



First quarter  
2011



# Report for the first quarter of 2011

Vital Forsikring ASA is Norway's largest privately owned life and pension insurance company, providing insurance for about 1 million people through individual and group contracts. The company has approximately 26 000 contracts with companies, municipalities and public enterprises. Vital Forsikring ASA is a wholly owned subsidiary of DnB NOR.

Vital recorded pre-tax operating profits of NOK 596 million for the three months ended 31 March 2011, an improvement of NOK 279 million on the corresponding period last year.

The recorded return on the common portfolio in the first quarter was 1.5 per cent while the value-adjusted return was 1.3 per cent. In 2011 aggregate solvency capital increased by NOK 0.1 billion to NOK 24.6 billion.

Distributions to the policyholders amount to NOK 3 billion, which is NOK 1.3 billion more than the NOK 1.7 billion provided by the guaranteed rate of return.

At 31 March 2011 Vital had total assets of NOK 256.4 billion, an increase of NOK 8.9 billion since year-end.

The first quarter accounts show:

- Pre-tax operating profits of NOK 596 million
- Securities adjustment reserve of NOK 2 041 million
- Strong solvency, aggregate solvency capital of NOK 24.6 billion, solvency margin capital 68 per cent in excess of the requirement and a capital ratio of 10.3 per cent
- Allocation of NOK 96 million to provisions for increased longevity, of which NOK 34 million debited to the owner
- 3.6 per cent rise in total assets since year-end
- 11.2 per cent rise in total premium income
- Positive net transfers, growth in public sector
- Increased market share for defined contribution pensions and municipal group pensions

The accounts are prepared in accordance with the annual accounts regulations for life insurance companies. In the following, the accounting figures for the first quarter of 2010 are shown in brackets.

## Market

Vital is the market leader in life and pension insurance in Norway with a market share of 29.6 per cent of total customer funds as at 31 December 2010, compared to 29.7 per cent at the end of the third quarter. In the corporate market Vital had a market share of 42.4 per cent within private group defined benefit pensions, compared to 42.2 per cent at the end of the third quarter. In the area of municipal group pensions Vital's market share increased from 9.7 per cent at the end of the third quarter to 9.8 per cent at 31 December 2010. In the retail market the market share fell from 53.1 per cent at the end of the third quarter to 52.2 per cent at the end of the fourth quarter of 2010. In the area of defined contribution pensions the market share rose from 28.5 per cent at the end of the third quarter to 28.8 per cent at year-end 2010.

## Premium income

Premium income in the first quarter totalled NOK 9.9 billion (8.9), an increase of 11.2 per cent compared to the corresponding period last year. Premium income from group pension business came to NOK 8.8 billion (7.7), an increase of 13.6 per cent. Aggregate premium reserves received for group pension business from other companies amounted to NOK 2.9 billion (2.2). Premiums due for group pension insurance increased by NOK 0.3 billion, corresponding to 5.7 per cent.

The retail market continues to be characterised by competition from alternative forms of saving. Premium income in the first quarter totalled NOK 1.1 billion (1.1). Of the aggregate premium income from the retail market, insurance schemes with a choice of investment profile (unit linked) accounted for NOK 0.1 billion (0.2).

In the first quarter Vital recorded a net inflow of new customer funds totalling NOK 2.4 billion (1.1). In the public sector market net transfers were positive amounting to NOK 2 billion.

## Payments to policyholders and claims

Payments to policyholders and claims related to disability and mortality totalled NOK 2.7 billion (2.6) at the end of the first quarter. Surrenders of products with an interest-rate guarantee amounted to NOK 0.6 billion (0.5). Surrenders of unit-linked products came to NOK 0.2 billion (0.2).

## Financial return

The reported and value-adjusted return on the common portfolio in the first quarter was 1.5 per cent (1.5) and 1.3 per cent (1.7), respectively, excluding value changes related to bonds held to maturity.

The yield on short-term bonds was minus 0.1 per cent (2.5) in the first quarter. This yield is divided between a yield of minus 0.2 per cent (2.5) on Norwegian bonds and 0.1 per cent (2.6) on foreign bonds.

Yields on government bonds in the first quarter continued on the rising trend and 10-year US government bonds rose by 18 basis points. The corresponding figures for Norwegian and European rates were up by 11 and 39 basis points, respectively. The rise in interest rates that took place in the first quarter entailed a negative yield on Vital's Norwegian bond portfolio by minus 0.2 per cent.

Held to maturity bonds showed a yield of 1.2 per cent (1.2) in the first quarter.

The first quarter was affected by the earthquake in Japan, civil war in Libya, the increased oil prices, and new uncertainty surrounding the financial situation of sovereign states in Europe. However,

despite these negative events, Vital's equities showed 2.0 per cent value appreciation in the first quarter. Norwegian equities rose by 0.6 per cent, while Vital's foreign equities (excluding hedge funds and private equity) rose by 2.6 per cent.

Real estate showed a return of 1.5 per cent (1.3) in the first quarter, while the value of investment properties was largely unchanged from year-end.

The company portfolio achieved a return of 1.8 per cent (0.9) in the first quarter. Company capital is part of the buffer capital which safeguards policyholders' funds.

The return on Vital's defined contribution pensions portfolios in the first quarter was 1.1 per cent (3.0) for Vital 30, 1.7 per cent (3.8) for Vital 50 and 2.5 per cent (4.9) for Vital 80.

### Expenses

Operating expenses totalled NOK 395 million (374) in the first quarter. The increase was mainly related to the good results achieved. The number of people in permanent, full-time positions with Vital Forsikring ASA as at 31 March was 713. In addition, the company had 94 temporary employees.

### Results

Calculated in accordance with NGAAP, pre-tax profits so far this year have improved by NOK 279 million to NOK 596 million. Tax income has been calculated at 41 per cent. Since no additional allocations were applied in the first quarter, the result was the same under both IFRS and NGAAP.

Gains on equities and dividends which are covered by the exemption method, including the return from property companies, are tax-free income for Vital. At the same time, the allocation of this return to customer funds is tax deductible. Years with a good return covered by the exemption method will therefore provide Vital with tax income. In accordance with IFRS, deferred tax related to properties owned by Vital companies is not recognised in the accounts. In 2011, because of these factors, it is expected that Vital will have tax income corresponding to 41 per cent of pre-tax profits. The expected effective rate of tax reflects an expected positive return under the exemption method and the change for the year in the unrecognised deferred tax liability.

The financial result for the first quarter was a profit of NOK 3.5 billion (3.1) while the risk result was a profit of NOK 2 million (minus 166). An allocation of NOK 96 million (243) was made to strengthen the provisions for increased longevity under individual annuity and pension insurance, as well as association group pension schemes, of which NOK 34 million (85) was debited to the owner. The administration result was a loss of NOK 18 million (loss of 39 million). At the end of the first quarter the securities adjustment reserve totalled NOK 2 041 million (1 851).

### Capital adequacy and solvency capital

Capital adequacy reflects the company's primary capital as a proportion of the risk weighted balance sheet. The capital ratio at 31 March 2011 stood at 10.3 per cent (10.7), and at 31 December 2010 11.0 per cent. The change was mainly due to an increase in total assets. The statutory minimum capital ratio is 8 per cent.

Solvency capital, which safeguards the policyholders premium reserve, consists of the interim profit, the securities adjustment

reserve, excess value of held to maturity bonds, additional allocations, security reserves, equity and subordinated loan capital.

As at 31 March Vital's solvency capital totalled NOK 24.6 billion (22.8), while the year-end figure was NOK 24.5 billion. The change was mainly due to higher profits for distribution, a reduction in the securities adjustment reserve and lower excess values on held to maturity bonds.

As at 31 March 2011 solvency capital corresponded to 11.9 per cent (11.7) of insurance allocations (excluding additional allocations and the security reserve), compared to 12.2 per cent at the end of the fourth quarter. Buffer capital, which is equity in excess of the statutory minimum requirement, additional allocations, the securities adjustment reserve and unallocated profits, amounted to NOK 10.5 billion at 31 March 2011, compared to NOK 11.2 billion at the end of the fourth quarter.

### Future prospects

The results for the first quarter were characterised by good financial income. Market assessments indicate that further value creation can be expected from our portfolio, driven mainly by a solid return on equities and real estate investments. At the same time, the risk picture gives grounds to believe that volatile markets will continue to be a fact of life throughout 2011. Vital and DnB NOR have sound buffer capital and a strong capital base making them well placed to deal with market fluctuations.

Vital is taking active steps to adapt to changes in the regulatory environment. The pension reform which is currently being implemented entails an increased need for advisory services, and at the same time there will be a greater need for individuals to take more responsibility for their own pension saving. Vital is positive to the general direction indicated by the changes to regulations governing the financial sector as proposed by the Financial Supervisory Authority of Norway. Over time, greater flexibility in the establishment and scope of application of buffer capital will contribute to a higher return on the policyholders' pension fund assets. However, the proposed changes to the regulatory environment contains some elements which in Vital's view will not help to support the purpose of adapting regulations to new solvency requirements. Both Vital and the industry as a whole have given notice of the need for changes which should be implemented through the work done by the Banking Law Commissions on the regulatory environment.

Vital is well on the way to adapt the new solvency regulations (Solvency II) which will require better risk measurement, risk management and risk reporting. We have applied for entering into an advance dialogue with the Financial Supervisory Authority of Norway and attach great importance to ensuring compliance with and optimal adaptation to the new regulations.

As a consequence of changes in the National Insurance Scheme and an increased level of public awareness, pensions have been a focus of media attention recently. We expect this interest to continue and believe it will provide a sound basis for further growth.

3 May 2011

The Board of Directors of Vital Forsikring ASA

NGAAP: Norwegian Generally Accepted Accounting Principles

IFRS: International Financial Reporting Standards

# Income statement

## VITAL FORSIKRING GROUP

## VITAL FORSIKRING ASA

31.03.10	31.03.11	Amounts in NOK millions	31.03.11	31.03.10
6 666	6 893	Premiums due, gross	6 893	6 666
(68)	(80)	- Reinsurance premiums paid	(80)	(68)
2 269	3 044	Transfer of customer premium reserves from other insurance companies/pension schemes	3 044	2 269
<b>8 868</b>	<b>9 856</b>	<b>Premium income for own account</b>	<b>9 856</b>	<b>8 868</b>
0	683	Income from investments in subsidiaries, associated companies and joint ventures	683	498
1 538	1 811	Interest income and dividends, etc. on financial assets	1 811	1 677
422	0	Net operating income from property	0	1
371	(1 007)	Changes in value of investments	(1 007)	165
1 221	1 167	Realised profits and losses on investments	1 167	1 211
<b>3 552</b>	<b>2 655</b>	<b>Net income from investments in the common portfolio</b>	<b>2 655</b>	<b>3 552</b>
27	23	Interest income and dividends, etc. on financial assets	23	27
636	(49)	Changes in value of investments	(49)	636
50	26	Realised profits and losses on investments	26	50
<b>713</b>	<b>0</b>	<b>Net income from investments in investment choice portfolio</b>	<b>0</b>	<b>713</b>
<b>0</b>	<b>8</b>	<b>Other insurance-related income</b>	<b>8</b>	<b>0</b>
(3 329)	(3 543)	Claims paid	(3 543)	(3 329)
(3 344)	(3 543)	Gross	(3 543)	(3 344)
15	0	- Reinsurance share of claims paid	0	15
3	0	Change in reserves for claims	0	3
3	0	Gross	0	3
(1 248)	(725)	Transfer of customer premium reserves, additional statutory reserves and market value adjustment reserve to other insurance companies/pension schemes	(725)	(1 248)
<b>(4 574)</b>	<b>(4 268)</b>	<b>Claims for own account</b>	<b>(4 268)</b>	<b>(4 574)</b>
(5 193)	(6 336)	Change in premium reserve	(6 336)	(5 193)
(5 138)	(6 301)	To (from) premium reserve, gross	(6 301)	(5 138)
(55)	(35)	- Change in Reinsurance portion of premium reserve	(35)	(55)
10	35	Change in additional statutory reserves	35	10
(544)	550	Change in market value adjustment reserve	550	(544)
(34)	(27)	Change in premium fund, deposit reserve and pensioners' surplus fund	(27)	(34)
(201)	(245)	Change in technical reserves for property and casualty insurance business	(245)	(201)
(201)	(245)	To (from) technical reserves for property and casualty insurance business	(245)	(201)
59	38	Transfer of additional statutory reserves and market value adjustment reserve from other insurance companies/pension schemes	38	59
<b>(5 904)</b>	<b>(5 985)</b>	<b>Changes in insurance liabilities through income statement – Contractually established obligations</b>	<b>(5 985)</b>	<b>(5 904)</b>
(5)	(397)	Change in premium reserve	(397)	(5)
(944)	0	Change in premium fund, deposit reserve and pensioners' surplus fund	0	(944)
0	(1)	Change in other reserves	(1)	0
<b>(949)</b>	<b>(399)</b>	<b>Changes in insurance liabilities through income statement – special investment choice</b>	<b>(399)</b>	<b>(949)</b>
(944)	(1 009)	Surplus from return result	(1 009)	(944)
(45)	(19)	Risk result assigned insurance contracts	(19)	(45)
(24)	(227)	Other assignment of profit	(227)	(24)
<b>(1 013)</b>	<b>(1 255)</b>	<b>Funds assigned insurance contracts – contractually established obligations</b>	<b>(1 255)</b>	<b>(1 013)</b>
(452)	(461)	Insurance-related operating costs	(461)	(452)
(7)	182	Other insurance-related costs	182	(7)
<b>234</b>	<b>334</b>	<b>Result from technical account</b>	<b>334</b>	<b>234</b>

# Income statement continued

VITAL FORSIKRING GROUP

VITAL FORSIKRING ASA

31.03.10	31.03.11	Amounts in NOK millions	31.03.11	31.03.10
		<b>NON-TECHNICAL ACCOUNT</b>		
0	6	Income from investments in subsidiaries, associated companies and joint ventures	7	2
79	88	Interest income and dividends, etc. on financial assets	88	79
146	140	Changes in value of investments	140	146
(113)	52	Realised profits and losses on investments	52	(113)
<b>112</b>	<b>285</b>	<b>Net income from investments in company portfolio</b>	<b>286</b>	<b>114</b>
11	28	Other income	18	0
(41)	(51)	Management costs and other costs associated with company portfolio	(41)	(31)
<b>83</b>	<b>262</b>	<b>Result from non-technical account</b>	<b>262</b>	<b>83</b>
<b>317</b>	<b>596</b>	<b>Profit before taxes</b>	<b>596</b>	<b>317</b>
22	244	Tax cost	244	22
<b>339</b>	<b>840</b>	<b>Result before other profit components</b>	<b>840</b>	<b>339</b>
0	0	Other profit components	0	0
<b>339</b>	<b>840</b>	<b>TOTAL RESULT</b>	<b>840</b>	<b>339</b>
		<b>Notes:</b>		
0	0	Use of additional allocations	0	0
0	0	Tax effect of use of additional allocations	0	0
<b>339</b>	<b>840</b>	<b>Result</b>	<b>840</b>	<b>339</b>

# Balance sheet

VITAL FORSIKRING GROUP

VITAL FORSIKRING ASA

31.03.10	31.03.11	Amounts in NOK millions	31.03.11	31.03.10
<b>ASSETS IN COMPANY PORTFOLIO</b>				
289	253	Intangible assets	253	289
<u>Subsidiaries, associated companies and joint ventures</u>				
7	3	Shares and other equity investments in subsidiaries, associated companies and joint ventures	82	70
<u>Financial assets measured at fair value</u>				
13 480	2 808	Shares and other equity investments (incl. shares and other equity investments measured at cost)	2 808	13 480
3	12 066	Bonds and other fixed-income securities	12 066	3
6	16	Loans and receivables	16	6
29	25	Financial derivatives	25	29
9	71	Other financial assets	71	9
<b>13 534</b>	<b>14 989</b>	<b>Investments in company portfolio</b>	<b>15 068</b>	<b>13 596</b>
388	544	Receivables	493	339
1 211	1 188	Other assets	1 049	1 095
59	25	Pre-paid expenses and earned, non-received income	25	59
<b>15 481</b>	<b>16 999</b>	<b>Total assets in company portfolio</b>	<b>16 889</b>	<b>15 378</b>
<b>Assets in customer portfolios</b>				
<u>Buildings and other real estate</u>				
33 000	36 034	Investment properties	60	97
<u>Subsidiaries, associated companies and joint ventures</u>				
14	20	Shares and other equity investments in subsidiaries, associated companies and joint ventures	35 858	16 130
0	100	Receivables and securities issued by subsidiaries associated companies and joint ventures	1 962	17 872
<u>Financial assets measured at amortised cost</u>				
67 622	69 708	Hold to maturity investments	69 708	67 622
<u>Financial assets measured at fair value</u>				
36 610	41 225	Shares and other equity investments (incl. shares and other equity investments measured at cost)	41 225	36 610
53 891	58 437	Bonds and other fixed-income securities	58 437	53 891
5 817	3 335	Loans and receivables	3 335	5 817
1 850	1 918	Financial derivatives	1 918	1 850
4 416	4 273	Other financial assets	3 147	3 940
<b>203 219</b>	<b>215 050</b>	<b>Investments in common portfolio</b>	<b>215 651</b>	<b>203 828</b>
<u>Financial assets measured at fair value</u>				
18 812	14 119	Shares and other equity investments (incl. shares and other equity investments measured at cost)	14 119	18 812
0	7 738	Bonds and other fixed-income securities	7 738	0
2 381	2 018	Loans and receivables	2 018	2 381
<b>21 193</b>	<b>23 875</b>	<b>Investments in investment choice portfolio</b>	<b>23 875</b>	<b>21 193</b>
<b>224 412</b>	<b>238 926</b>	<b>Total assets in customer portfolios</b>	<b>239 526</b>	<b>225 020</b>
<b>239 893</b>	<b>255 924</b>	<b>Total assets</b>	<b>256 415</b>	<b>240 399</b>

# Balance sheet continued

VITAL FORSIKRING GROUP			VITAL FORSIKRING ASA	
31.03.10	31.03.11	Amounts in NOK millions	31.03.11	31.03.10
<b>EQUITY AND LIABILITIES</b>				
<u>Share capital subscribed</u>				
1 321	1 321	Share capital/primary capital certificates/guarantee fund	1 321	1 321
1 175	1 175	Share premium	1 175	1 175
<b>2 496</b>	<b>2 496</b>	<b>Total paid in equity</b>	<b>2 496</b>	<b>2 496</b>
137	414	Fund for unrealised profits	414	137
407	661	Risk equalisation fund	661	407
28	40	Administration reserve	40	28
7 289	9 642	Other accrued earnings	9 642	7 289
<b>7 861</b>	<b>10 758</b>	<b>Total accrued earnings</b>	<b>10 758</b>	<b>7 861</b>
<b>2 508</b>	<b>2 476</b>	<b>Subordinated loan capital, etc.</b>	<b>2 476</b>	<b>2 508</b>
<b>Insurance liabilities in life insurance – contractually established obligations</b>				
186 723	198 107	Premium reserve	198 107	186 723
5 423	5 574	Additional statutory reserves	5 574	5 423
1 851	2 041	Market value adjustment reserve	2 041	1 851
1 681	1 849	Claims reserves	1 849	1 681
4 644	4 765	Premium fund, deposit reserve and pensioners' surplus fund	4 765	4 644
377	447	Other technical reserves for property and casualty insurance business	447	377
<b>200 698</b>	<b>212 783</b>	<b>Total insurance liabilities in life insurance – Contractually established obligations</b>	<b>212 783</b>	<b>200 698</b>
<b>Insurance liabilities in life insurance – special investment choice portfolio</b>				
19 565	22 040	Premium reserve	22 040	19 565
2	2	Supplementary provisions	2	2
1 626	1 833	Premium fund, deposit reserve and pensioners' surplus fund	1 833	1 626
<b>21 193</b>	<b>23 875</b>	<b>Total insurance liabilities in life insurance - Special investment choice portfolio</b>	<b>23 875</b>	<b>21 193</b>
858	7	Reserves for liabilities	(56)	791
3 394	3 276	Liabilities	2 739	3 161
		Liabilities to subsidiaries and associated companies	1 090	806
886	254	Accrued expenses and received, non-earned income	254	886
<b>239 893</b>	<b>255 924</b>	<b>Total equity and liabilities</b>	<b>256 415</b>	<b>240 399</b>
<b>Key figures</b>				
		Return on capital in the common portfolio	1.5%	1.5%
		Value-adjusted return from the common portfolio	1.3%	1.7%
		Capital ratio	10.3%	10.6%

For the Group, the eligible primary capital was NOK 12 324 million, risk-weighted volume NOK 118 461 million and the capital adequacy was 10.4 per cent.

# Notes to the accounts

## ACCOUNTING PRINCIPLES

The interim accounts for Vital Forsikring ASA include subsidiaries and associated companies entered in accordance with the equity method. The first quarter accounts have been prepared according to IAS 34 Interim Financial Reporting, unless the regulations on the annual accounts of insurance companies provide otherwise (Annual Accounts Regulations). The interim accounts do not contain all the information that would be included in annual accounts presented in accordance with all relevant IFRS standards.

The annual report for Vital Forsikring ASA for 2010 can be obtained on application to Vital Forsikring ASA, Folke Bernadottesvei 40, Fyllingsdalen, Bergen or at [www.vital.no](http://www.vital.no). A description of the accounting principles used in the interim accounts can be found in the accounting principles note in the annual report for 2010.

In preparing the interim accounts estimates and assumptions have been used that affect assets, liabilities, income, costs, note information and information on potential obligations. Actual figures may differ from estimates used.

## CHANGES IN EQUITY

Amounts in NOK millions

	Paid-in capital	Retained earnings	Total equity
<b>Balance at 31 December 2009</b>	<b>2 496</b>	<b>7 522</b>	<b>10 018</b>
Result for the year		2 396	2 396
<b>Balance at 31 December 2010</b>	<b>2 496</b>	<b>9 918</b>	<b>12 413</b>
Result for the period		840	840
<b>Balance at 31 March 2011</b>	<b>2 496</b>	<b>10 758</b>	<b>13 254</b>

## CASH FLOW ANALYSIS

Amounts in NOK millions

	1st Quarter 2011	1st Quarter 2010
<b>Cash flow from operational activities</b>		
Net receipts from premiums/premium fund	4 920	5 729
Net receipts/payments from transfers	2 418	1 024
Net receipts from investments	2 617	2 690
Payment from life insurance with investment choice	55	147
Other insurance-related receipts	(355)	(440)
Compensation payments	(3 314)	(3 113)
<b>A=Net cash flow from operational activities</b>	<b>6 342</b>	<b>6 037</b>
<b>Cash flow from investments made</b>		
Net investment in shares and other equity investments	(1 152)	(4 779)
Net investment in bonds and loans	(5 955)	(196)
Net investment in investment contracts	(421)	(391)
Net investment in other financial assets	323	(744)
Net investment in tangible fixed assets and in intangible assets	(18)	(26)
<b>B=Net cash flow from investments made</b>	<b>(7 223)</b>	<b>(6 135)</b>
<b>Cash flow from financing activities</b>		
Paid dividend/group contributions	(4)	(0)
Changes from other financing activities	357	275
<b>C=Net cash flow from financing activities</b>	<b>353</b>	<b>275</b>
Net liquidity change (A+B+C)	(528)	176
Liquidity holding as at 01 January	4 729	3 893
<b>Liquidity holding as at 31 Mars</b>	<b>4 201</b>	<b>4 069</b>

## Business address:

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 Norwegian Organisation Number: 914782007

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– a member of the DnB NOR Group