



Half-Year Report 2004

In the first half of 2004 Vital Forsikring ASA and Vital Link, 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 168 billion.

The increase in premium income for the two Vital companies was NOK 4.2 billion, an increase of 49 per cent on the same period last year.

The figure for net transfers was also satisfactory for the two Vital companies. Net reserves received from other companies came to NOK 2.4 billion, while the corresponding figure last year was a net outflow of NOK 0.1 billion.

The stock market recovery is reflected in the half-year results. Before allocations, the profit was NOK 2 336 million. Of this, the calculated allocations to policyholders amounts to NOK 1 827 million, with NOK 509 million allocated to the owner and taxes. The profit after tax was NOK 423 million.

The half-year accounts show:

- A sharp rise 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 half of 2003 appear in brackets.

Vital Forsikring ASA and Fondsforsikringselskapet Vital Link AS had combined premium income of NOK 12.6 billion (8.5) in the six months to 30 June 2004, an increase of 49 per cent. Gross inflows of reserves from other companies came to NOK 3.8 billion (1.7) while there was a gross inflow of transfers of NOK 2.4 billion (-0.1).

The return on book values was 3.7 per cent (3.8), while the value-adjusted return, excluding changes in the value of long-term bonds, was 3.2 per cent (5.1).

Total assets at 30 June 2004, including Vital Link, amounted to NOK 168 billion, a rise of 6.6 per cent since year-end 2003.

Premium income

Premium income received by Vital Forsikring ASA increased by 46 per cent to NOK 10.7 billion (7.4).

Premium income from group pension business was 26 per cent up at NOK 7.2 billion, while aggregate premium reserves in the same area received from other companies totalled NOK 2.9 billion (1.2).

In the individual market, Vital Forsikring and Vital Link had aggregate premium income of NOK 5.2 billion (2.4), an increase of 117 per cent. Of this, premium income received by Vital Forsikring in the individual market came to NOK 3.3 billion (1.3), an increase of 152 per cent. The figure for Vital Link was 75 per cent up at NOK 1.9 billion (1.1).

Insurance payments

Insurance payments totalled NOK 5 billion (5.3). 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

Financial items provided Vital Forsikring with a value-adjusted profit of NOK 4.9 billion (4.7) in the first half-year.

The overall return on book values and the value-adjusted return were 3.7 per cent and 3.2 per cent, respectively. The aggregate return on shareholdings was 12.7 per cent, with Nor-

wegian and foreign equities showing a return of 20.8 per cent and 7.2 per cent, respectively. Real estate provided a return of 3.3 per cent, while the yield on the long-term bond portfolio was 2.8 per cent. The bond portfolio showed an overall yield of 1.8 per cent, with Norwegian bonds providing 2.3 per cent and foreign bonds 1.5 per cent.

Costs

Vital Forsikring's operating expenses, including financial management costs, rose by 7.2 per cent to NOK 688 million (642). The increase was mainly due to higher commissions due to increased sales in the individual market, and higher investment management costs.

Results

The results from products with profit sharing show a profit of NOK 2 426 million (1 462), while products with no profit sharing showed a loss of NOK 90 million (-33). Under an agreement between DnB NOR and Gjensidige NOR, non-life products with no profit sharing are to be sold.

Before allocations, the accounts show a profit of NOK 2 336 million (2 097). The provisional result of ordinary operations is a profit of NOK 509 million (397). 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 95 million. Extraordinary allocations totalled NOK 162 million, including NOK 123 million to bolster the disability reserve. The overall risk result after extraordinary allocations was a loss of NOK 257 million (-311).

Capital adequacy

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

At 30 June 2004 the capital ratio stood at 13.1 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 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 June 2004 the capital base amounted to NOK 17.9 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 the securities adjustment reserve. At the half-year, the capital base corresponded to 12.3 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 requirement, additional allocations, the securities adjustment reserve and the unallocated profit – amounted to NOK 7.9 billion, against NOK 6.4 billion at year-end 2003.

Other matters

Following the formal merger of Vital Forsikring ASA and Gjensidige NOR Spareforsikring ASA in March this year, a strategic platform has been drawn up by the merged Vital which sets

out the company's vision, business concept and brand values. The vision statement is: "Vital makes the future simpler", the business concept is: "Vital's function is to provide its customers with financial security and flexibility", and Vital's brand values are "Credible, Helpful and Sporty". Vital's strategic platform, which is based on a corresponding platform used by DnB NOR, is intended to provide guidelines for the objectives and main lines of development for the company's business areas and other units.

On 28 May 2004 the Ministry of Finance issued recommendations in Bill No. 74 2003-2004 submitted to the Odelsting concerning proposed amendments of the Insurance Activity Act. The proposal means a 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 some of the proposed changes will be challenging for the life insurance business.

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.

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 will provide a competitive return for both the policyholders and the company's owner.

Accounts Vital Forsikring ASA

(NOK mill.)	First Half-year		Year
	2004	2003	2003
PROFIT AND LOSS ACCOUNT			
Premium income	10 707	7 355	14 047
Income from financial assets	8 838	14 248	22 864
Other insurance-related income	57	29	122
Insurance payments	(4 983)	(5 311)	(10 876)
Change in insurance reserves	(8 172)	(4 273)	(9 003)
Insurance-related operating costs	(615)	(587)	(1 215)
Costs related to financial assets	(3 969)	(7 429)	(9 784)
Other insurance-related costs	(62)	(48)	(165)
To/from insurance adjustment reserve	586	(1 781)	(2 448)
Other costs	(51)	(105)	(148)
From additional allocations to cover interest deficit	0	0	0
Profit before allocation	2 336	2 098	3 394
Profit allocated to policyholders	(1 827)	(1 700)	(2 254)
Profit from ordinary activity	509	398	1 140
Tax cost	(86)	(32)	(236)
Profit after tax	423	366	904
BALANCE SHEET	At 30.06.04	At 30.06.03	At 31.12.03
Intangible assets	317	604	371
Financial assets ^{**) (}	147 175	135 574	140 243
Accounts receivable	4 068	3 467	2 175
Other assets	5 209	1 561	4 912
Prepaid costs and accrued income	2 084	2 079	2 467
Total assets	158 853	143 285	150 168
Paid up equity	2 344	2 344	2 344
Retained profit	3 936	3 879	3 512
Trust preferred stocks	225	225	225
Subordinated loan capital	2 394	2 804	2 437
Securities adjustment reserve	1 862	1 781	2 448
Insurance reserves	145 131	130 511	135 135
Provisions for commitments	842	35	756
Liabilities	2 006	1 474	2 792
Accrued costs and prepaid income	113	232	518
Total liabilities and equity	158 853	143 285	150 168
Unrealised capital gains	2 961	2 692	2 842
^{**) (} Of which			
Shareholdings and investments	22 689	14 801	19 537
Short-term bonds	51 820	55 649	55 987
Long-term bonds	54 619	41 005	46 724
Lendings	357	3 056	359
Real estate	17 613	17 620	17 632
Other financial assets	77	3 443	4
Financial assets	147 175	135 574	140 243

Key ratios

	First Half-Year		Year
	2004	2003	2003
Return on total assets	3.7%	3.8%	7.9%
Value-adjusted return, excl. changes in value of long-term securities	3.2%	5.1%	9.7%
Capital ratio	13.1%	14.3%	13.8%

Consolidated accounts – Vital Forsikring and Vital Link

	First Half-year		Year
	2004	2003	2003
PROFIT AND LOSS ACCOUNT			
Premium income	12 642	8 462	16 600
Income from financial assets	8 845	14 257	22 881
Income from life-insurance assets with choice of investment profile	389	390	414
Other insurance-related income	57	29	122
Insurance payments	(5 524)	(5 440)	(11 445)
Change in insurance reserves	(9 825)	(5 562)	(10 916)
Insurance-related operating costs	(739)	(662)	(1 442)
Costs related to financial assets	(3 974)	(7 434)	(9 792)
Cost related to life-insurance assets with choice of investment profile	(5)	(12)	(328)
Other insurance-related costs	(62)	(48)	(165)
To/from insurance adjustment reserve	586	(1 781)	(2 448)
Other costs	(51)	(105)	(148)
Profit before allocation	2 339	2 095	3 333
Profit allocated to policyholders	(1 827)	(1 700)	(2 254)
Profit from ordinary activity	512	395	1 079
Tax cost	(86)	(31)	(212)
Profit after tax	426	364	867
BALANCE SHEET			
	At. 30.06.04	At 30.06.03	At 31.12.03
Intangible assets	359	630	416
Financial assets	147 215	135 597	140 283
Life insurance assets with choice of investment profile	8 942	5 718	7 287
Accounts receivable	4 218	3 499	2 370
Other assets	5 318	1 616	4 956
Prepaid costs and accrued income	2 117	2 099	2 496
Total assets	168 169	149 159	157 808
Paid up equity	2 442	2 412	2 442
Retained profit	3 977	3 880	3 550
Trust preferred stocks	225	225	225
Subordinated loan capital	2 464	2 874	2 507
Securities adjustment reserve	1 862	1 781	2 448
Insurance reserves	145 136	130 511	135 139
Reserves related to life insurance asstes with coice of investment profile	8 942	5 718	7 287
Provisions for commitments	842	35	756
Liabilities	2 167	1 492	2 936
Accrued costs and prepaid income	113	232	518
Total liabilities and equity	168 169	149 159	157 808

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- a company in the DnB NOR Group