.8 billion, an increase of 48 per cent on the same period last year.

The net transfer of reserves was also very positive for Vital. Reserves received from other companies less outflows of reserves led to a net inflow of NOK 2.9 billion, while the corresponding figure for the corresponding period last year was negative.

The recovery on the Oslo Stock Exchange is reflected in the result recorded by Vital Forsikring ASA in the first nine months of the year. Before allocations, the profit was NOK 2 850 million, and initial calculations indicate an allocation of NOK 2 107 million to policyholders and NOK 743 million to the owner and tax. The profit after tax was NOK 646 million.

Summarised, the accounts for the first nine months show:

- A sharp increase in premium income and total assets
- A net inflow of transfers
- A good financial return

*In the following, comparative pro forma figures for the first nine months of 2003 appear in brackets.*

Vital Forsikring ASA and Vital Link AS had combined premium income of NOK 16.8 billion (11.4) in the first nine months of 2004, an increase of 48 per cent. Reserves received from other companies totalled NOK 4.8 billion (2.3) and there was a net inflow of transfers totalled NOK 2.9 billion (-0.7).

The return on book values was 5.0 per cent (5.2) during the same period, while the value-adjusted return, excluding changes in the value of long-term securities, was 4.6 per cent (7.0).

Total assets at 30 September 2004, including Vital Link, amounted to NOK 172 billion, an increase of 9.3 per cent since year-end.

## Premium income

Premium income received by Vital Forsikring ASA rose by 48 per cent to NOK 14.4 billion (9.7).

Premium income from group pension business was 37 per cent up at NOK 10.1 billion (7.4), while total premium reserves received from group pension business from other companies amounted to NOK 3.7 billion (1.7).

In the individual market, Vital Forsikring ASA and Vital Link had aggregate premium income of NOK 6.5 billion (3.8), an increase of 71 per cent. Of this, the premium income received by Vital Forsikring ASA, excluding group life and personal risk business, was 101 per cent up at NOK 3.8 billion (1.9), while the figure for Vital Link AS was NOK 2.4 billion (1.6), reflecting a rise of 50 per cent.

## Insurance payments

Insurance payments totalled NOK 7.4 billion (8.3). The figures show an increase in payments to policyholders compared with the same period last year and a reduction in transfers of reserves to other insurers.

## Financial income

The value-adjusted financial result, excluding changes in the value of long-term bonds, showed a profit of NOK 6.9 billion (9.0) in the first nine months of the year. The aggregate return on equities was 12.6 per cent, with the Norwegian portfolio providing a return of 28.6 per cent and foreign equities 3.7 per cent. Real estate provided a return of 4.9 per cent, while the yield on the long-term bond portfolio,

excluding changes in unrealised gains, was 4.2 per cent. The bond portfolio showed an overall yield of 3.7 per cent.

## Costs

Vital Forsikring's operating expenses, including financial management costs, rose by 5 per cent to NOK 1 017 million (967). The increase was mainly due to higher commissions as a result of increased sales in the individual market, and higher investment management costs.

## Results

The results from products with profit sharing show a profit of NOK 2 964 million (1 989), while products with no profit sharing showed a loss of NOK 114 million (-118). Under an agreement between DnB NOR and Gjensidige NOR, non-life products with no profit sharing are to be sold to Gjensidige NOR Forsikring.

Before allocations, the accounts show a profit of NOK 2 850 million (1 871). The provisional result of ordinary operations is a profit of NOK 743 million (535). The final allocation of the result between policyholders, equity and tax will be determined in connection with consideration of the annual accounts for 2004.

The ordinary risk result showed a loss of NOK 68 million. Extraordinary allocations totalled NOK 200 million, including NOK 165 million to bolster the disability reserve. The overall risk result after extraordinary allocations was a loss of NOK 268 million (-543).

## Capital adequacy

The capital ratio is the ratio of the capital base to the company's risk weighted total assets.

At 30 September 2004 the capital ratio stood at 12.7 per cent, against 13.8 per cent at year-end. The decline was due to an increase in total assets and a higher proportion of shareholdings. The statutory minimum requirement is a capital ratio of 8 per cent.

## Capital base

The capital base protects the policyholders' premium reserve and may consist of the interim profit, the securities adjustment reserve, unrealised gains on long-term securities, additional allocations, subordinated loan capital and the security reserve. Apart from parts of the security reserve, this capital base can be used to cover the interest rate guarantee on policyholders' funds.

At 30 September 2004 the capital base amounted to NOK 19.1 billion, compared with NOK 16.1 billion at year-end 2003. The increase was mainly due to profits for allocation during the period and changes in unrealised gains on securities. At 30 September 2004 the capital base corresponded to 13 per cent of insurance allocations, against 11.8 per cent at year-end. At the end of the period, buffer capital – by which is meant equity in excess of the statutory minimum capital ratio, additional allocations, the securities adjustment reserve and the unallocated profit – amounted to NOK 8.3 million, against NOK 6.4 million at year-end 2003.

## Other matters

In the fourth quarter of 2004 the Storting will debate the Bill proposing amendment of the Insurance Activity Act (Bill No. 74 2003-2004), which means modernisation of life insurance legislation. Among other things, the Bill proposes the establishment of a clearer distinction between funds which belong to the policyholders and those which belong to the company, as well as predetermined pricing of products. The aim of the amendments is to simplify life insurance for the policyholders and stimulate competition within the industry. The Board of Directors of Vital is

positive to the general direction set out by the proposed amendments, even though the changes in some areas will represent a challenge for the industry.

In the third quarter of the year Vital entered into an agreement to purchase two properties in Sweden for almost SEK 1.4 billion. Following this purchase, Vital's total purchases of real estate in Sweden amount to almost NOK 3 billion.

Vital has established ethical guidelines for management of the companies funds. Under this code of practice, Vital's investments will be managed in accordance with internationally recognised principles and guidelines.

## The outlook

Vital expects to see further growth in the market for pension saving in the coming years, mainly from an increase in the number of companies offering their employees an occupational pension scheme and through a further increase in the scope of individual pension saving.

The government's proposal in connection with this year's wage settlement to the effect that all employees should receive an occupational pension also increases the market prospects for Vital and other companies in the market. It is expected that the government will propose the introduction of a minimum contribution to occupational pension schemes for all wage earners who do not already have a better scheme.

Vital is well prepared to meet the competition in the marketplace and is intent on reinforcing its position in the period ahead. Our aim is to maintain growth and provide good results for the customers and our owner. Central to this process is the work of maintaining and developing cost-efficient and profitable operations as well as strengthening customer service and forging closer customer relationships. By making full use of the breadth of the DnB NOR Group's distribution network Vital will be able to reach all customer groups.

The process of integration in connection with the merger of Vital Forsikring ASA and Gjensidige NOR Spareforsikring ASA is proceeding as planned. The conversion of customer data to a new common computer system in the public sector started in the third quarter and is due to be completed in the first quarter of 2005. The conversion requires detailed scrutiny of all customer agreements. This review will provide the company with a complete picture of the customer portfolio, the risk situation, the need for provisions, and the possible need for co-ordination of tariffs.

In view of the fluctuations that are a historical feature of the securities markets, this is an area where developments are kept under close scrutiny. Vital also has reliable systems to measure and control investment risk, and over time the company has demonstrated its ability to generate good investment management results. The composition of the portfolio will continue to be monitored and adapted to ensure that it reflects the company's ability to bear investment risk. Through its own inherent strength, and as part of the DnB NOR Group, Vital should be able to maintain an investment portfolio which over time is likely to provide a competitive return for both the policyholders and the company's owner.

A common standard for international accounting practice (IFRS – International Financial Reporting Standard) is being introduced for listed companies with effect from 2005. As part of DnB NOR, Vital is obliged to comply with the new standard. Implementation of the standard is taking place in close co-operation with DnB NOR.

Bergen 25 October 2004

The Board of Directors of Vital Forsikring ASA

# Accounts Vital Forsikring ASA

(NOK mill)	For 3. kvartal		Året
<b>PROFIT AND LOSS ACCOUNT</b>	2004	2003*	2003*
Premium income	14 401	9 749	14 047
Income from financial assets	17 467	17 163	22 864
Other insurance-related income	65	47	122
Insurance payments	(7 388)	(8 271)	(10 876)
Change in insurance reserves	(10 575)	(4 962)	(9 003)
Insurance-related operating costs	(905)	(882)	(1 215)
Costs related to financial assets	(10 542)	(8 139)	(9 784)
Other insurance-related costs	(79)	(106)	(165)
To/from securities adjustment reserve	482	(2 612)	(2 448)
Other costs	(75)	(117)	(148)
From additional allocations to cover interest deficit	0	0	0
<b>Profit before allocation</b>	<b>2 850</b>	<b>1 871</b>	<b>3 394</b>
Profit allocated to policyholders	(2 107)	(1 336)	(2 254)
Profit from ordinary activity	743	535	1 140
<b>Tax cost</b>	<b>(97)</b>	<b>(59)</b>	<b>(236)</b>
<b>Profit after tax</b>	<b>646</b>	<b>476</b>	<b>904</b>
<b>BALANCE SHEET</b>	At 30.09.04	At 30.09.03 *	At 31.12.03 *
Intangible assets	294	584	371
Financial assets**	148 407	138 556	140 243
Accounts receivable	4 702	1 710	2 175
Other assets	6 736	1 517	4 912
Prepaid costs and accrued income	2 768	2 615	2 467
<b>Total assets</b>	<b>162 906</b>	<b>144 982</b>	<b>150 168</b>
Paid up equity	2 343	2 343	2 343
Retained profit	4 159	3 989	3 512
Capital loan	225	225	225
Subordinated loan capital	2 271	2 652	2 438
Securities adjustment reserve	1 966	2 612	2 448
Insurance reserves	147 599	130 217	135 135
Provisions for commitments	853	35	756
Liabilities	1 587	2 637	2 792
Accrued costs and prepaid income	1 903	272	518
<b>Total liabilities and equity</b>	<b>162 906</b>	<b>144 982</b>	<b>150 168</b>
Unrealised capital gains	3 692	2 436	2 842
* Pro forma figures for the merged company			
** Of which			
Shareholdings and investments	22 746	16 226	19 537
Short-term bonds	53 158	54 463	55 987
Long-term bonds	55 020	44 155	46 724
Lendings	356	2 980	359
Real estate	17 723	17 712	17 632
Other financial assets	(597)	3 019	4
Financial assets	148 407	138 556	140 243

## Key ratios

	First 9 months		Year
	2004	2003	2003
Return on total assets	5.0%	5.2%	8.6%
Value-adjusted return, excl. changes in value of long-term securities	4.6%	7.0%	10.3%
Capital ratio	12.7%	12.8%	11.6%

## Consolidated accounts for Vital Forsikring and Vital Link

	First 9 months		Year
	2004	2003	2003
<b>PROFIT AND LOSS ACCOUNT</b>			
Premium income	16 805	11 357	16 600
Income from financial assets	17 474	17 176	22 881
Income from assets related to life insurance with choice of investment profile	575	308	414
Other insurance-related income	65	47	122
Insurance payments	(8 250)	(8 580)	(11 445)
Changes in insurance reserves	(12 511)	(5 835)	(10 916)
Insurance-related operating costs	(1 079)	(994)	(1 442)
Costs related to financial assets	(10 549)	(8 145)	(9 792)
Costs related to assets in life insurance with choice of investment profile	(5)	(627)	(328)
Other insurance-related costs	(80)	(108)	(165)
To/from securities adjustment reserve	482	(2 612)	(2 448)
Other costs	(75)	(117)	(148)
<b>Profit before allocation</b>	<b>2 851</b>	<b>1 871</b>	<b>3 333</b>
Profit allocated to policyholders	(2 107)	(1 336)	(2 254)
<b>Profit from ordinary activity</b>	<b>744</b>	<b>535</b>	<b>1 079</b>
Tax cost	(97)	(59)	(212)
<b>Profit after tax</b>	<b>647</b>	<b>476</b>	<b>867</b>
<b>BALANCE SHEET</b>			
	At 30.09.04	At 30.09.03	At 31.12.03
Intangible assets	334	609	416
Financial assets **)	148 447	138 596	140 283
Assets related to life insurance with choice of investment profile	9 230	6 238	7 287
Accounts receivable	4 779	1 797	2 370
Other assets	6 882	1 610	4 956
Prepaid costs and accrued income	2 801	2 636	2 496
<b>Total assets</b>	<b>172 472</b>	<b>151 486</b>	<b>157 808</b>
Paid up equity	2 441	2 441	2 441
Retained profit	4 198	3 992	3 550
Capital loan	225	225	225
Subordinated loan capital	2 341	2 722	2 507
Securities adjustment reserve	1 966	2 612	2 448
Insurance reserves	147 604	130 220	135 140
Provisions in life insurance with choice of investment profile	9 230	6 238	7 287
Provisions for commitments	854	36	756
Liabilities	1 710	2 728	2 936
Accrued costs and prepaid income	1 903	272	518
<b>Total liabilities and equity</b>	<b>172 472</b>	<b>151 486</b>	<b>157 808</b>

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- a company in the DnB NOR Group