



First Quarter report 2004

Vital Forsikring ASA

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In the first quarter of 2004 Vital Forsikring ASA, including Vital Link, which together represent the life insurance and pension business of DnB NOR, reinforced its position as Norway's largest company in the area of pension saving and life insurance. The increase in premium income continued in the first quarter of the year, and together the two Vital companies had premium income of NOK 7.9 billion, an increase of 34 per cent on the same period last year.

The decline in interest rates and the stock market recovery in the first quarter of the year are reflected in the results for Vital Forsikring ASA. The profit for allocation was NOK 847 million. Of this, the calculated allocation to policyholders amounts to NOK 607 million, with NOK 240 million allocated to the owner and tax. The profit after tax was NOK 201 million.

The first quarter accounts show:

- Strong growth in premium income and total assets
- A net inflow of transfers
- A good financial return

In the following, the corresponding figures for the first quarter of 2003 appear in brackets. Pro forma figures are shown for the merged company.

Vital Forsikring ASA and Fondsforsikringsselskapet Vital Link AS had combined premium income of NOK 7.9 billion (5.9) in the first three months of the year, an increase of 34 per cent. Inflows of reserves from other companies amounted to NOK 1.5 billion during the period, with a net inflow of transfers totalling NOK 0.7 billion (0.3).

The return on book values was 1.6 per cent (1.3), while the value-adjusted return excluding changes in the value of long-term securities was 2.3 per cent (1.3).

Total assets at 31 March 2004, including Vital Link, amounted to NOK 165 billion (144), a rise of 14 per cent.

Premium income

Vital Forsikring ASA had premium income of NOK 6.7 billion (5.3), an increase of 26 per cent.

Premium income from group pension business was 2 per cent up at NOK 4.4 billion (4.3), while aggregate premium reserves under group pension business received from other companies totalled NOK 1 billion (1).

In the individual market, Vital Forsikring and Vital Link had aggregate premium income of NOK 3.6 billion (1.6), reflecting a rise of 118 per cent. Of this, Vital Link accounted for NOK 1.3 billion (0.6), an increase of 98 per cent, while the figure for Vital Forsikring was NOK 2.3 billion, showing an increase of 132 per cent.

Together, Vital Forsikring and Vital Link had a net inflow of transfers totalling NOK 0.7 billion (0.3) in the first quarter.

Insurance payments

Insurance payments totalled NOK 2.6 billion (2.7). 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

At the end of March Vital Forsikring ASA had a value-adjusted profit of NOK 3.4 billion (1.7).

The aggregate return on book values and the value-adjusted return stood at 1.6 per cent and 2.3 per cent, respectively. The bond portfolio showed an overall yield of 2.8 per cent, with Norwegian bonds providing 2.7 per cent and foreign bonds 2.8 per cent. Shareholdings gave an overall return of 9.6 per cent, with Norwegian and foreign equities showing a return of 14.9 per cent and 5.6 per cent, respectively. Real estate provided a return of 1.9 per cent, while the long-term bond portfolio showed a yield of 1.5 per cent.

Costs

Vital Forsikring's operating costs were 8 per cent up at NOK 341 million (317), including financial management. The increase was mainly due to higher commission costs due to increased sales in the individual market.

Results

Excluding products with no profit sharing, the accounts show a profit of NOK 885 million (372). Activities with no profit sharing showed a loss of NOK 38 million (-42), while the profit for allocation was NOK 847 million (330). The increase in profits was due to a higher financial return. The profit from ordinary operations has been provisionally calculated at NOK 240 million (27) and the final allocation of profit 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 64 million (103). The accounts also include an extraordinary allocation of NOK 83 million (189) to strengthen the disability reserve, as planned previously.

Capital adequacy

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

At 31 March 2004 the capital ratio stood at 13.2 per cent, against 13.8 per cent at year-end. The reduction was due to an increase in total assets and a higher proportion of shareholdings. By law, the capital ratio is required to be at least 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, equity, 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 31 March 2004 the capital base amounted to NOK 19 120 million, while the year-end figure was NOK 16 055 million. The increase is due to an increase in unrealised gains on the long-term bond portfolio and an increase in the securities adjustment reserve. At the end of the period the capital base corresponded to 13.6 per cent of insurance allocations, against 11.8 per cent at year-end. At the same time, buffer capital – by which is meant equity in excess of the statutory minimum requirement of 8 per cent capital ratio and additional allo-

cations, the securities adjustment reserve and unallocated profits – amounted to NOK 8 247 million first quarter 2004, against NOK 6 335 million at year-end.

Other matters

The merger of Vital Forsikring ASA and Gjensidige NOR Spareforsikring ASA was registered in the Norwegian Register of Business Enterprises on 9 March 2004. The merged company, retaining the name of Vital Forsikring ASA, is Norway's largest life and pension company with total assets of NOK 156 billion, around 970 employees and almost 950 000 customers.

With effect from 1 April 2004 director Joachim Høegh-Krohn became the director responsible for the Public Sector market activities of Vital Forsikring ASA. He has been with DnB NOR since 1998 and before taking over this position he was director of Strategy with Vital.

The outlook

Vital expects to see further growth in the market for pension saving in the coming years. It is likely that this will reflect an increase in the number of companies offering occupational pension schemes for their employees under new legislation, as well as a further increase in individual pension saving.

The government's proposal that all employees should be offered an occupational pension as part of this year's national wage settlement, will also increase market opportunities for Vital and other companies operating in this area. It is expected that the government will propose a minimum contribution to occupational pension schemes for all employees who are not currently covered by better schemes.

The attention given to the Pension Commission's proposals which were presented on 13 January 2004 has contributed to increased interest in and sales of individual pension schemes. Vital expects that there will be continued interest in pension saving in the future.

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 to provide good results for the customers and our owner. Key elements of this strategy are the maintenance and development of cost-efficient and profitable operations, and further strengthening of customer service and customer relationships. By utilising the width of DnB NOR 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 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 DnB NOR, 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.

Accounts

VITAL FORSIKRING - NOK mill.

	First Quarter		Year
	2004	2003	2003
PROFIT AND LOSS ACCOUNT			
Premium income	6 659	5 275	14 047
Income from financial assets	4 865	5 003	22 864
Other insurance-related income	30	17	122
Insurance payments	(2 583)	(2 741)	(10 876)
Change in insurance reserves	(5 272)	(3 608)	(9 003)
Insurance-related operating costs	(315)	(290)	(1 215)
Costs related to financial assets	(1 431)	(3 269)	(9 784)
Other insurance-related costs	(39)	(22)	(165)
To/from securities adjustment reserve	(1 039)	0	(2 448)
Other costs	(28)	(35)	(148)
From additional allocations to cover interest deficit	0	0	0
Profit before allocation	847	330	3 394
Profits allocated to policyholders	(607)	(303)	(2 254)
Profit from ordinary activity	240	27	1 140
Tax cost	(39)	13	(236)
Profit after tax	201	40	904
BALANCE SHEET	At 31.03.04	At 31.03.03	At 31.12.03
Intangible assets	327	625	371
Financial assets *)	148 314	129 996	140 243
Accounts receivable	1 662	4 116	2 175
Other assets	2 980	2 277	4 912
Prepaid costs and accrued income	2 395	2 347	2 467
Total assets	155 678	139 361	150 168
Paid up equity	2 344	2 344	2 344
Retained profit	3 713	3 552	3 512
Trust preferred stocks	225	225	225
Subordinated loan capital	2 391	2 814	2 437
Securities adjustment reserve	3 486	0	2 448
Insurance reserves	141 003	128 477	135 135
Provisions for commitments	756	35	756
Liabilities	1 638	1 744	2 792
Accrued costs and prepaid income	122	170	518
Total liabilities and equity	155 678	139 361	150 168
Unrealised capital gains	4 047	1 614	2 842
*) Of which			
Shareholdings and investments	22 023	12 228	19 537
Short-term bonds	56 058	62 380	55 987
Long-term bonds	51 912	34 734	46 724
Lendings	371	3 104	359
Real estate	17 949	17 549	17 632
Other financial assets	1	1	4
Financial assets	148 314	129 996	140 243

Key ratios

	First Quarter		Year
	2004	2003	2003
Return on total assets	1.6%	1.3%	7.9%
Value-adjusted return excl. changes in value of long-term securities	2.3%	1.3%	9.7%
Capital ratio	13.2%	15.0%	13.8%

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