Report for the first six months of 2006

”When I whisper that we´re both broke, she whinnies!”

Nornunn Hoof, Horse Breaker

Report for the first six months of 2006

The first six months of 2006 have been good for Vital Forsikring ASA and Vital Link AS (Vital), which comprise the life insurance and pension business area in DnB NOR. The company has further reinforced its position as Norway's largest pension savings and life insurance company. Volatile stock and interest markets characterise performance in the first half of 2006. The profit before distribution was NOK 3 611 million, of which NOK 2 862 million is the calculated allocation to the policyholders, while the profit before tax is NOK 749 million.
The total assets as of 30 June 2006, including Vital Link, were NOK 210.7 billion, a growth of 4.5 per cent since the end of 2005.
The accounting figures for the first six months exhibit:
• High premium income - good growth in private pension schemes
• Growth in total assets
• Good recorded returns
• Stronger position in the market
- particularly in the field of defined-contribution pensions
Comparable figures for the first half of 2005 are noted in parentheses in the following text:

Premium income
The premium income of Vital Forsikring ASA and the unit-linked company Vital Link AS stood at NOK 14.4 billion for the first six months (11.9). This is a growth of 21 per cent compared with the same period last year.
The premium income of Vital Forsikring ASA was NOK 12.0 billion (10.8), an increase of 11.9 per cent. For group pension schemes, premium income amounted to NOK 7.5 billion (7.0), a growth of 6.3 per cent. Total received premium reserves for group pension schemes from other insurers amounted to NOK 1.1 billion (1.9).
At the end of the first six months, 1 942 companies had signed up for defined-contribution pension schemes in Vital (1 432), an increase of 21 per cent since the end of 2005. The total number of members covered under these defined contribution schemes was approximately 72 000 (approx. 43 000), or an increase of 54 per cent since the end of 2005. Customer funds accounted for NOK 1 538 million (779), an increase of 49 per cent.
In the individual market, premium income for Vital Forsikring and Vital Link reached NOK 6.7 billion (4.7), a growth of 42 per cent compared with the same period in 2005. Of this total premium income, Vital Link is responsible for NOK 2.1 billion (1.0), a growth of 115 per cent, while premium income attributed to Vital Forsikring was NOK 4.6 billion (3.8), representing a growth of 22 per cent. Low interest rates spurred demand for products with a guaranteed rate of return. The strong growth in sales of unit-linked products indicates a renewed interest in personal retirement savings which allow the customer to make choices with respect to investment profile.
Overall, Vital Forsikring and Vital Link had net transfers in the first six months of negative NOK 0.8 billion (positive 1.5). Several large conversions from life insurance schemes to pension fund schemes contributed to negative net transfers first half year.

Insurance payments
Insurance payments totalled NOK 8.1 billion (5.7). There has been an increase in both payments to policyholders and transfer of reserves to other insurance companies, compared with the same period last year.

Financial income
The value-adjusted financial profit in Vital Forsikring was NOK 4.9 billion (5.5). Excess returns were achieved in all asset categories, with the exception of international bonds where performance was in line with market developments. Higher interest rates in the first six months of 2006 yielded a long-term positive effect in the value estimation of Vital's customer commitments. Recorded return on capital for the first six months was 3.8 per cent (3.1). Value-adjusted return, excluding changes in value in the portfolio of long-term securities, was 2.6 per cent (3.3).
If changes in value in the long-term securities portfolio are included, the return was 1.4 per cent (3.4). Higher interest rates resulted in Vital's return on short-term bonds ending at negative 1.0 per cent at the end of the year's first six months. The return is divided between negative 0.4 per cent on Norwegian bonds and negative 2.3 per cent on foreign bonds. The return on Norwegian stocks was 15.5 per cent, while foreign stocks increased by 2.3 per cent in the first half of the year. Real estate and the hold-to-maturity portfolio generated returns of 6.4 and 2.7 per cent respectively. Following an external appraisal, an overall value adjustment of 3.3 per cent was made in the real estate portfolio.
In the first half of 2006, the securities adjustment reserve was reduced by NOK 2.2 billion to NOK 3.3 billion as a result of book returns and higher domestic and international interest rates. Vital's strategy is to allocate satisfactory results to policyholders and owners, even in periods of somewhat weaker value-adjusted return. Therefore, the size of the securities adjustment reserve may fluctuate from time to time.

Costs
The operating expenses in Vital Forsikring, including financial management, were NOK 743 million, which represents an increase of 7.5 per cent compared with the same period last year. This increase is primarily due to commissions from increased sales, and higher costs in connection with sale and marketing of compulsory occupational pension schemes.

Profit
The profit for allocation in Vital Forsikring ASA was NOK 3 625 million (2 119). This stronger profit is the result of higher returns on financial items and growth in total assets. The profit before tax is NOK 763 million (583). The profit after tax is NOK 753 million. Final allocation of profit among policyholders, equity and tax will be determined in connection with preparation of the annual accounts for 2006.
The risk result was negative NOK 96 million (positive 7) and the administration result was negative NOK 44 million (negative 67).

Capital adequacy ratio
The capital adequacy ratio expresses the company's primary capital as a percentage of the risk-weighted volume. As of 30 June 2006, capital adequacy was 10.5 per cent (12.8). The minimum required capital adequacy ratio is 8 per cent.

Solvency capital
Solvency capital, which protects the policyholders' premium reserves, may be composed of interim profits, the securities adjustment reserve, added value in long-term securities, additional allocations, equity, subordinated loans and security reserves. With the exception of parts of the security reserves, the solvency capital can be used to fulfil the guaranteed return on the insurance funds.
The solvency capital was NOK 21.6 billion at 30 June 2006, compared with NOK 22.4 billion at 31 December 2005. A reduced securities adjustment reserve and a decline in the appreciation of the long-term securities portfolio contributed to the weaker solvency capital, while the profit for the first half of the year made a positive contribution. As of 30 June 2006, the solvency capital amounted to 12.4 per cent of the insurance provisions (excluding additional allocations and security reserves), compared with 13.6 per cent at the end of 2005.
Buffer capital, i.e. equity in excess of the statutory minimum, additional allocations, the securities adjustment reserve and unallocated profit, amounted to NOK 12.4 billion as of 30 June 2006, compared with NOK 11.6 billion at year-end 2005.

Other matters
Figures published by the Norwegian Financial Services Association show that Vital has captured market shares in the group and individual pension savings market in the first quarter of 2006. It is particularly gratifying to note the increase in defined-contribution pension schemes from 33.1 per cent at 31 December 2005 to 36.6 per cent at the end of the first quarter of 2006. The market share in the individual market grew from 51.0 per cent to 51.3 percent in the first quarter. The market share for total customer funds increased from 35.2 per cent to 35.6 per cent.
In the first six months of 2006, Vital entered into agreements for compulsory occupational pension schemes with a number of customers. As of 30 June, Vital had signed approximately 5 500 agreements on compulsory occupational pension schemes, covering about 75 000 members and with annual contributions of approx. NOK 350 million. In addition come framework agreements covering 50 000 employees. Although pensionable earnings are in effect from 1 July 2006, many companies have still not signed agreements with a pension provider. The final deadline for establishing compulsory occupational pension agreements is 31 December 2006.
The new (Norwegian) Insurance Act entered into force on 1 July 2006. The Insurance act contains new business rules for group and individual life insurance, as well as new rules for pension providers. The new regulations provide a clearer distinction between capital belonging to the company and to the policyholder, more distinct distribution of risk between the company and the customer, as well as simplified pricing of the various life insurance products. Life insurance companies and pension funds are subject to the new regulations as of 1 January 2008. The board of directors takes a positive view of the opportunities provided under the new regulations, however, the regulations require comprehensive changes in products, systems and expertise. It will be a challenging task for the sector to adapt to the new regulations by 1 January 2008.
The new regulations allow for mergers of unit-linked insurance companies and ordinary life insurance companies. The intention is to merge Vital Forsikring and Vital Link during the course of this year.
On 16 June, the Storting (Norwegian Parliament) approved a bill that eliminates the tax advantages of private savings for retirement through the IPA system (Individual Pension Agreement), effective 12 May 2006. The Government has also announced that it will propose removal of the tax advantages of savings in annuity products from 2007. A proposal will be submitted for re-examination of this issue in connection with the 2007 national budget. Some political parties also want to raise the issue in connection with negotiations on implementation of the pension reform. Elimination of these tax advantages will require new products with different qualities. Vital has already increased its product development efforts in this market.
Vital has initiated a study to evaluate the market opportunities in areas where DnB NORD does business (Lithuania, Latvia, Estonia, Poland, Denmark and Finland). The most interesting opportunities appear to lie in parts of the Baltic.
The integration process has proceeded as planned for the first half of 2006. During the 2004-2007 integration period, synergies with an annual effect of NOK 200 million will be realised, and the total number of full-time positions will be reduced by 150. Realisation of synergies and the reduction in full-time positions will be carried out according to the stipulated plan.

Outlook
Vital expects continued growth in the pension savings market in the years to come, both through compulsory occupational pension schemes and an increase in individual savings for retirement. Vital Forsikring's objective is to achieve competitive returns over time, and be in a position to take the necessary risks. The company's buffer capital is considered to be sufficient to withstand fluctuations in the financial markets. Higher interest rates in the first half of 2006 will have a long-term positive impact on Vital's customer commitments. Nevertheless, Vital has positioned itself for a market with relatively low interest rates in the years to come. More than 40 per cent of the assets are placed in long-term bonds and real estate, which yield good, secure returns over time.

Vital aims to continue its growth and deliver good profits to both customers and owners. Key tools for achieving this objective are to continue and further develop cost-effective operations, as well as strengthen customer service and customer relations. Vital is a sought-after employer and places great emphasis on attracting and retaining capable employees. By utilizing the full breadth of DnB NOR's distribution system, Vital can reach all customer groups.

Vital is well-prepared to meet the competition in the market. The company has a strong ambition to further develop its position as the largest company in the life and pension insurance market in Norway.

Bergen, 2 August 2006
The Board of Vital Forsikring ASA

Accounts

Vital Forsikring ASA

(MNOK)		2 Q	Year
PROFIT AND LOSS ACCOUNT	2006	2005	2005
Premium income	12 050	10 768	22 057
Income from financial assets	11 268	7 311	17 407
Other insurance-related income	0	27	0
Insurance payments	(7 147)	(4 815)	(10 100)
Change in insurance-related allocations	(7 548)	(8 243)	(17 875)
Insurance-related operating expenses	(631)	(608)	(1 235)
Expenses related to financial assets	(6 441)	(1 815)	(3 519)
Other insurance-related expenses	(38)	(26)	(486)
To/from securities adjustment reserve	2 175	(428)	(1 966)
Other expenses	(64)	(51)	(104)
Profit before allocations	**3 625**	**2 119**	**4 180**
Allocations to policyholders	(2 862)	(1 536)	(3 008)
Profit from ordinary activity	**763**	**583**	**1 172**
Tax cost	0	17	400
Profit after tax	**763**	**600**	**1 572**

BALANCE SHEET	At 30 06 06	At 30 06 05	At 31 12 05
Intangible assets	281	195	236
Financial assets *)	189 041	167 724	181 340
Accounts receivable	2 244	2 699	1 161
Other assets	1 543	1 875	2 494
Prepaid expenses and accrued income	2 199	2 044	2 737
Total assets	**195 307**	**174 537**	**187 968**
Paid-up equity	2 343	2 343	2 343
Retained earnings	5 575	5 412	4 812
Trust preferred stock	225	225	225
Subordinated loan capital	2 237	2 257	2 274
Securities adjustment reserve	3 328	3 966	5 503
Insurance-related allocations	178 873	158 541	169 166
Provisions for commitments	869	633	869
Liabilities	1 299	718	2 461
Accrued expenses and prepaid income	559	442	315
Total liabilities and equity	**195 307**	**174 537**	**187 968**
Added value long-term bonds	1 139	4 183	3 268
*) Hereof			
Shares and units	40 505	27 335	32 638
Short-term bonds and certificates	64 635	70 359	74 220
Long-term bonds	59 692	50 515	51 246
Lending	339	349	364
Real estate	23 869	19 167	22 872
Financial assets	189 041	167 724	181 340

Key figures

		2Q	Year
	2006	2005	2005
Return on capital	3.8%	3.1%	7.3%
Value-adjusted return, excl. change in value of long-term securities portfolio	2.6%	3.3%	8.3%
Capital adequacy	10.5%	12.8%	11.7%

Accounts

Vital - Life and pensionw

(MNOK) **PROFIT AND LOSS ACCOUNT**	2006	Q 2005	Year 2005
Premium income	14 422	11 918	24 856
Income from financial assets	11 275	7 318	17 423
Income from life insurance assets with choice of investment profile	338	898	2 521
Other insurance-related income	1	28	1
Insurance payments	(8 118)	(5 666)	(11 764)
Change in insurance-related allocations	(9 067)	(9 303)	(21 246)
Insurance-related operating expenses	(846)	(738)	(1 516)
Expenses related to financial assets	(6 451)	(1 826)	(3 535)
Expenses related to life insurance assets w/ choice of investment profile	(14)	(5)	(11)
Other insurance-related expenses	(38)	(26)	(487)
To/from securities adjustment reserve	2 175	(428)	(1 966)
Other expenses	(64)	(51)	(104)
Profit before allocations	**3 611**	**2 117**	**4 174**
Allocations to policyholders	(2 862)	(1 536)	(3 008)
Profit from ordinary activity	**749**	**581**	**1 166**
Tax cost	4	18	452
Profit after tax	**753**	**599**	**1 618**

BALANCE SHEET	At 30 06 06	At 30 06 06	At 30 06 06
Intangible assets	379	243	333
Financial assets	189 109	167 874	181 437
Assets in life insurance with choice of investment profile	14 800	10 766	13 136
Accounts receivable	2 439	2 874	1 293
Other assets	1 746	2 078	2 695
Prepaid expenses and accrued income	2 238	2 072	2 767
Total assets	**210 711**	**185 906**	**201 661**
Paid-up equity	2 496	2 466	2 466
Retained earnings	5 665	5 466	4 913
Trust preferred stock	225	225	225
Subordinated loan capital	2 332	2 352	2 369
Securities adjustment reserve	3 328	3 966	5 503
Insurance-related allocations	178 880	158 547	169 172
Allocations to life insurance with choice of investment profile	14 800	10 766	13 136
Provisions for commitments	869	634	870
Liabilities	1 557	1 043	2 693
Accrued expenses and prepaid income	559	442	315
Total liabilities and equity	**210 711**	**185 906**	**201 661**

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– a company in the DnB NOR Group