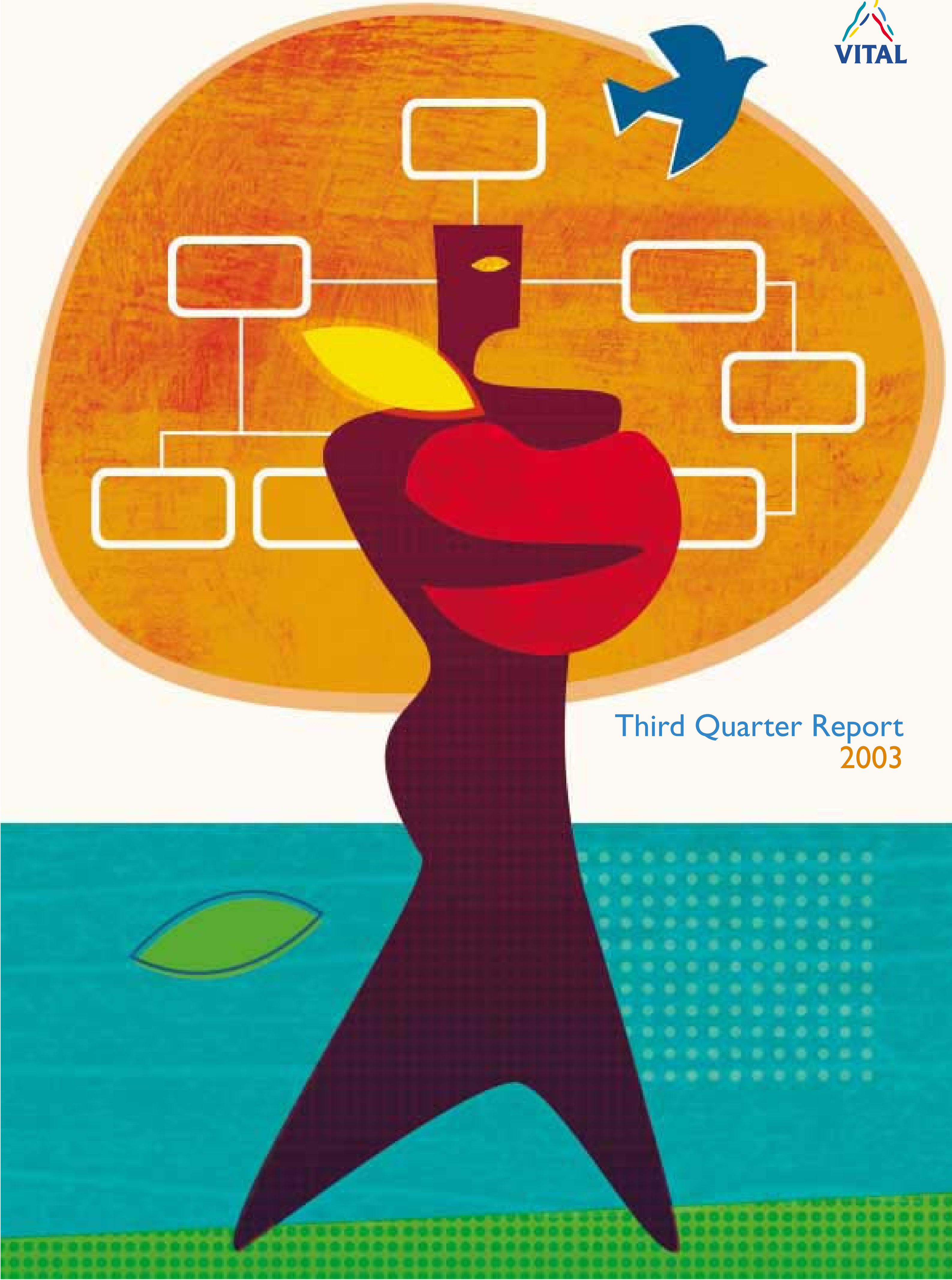
VITAL



Third Quarter Report 2003

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Vital Forsikring ASA and Vital Link AS, which together make up the life insurance business of the DnB group, recorded aggregate pre-tax profits of NOK 355 million in the first nine months of 2003. For Vital Forsikring ASA the value-adjusted return was 7 per cent, while the return on book values was 5.2 per cent. Including changes in the value of long-term securities the return was 8.1 per cent, and the calculated profit for allocation to the policyholders totalled NOK 878 million.

Overall value creation in excess of statutory allocations was NOK 3 255 million. The capital base has also been strengthened, rising by NOK 3 002 million since year-end to NOK 8 703 million at the end of September. The nine-month accounts for Vital Link brake even, before and after tax.

At 30 September 2003 Vital Forsikring and Vital Link had combined total assets of NOK 81 979 million, up 14 per cent from end September 2002.

The nine-month accounts show:

- A high rate of return
- A strengthening of the capital base
- Growth in total assets
- An increase in both single premium and annual premium income

In the following, corresponding figures for the first nine months of 2002 are shown in brackets.

Premium income

Before transfers from other companies, Vital Forsikring ASA and Fondsforsikringsselskapet Vital Link AS had combined premium income of NOK 5 720 million (5 377) in the first nine months of the year, an increase of NOK 343 million. Separately and before transfers from other companies, Vital Forsikring ASA had premium income of NOK 4 675 million (4 919), a reduction of 5 per cent.

The Vital companies recorded premium income of NOK 7 088 million (7 125) for the nine-month period, a reduction of 0.5 per cent. Vital Forsikring ASA had total premium income of NOK 5 481 million (6 323). Reserves received from other companies in the first nine months of the year came to NOK 1 012 million (1 534).

Premium income from group business, before transfers from other companies, amounted to NOK 3 401 million (3 664). The inflow of group pension premium reserves from other companies came to NOK 705 million (1 336), the reduction being due to fewer transfers of local authority pension schemes to Vital compared with the previous year. This development must also be seen in the light of matters which remain to be clarified in relation to legislative provisions and national wage agreements in the public sector. Nor do the figures reflect decisions made to transfer pension schemes to Vital, which are still to be posted in the accounts.

Premium income in the individual market, including Vital Link, was 39 per cent higher at NOK 2 478 million (1 784). Vital Link alone had premium income of NOK 1 607 million (802) in the first nine months of the year, the strong growth being attributable to good sales results and better distribution capability.

Other products in the individual market provided premium income of NOK 866 million (968). The reduction should be considered in the light of increased sales of unit linked products.

Premium income from group life and non-life products in the first nine months of the year totalled NOK 299 million (243) and NOK 203 million (112). The increase on the non-life side reflects Vital´s decision to drop reinsurance with effect from 2003.

Insurance payments

Insurance payments totalled NOK 4 150 million (3 164). The figures show an increase in payments to policyholders compared with the same period last year and an increase in transfers of reserves to pension funds.

Financial income

Vital Forsikring recorded net financial income of NOK 4 851 million (-664) in the accounts for the January through September period, reflecting the higher return provided by the share portfolio.

The value-adjusted return and the return on book values stood at 7 per cent (-0.9) and 5.2 per cent (-0.8), respectively. The bond portfolio showed an overall yield of 8.3 per cent, with Norwegian bonds providing 10.7 per cent and foreign bonds 6.4 per cent. Shareholdings gave a return of 18.9 per cent, with Norwegian and foreign equities showing a return of 25.5 per cent and 14.1 per cent, respectively. Returns of the real estate portfolio, hold to maturity bonds and money market investments stood at 5.6 (7.4), 4.9 (5.3) and 4.8 per cent (4.7), respectively. At the end of the third quarter, unrealised gains on the bonds held to maturity totalled NOK 1 339 million, but this is not posted in the accounts.

Costs

The comparative operating costs for life insurance activities - after allowing for changes in accounting principles, reorganisation costs and higher sales costs due to increased sales - show a rise of 1.3 per cent to NOK 620 million (612) compared with last year. Vital Forsikring's overall operating costs correspond to 0.67 per cent (0.73) of total assets.

Results

Before allocations, the accounts show a profit of NOK 1 232 million (-2 434), the change reflecting the low financial return in the first nine months of 2002. The profit credited to equity amounts to 35 per cent of the profit for allocation. The profit on ordinary operations has been provisionally calculated at NOK 355 million (-2 437) and the final allocation of profits between policyholders, equity and tax will be determined in connection with consideration of the annual accounts for 2003.

Other activities showed a loss of NOK 118 million (-36). The decline is partly due to an increase in the number of personal risk policies, greater costs related to reported claims than expected previously, and Vital's decision not to renew its reinsurance cover for occupational injuries. Vital has therefore established a large claims reserve for own account. The security reserve has also been strengthened.

Capital adequacy

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

At 30 September 2003 the capital ratio stood at 12.8 per cent, against 14.8 per cent at year-end. The change is mainly due to an increase in total assets and the purchase of two properties in Sweden for NOK 1.3 billion in the first quarter of 2003. By law, the capital ratio is required to be at least 8 per cent.

Solvency Capital

The Solvency Capital 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 be used to cover the guaranteed rate of return on policyholders' funds.

At 30 September 2003 the capital base amounted to NOK 8 703 million, while the year-end figure was NOK 5 701 million. The increase profit recorded in the first three quarters is caused by allocations to the securities adjustment reserve, and the increase in unrealised gains on bonds held to maturity. At the end of the period the solvency capital corresponded to 1.7 per cent of insurance allocations, against 8.9 per cent at year-end. At the same time, buffer capital – by which is meant equity in excess of the statutory minimum 8 per cent capital ratio and additional allocations – amounted to NOK 4 546 million, against NOK 2 429 million at year-end.

Other matters

One of the primary objectives of the Defined Contribution Pension Act in 2001 was to prepare the way for defined contribution pensions for companies which previously had no pension scheme for their employees. Experience to date shows that larger companies which already have a defined benefit based pension scheme are also switching to a contribution based pension scheme.

On 5 March 2003 the Banking Law Commission presented report no. 10: "Competition in the area of group life insurance". The government submitted a parliamentary bill to the Storting (the Norwegian Parliament) on 24 October, and the Board believes it is important that the bill is given a swift passage through the legislative process.

In a report dated 10 September 2003 the Banking, Insurance and Securities Commission submitted a number of recommendations aimed at promoting the safe and efficient management of pension fund assets for the benefit of policyholders and the members of pension schemes. The proposed measures include new kinds of contracts and forms of risk coverage, as well as more flexible regulations for additional allocations by broadening their scope of application and increasing the maximum level. The Board is positive to the Commission's initiative and hopes that the authorities will be quick to act on these proposals and on the report presented by the Banking Law Commission in June 2001.

Prospects

On 19 May 2003 the AGM of DnB Holding ASA adopted a resolution to apply for permission to merge with Gjensidige NOR ASA. In line with this resolution, the Board of Directors of Vital Forsikring will work towards the amalgamation of Vital Forsikring with Gjensidige NOR Spareforsikring. The merger of the two life insurance companies requires the approval of the authorities. As part of the merger process, we will be seeking to negotiate an agreement with Gjensidige NOR Forsikring concerning the sale of certain risk products with a duration of up to one year. These negotiations are ongoing.

Further growth is expected in the market for pension savings in the coming years, with a likely increase in the number of companies offering their employees occupational pension schemes and further increases in individual pension savings schemes. Vital is well prepared to meet the competition in the market and is set on strengthening its position in the period ahead. Our aim is to maintain growth and provide good results for both policyholders and the company's owner. Key elements in the process are the maintenance and development of cost-efficient and profitable business activities, strengthening of customer service, and a further focus on good customer relationships. By utilising the breadth of the DnB 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 investment management results above the average for the industry. 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 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.

Bergen, 27 October 2003
The Board of Directors of Vital Forsikring ASA

Accounts

VITAL FORSIKRING ASA – NOK mill.

PROFIT AND LOSS ACCOUNT	First three quarters 2003	2002	Year 2002
Premium income	5 481	6 323	7 366
Income from financial assets	9 689	8 370	10 265
Other insurance-related income	47	41	60
Insurance payments	(4 150)	(3 164)	(4 148)
Change in insurance reserves	(3 198)	(4 453)	(4 985)
Insurance-related operating costs	(493)	(463)	(662)
Costs related to financial assets *)	(4 838)	(9 035)	(9 523)
Other insurance-related costs	(81)	(56)	(77)
To/from securities adjustment reserve	(1 190)	53	53
Other costs	(34)	(50)	(66)
From additional allocations to cover interest deficit	0	0	1 650
Profit / (loss) before allocation	**1 232**	**(2 434)**	**(67)**
Profits allocated to policyholde	(878)	(3)	(1)
Profit / (loss) from ordinary activity	**354**	**(2 437)**	**(68)**
Tax cost	(46)	71	88
Profit / (loss) after tax	**309**	**(2 366)**	**20**
*) Of which financial management operating costs	(44)	(37)	(51)

BALANCE SHEET	30 Sept. 2003	30 Sept. 2002	31 Dec. 2002
Intangible assets	71		70
Financial assets **)	71 475	61 476	64 070
Accounts receivable	1 295	4 169	2 655
Other assets	1 169	1 200	1 403
Prepaid costs and accrued income	1 466	1 248	1 245
Total assets	**75 476**	**68 093**	**69 443**
Paid up equity	674	674	674
Retained profit	2 649	(45)	2 340
Subordinated loan capital	1 152	1 423	1 349
Securities adjustment reserve	1 190	0	0
Insurance reserve	66 380	65 243	64 140
Undistributed profit for policyholders	878	3	-
Provisions for commitments	0	251	0
Liabilities	2 303	356	806
Accrued costs and prepaid income	250	188	134
Total liabilities and equity	**75 476**	**68 093**	**69 443**
Unrealised capital gains	1 339	(33)	506
**) Of which			
Shareholdings and investments	9 064	7 323	7 399
Short-term bonds	28 208	31 682	31 643
Bonds held to maturity	25 081	14 753	17 087
Lendings	16	18	18
Real estate	9 105	7 699	7 735
Other financial assets	1	1	188
Financial assets	71 475	61 476	64 070

Key ratios

	First three quarters 2003	2002	Year 2002
Return on total assets	5.2%	-0.8%	1.2%
Value-adjusted return excl. changes in value of long-term securities	7,0%	-0.9%	1.2%
Value-adjusted return incl. changes in value of long-term securities	8.1%	-1,1%	1.8%
Capital ratio	12.8%	15.3%	14.8%

Vital | Forsikring

– a company in the DnB Group

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